

Financial Inclusion for Woman-Owned Micro, Small & Medium Enterprises (MSMEs) in India

ACKNOWLEDGEMENTS

Roshika Singh (IFC), Pratibha Chhabra (WBG)

Peer Reviews:

Ashutosh Tandon (WBG), Simon Bell (WBG), Kathrin Hamm (IFC)

Peer Reviews:

Deepa Karthykeyan, Sanjana Singh, Praveen Ravi, Anupama Ramaswamy,
Riddhi Banerjee (Athena Infonomics)

This assessment was conducted and document written for the International Finance Corporation (IFC) by Athena Infonomics India Pvt. Ltd.

The assessment was undertaken with funding support from the Government of Japan.

Editors:

Aarti Gupta, Debashish Mukerji

IFC Disclaimer

We note that the Study reflects the views of the IFC / WBG and does not necessarily reflect the views of the Government of India and the findings are not binding on the Government of India. This publication may contain advice, opinions, and statements of various information and content providers. IFC does not represent or endorse the accuracy or reliability of any advice, opinion, statement or other information provided by any information provider or content provider, or any user of this publication or other person or entity.

TABLE OF CONTENTS

Acknowledgements	2
Abbreviations	6
1. Executive Summary	8
1.1 Findings	9
1.2 Recommendations	11
2. Setting the Stage	15
2.1 Background	16
2.2 Stepping stone	19
2.3 Approach and methodology	19
3. Untapped Market: Women Entrepreneurs' Debt Demand	21
3.1 Evaluating the opportunity	22
3.2 Challenges	30
3.2.1 Institutional challenges	30
3.2.2 Personal challenges	35
3.3 Sickness and closure of MSMEs	42
4. Supply Side Assessment	43
4.1 Lending patterns	44
4.2 Select government programs	50
4.2.1 MUDRA scheme	50
4.2.2 Prime Minister's Employment Generation Program	51
4.2.3 Small Industries Bank of India (SIDBI)	52
4.2.4 Credit Guarantee Fund Trust for MSEs (CGTMSE)	53
4.2.5 Rural self-employment training institutes	54
4.3 Select case studies	56
4.3.1 Credit appraisal and loan approval process of FIs	66
4.3.2 Comparative assessment of financial institutions	69
5. Mapping the Business Opportunity	71
5.1 Women-owned MSMEs not served by formal finance	72
5.2 Finance gap – quantum of financing needs unmet by formal finance	74
6. Conclusion and the Way Forward	76
6.2 Capacity building of FIs	79
6.2.1 Sensitization of FIs to Promote Organizational Readiness	79
6.2.2 Creating a comprehensive proposition	80
6.2.3 Leverage technology	82
6.3 Incorporate alternative assessment mechanisms into the credit appraisal process	84
6.4 Enabling ecosystem	86

Appendices

Appendix I: Overall approach and methodology	91
Phase 1: Preparatory Phase	91
Phase 2: Project Execution Phase	92
Appendix II: Finance Gap Estimation Method	98
Proportion of Women MSMEs Not Served by Formal FIs	98
Finance Gap – Quantum of financing needs unmet by formal FIs	98

LIST OF FIGURES

Figure 1: Female self-employment versus wage/salaried employment	17
Figure 2: Overall fixed and working capital requirement	22
Figure 3: Determinants for choice of providers	27
Figure 4: Use of external finance	28
Figure 5: Reasons for not accessing bank loans	29
Figure 6: Awareness of government schemes	31
Figure 7: Proportion of credit to women, women-owned MSMEs, and NPAs	45
Figure 8: Credit to women (%age of ANBC)	46
Figure 9: Lending to women SMEs (%age of total lending to SMEs)	47
Figure 10: Overall supply of formal credit to women entrepreneurs – bank and non-bank channels	49
Figure 11: Proportion of Women Beneficiaries – PMEGP	52
Figure 12: Women MSMEs' access to formal sources of finance – national level	72
Figure 13: Women MSMEs' Access to Formal Sources of Finance - Type of Enterprise	73

LIST OF TABLES

Table 1 : Entrepreneurial Survey Sample	20
Table 2: Evaluating Financial Options	30
Table 3: Non- Financial Service Areas – Importance given by Women Entrepreneurs	37
Table 4: Sources of Finance	44
Table 5: Loan Disbursements to Registered Enterprises	44
Table 6: Aggregate bank credit flow to MSMEs – Outstanding amount in INR 100 lac crore (USD billion)	44

ABBREVIATIONS

ANBC	Adjusted Net Bank Credit	MNC	Multinational Corporation
ATM	Automated Teller Machine	MoU	Memorandum of Understanding
BC	Business Correspondent	MSME	Micro, Small and Medium Enterprise
CC	Cash Credit	MSMED	Micro, Small and Medium Enterprise Development
CED	Centre for Entrepreneurship Development	MUDRA	Micro Units Development and Refinance Agency
CGS	Credit Guarantee Scheme	NBFC	Non-Banking Financial Company
CGTMSE	Credit Guarantee Fund Trust for Micro and Small Enterprises	NFC	Non-Financial Services
CRAR	Capital-to-Risk Weighted Assets Ratio	NGO	Non-Government Organization
CSR	Corporate Social Responsibility	NPA	Non-Performing Assets
EEG	Emerging Enterprise Group	OECD	Organization for Economic Co-operation and Development
FA	Fixed Assets	PDA	Personal Digital Assistant
FI	Financial Institution	PMEGP	Prime Minister Employment Generation Program
GIZ	Gesellschaft für Internationale Zusammenarbeit	PSB	Public Sector Banks
GoI	Government of India	RBC	Royal Bank of Canada
GDP	Gross Domestic Product	RBI	Reserve Bank of India
GED	Global Entrepreneurship & Development	RM	Relationship Managers
HDFC	Housing Development Finance Corporation	RSETI	Rural Self-employment Training Institutes
ICICI	Industrial Credit and Investment Corporation of India	SGSY	Swarnjayanti Gram Swarajgar Yojana
IDFC	Infrastructure Development Finance Company	SIDBI	Small Industries Development Bank of India
IT	Information Technology	SJSRY	Swarna Jayanti Shahari Rozgar Yojana
IFC	International Finance Corporation	SHG	Self-help Group
IOB	Indian Overseas Bank	SME	Small and Medium Enterprises
ITC	International Trade Centre	TAT	Turnaround Time
JLG	Joint Liability Group	UK	United Kingdom
ME	Male Entrepreneur	WC	Working Capital
MDF	Mann Deshi Foundation	WE	Women Entrepreneur
MDSB	Mann Deshi Sahakari Bank	WEEI	Women Entrepreneurial Environment Index
MFI	Micro Finance Institutions	WMC	Women's Market Champion
MFS	Mobile Financial Service		

Executive Summary



Women entrepreneurs in India play a significant role in advancing the economic growth of the country. They collectively contribute 3.09 percent of industrial output¹ and employ 10 percent of the total workers engaged in different economic activities (6th Economic Census, 2016) in India. Still, India ranks third-highest in entrepreneurship gender gap across the world – only 33 percent of the early-stage entrepreneurs in India are women (GEM, 2014). Women owning small and medium enterprises in India widely point to the lack of access to capital as the biggest constraint in running their businesses.

With the growing recognition of women entrepreneurs' contribution to economic growth, there is need to understand the state of their operations in India. A country-level diagnostic of the demand and supply of finance for women-owned Micro, Small and Medium Enterprises is essential to drawing up country-specific strategies to improve their access to finance. This report aims to assess the financing gap through a hybrid approach, including both secondary estimation and primary data collection, and identify the key characteristics of women-owned businesses, their need for financial and non-financial services, their uptake of financial products and the barriers to their access. Subsequently, key areas of focus have been identified that will help improve women entrepreneurs' access to finance.

¹ Quick Results Fourth All-India Census of MSMEs 2006-07; Annual Report of Ministry of MSME, MicroSave Analysis

1.1 Findings

DEMAND ASSESSMENT

Primary source of finance

- The survey findings highlight the importance of personal resources for MSMEs in meeting their financial requirements – 80 percent of entrepreneurs stated that personal resources were their most preferred option for finance; while 55 percent said they took loans from moneylenders. For women entrepreneurs, financial institutions and business associations (through linkages to credit) were the last option for financial requirements.
- Among formal sources of finance, public sector banks were the most preferred. This was primarily because they charge relatively lower interest rates and have a strong local presence.
- Women entrepreneurs placed the greatest weightage on an existing relationship with a financial institution when availing of finance. Their male counterparts, on the other hand, were more interested in the bank's location and whether its focus was on small firms.
- Among women entrepreneurs who obtained bank loans, the primary purpose of the loans – in 77 percent of cases – was to finance fixed capital requirements.
- Only 14 percent of the sampled women-owned enterprises availed of bank loans to meet growth financing requirements. This was significantly lower than male-owned enterprises where 66.7 percent availed credit for business expansion and growth.

Non-financial Services (NFS)

- Most women entrepreneurs said they wanted non-financial services, such as support and training in accountancy and financial planning².

Challenges

- Only 17 percent of women entrepreneurs were aware of financial schemes launched by the government or financial institutions.
- Women were less likely to manage business finance independently, often lacking adequate management practices as compared to men.
- Entrepreneurs indicated the need to streamline and ease loan application procedures. The average turnaround time in availing of a loan was 41 days for the women entrepreneurs interviewed.
- The financing conditions for women owning small businesses are challenging – they are likely to face higher borrowing costs, may be required to provide collateral for a higher share of their loans than their male counterparts. They also mostly get shorter-term loans.³
- Numerous surveys show that the rejection rate of loan applications from women entrepreneurs is higher in the developing world.

² Other choices included business coaching and mentoring, consultancy and advisory support, training and development, filing tax returns, networking events, help in preparing project proposals and loan applications, product design, marketing and sales, information services, informal support from the relationship manager, in addition to advice and peer training.

³ Based on insights generated from the primary survey

SUPPLY ASSESSMENT

Financial Services

- The response of financial institutions to the MSME segment has been found to be largely gender-agnostic. This is particularly true of private financial institutions.
- About 8 percent of the total Adjusted Net Bank Credit of all public sector banks in 2015 was extended to women entrepreneurs.
- PSBs account for the bulk of formal credit supply to MSMEs.
- Women entrepreneurs got only 5.2 percent of the total credit outstanding that all PSBs provided to MSMEs.
- Small banks are best positioned to cater to women-owned businesses, thanks to their women-dominant MFI clientele.

Non-Financial Services

- Financial institutions cited limited resources and expertise as reasons for being largely unable to provide non-financial services to women entrepreneurs.
- Banks such as the Canara Bank and Mann Deshi Bank have successfully leveraged their Corporate Social Responsibility to provide NFS to women entrepreneurs. But as in other parts of the world, few banks offer NFS as a business solution.
- Lead banks⁴ are actively involved in providing these services through Rural Self-employment Training Institutes.

Challenges

- Identifying genuine women entrepreneurs.
- Government schemes and products are characterized by low uptake and operational inefficiencies, as well as lack of effort to target women entrepreneurs.
- High cost of lending, more so due to the small value of loans.
- Lack of appropriate business records and books of accounts.
- Women-owned small businesses are perceived to be risky. Women's lack of access to movable and unmovable property as collateral is a big impediment.
- As there is little market data available on default rates, banks often use traditional credit scoring models – relying on credit history and collateral – to assess creditworthiness. This poses challenges for many women who simply do not have access to collateral or an adequate credit history.
- Difficulty in establishing creditworthiness of women-owned businesses – 80 percent of banks identified challenges in this area.⁵

⁴ Under the lead bank scheme administered by the RBI since 1969, a designated bank (either private or public) leads the consortium of all banks in the area. The role of the lead bank is to coordinate efforts of all banks in the area for credit expansion to important sectors of the economy.

⁵ Report on Support to SMEs in Developing Countries Through Financial Intermediaries, Dalberg Global Development Advisors, November 2011

FINANCE GAP

Market Opportunity

Women entrepreneurs have consistently performed better than their male counterparts.




- Their businesses showed greater profit margins than those of men – 31 percent, on average, as compared to about 19 percent.
- Bankers attributed relatively lower non-performing assets to women. Women in PSBs accounted for 4 percent of NPAs, lower than the overall NPAs registered at 6.2 percent.
- Women appeared to be more loyal customers, as they had fewer banking relationships when compared to their male counterparts.



The study estimates that 90 percent of the women entrepreneurs surveyed had not availed of finance from formal institutional channels. In volume terms, an estimated 70.37 percent of the financing demand remained unmet.⁶ This translates to a financing gap of INR 1.37 lac crore (USD 20.52 billion), a huge market opportunity for formal financial institutions.

1.2 Recommendations

The following table summarizes recommendations specific to the challenges women entrepreneurs face and maps them to the issue that needs to be addressed. The gender-sensitivity of the issues is also illustrated through a scale (derived through qualitative insights).

⁶ The finance gap (70.37 percent) is lower than the access gap (90 percent) because business sizes and the financing requirements of women entrepreneurs who have access (10 percent) are typically greater as compared to those without access.

Recommendation			Issue	Gender Sensitivity
A. Capacity Building of FIs	Emphasize qualitative and non-conventional credit assessment approaches to supplement mechanisms.	<ul style="list-style-type: none"> Develop non-credit banking relationships. Hold psychometric tests. Partner with franchise/e-commerce businesses. Help develop enterprise characteristics. Improve technical knowledge of the borrower. Eliminate male dependency. 	<ul style="list-style-type: none"> Women-owned MSMEs lack access to traditional collateral and information on the enterprise's financial viability. 	
		<ul style="list-style-type: none"> Collect and analyze gender-disaggregated data. Provide gender sensitivity training for relationship managers to be more effective in catering to women customers. 	<ul style="list-style-type: none"> Gender-disaggregated supply-side data is critical for building a business case for banks to serve women MSMEs. Data plays a key role in understanding the relative risks associated with funding women entrepreneurs, shedding light on gender-sensitive product design. 	
	Leverage Technology	<ul style="list-style-type: none"> Improve Loan Management System – strengthen the loan appraisal process. Automate data collection. Integrate with external databases and credit rating tools. 	<ul style="list-style-type: none"> Women entrepreneurs have limited awareness of loan appraisal; mobility and time constraints are other challenges. Processes are cumbersome and take too long. 	
	Align and sensitize financial institutions	<ul style="list-style-type: none"> Collect and analyze gender-disaggregated data. Provide gender-sensitive training. Develop and disseminate toolkits. 	<ul style="list-style-type: none"> Banks have preconceived perceptions about the operations of women-owned MSMEs. The bias usually stems from their socio-cultural status and their choice of traditional areas of operation. Even though there are exceptions, an unconscious bias exists against women, indicated by the low uptake of financial services by women. As women entrepreneurs operate differently from men, financial institutions can't seem to shake of an inadvertent gender bias in their appraisals. 	

Recommendation			Issue	Gender Sensitivity
A. Capacity Building of FIs	Strengthen support structures to deliver NFS.	<ul style="list-style-type: none"> Develop and disseminate a specialized training curriculum to provide financial, managerial and technical support to entrepreneurs. Enhance product knowledge and loan application support. Broker partnerships among potential NFS providers and financial institutions. Develop networking platforms. 	<ul style="list-style-type: none"> Women entrepreneurs in India grapple with differentiated challenges which are largely non-financial in nature, such as limited financial literacy and product knowledge. Financial institutions have limited manpower and resources. 	
		<ul style="list-style-type: none"> Provide training completion certificates. Provide certification of authenticity for women-owned enterprises, information on how to register a business. Provide mentoring forums. Provide training in book keeping and accounting. Provide entrepreneurship training, including how to write a business plan. 	<ul style="list-style-type: none"> Bankers are apprehensive of lending to MSMEs with limited documentation, despite prescribed gender friendly policies and programs. The most common challenge cited by bankers was identifying genuine women entrepreneurs. Male entrepreneurs often registered their businesses in their wives' names to benefit from women-friendly schemes and laws. 	
B. Policy Design	Redesigning macro policy	<ul style="list-style-type: none"> Provide training in how to leverage data to make informed decisions. 	<ul style="list-style-type: none"> Lack of reliable and updated gender-disaggregated data on MSMEs is a challenge to building a business case for women-owned MSMEs. 	
		<ul style="list-style-type: none"> Consider giving gender-sensitive credit rating subsidies. 	<ul style="list-style-type: none"> Despite their credibility, women are often unable to meet traditional credit requirements. 	

Gender Sensitivity: Low  high

The way forward

With lower risk, higher profitability, and a more loyal clientele, women entrepreneurs clearly present an attractive business segment. Some more recommendations to lower the barriers women face and narrow the existing finance gap are as follows:

Financial Institutions:

1. As opposed to a product-led approach, financial institutions should adopt a customer-centered value proposition that combines access to financial services with information, education and networking opportunities to develop a bundle of products and services for women.
2. A bouquet of non-financial services should be available to support women customers, particularly entrepreneurs, through the lifecycle of their businesses.
3. Banks should adopt differentiated assessment mechanisms of creditworthiness to appraise women's repayment capacity better. A good way would be to promote lending against immovable assets.
4. Banks should provide gender sensitization training to their staff to promote greater recognition of opportunities associated with women-owned businesses. Such training could be given during their on-boarding. They could develop and disseminate toolkits for loan officers to cater to this segment.

Enabling Environment:

5. An MSME census or national survey would be useful to establish baseline data for the business case to lend to women entrepreneurs.
6. Gender disaggregated data pertaining to MSMEs must be collected and disseminated to make informed decisions.
7. Campaigns must be launched to promote awareness of existing schemes for women entrepreneurs.
8. To tackle the misuse of subsidies and programs meant for women entrepreneurs through 'benaami' enterprises, state governments could encourage and promote registration of women-owned MSMEs.
9. Broader financial literacy programs and campaigns should be held, focusing on entrepreneur development training.

Chapter 2

Setting the Stage

2.1 Background

There is a credit gap of over USD 2 trillion for MSMEs in developing markets⁷.

MSMEs are an integral part of the economy in developing countries, and play a crucial role in promoting growth, innovation and prosperity. There has been much research into understanding and quantifying the role of MSMEs in accelerating the Gross Domestic Product and employment of a country. Formal MSMEs contribute up to 45 percent of total employment globally, and up to 33 percent of GDP in emerging economies (Peer, Goland, & Schiff, 2010).

However, MSMEs face higher operational and growth constraints than larger firms, severely inhibiting their progress. Among these constraints, access to finance and cost of finance have been identified as major barriers. A study by IFC estimates the total unmet demand for credit by all formal and informal MSMEs in developing economies at around USD 2.1-2.6 trillion (globally, such demand was USD 3.2 to USD 3.9 trillion). This is a sizeable 30-36 percent of the current outstanding MSME credit.⁸ Overall, approximately 70 percent of all MSMEs in emerging markets lack access to credit finance (Peer, Goland, & Schiff, 2010). There is evidence that these enterprises have been unable to scale and achieve their potential primarily because of poor access and non-use of the required financial products and services.

MSME sector promotes female labor participation and economic growth significantly.

There is considerable empirical evidence of labor force participation stimulating economic growth. According to the 2015 McKinsey Global Institute Report, *The Power of Parity*, India can increase its GDP by anywhere between 16 and 60 percent by 2025 through equal participation of women in the labor force, which amounts to an additional USD 700 million–USD 2.9 trillion.

Additionally, given that women-owned enterprises contribute 10.24 percent of employment, gender parity can be a vital engine for job growth and equity.

However, gender gaps in the labor force persist – only 50 percent of working-age women in India are in the labor force compared to 77 percent men⁹. India has one of the world's largest gender gaps. It is therefore crucial to address the gender gap in employment to boost economic dividends.

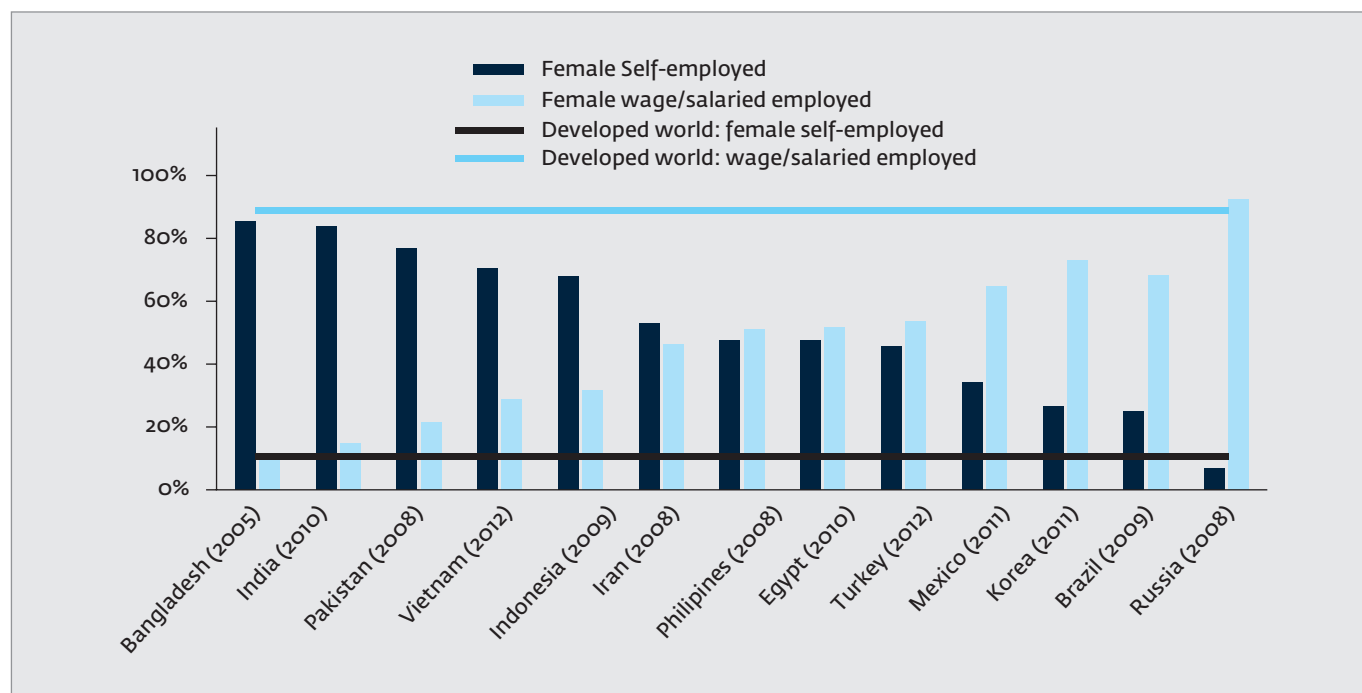
It has also been seen that higher self-employment in women boosts female labor participation. On average, female self-employment is higher in developing countries than in the developed world; it represents more than 50 percent of the female labor force participation in the former. This means that the MSME sector is an important means of raising female labor force participation.

⁷ IFC Enterprise Finance Gap Data

⁸ Stein, P., Ardic, P.O., Hommes, M (2013) Closing the Credit Gap for Formal and Informal Micro, Small, and Medium Enterprises, IFC Advisory Services: Access to Finance

⁹ Chapter 4: Work, The World Women's 2015, unstats.un.org

Figure 1: Female self-employment versus wage/salaried employment (%age of total female employment)



Source: World Bank

Research indicates that in emerging markets, women reinvest a significant 90 cents of every additional dollar earned in human capital — education, health and nutrition of the family — as against just about 30 to 40 cents by men.¹⁰ This obviously helps create a virtuous cycle that accelerates economic and social growth.

There are more than 40 million formal SMEs globally, and approximately a third of them are owned by women. This translates to approximately 12 million women-owned formal SMEs worldwide, of which approximately 7 million are in developing regions (IFC, 2014). GEM Global Women's Report estimates that there are more than 200 million women entrepreneurs who are starting their businesses, whether formal or informal or partially owned, and another 128 million who operate established businesses.

In India alone there are over 3.01 million businesses owned fully or partially by women. Women entrepreneurs collectively contribute 3.09 percent of industrial output (IFC, 2014). More importantly, they employ 13.48 million people, or 10.24 percent of the total workforce (6th Economic Census, 2016).

Despite the increasing recognition of women entrepreneurs' contribution to economic growth, financing constraints remain a challenge for them.

Despite demonstrated capabilities, women entrepreneurs face disproportionately high barriers in starting and growing their businesses, particularly in accessing finance. According to the Global Financial Inclusion database, 2014, even women in high-income Organization for Economic Cooperation and Development countries had 20 percent less success in borrowing from a financial

¹⁰ Vanderbrug, J., (2015) The Global Rise of Entrepreneurs, Insights: U.S. Trust : Bank of America Private Wealth Management (Reprinted from Capital Acumen, Issue 25)

institution than their male counterparts in the past 12 months. This discrepancy is often attributed to a host of gender-sensitive factors such as lack of collateral, weak property rights and unconscious bias, regulations, laws and customs.

The opportunity cost of this gender gap is significant, given that women entrepreneurs' economic impact has a multiplier effect. Considerable output and productivity gains can be achieved if there is equal access to productive resources for both men and women. Goldman Sachs has projected that closing the credit gap in emerging economies by 2020 would increase average per capita growth rates by 12 percent by 2030 in these countries (Stupnytska, Koch, MacBeath, Lawson, & Matsui, 2014).

Gender gap in the Indian entrepreneurial space

India ranks a lowly 70 among 77 countries covered in the Female Entrepreneurship Index. It also has the third-highest gender gap in entrepreneurship across the world. Only 33 percent of early-stage entrepreneurs in India are women; male entrepreneurial activity rates exceed female entrepreneurial rates by 7 percent (GEM, 2014).

India ranks 70 among 77 countries covered in the Female Entrepreneurship Index and exhibits the third highest gender gap in entrepreneurship across the world.

Worse, surveys suggest that the lack of access to credit finance is the biggest constraint for women-owned MSMEs in India. Against 26 percent of male entrepreneurs, 43 percent of women entrepreneurs cited inability to access credit as a reason for discontinuing their businesses, according to GEM 2014.

Women entrepreneurs in India face a rejection rate of 19 percent by lending institutions – more than twice the rate of 8 percent for men. According

to the IFC Enterprise Finance Gap Database, the average credit gap per enterprise is estimated at around USD 7,392. Access to financial resources has been reported as the greatest impediment in the entrepreneurial ecosystem for women in India, both by the Global Entrepreneurship Development Index (2014) and the Women Entrepreneurial Environment Index.

Data is vital to establishing a business case for women-owned MSMEs in India.

Lending to women-owned MSMEs as a distinct segment is still unexplored in India as compared to lending to the sector as a whole. Due to higher risk perception and lack of awareness about women-owned businesses, formal financial institutions have made little effort to better understand the business opportunity the segment presents. One of the biggest barriers to financial institutions supporting women entrepreneurs is the lack of reliable data disaggregated by gender. In cases where formal institutions have launched schemes to target the business needs of women-owned businesses, a lack of awareness and limited outreach – especially in rural areas – has meant that the impact has remained limited.

The need to address the lack of data is imperative. For one, there are limited region-wise assessments that provide granular insights into the trends related to access or usage of financial products by women entrepreneurs. Equally, there is little information on the complex barriers to access to finance, which often reflect the country's socio-economic, political, and cultural conditions. Hence a country-level diagnostic study of the demand and supply of finance for women-owned MSMEs is essential to provide a contextual background and to design country-specific strategies. There is a compelling demand for market research to support women entrepreneurs as a distinct business segment in India. This report aims to address this demand.

2.2 Stepping stone

The 2014 IFC Report on Improving Access to Finance for Women-owned Businesses in India was the first attempt to assess the credit gap at the country level, build awareness about the unmet financing needs of women entrepreneurs, and present to financial institutions the commercial opportunities that this demographic offers. This study estimated the finance gap (in 2012) at 73 percent of the demand. Specifically, the study attempted to:

- Estimate the financing gap for women entrepreneurs;
- Review the success rates of women-owned MSMEs as compared to male-owned MSMEs;
- Identify the key areas of focus to improve financing for women entrepreneurs; and
- Evaluate the efficacy of schemes, loan products and services offered by banks and non-banking finance companies in reaching the intended credit to women.

2.3 Approach and methodology

This section briefly outlines the methodology adopted to meet the objectives of the current study. A detailed listing of the approach and methodology can be found in Appendix I. The study involved exploring and pooling data from multiple sources, including the Reserve Bank of India and the Ministry of Micro, Small and Medium Enterprises, in addition to the research material on women entrepreneurship and financial inclusion prepared by the government, industry, and donors. Additionally, interviews were conducted with stakeholders – women enterprises and financial institutions – to estimate the opportunity for women owned MSME¹¹ finance in India.

The study broadly follows a two-fold approach, where inputs were taken both from MSMEs and financial institutions through detailed surveys and in-depth interviews to gain insights into:

Demand side constraints that affect women entrepreneurs' access to finance

The objective was to identify both demand for finance and the need for non-financial services. The study also aimed to understand the financials of women-owned enterprises, the challenges women entrepreneurs face in accessing finance across the business lifecycle, and how these change through the various stages of the business. It was intended to assess the finance gap and understand the gender differential in the success or failure of business ventures. The study deployed multistage sampling to get a representative sample of women entrepreneurs in a state, across income segments and geographical locations. It chose states with the maximum number of women entrepreneurs across geographies. The methodology has been detailed in the appendix; the overall sampling plan is outlined as follows:

¹¹ The MSMEs and women entrepreneurs considered for this report have been defined in Appendix I.

Table 1: Entrepreneurial Survey Sample

	Women Entrepreneurs			Male Entrepreneurs		
State	Rural	Urban	Total	Rural	Urban	Total
Gujarat	40	98	138	6	24	30
Karnataka	112	46	158	5	11	16
Maharashtra	24	29	53	5	7	12
Rajasthan	31	19	50	4	4	8
Tamil Nadu	62	94	156	9	20	29
Uttar Pradesh	20	30	50	13	14	27
Total	289	316	605	42	80	122

Supply of finance to MSMEs from the perspective of bankers and lending organizations

The study used qualitative in-depth interviews to examine the financial and non-financial products and services being offered to these businesses, to understand the factors that facilitate and impede their flow across the business lifecycle. It analyzed various lending models and non-financial services practiced across financial Institutions. This was supplemented with secondary information to gain a macro understanding of the country's financial ecosystem.

The study also used secondary data to augment the primary surveys on both the demand and supply sides, and draw up estimates¹² for the overall demand and supply of finance for women-owned enterprises. In addition, it determined individual demand figures based on enterprise type (micro, small and medium) and application area (working capital and fixed asset financing). The fixed capital requirement for each enterprise was estimated based on the assets it owned and the assets' cost, current value and expected lifecycle. The enterprise's working capital requirement was based on its payable and receivable flows.¹³

The primary data from women entrepreneurs has been used to not just provide a bottom-up estimate of the financing requirement, but also to reach a more nuanced understanding of the characteristics of women-owned enterprises, the demand for financial and non-financial services, and the barriers that prevent their uptake.

The report comprises the following chapters:

- Chapter 3 presents an assessment of the demand for finance by women entrepreneurs, providing an overview of their sources of finances and preferences, and challenges in availing credit.
- Chapter 4 provides a supply-side assessment of lending patterns and credit disbursement, value chain assessment of financial institutions and best practice models.
- Chapter 5 presents the finance gap estimate and findings.
- Chapter 6 comprises recommendations on bridging the finance gap and the way forward.

¹² Supply side estimations have been made based on the RBI banking data and earlier reports for the non-banking financial institutions.

¹³ Expert inputs as well as the MicroSave methodology (2016) on working capital cycle have been used.

Chapter 3

Untapped Market: Women Entrepreneurs' Debt Demand

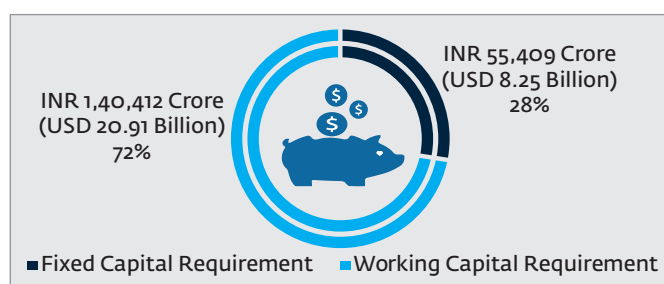
3.1 Evaluating the opportunity

An enterprise's demand for finance is typically an aggregate of its fixed and working capital requirements. The fixed capital demand of an enterprise is defined as the annualized demand for financing fixed assets¹⁴ that last over time. The working capital requirement is defined as the required value of funds that an enterprise needs to be able to pay its debt obligation and other operational expenses. These were estimated based on the survey, and a detailed estimation methodology can be found in Appendix II.

Women entrepreneurs have expressed an annual finance demand of INR 1.95 lac crore (USD 29.16 billion).

The estimated total annual requirement of finance of women-owned enterprises in India is INR 1.95 lac crore (USD 29.16 billion). This estimate reflects the total demand for finance of both registered and unregistered enterprises, formal and informal. In other words, this is the size of the market that formal financial institutions must target.

Figure 2: Overall fixed and working capital requirement



Source: Enterprise Survey, Athena Infonomics Research

The following graphic highlights the contrast between the profiles of the surveyed enterprises owned by women and those by men:

¹⁴ The fixed asset requirement is estimated based on an enterprise's asset ownership by depreciation, adjusted to price variations from the time of purchase. The annualized estimates are based on typical repayment periods and the type of asset financed.

Profile of Enterprises 1

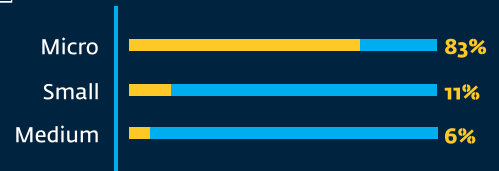
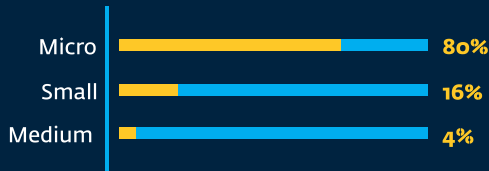


Women Entrepreneurs



Male Entrepreneurs

SIZE OF ENTERPRISE



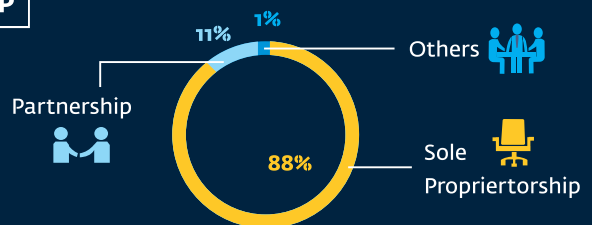
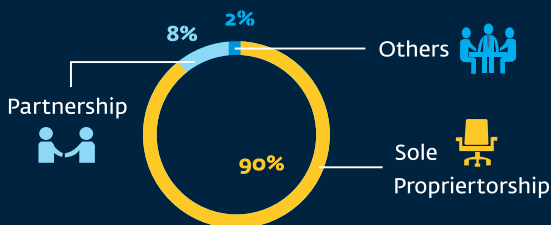
CLASSIFICATION OF AREA



SECTOR



OWNERSHIP



AGE OF ENTERPRISE

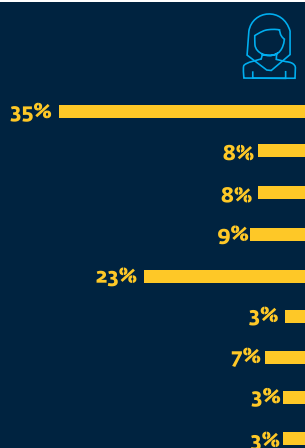
Age of enterprise **6.5 years**



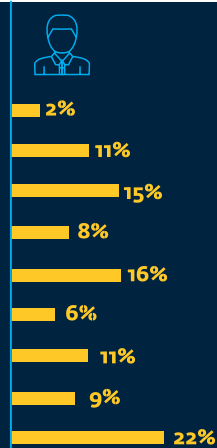
Age of enterprise **8 years**



INDUSTRY



Personal Service
Wholesale & Retail trade textiles
Wholesale & Retail trade
Food Service
Manufacture of Wearing apparel
Education
Other Service
Healthcare & Pharma
Other manufacturing



Profile of Enterprises 2

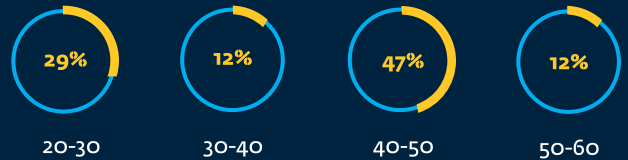
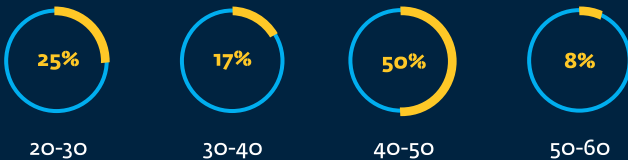


Women Entrepreneurs

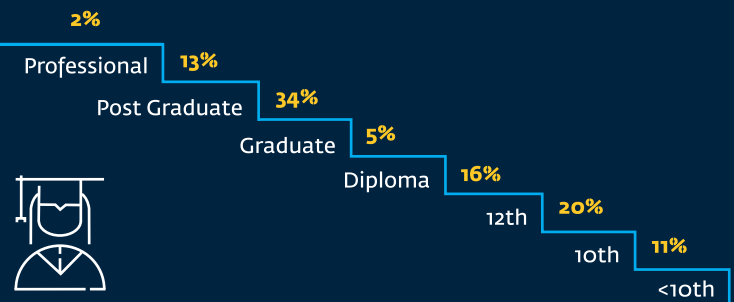
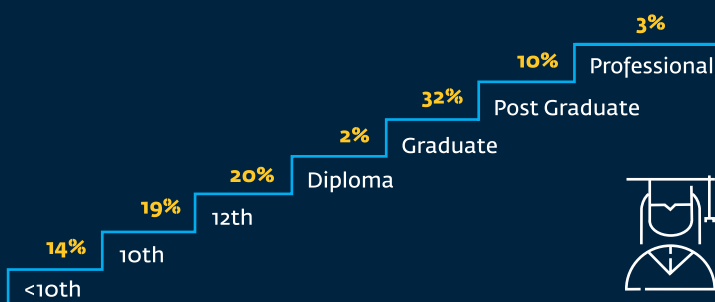


Male Entrepreneurs

ENTREPRENEUR'S AGE



LEVEL OF EDUCATION



MARRIED



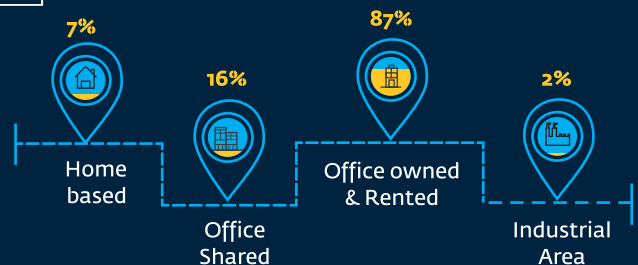
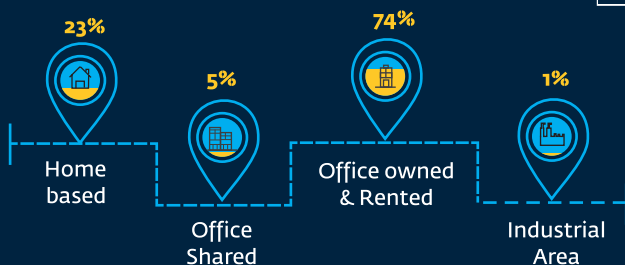
PRESENCE OF CHILDREN



PARTNERSHIP



LOCATION



The data on 'Financial Characteristics of Enterprises' highlights significant gender differences on some crucial parameters – ownership of banking accounts, or usage of banking services and savings and credit products. For instance, **against 30 percent of the sampled women entrepreneurs, more than twice the number of male entrepreneurs – 62 percent – reported having non-credit banking relationships** in the form of current accounts.

Small firms benefit immensely from non-credit relationships with financial institutions, since these can increase credit access by addressing information asymmetry (Behr, Entzian, & Guettler, 2011; Elyasiani & Goldberg., 2004; Mitchell & Rajan, 1994).

The average profit margin of women entrepreneurs was greater than that of their male entrepreneurs. One of the highlights of the survey is that although businesses owned and led by men had higher turnovers, their profit margin was significantly lower at 19 percent than that of their female counterparts at 31 percent.

The findings highlight the importance of personal resources for MSMEs in meeting their financial requirements. The majority – 80 percent – of entrepreneurs said that personal resources were their most preferred option for finance, while loans from moneylenders were the least preferred at 55 percent.¹⁵ Borrowing cost was the single-biggest reason behind these preferences. Among external sources of finance, public sector banks were the most preferred – 96 percent. Private sector banks were a distant second, servicing just about 5 percent of women entrepreneurs.

The most popular PSBs were Indian Overseas Bank, State Bank of India and Canara Bank; ICICI Bank and HDFC Bank were among the favorite private sector banks.

Entrepreneurs preferred PSBs primarily because they felt these banks provided relatively lower interest rates and had a better local network. The documentation process too mattered – entrepreneurs preferred sources that entailed fewer formalities, resulting in quicker turnarounds.

Existing relationship with credit providers, location of the branch and its target emphasis on the MSME segment were key determinants that influenced the choice of the financial institutions from which to seek credit.

Approximately 64 percent entrepreneurs availed loans from PSBs while 33 percent used private banks. There was no significant gender difference in the type of institutions entrepreneurs took loans from. Still, more women-owned enterprises availed loans from government-owned banks in urban areas – 63.4 percent compared to 51.6 percent in the surveyed men-owned businesses. Interestingly, about a fifth of the loans, or 20.4 per cent, were availed from women-led branches in urban areas but none in the rural areas. In the sample, Tamil Nadu saw the greatest concentration of women-operated branches, which were mostly affiliated to Indian Overseas Bank.

¹⁵ Among the other financing options were equity capital (External Investors – Angel Investor/Venture Capital), loan from Public and Private sector banks, loan from Non-Banking Financial Companies, reinvesting profits and loan from microfinance institutions.

Financial Characteristics of the Enterprise

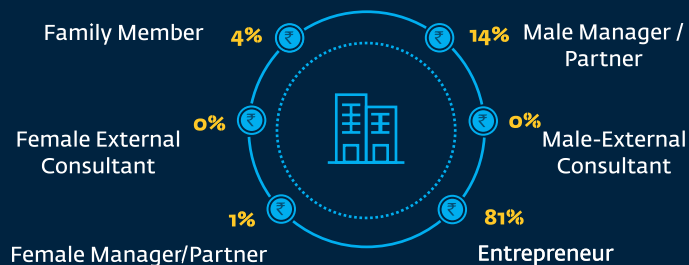
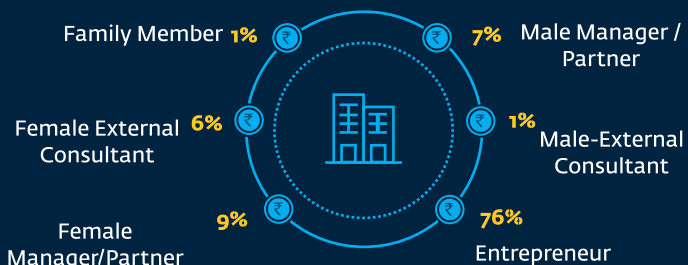


Women Entrepreneurs



Male Entrepreneurs

FINANCIAL MANAGEMENT



ANNUAL AVERAGE TURNOVER



₹ 14,58,271



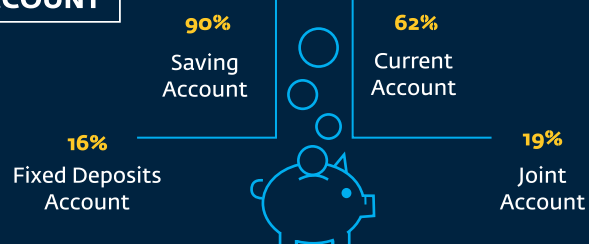
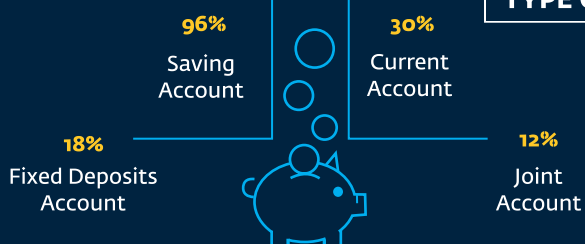
ANNUAL AVERAGE PROFIT



BANKING HISTORY



TYPE OF BANKING ACCOUNT



BANKING SERVICE UTILIZATION

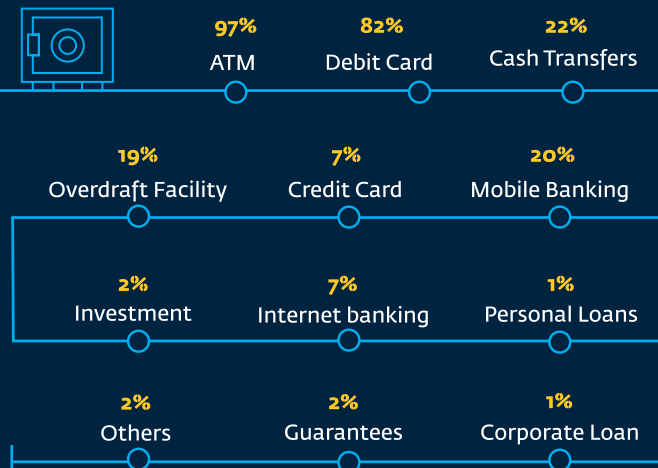
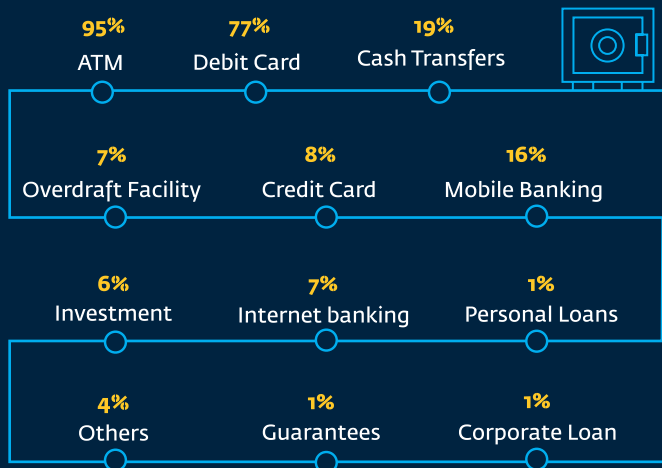
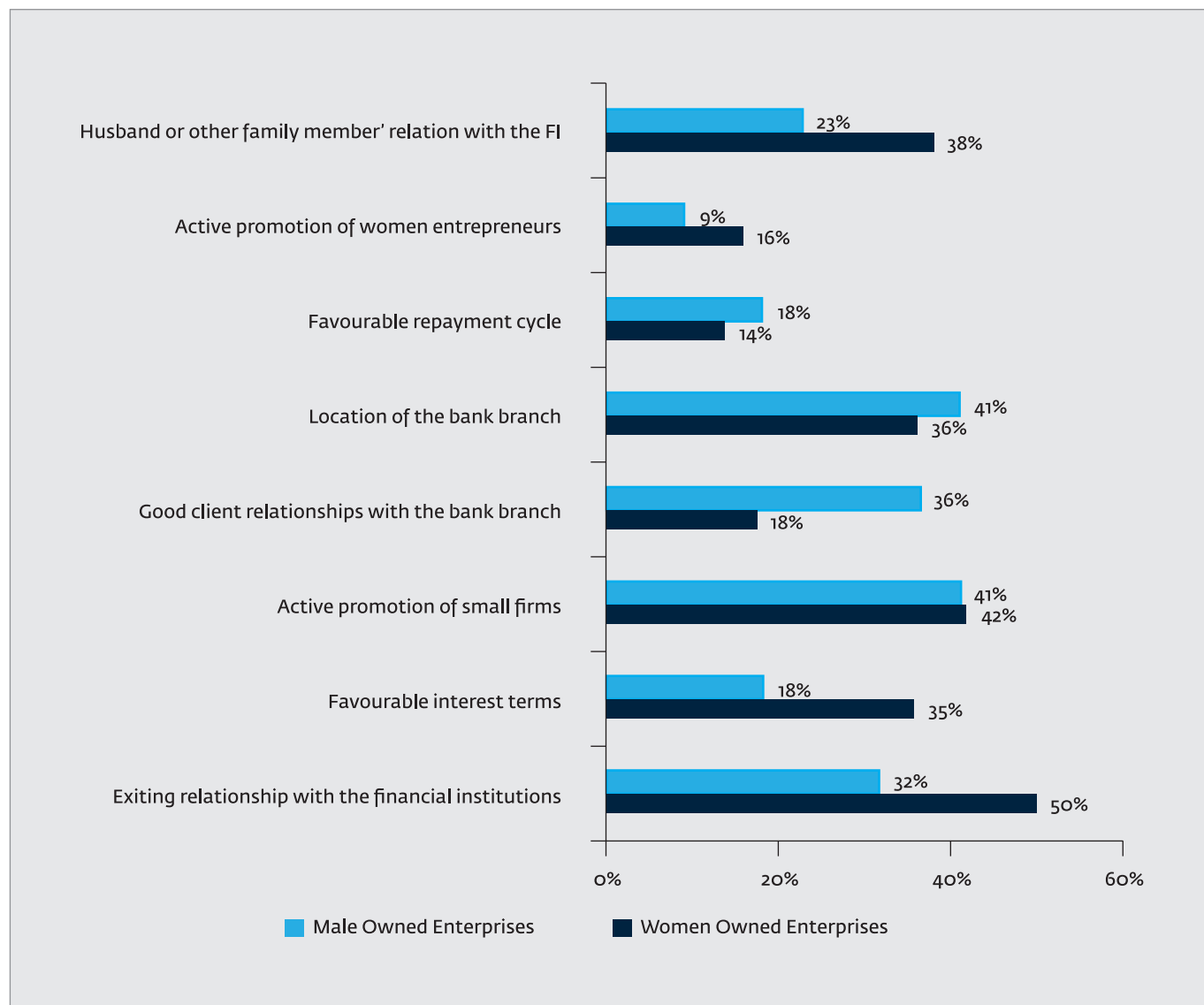


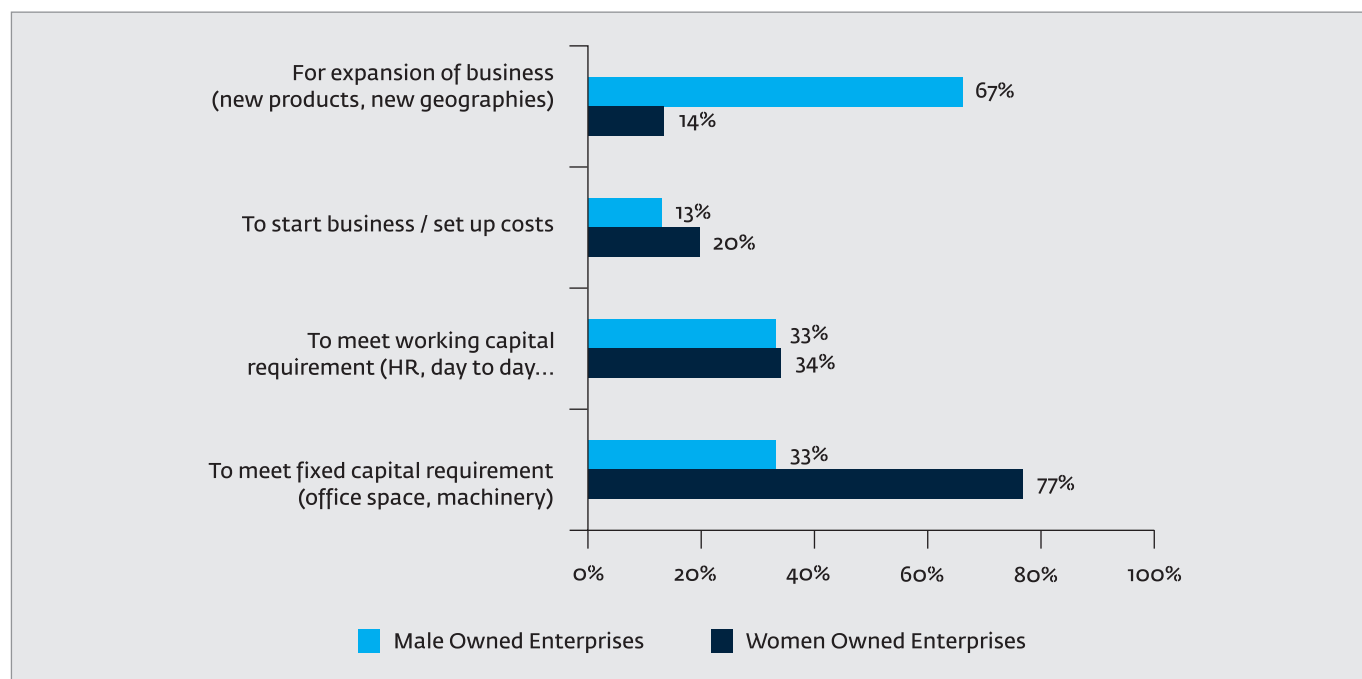
Figure 3: Determinants for choice of providers



Source: Enterprise Survey, Athena Infonomics Research

While women entrepreneurs placed greatest weightage on 'Existing relationship with financial institutions', their male counterparts were more interested in the bank's location and whether its focus was on small firms.

Figure 4: Use of external finance



Source: Enterprise Survey, Athena Infonomics Research

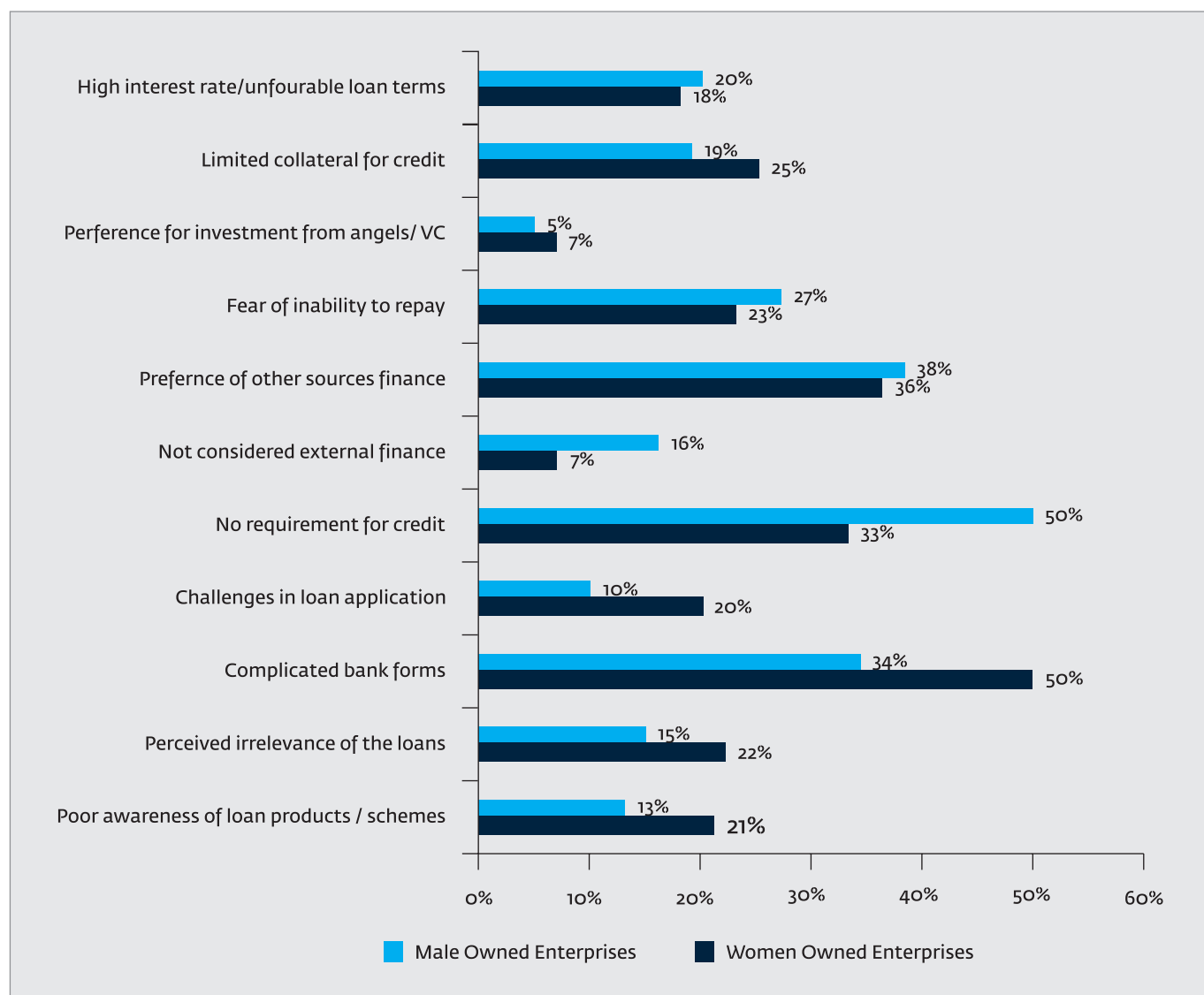
Among women entrepreneurs who obtained bank loans, the primary purpose of the loan was to finance fixed capital requirement as opposed to growth or expansionary finance needs – the primary purpose for male entrepreneurs.

Around 79.5 percent of the surveyed women entrepreneurs did not avail of any loan or financial service from banks or NBFIs.¹⁶ The ratio was only marginally lower than that of male entrepreneurs at 82 percent.

There are several reasons why MSMEs don't apply for bank credit. Half of women respondents said that they were primarily deterred by the complicated bank procedures and application forms. This is borne out by the survey data. A sizeable 36 percent of women entrepreneurs cited preference for personal resources, and another 25 percent their 'limited access to collateral', as the two main reasons for opting out of credit for their businesses.

¹⁶ Note that this proportion depicts the women entrepreneurs sampled in the study. This is different from the 'Proportion of Women MSMEs Not Served by Formal FIs' in Chapter 5, which is estimated at the national level, for all women entrepreneurs in the country.

Figure 5: Reasons for not accessing bank loans



Source: Enterprise Survey, Athena Infonomics Research

Women entrepreneurs often lack knowledge of adequate management practices to manage their finances.

A greater proportion of the surveyed women-owned MSMEs lacked the understanding and expertise to undertake financial assessments and generate basic financial statements regularly; 29.6 percent of women respondents reported not having generated financial statements, against 19.7 percent of male entrepreneurs.

Fewer women entrepreneurs, compared to men, managed their business finances independently.

While both male and female entrepreneurs largely handled the financial aspects of their business on their own, fewer women entrepreneurs (79.5 percent) independently managed their finances, as compared to men (83.6 percent).

The proportion of women entrepreneurs self-managing their finances was slightly higher in urban areas than in rural – 83 percent versus 76 percent.

Table 2 lists the preferences of entrepreneurs in evaluating their financing options. It is evident that the first point of contact remains family members, followed by dedicated financial consultants/mentors. This shows that access and trust are important factors for entrepreneurs in choosing a

particular option. Turning to financial institutions and business associations for financing is the least preferred option. Here, a marginal difference is observed between the businesses owned by male and female entrepreneurs.

Table 2: Evaluating Financial Options

Steps		Women Owned Enterprises	Male Owned Enterprises
1	Seek advice from family members	56%	53%
2	Seek advice from a mentor or approach a financial consultant	46%	44%
3	Approach a banking institution	39%	38%
4	Seek advice from a business association member or other entrepreneurs	45%	50%

Source: Enterprise Survey, Athena Infonomics Research

3.2 Challenges

This section investigates challenges women entrepreneurs face in accessing finance and draws comparisons with male entrepreneurs, wherever significant. Among the women entrepreneurs surveyed, 44 percent were found seeking a loan against 32 percent of male entrepreneurs. Even among those who could avail of loans, more women were unable to secure the entire financing required as compared to men. This included finance from all external sources of finance.

3.2.1 Institutional challenges

Only 17 percent of women entrepreneurs were aware of the financial schemes rolled out by the government or financial institutions.

Both public and private institutions offer an array of financial schemes and products to MSMEs. Their focus on women entrepreneurs varies. During stakeholder discussions, the most important financial programs that emerged were the government-sponsored Credit Guarantee Scheme and the Micro Units Development and Refinance Agency (MUDRA) scheme. Apart from providing collateral-free finance to micro and small businesses, these schemes have special provisions for women entrepreneurs. They have been detailed in the next chapter, along with other key products and schemes offered to women entrepreneurs.

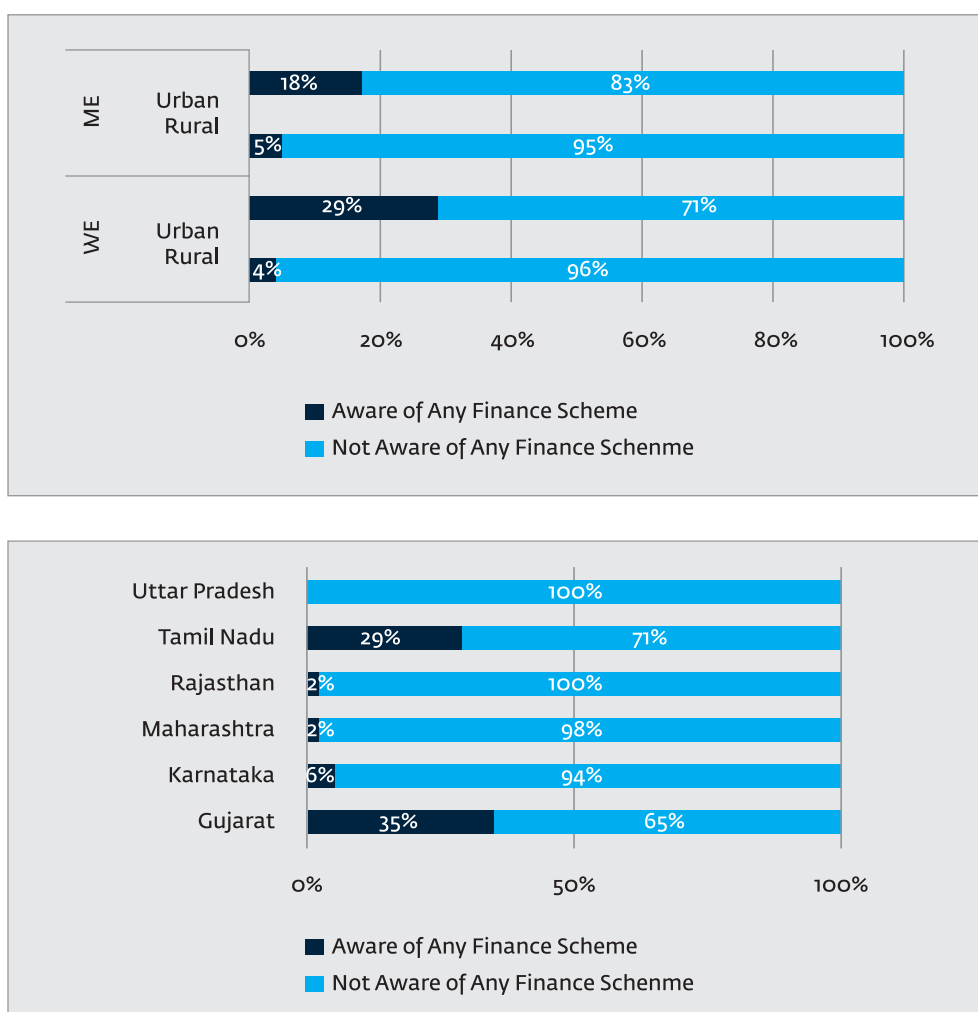
The process chain for availing finance from institutional sources begins with an awareness of the schemes or products and the possible avenues to avail of them. Only 17 percent of the surveyed women entrepreneurs – 29 percent in urban areas and a meager 4 percent in rural areas – were aware of financial schemes rolled out by the government or financial institutions for the segment in general or women entrepreneurs in particular. The corresponding statistic for men was 13 percent – 5 percent in rural areas and 17 percent in urban areas. Awareness for women entrepreneurs was the highest in Gujarat at 35 percent, although both men and women entrepreneurs were unable to entirely recall the details of the schemes. Not surprisingly, 55 percent of women entrepreneurs indicated there

was need to create more awareness about loan products and schemes.

In fact, only a small proportion of the women respondents – 13 percent – said that they banked with an institution or sought financing because of the schemes available. This clearly points out that awareness is low about the potential benefits of the schemes for women entrepreneurs or MSME-specific schemes.

Friends and family were the primary sources of information about schemes for 87 percent of the women and 75 percent of the male entrepreneurs. newspapers/print media were the other important source of information that 67 percent of the women and 68 percent of the surveyed men relied upon.

Figure 6: Awareness of government schemes



Source: Enterprise Survey, Athena Infonomics Research

The loan sanctioning process is not an easy one for the target audience. Almost half, or 48 percent, of all entrepreneurs indicated the need to streamline and ease loan application procedures. Most entrepreneurs had to make as many as five visits to a bank, often interacting with three banks officials and waiting for over 20 days to get their applications approved.

Of the surveyed entrepreneurs, 78 percent of the women and 74 percent of the men had to make up to five visits to a bank to avail of a loan. On average, both men and women interacted with about three bank officials in the loan application process. It took 22 days for women and 20 days for men to complete the process. The average turnaround time for a loan proposal was 41 days for women and 38 days for men. Thus it is a cumbersome process for entrepreneurs, who have limited time – busy as they are building their businesses – to run around securing finance.

“Despite having collateral I was not able to avail of a loan from the bank. I made six visits to the bank, switching between its branch and regional offices, with no clarity on the way forward. After losing a significant amount of time following up with multiple individuals in the bank, I finally gave up and borrowed from a friend.”

-Woman Entrepreneur

Stakeholder consultations attributed the delays to two reasons. The first stemmed from financial illiteracy among women entrepreneurs, which led to considerable back-and-forth at the application stage. The second was the relatively small size of women entrepreneurs' businesses, and the lack of typical collateral. Given their nature of operations, many women owned MSMEs either did not have the required documentation or did not consider it cost-effective to avail of the loan. This was often related to the bureaucratic documentation process and the women's low awareness levels.

The following graphic captures the gender differential in the awareness levels of entrepreneur respondents, and their acceptance of products and schemes, and explains the characteristics of their credit behavior.

Credit Access - Awareness & Acceptance 1

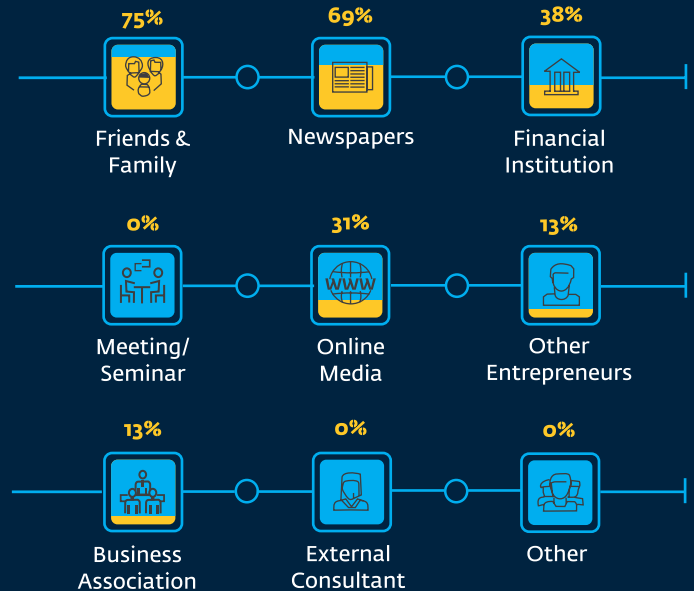
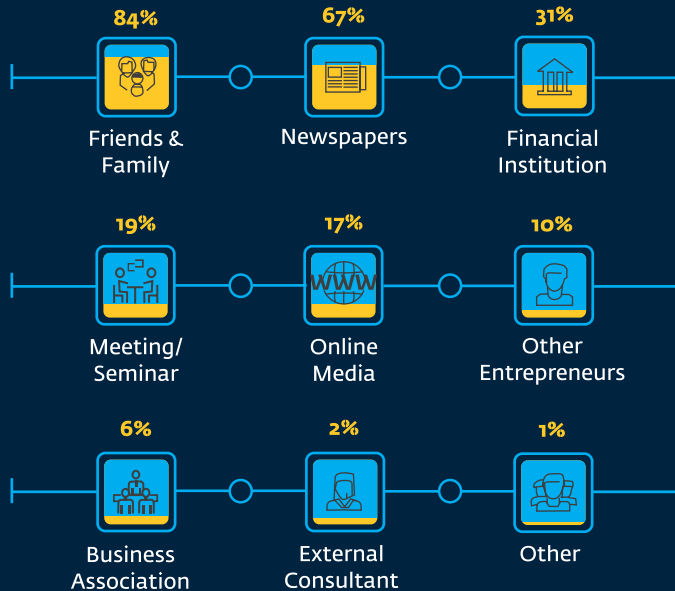


Women Entrepreneurs

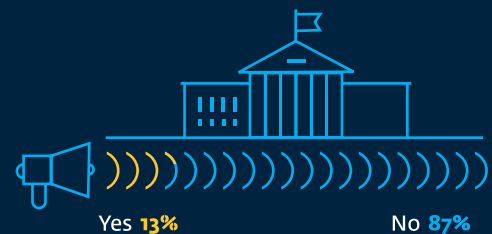
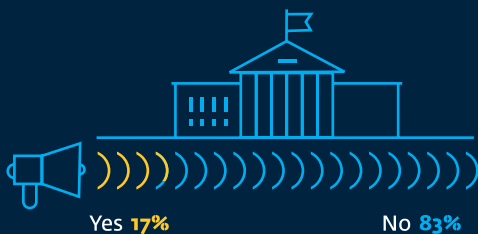


Male Entrepreneurs

INFORMATION ON SCHEMES



AWARENESS ON GOVERNEMENT FINANCE SCHEMES



PERCEPTION ON LOAN PRODUCTS & SCHEMES



Loan application Eligibility criteria

Interest free loan as Equity

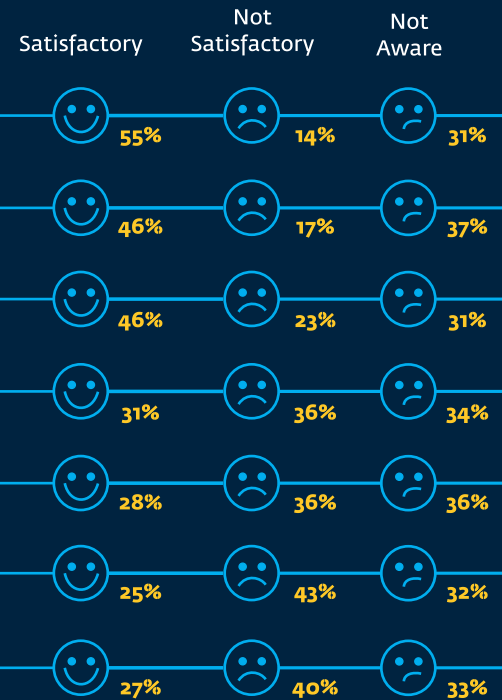
Banking Channel Availability

Rate of Interest

Repayment Period

Turnaround Time

Relationship Management



Credit Access - Loan Seeking Behaviour

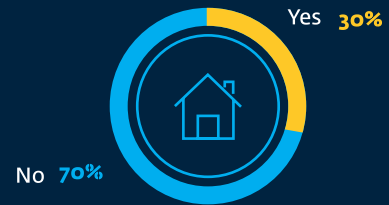
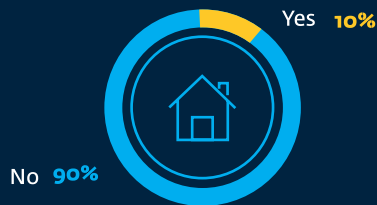


Women Entrepreneurs

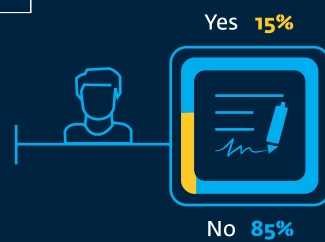
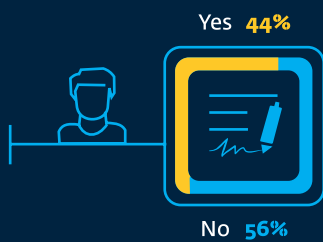


Male Entrepreneurs

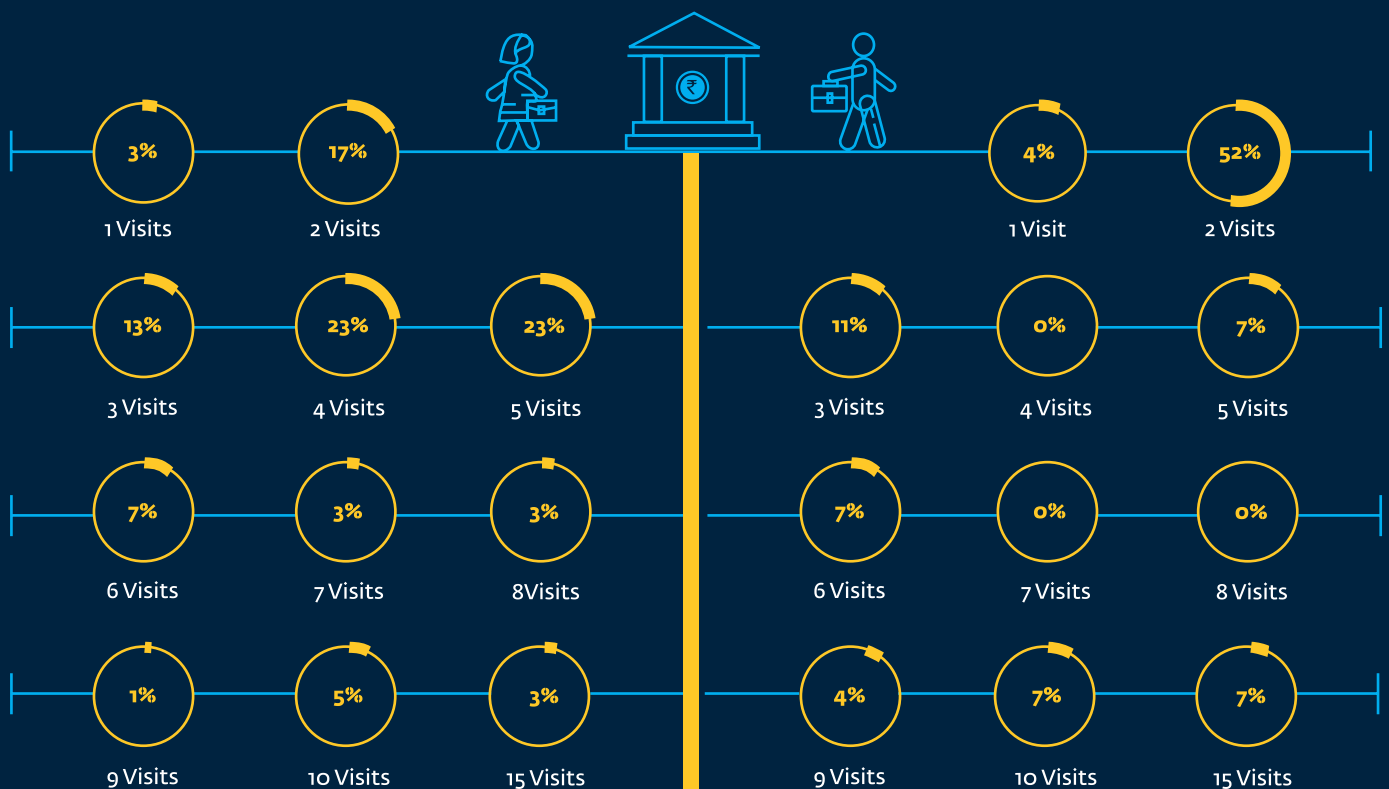
COLLATERAL PROVIDED



MALE SIGNATORIES REQUIRED



INVOLVEMENT OF WOMAN LOAN OFFICERS



3.2.2 Personal challenges

Access to finance is often a personal challenge as well for women rather than a procedural barrier (Athena Infonomics; GIZ; SIDBI, 2015). Personal factors, including entrepreneurial capabilities, industry experience and literacy levels of entrepreneurs can all have a bearing on an entrepreneur fulfilling a bank's credit assessment criteria for a loan.

Bankers perceive¹⁷ that women have lower levels of financial literacy and confidence than their male counterparts. These perceived gender differences have implications, leading to higher loan processing costs for banks as they have to extend additional assistance to women in identifying financial products, developing the business plan and completing documentation requirements. Given the limited capacity of banks, they do not take active interest in building a business case for extending such support and catering to an underserved and new customer segment. In fact, many bankers felt that such services should be offered by third-party agencies.

"Women entrepreneurs are often seen to have sound technical knowledge but lack financial knowledge. Bank officials usually invest a significant amount of time educating them on how to prepare a business proposal and make a loan application."

– Banker

This differential in financial literacy between men and women was evident from the survey. Although nearly 90 percent of the women entrepreneurs interviewed were sole proprietors, only about 76 percent of them actually managed their finances. The balance got the job done by a manager/partner or an external consultant. In comparison, a larger proportion of male entrepreneurs – 81 percent – usually managed their own finances, despite a marginally lower proportion – 88 percent – being sole proprietors. Even among male entrepreneurs who did not manage their own finances, there were hardly any who relied on women to do the task for them. No such gender differential was seen in the case of women entrepreneurs.

The following graphic brings out the gender differential in credit access among the surveyed entrepreneurs.

¹⁷ This is based on the primary study carried out

Credit Access - Awareness & Acceptance 2

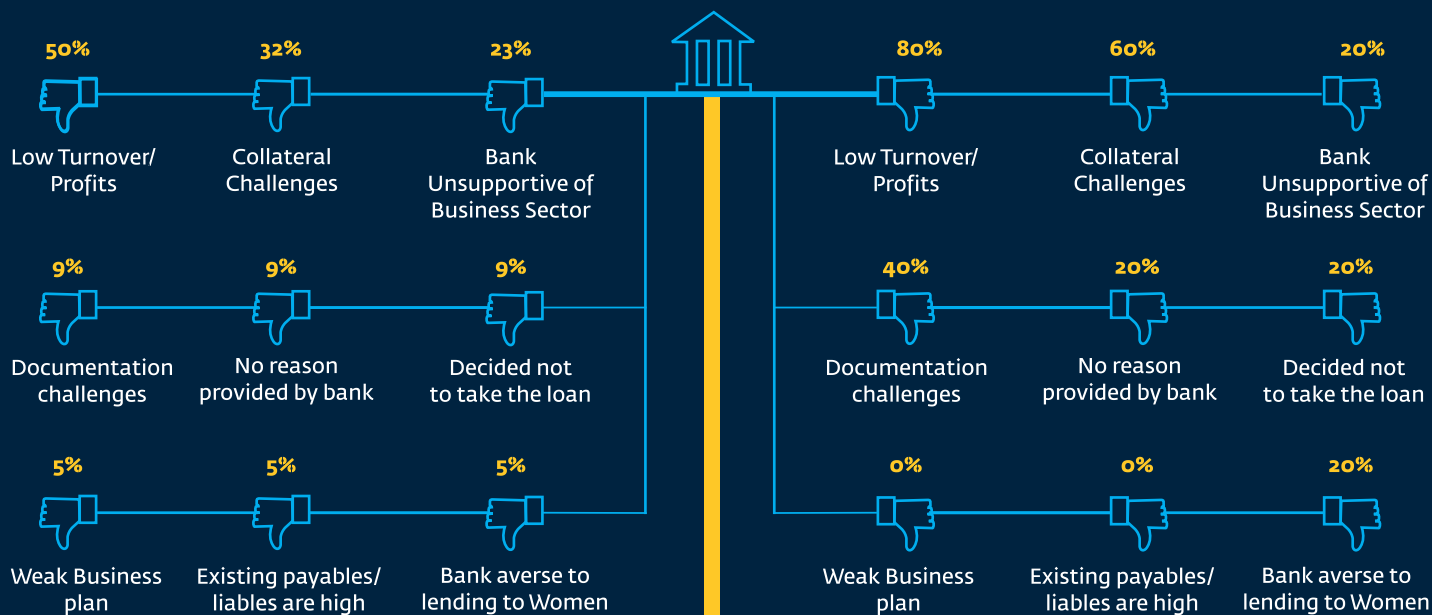


Women Entrepreneurs



Male Entrepreneurs

REASONS FOR REJECTION

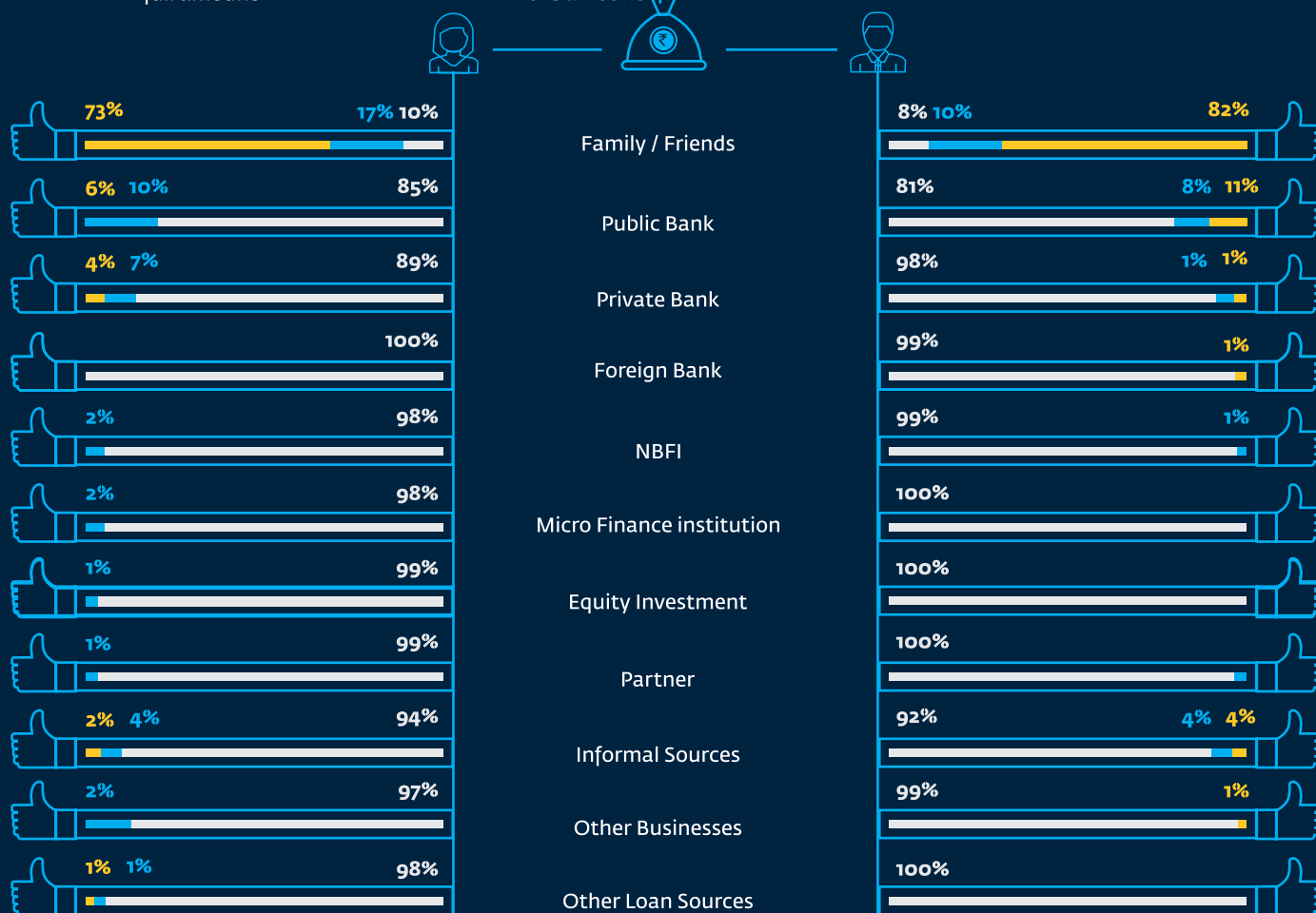


SUCCESS IN OBTAINING FINANCES

■ Successful in raising the full amount

■ Partially successful in raising the amount

■ Did not seek finance



3.4. Non-Financial Services (NFS)

No significant difference was seen among men and women entrepreneurs interviewed relating to training received. They had never got any, nor were they aware of avenues through which they could get such training. This was mainly because nearly 80 percent of the entrepreneurs sampled were not part of any business association. In India, industry bodies and associations often play a critical role in providing training in business, and form linkages between entrepreneurs and financial institutions, by providing avenues for networking and referrals (Athena Infonomics; GIZ; SIDBI, 2015). MSMEs often fail to recognize the potential of business


associations in enabling access to finance and markets. Globally, many financial institutions offer entrepreneurship training as part of their NFS offering, but this is still at a nascent stage in this country.

When specifically questioned about the need for NFS, nearly 68 percent of the women entrepreneurs in Maharashtra and 84 percent in Rajasthan acknowledged it was an important factor in enabling greater access to finance for MSMEs. Specifically, the sampled women entrepreneurs identified the need for training in the following areas:

Table 3: Non-financial Service Areas – Importance Given by Women Entrepreneurs

NFS Areas	Not important	Important	Very Important
Business Coaching and Mentoring	30%	51%	19%
Consultancy and Advisory	28%	55%	17%
Accountancy and Financial Planning	34%	36%	30%
Training and Development	32%	40%	28%
Filing Tax Returns	37%	36%	28%
Networking	47%	34%	18%
Project Proposal and Loan Application Support	48%	37%	15%
Product Design	46%	35%	20%
Marketing and Sales	33%	45%	22%
Information Technology (IT)	36%	42%	22%
Informal Support and Advice	43%	39%	18%
Peer Training and Value Chain Networks	38%	49%	13%

Source: Enterprise Survey, Athena Infonomics Research



The values were similar across the men and women respondents, although women in rural areas – more than 60 percent compared to 45 percent in urban areas – preferred training institutions as the channel for NFS delivery. Interestingly, while 33 percent of women in rural areas preferred banks – compared to 36 percent in urban areas – only a quarter of them wanted peer groups – compared to 38 percent in urban areas. The graphics that follow capture the gender differential on the need for NFS among the surveyed entrepreneurs. It must be noted that most of these entrepreneurs haven't received NFS in the past and their responses are driven by perception rather than the experience of availing NFS different channels.

Credit Access - Non Financial Services (NFS) 1



Women Entrepreneurs



Male Entrepreneurs

Very Important Important Not Important



19%



51%



30%



17%



55%



28%



30%



36%



34%



28%



40%



32%



28%



36%



37%



18%



34%



47%



15%



37%



48%



20%



35%



46%



22%



45%



33%



22%



42%



36%



18%



39%



43%



13%



49%



38%



12%



56%



32%

IMPORTANCE OF NFS



Business Coaching & Mentoring



Consultancy & Advisory



Accountancy & Financial Planning



Training & Development



Filing Taxes



Networking Events



Project Proposal & Loan Application Help



Product Design



Marketing & Sales

Very Important Important Not Important



17%



34%



48%



19%



47%



34%



47%



23%



30%



28%



46%



26%



37%



29%



34%



18%



47%



35%



11%



36%



53%



18%



35%



47%



25%



50%



25%



19%



52%



29%



33%



31%



36%



15%



50%



35%



0%



30%



70%

Credit Access - Non Financial Services (NFS) 2

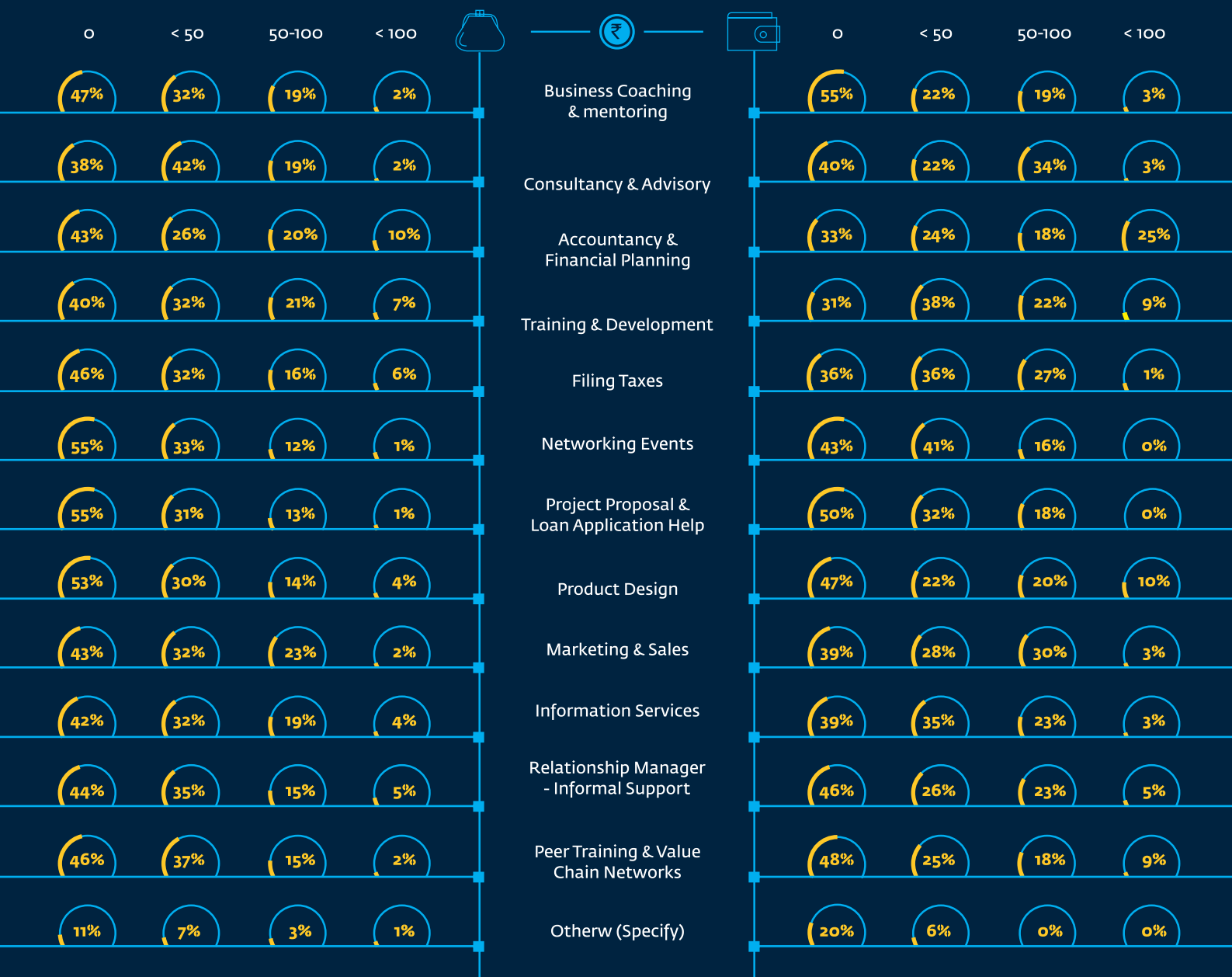


Women Entrepreneurs

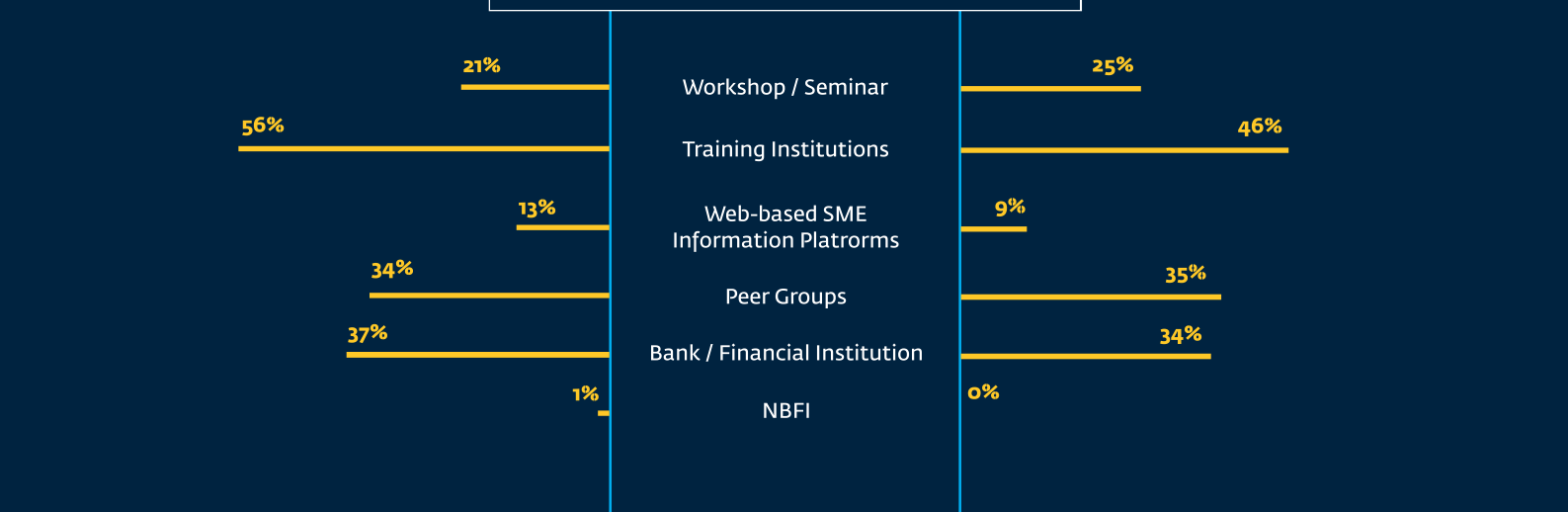


Male Entrepreneurs

IMPORTANCE OF NFS



PREFERRED DELIVERY CHANNEL FOR NFS





CASE STUDY: Strengthening Non-Financial Support Structures

A 2011 market research study in Turkey found that approximately 2,00,000 women-led SMEs were underserved, amounting to a credit financing potential of USD 11.5 billion. It also revealed that women felt that banks did not understand their needs and challenges as entrepreneurs. Recognizing the untapped potential, Garanti Bank as the market leader in the SME finance segment, decided to redefine its corporate strategy and position itself as the 'bank of choice' for women in Turkey. Garanti Bank successfully launched a customized 'women entrepreneur support package' to underpin the unique needs of women entrepreneurs – marketing, branding and non-financial services.

What is unique about Garanti?

Recognizing that access to information and knowledge is critical for women entrepreneurs, Garanti Bank offers non-financial services for them, including networking and training opportunities. These are generally conducted in collaboration with KAGIDER, a Turkish women entrepreneurs' association, which helps train women and prepare them to conduct business better with a focus on management, marketing and technology. Training is imparted through women entrepreneur gatherings that work as a platform to exchange information, opinion and experiences. Local branches of Garanti Bank and KAGIDER help organize these gatherings which host 150-200 participants, up to a third of whom are non-clients. They also hold day-long events focused on addressing issues faced by women-owned enterprises. These ensure that women entrepreneurs are aware of how to embrace digital platforms and can adapt to entrepreneurship demands within a constantly changing context (IFC and Garanti Bank, 2014). That is not all. Since 2012, the bank, in collaboration with Bogazici University's Lifelong Learning Center and the European Bank for Reconstruction and Development, has been running the Women Entrepreneurs Executive School, which provides free training to help women start and grow their enterprises.

What has been the impact of Garanti's initiatives?

Garanti Bank has been a regional pioneer in this segment for its best practices. Its Women Entrepreneur Program serves more than 140,000 women with an outstanding loan portfolio of USD 900 million. The bank has organized 32 women entrepreneur meetings across 31 cities, reaching out to 6,662 women and provided USD 3.2 billion worth of term loans to women entrepreneurs.

3.3 Sickness and closure of MSMEs

The Fourth All-India Census of Micro, Small & Medium Enterprises (2006-07) adopts the following criteria in determining sick units among MSMEs:

1. Continuous decline in gross output compared to the previous two financial years.
2. Delay in repayment of loans taken from institutional sources, for more than 12 months.
3. Erosion in net worth to the extent of 50 percent during the previous accounting year.

“Lack of demand” and “shortage of capital” were the most common reasons women entrepreneurs cited for the closure of their businesses. Tamil Nadu reported the highest share of closed MSMEs.

Based on the three criteria above, 6.49 percent of the registered units were identified as sick. Kerala, Tamil Nadu, Uttar Pradesh, Maharashtra and Karnataka were states with the highest incidence of sick MSME units. Food products and beverages, apparel, textiles, fabricated metal products and furniture were the industries with the highest

number of sick units. Lack of demand and shortage of working capital were the main reasons. Tamil Nadu and Uttar Pradesh, with 16.7 percent and 16.2 percent respectively, were the states with the highest reported share of closed enterprises.

“To improve the state of MSMEs we must first strengthen their forward-backward linkages. Given their low bargaining power, they face credit constraints during both the purchase and the sale of their goods and services.”
– Banker

The survey observed no gender differential in the closure of enterprises.

Only 2.6 percent of those surveyed admitted to knowing entrepreneurs who had closed their businesses. Among entrepreneurs who had done so, no gender differential was observed. The reasons most popularly cited were loss/lack of customers, insufficient funds and labor issues.

Chapter 4

Supply Side Assessment

4.1 Lending patterns

The MSME sector in India grew at an average of 4.3 percent from 2007 to 2014 (MSME Annual Report, 2014-15). The figures in Tables 5 and 6 provide an overview of credit disbursement patterns to the sector.

Table 4: Sources of Finance

Sources of Finance (Registered Enterprises)	Financing Supply Share (%)
Self-Finance	87.23%
Finance only through Institutional Sources	10.87%
Finance only through Non-Institutional Sources	1.05%
Finance through both Institutional and Non-Institutional Sources	0.84%

Source: MSME Census, 2006-07

Table 5: Loan Disbursements to Registered Enterprises

	Micro	Small	Medium	Total
No. of enterprises availing loans	181,000	18,000	1,000	200,000
Total amount disbursed (INR crore/ USD billion)	17244.9 (4.17)	22852.7 (5.53)	6420.63 (1.55)	46520.23 (11.25)
No. of enterprises availing loans from Institutional sources,	156,000	14,000	0	170,000
Total amount disbursed by Institutional sources INR crore/USD billion)	13757.22 (3.33)	16562.25 (4.01)	4375.08 (1.06)	34694.6 (8.39)

Source: MSME Census, 2006-07

Table 6: Aggregate bank credit flow to MSMEs – outstanding amount in INR 100 lac crore (USD billion)

Year	Public Sector Banks	Private Sector Banks	Foreign Banks	All Scheduled Commercial Banks
2012	5,33,279.29 (87.38)	1,24,725.66 (20.44)	23,300.71 (3.82)	6,81,305.66 (111.64)
2013	6,43,525.02 (109.82) [20.7%]	1,82,247.82 (31.1) [46.1%]	43,251.30 (7.38) [85.6%]	8,69,024.14 (148.30) [27.6%]
2014 (Provisional)	754391.07 (123.61) [17.2%]	2,46,025.76 (40.31) [35%]	34,359.17 (5.63) [-20.6%]	10,34,775.99 (169.55) [19.1%]

Source: MSME Committee Report, 2015

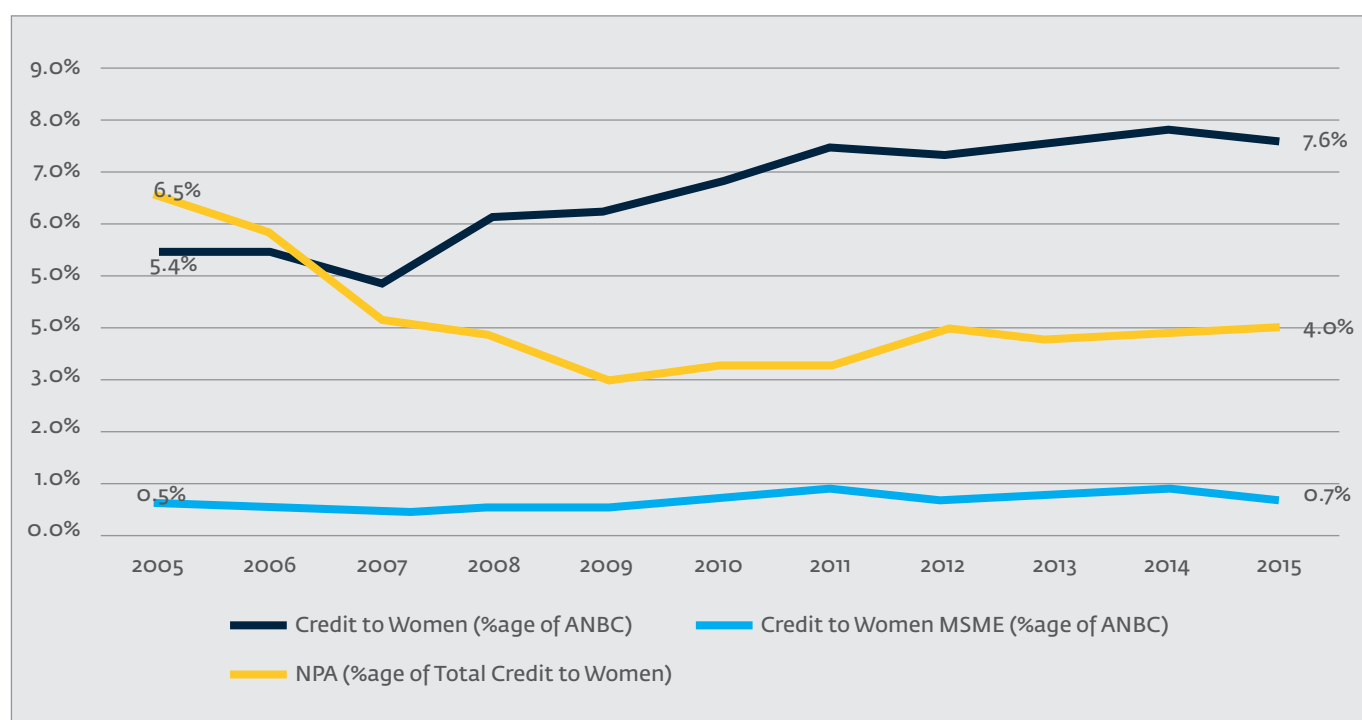
Note: Figures in square brackets indicate year on year %age growth/decline

Lending to women has remained low despite high repayment and low risks

Among PSBs, credit to women as a proportion of the total adjusted net bank credit increased marginally from 5.48 percent to 7.6 percent over the last decade. ANBC refers to the net bank credit added to non-SLR (statutory liquidity ratio) investments held to maturity, and other investments eligible to be treated as priority sector. Corresponding analysis of the repayment patterns of women indicates that NPAs (Non-Performing

Assets) from the loans given to them have reduced from 6.5 percent in 2005 to 4 percent in 2015 (RBI, 2015). This includes all forms of lending to women, such as home loans and education loans. It is also worth noting that the NPA percentage of women in PSBs was lower than the overall NPA registered by them which was around 6.2 percent. In fact, credit extended to women-owned MSMEs as a proportion of ANBC was a meager 0.7 as of 2015, increasing by just 0.2 percentage points over the past decade. These trends have been illustrated as follows:

Figure 7: Proportion of credit to women, women-owned MSMEs and NPAs



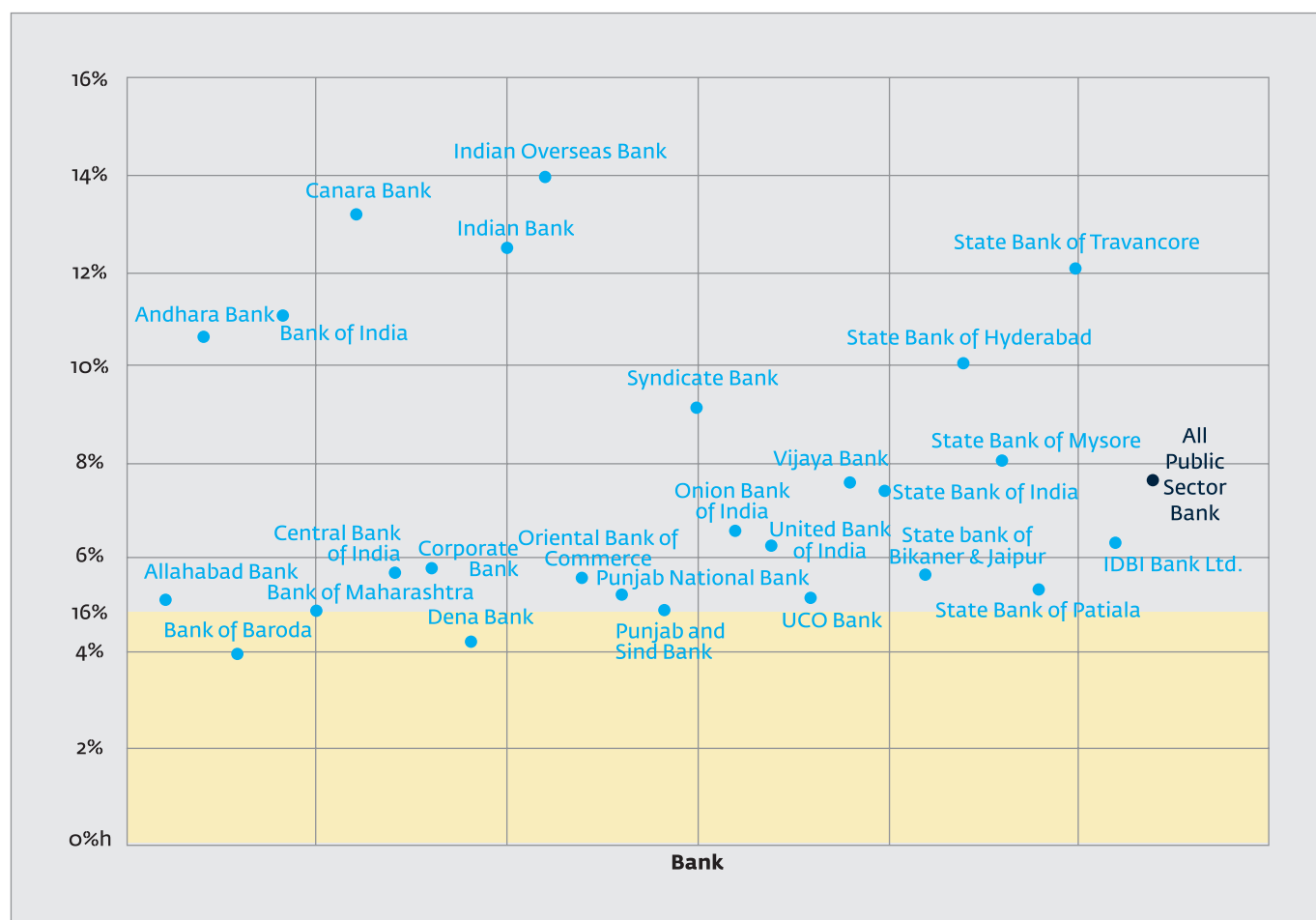
Source: Athena Infonomics Research

Most PSBs have met the 5 percent lending threshold

The RBI's 14-point action plan (RBI, 2000) mandates public sector banks to earmark 5 percent of their ANBC for women. Most banks meet this target. A few banks such as State Bank of Travancore, Indian

Bank, Indian Overseas Bank and Canara Bank have lent more than 10 percent of their ANBC to women (RBI, 2015). In 2015, total lending to women as a proportion of ANBC for all PSBs was about 8 percent.

Figure 8: Credit to women (% of ANBC)



Source: Athena Infonomics Research

It is important to note that the directive of lending 5 percent of ANBC to women is applicable across sectors such as personal loans, with no further mandate for lending to women entrepreneurs in the MSME sector. Further, this target has not been revised since 2005 and only applies to PSBs.

Banks tend to show similar gender disaggregation in lending to micro and small enterprises.

Figure 9 includes all forms of credit extended to women, including education, housing and other personal loans. When gender-disaggregated lending to small and micro enterprises was examined, it was found that, of the total credit outstanding to these enterprises by all PSBs, only 5.2 percent was credited to women. This demonstrates that lending to women remains an underserved segment. State Bank of Travancore

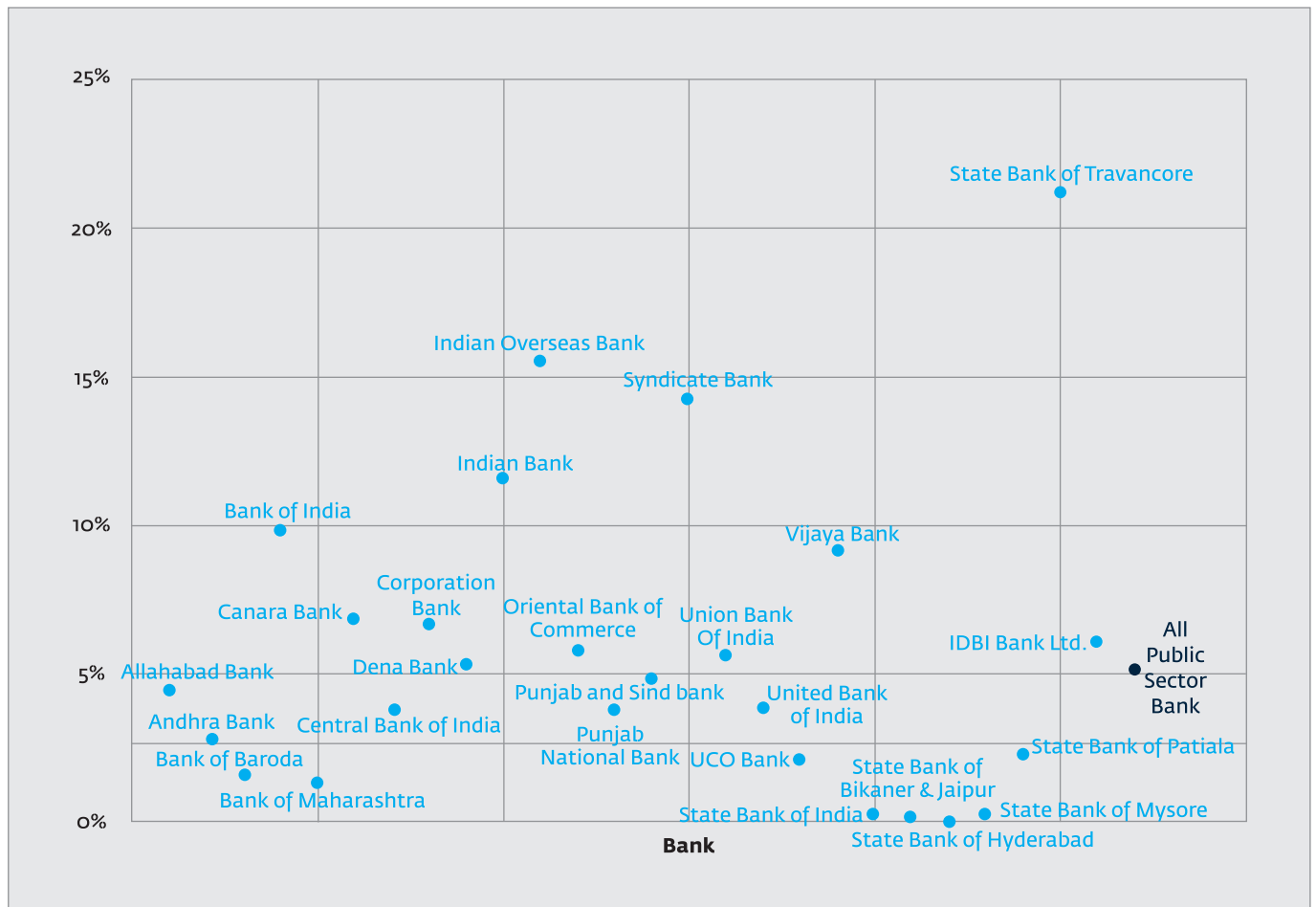
was seen to lend the greatest proportion of its MSE credit to women (21.4 percent), followed by Indian Overseas Bank (15.7 percent).

In-house inclusive lending practices, efficiency in administering government credit schemes and provision of NFS services are key characteristics of the top performing banks.

The top financiers of women-owned MSMEs have institutionalized some innovative inclusive lending practices that appeal to the women entrepreneur segment and help banks position themselves as being gender-friendly. They also effectively leverage government-funded guarantees and financial support for women entrepreneurs, including the Credit Guarantee Fund Trust for Micro and Small Enterprises that provides credit guarantees for SMEs. Some of the innovative practices adopted by these banks include:

- Canara Bank publishes success stories of women entrepreneurs it has supported. It presents the impact of its loans on women and their business growth. The bank disseminates the information widely in local print and online media, alongside details of its loan schemes and products, thereby encouraging women to apply. It has also created a 'Department of Women Empowerment' which independently assists prospective women entrepreneurs through the loan application process.
- Central Bank of India's collateral-free scheme meant for women in the fish retail trade – 'Matsakanya' scheme – simplifies the credit appraisal requirement through a letter of undertaking by an association.

Figure 9: Lending to women SMEs (%age of total lending to SMEs)



Source: Athena Infonomics Research



CASE STUDY: Canara Bank

What is different about Canara Bank?

With 13 percent of its ANBC going to women, Canara Bank is clearly a bank which believes in a gender-inclusive lending programs. This is rooted in the founding principles of the bank. It extends finance to women entrepreneurs under its subsidized women-specific and women-friendly loan products. Canara Bank has also introduced special offerings for businesswomen in the MSME segment that provide other benefits and do not carry a processing fee. It has exclusive branches to cater to the specific needs of women customers.

Canara Bank established a Centre for Entrepreneurship Development for women as early as 1988. It aims to provide holistic support to women entrepreneurs by organizing workshops to counsel and train them on the technical, financial, managerial and marketing aspects of a business. It also works to independently strengthen an enterprise's market linkage. It provides platforms such as the seasonal Canara Utsav/bazaar/mela for women entrepreneurs to market and sell their products on a larger scale. Its CED has launched Nammura Santhe – a mobile van for marketing and selling products by women entrepreneurs.

The bank is clear, however, that the most effective way to support women entrepreneurs is to increase awareness of the available opportunities and finance options through a dedicated officer in every circle office.

Its 35 specialized centers organize skill development training programs, and entrepreneurship awareness programs, in addition to counseling. It conducts seminars and workshops related to:

- o Guidance on emerging entrepreneurial opportunities
- o Training in entrepreneurship and financial assistance to women entrepreneurs
- o Preparation of project proposals, market surveys and understanding of management techniques.
- The centers offer college students career guidance programs and workshops on emerging entrepreneurial opportunities.
- They organize self-help group awareness programs and credit assistance to SHGs.

How is the bank impacting women entrepreneurs?

Most women entrepreneurs operate in areas that lending institutions largely consider unviable. However, Canara Bank not only helps these women access finance at competitive rates, but also supports their businesses through non-financial services which include finding them marketing opportunities and providing them selling platforms. Its CED also handholds women entrepreneurs when they access finance.

Areas for improvement

Most of Canara Bank's operations continue to be primarily in the area of micro credit. There is need to further diversify the scope of its inclusion strategy to encourage more women in the MSME category.

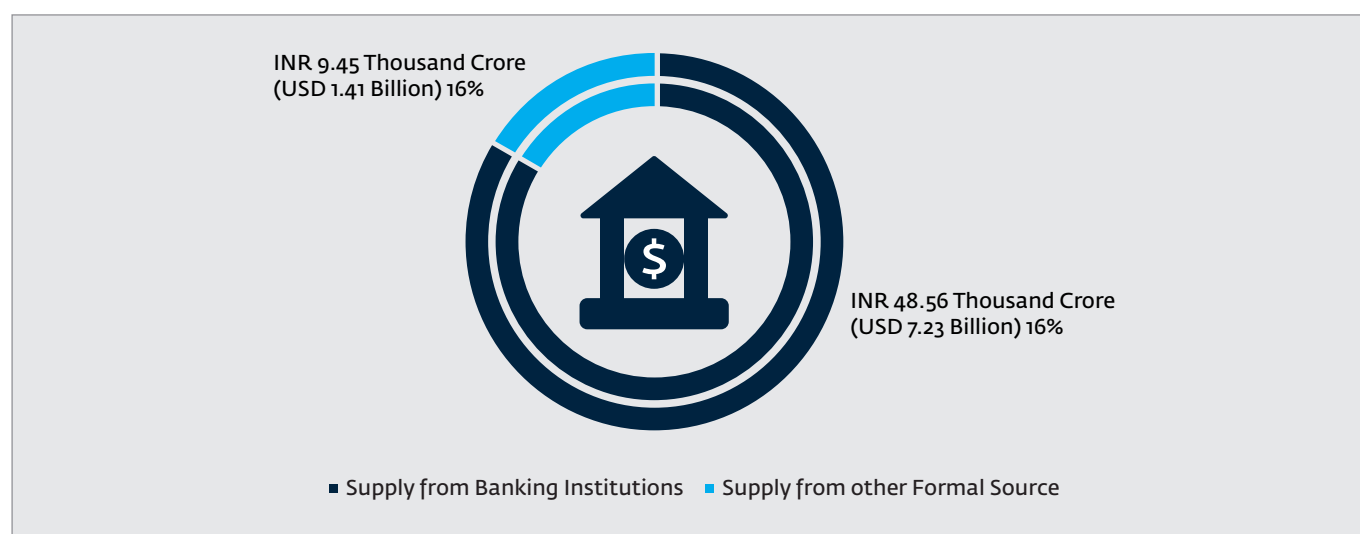
How does credit supply stack up?

The supply of finance to women entrepreneurs has been described as the credit directly disbursed to women-owned MSMEs through formal channels, both for working or fixed capital expenditure. Providing indirect credit, such as for refinancing purposes, has not been included. The formal channels of credit evaluated include both bank and non-bank channels of credit. Data pertaining to these channels was primarily obtained from the RBI. A detailed estimation methodology on the supply of credit by these sources can be found in the appendix.

The annual supply of credit to women-owned MSMEs from all formal sources of credit was estimated at INR 58,020 crore (USD 9 billion).

The bulk of the formal credit to women entrepreneurs comes from the banking system. This includes credit from PSBs¹⁸, private sector banks and foreign banks. PSBs have emerged the biggest lenders to MSMEs. The non-bank channels of formal credit include non banking finance companies and microfinance institutions. Their share of credit supply to women entrepreneurs is based on estimates from the first edition of this study in 2014. Figure 10 illustrates the flow of finance to women-owned MSMEs at the national level.

Figure 10: Overall supply of formal credit to women entrepreneurs – bank and non-bank channels



¹⁸ According to the RBI, PSBs had lent to 13,02,668 women Small Scale Industry accounts as of March, 2015.

4.2 Select government programs

During the last decade, the MSME Ministry has institutionalized women-friendly schemes to meet the growing needs of women entrepreneurs – 89 percent of government schemes are gender-neutral, 7 percent are exclusively for women and 4 percent are women-friendly, providing special concessions for women entrepreneurs (Athena Infonomics Research & GIZ, 2014).¹⁹ Women-specific schemes target women borrowers in sectors such as beauty and wellness or food and beverages, which see greater participation by women. These schemes include concessional rates of interest and longer repayment terms, and are meant for specific business functions such as marketing.

There are a few schemes that are widely offered and are particularly relevant for women, including the MUDRA scheme, the Prime Minister's Employment Generation Program and the Credit Guarantee Scheme offered under the Credit Guarantee Fund Trust for MSEs. Relevant schemes for women offered through the Small Industries Development Bank of India (SIDBI) include 'Stand-Up India' and

SIDBI Make in India Loan for Enterprises (SMILE). Key features of these schemes are captured below.

4.2.1 MUDRA scheme

The Micro Units Development and Refinance Agency (MUDRA) scheme was initiated in the 2015 budget with a fund size of INR 20,000 crore (USD 3.12 billion) and a credit guarantee fund of INR 3,000 crore (USD 467.64 million). It was intended to provide non-farm, non-corporate, collateral-free loans below INR 10 lac (USD 16,000) to micro and small enterprises. While the MUDRA scheme is gender-agnostic, one big reason why it is particularly suited for women is that it offers collateral-free loans, since women usually find it difficult to come up with the collateral required for financing. The documentation is primarily based on credit history and business-related information and does not require guarantors.

The main objectives of the scheme are to: (a) ensure that businesses do not suffer due to liquidity pressures, and (b) act as last-mile financiers to SMEs. Loans provided under the scheme are categorized thus:

Category	Loan Coverage
Shishu	Loans up to INR 50,000
Kishor	Loans above INR 50,000 and up to INR 5 lac
Tarun	Loans above INR 5 lac and up to INR 10 lac

This segmentation is meant to ensure credit facilities at every stage of growth to encourage sustainable businesses. Loans under the scheme are also provided across sectors to facilitate credit to entrepreneurs, with a special focus on women through the 'Mahila Udyami' scheme. In addition, the MUDRA scheme provides support services through financial literacy programs and promotional activities at the grassroots level.

However, the MUDRA scheme is still at a nascent stage – only a handful of financial institutions have begun offering loans under it. Interest rates vary, depending on the bank and the loan amount. The fixed interest rate was seen to vary between 11.5 percent and 20 percent among certain partnering financial institutions (Mudra Loan Interest rates, 2016).

¹⁹ Details of the government schemes covered by the Athena Infonomics research is included in Appendix III

4.2.2 Prime Minister's Employment Generation Program

The government has incorporated gender sensitization measures in other schemes and programs such as the Prime Minister's Employment Generation Program (PMEGP). PMEGP aims to channel credit flow to the micro sector for primarily two reasons:

- To generate employment opportunities in rural and urban areas through the setting up of new self-employment ventures, and
- To provide continuous and sustainable employment to a large segment of traditional and prospective artisans through the setting up of micro enterprises.

The design of the PMEGP is sensitive to the needs of women entrepreneurs. The beneficiary contribution women have to bring is half of that required under the general category. Women are also eligible for a higher rate of subsidy on the project cost. The nature of assistance provided under PMEGP is highlighted in Table 7.

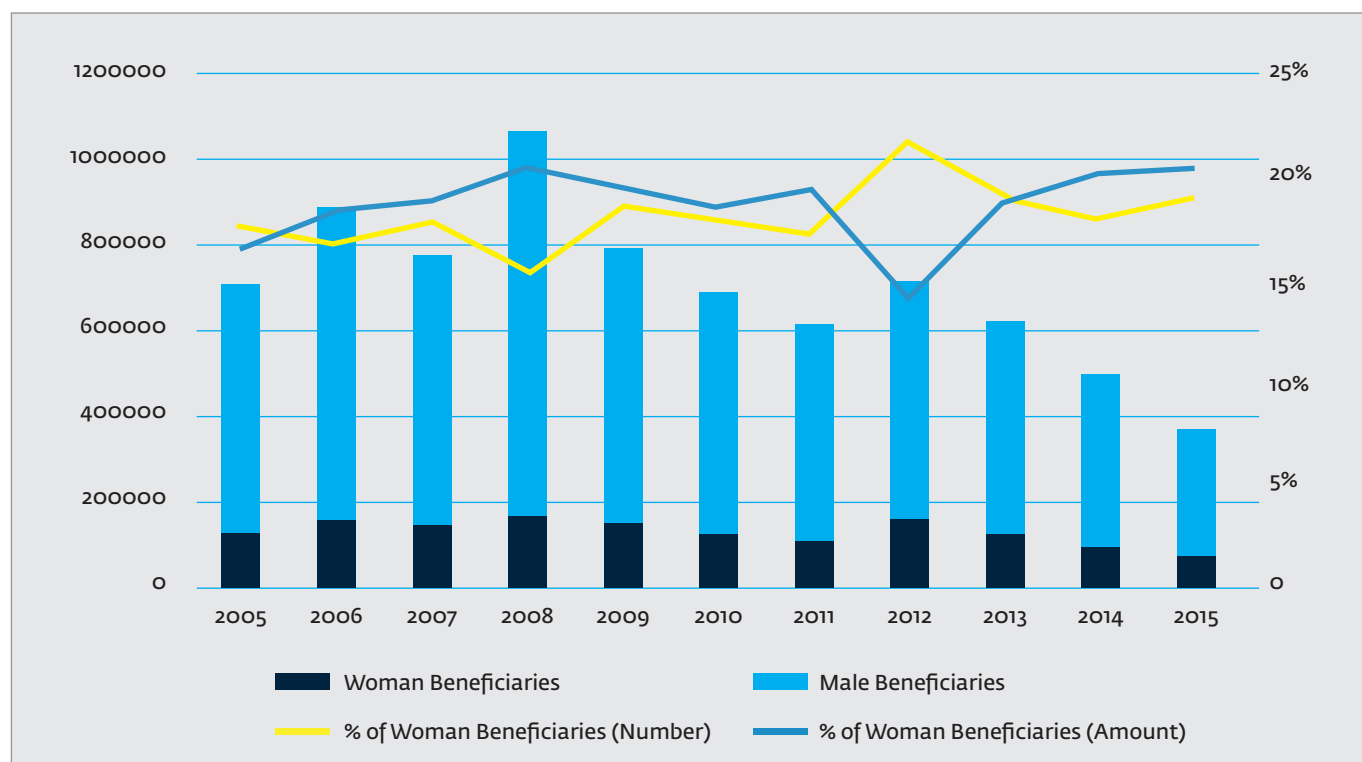
Table 7: Benefits to Women under PMEGP

Categories of beneficiaries under PMEGP	Beneficiary contribution (project cost)	Rate of Subsidy (of project cost)	
		Urban	Rural
General Category	10%	15%	25%
Women	5%	25%	35%

Source: Ministry of Micro, Small and Medium Enterprises

There was only marginal variation in the average ticket size of loans between men and women availed of under PMEGP in 2015 – INR 1 lac (USD 16,000) for women and INR 1.10 lac (USD 17,000) for men. The share of women as a proportion of the total beneficiaries of the scheme, for both number and amount, has remained around 18–19 percent (illustrated in Figure 10).

Figure 11: Proportion of Women Beneficiaries – PMEGP



Source: Athena Infonomics Research

4.2.3 Small Industries Bank of India (SIDBI)

SIDBI was set up in 1990 to serve as the principal financial institution for the financing and development of the MSME sector. SIDBI is the nodal agency for government subsidy schemes to promote MSME finance. The bank lends both directly and indirectly, with indirect financing making up the bulk of its portfolio. It provides a bouquet of direct finance products, including term loans, working capital assistance, equity assistance, sustainable finance, service sector financing, and receivable finance.

Additionally, there are a range of indirect finance offerings such as refinance (banks/state financial corporations/state-level institutions), micro finance (SIDBI Foundation for Microcredit), and resource support to institutions (banks/NBFCs).

4.2.3.1 Stand-Up India

The objective of the 'Stand-Up India' scheme is to promote entrepreneurship among women and scheduled castes/scheduled tribes because they are

underserved communities which need support to create jobs. By promoting entrepreneurship, the belief is, "job seekers will become job creators."

The scheme provides handholding support to potential entrepreneurs and is only for start-ups or Greenfield projects in manufacturing, services and trading. It focuses on facilitating bank loans between INR 10 lac and INR 1 crore to at least one SC/ST borrower and one woman borrower through each one of the 1.25 lac bank branches in the country. The term loan is repayable within seven years, with a maximum moratorium period of 18 months. Potential women borrowers can apply through the 'Stand-Up India' portal directly at bank branches or through the lead district manager. She can choose the bank – listing three in order of preference – from which she wishes to avail the loan. The enterprise must have 51 percent woman or SC/ST ownership to be eligible. It is a useful scheme but the challenge is that only 'informed borrowers' are benefiting. Though it was launched in January 2016, many potential entrepreneurs are still not aware of it.

4.2.3.2 SIDBI Make in India Loan for Enterprises (SMILE)

The SMILE Fund has a corpus of INR 10,000 crore and lends through a combination of term loans and soft loans. If the enterprise is promoted by a woman, an SC/ST member or a person with disabilities (PwD), there is a further concession provided on a soft loan up to INR 30 lac.

Minimum Promoter's Contribution	15% of project cost up to INR 1 crore, and 20% of the rest
Soft Loan Amount	10% of the project cost subject to a maximum of INR 20 lac; for enterprises promoted by SC/ST, PwD and women – 15%, subject to a maximum of INR 30 lac.
Term Loan Amount	75% of project cost (subject to debt equity ratio of 3:1; including soft loan).
Upfront Fee	Reduced upfront fee of 0.50% of the soft loan and term loan instead of normal 1%
Interest Rate	On soft loan – 9.15% p.a. (for Women/SC/ST/PwD) – 9.35% p.a (for Others) On term loan – 9.45%-9.60% p.a. (for Women/SC/ST/PwD) – 9.45%-9.95% p.a. (for others) The rates will be applicable for the first three years from the date of first disbursement and thereafter normal interest rates as per the current rating shall be levied.
Min. Term Loan	INR 25 lac
Repayment Period	Generally seven years (may be extended up to 10 years) inclusive of moratorium period (up to 36 months on case-to-case basis).

4.2.4 Credit Guarantee Fund Trust for MSEs (CGTMSE)

According to the World Bank Enterprise Survey, the value of collateral sought by lenders in India is usually 255 percent of the requested loan amount. This is substantial, and a problem for many borrowers, to address which the CGTMSE scheme was instituted in 2000. It provides collateral or guarantee free credit to MSMEs. The guarantee comes through the Credit Guarantee Fund Trust for MSMEs, created in partnership with SIDBI and 133 member lending institutions. The CGTMSE guarantee covers 75 percent of a loan in the general category, while for women the cover extends up to 80 percent.

Credit to women under the CGTMSE has seen a steady increase, doubling from INR 736 crore (USD 157.7 million) in FY 2010-11 to INR 1,535 crore (USD 239.28 million) in FY 2014-15, according to SIDBI. However, women constitute just 5.8 percent of the total lending portfolio under the scheme.

4.2.5 Rural self-employment training institutes

The government has launched Rural Self-Employment Training Institutes with a focus on entrepreneurial skill development to enhance viability and credit-worthiness of women-owned enterprises in India.



Rural Self-employment Training Institutes (RSETI)

The Rural Self-employment Training Institutes, started as an initiative of the Ministry of Rural Development in 1982, have been one of the most successful measures for integrating financial and non-financial services. The objective is to ensure that dedicated infrastructure is available in every district to train and upgrade the skills of rural youth as entrepreneurs. Under the initiative, the Ministry of Rural Development provides a one-time grant of INR 1 crore (USD 148,000) to the lead bank of every district to set up one training institute.

The state government, in consultation with the banks in the State-Level Bankers' Committee, assigns districts to lead banks to set up RSETIs, even providing free land for them. The type of entrepreneurial training given – also free – is primarily based on local needs. The training institutes provide 30-40 skill development programs at different times of the year, most of them for a period of six weeks. At least 70 percent of trainees in rural areas are from the Below-Poverty-Line category, and appropriate weightage is given to marginalised sections.

How do RSETIs link skill development to access to finance?

The RSETI programs focus on linking access to credit with skill development activities. The RSETI trainees' skills are recognized through the award of certificates, which in turn are accepted by all banks for providing credit. On the completion of the program, an institute is expected to send out the list of candidates to the bank branches in the area and co-ordinate with financial institutions to support individuals with credit facility under a government-sponsored scheme for direct lending.

What has been the impact of RSETIs?

The model has successfully empowered youth to set up enterprises in their locations, reporting a success rate of 66 percent. As of 2013, the RSETIs had trained 16 lac youths and generated employment for 9.5 lac individuals by disbursing grants amounting to INR 173.41 crore (USD 29.59 million). There are 585 RSETIs that are operating through 35 banks.

Limitations of Government Programs

Some of the reasons for the low uptake of government programs among women entrepreneurs are summarized as follows:

- A sizeable 44 percent of women entrepreneurs interviewed were unaware of the products and schemes offered by financial institutions. Even among those who were aware, there was little clarity on the specific features of these schemes, their relevance in addressing their challenges and how they could access them through local branches. Result: low uptake.
- Banks cited delays in receiving the guaranteed amount from the government under the CGTMSE scheme, as well as in scheme settlement in general.
- The extent of cover is reduced for amounts exceeding INR 50 lac, discouraging bankers from opting for high-value loans.
- There are few Incentives for bank staff to actively identify women entrepreneurs. Credit targets are typically easier to achieve with other customer segments.
- Low uptake of products by women has led several banks to discontinue the schemes, and devote their limited resources to revisiting product features, marketing efforts and awareness campaigns.
- Lack of data is a key issue. Private banks and NBFCs in India do not capture gender-disaggregated data on loan disbursements, enterprise performance, and women's need for finance. Therefore, the credit requirement and current lending to women is not adequately captured in India. Lack of data limits financial institutions' ability to understand the segment and the market potential, as well as the business case it presents.²⁰ This prevents informed decision-making on solutions for women-owned businesses.

²⁰ Several PSBs acknowledge gender differences in lending that largely stem from policy mandates and regulations governing lending to women (Athena Infonomics; GIZ; SIDBI, 2015). A few banks (such as the State Bank of Travancore and Bank of India) have adopted innovative in-house practices to facilitate credit to women entrepreneurs in the form of differential products and services – over and above disseminating funds through government schemes. A similar analysis is not possible for private banks due to lack of gender-disaggregated data.

4.3 Select case studies

This study has identified several challenges financial institutions face in lending to women entrepreneurs – from lack of a clear business case for this segment and lack of a clear customer-value proposition – reflected in product gaps – to suboptimal processes in marketing and back-end operations. Some of the major impediments are lack of data to establish the market potential of the segment, lack of customized products for women entrepreneurs, absence of suitable operating models to address the credit needs of women-owned enterprises (that typically have small-mid size needs), and a 'credit only' value proposition without any non-financial services. These arise not only in India but also in other emerging markets.

Despite these challenges, there are several examples of banks which have adopted a women-centered approach with impressive results. These include BLC in Lebanon, Garanti Bank in Turkey, Westpac in Australia, and HBL in Pakistan. These banks have witnessed an increase in the share of women-led SMEs in their portfolios; some have also reported a decrease in non-performing loans. They have also been twice as effective, or even more, in cross-selling products to women-led SMEs, compared to other segments of borrowers. The following table captures some of the banks' successes:

Garanti Bank	<ul style="list-style-type: none"> • Product efficiency around 17% higher than in the overall portfolio. • High cross-selling success, especially of insurance products. • Profitability higher than that of loans to the overall SME sector: 35% for medium enterprises and 17% for small enterprises owned by women, compared with 6% for the overall portfolio.
BLC Bank	<ul style="list-style-type: none"> • By 2015-end, BLC Bank had served more than 32,000 women customers with a loan portfolio of INR (USD 188 million) and deposits of INR (USD 834 million). • Since the launch of its 'We Initiative', the number of SME women borrowers has increased by 82% and the SME women outstanding loans portfolio by 121% compared to an increase of 46% in the borrowers and 71% in the outstanding loans portfolio for the SME segment as a whole. • On a conservative growth scenario, We Initiative's internal rate of return was estimated to be more than 33%. • Non-performing loan rates of BLC Bank's women SME segment (5.52%) were better than the NPL figures for the overall SME portfolio (7.38%) as well as the bank's lending portfolio (5.74%) as a whole.
Westpac	<ul style="list-style-type: none"> • While the bank had a higher proportion of male customers, women customers were growing at a higher rate. • Deposits for female customers grew faster than for male customers. • On average, women held a greater number of financial products than men.
HBL	<ul style="list-style-type: none"> • HBL is the largest bank in Pakistan with USD 22 billion in assets, USD 17 billion in deposits, a domestic market share of 14%, and USD 334 million in net profit • HBL has integrated a bank-wide gender diversity framework with a unique market value proposition for women. Its 14,000 employees are all being trained in gender intelligence. Since the training began sales to women have increased by 10% in those branches which have trained personnel, as compared to those where employees have not yet been trained. • By the end of 2016, HBL served more than 2.3 million women customers with a total deposit volume of USD 2.38 billion.

Source: EBRD (2014) *Global Best Practices in Banking for Women led SMEs*; IFC (2016) *BLC Bank – Lebanon: Leading in Banking on Women – A Study*; IFC (2017) *Gender Intelligence for banks – Moving the Needle on Gender Equality*

This section highlights case studies of a diverse set of institutions which have been able to profitably address the women-owned enterprise market. These range across customized value propositions based on extensive market research (Westpac – Australia), to bottom-up product design based on enterprise-level requirements (Mann Deshi – India). A common thread across these case studies is the presence of NFS to augment both business viability and strengthen the overall ecosystem women entrepreneurs operate in.

**Internal Diversity and Business Strategy:
State Bank of India (SBI) – An example from
India**

SBI is developing policies for women employees that include a working-from-home option. It offers competitive home loans specifically aimed at women. It has also developed insurance products specifically targeting women.

**Theme 1: Gender-focused value proposition and
NFS**

Adopting a 'product-led' approach has been globally recognized as a failure in the women's finance market (Global Banking Alliance for Women, 2013). Instead, a customer-value-proposition approach is recommended that combines access to financial services with information, education and networking opportunities to develop a bundle of products and services for women. This should include a host of financial and non-financial services, following a need-based, holistic and sustainable approach towards financing women. Even though most banks have yet to start offering NFS, many bankers – particularly those from

new-age banks and Small Banks – recognize the potential of the women entrepreneurs' market and are making efforts to seize it. The high unmet credit demand of women entrepreneurs and their low NPAs makes this a strong market segment.

"We are currently planning a specialized product for women in the micro segment. This segment has enormous demand which remains underserved, due to its higher perceived risks; the real risks are much lower."
– Banker

Private financing institutions have yet to adopt a gender-centered approach in their design of products and services in India. Private banks and NBFCs too tend to be gender-agnostic. Products for the MSME segment are not gender-differentiated and the business approach is driven largely by profitability rather than by what is actually required. Stakeholder interactions with financial institutions revealed that the loan products private banks offer are largely uniform (though a few banks have come up with differential pricing and interest rates). NBFCs and Small Banks (a new category of bank begun in India in 2015 to serve population segments sparsely covered by the big banks) provide a more flexible demand-driven customized approach to their products with respect to tenure, repayment periods and payment structures. The use of gender as a category of analysis in financial decision-making allows bankers to evaluate a potential pipeline without embedded biases that otherwise favor men. When a gender lens is applied to the process, disparities are usually seen in capital allocation between men and women, which explains why women entrepreneurs have struggled to gain access to capital.²¹

²¹ Gender Lens Investing: A Step Towards Women-Friendly Capitalism, The Huffington Post, 15/07/2016, Roshika Singh

Westpac – Gender-sensitive holistic customer proposition

Westpac Banking Corporation was the first bank in Australia to recognize the untapped potential of the women's market. Its 'Vision-to-Action' project conducted over a period of 15 years revealed that men and women have diverse business needs for financial products and services. The initiative made the bank realize that women as financial consumers require more information prior to taking financial decisions, tend to be less financially educated, less networked and less insured. The Westpac Women: Insurance Survey 2012 showed that six out of 10 Australian women did not possess life insurance and more than a quarter thought they could do with more insurance but were unable to afford it. Westpac's Customer Proposition offers women access to information, education and networking opportunities. Some of the distinguishing features of Westpac include:

1. **Market research:** This is a critical component at Westpac to establish a business case for serving women. The Women's Market team, which is a core part of the bank's marketing team, is responsible for looking after the existing female client base as well as acquiring new clients. The team conducts surveys to collect data to strengthen the business case for serving women. It is responsible for assessing how consumer behavior drives brand performance. To this end, it deploys tools such as : (i) Your Bank-Your Say – an online tool that solicits opinions, feedback and advice, and (ii) marketing tools which use net promoter scores to measure customers' willingness for referrals.
2. **Ruby Connection program:** An online community for entrepreneurial business women, Westpac's Ruby Connection seeks to connect women entrepreneurs across Australia. The portal contains articles, case studies, guidance, ideas and opportunities to network with other like-minded women. The network successfully reaches out to more than 2.3 million existing and potential Westpac women customers on an ongoing basis to provide business and financial networking services. The program takes a holistic approach to financing, which involves both providing information and education, alongside building a network of peers and mentors.
3. **Training and capacity building:** Westpac offers practical financial education through its Davidson Institute, the country's first School of Money, to improve the financial management skills of individuals and businesses across Australia. The institute also partners with the Ruby team to deliver online content targeting women and their needs.

The key lessons from the Westpac case study are:

1. **Importance of non-financial components:** Offering a range of services and initiatives for women under the Ruby Connection program enabled Westpac to position itself as a pioneer in women's banking.
2. **Need for marketing:** Dedicated marketing and communication measures helped Westpac consolidate its women-friendly image.
3. **Need for gender-disaggregated data and building a business case for lending to women:** Emphasis on market research and gender-disaggregated data is fundamental to understanding the opportunities offered by women-led businesses and building a value proposition.

Theme 2: Differentiated Operating Model – Appraisal and Processing

Most banks adopt conventional credit assessment mechanisms. The loan assessment process for MSMEs follows a scorecard-based assessment model. Typical assessment mechanisms include evaluation of balance sheets, cash flows and business models. Banks and NBFCs typically adopt this scorecard template for credit appraisal and follow a pre-defined process flow. While there is a growing recognition of psychometric credit scoring to enable better and safer lending globally, it is still at a nascent stage in India.

Small Banks, however, have adopted qualitative assessment mechanisms instead of standardized score cards, as their clientele is largely from unorganized sectors. The criteria for evaluation include examination of the potential market for the products of the prospective borrower, based on which decisions are made on repayment capacity. This approach is more suited to women entrepreneurs who often lack proper documentation. Many Small Banks were originally microfinance institutions, and thus have the legacy of adopting such an approach. In contrast to scheduled commercial banks, the bulk of whose credit consists of mid-to-large ticket advances, MFIs have their business models specifically tuned to small ticket advances – from product design to marketing, appraisal and collection. This approach is best suited to, and must be leveraged for, the small-to-mid ticket financing requirements of women-owned enterprises.

Among the banks interviewed, Axis Bank categorizes borrowers based on enterprise turnover. Its MSME clientele is divided into the SME segment and the EEG (Emerging Enterprise Group) segment. Enterprises with turnovers less than INR 10 crore (USD 1.5 million) tend to have relatively lower financing needs and therefore require a differentiated assessment mechanism. They are serviced as EEGs for which the bank adopts a mixed lending approach – the product design is like that for the corporate segment, but the distribution channel/outreach mechanism is from the retail segment – involving many distribution centres and greater human resources. Such a distribution model involves greater devolution of sanction powers to branch managers, as is the case with retail advances. This is because it is relatively harder to reach the target clientele who often have low literacy levels and lack sufficient documentation. The average ticket size for this segment varies from INR 10 lac (USD 15,000) to INR 1 crore (USD 148,000) and comprises a greater proportion of women entrepreneurs.

Exploring the potential of Small Banks

Small Banks are still fine-tuning their operative structure to service SMEs. The MSME segment is primarily handled by private banks and NBFCs, whereas the objective of setting up Small Banks was to service small-ticket portfolios – provide credit facilities up to INR 25 lac (USD 37,000). As most Small Banks began as microfinance Institutions, they have an inherently decentralized credit assessment and processing structure. Indeed, as MFIs, their customer base comprised almost entirely of women. As these entities grow their customer base –providing higher loan amounts to borrowers , and also looking at high-value customers – women are likely to continue being a significant proportion of their clientele. For instance, one of the Small Banks reported that even after its conversion to a bank, around 80 percent of its borrowers remain its initial women-only clientele. This is natural, not only because it is a natural progression for an NBFC, but also because of the robust repayment trend among women in the microcredit segment. Their proportion among Small Bank borrowers is likely to be far greater than the share of women entrepreneurs in private banks or NBFC's credit databases, where it is reported to be barely 10 percent.

The financial institutions interviewed usually employed a 'relationship manager' and/or business correspondents/agents, who sought out potential borrowers and frequently guided them through the loan application process. RMs helped in gathering information about the client, which was then submitted to the central credit team to evaluate the creditworthiness of the applicant. Some banks were seen engaging their own staff instead of agents. They felt agents were neither cost-effective nor helpful in building customers' credit behavior.

Doorstep banking is a strategy at least four banks have used in India – including Mann Deshi, IDFC, Lakshmi Vilas Bank and Equitas. However, the responsibility of the bank representative in doorstep banking is usually confined to just collecting the application and screening and submitting it. High operating costs associated with doorstep banking often impede its uptake and use by most banks. Hence collection systems were seen in the survey to vary, depending on the bank's measure of its cost-effectiveness and the clientele's cash cycle.

Leveraging delivery channels to build credit behavior



IDFC

In the MSME segment, IDFC Bank deploys trained employees and RMs instead of agents. They are used to provide doorstep banking to clients. They not only proactively seek out clients, but also cater to all their banking needs, including their savings and liability requirements. This segment requires relationship management, which an agent cannot manage – a remote form of operations cannot ensure quality lending. For instance, if a client defaults, an agent would simply make a visit several days later to collect the payment; he would not obtain any other information on the reason for default. However, the RM would additionally collect and verify several other data points that help ensure timely future repayments. Given that good credit behaviour is more important in the long run, this strategy is more cost-effective.

The bank invests in developing the capabilities of RMs/field staff to accurately assess a customer on the ground and project his income in a reliable manner. There is a structured training program, support tools, and a policy framework that RMs are familiarized with, specifically for underwriting. The bank believes this is a key step towards addressing NPAs in the MSME segment.

Theme 3: Customized marketing mix

Marketing and outreach are primarily undertaken at the branch level – RMs or BCs often proactively reach out to clients. This includes both oral and written communication in the form of flyers and brochures to promote existing products for women entrepreneurs. Some banks have also partnered with industry associations and trade bodies for promotion and outreach activities; databases of entrepreneurs are also sourced from associations. Canara Bank has focused on a women-centered marketing approach, extending support to producers and artisans, where stalls are reserved for women entrepreneurs identified by the bank.

Many banks such as Corporation Bank, Indian Bank and Yes Bank frequently organize MSME loan melas where they promote their products and services of extending faster and cheaper credit exclusively to MSMEs, often with special provisions for women entrepreneurs.

Another NFS and marketing approach that a few banks have adopted is to give awards to successful entrepreneurs. ICICI Bank, in conjunction with CNBC TV18, honors top value-creating SMEs in the country across 16 categories – including a category for women entrepreneurs – at its 'Emerging India Awards' event. Canara Bank has taken a more gender-specific local approach, providing cash awards to successful women entrepreneurs financed by the bank. These range from INR 25,000 (USD 389) to INR 100,000 (USD 1,558).

However, individual components of the marketing mix – product, promotion, pricing and channels – are largely being addressed through separate initiatives. Very few institutions have taken a holistic approach to marketing that incorporates all these components. The case study of the Mann Deshi model shows how to integrate these elements and draw on the strengths of different institutions in a larger network to present an effective marketing mix.

Customized Reach

Yes Bank

Yes Bank launched an all-women operated bank branch 'Yes Grace' in Bengaluru on Women's Day in March 2016. The bank is entirely operated by women, although there is no restriction on the customer base served; male customers are also welcome. The branch was set up to drive financial literacy, family banking, safety and wellness among women. Two more all-women bank branches have been opened at Kalkaji in New Delhi and Vile Parle (E) in Mumbai. There are plans to open more branches in major cities. The 'Yes Grace' branch is part of a two-pronged approach on the part of Yes Bank to promote women's leadership in the financial services sector and support the evolving financial objectives of women.

Demand-responsive formulation of marketing mix



Mann Deshi

Mann Deshi is a regulated urban cooperative bank run by women, for women, and is the first women's cooperative bank to receive a banking license from the RBI for rural areas. While Mann Deshi works in the same market as moneylenders, its success lies in merging comprehensive livelihood promotion packages with financial and non-financial services. Mann Deshi's products are demand-driven and gender-responsive. The bank has designed products keeping in mind that women's work is fragmented and their cash flows are unorganized. Through its various products, Mann Deshi impacts over 25,000 women entrepreneurs every year. For many clients, Mann Deshi's banking services are the first institutionalized forms of lending and savings they have had access to. Due to its doorstep banking services, clients are able to repay their loans and save their money on a daily or weekly basis. Thus, women are less likely to fall into debt and can accrue interest on their deposits, saving more money in the long term. With these loans, women have started new businesses, expanded already successful businesses, and created long-term assets by purchasing and/or building homes. The cooperative bank provides financial services to over 155,000 clients, reaching 37,000 women entrepreneurs through its seven branches in Maharashtra. These services include loans, savings, pension, and insurance, and are provided by field agents who travel to clients' doorsteps. Mann Deshi boasts healthy parameters: capital-to-risk weighted assets ratio (CRAR) has always been above 15 percent, credit-deposit (CD) ratio above 60 percent, and Gross NPAs below 1 percent. Financial inclusion is a priority for Mann Deshi.

The Mann Deshi Model

Mann Deshi comprises two organizations: (1) Mann Deshi Mahila Sahakari Bank Ltd (Mann Deshi Bank), a rural cooperative bank run by, and exclusively for, women; and (2) Mann Deshi Foundation, a registered non-governmental organization. These work in conjunction to empower women micro-entrepreneurs providing them access to financial products and services, in addition to building capacity in business management.

Mann Deshi Bank's **success is largely credited to its demand-responsive product innovations.** The bank's staff collects data on vendors in markets using a short questionnaire called 'financial diary'. This promotes better understanding of the customer's characteristics, including sales and income, cash flow requirement and business risks.

The bank gives out group loans with a cash credit (CC) limit of INR 40,000 (USD 596) to women at an interest rate of 24 percent on reducing balance – computed every week on outstanding amount. Women can withdraw cash, whenever needed, from their CC accounts for the purchase of goods; they can repay it in the market place at the close of the same day. This form of working capital finance has played an important role in substituting informal credit in these markets, where borrowers paid moneylender interest up to 10-20 percent per day i.e. a whopping 3,650 percent a year! The CC account is designed to remit or charge an interest on the account depending on the account's surplus or deficit balance.

The bank services the cash credit products through individual business correspondents (field service agents) who are present on the specific market days when women are trading to offer both saving and lending services.

In 2004, Mann Deshi lobbied with the revenue department of Maharashtra to waive off stamp duty for naming one's wife as a co-owner of household property. This policy breakthrough enabled women in the state to check the sale and divestment of household property by their men against their wishes. The bank felicitates men who jointly register property with their wives and invest in their daughter's education. Through this ownership of property, women were empowered meaningfully. This gave them a say in finance and a significant voice in family decision-making. Above all, this also helped women build collateral to be able to get big-ticket loans.

To increase incentives around home ownership and other big-ticket loans, Mann Deshi Bank gives a 1 percent discount on interest to all women clients who are co-owners of household property.

Mann Deshi has also demonstrated the successful use of Information and Communication Technology to support women entrepreneurs through the use of RuPay cards and doorstep banking. Bank field agents regularly visit homes to collect loan repayments and savings; a woman client who owns a personal RuPay card can access information stored on the card by inserting it into a handheld portable device that a field agent carries. This enables women to access most of the banks' services despite the constraint of mobility.

That is not all. Mann Deshi successfully leverages activities under the Foundation to bundle comprehensive livelihood promotion packages with its financial and non-financial services.

The two provide compulsory 'Financial Literacy Classes' to its first-time borrowers and members of a joint liability group, an informal group formed to avail bank loans on individual basis or through the group mechanism. This includes information on loans, savings, insurance, pension, budgeting, debt management and financial negotiation. An impact assessment of the literacy program found that clients who have taken financial literacy courses improve their weekly savings, take more and bigger loans for more productive purposes, and repay more consistently.

Mann Deshi Foundation's flagship program 'Mann Deshi Udyogini' launched in 2006, in collaboration with HSBC India as founding sponsor, aims to springboard risk-taking entrepreneurs through short- and long-term business management and entrepreneurship courses. Successful graduates from the program are subsequently guaranteed loans from the bank. The three categories of training offered through Udyogini centers are:

- Technical training in agricultural, veterinarian and non-agro based livelihoods;
- Financial management courses to build knowledge and discipline of financial planning and wealth management; and
- Deshi MBA or business management training on market mapping, basic financial modeling, accounting and book-keeping, recruiting and training HR, including mentorship and exposure visits among others.

In 2007, the program furthered its reach through mobile Udyogini centers, with the launch of 'business school on wheels.' These buses, travelling to rural villages in India, worked as mobile classrooms that offered practical sessions with labs for courses like tailoring, computers and beauty, along with courses on financial and marketing topics. Close to 1.25 lac graduates from the different Udyogini Centers have set up and scaled businesses alongside providing employment to others in their areas.

The cooperative bank also provides a bouquet of NFS to support women borrowers, including a first-of-its-kind Chamber of Commerce for Rural Women (launched in 2014), expert consulting by mentors, a marketing platform 'Marketing Mahotsav', and a unique Wealth Card that helps entrepreneurs track their income and assets. Mann Deshi Chamber of Commerce has supported **26,619 women**.

Mann Deshi's Impact

Mann Deshi has impacted the lives of more than 3 lac women entrepreneurs, empowering them to manage their businesses and providing them access to markets. Additionally, the bank has consistently received top audit grade even as its profits have seen a compound annual growth rate of 7.5 percent between 2011 and 2016.

There is more. Mann Deshi's NPAs are just about 1 percent for micro enterprises – significantly lower than that of many public and private banks in the MSME segment. It is a testament to the bank's robust credit appraisal systems that are rooted in non-conventional assessment mechanisms. Additionally, demand-responsive products like the Weekly Market Cash Credit are efficiently meeting women entrepreneur's requirements.

The Mann Deshi case study has shown that it is possible to respond to customer demand with innovative products and yet build a sustainable and robust business that brings about a holistic change in their lives.

Theme 4: Sales Force Training

Bank branch managers and RMs are still the focal point when it comes to serving and acquiring female customers and closing the credit gap for women entrepreneurs. Market research and mystery shopping has shown that it is critical to train RMs not only on financial products for women but also on how to approach women as a new customer segment holistically.

HBL is the largest bank in Pakistan with USD 22 billion in assets, USD 17 billion in deposits, a domestic market share of 14 percent, and USD 334 million in net profit. HBL has integrated a bank-wide gender diversity framework with an unmatched value proposition for the women's market – all its 14,000 employees are being trained in gender intelligence. Sales to women have increased 10 percent at branches where employees have undergone gender intelligence training compared to those where they have not been thus trained so far.

Pakistan does not fare well on gender equality, ranking 143rd out of 144 countries on the gender equality index²², which points to the magnitude of prevailing gender disparities in earnings, education, health and political participation. HBL mirrored the existing challenges in Pakistani society with regard to gender inclusion: (a) it was a male dominated bank; (b) there was internal bias against women; (c) women were not considered a “commercial” segment; (d) no unique products were offered to this segment; and (e) women faced cultural barriers.

The bank responded through a proactive policy of: (a) encouraging internal diversity; (b) imparting gender intelligence training; (c) developing a sales focus on women; and (d) launching the HBL Nisa brand platform and providing corporate brand support. The overarching objective was to ensure gender equality for both its women employees and its women customers.

The HBL Nisa program aims to provide financial services to women while at the same time addressing the bank's internal gender imbalances, through a range of HR policies and gender-sensitization training. The training content was finalized over seven months of research – efforts included mystery shopping and focus groups – and a series of pilots programs conducted. As part of the initiative, 42 people were first coached to become trainers. The bank-wide program had two components: half a day's training for senior management, and a day-long training of frontline and branch staff, in addition to the training of trainers' session.

Developed jointly by HBL and IFC, the HBL Gender Intelligence Training Program is a tool to promote gender awareness and encourage behavioral change. The objective was to help employees understand the business case for empowering women internally and externally, to communicate HBL's value proposition to them as a customer segment. HBL aims to become the number one choice for women as a bank employer, with 20 percent of its workforce comprising women by 2020. About 62 percent of HBL's total workforce²³ across 20 departments has participated in the training over 286 sessions (including weekends to ensure maximum coverage) in 36 cities. Regional competitions and celebrations were conducted to spur the rollout.

HBL's Gender Intelligence Program:

8483 {employees trained}
2119 {training hours}
286 {training sessions}
42 {trainers}
36 {cities}

²² World Economic Forum (WEF), Global Gender Gap Report 2016: Report captures educational attainment, health and survival, economic opportunity and political empowerment

²³ Source HBL: As of June 2016, the training was rolled out to over 7,800 HBL staff.

Subsequent results measurement showed that:

- Gender intelligence training led to substantial increase in positive gender awareness.
- It had a positive effect on the confidence levels of women. There was better perception of equal performance capacity at the workplace, for example, which in turn boosted confidence for future prospects in the organization.
- Cross-referencing training outcomes with sales data also showed that branches with managers trained in gender intelligence outperformed branches with untrained managers in increasing deposits from women. This was a positive for financial inclusion for women as well as the financial bottom line of HBL Pakistan.
- Training needs to be part of a comprehensive strategy to correct biases deep-rooted in value systems.

4.3.1 Credit appraisal and loan approval process of FIs

Women-owned MSMEs face severe financing constraints because of a host of factors pertaining to policy, the legal/regulatory framework, institutional weaknesses and lack of reliable information on the financial viability of enterprises. Women entrepreneurs invariably lack documentation or fixed collateral and therefore are unable to meet the financial institutions' traditional assessment criteria. Consequentially, they are perceived to be more risky than they really are, which prevents them from getting the financing they need for their businesses. To address this, the appraisal process needs to be customized to assess their repayment ability better. But banks are hesitant to amend their credit processes for women entrepreneurs because of the operational cost and poor awareness of its commercial benefits. Therefore, it is necessary to emphasize qualitative and non-conventional assessment mechanisms.

"Despite their potential, women-owned MSMEs often don't fulfil traditional credit appraisal requirements of banks. They lack both collateral options and financial literacy. Bureaucracy and lack of awareness often impede them from availing the required documentation for availing credit."

– Business Association

Several non-conventional tools that are being successfully used by financial institutions in credit assessment have proved to be more effective in lending to women. They include:

- **Leveraging of non-credit banking relationships:** These are critical parameters in the credit assessment framework, particularly for women. Women have been observed to be more loyal in the long term to a chosen financial institution and are better depositors in bank savings accounts (Iskenderian, 2013).
- **Using psychometric tests and other fintech solutions:** Financial institutions have successfully deployed psychometric tests worldwide as a mechanism to assess applicants' willingness to repay and other risk factors. These tests use personal characteristics such as knowledge, skills, education, abilities, attitudes and personality traits to predict how likely a person is to pay back a loan. Research indicates that psychometric tests have helped reduce credit risk, increase portfolio size, and lower costs and time to lend. (Klinger, Castro, Szenkman, & Khwaja, 2013; Klinger, Khwaja, & LaMonte, 2013). Other fintech solutions that could be considered to determine the ability and willingness to repay include big data, social data, blockchain and engaging digital platforms such as Snapdeal's Capital Assist.

E-tailing site Snapdeal has successfully entered into a partnership with 27 financial institutions, through its Capital Assist Platform. The platform enables Snapdeal sellers to get instant online approval on working capital finance without providing financial statements or collateral. The approvals are based solely on a unique credit scoring model, based on real time analytics for all sellers on the platform. SBI offers loans up to INR 20 lac (USD 30,000) on the platform, with a special concession of 25 basis points for women entrepreneurs. Collateral-free loans below INR 10 lac (USD 15,000) are designed to be covered under the government's MUDRA scheme (SBI partners Snapdeal to offer loans to e-commerce sellers, 2016).

- **Forging partnerships with franchise/e-commerce businesses:** Financial institutions sometimes ease appraisal requirements for franchise-based models, particularly in retail trade and services, where most women entrepreneurs operate. Additionally, e-commerce platforms share their database with banks to facilitate credit for their suppliers. This leads to a simpler application process with reduced turnaround time for the borrower, and also lower credit appraisal costs for the FI.
- **Capturing gender-disaggregated data for lending:** Research indicates that women are likely to have a better repayment pattern than their male counterparts. However, this data is either not captured, or not highlighted by FIs while developing their credit appraisal frameworks. As most financial institutions follow a parameter-based lending-scorecard model based on historical data, it is important to capture and formulate these scorecards in a gender-disaggregated manner. Some banks, no doubt, have recognized this and relaxed their lending policies towards women in the retail space, but the MSME sector is yet to explore gender-disaggregation.
- **Considering enterprise characteristics:** In the absence of financial statements to evaluate a firm's credibility, the credit appraisal can be based on information regarding its organizational structure, its relationship with suppliers and customers, its owner's assets, among others. This could be particularly useful for women entrepreneurs who lack traditional collateral.
- **Evaluating the technical Knowledge of the Borrower:** Given the lack of financial literacy among women borrowers, some bankers give weightage to the borrower's technical knowledge. If she is able to document a sound proposal, it means she has the technical knowledge to establish the viability of her business. Also, when financial institutions are specifically targeting women-owned MSMEs, it ensures that the end beneficiary is indeed the women entrepreneur and not some benaami enterprise.²⁴
- **Eliminating male dependencies:** Many banks continue to demand that either the woman entrepreneur's husband or father (if she is unmarried), sign the loan applications. In this context, it is important to remove dependence on male family members as a prerequisite to access finance.

²⁴ An enterprise which is owned in name by women but managed by men



CASE STUDY: Establishing credibility through e-commerce platforms

Ant Credit is the lending arm of the Ant Financial Services Group, a company affiliated to the Chinese e-commerce giant, Alibaba. It was formerly Alibaba's online payment business, Alipay, which evolved into providing micro online loans to small businesses.

What is unique about Ant Credit?

Instead of using traditional credit assessment tools, it evaluates the creditworthiness of potential borrowers based on the data generated through their online transactions. This makes it easier for Ant Credit to provide collateral-free loans, resolving the documentation gaps women-owned MSMEs face. Ant Financials has access to a wide range of data, including shopping bills, utility bills, home addresses and properties owned by the families of potential borrowers. This is used to assess a borrower's credit profile, through a credit-scoring model.

Ant Credit provides up to 100 percent unsecured credit after examining a minimum of three months of online trading activity. The average loan size is USD 3,500–USD 5,000, with flexible terms of repayment.

What is its impact on small and medium businesses?

Ant Credit has extended micro-credit, amounting to USD 160,000, to SMEs that had not received any financial support previously from formal financial systems. The development of Ant Financial Services as a 'shadow' banking system has provided credit to 40 percent of China's SMEs which previously never got loans.

With its track record in financing women entrepreneurs, Ant Credit has entered into a strategic partnership with IFC and the Goldman Sachs called "the 10,000 Women Initiative" – the first internet-based gender finance program in China. It provides underserved women around the world with business education, as well as mentors them in emerging markets. The company received an USD 80 million loan from IFC to set up a financing program for women small-business owners, who often face difficulties getting loans from conventional lenders in China.

4.3.2 Comparative assessment of financial institutions

The table below summarizes the findings of the study with reference to banking for women entrepreneurs, drawing distinctions between public banks, private banks, NBFCs and Small Banks. These findings are based on stakeholder interactions and secondary references.

Assessment Parameter	Public Sector Banks	Private Sector Banks	NBFCs	Small Banks (nascent stage, estimated)
Target Market	Micro and Small Enterprises	Separate divisions for a) Micro and b) Small and Medium Enterprises	Largely Medium Enterprises, varies according to NBFC's focus area	Micro Enterprises
Sector Focus	High growth sectors: Identification through industry growth forecasts	High growth sectors: Identification through industry growth forecasts	High growth sectors: Identification through industry growth forecasts	Scale up of Self-Help Groups
Loan Size	WE: Less than INR 20 lac (USD 31,000) ME: Greater than INR 50 lac (USD 78,000)	WE: Less than INR 20 lac (USD 31,000) ME: Greater than INR 50 lac (USD 78,000)	High variations based on the sector of lending	Less than INR 10 lac (USD 16,000)
Government Schemes & Presence of Special Products for Women	Yes	Minimal, CGTMSE and MUDRA schemes	Minimal, MUDRA scheme	Not yet, nascent stage
Presence of Non-Financial Services	Yes, linked to schemes such as PMEGP, offer training through Enterprise Development Institutes	Minimal, primarily in the Micro segment	No	Not yet
Credit assessment mechanisms	Conventional	Conventional	Conventional, Minimal adoption of qualitative assessment mechanisms	Qualitative assessment mechanisms and use of credit history data from personal MFI database

Assessment Parameter	Public Sector Banks	Private Sector Banks	NBFCs	Small Banks (nascent stage, estimated)
Delivery and marketing channels	Branch banking and business correspondents	Hunter-gatherer model, doorstep banking and use of business correspondents	Hunter-gatherer model and agent banking	Agent banking and branch banking
Operational challenges (based on qualitative insights)	High	Low, given innovative workflow	Medium	High (nascent stage)
Perception of women MSMEs	Mandatory lending to women as per RBI guidelines, preconceptions associated with women's capabilities as entrepreneurs	No perceived biases against women. Products are gender-agnostic; no special focus on women; New banks are more proactive in lending to women	Recognize women MSMEs as potential market opportunity, depending on the NBFC's focus	Recognize women MSMEs as potential market opportunity
Provision of NFS under CSR programs	NA	CSR programs largely focus on building sustainable livelihoods for women, no targeted focus on women MSMEs and financial literacy programs	No	No

Source: Primary interactions with bankers and GIZ & Athena Research, 2015

Chapter 5

Mapping the Business Opportunity

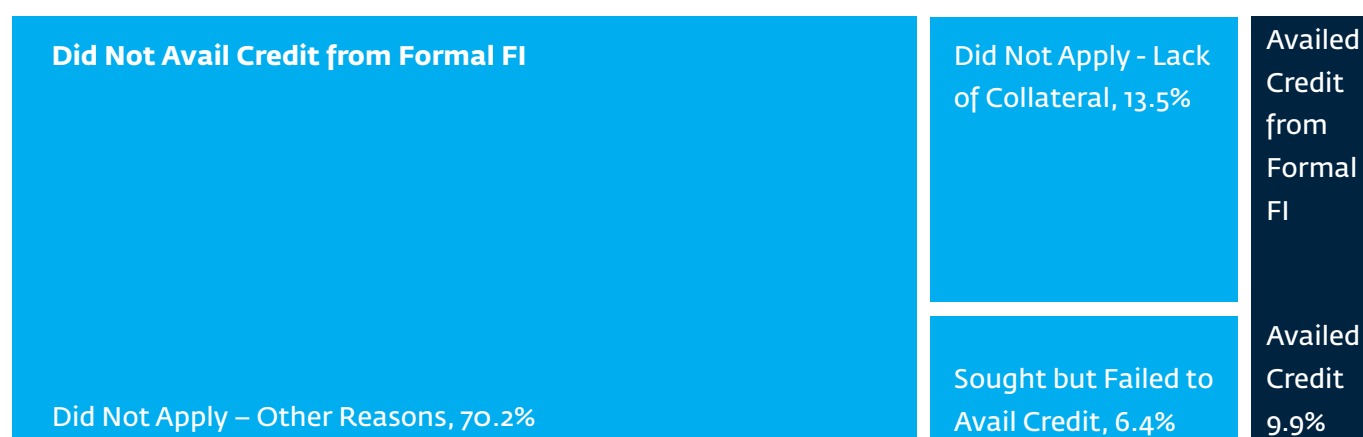
This chapter presents the market opportunity for financial Institutions in the women entrepreneurial segment in India. It uses two approaches. The first estimates the proportion of women entrepreneurs in the country who are currently not served by formal finance channels. The second estimates the financing needs of women entrepreneurs' that formal finance fails to meet, leading to a finance gap. Both approaches draw from primary research as well as secondary estimates and triangulation, as has been explained in the Approach and Methodology section²⁵. The detailed estimation method can be found in Appendix I.

5.1 Women-owned MSMEs not served by formal finance

It is estimated that nearly 90 percent of women entrepreneurs have not availed finance from formal FIs²⁶.

Of the estimated 11.4 million women-owned MSMEs in India, formal financial institutions serve only 10 percent. Those who have not availed of formal finance can be categorized into three groups: (i) those who sought credit from FIs but had their applications rejected, (ii) those who never applied as they felt they could not meet the collateral requirements, and (iii) those who never applied for of other reasons, including lack of awareness about loan products and application procedures, risk aversion, unfavorable terms of credit or complicated application forms. The graphic below illustrates the unmet opportunity. Note that a significant proportion of entrepreneurs did not apply for finance due to lack of collateral – 13.5 percent of total entrepreneurs and 15 percent of those who did not avail credit.

Figure 12: Women MSMEs' Access to Formal Sources of Finance – National Level



Source: Enterprise Survey, Athena Infonomics Research

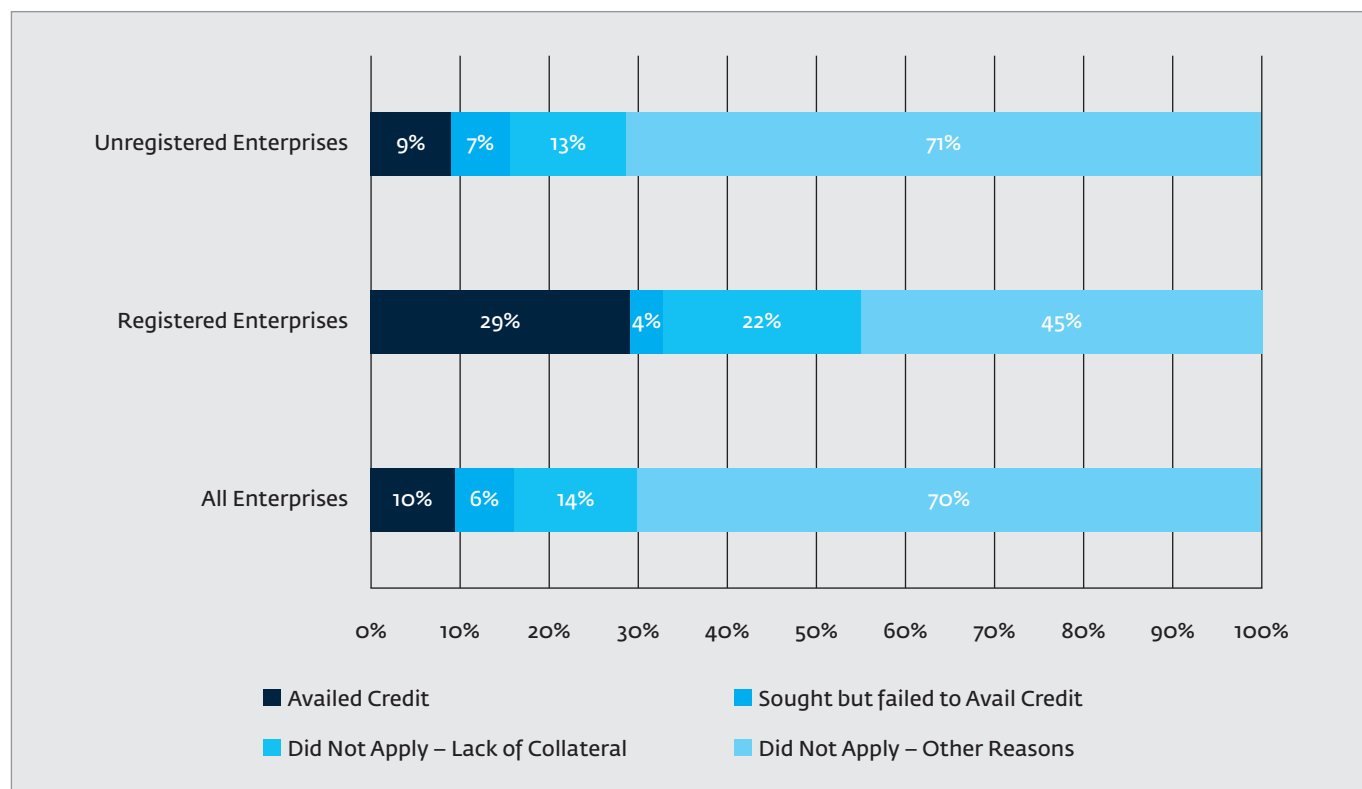
²⁵ The basis of the sampling was to be nationally representative, and to a lesser extent, gain a high level understanding of some state level issues. Of the six states selected, three (Tamil Nadu, Karnataka and Gujarat) were allocated sample sizes of around 150 each and the other three (Uttar Pradesh, Maharashtra and Rajasthan) around 50 each. The rationale was to allocate the sample in proportion to the state's contribution to the total number of women entrepreneurs (while UP is large population-wise, its contribution to the number of women entrepreneurs is very low – 83,690 enterprises versus 213,195 in Karnataka as per the 2007 Census). The rationale for keeping the floor number at 50 was to ensure minimum sample size for any inference drawn. For the three larger states, a uniform number, 150, was taken as a population proportionate sampling, or else it would have biased the sample heavily towards Tamil Nadu, while significantly reducing statistical significance of MSMEs in other states. Please note that a sample size of 150 translates to 95 percent confidence level at 8 percent error margin.

²⁶ This is the fraction of women enterprises without access to formal finance. This is not to be confused with the "finance gap" (of 70 percent) referred to elsewhere in this report, which indicates the gap in "quantum of funding" between demand and supply.

A significantly greater proportion of registered enterprises could avail finance from formal finance agencies, as compared to unregistered enterprises.

To better understand the nature of access to finance from FIs, data was further categorized based on the registration of women-owned MSMEs. This has been illustrated in Figure 12. The proportion of registered enterprises successfully availing finance from formal channels was more than three times (29 percent) that of unregistered enterprises (9 percent).

Figure 13: Women MSMEs' Access to Formal Sources of Finance - Type of Enterprise



Source: Enterprise Survey, Athena Infonomics Research

Two points must be noted while interpreting women entrepreneurs' access to formal finance. First, the majority of women-owned MSMEs – 95.6 percent – are unregistered, leading to less than 10 percent of the entire segment having access to finance. Second, even among the women-led MSMEs which availed credit from FIs, many were underserved. According to the women entrepreneurs surveyed for this study, the average loan amount sanctioned was only about 68 percent of the average amount required.

5.2 Finance gap – quantum of financing needs unmet by formal finance

The total annual requirement of finance of women-owned MSMEs, registered and unregistered, across all segments, is estimated at around INR 1.95 lac crore (USD 30.5 billion). Of this, 28 percent – or INR 55,409 crore (USD 8.25 billion) – was for fixed assets and the remaining INR 1.4 lac crore (USD 6.97 billion) was for working capital needs.

Table 8: Demand for Finance from Women Owned Enterprises in INR Crore

Enterprise Category	Fixed Assets	Working Capital	Total Value
Micro (INR crore) (USD billion)	55,063 (8.2)	1,39,934 (20.84)	1,94,997 (29.04)
Small (INR crore) (USD million)	337 (50.1)	471 (70.14)	807 (120.18)
Medium (INR crore) (USD million)	9 (1.34)	8 (1.19)	17 (2.53)
Total (INR crore) (USD billion)	55,409 (8.25)	1,40,412 (20.91)	1,95,821 (29.16)

Source: Enterprise Survey, Athena Infonomics Research

The supply estimate was based on all formal sources of financing, including banks, NBFCs and MFIs. The detailed assessment method is presented in the appendix. The supply of finance for women entrepreneurs is estimated below:

Total Supply from Banking Institutions	INR 48,560 crore (USD 7.23 billion)
Total Supply from Other Formal Sources	INR 9,450 crore (USD 1.41 billion)
Total Supply of Finances to Women MSME	INR 58,020 crore (USD 8.64 billion)

Broadly, over 70 percent of the quantum of Indian women entrepreneurs' financial demand is unmet.

Based on the demand and supply estimates, the total unmet demand for women entrepreneurs in India is estimated at around INR 137,800 crore (USD 20.52 billion). This means that over 70 percent of the total finance requirement is unmet.

Total Demand	INR 195,820 crore (USD 29.16 billion)
Total Supply	INR 58,020 crore (USD 8.64 billion)
Total Finance Gap (Unmet Demand for Finance)	INR 137,800 crore (USD 20.52 billion)
Finance Gap (as a %age of Total Demand)	70.37%

Financing Gap – 70.37%

Quantum of Women Entrepreneurs' Financing Needs Unmet by Formal FIs

INR 137.8 Thousand Crore
(USD 20.52 Billion)

Demand

FIXED ASSET INVESTMENT DEMAND

₹ 55.41 Thousand Crores
(USD 8.25 Billion)

WORKING CAPITAL REQUIREMENT

₹ 140.41 Thousand Crores
(USD 20.91 Billion)



TOTAL DEMAND

₹ 195.82 Thousand Crores
(USD 29.16 Billion)

Supply

TOTAL SUPPLY FROM BANKING INSTITUTIONS

₹ 48.56 Thousand Crores
(USD 7.23 Billion)

TOTAL SUPPLY FROM OTHER FORMAL SOURCES

₹ 9.45 Thousand Crores
(USD 1.41 Billion)



TOTAL SUPPLY

₹ 58.01 Thousand Crores
(USD 8.64 Billion)

Chapter 6

Conclusion and the Way Forward

Key Messages

- The Women entrepreneur segment is an attractive one with several positive characteristics, including lower risk, higher profitability and retention rates.
- The segment remains underserved in India. Only 14 percent of the sampled women-owned MSMEs said they availed finance from a formal financial institution. At the national level, the ratio stands at no more than 10 percent.
- It is recommended to adopt a “customer value approach” over “product led approach” as product led approach has been globally a failure in the women’s finance market. A Customer-Value Proposition approach combines access to financial services with information, education and networking opportunities to develop a bundle of products and services for women. In the case of a product led approach, the bank creates loan products that are often linked to some government refinance scheme hence offering lower interest rate and/or collateral free loans (in India’s case, CGTMSME). A customer value approach considers financing as a part of a larger portfolio of support, in line with need gaps of Women Entrepreneurs, and specifically includes non-financial services (NFS) to offer this segment.
- Banks can develop a specific value proposition for women by marketing effectively, providing tailored products and services, and supporting them with entrepreneurship training and networking opportunities.
- IFC partner banks, which have implemented Women’s Market Programs customized to the needs of women, have seen impressive financial returns – acquisition twice as fast as that of men, better repayment track record, and lower NPLs.

.Women entrepreneurs in India continue to be constrained in accessing finance to meet their business requirement. The study estimated the overall demand for finance among women-owned MSMEs in the country to be approximately INR 1.95 lac crore (USD 29.16 billion) in 2016. The total supply of formal finance to these businesses was around INR 58,020 crore (USD 8.64 billion). This has resulted in a finance gap of INR 1.37 lac crore (USD 20.52 billion). In other words, 70.37 percent of the finance demand in value is unmet.

Interactions with women entrepreneurs in India reveal that they face high rejection rates due to a variety of factors including lack of credit history and collateral, low education levels, poor financial literacy, lack of formal work experience and lack of association with business networks. Additionally, issues relating to application processes, turnaround time and unconscious bias of bankers against women pose challenges to women’s access to credit.

The study finds the banking system is largely gender-agnostic in catering to the women MSME segment. Few institutions offer specially designed schemes to women – lower interest rate and/or collateral concessions remain the key differentiators. While the demand assessment chapter of this report states that public sector banks were the most preferred source among formal sources of financing for women entrepreneurs and also noted that most of the PSBs meet the RBI requirement to earmark 5 percent of their ANBC for women; it is important to note that this is not by virtue of any specific gender sensitive design/action. There is also the larger question as to whether this is an adequate threshold, as the 5 percent requirement is loans to women and includes personal loans. Not all of it is for women-owned MSMEs.

This section proposes recommendations that could actively lower the financial barriers women-owned MSMEs face, and narrow the finance gap. The recommendations are built around two central pillars: (i) improving internal capacities of financial institutions, and (ii) creating an enabling environment.

Opportunities for Banks Targeting the Women's Market

Market Share Growth

- Provides source of market differentiation, especially in competitive SME market segments.
- Establishes reputation as an innovator.
- Enables entry and differentiation in specific sectors e.g. retail, mobile, youth.
- Creates strong community-based advocacy and enhances CSR portfolio.

Higher Cross-Selling and Loyalty

- Could lead to higher cross-selling, even doubling ratios with the main bank relationship status.
- Could bring in more customers per relationship and higher fee-generation.
- Could capitalize on relationship management with women entrepreneurs.
- Could improve retention rate of women clients.

Strong Savings Propensity

- Women have a higher propensity to save both as business and personal customers.
- Deposits from female customers typically grow at a faster rate and stay longer with the bank.

Positive Risk Behavior

- Female customers avoid high risk.
- Women-led businesses outperform those led by men, including start-ups.
- They can drive higher acceptance and lower processing costs with stronger business plans.
- Default rates are either the same or lower than those of male counterparts.

Family Wallet as a resource

- Women have the comfort of drawing from the family wallet for business needs.
- Possibility to capture the husband's business and personal financial services as well.
- Up to 85 percent of family financial decisions made by women globally.

6.2 Capacity building of FIs

6.2.1 Sensitization of FIs to Promote Organizational Readiness

Financial institutions were observed to have limited understanding of the differential needs of women in accessing finance. For bankers to successfully tap into this underserved segment, greater awareness of institutional, personal and socio-cultural barriers is critical. A large proportion of surveyed women entrepreneurs believed that bank officials exhibited some form of bias against them in lending, as compared to male entrepreneurs. Therefore it is imperative to sensitize bankers on how to engage with women entrepreneurs.

“The socio-cultural setting makes women entrepreneurs a relatively more risky segment. However, if we are to lend to a woman entrepreneur who is married, there is greater certainty that she will continue her business.”
– Banker

Recommendation

Gender sensitization of banking staff is an important step to promote ‘gender-less lending’ and greater recognition of opportunities associated with the women entrepreneur segment. This will entail training, alongside developing and disseminating toolkits for loan officers on the lines of global best practices. In fact, gender sensitivity training can be delivered as part of employee on-boarding for all bank staff – especially Relationship Managers. It is important that male and female loan officers be part of this program; research indicates that more often than men, women tend not to be gender-agnostic even though dealing with the same sex (Romaine, 2003; Matsumoto & Britain, 2003). Setting key performance indicators for RMs to promote lending to women can be an effective mechanism. Training frontline staff to approach women customers differently will be critical to serving them better – research shows that women typically prefer a relationship approach rather than a transactional one. While this may mean more time, effort and cost to the financial institution, the benefits of deeper and more loyal clients will outweigh the financial costs. Women customers also tend to speak with community and family members, friends, peers, co-workers, and therefore have the potential to be informal brand ambassadors for the financial institution, expanding the reach of RMs beyond the client they serve.

Financial institutions must also be encouraged to set and monitor internal targets and incentives to accelerate women’s access to credit at all levels. An organizational-level evaluation, such as the EDGE Assessment, can help financial institutions in assessing their performance as employers against Gender Equality/UN Principles. A review of policies and procedures in the HR lifecycle – including recruitment, retention, promotion, training, pay and benefits – can help appraise an institution’s performance on gender parity. Appointing internal gender champions has also proved effective in moving the agenda forward to serve the women’s segment.

Best Practice

Using Market Research to Serve Women

Royal Bank of Canada extensively uses market research to better understand and serve their women clients. RBC Economics, a wing dedicated to making timely and relevant analysis of the economy, is also responsible for promoting an understanding of women clients through demographics, attitudes, gender dynamics, and segmentation. The bank uses this segmentation and market research to make greater sense of the differences between women and men in terms of spending and saving priorities, cash flow needs and attitudes towards risk and growth so as to serve women entrepreneurs better.

Further, through its 100 Women's Market Champion (WMC) Program, RBC has managers dedicated to serving women clients and providing inputs to the core team on how to serve them more effectively. Additionally, they also support refresher training sessions for staff and update the internal website with news on the women's market.

It is hardly surprising then that over one-third of RBC's revenue comes from women clients, including both small and medium businesses.

6.2.2 Creating a comprehensive proposition

The financing gap faced by women entrepreneurs provides opportunities to financial institutions to provide a bouquet of services, including NFS, in improving access to finance for women. FIs should develop customized products and services for the women segment and aim to provide a holistic banking experience. Banks also need to recognize that women's needs and preferences differ by sector and business lifecycles, as is the case with male-owned SMEs too, and different products and services need to be offered at different stages. This includes start-up funding, early stage/growth funding, working capital, private equity and so on.

6.2.2.1 Build a clear value proposition

Women often want to serve the needs of their families and themselves and are looking beyond just financial solutions. Financial institutions could actively serve women customers with an end-to-end suite of offerings, as they are pressed for time and are more likely to take advantage of cross

selling. To do this effectively, financial institutions should focus on delivering a superior customer experience for women, as opposed to relying on a product-driven strategy.

6.2.2.2 NFS

NFS can be used to strengthen the relationship with existing clients, attract new customers, grow the lending and non-lending portfolios, differentiate from competitors and gain brand recognition. There have been innovative NFS initiatives developed by Indian banks, but most have been offered in a piecemeal way. Focus should be on the following:

- **Management and skill development:** Women entrepreneurs sought support services for developing and improving skills and techniques at various levels of management. Training and capacity development through workshops and seminars can be leveraged effectively to serve this need and strengthen the capacity of the borrower, providing benefits to both the bank and the customer.

Entrepreneurial development training that includes writing a business plan, business planning, accounting, taxation, inventory management, sales and marketing are key areas that would be of value to customers and strengthen the customer base.

- Information asymmetries: A large number of women entrepreneurs were hindered by information asymmetries in starting, running and financing their businesses. This includes information on procedures for registering an enterprise, fulfilling documentation requirements, knowledge of the financial schemes available and the procedures for accessing formal credit, among others. Information dissemination through web-based platforms or toolkits, publications, leaflets, broadcast media can be used for this. FIs can partner with organizations to offer information, or opt to develop in-house brochures and literature to disseminate in branches.
- Financial literacy: Limited financial literacy among women in India has been widely identified as an important challenge. This is invariably correlated to higher loan processing costs for banks as they need to invest in additional assistance to women in identifying financial products, supporting their business plans and completing the documentation requirements.
- Networking and mentoring- FIs can promote networking of its customers to meet a need expressed by many of them. Many banks globally offer a 'women entrepreneur award' to promote networking at an annual event and bring recognition to customers. Hosting a speaker series can also be an effective means to promote women-specific networking events. Partnering with a local institution to offer a mentoring program to women clients would also help to make them stronger entrepreneurs.

Recommendation

Financial institutions must be encouraged to provide a bouquet of non-financial services to support women through their lifecycle. The benefits of doing so have been demonstrated by banks such as TEB in Turkey, whose comprehensive value proposition to SME customers included not only financial support, but also a core set of NFS, including access to finance, information, markets and mentorship/coaching. Since the launch of its program, TEB Women Banking in 2014, the bank's total balance of loans to women MSME owners has increased by 7 percent. TEB's data also shows that although women across MSME segments have had a shorter banking relationship with the bank than men (on average 2.3 years less), they use more products.

Because TEB's NFS offerings are so integral to its core strategy, an attempt has been made to measure the performance and return on investment of these services. TEB data indicates that the provision of NFS has led to increased customer acquisition and retention. For instance, the TEB SME Academy attracts existing clients as well as prospective clients. Of the prospective clients, TEB was able to convert 60 percent of them into actual clients, which translates to 72 new clients per event and 576 new clients on an annual basis. According to TEB, the revenue it generates from a new client is about three times higher than the cost of acquiring one through the SME Academy.²⁷

²⁷ RTI International (2012). Case Study- TürkEkonmiBankası (TEB): Providing Comprehensive Non-financial Services to SMEs in Turkey: A Success Story for Both Bank and Clients

Best Practice

Complement lending to women entrepreneurs with NFS

Canara Bank is one of the country's biggest lenders to women. It set up a Centre for Entrepreneurship Development (CED) for Women in 1988, aiming to provide all-round support to women entrepreneurs. This includes counseling, training and workshops on the technical, financial, managerial and marketing requirements of an enterprise.

It also independently extends support to strengthen an enterprise's market linkage. This is primarily done by providing a platform such as the seasonal Canara Utsav/bazaar/mela, for women entrepreneurs to market and sell their products on a larger scale. In addition, CED has launched 'Nammura Santhe' – a mobile van for marketing and selling products made by women entrepreneurs on a more regular basis. However, the bank noted that their most effective activity was increasing awareness about available opportunities and finance options for women, through a dedicated officer at every circle office. The success of these initiatives was evident from the fact that by 2014, Canara Bank was the biggest PSB lender to women, lending them 16 percent of its ANBC.

6.2.3 Leverage technology

Compared to men-owned MSMEs, lending to women-owned ones faces the challenges of high cost of servicing, given the relatively small ticket sizes of the loans and low capitalization of entities. As a result, the cost of acquisition of a woman-owned MSME client and the cost of credit processing and delivery is higher. On the demand side, women borrowers also grapple with high turnaround time and lack of clarity on the status of their application.

To tackle these, technology can be leveraged to reduce operating costs and improve transparency. Technology-enabled workflows could streamline

loan approvals by easing movement of applications between employees. It would also provide applicants a simple and effective medium for enquiring into the status of their application.

Technology can also be leveraged through fintech companies to improve customer experience and reduce processing time for working capital loans from a few days to a few hours. All SMEs will benefit from this, but it will be particularly useful for women entrepreneurs who are weighed down by family responsibilities. Many women entrepreneurs also work to produce goods that have higher demand at certain times, such as festivals, and require quick financing at times like these.

Recommendation

Banks can consider implementing a consolidated lending platform that enhances the availability of information, improves data management, enriches customer experience and provides automated workflow. MSME Lending automation may focus on the following:

- Loan Management System: Particularly strengthening the appraisal and assessment process
- Automated data collection
- Integration with external databases and tools like credit rating agencies

Best Practice

Leveraging Digital Technology to Increase Women's Access to Finances

SAJIDA Foundation, a non-governmental organization providing microfinance services to poor and low income people in Bangladesh, has partnered with bKash Ltd, a leading mobile financial service provider, to launch an MFS-based microfinance initiative.

The initiative provides SAJIDA and its clients an affordable, scalable and accessible platform to disburse loans, make loan repayments and deposit savings through their bKash accounts, thus integrating an individual's credit transactions with an existing mobile financial service platform. As almost half of SAJIDA's clientele were already on this platform, this initiative was easily scalable. The tangible reduction in the amount of time loan officers spent originating and servicing loans was passed on as cost savings to its customers by covering the cash-out fees normally borne by the borrower. This worked as an added incentive to promote uptake of these "digital loans." SAJIDA has recognized bKash as a low-cost, high-efficiency mechanism to "deliver inclusive financial products to common people."

6.3 Incorporate alternative assessment mechanisms into the credit appraisal process

Findings from the survey indicated collateral to be a key element in accessing credit. It was found that improved access to traditional collateral increased the probability of women entrepreneurs seeking and availing loan by 37 percent. In fact, 31 percent of the women surveyed cited their inability to meet collateral requirements as a factor for loan rejections. It is also interesting that 68 percent of women entrepreneurs who had not availed of loans from financial institutions used their personal savings as an alternative to financing. What is more

revealing, however, is that 90 percent of them banked with financial institutions for deposits and savings. This indicates the scope for leveraging non-credit banking relationships and the use of alternative credit assessment mechanisms in provisioning finance. More importantly, FIs should leverage government schemes to offer unsecured lending or use moveable assets, as they need to recognize that many women do not have access to traditional collateral. This report is not advocating that FIs should take on more risk, but simply that they should take advantage of recent schemes that have been launched.

Recommendation

Financial Institutions could develop a business model, including a value proposition for implementing innovative tools, including strengthening staff skill levels and piloting new qualitative and non-conventional credit assessment mechanisms.

Banks must be encouraged to explore alternatives to immovable assets as collateral. Given the nature of women-owned businesses, non-conventional forms of collateral may include finance against receivables and movable assets, cash flow estimations, savings accounts and deposits.

Best Practice

Real-Time Credit Scoring Using Mobile Data

InVenture is a Kenya-headquartered mobile technology start-up, which provides a credit-scoring and reporting platform to financial institutions in emerging countries, by using mobile data to create financial identities through its mobile app “Tala.” It gathers an average of 10,000 data points for users in Eastern Africa, India, and South Africa, where 2.5 billion people have no credit scores, to give credit, offers and other personalized services in real time. The app not only helps InVenture consider people in the context of their financial transactions, but also uses data such as their social media accounts and web searches to build their profiles. From this, it works out the terms of loans and delivers them instantly to mobile phones.

The InVenture experience shows that financial institutions can access financial identities of the unbanked and offer them a better repayment plan. In its first year of operation, it successfully delivered over 200,000 loans in Kenya with repayment rates above 90 percent – in line with traditional bank repayment.

Best Practice

Collateral-Free Franchise Finance to Women Entrepreneurs

Indian Overseas Bank has entered into a memorandum of understanding with beauty and wellness chain Naturals Salon to finance its women entrepreneur franchisees, including start-ups. The bank has promised to fund up to INR 25 crore (USD 3.71 million) under its 'Credit Guarantee Fund Trust for Micro and Small Enterprises' scheme to roughly 100 women franchisees identified by the company.

Naturals will provide women entrepreneurs appropriate training and support them in raising finance for their franchises. The franchisee will need to generate only 30 percent of the required investment and the bank will fund up to 70 percent of the business without demanding any collateral.

6.4 Enabling ecosystem

This subsection lists recommendations to address systemic challenges which are best addressed by policymakers.

Promote lending against moveable assets to address challenges of lack of collateral faced by women: About 90 percent of MSMEs access debt from financial institutions against collateral security of immovable assets, through traditional products such as cash credit and term loans. However, the typical asset profile of a small business makes this difficult. Research shows that only 14 percent of the total asset base of MSMEs comprises immovable assets such as land and buildings and 1 percent comprises vehicles, which MSMEs can use as collateral. The balance 85 percent just have movable assets, such as plant and machinery, inventory, receivables, along with other intangible assets, which financial institutions are often not willing to accept as standalone primary security – without any additional collateral security.

Collateral is an even bigger challenge for women-owned MSMEs because they rarely possess immovable assets that they can provide as collateral, making it significantly tough for them to get financing. Therefore, reforms to the country's secured-lending system are imperative to enhance the use of movable securities for access to credit across the board. Enabling movable assets, such as machinery, book debts, jewelry and other household belongings, will benefit all businesses, particularly the women owned ones, which can use the assets to unlock access to formal credit.

In India, the World Bank Group is implementing Secured Transactions and Collateral Registries reform with the Central Registry of Securitisation Asset Reconstruction and Security Interest (CERSAI). The objective is to expand the online collateral registry to cover registration of security interests on all types of movable assets.

As a result, in January 2016, the Indian government notified new Rules for CERSAI. The notification extends CERSAI's mandate to include registration of security interests created on movable assets such as plant and machinery, stocks, inventory, and accounts receivables, and also on intangible assets such as intellectual property rights, trademarks, and copyrights, among others.

This is a significant move, which has the potential to catalyze financing to the not-served/underserved segments of women-owned MSMEs. The success and sustainability of this incentive will require promoting the usage of moveable assets as collateral. More importantly, information about this transformative measure should be advertised widely across the country.

Leverage data to make informed decisions:

To address the risk perception associated with women entrepreneurs, efforts must be made at the national level to capture and disseminate data on women's credit profile and repayment records. An MSME census or national survey is vital to building the business case for women entrepreneurs, particularly by way of gender-disaggregated status of entrepreneurship in the country, to ease access to finance. Although India is scheduled to conduct an MSME census every five years, it cancelled the survey twice after 2007. As a result, the latest available census is nearly a decade old; the economy has undergone significant structural changes during the decade, including demonetization. Numerous policy measures have also been introduced to bridge the gender financial gaps since the census that also need to be considered. In the absence of a census,²⁸ this information could be collected more frequently through nationally representative surveys. Women entrepreneurs face challenges in accessing markets, especially in identifying relevant buyers for their products, as also for customized solution offerings. This challenge is further exacerbated by the information asymmetry for potential buyers regarding the existence and means of availing the services or products women entrepreneurs sell. Clearly, a national survey would be an ideal starting point to determine the needs and attributes of such women entrepreneurs. Additionally, a robust survey would reinforce the fact that women entrepreneurs are more inclined to use financially inclusive

support programs and commercial transactions, and be loyal customers due to the targeted nature of the support offered. The findings of the survey could be then used to take initiatives to resolve the access-related barriers.

The survey data could be used as well to create a web-based platform for women entrepreneurs to connect with potential buyers such as multinational corporations which are keen to make their supplier network diverse. The network thus created would also allow for peer-to-peer learning among women entrepreneurs, ease delivery of training and support by government and NGOs, and help disseminate information on market conditions and policy changes.

In order to make such a platform sustainable, it may be a good idea to provide services to women entrepreneurs and buyers on a fee-based model. This would provide greater geographical reach to entrepreneurs and offer customized seller details to buyers.

Promote Authenticity of Women Entrepreneurs:

One of the key challenges identified by financial institutions was that of identifying genuine women-managed enterprises. There are widespread instances of benaami – enterprises owned only in name by women but managed by men. This often leads to misuse of subsidies and programs meant to benefit women entrepreneurs. To address this issue, state governments can encourage and promote registration of women owned MSMEs. A successful example is the state of Karnataka where the chief minister specified that the state government will cover the cost of all women registering in the state at a WeConnect conference in November 2016. Many women entrepreneurs took advantage of this measure. This is an example that can be replicated across the country.

²⁸ The MSME Census 2007 is the last available official dataset, post which no Census has been carried out. The study has used RBI releases of credit disbursement to look at credit patterns, especially to women entrepreneurs to capture recent effects. The demand side surveys too are intended to fill this gap. However, it should be noted that these are estimates, with sample size linked restrictions.

Subsidize Credit Rating: Credit ratings enhance the acceptability of an MSME in the market, making access to credit quicker and cheaper. The Ministry of Micro, Small and Medium Enterprises has instituted a Performance and Credit Rating scheme that subsidises up to 75 percent of the rating fee for a business in the manner outlined below:

Turnover	Fee to be reimbursed by Ministry of MSME
Up to INR 50 lac (USD 75,000)	75% of the fee charged by the rating agency subject to a ceiling of INR 25,000 (USD 372)
Above INR 50 lac (USD 75,000) to INR 200 lac (USD 297,000)	75% of the fee charged by the rating agency subject to a ceiling of INR 30,000 (USD 447)
Above INR 200 lac (USD 297,000)	75% of the fee charged by the rating agency subject to a ceiling of INR 40,000 (USD 596)

Recommendation

- Timely collection and dissemination of MSME census data
- Create a web-based platform for women entrepreneurs to connect with potential buyers
- 'Performance and Credit Rating scheme' should be made gender-friendly, either by providing women entrepreneurs a greater subsidy or reserving a portion of the budget. Additionally, women entrepreneurs' awareness on the scheme should be increased

The following additional challenges faced by women entrepreneurs need to also be addressed:

- Legal and regulatory barriers
 - Access to education and training
 - Culture and traditions
- i. Legal and regulatory barriers: Women do not enjoy protections such as sound legal frameworks and clear property rights. Legal obstacles include inheritance laws that favor sons, property rights that fail to protect women's ownership, formal restrictions on women's ability to open bank accounts and access to credit. Globally, while most countries have at least one legal difference between women and men that restricts women's economic opportunities, in India the difference is significantly higher.

- ii. Access to education and training: The disparity in education levels between men and women presents a major challenge for female business owners, particularly in developing countries like India. Less educated women are less likely to start their own business and lower levels of education may contribute to lower survival rates among women-owned SMEs.
- iii. Culture and traditions: Societal expectations about appropriate jobs for women may have the effect of clustering women in less productive and less lucrative sectors. Even when women are able to start a successful business and make meaningful profits, they may be more inclined to invest these profits back into their families, leaving less capital available for reinvestment in their businesses, even when the marginal returns are high.

Women Welfare

- i. A number of women entrepreneurs apply for financial assistance but mostly do not get their business proposals accepted. Women need assistance in writing proposals for financial assistance. Thus, institutional mechanisms are required to provide assistance to women in a comprehensive manner including access to credit, technology, forward & backward linkages, access to market and training opportunities on various aspects of microenterprises.
- ii. Identification of Skill gaps among women entrepreneurs with respect to various sectors is needed to design the training and capacity building or skill development programs for these women.
- iii. All financial inclusion schemes should incorporate monitoring and evaluation mechanisms to access outcomes to women entrepreneurs particularly those belonging to the marginalized and vulnerable sections.
- iv. Effort should be made for training and skill upgradation of women in traditional, new and emerging areas to promote women entrepreneurship in the unorganized sectors. Special emphasis should be given to skill development of marginalised women and those in difficult circumstances in the unorganised sector, by linking them to urban and rural livelihood programs on their absorption in the specific sector.
- v. Provisions should also be made for promoting women entrepreneurship through entry of highly/technically skilled women in the job market.
- vi. Entrepreneurial development should also ensure participation of women including areas traditionally held by men while identifying their needs for credit, technology, forward & backward linkages, market and capacity building opportunities on various aspects of microenterprises.

We note that availability of on-line short term skill development courses and career counselling for women entrepreneurs and self-employed women will help in improving the work participation of women.

Rashtriya Mahila Kosh

Rashtriya Mahila Kosh (RMK) is a society, registered under the Societies Registration Act 1860 and an apex micro-finance organization established in 1993 under the aegis of Ministry of Women & Child Development (MWCD) to meet the credit needs of poor and asset less women in the informal sector for various livelihood support and income generating activities at concessional terms in a client-friendly procedure to bring about their socio-economic development. Loan guidelines of RMK have been revised and simplified to make it more transparent for NGOs etc. in availing loan from RMK for the purpose of on lending to Self-help groups and/or individual women beneficiaries. RMK charges only the Rate of interest (ROI) of 6 percent per annum on reducing balance to NGO's and the maximum rate of interest chargeable to the end beneficiary by the NGOs has been reduced from 14 percent to 10 percent.

Mahila E-haat

Mahila E-Haat is an initiative for meeting aspirations and needs of women entrepreneurs by providing an e-marketing platform by leveraging technology for showcasing products made/ manufactured/sold by women entrepreneurs/HGs/ NGOs as also showcasing services reflecting their creative potential. The URL is mahilaehaat-rmk.gov.in. Mahila E-haat is a bilingual portal. Entire business of Mahila E-haat can be handled through a mobile. Being web based, it has unlimited reach. It is very simple to join Mahila E-haat, through the portal itself as it is menu driven. The USP of Mahila E-haat is facilitating direct contact between seller and buyers. The seller can be approached by the buyer physically, telephonically or by email, as complete contact details of the seller are displayed on the portal. There is no registration fee for the vendors coming on Mahila E-haat and nor is there any hidden cost for both buyers and sellers. Customised, bulk and repeat orders are also possible on Mahila E-haat portal. Aadhaar numbers are obtained from individual women entrepreneurs/SHGs/NGOs who display the products/services for facilitating cashless transactions. Mahila E-haat has been adjudged as one of the 'Top 100 Projects of India' for the year 2016 and has got the SKOCH GOLD Award 2016. Services section of the portal helps in showcasing the various services like stitching, catering, project undertaking, etc. Major PSUs & Nationalized Banks have given a link to Mahila E-haat on their websites for publicity. Women from North Eastern region and far flung areas have been able to make sale of their unique products through the portal.

APPENDICES

Appendix I: Overall approach and methodology

To fulfill the objectives stated earlier, a methodology that broadly takes a two-fold approach – seeking inputs from both the borrowers (women entrepreneurs) and the providers (banks/financial institution) – was employed.

Phase 1: Preparatory Phase

1	Activities	Tools	Output
PREPARTORY PHASE	<p>Review of the two key reports – IFC's report on improving access to finance for women owned businesses in India and GIZ study FUNDS for SHE: Study on Efficacy of Public Sector Banks for women entrepreneurs and other reports as shared by IFC</p> <p>Review of various methodologies for estimating financing gap, including IFC's past methodology</p> <p>Mapping of secondary data pertinent to women entrepreneurship and SME Development</p> <p>Collating data pertinent to SME financing and demand for Non financial services by women entrepreneurs</p> <p>Collate data on various financial institution schemes for MSMEs, particularly women owned MSMEs</p>	<p>Secondary Review</p> <p>Expert Consultation</p>	<p>Inception Report</p> <p>Finalizing the work plan and approach the study</p> <p>Review of Literature</p>

In the first phase, an inception report that details out the objectives, approach, methodology and the final work plan was developed. A limited number of studies have focused on evaluating the entrepreneurial ecosystem in India for women entrepreneurs, such as:

- IFC report on Strengthening Access to Finance for Women-owned SMEs in Developing Countries
- IFC study on Improving Access to Finance for Women-owned Businesses in India
- GIZ report on FUNDS for SHE

- Athena Infonomics Study on Accelerating Women Entrepreneurship in India: A Roadmap for 2020 and Beyond

Most of these studies assess the ecosystem on a common set of indicators and focus on key domains of finance for evaluation. Key among these is the IFC report on 'Improving Access to Finance for Women-Owned Businesses in India' and the GIZ report 'Funds For SHE'. As a first step, it was important to synthesis the key gaps that these studies fail to address to better deliver the objective of the study. The approach for this study emanates from this gap analysis.

Phase 2: Project Execution Phase

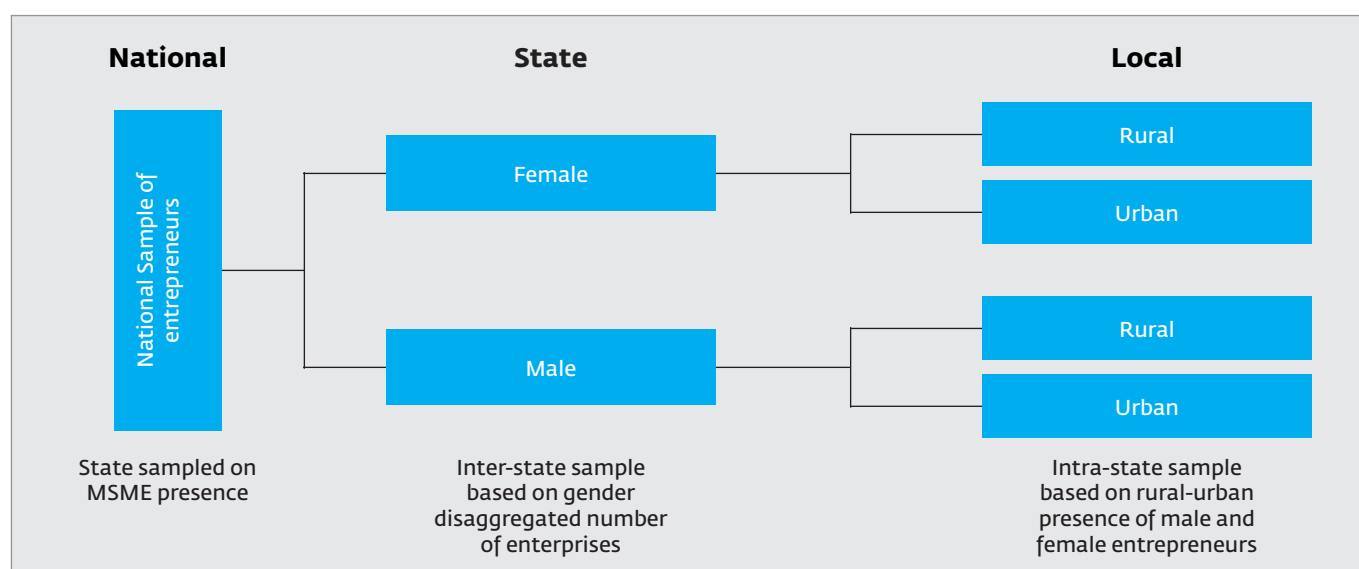
2	Activities	Tools	Output
Design	Draw out the metrics of relevance and develop the survey and assessment framework Define sampling plan and develop detailed sampling methodology for the survey	Expert Consultation and Client Feedback Women Enterprise Survey Male Enterprise Survey	Sampling Plan Questionnaire, survey tools, discussion notes for the training Weekly status update on the survey progress
Survey	Develop questionnaires and other research tools Identify financial institutions for consultation Finalise list of experts for stakeholder consultation Roll out field work	Banker's Assessment	Interview transcripts Survey Data
Consolidated data from Key Informant Interviews Consolidated data from field surveys			

The second phase of the project included developing the blue print for the primary survey – sampling strategy, development of survey guides, questionnaire and rollout of the primary research survey.

Sampling Design and Sampling Strategy

The study has employed a systematic random sampling technique along with multistage sampling. Two levels of sampling were deployed to get a nationally representative sample. The first level involved a selection of states to be surveyed.

This was based on the presence of women entrepreneurs in the state, its income status and its geographical locations. A second level of sampling was undertaken to determine the proportion of women and male entrepreneurs to be surveyed across the rural and urban districts of these states. This proportion was based on the presence of women and male entrepreneurs in the rural and urban areas of the selected state according to the latest MSME census (2006-07). This process has been illustrated as follows:



The MSME categories studied for the purpose of this report are in line with the Micro, Small and Medium Enterprise Development Act (MSMED Act) of 2006. It is based on the enterprise's investment in plant and machinery for a manufacturing concern or investments in equipment for a service concern. This has been tabulated below.

Enterprise Classification	Manufacturing Enterprise	Service Enterprise
	Investment in plant & machinery	Investment in equipment
Micro	Does not exceed INR 25 lac (USD 60,000)	Does not exceed INR 10 lac (USD 24,000)
Small	Between INR 25 lac (USD 60,000) and INR 5 crore (USD 1 million)	Between INR 10 lac (USD 24,000) and INR 2 crore (USD 0.5 million)
Medium	Between INR 5 crore (USD 1.2 million) and INR 10 crore (USD 2.4 million)	Between INR 2 crore (USD 0.5 million) and INR 5 crore (USD 1.2 million)

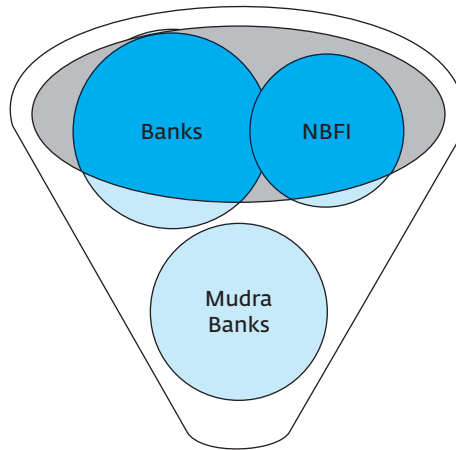
Women's Enterprise Survey: The study surveyed 605 women entrepreneurs across six states in the country. To identify these women enterprises, the study follows the same guideline as the MSME census:

"An enterprise (manufacturing or services) managed by one or more women entrepreneurs in proprietary concerns, or in which she/they individually or jointly have a share capital of not less than 51 percent as partners/shareholders/Directors of Private Limited Company/Members of Co-operative Society is called a 'Woman Enterprise'."

Male Enterprise Survey: To understand the gendered impact of access to finance and gather insights on micro level firm performances for comparison between male and female enterprises, 122 male enterprises were also sampled as a control group. The sample selection for male-owned MSMEs was in line with that of the women enterprise survey to ensure comparability.

The overall sampling plan is illustrated below:

	Women Entrepreneurs			Male Entrepreneurs		
State	Rural	Urban	Total	Rural	Urban	Total
Gujarat	40	98	138	6	24	30
Karnataka	112	46	158	5	11	16
Maharashtra	24	29	53	5	7	12
Rajasthan	31	19	50	4	4	8
Tamil Nadu	62	94	156	9	20	29
Uttar Pradesh	20	30	50	13	14	27
Total	289	316	605	42	80	122



Key Informant Interviews: In order to evaluate the supply side constraints in lending to women entrepreneurs, detailed interviews with the banking/financial institutions were conducted. A mix of private sector banks, NBFIs and newly established small banks were surveyed for a more comprehensive assessment of access to finance.

The outreach to financial institutions was primarily undertaken at two levels: 1) Headoffice for policy inputs, and 2) Branch offices for implementation challenges. The outreach also included interaction with CSR foundations and other financial institutions to understand the different lending models practiced in the country.

Preparation of Research Instruments

Questionnaires and discussion guides were developed for two sets of stakeholders, namely, bankers/providers of financial services and women entrepreneurs.

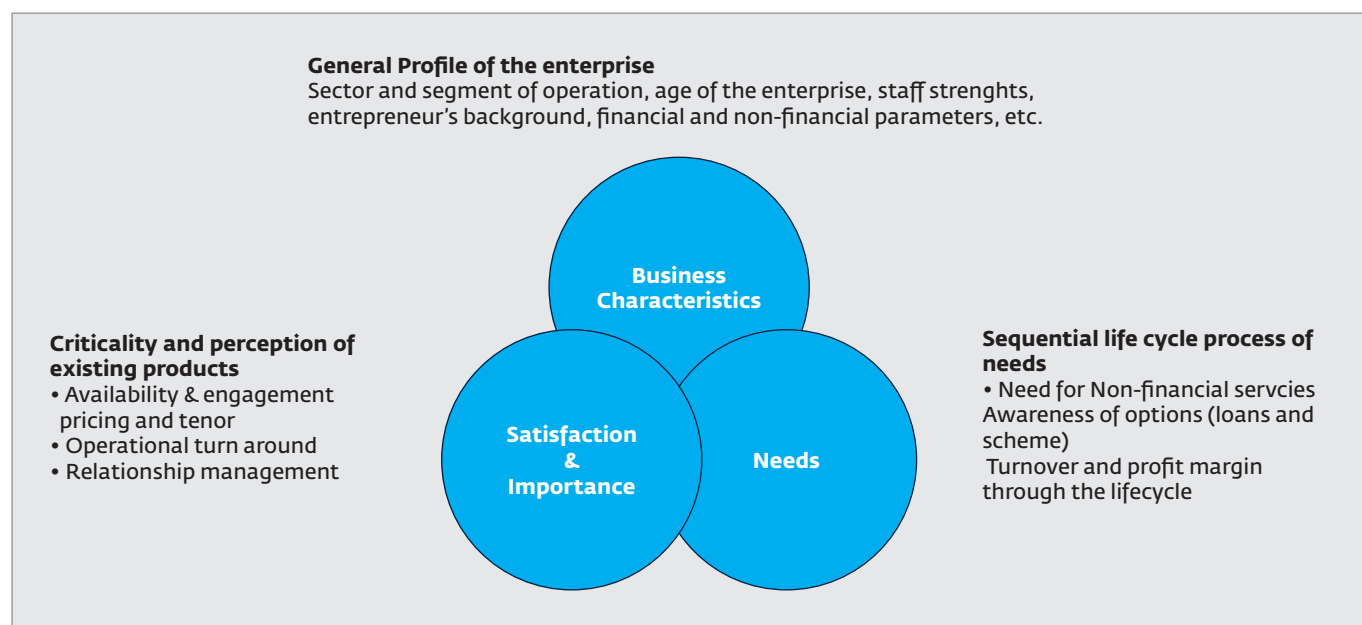
Providers of Financial Services: Open-ended discussion guides were designed to elicit inputs on both financial and non-financial parameters. A list of themes for discussion is illustrated as follows:

1. Program design mechanism (internal)
2. Eligibility criteria
3. Enablers and barriers to uptake
4. Marketing and Channel strategies
5. Back-end (process) redesign if any
6. Program features
7. Uptake trends
8. Experience of lenders and agents (risk/return)

The exercise captured information from the CSR program managers/PR officers on:

1. Implementation model
2. Program objective
3. Impact

Women's Enterprise Survey: A structured close-ended questionnaire was designed for the women entrepreneur survey. For a comprehensive analysis, the questionnaire was designed to take a three-fold approach, as illustrated in the following exhibit as follows:



- The aim of the first approach was to elicit information with respect to the general profile of the enterprise, including sector and segment of operation, age of the enterprise, business turnover, staff strengths, profit margin, and profitability trends, among others. It captured information on financial measures of the enterprises including cash flow, return on assets, and return on equity. Non-financial measures for performance evaluation included aspects such as customer service, marketing effectiveness, human capital, strategy achievement, innovation, employee satisfaction, financial practice, processes, and corporate culture.
- The second adopted a lifecycle approach to understanding the financing needs and challenges faced by women entrepreneurs. The entrepreneurial growth/maturity path starts with ideation culminating in steady-state or exit. Key characteristics of the enterprise and its financing profile were analysed alongside the enterprise's lifecycle. Further, it also solicited insights from women entrepreneurs on awareness of options (loans/schemes) and evaluation mechanism for options.
- The third approach sought to collect inputs on the importance and satisfaction of existing products (loans and schemes), based upon factors such as eligibility features, channel availability and engagement, pricing and tenor, operational turn around and relationship management.

Male Enterprise Survey: The questionnaire for the male enterprise survey was modelled along the lines of the women enterprise survey. In other words, the questionnaire for men solicited information on similar important business characteristics, non-financial and financial parameters, financing need, awareness and demand fulfilment.

Preparation of Field Procedure Plan and Training of Field Investigators

The consultant prepared a field procedure plan to implement and supervise data collection activities in relevant regions to ensure timing was respected and quality standards were met. The field procedure plan comprised the following:

- Composition of the survey team including number, qualifications, experience;
- Task and responsibility of each team member and expected time each team spent in selected states; and
- Travel plan and timelines in selected states with names and contact numbers of supervisors and interviewers.

Pre-Testing

The questionnaire guide was pre-tested on a small sub-sample of the total, following which necessary iterations to the survey were made. The sample selected was in line with the overall sampling criteria.

Phase 3: Reporting and Recommendations

3	Activities	Tools	Output
Analysis	Develop data entry plan, framework/ templates for analysis of the complied data	Statistical software	Draft report, incorporating findings and recommendation
	Collate information from borrowers and stakeholder interaction	Content Analysis	
	Estimate the financing gap	Logistic Regression	
	Assess suitability and effectiveness of current loan programs/schemes	Expert Feedback	
	Review the success rate of women owned MSME versus Male Owned	Expert Feedback	
	Assess the importance of the current schemes and satisfaction from its uptake	Prioritization framework for recommendations	
	Translation of data analysis into insights and recommendations		

Data Entry Plan

A data entry plan was developed for the entrepreneurial survey data which included:

- Plan for tabulation of data as per the analysis plan
- Plan for triangulation and cross check on reliability and validity

Additionally, a framework/template was developed for analysis of qualitative findings from the key informant interviews.

Analysis

Analysis of Women Enterprise Survey:

After receiving inputs from all the identified women entrepreneurs, a detailed analysis was conducted to identify the demand for finance, importance of the various loan products, satisfaction from its uptake and key barriers in accessing finance across the enterprise lifecycle. This was done using statistical tools to explore causal relationship patterns from women's banking and business profiles on lending outcomes. The combination of tools used has been broadly outlined below.



Cross Tabulation: Cross tabulations between various input, process and outcome metrics were used to identify correlations (and possible causality). The parameters for cross tabs included but not restricted to the following are:

- By states
- By location of enterprises (urban/rural)
- By individual characteristics of the entrepreneurs
- By nature of the service provider (government/private)

Regression: Regression was used to understand the importance (relative and absolute) of factors that influence a women entrepreneur's success and draw parallels to her male counterparts.

Content Analysis: Content Analysis was employed to understand the financial ecosystem using feedback from financial institutions and other stakeholders.

Drafting the Recommendations

The final step of the research involved providing actionable recommendations on bridging the identified supply and demand side constraints in access to finance. Recommendations have been developed through a lifecycle approach, covering the following:

- Product specifications
- Channels (information/marketing/sales)
- Processes and TAT reduction
- Risk management

Appendix II: Finance Gap Estimation Method

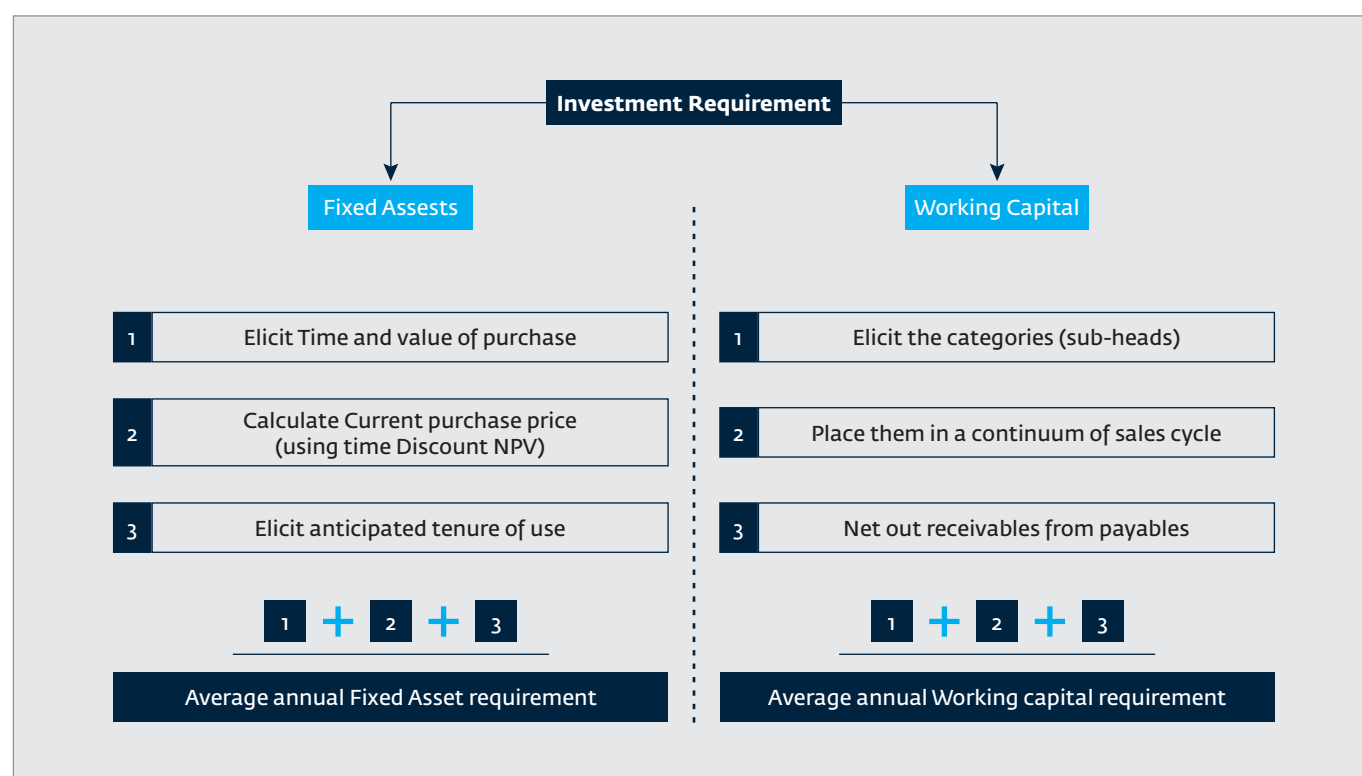
Proportion of Women MSMEs Not Served by Formal FIs

Step 1	The women entrepreneurs surveyed were categorised into 4 groups depending on their access to finance from formal channels: (i) Successfully availed finance from formal FIs, (ii) Sought credit from formal FIs but their application was unsuccessful, and (iii) Did not apply for credit – unable to meet collateral requirements and (iv) Did not apply for credit – other reasons.
Step 2	The value of the sample, for all 4 groups, is extrapolated proportionately to the overall women entrepreneurs in India. The extrapolation is based on the following parameters: proportion of entrepreneurs belonging to micro, small and medium sectors; categorized both as registered and unregistered

Finance Gap – Quantum of financing needs unmet by formal FIs

Demand Estimation Method

The illustration below represents the estimation methodology employed to compute the investment requirement:



Fixed Asset Finance Requirement Calculation:

Step 1	Determine the Fixed Assets requirement by gathering information around the value and the time in which the assets were purchased.
Step 2	Based on the annual inflation rate, the value of the asset as of 2016 is estimated.
Step 3	The tenure of usage on the asset is elicited based on individual responses (which were not different from industry standards).
Step 4	Based on the present value of the asset and the tenure of usage, the remaining life years (capped at 4 years of refinancing loan cycle) are monetized. Note that value of assets was calculated categorically based on year-wise depreciation.
Step 5	The value of the sample is extrapolated proportionately to the overall women entrepreneurs in India. The extrapolation is based on the following parameters: proportion of entrepreneurs belonging to micro, small and medium sectors; categorized both as registered and unregistered.

Working Capital (WC) requirement Calculation

Step 1	Categorize the sub-heads of payments and receivables such as rent, interest payment, inventories, etc.
Step 2	Place payments and receivables in time-line continuum of date of sales to current date.
Step 3	Super-impose step 2 over calendar/financial year cycle.
Step 4	Net out receivables from payables from step 3.
Step 5	The value of the sample is extrapolated proportionately to the overall number of women entrepreneurs in India.
Step 6	After consultation with IFC and sector experts, the working capital cycle was revised to 3 months (as against the 1 month noted in the survey). The working capital was adjusted accordingly.

Supply Estimation Methods

Step 1: Estimate Bank finance to Women MSME	Using the RBI data on supply of finance to male- and female-owned MSME in India by the Public-Sector Banks, the male-female ratio was computed. The same ratio was employed to calculate finance available to women entrepreneurs from private and foreign banks.
Step 2: Estimate other formal finance to Women MSME	For ascertaining the supply from other formal sources, the data provided in the previous IFC report was used and the male-female ratio (estimated as in step-1) was applied to determine total supply from other formal sources to women entrepreneurs.
Step 3: Estimate total supply to Women MSME	Using data from RBI's 14-Point Action Plan which gives information on supply of finance to women entrepreneurs and adding Non-banking supply data estimated in the previous step, the total supply of finance for women MSMEs was derived.

Caveats and Assumptions

1. FA requirements did not include the equity contribution from the entrepreneurs, and hence the estimated value is expected to serve as the threshold. In other words, usually, of the total FA loan requirement, a part (usually 20 percent or above) is financed through equity: however, our estimates do not subsume this contribution.
2. The estimates do not account for business cycles, which can potentially affect the values of FA values (more than the WC values). However, given the refinancing cap set at 4 years, the business cycle effects are anticipated to be minimum.
3. The sample is not necessarily representative of the sector-level distribution of enterprises and since the value of FA can largely depend on the sector of operation, the results need not be accurately representative.
4. The male-female lending ratio among MSMEs was computed based on the lending ratio of Public Sector Banks.
5. For ascertaining the supply from other formal sources, data on supply through Micro credit and the Swarnjayanti Gram Swarozgar Yojana (SGSY) have been excluded, given their focus on SHGs. However, data on supply of funds under the PMEGP and the Swarna Jayanti Shahari Rozgar Yojana (SJSRY) have been retained given their livelihood creation component.
6. Based on the women entrepreneurs surveyed, the national working capital requirement for women MSMEs was estimated to be INR 46,804 crore (USD 6.97 billion). The sampled women entrepreneurs typically witnessed a working capital cycle of one month. However, after consultation with IFC and other stakeholders, this period was revised to 3 months, resulting in a working capital requirement of INR 1,40,412 crore (USD 20.91 billion).

Appendix III: Women-specific Banks Schemes

S. No.	Bank	Scheme	Description
1.	Andhra Bank	Mutual credit guarantee scheme in association with ALEAP & CGTMSE for women entrepreneurs	Collateral/Third Party Guarantee free credit limits (fund based) up to INR 15 lac, if covered under Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) is provided to women entrepreneurs. The 1.5 percent Guarantee Fee is shared equally by CGTSE and ALEAP.
2.	Bank of Baroda	Akshaya Mahila Arthik Sahay Yojna	Financial assistance to women in setting up/engaging in Retail trade, Village or Cottage/Small Scale Industries, allied agricultural activities.
3.	Bharatiya Mahila Bank (now part of SBI)	BMB Shringaar – Loan for Beauty Parlour/Saloon/Spa	Collateral free to be covered under CGTMSE Tie up with Naturals & Cavin Kare
4.		BMB Annapurna Loan – Food Catering	For assisting women to establish food catering unit for selling tiffin/lunch packs, for purchase of utensils, equipment etc.
5.		BMB Parvarish – Loan for Day Care Centre	Collateral Free to be covered under CGTMSE To assist women to establish Child day care center, for purchase of utensils, equipment, etc. Amount payable for franchise arrangements.
6.	Canara Bank	MSE Vijayatha	To meet business related needs including purchase/construction of business premises, machinery, equipment, vehicles and working capital requirements of WOMEN under Micro and Small Enterprises including Retail Traders.

S. No.	Bank	Scheme	Description
7.	Central Bank of India	Cent Matsyakanya Credit Card (CMCC)	To empower new as well as Existing Fisher Women in retail trade of variety of fresh fish or dry fish in the fish market/shop or by door to door selling, through overdraft facility.
8.		Cent Kalyani Scheme	To encourage Women Entrepreneurs to start new project or expand/modernize the existing unit. To meet capital expenditure (Plant & Machinery/ Equipments, etc.) and to meet day to day expenditure. Provides collateral free advances on concessional interest rates, to a maximum of INR 100 lac.
9.	Corporation Bank	Corp Vanitha Udyog Scheme (CVUS)	Women aged 18-55 years, can avail loan for starting/expanding/self-employment in any trade, petty business or agency service.
10.	Dena Bank	Dena Shakti	Scheme for financing women, up to INR 20 lac, participating in: <ul style="list-style-type: none"> 1. Agriculture & allied activities 2. Manufacturing and services including small road and water transport operators. 3. Retail Trade 4. Micro Credit 5. Education 6. Housing
11.	Indian Overseas Bank	Job Sme Mahila Plus Scheme	Qualified women(minimum graduate) in the age group of 21 to 50 can avail cash credit and term loans under it. Amounts upto INR 2 crore for a Manufacturing enterprise upto INR 1 crore for a Service enterprise can be availed under it.
12.	Oriental Bank of Commerce	Oriented Mahila Vikas Yojana	To meet Credit needs of Women Entrepreneur. No collateral security required up to INR 25 lac. Only Hypothecation of Assets created out of Banks finance be taken as security.

S. No.	Bank	Scheme	Description
13.	Oriental Bank of Commerce	Scheme for Professional & Self-Employed Women	Purchase of Fixed Assets (Term Loan) and for meeting Working Capital needs
14.		Scheme for beauty Parlor/ Boutiques/Saloons/ Tailoring	To develop entrepreneur-ship among women and also to ensure the easy, timely and convenient access to institutional credit.
15.	Punjab and Sind Bank	Udyogini Scheme For Women Entrepreneurs	Encourage the women entrepreneurs to avail the loans on liberal terms and exclusive catering of credit under Direct agriculture activities, Tiny SSI sector, Business enterprises, Retail traders, Professional and Self employed etc. No collateral Security is required for loan/ limits upto INR 25 lac.
16.	Punjab National Bank	Pnb Mahila Samridhi Yojna	Under this scheme, four schemes have been launched under the umbrella of one scheme. These are for purchase of required infrastructure for setting up of: <ol style="list-style-type: none"> 1. Tailoring shop/boutique, i.e. for purchase of sewing machines, etc. 2. ISD/STD Booths, i.e. for Security Deposits with MTNL/other agencies like Reliance/Tata Indicom, etc., for purchase of Fax Machine, Photocopy Machine, etc. 3. Beauty Parlour, i.e. for purchase of Furniture, Chairs, Bench, etc. 4. Cyber Cafe, i.e. for purchase of Computers and furniture like computer tables, chairs, etc. and for recurring expenditure as per the need of the activity.
17.		Scheme For Financing Creches	Making cheaper and easier credit available for financing creches.
18.		PNB Kalyani Card Scheme	For meeting working capital credit requirement of allied agricultural activities/misc. farm/non-farm activities either singly or in combination with other activities. The literate/illiterate women dwelling in rural/semi-urban areas who have attained the age of majority shall be eligible under the Scheme. Such Women shall include individuals, farmers, landless labourers, agricultural laborers, tenant farmers, share croppers, lessee farmers, etc. The women desirous of undertaking non-farm sector activities should have aptitude/experience and capability for undertaking the activity chosen for self-employment.

S. No.	Bank	Scheme	Description
19.	Punjab National Bank	PNB Mahila Sashaktikaran Abhiyan	Interest rate to be relaxed by 0.25% in Non-Priority Sector Advances and 0.50% in Priority Sector advances. Margin to be reduced to 10%, wherever the margin requirement is more than 10% waiver of 50% upfront fee (wherever applicable).
20.	State Bank of Bikaner & Jaipur	Stree Shakti Package	A lady entrepreneur may avail bank finance at 5% reduced margin and a 0.5% reduced interest for loans up to INR 50.00 lac.
21.	State Bank of Hyderabad	Stree Shakti Package	Need based finance for individuals/ partnership firms/Limited Companies/ Trusts (with powers to borrow) which are managed by woman entrepreneurs.
22.	State Bank of India	Stree Shakti Scheme	Working capital or term loan to women entrepreneurs engaged in retail trade, business enterprises, small-scale or tiny units, professionals and self-employed like doctors, beauty parlor operators, etc.
23.	State Bank of Mysore	Stree Shakthi package for Women entrepreneurs	Advances to women entrepreneurs who have undergone entrepreneurship development programs conducted by State level agencies or programs co-sponsored/sponsored by the bank.
24.	State Bank of Travancore	Mahila Vikas Scheme	Provide term loan/working capital, up to INR 25 lac, to units promoted by women entrepreneurs.
25.	Syndicate Bank	Synd MahilaShakthi (New)	Cash credit and term loan for women entrepreneurs with Technical Educational Background/Diploma/Graduate having knowledge/experience in the line of activity or business.
26.	UCO Bank	UCO Mahila Pragati Dhara	Encourage and empower women entrepreneurs by offering hassle free financial assistance at liberal and concessional terms for undertaking production, manufacturing or service related economic activities under Micro & Small Enterprise Sector.

S. No.	Bank	Scheme	Description
27.	Union Bank of India	UNION NARI SHAKTI	All women owned and managed Micro and Small Enterprises engaged in manufacture or production, processing or preservation of goods or enterprises engaged in providing or rendering of services.
28.	United Bank of India	United Mahila Udhyami Yojana	<p>Encourage and empower women entrepreneurs by offering hassle free financial assistance at liberal and concessional terms for undertaking production, manufacturing or service related economic activities under Micro Enterprise Sector.</p> <p>Preference will be given to the following categories of entrepreneurs:</p> <ul style="list-style-type: none"> i. Entrepreneurs trained in R-SETIs or any other approved training institute. ii. Artisans registered with Development commissioner (Handicrafts). iii. Cluster of artisans. iv. Artisans who have joined to form Self-help Group.

References

- (MSME), D. C. (n.d.). Schemes and Incentives. Retrieved April 7, 2016, from Development Commissioner, Ministry of Micro, Small and Medium Enterprises: <http://www.dcmsme.gov.in/schemes/wenterpre.htm>
- Alderman, H., Hoddinott, J., & Kinsey, B. (2006). Long-term consequences of early childhood malnutrition. *Oxford Economic Papers*, Oxford University Press, vol. 58(3), pages 450-474.
- Athena Infonomics; GIZ; SIDBI. (2015). Funds for SHE: A Study on Efficiency of Bank Loans for Women Entrepreneurs in the MSME Sector in India. New Delhi: Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH.
- Behr, P., Entzian, A., & Guettler, A. (2011). How do lending relationships affect access to credit and loan conditions in microlending? *Journal of Banking & Finance*, 2169-2178.
- BSE. (2012). MSMEs in India. BSE.
- Caulfield, L. E., Onis, M. d., & Black, M. B. (2004). Undernutrition as an underlying cause of child deaths associated with diarrhea, pneumonia, malaria, and measles. *American Journal of Clinical Nutrition*, 193-8.
- CompeteFor. (n.d.). About. Retrieved from www.competefor.com: <https://www.competefor.com/business/visionAndObjectives.html>
- Donohue, M. A. (2011). Financial literacy and women: Overcoming the barriers.
- Elyasiani, E., & Goldberg., L. G. (2004). Relationship lending: a survey of the literature. *Journal of Economics and Business*.
- Global Banking Alliance for Women. (2013). Winning the Women's Market: Overview. Retrieved from <http://www.gbaforwomen.org/download/winning-the-womens-market-gba-brochure>.
- Global Banking Alliance. (n.d.). Westpac: Women's Markets Pioneer Ranks #1 among Global 100 Most Sustainable Corporations. Retrieved from Global Banking Alliance: <http://www.gbaforwomen.com/docs/CaseStudy-Westpac.pdf>
- Government of India. (2004). National Guidelines on IYCF. Ministry of Human Resource Development; Department of Women and Child Development (Food and Nutrition Board).
- Gragnolati, M., Bredenkamp, C., Shekar, M., Das Gupta, M., & Lee, Y.-K. (2006). India's Undernourished Children : A Call for Reform and Action. Washington, DC: World Bank.
- Horton, S. (1999). Opportunities for investments in nutrition in low-income Asia. *Asian Development Review*, 246-273.
- IFC. (2014). Improving Access to Finance for Women-owned Businesses in India. New Delhi: IFC.
- Intellectap. (n.d.). Intellectap-IntelleGrow: Providing Venture Debt to the MSME Sector in India. Mumbai: Intellectap.
- Iskenderian, M. E. (2013, March 9). (T. o. Crest, Interviewer).

- Japan, I. i. (2012). *Micro, Small and Medium Enterprise Finance in India: A Research Study on Needs, Gaps and Way Forward*. New Delhi.
- Klinger, B., Castro, L., Szenkman, P., & Khwaja, A. (2013). *Unlocking SME Finance in Argentina with Psychometrics*. Inter-American Development Bank.
- Klinger, B., Khwaja, A., & LaMonte, J. (2013). *Improving credit risk analysis with psychometrics in Peru*. Inter-American Development Bank.
- Krishnaswamy, K. (2014). *Mann Deshi Bank's Cash Credit Product for Micro-Entrepreneurs – A Case Study*. New Delhi: Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH; GIZ NABARD Rural Financial Institutions Programme.
- Matsumoto, K., & Britain, D. (2003). Investigating the sociolinguistic gender paradox in a multilingual community: A case study from the Republic of Palau. *International Journal of Bilingualism*.
- Ministry of MSME, G. o. (2011). *FINAL REPORT: Fourth all India census of MSME: Registered Census*. Delhi: Development Commissioner, MSME, Ministry of Micro, Small & Medium Enterprises.
- Mitchell, P. A., & Rajan, R. G. (1994). The benefits of lending relationships: Evidence from small business data. *The journal of finance*.
- Mudra Loan Interest rates. (2016, December 08). Retrieved from Bank Bazaar: <https://www.bankbazaar.com/personal-loan/mudra-loan-interest-rates.html>
- Murray, I. D. (1997). The global burden of disease, 1990–2020. *The Lancet*, 1436-1442.
- Peer, S., Goland, T., & Schiff, R. (2010). *Two trillion and counting: Assessing the credit gap for micro, small, and medium-size enterprises in the developing world*. McKinsey & Company; IFC.
- Petersen, M. A. (1999). Banks and the role of lending relationships: Evidence from the US experience. *Rassegna economica*.
- Pradhan Mantri Mudra Loan Bank Yojana (PMMY). (2016, December 08). Retrieved from PM Jan Dhan Yojana: <http://pmjandhanyojana.co.in/pradhan-mantri-mudra-yojana-bank/>
- RBI. (2000). *Strengthening of credit delivery to women particularly in Tiny and SSI sector*.
- Romaine, S. (2003). *Principles of linguistic change, vol 2, Social factors*.
- SBI partners Snapdeal to offer loans to e-commerce sellers. (2016, Jan 15). Retrieved from Business Line: <http://www.thehindubusinessline.com/money-and-banking/sbi-partners-snapdeal-to-offer-loans-to-ecommerce-sellers/article8112555.ece>
- Serres, I. L. (2009, September). *Microfinance and Non-financial services: an impossible marriage?* Private Sector Development, p. 4.
- Siri Terjesen, A. L. (2014). *The 2015 Female Entrepreneurship Index: Analysing the conditions that foster high-potential female entrepreneurship in 77 countries*.
- Stein, A. J., & Qaim, M. (2007). The human and economic cost of hidden hunger. *Food and Nutrition Bulletin, The United Nations University*, vol. 28, no. 2.

- Stupnytska, A., Koch, K., MacBeath, A., Lawson, S., & Matsui, K. (2014). Giving credit where it is due; How closing the credit gap for women-owned SMEs can drive global growth. Australia: Goldman Sachs Global Investment Research Division.
- Swaniti Initiative. (December 2015). Women Entrepreneurship in India. New Delhi.
- Swaniti Initiative. (n.d.). Women Entrepreneurship in India. Delhi.
- USAID; AED; UNICEF IFPRI. (2008). Indicators for Assessing Infant & Young Child feeding Practices.
- Wire. (2007). Women's Financial Literacy Research Report. Melbourne: Wire.
- World Bank. (n.d.). World Development Indicators.
- World Women's Banking. (2014). Global Practices in Banking for Women Led SMEs.

