



Gender Equality in the SGB Sector

ANDE India Issue Brief

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About the Brief

This issue brief is a part of the series formulated by Aspen Network of Development Entrepreneurs' (ANDE) India chapter. It aims to contextualize the findings and strategy outlined in ANDE's global gender issue brief, for India, and to create a knowledge base connecting our urgent issues and the Small and Growing Business (SGB) sector at a regional level. Small and Growing Businesses (SGBs) are defined by ANDE as commercially viable businesses with five to 250 employees that have significant potential, and ambition, for growth. Typically, SGBs seek growth capital from US\$20,000 to US\$2 million. This brief is a starting point for conversations on gender equality and is meant to help shape ANDE India's strategy for the region. It is to be noted that this is not an exhaustive collection of the research/literature on the topic, and proxy data points have been used to best represent the state of the SGB sector.

About ANDE

The Aspen Network of Development Entrepreneurs (ANDE) is a global network of organizations that propel entrepreneurship in emerging markets. ANDE members provide critical financial, educational, and business support services to small and growing businesses (SGBs) based on the conviction that SGBs will create jobs, stimulate long-term economic growth, and produce environmental and social benefits. Ultimately, we believe that SGBs can help lift countries out of poverty.

OVERVIEW

ANDE'S Global Strategy

With 10 years of active involvement and experience, ANDE is committed to further deepening our role in the development and entrepreneurship ecosystem. Our newly updated Global Strategy will direct our efforts going forward, and at a regional level, we will continue to drive impact, via our core pillars and key sector issues. Aligning with the United Nations' Sustainable Development Goals (SDGs), we look to focus our efforts on the three urgent issues of decent work and economic growth, environmental action, and gender equality.

We believe SGBs play a vital role in contributing to SDG 5 which focusses on Gender Equality, and more specifically target 5.5 - "Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life"

In line with our global action items, we believe SGBs in India can contribute to SDG 5 by:

- 1 Promoting investments and effective support services for women-led SGBs.**
- 2 Improving gender-inclusive employment policies within SGBs and intermediary organizations.**
- 3 Scaling gender-focused business models through SGBs.**

Urgent Issues



Entrepreneurial approaches to environmental action



SGBs as drivers of decent work and economic growth



Gender equality via SGBs

KEY TAKEAWAYS

- India's female labour force participation is one of the lowest in the world. Female entrepreneurs in the country continue to face institutional and cultural barriers to grow and scale businesses.
- Government institutions and private bodies are beginning to play major roles to help boost women entrepreneurship in the country.
- Supporting middle-management in SGBs to help build a pipeline of women leadership will be beneficial to businesses in the long run.
- Women entrepreneurs face significantly greater challenges than men in gaining access to financial services. Part of the problem is the limited understanding of the formal financial sector products/services.
- Intermediary organisations and SGBs should no longer ignore the effects of gender on business operations and product development.

CURRENT EVIDENCE BASE

State of Employment and Entrepreneurship in India

Gender and Employment

India's female labor force participation rate (LFPR), as a percentage of the total female population aged 15+, was measured at 23% in 2019,¹ making it one of the lowest in the world, eleventh from the bottom. An alarming trend is that the rate has been falling – the female participation rate has fallen from a record high 32% in 2005 to its current value.¹ The country is ranked 112 out of 153 in the World Economic Forum's Global Gender Gap Index and in the bottom five in sub-indexes related to economic participation and opportunity, and health and survival.² Having a solution in place for issues related to employment of women would not only bring societal change but would have great economic impact; McKinsey Global Institute estimates that India could add US\$770 billion to the annual gross domestic Product (GDP) by 2025 by advancing women's equality.³ Other metrics also indicate how the country must address key issues related to gender:

- The ratio of female to male labour force participation rate (LFPR) in 2019 was ~29.8%.¹
- ~95% of women are employed in the informal sector or engaging in unpaid work.⁴
- The female share of employment in senior and middle management in 2018 was ~13.7%.¹

A sole focus on economic growth may not lead to an increase in Indian female LFPR, nor will it lead to a decrease in women's participation in domestic unpaid work.⁵ Structural aspects of the labor market, along with a reduction in the burden of reproducing households, need to be addressed if India is to begin seeing more women join the workforce.

Gender and Entrepreneurship

Female entrepreneurship also faces several barriers in the country. The Sixth Economic Census revealed that only ~13.76% of establishments were owned by women entrepreneurs (8.05 million established owned by women entrepreneurs of a total count of 58.5 million).⁶ Over ~90% of women run enterprises are micro-enterprises, with ~79% of them being self-financed.⁷ The country ranks poorly even in indexes related to the same, with India ranked 52 out of 58 in the Mastercard Index of Women Entrepreneurs, 2019.⁸

The government in response has introduced numerous schemes to tackle the issue, including:

- Women Entrepreneurship Platform (WEP):⁹ Launched by NITI Aayog, the platform provides services such as free credit ratings, mentorship, funding support to women entrepreneurs, apprenticeships, and corporate partnerships.
- Stand Up India:¹⁰ Launched in January 2016, this initiative obliges every scheduled commercial bank branch across India to fund at least one woman and one person from the weaker section of the society, described as a scheduled caste/ tribe member, with loans of up to INR 10 million.
- The Udyam Sakhi Portal:¹¹ A portal which provides information, learning tools, trainings, etc., to empower women entrepreneurs.

Private bodies also play a major role in India to boost entrepreneurship, with the following organizations active in the space:

- Swayam Shikshan Prayog:¹² An NGO that runs community initiatives to build leadership and entrepreneurship amongst rural women.
- Corporates such as ICICI, Walmart and IKEA, which have launched women entrepreneurship programs.¹³
- Institutions such as the Federation of Indian Women Entrepreneurs (FIWE) and Consortium of Women Entrepreneurs of India (CWEI).¹⁴

India must make a significant effort to close the gender gap in employment and entrepreneurship. We analyze three key areas where measures can be implemented:

- Promoting investments and effective support services for women-led SGBs
- Improving gender-inclusive employment policies within SGBs and intermediary organizations
- Scaling gender-focused business models through SGBs

The following sections outline the Indian status quo for the three categories of actions identified by the global gender issue brief. These categories at the broadest level recommend the ways in which the SGB sector can contribute, based on current literature and sector experience.

Promoting Investments and Effective Support Services for Women-led SGBs

There are over 40 million formal SMEs globally, with a third owned by women. Of these 12 million businesses, approximately 7 million are in developing regions and in India specifically, there are around 3 million micro, small, and medium enterprises with full or partial female ownership (10% of MSMEs in the country).¹⁵ ¹⁶ Overall, as per the Sixth Economic Census, women own 8.05 million establishments (13.76% of the total) and provide employment to 13.45 million workers.⁶

Women entrepreneurs still face disproportionate barriers in starting and growing businesses. Closing the gender gap could have significant positive impact on the economy and on livelihoods. Goldman Sachs has estimated that closing the credit gap for women owned SMEs by 2020 in BRICs and N-11 countries, could increase incomes per capita by 12 percent by 2030, relative to their baseline scenario.¹⁷

In the Female Entrepreneurship Index, India ranks 70 out of 77 countries.¹⁸ Access to finance remains a significant barrier women entrepreneurs face. Indian women entrepreneurs experience a rejection rate of ~19% by lending institutions, over twice the rate men face at ~8%.¹⁶ To address this problem much needs to change; unfortunately, there is a lack of reliable gender disaggregated data regarding women and access to finance, which has led to lack of awareness and limited outreach.¹⁶

The International Finance Corporation conducted a survey analysing demand and supply side constraints with respect to women entrepreneurs and access to finance. Findings from the sample laid out in its report "Financial Inclusion for Woman-Owned Micro, Small and Medium Enterprises (MSMEs) in India include:¹⁶

Demand Side Assessment

- Only 14% of the women owned enterprises used credit for the purpose of growth financing, whereas most (77%) borrowed for fixed capital requirements.
- Most women entrepreneurs state their desire to receive training, in areas such as accountancy and financial planning.
- Only 17% of women were aware of financial schemes launched by institutions or the government
- The rejection rate for women entrepreneurs was higher in developing nations.
- The financing conditions were likely to be more challenging for women in the form of higher borrowing costs, greater collateral requirements and shorter loan cycles.

Supply Side Assessment

- ~8% of the Adjusted Net Bank Credit of all Public Sector Banks in 2015 went to women entrepreneurs.
- Women entrepreneurs only received 5.2% of the total credit outstanding provided to MSMEs by Public Sector Banks.
- Lack of data on default rates meant that banks had to rely on credit history and collateral to assess creditworthiness, which pose problems for women who may not have adequate credit history and collateral.
- Due to the small value of loans, there were high costs involved in lending.
- There was low uptake and operational inefficiencies that were hampering government schemes targeted to women.

Barriers to accessing finance clearly pose significant challenges to women entrepreneurs and women-led SGBs. In addition, lack of effective support services and financial training hampers the functioning of women-led enterprises. Various stakeholders in India have been involved in addressing this issue. Government organisations have introduced a range of measures, such as:

- The Bharatiya Mahila Bank,¹⁹ the third ever woman-only bank in the world, launched in 2013 and later merged with the State Bank of India;
- Schemes such as the Small Industries Development Bank of India's (SIDBI) Mahila Udyam Nidhi Scheme,²⁰ which provides financial assistance up to INR 10 Lakhs for women entrepreneurs to set up new small-scale ventures;
- The Mahila Shakti Kendra scheme,²¹ launched by the government in 2017, provides skill development, employment, digital literacy, and health services for rural women;
- The government has established an INR 10K Cr. Fund of Funds under the Startup India Program, from which 10% of the total corpus has been reserved for women-led startups;²²
- The Skill Development Ministry in collaboration with Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), are running a program that aims to incubate 250 women-led start-ups and accelerate 100 women started enterprises.²²

There is ample evidence of the private sector also being involved to promote access to finance and support services for women. Examples include:

- The Mann Deshi Mahila Sahakari Bank,²³ founded in 1997, provides banking, debt and insurance services to rural women.
- EmpoWer,²⁴ a Zone Start Ups program launched in 2016, is a tech accelerator purely for women entrepreneurs that has supported ~65 women entrepreneurs over the past 3 years over 4 cohorts and 3 bootcamps.
- The Saha Fund is a fund that invests in enterprises that are either women focussed businesses, have most of their workforce being women, or create a service/product for women.²⁵
- She Capital is an early stage fund that invests in high growth women-led businesses in India.²⁶

Gender-Inclusive Employment Policies within SGBs and Intermediary Organizations

There is evidence indicating that the low female participation rate has been influenced by discriminatory employment policies and other barriers with respect to hiring. In a 2018 World Bank Research Paper,²⁷ which analysed a sample of over 800,000 job advertisements in Babajob, more than a third of job advertisements explicitly state the preferred gender of an employee, with 6 out of 10 jobs biased towards male candidates.

In addition to hiring, attrition and retention of labour is another key issue. A study of 22 Multinational Corporations sponsored by the Shell Foundation found that there was a 48% drop between women in the junior and middle levels in India.²⁸

India passed the Maternity Benefits (Amendment) Act in 2017, which increased the paid maternity leave period to 26 weeks to safeguard the rights of employed pregnant women.²⁹ However, maternity benefits are perceived as an "additional cost." A 2017 online survey of ~4,300 startups, SMEs, and entrepreneurs by citizen engagement platform LocalCircles found that 40% of respondents said they would hire women but would consider if such cost is worth the candidate; 26% explicitly said they would prefer to hire a man; 22% did not expect it to change hiring decisions; and 12% couldn't state the effect.³⁰

Thus, there is a need to address other issues women face related to employment, beside maternity benefits. To address these, the government has contributed in the following ways:

- Equal Remuneration Act of 1976,³¹ which forbids pay discrimination;
- Sexual Harassment of Women at Workplace (Prevention, Prohibition, and Redressal) Act of 2013³²
- Working Women Hostel Scheme,³³ which ensures safe accommodations for the working families of women, including daycare facilities for children in rural, urban and semi-urban areas (given their income falls below a specific threshold)
- Support to Training and Employment Programme for Women (STEP),³⁴ which authorizes grants to institutions that upskill women so that they can take up gainful employment

Given the difficulties faced by women in the space of employment, private companies have been involved as well. Examples include Shortlist,³⁵ which seeks to reduce the significant gender bias involved

in hiring; Her Second Innings,³⁶ a platform that facilitates women employment opportunities; and other initiatives by corporates which seek to encourage women's participation in the workplace, with focus on gender balance, pay parity, and mentoring and leadership programs.

Scaling Gender-Focused Business

Despite the falling women labour force participation rate, women in India are still important consumers for businesses. They now exert greater influence on family purchasing decision, with 73% of families in 2016 consulting their female members on household purchases, up from 60% in 2006.³⁷

Retail companies have witnessed the increased influence of women consumers on their business. The Future group, one of India's largest retailers, with 250+ outlets, noted in 2016 that its women customers spent more than men on apparel and shoes.³⁷ Similarly, e-commerce company Flipkart noticed in 2017, that even though there were more male customers overall, women bought more products per shop than men.³⁷ Additionally, the femtech market in India is estimated to be worth US\$310 million.³⁸

The rise of the woman consumer has led to enterprises introducing women centered products and services. Examples include Maya,³⁹ a Bangalore based startup that helps women track their menstrual and physiological health; Safetipin,⁴⁰ a women's safety app; and Sheroes,⁴¹ a women's community platform, that also offers enterprises services.

In addition to serving women as end consumers, companies are also integrating women into their business operations. This women-centric focus in their operations is especially important given that a large portion of their end users will be female. In India, many large MNCs are integrating gender diversity into their supply chains, with companies like Marriot Hotels and Walmart committing to business with women-owned enterprises in their supply chain.⁴² While there isn't much macro evidence specifically pertaining to SGBs and gender-based business models, general data and commentary suggests that intermediaries and SGBs cannot ignore the influence of women as customers and on business operations.

RECOMMENDATIONS

There is significant work to be undertaken in order to bridge the gender gap in India. ANDE believes the SGB ecosystem can play a key role in socially and economically empowering women and in contributing to narrowing the gap. It is important to note that the informal sector forms a large portion of India's economy, and rather than trying to reduce its size, we must work towards addressing its needs, on its own terms. In line with ANDE's strategy, and based on findings through the secondary research, the following action items can be suggested:

1. Promote investments and effective support services for women-led SGBs.
2. Improve gender-inclusive employment policies within SGBs and intermediary organizations.
3. Scale gender-focused business models through SGBs.
4. Employers to conduct training programs to develop women as leaders, with adequate support from government institutions and sector experts.
5. Promote awareness about existing government and private schemes that are currently working towards supporting women entrepreneurs and women-led SGBs.
6. Establish and strengthen networks of women entrepreneurs could provide effective opportunities for mentorship and collaborations.
7. Develop defined metrics to understand the state of gender equality in organizations.

1. Promoting investments and effective support services for women-led SGBs:

- A gender lens approach to investing by the SGB support ecosystem, especially by financial institutions, could help address the lack of capital barrier.
- Collecting and disaggregating data on the basis of gender, especially on the efficient use of funds by women entrepreneurs, could help create more clarity towards the business case towards investing in women.
- Providing support services covering key areas of business such as finance, technology, human resources, etc. and incubation platforms geared towards women.

2. Improving gender-inclusive employment policies within SGBs and intermediary organizations:

- Conducting gender 101 trainings and unconscious-bias trainings could help correct for underlying patriarchal elements in business operation.
- Providing leadership and skill development opportunities could aid women move up the ladder and build their confidence.

3. Scaling gender-focused business models through SGBs:

- Understanding the impact women have and their needs as end users could help businesses design products that are better geared towards the female market, instead of pink-washing them.
- Creating advocacy for involving women-led SGBs in corporate supply chains could lead to MNCs doing the same.

- 4. Employers to conduct training programs to develop women as leaders, with adequate support from government institutions and sector experts:**
 - Providing leadership training for women at middle and senior-management trainings can help generate a pipeline of women leaders.
 - Mentorship programs with both experienced male and female mentors in the industry to provide relevant advice.
- 5. Promoting awareness about existing government and private schemes that are currently working towards supporting women entrepreneurs and women-led SGBs:**
 - Publishing a compendium with resources on existing schemes available targeting women entrepreneurs.
 - Creating awareness and advocacy for new or upcoming women entrepreneurship programs through public platforms.
- 6. Establishing and strengthening networks of women entrepreneurs could provide effective opportunities for mentorship and collaborations:**
 - Establishing formalized networks based on sector for women entrepreneurs could enable them to leverage ecosystem support in the form of access to information, capital, mentorship, and partnership opportunities.
- 7. Developing defined metrics to understand the state of gender equality in organizations, which would involve:**
 - Defining standard definitions for what we mean by women-led/centric SGBs.
 - Establishing common standards that indicate the state and impact of women participation, leadership and entrepreneurship, geared towards diverse contexts (e.g., metrics appropriate for rural vs urban areas, across different states and regions, etc.).

What's Next?

ANDE India hopes to work on many of the recommendations highlighted above via the Women Entrepreneurship Learning Lab. Specifically, the chapter is looking for contributions from ANDE members and ecosystem partners to develop a compendium of resources that include toolkits and frameworks, as well as case studies on innovative engagements or capacity building interventions with women-led SGBs. If you are interested in being part of the lab, please add your name to the list at bit.ly/INDCompendium.

RELEVANT METRICS

To measure and track progress on gender equity, the SGB sector will need a common set of indicators. The UN defines specific targets and indicators to measure progress towards each SDG. Since the goals were originally designed as national targets for countries to work towards, not all indicators are applicable to private organizations. However, organizations like the Global Impact Investing Network (GIIN) have designed metrics systems that align with the SDGs.

The metrics outlined as part of ANDE's global brief on gender equality are relevant for the Indian sector as well.⁴³ Apart from the general metrics present in this document, there is also a need to contextualize these metrics for the varying ecosystems in India (rural, urban, semi-urban etc.).

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