LEAD
KREA UNIVERSITY

# Eligible, but Excluded?

## How Women Entrepreneurs Navigate Formal Credit Systems

Report

**September 2025**

# Table of Contents

# Executive Summary

Despite owning 20% of India's 63 million MSMEs, women entrepreneurs account for only 7% of formal MSME credit outstanding (Press Information Bureau, 2023)—a stark mismatch that highlights deep institutional barriers beyond policy design.[1] This disparity in credit access has prompted growing interest in understanding not only the structural barriers but also how the credit-seeking process unfolds, especially for women. Previous studies have pointed to factors such as lower financial literacy, limited networks, and informal gatekeeping as deterrents for women borrowers (International Finance Corporation, 2024).[2] Recent studies also emphasise the importance of mapping frictions across various stages of the credit-seeking process. While the gender gap in access to credit is well-documented, existing research largely focuses on outcomes (e.g., approval rates, credit shortfalls), but does not provide deeper insights into the process. Against this backdrop, LEAD conducted an exploratory audit study to gather deeper insights into the experiences of women and men entrepreneurs navigating formal credit systems.

This report presents findings from in-depth interviews conducted with 57 micro-entrepreneurs (33 women, 24 men) across seven districts in Tamil Nadu. The study documented 106 bank visits to capture loan-seeking attempts by entrepreneurs. The methodology draws on the well-established audit or "mystery shopper" approach used to identify gaps in service delivery. Although this is not a statistically representative sample, the patterns that emerge offer valuable insights into how the user journey of women entrepreneurs differs from that of their male counterparts.

### Doors Half Open

**Women's credit-seeking journeys were often longer, less conclusive, and marked by more procedural uncertainty than those of their male counterparts.** Women made more visits on average (2 vs. 1.6) and had longer waiting times (20.6 vs. 10.7 minutes). Despite slightly longer wait times and meeting durations, women received less actionable guidance and fewer clear next steps. Notably, 60% of women's visits resulted in deferrals to "come back later," which is more than double the rate for men (40%). Most critically, two-thirds of women reported that their applications were stalled, neither progressed nor received formal closure, compared to less than half of men (11 out of 24). Only one woman received a sanctioned loan, and in several cases, loan offers made to women were for smaller amounts than requested.

The barriers were not due to weaker business profiles—33% of women requested loans above ₹5 lakhs, and many operated thriving enterprises with annual turnovers between ₹2-5 lakhs. Instead, the evidence points to informal gatekeeping practices, where women faced vague rejections based on non-financial grounds such as business type, family loan history, or assumptions about group affiliations.

The findings suggest that the gender gap in MSME credit also stems from how applications are received, processed, and evaluated and factors such as ambiguous processes and high degree of discretion involved in the loan application and disbursement process.

The study recommends moving beyond product-level interventions to address process-level barriers. Key recommendations include standardizing communication protocols, mandating gender-sensitive training for bank staff, tracking process metrics by gender, and strengthening credit guarantee mechanisms. For regulators, the study suggests incentivizing gender-responsive practices and incorporating gender-lens indicators in financial institution performance assessments.

Ultimately, the goal is to create a financial ecosystem where women entrepreneurs can expect the same responsiveness, respect, and reliability that their male counterparts often receive by default. Inclusion begins not with eligibility, but with equitable engagement—transforming doors that are half open into pathways that are fully accessible.

# Acknowledgement

This research study was undertaken by LEAD at Krea University as part of its Udyogini initiative, which seeks to generate data and evidence on solutions to advance women's entrepreneurship in India.

We extend our sincere gratitude to all the experts who provided their invaluable support and guidance throughout this study.

We gratefully acknowledge the invaluable contributions of our partner NGOs. We especially thank National Agro Foundation (NAF), our lead partner, for their extensive support in community engagement and fieldwork, which was instrumental in the successful execution of this research study. We also extend our sincere thanks to Bharatiya Yuva Shakthi Trust (BYST) for their valuable referrals that enriched the sample and strengthened the study.

We would like to thank Kothandam D and Arul Raj from LEAD for their support in conducting the fieldwork. Finally, the research team is deeply grateful to the participants for their valuable time and participation in this project.

Copyright 2025, LEAD at Krea University (IFMR)

**Technical Leads**
Sharon Buteau, Preethi Rao

**Authors**
John Arun, Vinay Garg

**Research Team**
Saradha Krishnamoorthy, Shivani Vaidyanathan

**Editorial Support**
Diksha Singh, Keerthana Ramaswamy

**Report Design**
Sakthivel Arumugam

**Photo Credits**
Unsplash

# How to Read This Report

- This report is **not a statistical survey**—it is based on in-depth fieldwork with 57 entrepreneurs and focuses on the **quality and texture** of their experience.
- This research is based on 57 entrepreneurs in Tamil Nadu and should be interpreted as an exploratory study that identifies patterns requiring further investigation across different geographies and larger samples.
- It follows a **narrative-forward approach,** using case examples, direct quotes, and thematic analysis instead of relying only on quantitative charts.
- The report starts with the broader context, moves into the audit study's methodology, and then **maps the credit journeys** of the entrepreneurs involved.
- Readers are encouraged to treat the case stories not just as isolated events, but as **windows into systemic patterns** that can guide practical solutions.
- Ultimately, the goal is to use these lived experiences to **spark dialogue and reform** and ensure that women navigating the loan process face fewer invisible hurdles.

# 01. Background

*"I asked him, 'I am asking for a business loan as an individual, and why do you say that I cannot take it? It has nothing to do with my group loan.' But he objected, 'Am I telling you this in English? Don't you understand? I can't do all that, do follow what I say.' Then he asked me to repay my existing loan first."*

*— Female entrepreneur*
*Tamil Nadu*

This experience reflects a troubling yet familiar pattern faced by many women entrepreneurs navigating India's formal credit system. For this entrepreneur, barriers began well before the loan application stage—from a lack of information on suitable loan options and how to apply for them, to discouragement received during her initial visits to the bank, and ultimately, to outright refusal cloaked in dismissive language and gendered assumptions. It underscores that bias is not always a visible "no"; sometimes, it's a quiet erosion of access and dignity through repeated interactions. This, when compounded by cultural norms and limited access to information, creates a complex web of barriers that women entrepreneurs must navigate, often alone.

Global studies such as the *Global Entrepreneurship Monitor (GEM Consortium (2023)) and World Bank Gender and Development Report (2025)* consistently find that women entrepreneurs face early-stage drop-offs in the loan application process due to lower trust from financial actors, less access to social and business networks, and higher scepticism about their creditworthiness.[3,4] In India, the *Women's Entrepreneurship in India (NITI Aayog, 2021)* report echoes these findings—emphasising how informal gatekeeping, gender norms, and information asymmetry impede progress well before business formalisation.[5]

India has made significant progress in financial inclusion at the foundational level. In recent years, the gender gap in bank account ownership has nearly closed, with women now holding millions of accounts and contributing approximately 20% of total deposit volumes (Chavan, 2023).[6] However, when it comes to access to credit, the situation looks very different. Despite owning around 20% of India's 63 million MSMEs, women entrepreneurs account for only about 7% of the formal MSME credit outstanding (Press Information Bureau, 2023).[7] This mismatch suggests a potential imbalance: women-led businesses contribute to the economy but remain largely excluded from institutional finance. Most women-owned businesses are micro-enterprises, and roughly 70% of their credit demand is either unmet or underserved. A recent 2022 report by the International Finance Corporation (IFC) indicates that nearly 90% of female entrepreneurs have never accessed formal credit, instead relying on personal savings, informal lenders, or family support (International Finance Corporation, 2022).[8]

This phenomenon is part of a wider trend. Globally, women-led businesses face an estimated $1.7 trillion credit gap (World Economic Forum, 2023).[9] The causes are often structural—lack of collateral, gender norms, discriminatory lending practices, and in many countries (including India), the expectation of a male co-applicant, even when women meet all the business criteria.

This exclusion carries a cost for the economy. According to a McKinsey Global Institute estimate, advancing gender equality in India—including equal access to entrepreneurship and financial services—could add up to $770 billion to the country's GDP by 2025 (McKinsey Global Institute, 2018).[10] In response to these gaps, there has been a strong impetus for tailored schemes and interventions for women entrepreneurs in recent times. The Government of India has introduced schemes like Mudra loans and Stand-Up India, which require bank branches to support women and SC/ST-led enterprises. Moreover, while there has been a growth in lending by microfinance institutions, bank credit has not seen a concomitant increase. However, awareness and uptake of these schemes remain low (Ministry of Finance, Government of India, 2024; MicroSave Consulting, 2025).[11,12] A TIDE Report (2023) noted that 95% of women entrepreneurs in smaller cities were unaware of key government schemes intended for them (Tide India, 2023).[13]

A recent Oxfam India–Villgro study presents a detailed view of how women experience the credit-seeking process in stages, even if not explicitly framed as such (Oxfam 2018).[14] From the initial awareness of financial schemes to the first approach to a bank, followed by information-seeking, application attempts, and final outcomes, the report documents how women face a combination of procedural opacity, vague communication, and gendered assumptions at each point. These stages, though not formally outlined, are visible across the case studies and interviews, and they reinforce the idea that bias and exclusion unfold progressively across the credit journey—not just at the end. The study calls for a shift in focus from credit access as a binary outcome to a more process-oriented, interaction-level understanding of financial inclusion.

Despite these gaps, much of the literature—both globally and locally—focuses on outcomes (e.g., credit received, business survival), rather than the processes that shape those outcomes. Key gaps in current research include:

- Overreliance on survey data that treats access to credit as a binary yes/no indicator.
- Limited focus on interaction-level experiences—what transpires inside a bank, how conversations are steered, and which actors influence decisions.
- Lack of an intersectional lens that accounts for how gender intersects with sector, location, or marital status in shaping access.
- Inattention to non-financial barriers, such as lack of information, fear of rejection, or behavioural nudges from institutions.

This study gains particular relevance in India's current policy landscape. As the nation leads the G20's women's economic empowerment agenda and the RBI advances its comprehensive financial inclusion strategy, understanding why schemes like Stand-Up India continue to see limited uptake becomes critical. The government's push for inclusive lending post-COVID, combined with regulatory mandates on women's access to finance, makes it essential to examine not just policy design but implementation realities at the ground level.

It is in this context that 'Doors Half Open: Realities of On-ground Credit Access for Women Entrepreneurs' was launched. Rather than simply document the credit gap, this study investigates the lived experiences behind it—how women navigate the system, where friction points lie, and how subtle forms of discrimination persist in real-life interactions.

# 02. Study Rationale and Objectives

## Why this Study—Rationale

- The gender gap in access to credit is well-documented, but we know far less about how and why this gap persists, especially at a process level. Most existing research focuses on outcomes (e.g., approval rates, credit shortfalls), but overlooks the invisible frictions and biases that women encounter at each stage of the loan journey.
- Understanding these informal barriers is especially critical now. India's post-COVID lending push has seen unprecedented policy attention on women's financial inclusion, with regulatory mandates and dedicated schemes proliferating. Yet despite this enabling environment, the gender credit gap persists. This suggests that the problem lies not just in policy design but in the everyday interactions and processes that shape how women experience the financial system.
- There's a lack of qualitative, narrative-based evidence that captures real experiences of women entrepreneurs navigating the credit system. Women may be formally eligible to apply for loans, but informal barriers—such as discouraging bank environments, unclear processes, or subtle biases—limit their true access. This study addresses that gap by conducting a step-by-step audit of the lending process from a gender perspective, examining where and how women's experiences diverge from equitable treatment.
- The idea is to go "beyond access"—to move past the question of whether women can access finance, and instead ask how equitable, supportive, and navigable that access really is. The study also recognises that bias is not always explicit; often, it shows up through tone, delays, extra documentation, or lack of guidance—all of which accumulate into systemic exclusion.

## What the Study Aims to Answer – Objectives

- To understand what kinds of barriers women entrepreneurs face at different stages of the credit-seeking journey.
- To examine how women's experiences differ from men's, even when profiles (business type, income, location) are comparable.
- To identify signs of explicit or implicit gender bias in how financial institutions treat women applicants.
- To explore whether women are disproportionately dissuaded, delayed, or denied—and if so, how that shapes their final decision to persist, withdraw, or seek informal finance.
- To collect ground-level insights that can inform policy design, training interventions, and product improvements for more gender-inclusive credit ecosystems.

# 03. Methodology

This study adopts a field-based audit approach to understand how women and men entrepreneurs experience the loan application process differently. The focus is on capturing real-time, lived experiences of entrepreneurs engaging with formal financial institutions to seek business loans, with an emphasis on identifying gender differences in treatment, process, and outcomes.

## Study Approach

The methodology is inspired by the audit or "mystery shopper" technique, widely used in studies assessing discrimination and service delivery quality. Traditionally, this technique involves sending matched individuals (with similar profiles) to interact with service providers, while holding constant key traits other than the one being tested—such as gender or caste. Researchers then compare the treatment or outcomes to detect any differences attributable to the characteristic in question.

However, unlike traditional audits that use trained actors, this study worked with real entrepreneurs who were actively seeking business loans for their enterprises. This ensured that the interactions captured were authentic and reflected the practical realities of borrowers.

**A mixed-methods framework was followed, combining:**

- Structured profiling surveys,
- Observational documentation of bank visits,
- Post-visit interviews to record impressions, outcomes, and procedural hurdles.

This approach allowed us to document both the tangible processes (e.g., number of visits, documents requested) and intangible elements (e.g., tone of engagement, perceptions of bias).

## Participant Selection

57 entrepreneurs participated in the study, including 33 women and 24 men. The majority of entrepreneurs (86%) came from rural backgrounds, with the rest based in urban areas. Participants were selected through partner organisations, National Agro Foundation (NAF) and Bharatiya Yuva Shakti Trust (BYST), using a combination of purposive and snowball sampling. To be eligible, entrepreneurs had to meet the following criteria:

- No outstanding business loans at the time of recruitment.
- Willingness to visit a financial institution and request a business loan.
- Minimum annual turnover of ₹80,000.
- Enterprises ranging from micro to small scale (up to ₹50 lakhs turnover) - the sample includes both micro-enterprises (62%) and small enterprises (38%).
- The sample reflects the experiences of micro-entrepreneurs, particularly in the informal and semi-formal sectors.

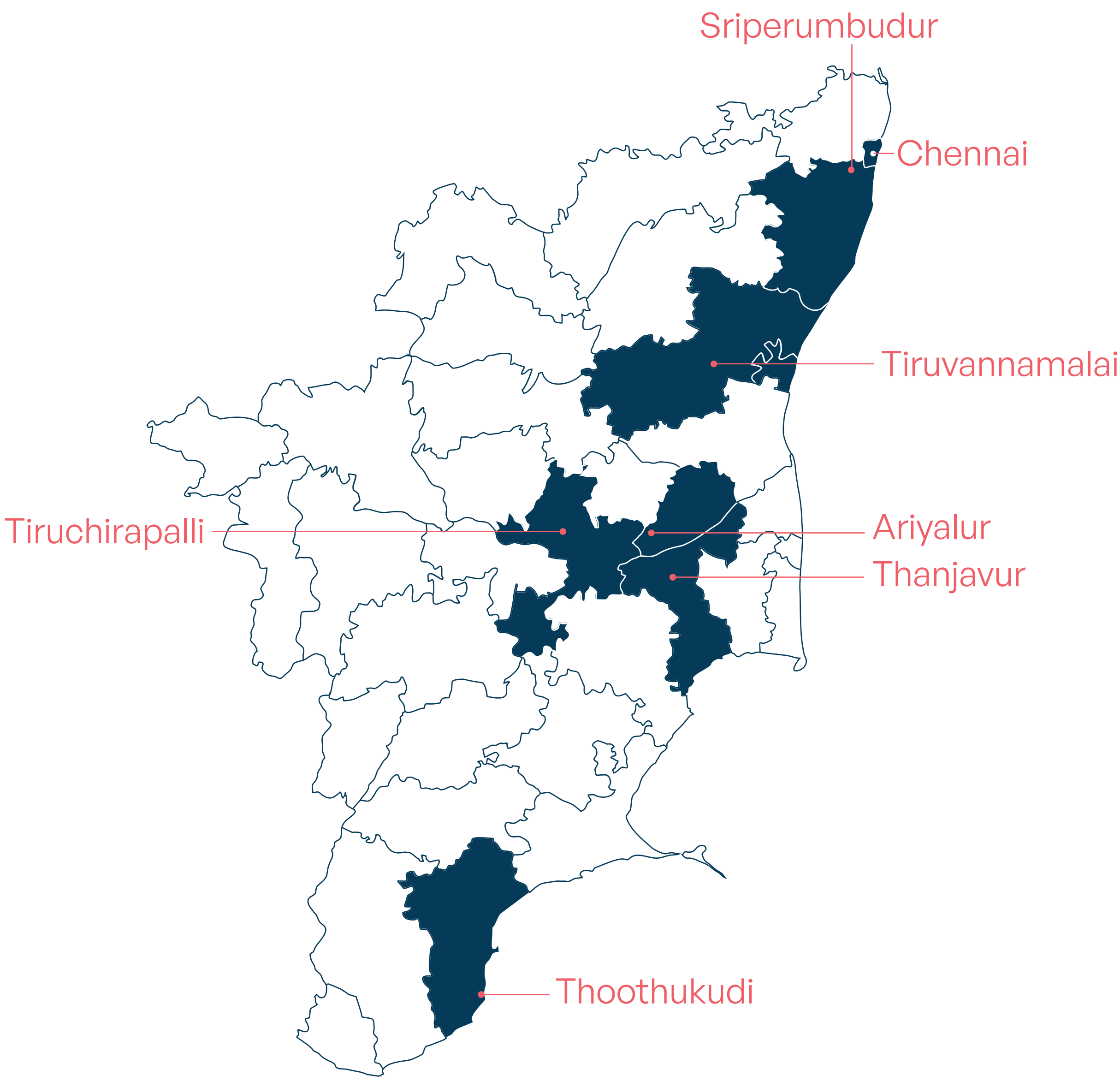
## Geographic Coverage

Tamil Nadu was selected as the study site because it has one of the highest penetrations of Self-Help Groups (SHGs) in India and a relatively strong baseline in financial inclusion. According to NABARD and state-level SHG-bank linkage data, Tamil Nadu consistently ranks among the top states in terms of SHG outreach and credit linkage (National Bank for Agriculture and Rural Development, 2023).[15]

The Government of Tamil Nadu reported a 300% increase in SHG loan disbursement between 2018 and 2022, with total lending reaching ₹1.12 lakh crore after the loan ceiling was raised from ₹12 lakh to ₹20 lakh per group

(Government of Tamil Nadu, 2021; Tamil Nadu State Rural Livelihood Mission, 2023).[16,17] This strong institutional ecosystem makes Tamil Nadu an apt setting to examine persistent and less visible barriers to credit access, even in contexts with otherwise enabling infrastructure.

## Entrepreneurs were spread across seven districts



## Study Design and Process

Each entrepreneur began by selecting a financial institution for their first visit based on personal preference—this approach was adopted to ensure the process remained as authentic as possible. Specifically, 44 participants chose to visit a public sector bank, six opted for a private bank, and 7 approached cooperative or small finance banks. The most common reasons cited for these choices were the proximity of the branch to their home and having an existing savings or credit account with the institution.

If the first visit did not yield a clear response or outcome, participants were given the option to approach a different type of institution—typically a private bank or microfinance provider. In total, the study covered 106 bank visits, comprising 84 public sector, 11 private sector, and 11 other institutions (including cooperative and regional rural banks). This spread reflects the typical banking landscape accessible to women entrepreneurs and enables comparisons across different institutional types.

**The visits were unassisted:** field researchers accompanied participants to the bank but did not intervene or guide the interaction, allowing the conversation to unfold naturally. Entrepreneurs were briefed to express interest in a business loan relevant to their enterprise but were not given a fixed script. Their loan requests—including type, amount, and justification—were drawn directly from their real business needs. Prior qualitative interviews inform our understanding of how such conversations typically unfold.

**Each interaction was followed by a detailed debrief, where the entrepreneur shared:**

- Whether they met the loan officer
- What information or documents were requested
- What instructions or feedback were given
- How they perceived the overall experience

While the original study design included plans for matched-pair visits (i.e., male and female applicants visiting the same bank), this approach proved infeasible due to logistical constraints.

## Limitations

The small sample limits statistical generalisation and hence the findings are best viewed as directional and indicative. No paired testing was done at the same institution, which limits our ability to isolate institutional-level variations in treatment. The study focuses on micro-enterprises in Tamil Nadu, and its findings may not reflect the experiences of businesses in other geographies or among larger enterprises. Despite these limitations, the study offers rich qualitative insights into how gender may influence the credit-seeking experience. It highlights both overt and subtle factors that shape the outcomes of women entrepreneurs in formal financial settings.

# 04. **Entrepreneur** and **Enterprise Profile Summary**

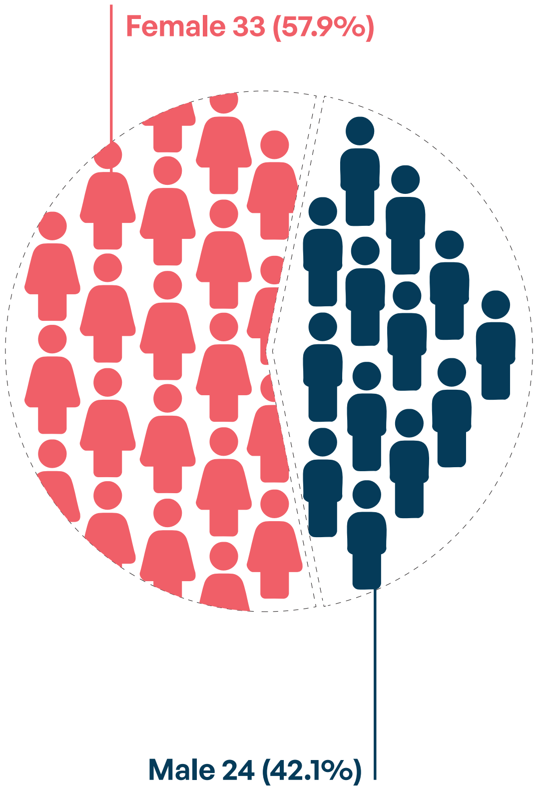
This section offers an overview of the entrepreneurs who participated in the study, capturing diverse profiles across sectors, age, experience, education, and financial outlook.

## Snapshot

- **Gender & Age:** 58% women and 42% men; most (72%) were aged between 30–50 years.
- **Years in Business:** 76% of women and 67% of men had run their businesses for over 10 years.
- **Education:** 70% of women had education up to 10th std or below; 21% of men held vocational diplomas.
- **Business Sector:** 52% of women were in the food & beverage sector; men were more spread across the agricultural, automotive, and digital sectors.
- **Capital & Turnover:** 64% of women invested under ₹50,000; 66% of them reported turnover above ₹2 lakh—similar to men.
- **Loan Aspirations:** 58% of women and 67% of men requested loans above ₹2 lakh; approximately one in four from each group asked for ₹5 lakh or more.
- **Future Plans:** 91% of men and 70% of women plan to expand their operations; 67% of women and 54% of men aim to introduce new products.

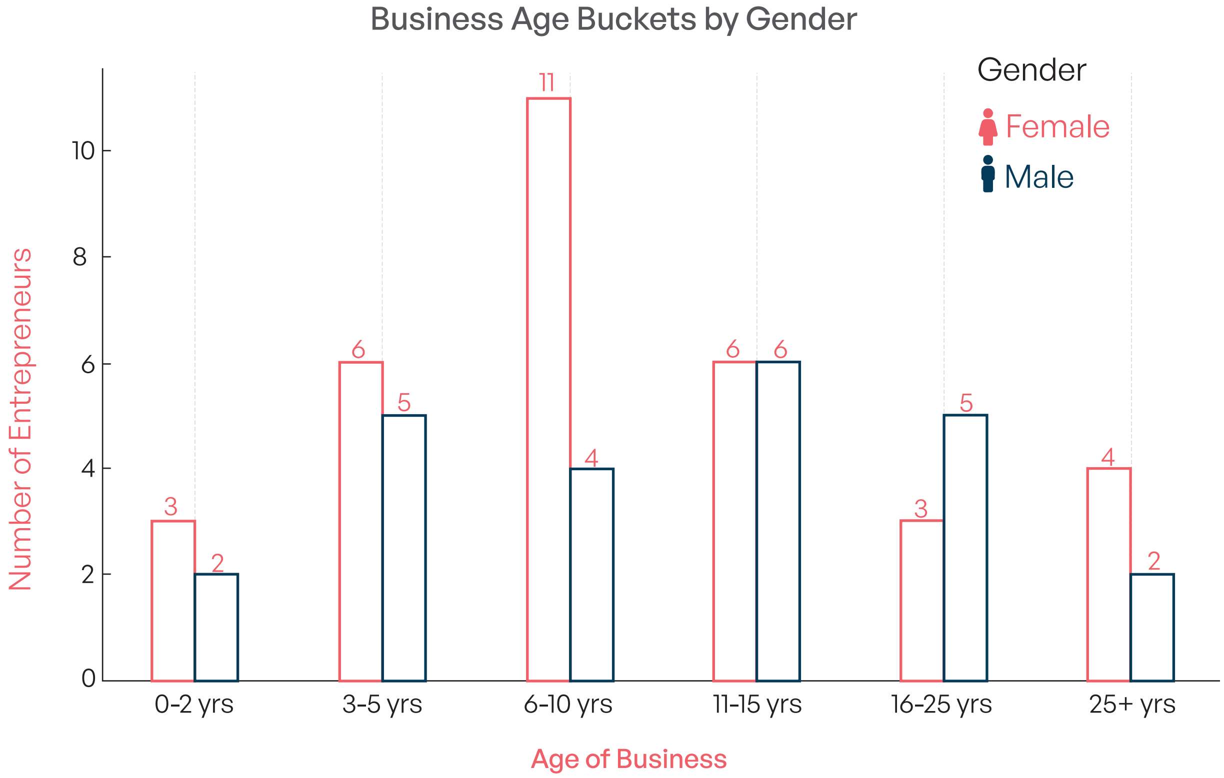
## Gender, Age and Marital Status

- The study was skewed towards women entrepreneurs to better understand gendered experiences in the loan process.
- Women entrepreneurs tended to be older and more likely to be widowed, reflecting greater household responsibilities. Most participants, across genders, were between 35 and 50 years old.



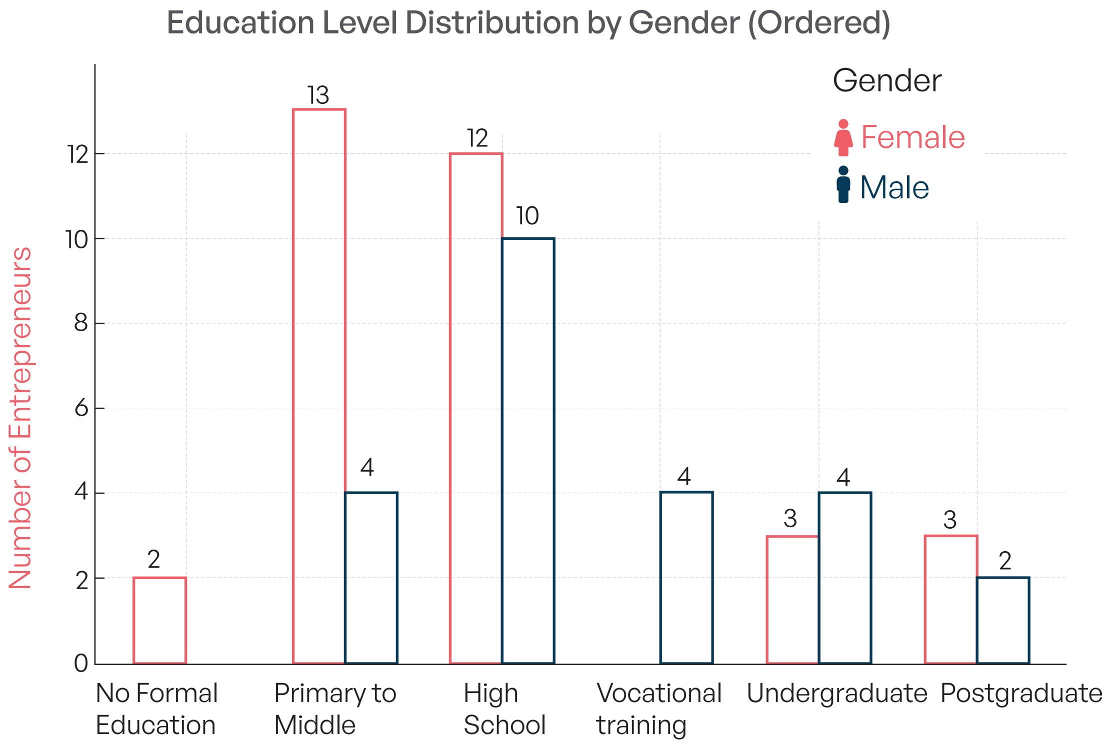
## Business Vintage

A significant share of women entrepreneurs in the study have been running their businesses for over a decade, indicating long-term stability and experience. Unlike the common perception of women as new entrants, many have established enterprises dating back to the early 2000s or even earlier.




## Education Levels

The education spread shows that many women operate businesses with limited formal education, and yet manage enterprises with turnover in lakhs. Meanwhile, vocational qualifications were more common among men.



## Business Sector Distribution

Sector-wise, women were highly concentrated in **food & beverage (18)** and **textile/handicrafts (4),** while men dominated in **automobile services, agri & dairy, and digital services.** These choices often influence their ability to access credit or be considered "formal".

### Production Sector - Sub-sector Distribution by Gender

| Sub-sector | Male | Female |
|---|---|---|
| Agri-processed Products | 5 | 4 |
| Electrical & Appliances | 1 | 1 |
| Food & Beverage | 1 | 18 |
| Health & Wellness | 0 | 1 |
| Home Decor & Manufacturing | 2 | 0 |
| Textile & Handicraft | 0 | 4 |

### Trading Sector - Sub-sector Distribution by Gender

| Sub-sector | Male | Female |
|---|---|---|
| Automobile Services | 4 | 0 |
| Personal Services | 1 | 1 |
| Retail - Grocery | 3 | 3 |
| Transport Services | 1 | 0 |

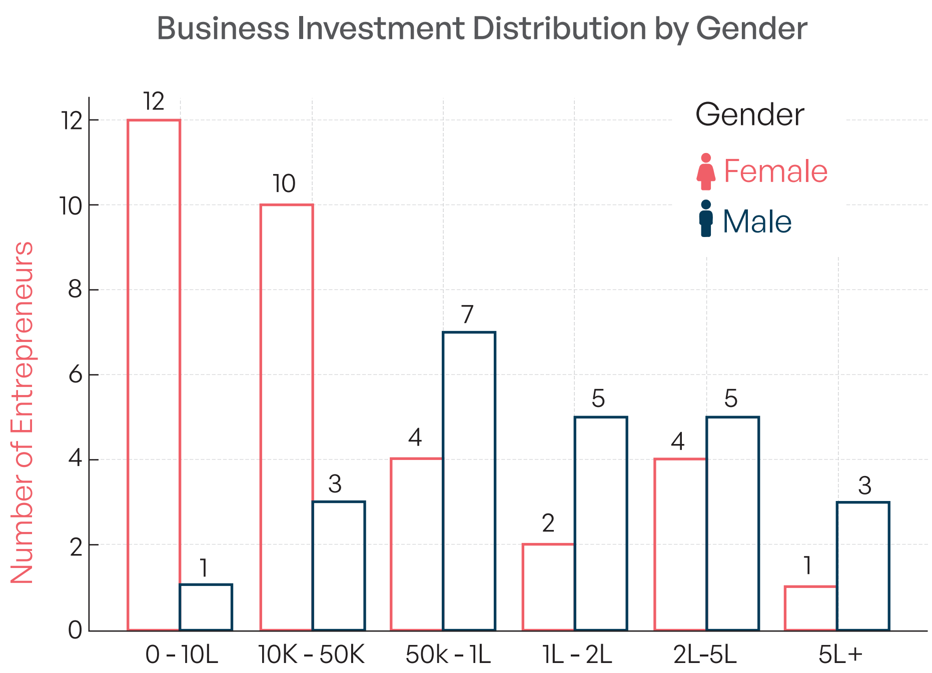
### Services Sector - Sub-sector Distribution by Gender

| Sub-sector | Male | Female |
|---|---|---|
| Agri & Dairy | 4 | 1 |
| Digital/IT Service | 2 | 1 |

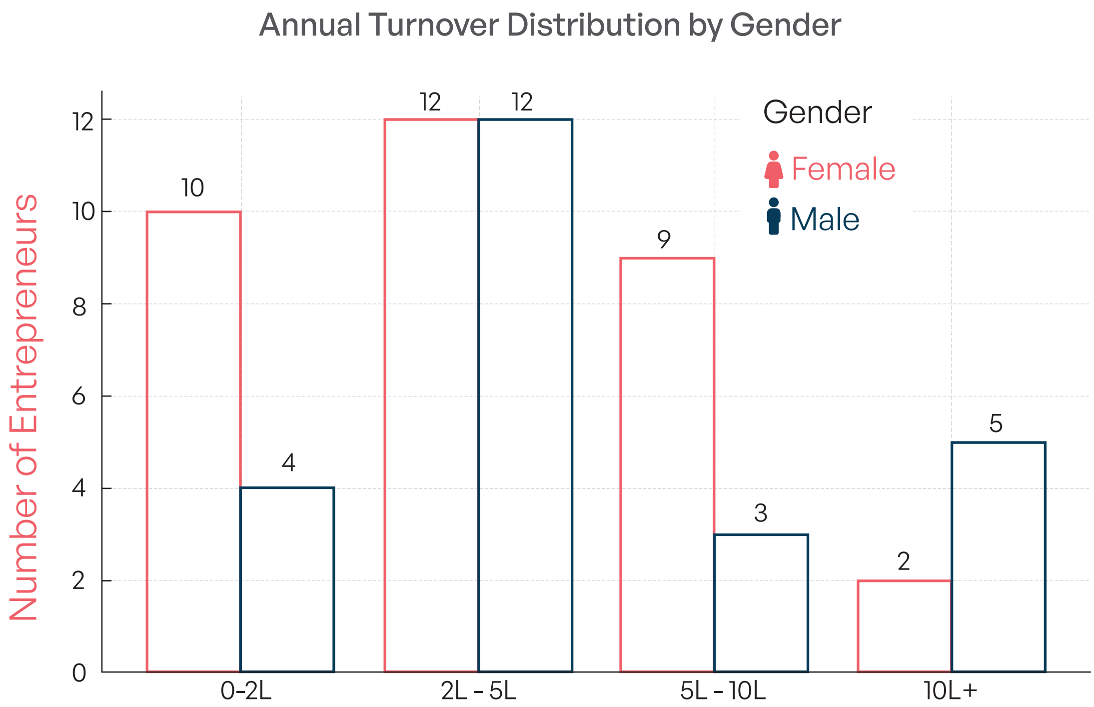
## Business Investment and Turnover

On average, women entrepreneurs in the study invested significantly less capital than men—₹1.3 lakh compared to ₹3.2 lakh for men. Yet, their average annual turnover was relatively close—₹7.2 lakh for women versus ₹8.4 lakh for men. This suggests that many women-run enterprises demonstrated greater capital efficiency, generating similar revenues despite operating with fewer financial resources.

## Amount Invested in Business



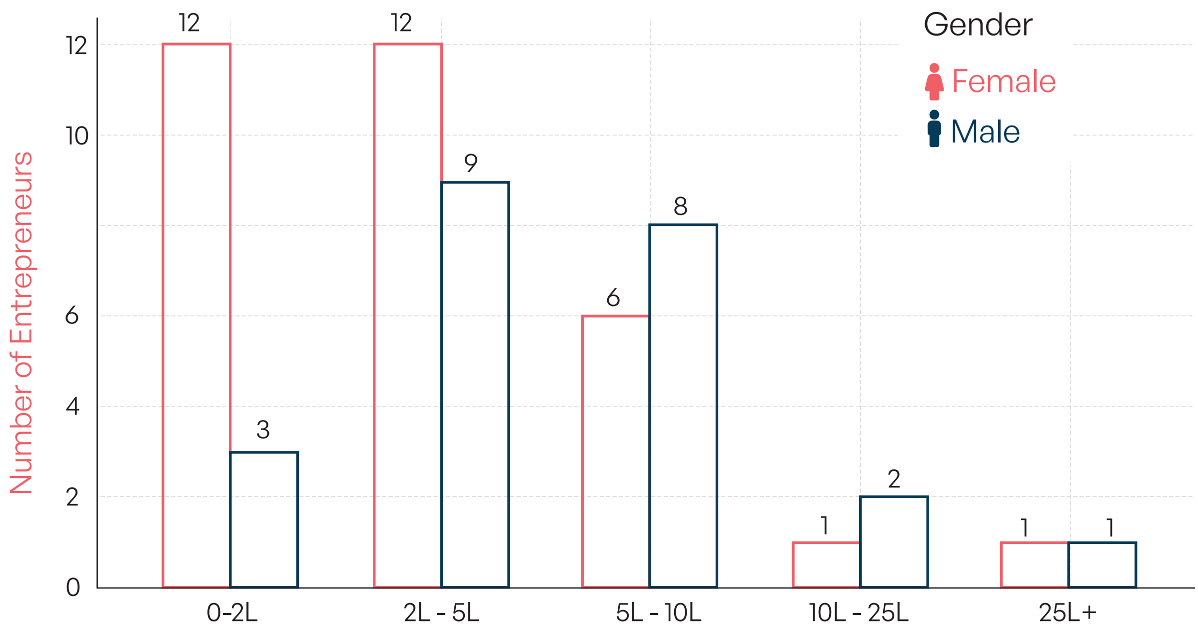

## Annual Turnover



## Loan Aspirations

Loan aspirations among women entrepreneurs reflect strong growth ambitions, with many requesting amounts comparable to or exceeding those requested by male entrepreneurs. While demand spanned various loan sizes across both groups, both groups showed demand across ranges, a notable number of women sought loans above ₹5 lakh, challenging the assumption that women prefer or qualify only for small-ticket credit. This signals readiness for scale if financing barriers are addressed.

Loan Aspiration Distribution by Gender

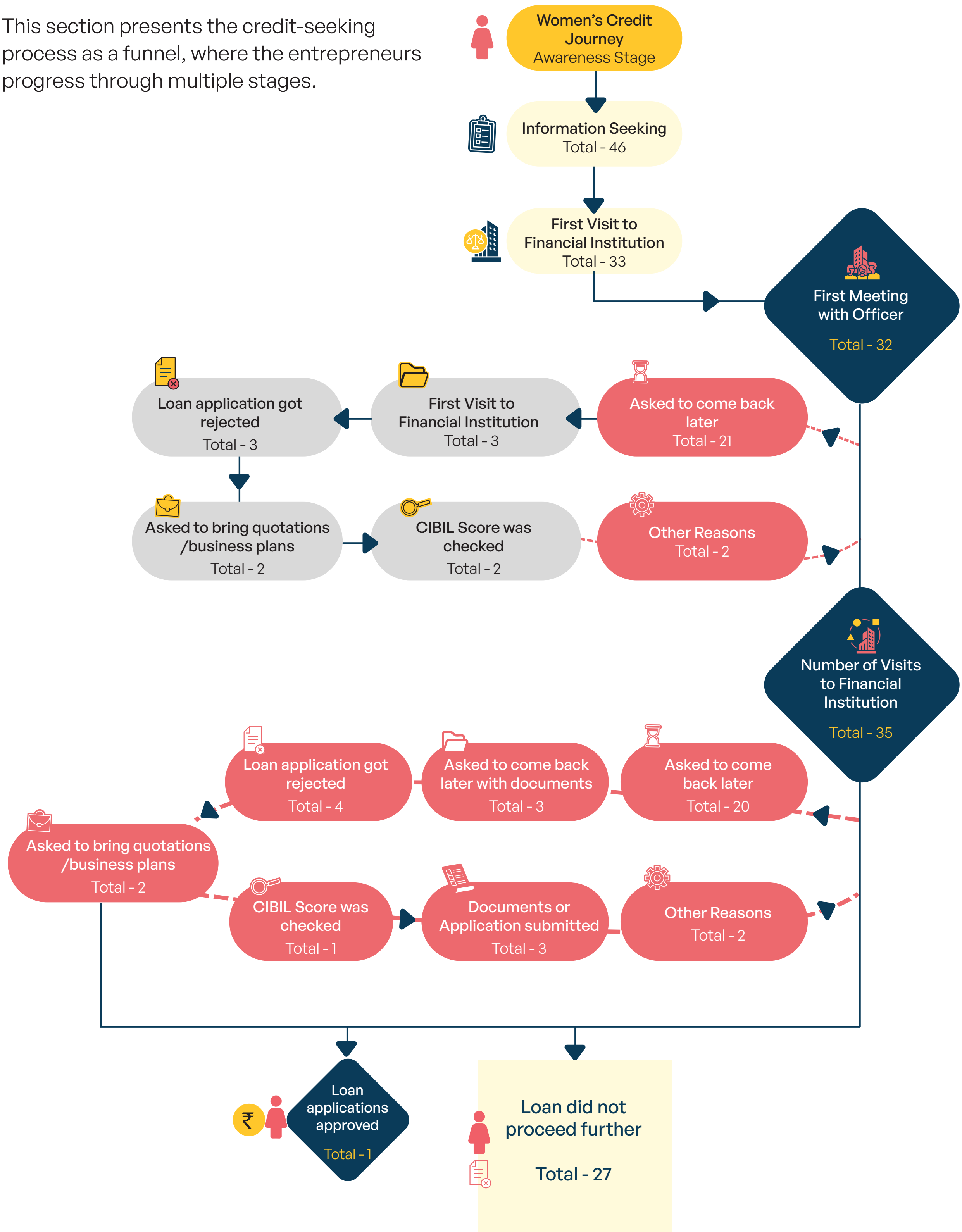


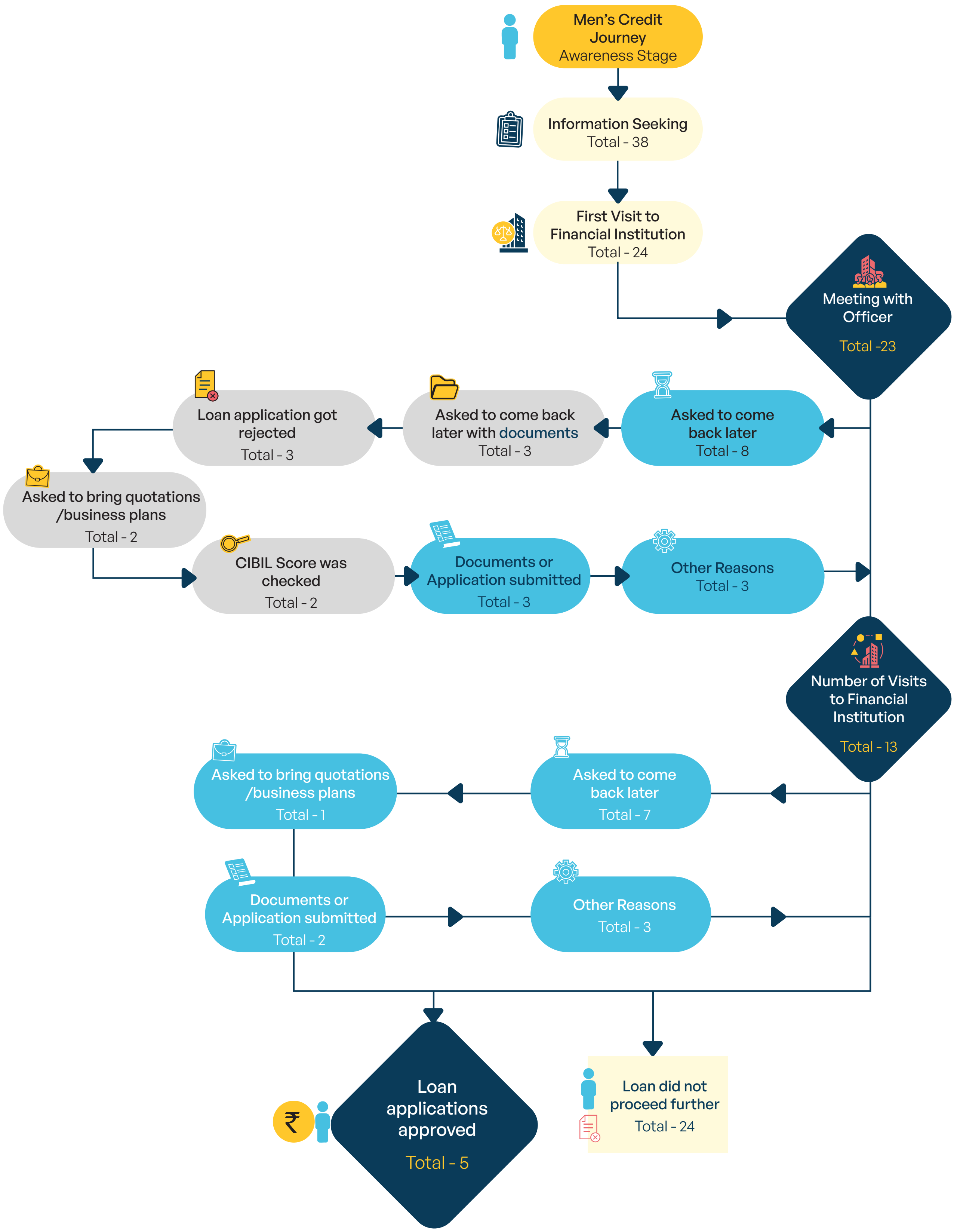

## Future Plans

Most entrepreneurs—both men and women—express a strong intent to **expand their business operations,** with over 90% of men and 70% of women choosing this option. A substantial proportion also aim to **introduce new products** (over 60% of women and 50% of men), indicating a drive toward innovation and market responsiveness. While **adding employees** is a less frequent choice, it still signals readiness to scale for a subset of entrepreneurs.

# Credit Journey Mapping

This section presents the credit-seeking process as a funnel, where the entrepreneurs progress through multiple stages.






**As reflected in the flowchart, at each stage, drop-offs occur, due to multiple factors such as low awareness and preparation, vague communication, or disengagement, resulting in a sharp reduction in successful loan sanctions.**

Once oriented towards seeking Credit loans, out of 87 entrepreneurs, 57 made their first visit to the banks. Some of the entrepreneurs made multiple visits to the banks, while a few only visited once. Prior to the bank visit, the preparation before approaching banks showed notable gaps, particularly among women entrepreneurs. Many lacked formal business plans or clear financial documents, relying instead on informal notes or verbal descriptions. While some understood the amount of credit they needed, others struggled to articulate their business models or distinguish between loan types, such as working capital versus term loans. This uneven readiness often led to vague responses or repeated deferrals from bank staff.

**This section provides a snapshot of the credit-seeking journey for entrepreneurs, from awareness to loan outcomes, highlighting the gendered barriers that women entrepreneurs face during the process.**

Stage 01

## Awareness & Motivation to Apply

This initial stage involves an entrepreneur's decision to seek a business loan. It is shaped by their awareness of credit options, belief in their eligibility, and confidence in approaching formal institutions.

### What happens here:

- An entrepreneur learns about loans through SHG, peers, or family.
- S/he considers whether the business qualifies and what documentation is needed.
- S/he decides to pursue credit and selects an institution to approach.

### Gender context:

Women in the study often lacked clarity about their eligibility for individual loans. Many had only accessed credit through SHGs, and this was their first attempt at applying independently.

> ***I asked for an individual loan. He told me to follow the group loan. I didn't even know I could apply separately.***
>
> *— Female Entrepreneur, 49 Tea Stall Entrepreneur, Thanjavur*

*Note: This stage is not fully captured in visit logs, but is crucial for contextualising engagement.*

Stage 02

## Information Seeking

Once motivated, entrepreneurs seek clarity on the application process—what types of loans are available, the required documents, and the institutional preferences.

### What happens here:

- Entrepreneur visits a bank branch or speaks to a contact for information.
- Inquires about loan products, amounts, and documentation.
- Attempts to understand whether their enterprise qualifies.

### Gender context:

Women frequently relied on informal sources and were often unsure about eligibility criteria or which documents were needed. Men were more likely to approach banks with some prior knowledge.

A notable challenge across both groups, but especially acute for women, was low digital literacy. During our pilot stage, we found that many banks directed applicants to apply through online portals or apps. However, for a large number of entrepreneurs—particularly women—this created a barrier rather than a convenience. Many had limited experience using smartphones for tasks beyond calling or messaging, lacked email IDs or digital documentation, and were unfamiliar with application platforms. Even where support was available (e.g., cyber cafes or CSCs), the need for assistance reduced their sense of agency and introduced delays and dependencies.

> ***The manager said to open an account first. Then said he needed my tailoring certificate. He'd see how I manage for six months, then maybe approve.***
>
> *— Female Entrepreneur, 38 Tailor and Home-based Entrepreneur, Thanjavur*

*For many, this dependency pushed them back toward **offline interactions,** reinforcing the importance of accessible, human-led processes in the early stages of information seeking.*

Stage 03

## First Visit to Financial Institution

The first visit often determines whether the application process begins or stalls. This stage sets the tone for the entrepreneur's experience.

### What happens here:

- Entrepreneur visits the bank, seeks out the loan officer or manager.
- Depending on availability, may speak with someone or be asked to return.
- In some cases, documents are reviewed; in others, the process halts early.

### What we observed:

- 41 out of 69(~60%) visits by women resulted in being asked to "come back later," compared to 15 out of 37(40%) for men.
- Women were more likely to face ambiguous delays or deferrals linked to audit cycles, workload, or vague future dates.

> ***The manager said the new loan can't be done this month. Come in the first week of October.***
>
> *— Female Entrepreneur, 47*
> *Idli Batter Maker,*
> *Thanjavur*

> ***They said they have 100 proposals to handle. Try again in two months.***
>
> *— Female Entrepreneur, 38*
> *Bag Tailor and*
> *Micro-Entrepreneur,*
> *Sriperumbudur*

Stage 04

## Meeting the Loan Officer

Meeting the officer is a pivotal point where the loan request is either heard or dismissed, and guidance is (or isn't) provided.

### What happens here:

- Entrepreneur presents their request.
- Officer may ask questions about business, income, collateral.
- In some cases, documentation is requested or submitted.
- Application may proceed or be stalled here.

### Observed outcomes:

- 6 women and 3 men were asked to return later with additional documents.
- Often, women's queries were answered with vague or conditional responses.

> ***I went and told him I run a vegetable shop and need a loan. He said the loan for this month is over—come next month.***
>
> *– Female, 43*
> *Vegetable Trader,*
> *Tiruchirapalli*

> ***They said to bring Aadhaar, PAN, and ₹237 for CIBIL check. I came back again, but they just said I'd get a message.***
>
> *– Female, 34*
> *Petti Kadai Owner, Tiruchirapalli*

## Stage 05

## Documentation and Further Processing

If the request is entertained, the process proceeds to verification. This is also where conditionalities—such as guarantees, collateral, or savings history—are introduced.

### What happens here:

- Bank checks identity and enterprise documents.
- Applicant may be asked for income proof, quotations, or security.
- In some cases, CIBIL checks are performed.
- Follow-up visits may be scheduled.

### Data from the study:

- Submitted documents; awaiting banker visit: 3 women, 4 men
- CIBIL score checked: 3 women, 2 men
- Security needed: 1 woman, 1 man
- Application submitted, awaiting call: 0 women, 1 man

> ***They said I'll get ₹25,000 if I pledge jewelry. The jewelry won't be returned until the loan is repaid.***
>
> *— Female, 43*
> *Vegetable Trader, Tiruchirapalli*

## Stage 06

## Loan Outcome — Approved, Rejected, or Dropped

The final stage reflects whether the loan was sanctioned, denied, or quietly abandoned due to fatigue or lack of follow-up.

### What happens here:

- Application is either approved, rejected, or goes cold.
- Applicant may receive formal communication—or none at all.
- Some applicants disengage due to long delays or discouragement.

### Loan rejection:

- 7 women received explicit rejections vs. 3 men.
- Rejection reasons were often vague or linked to informal criteria (e.g., family credit history, type of business)

### Disengagement (dropout):

- 1 woman and 1 man marked as "disinterested."
- However, many women simply stopped visiting after repeated deferrals—not always captured in the data.

> ***I was told they can't give me a loan because I'm from a group loan. I said I'm asking as an individual. He said, 'Don't you understand?***
>
> *— Female, 49*
> *Tea Stall Entrepreneur, Thanjavur*
>
> ***We're asking for an amount, but they offered less. It's not enough to renovate the shop. So I dropped it.***
>
> *— Female, 40*
> *Small Hotel Owner, Thanjavur*

## Summary Table: All Bank Visit Outcomes by Gender

| Visit Outcome | Women (n=69) | Men (n=37) |
|---|---|---|
| Asked to come back on a later day | 41 | 15 |
| Loan application got rejected | 7 | 3 |
| Asked to return with documents | 6 | 3 |
| Submitted documents; awaiting banker visit | 3 | 4 |
| Application submitted; awaiting call | 0 | 1 |
| CIBIL score checked | 3 | 2 |
| Security needed for application | 1 | 1 |
| Advised to apply online or govt. scheme | 0 | 2 |
| Respondent disinterested | 1 | 1 |

The journey for women entrepreneurs seeking business loans is rarely straightforward. The study shows that women are more likely to be asked to return without progress, less likely to have their application formally recorded, and more often face ambiguous rejection. These hurdles are not always policy-driven but emerge through frontline practices—what is asked, how it is said, and when follow-up is or isn't done.

# 05. Findings and Insights

*The credit-seeking journeys of entrepreneurs reveal a layered picture of procedural hurdles, perceived and structural biases, and unequal treatment—particularly along gender lines. Drawing from 106 field visits and detailed loan status data for 57 entrepreneurs (33 women, 24 men), we identify the following major findings.*

### 1. Women faced more incomplete and unacknowledged credit journeys

Women entrepreneurs in this study were more likely to have their loan journeys stall early or remain unfinished without clear closure. Two-thirds of the women in the sample (22 out of 33) experienced stalled applications that neither progressed nor received formal rejections—compared to 11 out of 24 men. These interactions often ended in ambiguity, with repeated deferrals and no concrete follow-up:

*"I was asked to come next month, and then again the following week. After that, there was audit work. I stopped going."*

*— MLTNJ604, Female*

At the end of the credit journey:

- Only 1 woman received a loan sanction (vs. 5 men)
- 7 women were explicitly rejected (vs. 3 men)
- And 22 women's applications simply fizzled out (vs. 11 men's)

This pattern was not due to weaker businesses or lower aspirations—33% of women requested loans above ₹5 lakhs, and many had thriving enterprises with annual turnovers between ₹2–5 lakhs. The evidence points instead to a mix of gendered disengagement, procedural ambiguity, and informal gatekeeping, which disproportionately sidelined women from accessing formal credit.

### 2. Higher dropouts and repeated visits among women

The study revealed a clear pattern of longer, more fragmented journeys for women entrepreneurs:

- Average visits per entrepreneur: 2.03 for women entrepreneurs vs. 1.64 for men entrepreneurs
- Out of all 105 bank visits - 41 bank visits resulted in a deferral to "come later" for women; more than double the 15 such responses received by men
- A larger number of women had to make 3 or more visits to the bank to follow up on their loan request

These repeated visits often did not lead to progress. For example:

*"He said, 'The loan for this month is over, come next month.' That's what he said."*

*– Female Entrepreneur , 43 – Vegetable Trader, Tiruchirapalli, Female, Visit 1*

By contrast, male entrepreneurs were more likely to either reach a resolution (approval or rejection) or be given a clear next step during early interactions.

### 3. Longer wait times, yet shorter engagements

Women entrepreneurs in this study reported longer waiting times before being attended to and slightly longer meeting durations than men. However, these longer interactions often lacked depth or actionable outcomes, suggesting that more time did not equate to better support.

| Metric | Women | Men |
|---|---|---|
| Avg. time before being attended | 20.56 mins | 10.72 mins |
| Wait time to meet the officer | 19 mins | 12.36 mins |
| Avg. meeting time with officer | 14.53 mins | 10.72 mins |

Despite being given more time on the clock, women often described interactions that were superficial or dismissive. For instance:

*"They asked for Aadhaar and PAN, said they would check and call me. That's it."*

*– Female Entrepreneur, 47 – Idli Batter Maker, Thanjavur, Female, Visit 1*

*"He said, 'Come after October 2nd,' and walked away."*

*– Male Entrepreneur, 25 – Rice Processing Entrepreneur, Chennai, Male, Visit 1*

This pattern may reflect a mix of factors:

- Banker bias or uncertainty when engaging with women clients, especially in contexts where women are not the default face of enterprise.
- Lower preparedness or hesitation among some women entrepreneurs due to limited exposure to formal financial settings.
- Performative servicing, where women were formally entertained but not seriously considered for credit.

The combination of higher wait times and shallow meetings signals the need for better sensitization of bank staff, as well as capacity-building efforts for women entrepreneurs to confidently navigate formal financial spaces.

## 4. Approvals were rarer—and for smaller amounts—for Women

Only 1 out of 33 women in the sample received a formal loan sanction, while 5 out of 24 men did. Even more telling is the difference in sanctioned loan amounts:

- Male entrepreneurs received between ₹3,00,000 and ₹10,50,000, with no instance of a male applicant being sanctioned less than what was requested.

*"They offered ₹25,000 if I pledged jewellery. But they wouldn't return it until full repayment."*

*— Female Entrepreneur, 43 – Vegetable Trader, Tiruchirapalli (female)*

This gap reflects not just fewer approvals but a pattern of "minimum viable sanctions" for women, often disconnected from the loan amount they had originally requested.

## 5. Women's larger loan requests remain in limbo

Among pending applications where loans were not yet approved or rejected, women were more likely to have requested higher-value loans, indicating ambition but a lack of institutional response.

Pending Applications by Women:

- Female Entrepreneur, 47 – Organic Millet Snacks Seller, Tiruchirapalli: ₹10,00,000
- Female Entrepreneur, 36 – Grocery Shop Owner, Ariyalur: ₹3,00,000

In contrast, male applicants with similar or larger loan amounts either received approvals or had a defined next step.

This suggests a processing lag or informal screening bias when higher amounts are sought by women, particularly those without prior banking history or formal collateral.

## 6. Rejections cited are vague or on non-financial grounds for women

While both men (3) and women (7) reported formal rejections, the reasons provided to women were frequently non-financial, vague, or based on informal judgment—such as their business type, family loan history, or assumptions about their group affiliations.

*"They told me I can't apply for a loan because someone in my family had taken one earlier." "I run a vathal and copra business. The officer said they don't give loans for that kind of business."*

*— Female Entrepreneur, 49 – Vatthal Manufacturer, Thanjavur, Female*

These anecdotal findings were reinforced by quantitative patterns. From the recorded rejection reasons:

- Poor CIBIL Score was cited for 5 women, and none of the men.
- Low bank transactions was listed for 4 women, and again, no men.
- The only clearly documented male-specific reason was personal: "*Sister loan sariya kattalai adhanal.*" (loan default by a sibling).

Female entrepreneurs are not only rejected at a higher rate than their male counterparts, but the reasons for their rejection are more likely to be related to structural financial barriers such as non-existent or low credit scores and low income levels. This reflects a structural issue within the financial system, where female entrepreneurs face a vicious cycle of limited access to credit. Due to low credit scores, they are frequently denied loans necessary for business expansion, further restricting their ability to improve their financial standing. Without proactive support from financial institutions, breaking free from this cycle remains a significant challenge.

This pattern suggests that women faced higher scrutiny on behavioral and contextual grounds, while men's rejections—when they occurred—were less likely to cite structural financial markers. It underscores the importance of making rejection processes more transparent and grounded in formal eligibility, especially for women navigating formal credit channels for the first time.

### 7. Officer gender matters, but rarely present

Out of 105 visits, only 17 (16%) involved female loan officers, and none of these resulted in visibly negative outcomes such as disinterest, immediate rejection, or lack of engagement. In contrast, most women's visits (over 80%) were with male officers, where the most common outcome was being asked to return later—often repeatedly.

In several cases where both male and female entrepreneurs visited the same banks, men progressed to steps like document submission or CIBIL checks, while women were more often told to wait, apply through schemes, or return without clarity.

*For instance, at Indian Bank, Thanjavur, the male entrepreneur (Age 22 – e-Sevai Maiyam Operator, Thanjavur) had his loan application rejected after full processing, while the female entrepreneur (Age 40 – Small Hotel Owner, Thanjavur), despite visiting the same bank, was only asked to return—her journey never reaching the decision stage.*

Though the sample of visits with female officers is small, the absence of dismissive responses in those instances suggests a potentially more considerate engagement—highlighting the need to diversify frontline bank staff and systematically track officer behavior.

### 8. Gender shapes not just outcomes, but the entire process

Comparing the process pathways, men were more likely to receive structured instructions, submit documents, undergo CIBIL checks, and be told specific next steps. Women, by contrast, encountered vague advisories, frequent deferments, and often no formal communication of where their application stood.

For example: The cumulative effect is a longer, more uncertain journey for women, even in cases where intent, documentation, and need were equivalent.

Final Status Snapshot

| Final Loan Status | Women (n=33) | Men (n=24) |
|---|---|---|
| Application did not proceed | 22 | 11 |
| Loan approved | 1 | 5 |
| Loan not finalised yet | 2 | 5 |
| Loan rejected | 7 | 3 |

#### Loan Amounts – A Gendered View

The loan sanction data highlights a clear gendered pattern: men not only received more approvals but also secured higher or equal amounts to what they requested, including instances of large-ticket loans sanctioned in full. In contrast, the only woman in the approved list received exactly what she applied for—and a comparatively small amount. This reinforces the broader finding that even when women's applications move forward, they are often treated with greater caution and conservatism, reflecting an underlying hesitation in extending trust or risk to women borrowers.

#### Summary Insight

The findings demonstrate that the gender gap in MSME credit is less about formal ineligibility and more about how applications are received, processed, and evaluated. From early-stage deferments and document gatekeeping to unequal sanction amounts and delayed responses, women face a more uncertain, ambiguous, and narrower path through the formal credit system—even when requesting similar or smaller loan amounts.

To build a truly inclusive credit environment, reforms must go beyond expanding product access—they must address biases in delivery, interpersonal engagement, and procedural transparency.

# Lived Experiences

CASE 01

## The Stalled Application

**Entrepreneur:**
Female, Age 42, Tiruvannamalai

**Business:**
Homemade Food Products (Idli batter)

**Loan Requested:**
₹1,50,000

"They kept saying it's not the right time, come after the audit. But no one ever told me what exactly to bring or when to come."

Despite operating her business for over five years and maintaining a basic bank account, the entrepreneur's loan journey never progressed beyond the first visit. She was initially asked to return with documents. On her second visit, the officer cited ongoing audit work. On her third visit, she was told to "come back later" without a specific date. Eventually, she stopped following up.

CASE 02

## The Conditional Sanction

**Entrepreneur:**
Female, Age 38, Tiruchirapalli

**Business:**
Vegetable Shop

**Loan Requested:**
₹2,00,000

"He said they wouldn't return the gold until I paid everything back. I wasn't sure I wanted to risk that."

The applicant did not take the loan.

After two visits, the applicant was told that a loan could be sanctioned only if she provided gold jewellery as collateral. The officer offered ₹25,000—far below her original request—and mentioned that the jewellery would be held until full repayment.

CASE 03

## The Smooth Approval

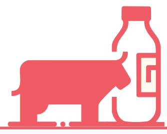
**Entrepreneur:**
Male, Age 45, Chennai

**Business:**
Agri Inputs & Grocery

**Loan Requested:**
₹1,00,000

**Sanctioned:**
₹5,00,000

"They knew my file, they said I'm eligible for more, and within a week the loan was processed."



The entrepreneur had a longstanding relationship with the bank. On his first visit, he was asked for his documents, which were verified on the spot. The bank officer processed his application promptly and even sanctioned a higher loan amount due to his clean financial record and property collateral.

CASE 04

## The High Performer, Still Rejected

**Entrepreneur:**
Male, Age 42, Thanjavur

**Business:**
Men's Hair Salon (Personal Services)

**Loan Requested:**
₹10,00,000

**Sanctioned:**
Rejected

The entrepreneur ran a well-established salon with an impressive annual turnover of ₹18 lakh. He had invested significantly in his business and approached the bank for expansion capital. Despite a strong financial profile, his application was formally rejected—without any stated reason.

# Policy and Programmatic Recommendations

Based on this study's findings, the gender gap in MSME credit appears to be influenced by informal barriers like ambiguity in response,unclear delays, or disrespectful delays, procedural ambiguity, and staff behavior than policy-level exclusion. To address these, the following targeted recommendations are made:

## For Financial Institutions

- **Standardize communication protocols:** Ensure all applicants are informed of required documents, timelines, and next steps in writing.
- **Disclose application status transparently:** Applicants—especially women—were frequently told to “come later” without clarity. Banks should issue written or SMS-based updates outlining the application stage, pending requirements, and expected timelines.
- **Digitize customer journeys**: Implement hybrid digital-physical solutions: While our study found digital literacy barriers, simple tools like SMS updates and queue management systems could address communication gaps without requiring high digital skills.
- **Train frontline staff in gender-sensitive engagement:** Mandatory training should address respectful communication, avoiding personal or irrelevant inquiries, and how unconscious bias affects engagement quality.
- **Expand presence of female officers:** Pilot programs with female officers: While our limited data (17 visits) showed no negative outcomes with female officers, this warrants targeted pilot programs to test effectiveness systematically
- **Track process-level metrics by gender:** Monitor and report average wait times, number of visits, meeting duration, and outcome rates, disaggregated by gender and loan size, to identify internal bottlenecks.

## For Policymakers and Regulators

- **Mandate gender training and public awareness on credit processes:** Require banks to conduct regular gender-sensitization training for loan officers and ensure wide dissemination of simplified, multilingual guides that clarify loan procedures, borrower rights, and service standards—especially for first-time women entrepreneurs.
- **Incentivize gender-responsive practices** via RBI or SIDBI schemes that reward banks for quality engagement with women borrowers.
- **Strengthen credit guarantee mechanisms** to reduce banks’ perceived risk in lending to first-time women borrowers without collateral.

## For Entrepreneur Support Organizations

- **Build pre-loan readiness** by supporting women entrepreneurs with document preparation, business plans, and product-fit strategies.
- **Facilitate trusted referrals** to banks to reduce cold-start friction, especially for those applying without a prior relationship.

## For Credit rating agency:

- **Include gender-lens indicators in FI performance assessments:** Agencies like CRISIL, ICRA, and CARE can integrate a metric on the proportion of loans sanctioned to women under MSME and priority sector categories.
- **Incorporate process equity markers:** Rating frameworks can include qualitative parameters such as grievance redress systems, disaggregated outcome tracking, and customer satisfaction measures—bringing gender-responsiveness into financial institutions' reputational and credit standing.
- **Disclose findings publicly:** Making gender metrics part of published reports would encourage greater institutional accountability and peer benchmarking.

# Way Forward

This audit study surfaces an urgent need to move beyond "access to finance" as a binary and instead examine the quality, clarity, and fairness of that access. The reality is that many women entrepreneurs are technically eligible—but practically excluded due to vague responses, unspoken norms, and disengaging interactions.

## Next Steps

- **Share findings with financial institutions and regulators**: Open a dialogue with banks, NBFCs, and regulators to spotlight process-level gaps that often go unseen in performance data. This includes the lack of feedback loops, reliance on verbal guidance, and variability in how officers engage different applicants. Findings from this study can inform ongoing training, incentive structures, and service protocols.
- **Collaborate with institutions like RBIH, SIDBI, and NITI Aayog:** to pilot digital or Design and test digital tools or alternate credit channels that reduce human discretion and build user trust—particularly for first-time women entrepreneurs. These may include queue management dashboards, application trackers, or dedicated MSME loan helplines. This recommendation responds directly to findings where women were frequently told to "come back later" without clarity, or were discouraged due to irrelevant factors such as business type or group loan history. In many cases, the outcome was not a formal rejection—but a slow disengagement driven by vague, verbal-only interactions.
- **Undertake deeper audits:** This pilot surfaces critical insights from one state and loan type. A wider effort across geographies and financial products can deepen understanding of regional and institutional variations. It can also test the effectiveness of targeted interventions, including staff training or customer onboarding tools.
- **Document success stories and counterfactuals:** Some women, despite barriers, succeeded. Their journeys—what they did differently, how they navigated the system—can form the basis for toolkits and playbooks. These stories serve not only to inspire but to inform design for entrepreneur support programs and lender-side reforms.

This exploratory study from Tamil Nadu reveals concerning patterns in how women entrepreneurs experience formal credit systems. While the findings require validation through larger, controlled studies, they provide important insights for immediate policy attention and highlight the need for process-level rather than just product-level interventions in financial inclusion.

The study's contribution lies not in definitive answers but in identifying the right questions and providing a methodology for deeper investigation. The patterns observed—longer wait times, more deferrals, less clear communication—represent starting points for systematic reform and continued research. References Chavan, P. (2023). Women's access to banking in India: Policy context, trends, and predic..."

# References


[1] Press Information Bureau. (2023, March 31). Women-led MSMEs. Ministry of Micro, Small & Medium Enterprises, Government of India. Retrieved from https://www.pib.gov.in/PressReleaseIframePage.aspx?PRID=2035080

[2] International Finance Corporation. (2022). Opportunities and constraints of women-owned very small enterprises in India. IFC. Retrieved from https://www.ifc.org/content/dam/ifc/doc/mgrt/opportunities-and-constraints-of-wvses-in-india.pdf

[3] GEM Consortium. (2023). Women's entrepreneurship report. Global Entrepreneurship Monitor. Retrieved from https://www.gemconsortium.org/reports/womens-entrepreneurship

[4] World Bank. (2025). Closing the gender gap in entrepreneurship. World Bank Gender and Development Report. Retrieved from https://thedocs.worldbank.org/en/doc/9fe224595c1ecfe9e508d7f3be205a8d-0080012025/related/D2-4-P-Behr-Xi-Closing-the-Gender-Gap-in-Entrepreneurship.pdf

[5] NITI Aayog. (2021). Women's entrepreneurship in India. Women Entrepreneurship Platform, NITI Aayog. Retrieved from https://www.niti.gov.in/sites/default/files/2023-03/221007_NITI_MSC Entrepreneurship Schemes Research Report_Final.pdf

[6] Chavan, P. (2023). Women's access to banking in India: Policy context, trends, and predictors. Review of Agrarian Studies, 10(1), 7–36. Retrieved from https://ras.org.in/index.php?Article=womens_access_to_banking_in_india

[7] Press Information Bureau. (2023, March 31). Women-led MSMEs. Ministry of Micro, Small & Medium Enterprises, Government of India. Retrieved from https://www.pib.gov.in/PressReleaseIframePage.aspx?PRID=2035080

[8] International Finance Corporation. (2024). Banking on women who trade across borders. IFC. Retrieved from https://www.ifc.org/content/dam/ifc/doc/2024/banking-on-women-who-trade-across-borders.pdf

[9] World Economic Forum. (2023). The finance gap for women entrepreneurs is $1.7 trillion. In Global Gender Gap Report 2023. Retrieved from https://www.weforum.org/stories/2023/10/women-entrepreneurs-finance-banking/

[10] McKinsey Global Institute. (2018). The power of parity: Advancing women's equality in Asia-Pacific. McKinsey & Company. Retrieved from https://www.mckinsey.com/featured-insights/gender-equality/the-power-of-parity-advancing-womens-equality-in-india-2018

[11] Ministry of Finance, Government of India. (2024). Stand-Up India Scheme. Retrieved from https://www.myscheme.gov.in/schemes/sui

[12] MicroSave Consulting. (2025). From borrowers to builders: Women's role in India's financial growth story. Retrieved from https://www.niti.gov.in/sites/default/files/2025-03/From-Borrowers-to-Builders-Women's-role-in-India's-financial-growth-story.pdf

[13] Tide India. (2023). Bharat Women Aspiration Index: Women entrepreneurs in smaller cities unaware of key government schemes. Tide India. Retrieved from https://economictimes.com/small-biz/sme-sector/peer-community-groups-can-help-with-financial-success-of-women-entrepreneurs-in-tier-ii-cities-and-beyond-tide-indias-gurjodhpal-singh/articleshow/109966876.cms

[14] Oxfam. (2018). Understanding structural barriers and hidden bias in access to credit for women-led businesses. Retrieved from https://www.oxfamamerica.org/explore/research-publications/understanding-structural-barriers-hidden-bias-in-access-to-credit-for-women-led-businesses/

[15] National Bank for Agriculture and Rural Development. (2023). Tamil Nadu State Rural Livelihood Mission progress report 2022-23. Retrieved from https://tncdw.org/img/policy/EnglishPolicyNote23-24.pdf

[16] Government of Tamil Nadu. (2021, July 30). Rs 1.12 lakh crore outstanding loan with SHGs under DAY-NRLM. The Economic Times. Retrieved from https://economictimes.com/news/economy/finance/rs-1-12-lakh-crore-outstanding-loan-with-shgs-under-day-nrlm-97-17-repayment-rate/articleshow/84891893.cms

[17] Tamil Nadu State Rural Livelihood Mission. (2023). Financial inclusion and SHG credit linkage details [Policy note]. Retrieved from https://tncdw.org/img/policy/EnglishPolicyNote23-24.pdf

LEAD
KREA UNIVERSITY

LEAD at Krea University

7th Floor, B Block, IIT-Madras Research Park,
Kanagam Road, Taramani, Chennai – 600113,
Tamil Nadu.

1st Floor, Block M6, Hauz Khas,
New Delhi - 110016

ifmrlead.org