

# Unlocking the potential of women entrepreneurship in India

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# Foreword



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Mastercard Index of Women Entrepreneurs (MIWE) 2019 ranks India one of the lowest – 52<sup>nd</sup> among the 58 countries studied globally – for providing a congenial environment for women entrepreneurs. At EY, we are committed to playing a differentiating role in promoting women entrepreneurship and addressing the wider global challenge of gender disparity.

Women constitute almost half the population in India. However, their share in labor force participation is less than a third, and even lower in entrepreneurship. Most of these women-owned businesses are largely unorganized and restricted to the agricultural sector in rural India with limited growth opportunities. India's women as economic resources, therefore, remain largely untapped. This can be attributed to several structural and societal barriers existing in our country, such as lack of finances, unconscious biases, unfavourable working conditions, limited access to networks and resources, and social stigmas. Research indicates that India could significantly enhance its GDP by advancing women's equality. The economic case for promoting women entrepreneurs in India is unquestioned.

India has come a long way in increasing women's participation in education and the economy as a whole. Over the past decade, women's gross enrolment ratio in higher education has increased. And while women's participation in the workforce continues to be low, one

can notice an increasing number of women entrepreneurs creating a mark for themselves in the country and across the world. Various women entrepreneurs are at the helm at some of India's largest business corporations across different sectors. This transition, albeit slow, has been supported by government policies and schemes to promote women entrepreneurship in India. The country has launched reforms to create more awareness, provide easier access to education, improve infrastructure, and introduce state and central government incentives to build skills and generate employment. Corporates in India are also making efforts to boost their gender diversity and are promoting women entrepreneurship programs through their CSR initiatives, supported in their stride by NGOs, self-help bodies and industrial organizations. However, the country needs to cover more ground for women to break conventional barriers and rise in the currently male-dominated entrepreneurial ecosystem.

As a knowledge provider at the ICC Inspiration Summit in Guwahati, EY brings this report titled 'Unlocking the potential of women entrepreneurship in India' to shed light on the existing entrepreneurial environment in India and aims to promote women entrepreneurship in the country. We believe that the report can serve as a catalyst for both governments and businesses to accelerate their efforts to encourage participation of women in businesses through effective policymaking. We hope that this report will inspire a real difference in empowering women and unlocking their potential in the economy.

# Introduction

Oxford dictionary defines entrepreneur as “A person who organizes and operates a business or businesses, taking on greater than normal financial risks in order to do so.”

The Government of India has defined women entrepreneurs based on their participation in equity and employment of a business enterprise. Accordingly, women entrepreneurs are defined as “an enterprise owned and controlled by women having minimum financial interest of 51 percent of the capital and giving at least 51 percent of the employment generated in the enterprise to women”.

While women in India are ambitious, it has been challenging for them to contribute significantly to the economy owing to societal terms, unconscious biases, gender pay gap, unfavorable working conditions and a lack of financial support.

Women entrepreneurship is still untapped and as suggested by a recent study, measures to close the gender gap could lead to approximately 6.8% increase in GDP. An economy which has a better gender mix of entrepreneurs may also see a surge in creativity, innovation and technological advancement.





India, the world's fastest-growing major economy, could do a lot better if only it treated its women better.

Weforum.org



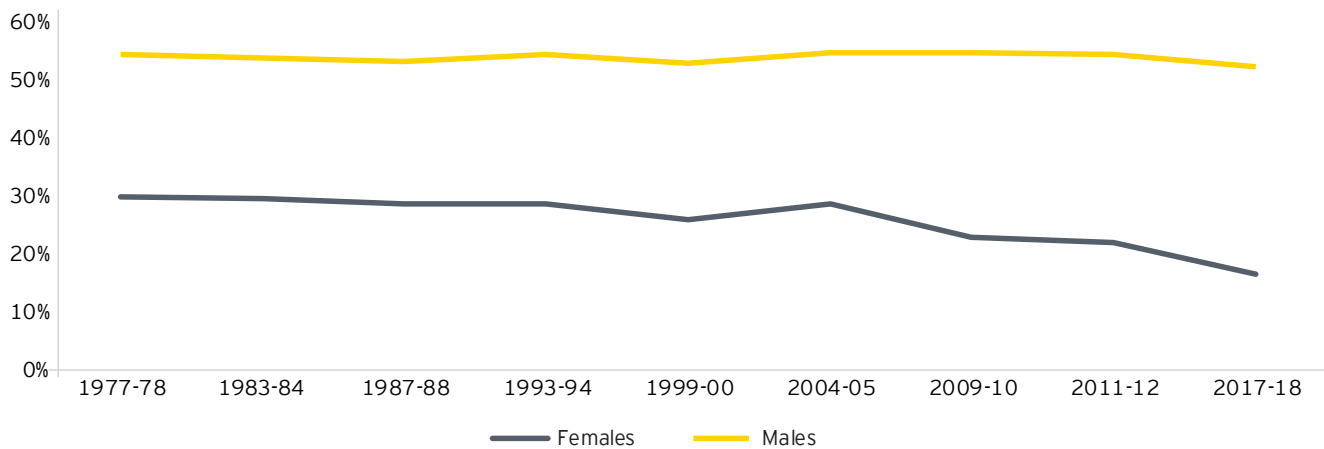
# Contribution of women in the economy

The Indian economy has grown significantly in the past decade and there has been a parallel increase in the number of business and services which have predominantly been driven by men. According to the Census 2011, 48.5% of India's population is women. Despite constituting approximately half of India's population, women's participation in the workforce is considerably lower than men. According to the Periodic Labour Force Survey (PLFS) 2017-18, the worker population ratio (WPR)<sup>1</sup> of women was 16.5%, as compared to 52.1% for men and 34.7% for the entire country on an average. Further, the sixth economic census released by Ministry of Statistics and Programme Implementation (MoSPI) highlights that women constitute only 13.8% of the total entrepreneurs in India.

What's intriguing is that out of these 13.8% women-owned businesses, about 83% are own-account/ self-employed and only 16% women entrepreneurs operate as employers. Further, a majority of these businesses are unorganized in the form of agriculture sector or social areas or are based out of rural areas. There is a clear business case to encourage and empower more women to lead mainstream businesses, thereby providing a boost to the economy.

Lower participation by women is impacting the economic growth of the country and the potential gains from the greater participation of women is anticipated to be large. According to McKinsey Global Institute, Indian women contributed to only 18% of the country's GDP in 2016, half of the global average of 36%. The country could add up to US\$770 billion to its GDP by 2025 by giving equal opportunities to women.

Figure 1  
WPR (in per cent) in usual status (ps+ss) during quinquennial NSSO surveys and PLFS (2017-2018)



<sup>1</sup> WPR is defined as the percentage of persons employed among the persons in the population. Work force participation rate for females was 25.51% as per Population Census 2011.

PLFS 2017-18 further estimates that only ~20.2% of women workers in our country are entrepreneurs\* and most of them are part of the agriculture sector.

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## How is women entrepreneurship changing in India



Although there is still a long way to go, India has recorded a phenomenal growth in women entrepreneurship in recent times and more and more women are looking for business opportunities. The overall perception towards entrepreneurship is changing. Strong role models, women who are ruling segments of industry be it banking, fashion, entertainment,

health or technology – are setting examples for others to follow. Flourishing women entrepreneurs are inspiring others to be self-reliant and independent. Better awareness, easier access to education and improved infrastructure are contributing to rise of women leaders.

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*Note: Entrepreneurs as used in this statement can be defined as self-employed workers that are own-account workers and employers. This definition excludes unpaid helper in household enterprises.*

# Challenges faced by women entrepreneurs in India

According to the ILO's Women's Entrepreneurship Development Programme (WED), while women-run enterprises account for 25%-33% of businesses in the formal economy worldwide, a majority of these are very small or micro-enterprises with little potential for growth. Women entrepreneurs are under-represented in enterprises of all sizes and the bigger the firm the less likely it is to be headed by a woman<sup>2</sup>.

The Mastercard Index of Women Entrepreneurs (MIWE) Report 2017 suggested that some of the most common and biggest constraints to women business ownership are lack of financial funding/venture capital, regulatory restrictions and institutional inefficiencies, lack of self-belief or entrepreneurial drive, fear of failure, socio-cultural restrictions and lack of training and education<sup>3</sup>.

There are many other roadblocks and struggles which women face in realizing their dreams and in taking the first step towards entrepreneurship.

## Bias in the form of gender pay gap

According to the Monster Salary Index survey, women in India earn 19% less than men, reflecting the high gender pay gap in the country. The gap has narrowed merely by 1% in 2018 from 20% a year ago. While men earned INR242.49, women earned INR196.3. This has been observed across all industries viz. IT, manufacturing, healthcare, financial services, etc.

## Patriarchal society

One of the biggest challenges women entrepreneurs face is society's perception and attitude towards gender responsibilities. There is discrimination against women in India despite constitutional equality. Women do not get equal treatment in the male-dominated Indian society. Women face role conflict as soon as they initiate any entrepreneurial activity. It is an uphill task for women to face such conflict and cope with the dual roles. Looking after children and family members are traditionally considered to be the main duties of women in India, leaving little energy and time for any business venture. A married woman entrepreneur cannot succeed without the support of her husband and family.

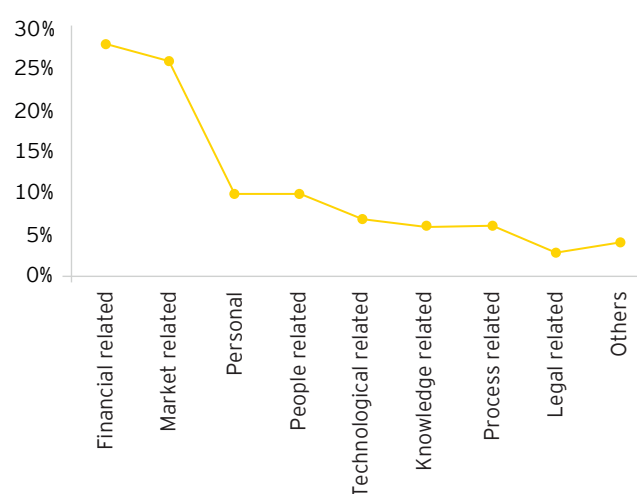
## Shortage of finance

Women entrepreneurs suffer from inadequate financial resources and working capital. They are unable to afford external finance because of a lack of tangible security and credit in the market. Banks, financial institutions and venture capitalists often lack confidence in the ability of women to run ventures successfully and women entrepreneurs often depend upon their personal savings and finance from family and friends. Finance is the life blood of every business activity and obtaining the adequate support of bankers, managing working capital and lack of credit resources are the areas which remain partial to male entrepreneurs. These problems are structural in nature and beyond the control of entrepreneurs.

## Lack of entrepreneurial training and education

Large number of women do not have enough technical and professional training to set-up a new venture. Women often face challenges in communicating with various stakeholders in starting their own venture.

Figure 2  
Key challenges



Source: 2019 Women's Web Survey

<sup>2</sup> [https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/publ/documents/publication/wcms\\_316450.pdf](https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/publ/documents/publication/wcms_316450.pdf)

<sup>3</sup> Global Entrepreneurship Monitor India Report 2017/18.



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## Are women better entrepreneurs?

Through years of research it has been established that women can make better managers than men.

- ▶ Women are known to efficiently handle teams, switch between tasks and carry out multiple tasks simultaneously.
- ▶ They are calculated risk-takers<sup>4</sup>. A famous poem by Robert Frost rightly captures the significance of taking the road less taken. *“Two roads diverged in woods and I took the one less travelled by and that has made all the difference”*. This is more often said to be the success mantra of a successful entrepreneur,
- ▶ Women appreciate the value of creativity. In today's world creativity is a very important commodity. Creativity is a very important essence of business. We need to be creative in every aspect of running a business. Women tend to be more open minded, in touch with the creative aspects of life and see value in creativity. For a company to survive for long, the entrepreneur needs to be innovative.
- ▶ It is important that a business is run with consideration for the people we interact with. Humanity and business are colliding. Women seem to get this inherently as well as the idea of treating others the way you expect to be treated. Women seem to understand the emotive aspect of doing business and this helps them better understand their customers.
- ▶ Women are known to manage finances better and are likely to be lesser defaulters compared to men. Gender-disaggregated data from banks highlight that women-owned businesses are comparatively 30-50% lower in terms of non-performing loans than men-owned business.



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<sup>4</sup> <https://www.forbes.com/sites/davidprosser/2015/04/20/five-reasons-why-women-make-better-entrepreneurs-than-men/#523d249ee121>

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# Role of government to promote women entrepreneurship



## **Trade-Related Entrepreneurship Assistance and Development (TREAD)**

This scheme aims to help women entrepreneurs by providing them with proper training information and counselling. The government is helping with various extension activities related to trades, products, services, etc. Grants up to 30% of project cost are given by government agencies. The aim is to help poor, illiterate/ semi-literate women start their business.

## **Mahila Vikas Nidhi**

This initiative is taken by the Small Industries Development Bank of India (SIDBI) to help women in rural areas start their entrepreneurship easily. SIDBI has set up a fund which grants loans to women to start their venture in the field of spinning,

weaving, knitting, embroidery products, block painting, handlooms handicrafts, bamboo products and other hand-crafted products.

## **Co-operative Schemes**

Women co-operatives schemes were formed to help women in agro-based industries like dairy farming, poultry, animal husbandry, horticulture, etc. with full financial support from the government.

## **Government Yojanas**

The two most important schemes launched by the government to encourage women to start their ventures are Swarna Jayanti Gram Swarozgar Yojna and Swarna Jayanti Sekhari Rozgar Yojana.

## State-level incentives

State governments are actively taking part in promoting women entrepreneurs. Few states are providing incentives to encourage women's involvement.

**Andaman and Nicobar Islands:** a monthly allowance of INR20,000 is provided to start-ups with women as founder/co-founder for a period of one year.

**Andhra Pradesh:** start-ups with women entrepreneurs are given 100% reimbursement of the rental cost for setting up exhibitions in the notified national/international exhibitions.

**Assam:** a one-time incentive of INR5,000 per women candidate is offered to start-ups. There is an upper limit of INR1 lakh per start-up for a period of three years.

**Bihar:** there are certain grants/ subsidy/ exemptions which the government of Bihar is providing the entrepreneurs. Women get an additional benefit of 5% of the limit fixed.

**Jammu and Kashmir:** monthly allowance of INR12,000 for one year is granted to start-ups founded by women on fulfilment of specified conditions.

**Orissa:** monthly allowance of INR22,000 is given to start-ups founded by women subject to the ownership of 50% equity in the start-up entity.

**Uttarakhand:** marketing assistance allowance of INR7.5 lakhs is being provided to start-ups that are being operated by women. The start-up must, however, be approved by the Start-up Council.

Government has also come up with a few training programs for self-employment of women like

Support for Training and Employment Programme of Women (STEP)

Development of Women and Children in Rural Areas (DWCRA)

Small Industry Service Institutes (SISIs)

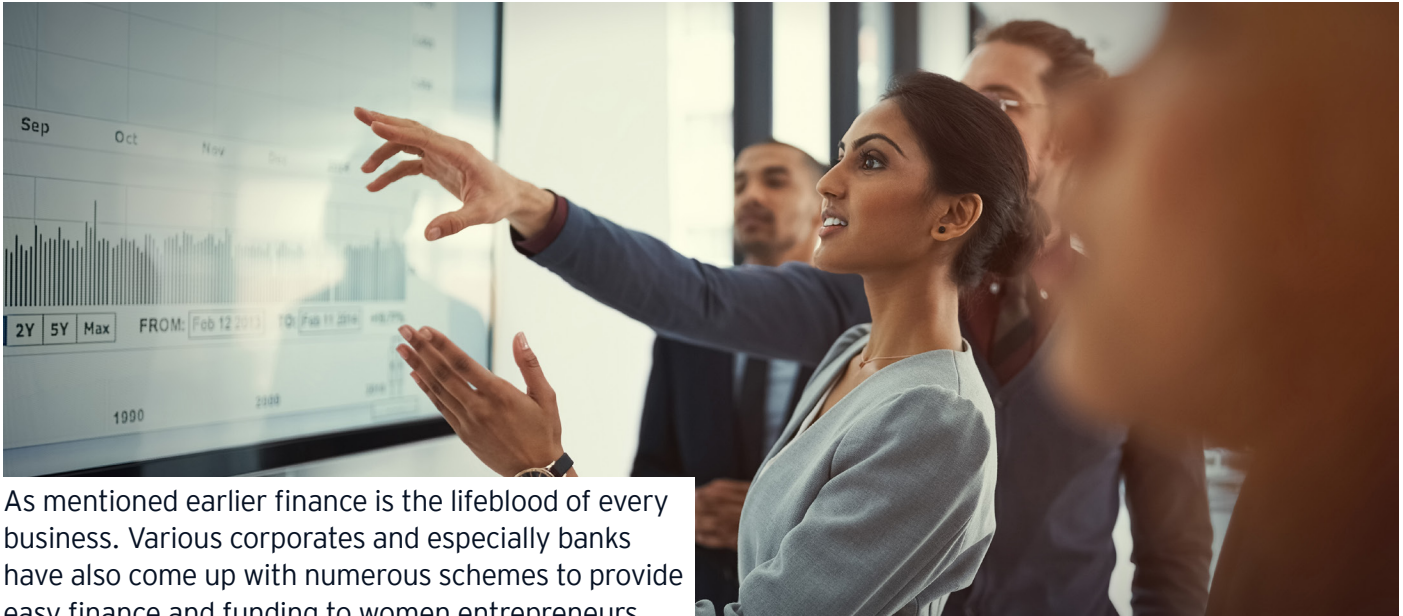
State Financial Corporations

National Small Industries Corporations

District Industrial Centres (DICs)

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# Role of banks and financial institutions in promoting women entrepreneurship



As mentioned earlier finance is the lifeblood of every business. Various corporates and especially banks have also come up with numerous schemes to provide easy finance and funding to women entrepreneurs.

## **Bharatiya Mahila Bank Business Loan**

Concession up to 0.25% is provided to support budding women entrepreneurs looking to start new ventures in the field of the retail sector, MICRO loans, SME loans and loans against property. The maximum amount of loans can go up to INR20 crores.

## **Dena Shakti Scheme**

Women entrepreneurs in the field of agriculture, manufacturing, micro-credit, retail or small enterprise are provided with financial help by Dena Bank by reducing the interest rate on loans by 0.25%.

## **Udyogini Scheme**

Punjab and Sind Bank is operating a scheme to help women entrepreneurs get involved in agriculture, retail and small business enterprises and get loans for business at flexible terms and concessional interest rates.

## **Cent Kalyani Scheme**

This scheme is offered by the Central Bank of India with the aim of supporting women in starting a new venture or expanding or modifying an existing enterprise. The loan can be availed

by women who are involved in village and cottage industries, micro, small and medium enterprises, self-employed women, agriculture and allied activities, retail trade and government-sponsored programs. There is no requirement of collateral security or guarantor and processing fee charges under this scheme. The maximum amount that can be granted under the scheme is INR100 lakhs.

## **Mahila Udyam Nidhi Scheme**

Punjab National Bank has launched the scheme to cater to different plans for beauty parlors, daycare centers and other similar ventures. Entrepreneurs involved in small scale industries are granted with soft loans that can be repaid over a period of 10 years.

## **Orient Mahila Vikas Yojana Scheme**

This scheme is offered by Oriental Bank of Commerce to those women who hold a 51% share capital individually or jointly in a proprietary concern. No collateral security is required for loans of INR10 lakhs up to INR25 lakhs in case of small-scale industries and the period of repayment is seven years. A concession on the interest rate of up to 2% is given.

## Celebrating success stories to inspire young minds

Women's Entrepreneurship Day is celebrated on November 19. It was first celebrated in 2014 in 144 countries. It was described by Fortune Magazine as

**“a global movement to celebrate and support female founders and shed light on some of their challenges.”**

Forbes Magazine wrote that the intention was also

**“to mobilize a global network of female business owners, entrepreneurs, and change-makers who support and empower this community of women entrepreneurs and their businesses.”**

## How to unlock the potential of women entrepreneurship in India

Entrepreneurship is growing well with hundreds of start-ups being set up. But as discussed, with the growth of entrepreneurship, growth in women's participation is needed for the exponential growth of the economy.

- ▶ Women also need to stand up for their rights and believe in themselves. They need to embrace their individuality and come out as leaders, setting an example for other women. This creates a ripple effect and may enable women participation.
- ▶ The familial unit and society needs to be more accepting of women's career and their success. The government should encourage more women participation through initiatives and create awareness. Creating a favorable working environment, ensuring health and safety are the pre-requisites for development. Most importantly, individuals need to support and help women within their families to realize their dreams.
- ▶ Educating women is the stepping stone towards building women entrepreneurs. Government incentives, access to education and scholarships can help women in building a successful career.

- ▶ The lack of networking largely hinders potential for growth. Building networking forums, start-up communities, mentoring and sponsorship and support from economic forums would help women in creating a dynamic environment and be aware of market opportunities.
- ▶ In the present scenario where technology and digital advancement is driving businesses, women can be trained for utilizing them effectively in marketing, sales and building a wider network.
- ▶ Access to capital and finance remains a major roadblock for developing businesses. Providing loans at cheaper rates, giving a moratorium period or investing in small and medium enterprises run by women would facilitate development.

Women in India need freedom to make their own decisions, a little support from their families, greater acceptance from society and enablement by the government in terms of education, infrastructure, and technology for further development. After all, the economy should not lose out on 50% of its success drivers.

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## Conclusion

India has long grappled under a patriarchal reign, subduing women to mainly unpaid care work and household roles. Historically, they have been kept out of the labor force through social stigmas and lack of opportunities, thereby making them economically dormant. Over the past few decades, this orthodox perception is changing. The country has seen a rapid increase in the number of women pursuing higher education, opting to work in corporate and self-owned businesses, and reaching the top of the business ladder. There remains an immense scope to encourage and empower more women to lead businesses in the country, which could provide a substantial boost to our slowing economy, promote innovation and create jobs.

Women in the country are increasingly getting ambitious about being entrepreneurs. They, however, lack the right resources - financial or skill-based, training and mentoring, infrastructure, security, and family-support. Many women in the country are able to start an enterprise but fail to sustain it due to lack of proper training and guidance. While the cause is supported by the government, corporates, successful women entrepreneurs, financial institutions and NGOs, there is still a lot to be done. What we need is to create a close-blended network of these institutions and bodies to work together to create a nurturing ecosystem that promotes and motivates women entrepreneurs and provide them with the necessary resources, training and mentoring to leap forward.

What's necessary now is fresh and bold thinking.

- ▶ We need to create an enabling policy framework that aims to include more women in senior and leadership roles that are essential to help them gain right experience and knowledge to become entrepreneurs.
- ▶ We need more financing and networking organizations at state-levels to help women entrepreneurs connect with the relevant people in the business, assist in fundraising and promote networking.
- ▶ The government and corporates can work together to create safe, non-discriminatory and inclusive spaces for women to work and grow.
- ▶ We must drive more awareness about inherent biases in the society and empower women to take risks and break social barriers. What we need is a complete overhaul of our perception about women and their social and economic role in reshaping our economy. We at EY are trying to empower women and promote women entrepreneurs through our programs Women. Fast forward™. and Entrepreneurial Winning Women™.

Women. Fast forward is the global program that engages our people, our clients and our communities to advance gender equality and is a platform for senior/CXO women from India Inc. to come together and benefit from shared insights on their path to leadership. The Entrepreneurial Winning Women™ program provides women entrepreneurs with strategic support, training and access to the EY entrepreneurial ecosystem across the globe to help them break existing barriers, to scale their businesses to their full potential and to become global market leaders.



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