Women entrepreneurs deserve better

Source: This article was published on November 18, 2014, The Hindu

The policy response to specific ecosystem challenges faced by women in business remains inadequate

Entrepreneurs, arguably, are the most important actors in an economy. Through innovation and job creation, they promote private sector development and drive economic growth. Creating a conducive ecosystem for entrepreneurship is imperative to catapult economies to a higher level of growth. However, any attempt at encouraging entrepreneurship will be lopsided without involving women.

Entrepreneurial spirit is not a male prerogative. According to the World Bank, women own or operate 25 to 33 per cent of all private businesses in the world. In India alone, there are over 3,21,000 registered and 2.69 million unregistered women-owned MSMEs. Women-owned enterprises in India collectively contribute to 3.09 per cent of industrial output and employ over 8 million people (IFC, 2014).

Economically empowered women are also major catalysts for development. There is greater recognition of the positive relationship between increased economic activity by women and improved social outcomes. Women often tend to reinvest their income in their children’s education, health and nutrition. This has a positive impact on the potential for economic growth.

Despite all this, there are still gender gaps in the entrepreneurial ecosystem. The number of female entrepreneurs in the country remains relatively small. Women also face disproportionately high barriers in starting and growing their business.

Mostly under-capitalised

Women-owned businesses in India are under-capitalised and continue to be concentrated in small, low-growth ventures. According to a recent IFC report, the total financial requirement of women-owned MSMEs in 2012 was around ₹8.68 trillion and the total supply of formal finance was around ₹2.31 trillion.

This resulted in a financing gap of ₹6.37 trillion or 73 per cent of the total demand. Lack of collateral and low level of control over resources constrains women entrepreneurs from accessing formal finance. They also seem to be less educated, with lower work experience compared to men and have limited access to markets, technology and networks.

There is no disputing the fact that some of the challenges women entrepreneurs face are the same as those faced by all startups, small businesses and growth-oriented businesses. However, the patriarchal nature of society in India intensifies barriers for women. They face restrictions on
mobility and often have to deal with the existing gendered division of labour and childcare activities.

**No programmatic response**

India lacks a programmatic response to address these challenges. There has been an effort in recent years to improve the ecosystem for women, both in the public and private sectors. The Government has been promoting women enterprise development under the umbrella of MSME development.

Business development services provided include training, market access support, technology upgradation and credit facilities.

A positive step by the Government in enhancing women entrepreneurship has been the establishment of a Bhartiya Mahila Bank, India’s first all-woman bank providing services predominantly to women.

The private sector is also an important agent in advancing their cause.

Through their diversity and inclusion programmes, supplier diversity initiatives, corporate social responsibility, training and capacity building programmes and research, they seek to foster the growth of women-led enterprises.

While these initiatives are a positive step, they remain *ad hoc* in nature, with neither an understanding of the specific ecosystem challenges nor an evaluation of their consequent impact.

The state of women’s entrepreneurship in India thus still remains largely an under-invested and under-investigated area. Very little is known about the entrepreneur: what motivates them, how they emerge and why they succeed. Ignorance of this demography is a serious blind spot in any effort to increase their participation in the economy.

Concerted research in these aspects is essential to draft a proper policy response to encourage women to step up to the challenge of entrepreneurship.