

Challenges for female entrepreneurs in India

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Globally, men are more likely to start new ventures than women. Empirical evidence suggests that women have lower hubris and a higher level of humility, which negatively affects their risk-taking behaviour and limits their engagement in entrepreneurship. If only women were as immodest and overconfident as men! In fact, our very own Indian icon, Kiran Mazumdar-Shaw, remarks on her journey as an entrepreneur, “[...] You have to keep challenging the status quo [...]. I was doing something on my own, I was doing something quite path-breaking, I couldn't look or turn to anybody at that stage. I realized I was doing it alone, I realized I was doing something very different and I just managed to do things with a lot of common sense, with a lot of determination and a lot of foolish courage, I might add.”

Unfortunately, it is not just lower hubris that is preventing women in India from being successful entrepreneurs. India has between 13.5 and 15.7 million enterprises owned by women. Government intervention, improved financial access and access to education led to an increase in women-owned enterprises from 14% to 20% in the last decade. However, there are several challenges that women entrepreneurs face that are not common for their male counterparts. According to a report by MasterCard, India's business environment is not favourable for female entrepreneurs.

There are several social, technical and financial barriers that hinder the growth of women-owned businesses. To begin with, some firms are registered as women-owned due to financial and administrative reasons but are actually managed and operated by men. Moreover, a larger share of women-owned firms is a single-person enterprise, generates lower revenues and is smaller in size than those owned by men. Most women are still pursuing business activities on the side as they continue to do majority of the household chores. They are also often the primary caregivers taking care of the children and elderly. The nature of businesses that women are involved in are also different from those of men, so their need for credit and the corresponding credit cycles are different. Women in rural areas also often need permission from a male member in their family before stepping out of the house and are often accompanied by a male relative for a trip to the neighbouring bank due to safety concerns or social norms.

Women's access to financial resources is also limited because of several reasons. More women save than borrow to start, operate or expand a farm or business in India and globally. The informal, social network as a source of funding is often less available to women and often limited to women from high-income families. Borrowing from family members or friends to start a business is not an option for many in the agriculture sector or subsistence entrepre-

neurs in India.

Moreover, women have lower bargaining power on use of household income and savings. This makes their access to independent, formal financial sources very important. However, according to World Bank's Global Findex database, more Indian men reported borrowing from a financial institution or using a credit card than women. This gender gap exists because of several issues associated with access to financial markets and products. Even though women have equal property rights, they don't usually inherit property from their family. Consequently, women do not have access to collaterals to borrow money from formal financial markets. Limited access to formal financial markets often has a negative impact on their credit ratings and in turn it affects their ability to secure lower interest rates. It is essential to customize loans with smaller ticket sizes, lower interest rates and financing structures that can cater to the needs of businesses owned by women.

NITI Aayog's digital platform, Women Entrepreneurship Platform (WEP), is an initiative that strives to bridge the information asymmetry for female entrepreneurs. Users can register at the portal and get information about various government schemes and connect with service providers such as accountants for their business needs. They have around 13,000 registered entrepreneurs. They launched the Women Transforming India (WTI) Awards in 2016 to recognize the entrepreneurial endeavours of women in India and

applaud their perseverance, tenacity and hard work. The winners of the fourth edition of these awards will be announced on March 8, 2020, from a pool of Top 30 candidates. Data from approximately 2,300 entrepreneurs, who registered this year, echoes the challenges mentioned above. Sixty-four per cent of these women-owned firms were privately owned or were sole proprietorship; most of them started with less than Rs 30 lakh; and 84% had a turnover of less than Rs 1 crore. Nearly 80% operated in the education and social innovation and impact sectors. Entrepreneurs from Tier 2 and 3 cities mostly operated in education, manufacturing, handicrafts and healthcare sectors and agro-entrepreneurs were mostly from Tier 3 cities. All these entrepreneurs identified lack of capital, lack of awareness and access to market as the top three challenges to their business. Socio-cultural challenges and gender bias were listed as the most prominent social challenges. They also emphasized the lack of investors willing to fund smaller size loans for their business needs.

Digital financial tools are likely to help women overcome challenges associated with access to financial institutions and information asymmetry. Women can use mobile or internet to access their bank accounts or transfer and receive money directly into their accounts. They can save on time spent on travelling to a bank branch for financial transactions and reduce the cost of the travel. This increases their time for productive activities and reduces the cost of financial

transactions. These savings account for significant gains as women-run businesses often have lower sales and profitability because of the sector of operation and the smaller size. Digital tools also address safety concerns of family members that do not like their wives or daughters to travel alone for business or to access banks.

Moreover, digital records can also help improve inventory management and help make procurement decisions more efficient. Digital financial products tailored to capture business activities like regular payments of a client's utility bills and inventory management could be used to build credit history for new entrepreneurs who do not have sufficient collaterals, guarantees or a credit history. Waiver of minimum balance requirements on deposit accounts, provision of small to mid-ticket loans and micro-savings options are some other financial products that can be provided through digital applications. Direct transfers to women's accounts can also increase the financial autonomy of women and improve their ability to save or invest in their business.

Digital platforms like the NITI Aayog's WEP can be used to improve skills like book keeping; connect with accountants for tax incentives and compliance; learn more about government schemes; and engage in efficient investment management.

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