OPPORTUNITIES AND CONSTRAINTS OF WOMEN OWNED VERY SMALL ENTERPRISES IN INDIA

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Image: Peter Kapuscinski / World Bank

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Abbreviations and Acronyms

Abbreviations and acronyms	Full form
AHVY	Ambedkar Hastshilp Vikas Yojana
AI	Artificial Intelligence
API	Application Programming Interface
AR	Accounts Receivable
ATUFS	Amended Technology Upgradation Funds Scheme
AUM	Assets Under Management
B&WSSC	Beauty and Wellness Sector Skill Council
BIS	Bureau of Indian Standards
CA	Chartered Accountant
CAGR	Compound Annual Growth Rate
CCTV	Closed-circuit Television
CDR	Casual Dining Restaurants
CFI	Center for Financial Inclusion
CGTMSE	Credit Guarantee Trust for Micro and Small Enterprises
CHCDS	Comprehensive Handicrafts Cluster Development Scheme
CII	Confederation of Indian Industry
COVID	Coronavirus Disease
COWE	Confederation of Women Entrepreneurs
CSO	Central Statistical Organisation
DIC	District Industries Center
DOD	Dropline Over-draft
DSA	Direct Sales Agents
EBRD	European Bank for Reconstruction and Development
EMI	Equated Monthly Instalments
ET	Economic Times
FDI	Foreign Direct Investment
FI	Financial Institution

Abbreviations and acronyms	Full form
FICCI	Federation of Indian Chambers of Commerce & Industry
FMCG	Fast-Moving Consumer Goods
FME	Formalization of micro-food enterprises
FMO	Financierings-Maatschappij voor Ontwikkelingslanden - Dutch entrepreneurial development bank
FSSAI	Food Safety and Standards Authority of India
FY	Financial Year
GAIN	Global Agricultural Information Network
GAME	Global Alliance for Mass Entrepreneurship
GBA	The Global Banking Alliance for Women
GDP	Gross Domestic Product
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GST	Goods and Services Tax
GSTIN	Goods and Services Tax Identification Number
HACCP	The Hazard Analysis Critical Control Point
HUL	Hindustan Unilever Ltd
IFC	International Finance Corporation
ILT	Instructor Led Training
INR	Indian Rupee
ITC	Input Tax Credit
ITR	Income Tax Returns
KCB	Kenya Commercial Bank
MENA	Middle East and North Africa
MFI	Microfinance Institution
MSME	Micro, Small & Medium Enterprises
MUDRA	Micro Units Development & Refinance Agency Ltd
NA	Not Available
NABARD	National Bank for Agriculture and Rural Development
NAPS	National Apprenticeship Promotion Scheme
NBFC	Non-Banking Financial Companies
NCERT	National Council of Educational Research and Training

Abbreviations and acronyms	Full form
NCR	National Capital Region
NEP	National Education Policy
NFS	Non-financial Services
NGO	Non-governmental Organisation
NHDC	National Handloom Development Corporation Limited
NIC	National Industrial Classification
NPL	Non-performing Loan
NRETP	National Rural Economic Transformation Project
NSCMRS	National Skill Certification and Monetary Reward Scheme
NSDC	National Skill Development Corporation
NSIC	National Small Industries Corporation
NSS	National Sample Survey
NSSO	National Sample Survey Office
OPIC	Overseas Private Investment Corporation
PAN	Permanent Account Number
PIB	Press Information Bureau
PPE	Personal Protective Equipment
QSR	Quick Service Restaurants
RBI	Reserve Bank of India
RRB	Regional Rural Banks
SBI	State Bank of India
SEWA	Self Employed Women's Association
SFB	Small Finance Bank
SFURTI	Scheme of Fund for Regeneration of Traditional Industries
SHG	Self Help Group
SIDBI	Small Industries Development Bank of India
SME	Small and Medium Enterprises
STAR	Standard Training Assessment and Reward
STEP	Support to Training and Employment Programme for Women
SVEP	Start-up Village Entrepreneurship Programme

Abbreviations and acronyms	Full form
UCB	Urban Cooperative Banks
UNESCO	United Nations Educational, Scientific and Cultural Organization
UPI	Unified Payments Interface
USD	United States Dollar
VSE	Very Small Enterprises
WVSE	Women Owned Very Small Enterprises
WWF	World Wildlife Fund

Executive Summary

01

Micro, Small and Medium Enterprises (MSMEs) in India face a variety of challenges that constrain their growth prospects.

MSMEs are particularly hampered by infrastructure gaps, limited access to technology and information, difficulties in accessing talent, and inadequate access to capital. Majority of MSMEs rely on their own funds or loans from family & friends to meet their business needs since accessing capital from institutional sources often requires collateral. IFC estimates that almost 60 percent of the credit demand from micro-enterprises and 70 percent of credit demand from small enterprises is currently unmet by formal financial institutions. [1]

The challenge in accessing capital from formal financial institutions (FIs) is exacerbated for women entrepreneurs.

There are about 15 million women-owned MSMEs in India, over 70 percent of which are manufacturing enterprises.[2] In addition to the challenges mentioned earlier, women entrepreneurs seeking to scale-up their businesses need to overcome biases from within the family and also in the business community. A recent IFC report estimates that about 90 percent of the women entrepreneurs in India have not availed finance from formal FIs.[3] FIs have traditionally catered to men-owned enterprises[4] and this limits the understanding of the operating contexts of women-owned businesses and their socio-cultural constraints. A better understanding of these operating contexts coupled with a greater appreciation of specific non-financial services needed by women entrepreneurs can assist FIs in engaging with them in a more focused manner.

The micro-credit needs of women are currently addressed to a large extent by microfinance institutions.

However, under current guidelines of India's central bank, the Reserve Bank of India (RBI), microfinance institutions cannot lend more than INR 125,000 (~$1,700) to an individual borrower. Commercial banks / non-banking financial institutions have loan ticket sizes that are substantially larger than the cap on individual loans from microfinance institutions. MSMEs that have credit requirements that are too large for microfinance institutions, but too small to be addressed by banks / non-banking financial institutions fall into what is known as the 'missing middle'. Recognizing this, the government of India and RBI have taken pioneering steps over the past few years to enhance flow of credit to micro-enterprises. The government established Micro Units Development & Refinance Agency Ltd (MUDRA) in 2015 as a financial body to enable more non-collateralized credit flow to micro and small enterprises. However, data shows that almost 90 percent of MUDRA loans sanctioned have a ticket size smaller than INR 50,000 (~$680).

Further, the COVID-19 pandemic has had a significantly adverse impact on the MSME sector as a whole and women entrepreneurs in particular

A survey conducted by SEWA Bharat on the impact of COVID-19 indicated that 78% of the women entrepreneurs surveyed were out of savings entirely during the lockdown.[5] Given that most women entrepreneurs are self-financed, reduced household income as a result of the pandemic directly curtails women's businesses. Moreover, there has been an increase in the domestic workload of women in the pandemic, which has reduced the time they spend on their professional endeavours.

The objectives of this report are to:

- Identify a sub-segment of women owned micro-enterprises - women owned very small enterprises (WVSEs) - that can be a potential market segment for formal FIs
- Define this sub-segment, in terms of enterprise revenue, credit requirements, employee base and identify the sectors in which WVSEs operate
- Highlight the credit opportunity for FIs from WVSEs
- Provide product and process design recommendations to FIs that could enable them to address this opportunity

[1] Financing India's MSMEs – Estimation of Debt Requirement of MSMEs in India, IFC, 2018
[2] This is in sharp contrast to the wider MSME universe, which is heavily dominated by services and trading enterprises. Please refer to Section 2.3 for more details.
[3] 'Financial Inclusion for Woman-Owned Micro, Small & Medium Enterprises (MSMEs) in India', IFC, 2016
[4] 'To improve women's access to finance, stop asking them for collateral', CARE International, World Economic Forum, June 2019
[5] Gender precarity in the lockdown, SEWA Bharat, 2020

This report is meant for FIs that seek to expand their market penetration in order to address the credit needs of the WVSE segment in India.

To highlight the credit opportunity from WVSEs, the report analyzes authoritative data in the public domain to estimate the credit demand from WVSEs in India. In addition, the report draws on insights gained through interactions with over 90 WVSEs, representatives from a range of FIs, corporations, intermediary organizations and sector experts.

This report seeks to build the case for FIs to design and deploy targeted products and processes for WVSEs.

The report identifies sectors that WVSEs operate in and highlights the characteristics of these enterprises. It also provides a granular perspective of WVSE business operations in each of the sectors including the nature of businesses they engage with and the intermediaries who provide support to them. On this basis, the report suggests ways for FIs to design new products and new processes to address the needs of WVSEs. The underlying objective is to showcase that this segment can be not just a profitable business initiative for FIs but that serving it can also create a positive impact on the social and economic status of women entrepreneurs.

The challenge in accessing capital for women entrepreneurs, and defining WVSE

IFC estimates that a vast majority of women entrepreneurs in India have never applied for loans to formal FIs.[6]

While a key reason for this is a hard constraint in the form of lack of collateral, women entrepreneurs also cite other softer constraints such as lack of awareness about loan products, complicated application procedures, risk aversion, and unfavorable terms of credit. These softer reasons were also mentioned by women entrepreneurs who participated in this research.

In addition to the challenges related to access to finance, interactions with women entrepreneurs for this report yielded certain other recurring challenges that apply across sectors, geographies and play a part in constraining the scale of operations of WVSEs.

Challenges faced by women entrepreneurs

SOCIAL BIASES AND CONDITIONING	INABILITY TO ACCCESS THE RIGHT KIND OF FINANCE	LACK OF ACCESS TO NON-FINANCIAL SERVICES	ACCOUNTING AND REGULATORY COMPLIANCE RELATED
• Gender bias in family and the business ecosystem • Limited opportunities to diversify sales channels	• Unsuitable credit products • Limited access to information about financial service providers • Discomfort with borrowing from formal sources • Insufficient support in accessing government schemes • Unconscious bias from credit providers	• Lack of advisory, child-care and networking support • Insufficient access to government-driven non-financial support	• Limited exposure to accounting and regulatory best practices

[6] 'Financial Inclusion for Woman-Owned Micro, Small & Medium Enterprises (MSMEs) in India', IFC, 2016

While all of these challenges cannot be addressed by FIs, the sheer number of women entrepreneurs in India and the credit demand that they represent necessitates a deeper analysis of the demand landscape to clearly identify different addressable market segments. As mentioned earlier, this report focusses on identifying a sub-segment of women entrepreneurs which will be referred to as women owned very small enterprises (WVSEs).

To begin with, this report situates WVSEs in the context of the wider women-owned micro-enterprise universe, in order to facilitate a deeper analysis of the characteristics of their business operations.

While the terminology of 'MSME' is well accepted to indicate the size of an enterprise, the various definitions of MSME adopted globally are not designed to provide visibility into sub-segments within each category (micro / small / medium). Such sub-segmentation is critical to define a VSE and identify these micro-enterprises that fall in the missing middle. This report bases the definition of WVSE on publicly available government data on the MSME sector and women-run micro enterprises in India, especially annual reports of the Ministry of MSME and publications of the Small Industries Development Bank of India (SIDBI). WVSEs are defined on the parameters of loan eligibility, employee base and revenue size, as depicted below.

Definition of WVSE

Loan Eligibility	No. of Employees	Annual Turnover
INR 200,000 - 1 Million (~ $ 2,700 - $ 13,600)	< 20	INR 1 Million - INR 5 Million (~ $ 13,600 - $ 68,000)

Secondly, this report presents a high-level landscape of WVSEs in the country and identifies manufacturing, services and trading activities where WVSEs are concentrated.

Although WVSEs exist across the country, those involved in manufacturing activities are typically co-located in relevant manufacturing clusters (such as Tiruppur in the case of textiles) because of reasons such as presence of specific skill sets, domination of certain trades in those clusters, well developed supply chains and / or targeted government programs. As mentioned earlier, manufacturing WVSEs constitute over 70% of all WVSEs. On the other hand, WVSEs involved in trading activities and providing services are dispersed across the country, because they directly serve end-customers. This report focuses on urban and semi-urban agglomerations as demand centers for such trading and services oriented WVSEs for two reasons: 1) urban and semi-urban areas tend to have a larger concentration of WVSEs engaged in a particular trade / service as compared to rural areas and 2) consequently, urban and semi-urban areas present a larger opportunity for FIs given that WVSEs involved in different activities are co-located in such areas.

Image: Iwan Bagus/IFC

Typical profile of a WVSE[7]

AVERAGE REVENUE	PROFIT MARGIN	INITIAL CAPITAL NEEDED
INR 1.8 - 3 Million (~ $ 24,500 - 40,000)	10 - 40%	INR 200,000 - 800,000 (~ $ 2,700 - 10,800)

DOCUMENTATION AVAILABLE	TYPICAL FINANCIAL TRANSACTION FLOW	LEGAL STATUS
• **90%**+ have a bank account • **50%**+ have a current account • **50 -70%** maintain books • Nearly **50%** have a GST registration	• For Vendors **Bank and Cash** • By Customers **Bank/ Digital wallets and Cash**	• Over 90% registered as sole proprietorships

Manufacturing WVSE

Representative turnover: INR 2.5 million (~$ 34,000)

Sectors of operation: Textiles, apparel, handicraft, food and berverage

Demand for capital: INR 360,000 (~$ 4,900)

Need for capital: Purchase of machinery and raw material, building finished goods inventory, staff salaries, transport costs.

Service WVSE

Representative turnover: INR 2.5 million (~$ 34,000)

Sectors of operation: Retail trade, beauty and personal services, eateries, education

Demand for capital: INR 260,000 (~$ 3,500)

Need for capital: Purchase of inventory/consumables, rent, expenses, staff salaries, development of premises, transport costs.

The INR 836 billion ($11.4 billion) opportunity for FIs

Analysis of MSME data reveals that about 18 percent of the 15 million women-owned micro-enterprises in India are WVSEs.

The estimated credit demand from these 2.7 million WVSEs is INR 836 billion ($11.4 billion).[8] Research revealed that over 70 percent of WVSEs are involved in seven types of activities, as detailed in the table below.

[7] Based on primary interviews with more than 90 WVSEs
[8] Please refer to Annexure 2 for the detailed estimation process

Major types of WVSE activity

TYPE OF ACTIVITY	DESCRIPTION	THE ROLE OF WOMEN	A TYPICAL WVSE[9]
01 Manufacture of textiles (including wearing apparel)	• Textile manufacturing is a highly diversified sector in terms of the means of production, which range from handlooms to power looms to knitting machines to industrial mills. Enterprises in the sector manufacture various items such as fabrics, wearing apparel, hosiery products, home décor items and technical textiles from both natural and man-made fibers.	• The sector dominates the women-owned micro-enterprise landscape in the country - over 35 percent of the roughly 15 million women-owned micro- enterprises in the country are involved in manufacturing of textiles. • Women constitute about 50 percent of the workforce in the textile sector.	• Annual revenue: INR 2.3 million (~$31,300) • Profit margin: 20% - 30% • Capital need: INR 400,000 – 500,000 (~$5,500 – 6,800)
02 Manufacture of wood products (handicrafts)	• India is a major producer of wood-based handicrafts. • The sector employs more than 6.8 million artisans and crafts people primarily in rural areas.	• Almost 55 percent of artisan and craftspeople are women. • Over 25 percent of the enterprises in the wood-based handicraft sector are owned by women.	• Annual revenue: INR 2.4 million (~$32,700) • Profit margin: 20% - 30% • Capital need: INR 1.2 – 1.3 million (~$16,000 – 18,000)
03 Food and grocery retail	• Food and grocery retail accounts for 65 percent of the overall retail market in India, which had a market size of $795 billion as per a 2017 estimate by Deloitte. • The food and grocery retail market is dominated by small enterprises – independent kirana stores – and it is estimated that there are over 12 million such stores in India	• Around 10 percent of all women-owned micro-enterprises in India are engaged in food & grocery retail, accounting for roughly 1.5 million enterprises	• Annual revenue: INR 2 million (~$27,200) • Profit margin: 10% - 20% • Capital need: INR 500,000 - 600,000 (~$6,600 - 8,000)
04 Jewellery and accessories retail	• Jewellery and accessories retail accounts for roughly 7 percent of the overall retail market of $795 billion in India.	• The sector includes more than 2.5 million retailers, a vast majority of whom are family-run businesses in the unorganized sector. • Women entrepreneurs are active in this segment, through both online and offline channels.	• Annual revenue: INR 1.9 million (~$26,000) • Profit margin: 30% - 40% • Capital need: INR 300,000 (~$4,000)
05 Beauty salons and services	• This includes beauty salon, hairdressing services and other allied services, provided at dedicated commercial outlets or through at-home services.	• There are 6-7 million salons in India, with women contributing to more than 85 percent of the total industry revenues.	• Annual revenue: INR 2.4 million (~$32,600) • Profit margin: 20% - 30% • Capital need: INR 900,000 (~$12,200)
06 Food and beverage services (eateries)	• This sector consists of restaurants, eateries, food carts, cafes, bakeries and home kitchens. • The market size of food and beverage (F&B) services sector in 2020 was more than $71 billion.	• There are over 300,000 women-owned micro enterprises in the food services sector in India, and an additional ~500,000 women-micro enterprises involved in the food and beverage manufacturing sector.	• Annual revenue: INR 1.8 million (~$24,500) • Profit margin: 20% - 40% • Capital need: INR 600,000 (~$8,000)
07 Educational services - preschools	• The early-education sector consists of day-care centres, pre-schools, schools, after-school coaching and vocational education centres.	• There are about 500,000 women-owned micro-enterprises in this sector, accounting for approximately 36 percent of all educational micro-enterprises in India. • Women dominate the pre-school segment in India, which includes standalone pre-schools and organized pre-school chains which run on a franchisee model.	• Annual revenue: INR 3 million (~$40,000) • Profit margin: 20% - 30% • Capital need: INR 1 million (~$13,600)

[9] Based on primary research

Perceptions of FIs about WVSEs

Interactions with FIs revealed that they do not view WVSEs as an addressable market-segment.

This is due to reasons such as limited information about the sectors that WVSEs operate in, insufficient awareness about their business characteristics and their specific credit needs, and limited understanding of the ways to reach them. This research reveals that specific sub-segments of high opportunity exist within WVSEs. However, parameters that can be used to sub-segment WVSEs such as business and behavioral characteristics, sector-characteristics and outlook, integration into established value chains, and availability of supportive government schemes are under-utilized by FIs. Consequently, credit products offered do not take into account critical aspects such as the seasonality of operations, need for uncollateralized working capital credit, and the existence of alternate data points to evaluate credit eligibility. There is, however, an opportunity for FIs to re-orient their processes and partner with enablers in the ecosystem to better target WVSEs.

Perceptions of FIs about WVSEs

TRADITIONAL OUTLOOK TOWARDS WVSEs	RESEARCH FINDINGS	WAYS TO ADDRESS TRADITIONAL PERCEPTIONS
WVSEs do not represent a sizeable credit opportunity **WVSEs are not well integrated into formal supply chains** **WVSEs have a lower ambition for business growth** **WVSEs do not maintain adequate compliance related documents such as GST, ITR etc. and books of account, and prefer cash**	• **This research estimates that WVSEs offer a sizeable credit opportunity** • **Corporations / Intermediaries have promoted integration of WVSEs** • **WVSEs are not homogenous and this research has identified 3 archetypes** - The ambitious builder - The passionate creator - The steady anchor • **Degree of formalization** - Significant proportion of WVSEs file ITR while some utilize services of CAs - Over 50% of WVSEs have GST registration • **Usage of formal financial channels** - Over 90% WVSEs have a bank account while over 50% have a current account - Significant majority used digital modes to make/receive payments to/from their suppliers/customers	• **Create greater awareness** - FIs can analyse gender-disaggregated data to identify sub-segments based on demographic, behavioural, geographic, sectoral and business characteristics - Arrange training sessions for employees of FIs to sensitize them about subtle unconscious gender biases that must be avoided • **Generate greater focus** - FIs can commit to a gender-based lending target- this target can be part of the overall priority sector lending for micro-enterprises - Similarly specific targets can be identified to enhance adoption of government financial schemes for women entrepreneurs • **Enhance ease of access** - FIs can partner with intermediaries and corporations to source good-quality WVSE borrowers. This can also enable FIs to design suitable credit products/ offer other financial and non-financial services to WVSEs - FIs can establish a specific checklist of documents and digital records for loan origination team to source from a potential WVSE borrower

Key enablers for WVSEs – corporations and intermediaries

Interactions with WVSEs revealed that in addition to simplified access to finance, WVSEs that perform well benefit from a supportive entrepreneurial eco-system.

Availability of such support enables WVSEs to better acquire services / products that meet their financial / non-financial needs and empowers them to make informed decisions. Research highlighted the key role played by two broad types of eco-system stakeholders in providing specific support to WVSEs:

Image: Visual News Associates/World Bank

1. **Corporations** forge business partnerships with WVSEs and provide linkages to secure supply of raw materials and to connect with end markets. This is achieved by incorporating WVSEs into established supply chains that provide greater visibility to WVSEs and also engender greater stability in their operations. Through such linkages, corporations also enable WVSEs to adopt more robust internal processes. Integration with corporations also enables WVSEs in accessing finance, either directly from the corporation or through formal FIs.

Support provided by corporations to WVSEs[10]

SHINE THE LIGHT - ENABLE WVSEs TO UNDERSTAND THE MARKET BETTER	STRENGTHEN THE CORE - ENABLE WVSEs TO ADOPT ROBUST PROCESSES	SECURE CAPITAL ACCESS- ENABLE WVSEs TO ACCESS FINANCE
• Provide WVSEs direct access and market intelligence • Enable WVSEs to establish credibility	• Bring transparency and rigour in maintaining books of account • Enable optimum inventory management	• Establish partnership with financial institutions to provide supply chain financing and cash-flow based repayment

[10] Please refer to Chapter 5 for more details


Image: Dominic Chavez / International Finance Corporation

2. **Intermediaries** provide advisory services to WVSEs and build their capacity to improve efficiency and resilience. Intermediaries include industry associations, for profit social enterprises / startups, cooperative societies, non-governmental organizations, and women's forums. They not only provide mentorship support but also enable WVSEs to access relevant sectoral information and build up operational maturity. Intermediaries motivate WVSEs to access capital from formal sources and provide tools / services that enable WVSEs to maintain formal financial records and other requisite documentation.

Support provided by intermediaries to WVSEs[11]

STRENGTHEN MARKET ACCESS	SUPPORT ACCESS TO FINANCE	ADVOCACY, NETWORKING AND OTHER SUPPORT SERVICES
• Support in identifying new markets and channels • Provide design and demand trends related inputs • Link with livelihood support initiatives	• Drive behavior change in WVSEs to encourage them to access financial services • Directly link WVSEs to financial institutions	• Provide access to mentorship • Enhance access to peers to promote cross-learning and networking • Carry the voice of WVSEs to the policy makers • Support WVSEs in streamlining operational processes

Recommendations for FIs to cater to WVSEs

WVSEs constitute a significant market opportunity that FIs can tap into, through changes in product design, sourcing, underwriting and recovery processes and through partnerships with ecosystem stakeholders that already work with WVSEs.

This report provides recommendations for FIs to target this opportunity, and emphasizes the cross-functional nature of any intervention focused on enhancing access to credit for WVSEs.

[11] Please refer to Chapter 5 for more details

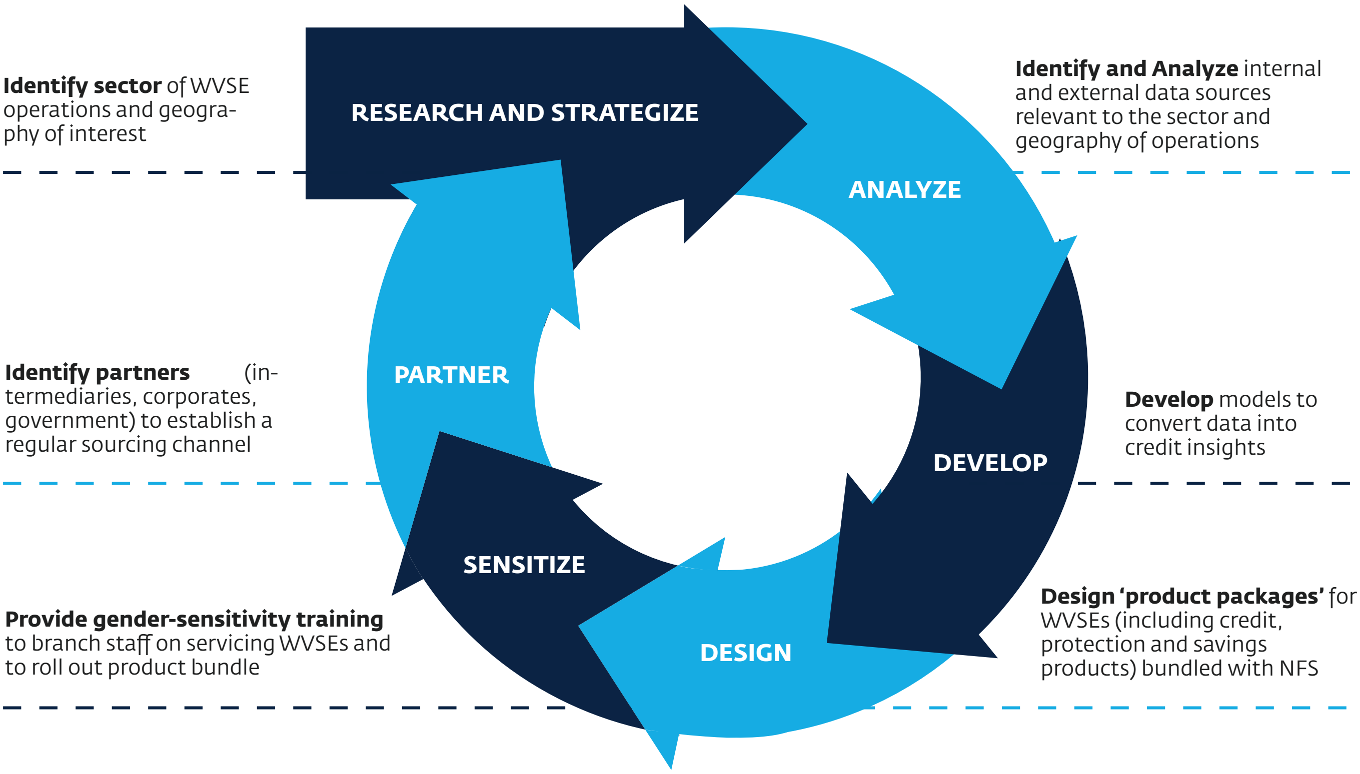
Summary of recommendations

SITUATION	RECOMMENDATIONS
01 FIs have not been able to adopt a 'gender lens' when devising credit products and processes	• Establish a process that captures and analyzes sex-disaggregated data about customers; and use it to devise products with features more relevant to women borrowers, such as flexible un-collateralized loans, flexible repayment schedules and discounted interest rates. • Sensitize employees about gender-related aspects. • Build a gender-diverse workforce. • Explore sources of capital that enable greater ability to take additional risk.
02 Origination and underwriting processes often serve to exclude WVSEs	• Leverage partnerships with intermediaries that support WVSEs to help in sourcing leads. Sourcing can also be done by leveraging women-specific government schemes. • Capture data that goes beyond traditional go/no-go determinants at the sourcing stage. • Partner with financial technology companies that leverage alternate methods such as psychometric and behavioral data for credit assessment.
03 WVSEs are unable to access sufficient non-financial services (NFS) to support their business operations	• Provide non-financial-services (NFS) to ensure that WVSEs receive support to increase operational efficiencies of their businesses, and to build awareness about financial products and the institutions that provide them. • Devise a push-based strategy by co-creating training partnerships to provide WVSEs with necessary business skills. • Partner with entities that are experts in developing case studies and modules on non-financial services in small businesses.
04 Monitoring and recovery processes of FIs are often not sensitive to the needs of WVSEs	• Develop 'phygital' women-focused monitoring mechanisms to support WVSE. • Include elements from behavioral economics to nudge the WVSE borrowers towards good repayment behavior.

An indicative action plan for FIs to reach WVSEs

FIs can pilot an intervention to target WVSE in a specific sector or a specific geography, and can apply practical learnings from the pilot to replicate in other sectors and geographies. Such a pilot will require close coordination among representatives from various functional roles within an FI, such as MSME finance, marketing, financial inclusion, risk management, corporate communications, information technology, compliance, business process transformation, human resources and branch personnel. This section provides an indicative action plan for FIs to follow.

Indicative process for FIs to target WVSEs



Research and Strategize

FIs can build on the information provided in this report to undertake further research and identify types of WVSE activity or sectors and/or geography of operation that is most attractive for the FIs. The objective of such research would be to identify a potential credit intervention that offers the greatest alignment from both an opportunity as well as a capability perspective. In addition to market-related aspects, such research could take into account specific FI-related perspectives such as strategic priorities, presence in sectors/geographies, risk appetite, HR capabilities. In addition the research could also inform the go-to-market approach by identifying the presence of supportive government schemes as well as intermediaries / corporates who could be roped in as potential partners.

Analyze internal and external data

From an internal perspective, in the chosen sector / geography, FIs should seek to assess the availability of sex-disaggregated internal data at the branch or regional level. If possible, data from rejected applications should also be analyzed to identify key reasons for rejection of loan applications from women entrepreneurs. This process should also include consultations with branch managers and personnel involved in sourcing to understand difficulties in reaching women entrepreneurs, operational challenges in converting leads to clients and typical needs of women entrepreneurs that are currently unmet due to policy-related, procedural or any other reasons. Any behavioral aspects that might lead to conscious or un-conscious bias should also be identified in this process to inform future training / gender-sensitization interventions.

From an external perspective, in the chosen sector / geography, FIs should analyze publicly available data related to the WVSE landscape, such as demographics, scale of business, typical products / services offered, integration into a broader value chain, markets served (local / national / international), and level of digitization. It would be important to also seek inputs from some of the women customers at this stage to understand their experiences, and identify NFS that can be bundled with a loan-offering.

Develop credit models

Most existing credit scoring models draw on data collected from a small number of validated sources (for example, historical financial statements, credit history and availability of collateral). Potential WVSE borrowers may not be able to supply sufficient data to be successfully evaluated by such credit models.

Based on the analysis of internal and external data, FIs could adopt a three step approach to develop an effective credit model to enable them to lend, at scale, to WVSEs in the sector / geography of interest. The first step would be to identify data sources that WVSEs will be able to provide (for example, Udyam registration, digital financial transaction history, GST filings, revenue / sourcing track record with established intermediaries / corporates, customer footfall, location attractiveness, and investment in fixed assets). The second step would be to identify mechanisms to gain access to appropriate data from potential WVSE borrowers in a fair and transparent manner. Finally, incorporating these kinds of alternate data into a robust model would require collaboration between risk, IT and marketing teams.

Design product packages

Based on the above steps, FIs can design 'product packages' that include credit offerings, protection products, savings / remittance mechanisms and NFS suited to the needs of WVSEs. These packages should be publicised and deployed through personnel specifically trained to reach WVSE in the target sector / geography. These packages need to be supported by suitably adapted branding, application process / forms, offering of associated government schemes, to be more attractive and relevant to WVSEs. The packages should also include considerations for gender-sensitive monitoring and recovery processes. Such processes may include the establishment of women-only teams to interface with WVSEs.

Sensitize branch staff to specific context of women entrepreneurs

FIs can partner with gender-experts to design a series of gender-sensitivity trainings for staff, men and women, especially those who interface directly with potential customers. Such trainings should be imparted throughout the pilot period to ensure that staff becomes aware of unconscious bias when dealing with women. FIs can adopt an approach where trainings are provided to an 'experimental branch' as opposed to a 'control branch' to understand outcomes on performance and to inform future trainings.

Partner with ecosystem intermediaries

Intermediaries play a key role in collectivizing WVSEs, enhance awareness among WVSEs and enable access to learnings / large scale interventions. Various entities have taken initiatives to provide support to WVSEs and enable them to overcome gender-specific constraints that limit women's involvement in supply chains. In the chosen sector / geography of interest, FIs can form partnerships with corporations to gain access to established WVSEs as well as gain insights into their business needs and track record. Partnerships with intermediaries that operate in the geography would aid not only in outreach and sourcing but also enable the provisioning of cost-effective NFS as the need may be.

Image: Peter Kapuscinski / World Bank

Introduction

02

Image: Peter Kapuscinski / World Bank

Key Takeaways

- There are about 15 million women-owned MSMEs in India, of which over 99.5% are micro enterprises.
- Approximately 90% of the women entrepreneurs in India have not availed finance from formal financial institutions.
- There exists a sub-segment of women-micro enterprises which has a finance demand of ticket sizes too large for microfinance institutions, and which can be an attractive market segment for other formal financial institutions. This sub-segment, termed women-owned very small enterprises (WVSEs), consists of enterprises that have a turnover between INR 10 million and INR 50 million (~ $13,600 - $68,000), employ fewer than 20 people, and have a loan eligibility between INR 200,000 and INR 1 million (~ $2,700 – $13,600).
- WVSEs in India have an aggregate credit requirement of INR 836 billion ($11.4 billion).

2.1 Background

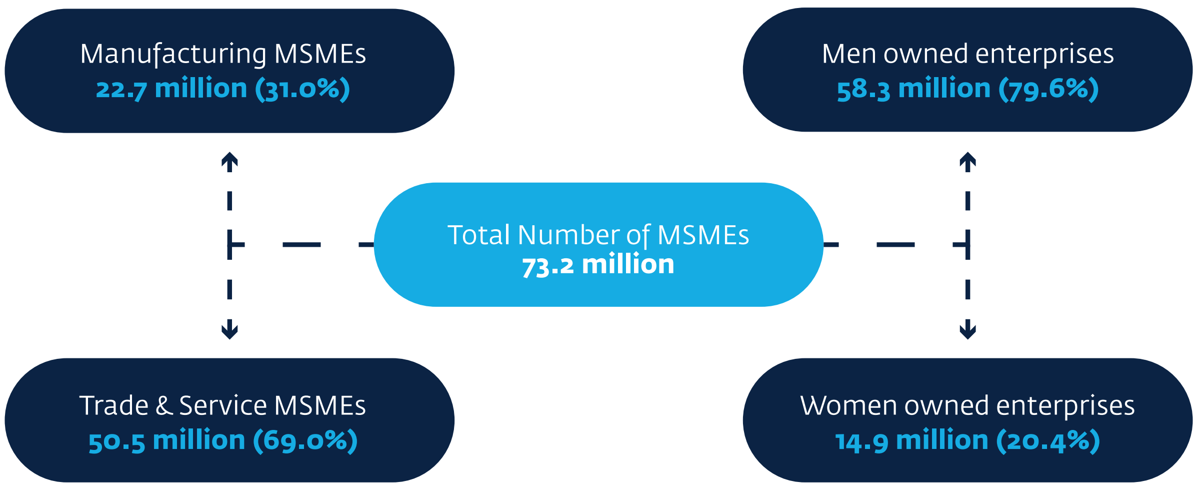
2.1.1. India's MSME sector-size and contribution

According to the Ministry of Statistics and Program Implementation of the Government of India, the micro, small and medium enterprise (MSME) sector in India consisted of 63.4 million enterprises in 2015–16.[12]

MSMEs in India are a crucial contributor to both employment and the economic output.[13] They account for 30 percent[14] of India's GDP, contribute to 49 percent[15] of India's exports and provide employment to 111 million[16] people. Applying appropriate growth rates from trends provided in the annual report of the Ministry of Micro, Small & Medium Enterprises, it is estimated that the number of MSMEs has increased to 81.3 million in 2019–20 (pre COVID-19).[17] The COVID-19 pandemic has had a significant negative impact on the sector and according to government estimates approximately 10 percent of MSMEs have shut down operations.[18] Consequently, as of August 2020, the number of operational MSMEs is estimated to be 73.2 million. Micro-enterprises account for about 99.5 percent of all MSMEs, while small and medium enterprises account for 0.52 percent and 0.01 percent respectively.[19] The Figure 1 below provides additional details about the composition of the MSME sector.

[12] Annual Report, Ministry of Micro, Small & Medium Enterprises, 2019–20
[13] Ibid
[14] Press Information Bureau, Government of India, 2020
[15] Ibid
[16] Annual Report, Ministry of Micro, Small & Medium Enterprises, 2019–20
[17] Annual Report, Ministry of Micro, Small & Medium Enterprises, 2019–20. (The number of manufacturing enterprises in the MSMEs increased at a CAGR of 6.14% from 2006–07 [as quantified in the MSME Census of 2006–07] to 2015–16. The number of services enterprises increased similarly at a CAGR of 6.56% over the same period. These growth rates were assumed to have remained constant over the subsequent years up to 2019–20.)
[18] MSMEs slowly get back on their feet, but liquidity problems, shortage of orders & labour remain, The Print, 2020
[19] Ibid

Figure 1: Broad composition of MSMEs in India in 2019–20



Source: Derived from Annual Reports of the Ministry of MSMEs, Government of India.

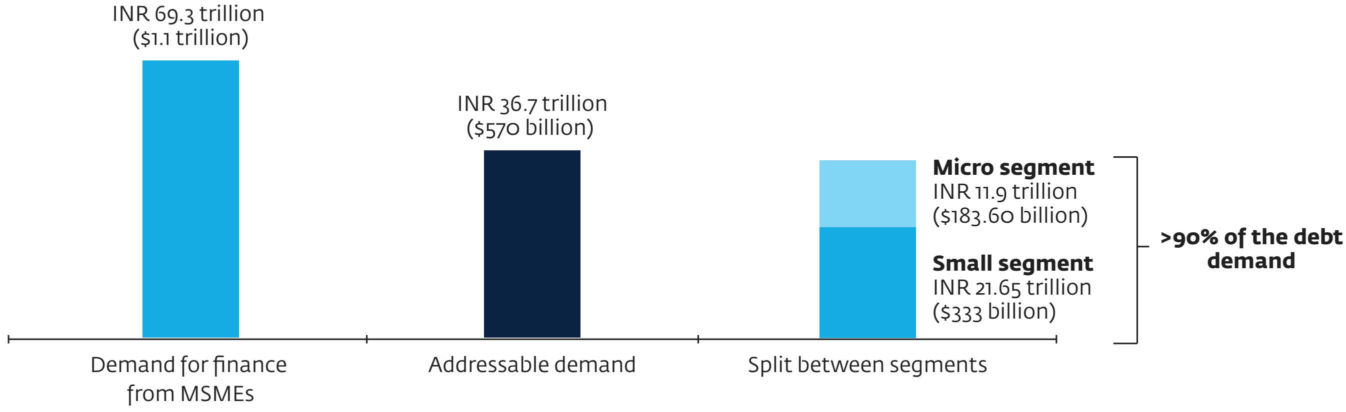
Note: The formal definitions of manufacturing, trade and services activities are provided in Annexure 3.

2.1.2. Demand and supply of debt to MSMEs

According to a 2018 IFC study on debt financing for MSMEs in India, lack of adequate and timely access to finance continues to remain the biggest challenge for enterprises, constraining their growth.[20]

The study estimates that the overall demand for finance from MSMEs is INR 69.3 trillion ($1.1 trillion), of which INR 36.7 trillion ($570 billion) is addressable debt demand.[21] Of this debt demand, the micro and small segments account for INR 11.9 trillion ($183.6 billion) and INR 21.65 trillion ($333 billion), respectively. Thus, micro and small enterprises account for 91 percent of the debt demand.

Figure 2: Demand for finance: break-up



Source: Financing India's MSMEs - Estimation of Debt Requirement of MSMEs in India, IFC, 2018

[20] Financing India's MSMEs – Estimation of Debt Requirement of MSMEs in India, IFC, 2018
[21] $1 = INR 73.5 (Average for October '20)

The study also states that formal sources cater to only 25 percent of the total MSME debt financing, with scheduled commercial banks accounting for more than three-fourth of such debt supply.[22]

Non-Banking Financial Companies (NBFCs), smaller banks such as Small Finance Banks (SFBs), Regional Rural Banks (RRBs), Urban Cooperative Banks (UCBs) and other government financial institutions constitute the rest of the formal MSME debt flow. Within the informal financial sector non-institutional sources of capital for enterprises include family and friends, while quasi institutional sources comprise of moneylenders and chit funds. Many MSMEs prefer to borrow from informal sources as they provide collateral-free loans.

The Government of India and Reserve Bank of India have taken pioneering steps over the past few years to enhance flow of credit to micro-enterprises.

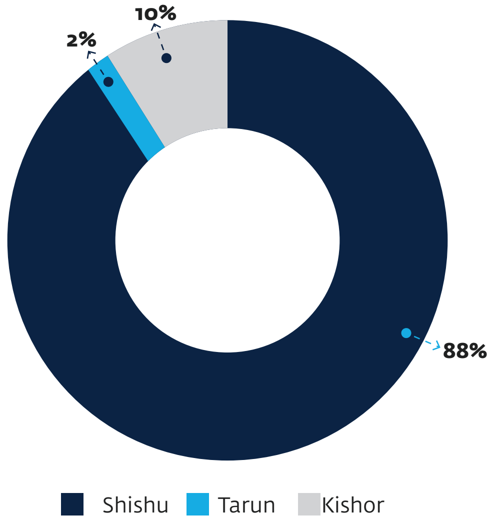
The government established the Micro Units Development & Refinance Agency Ltd (MUDRA) in 2015 as a financial body to enable more credit flow to micro and small enterprises. MUDRA has been received by the sector as a productive step forward in catalyzing access to financial resources for these enterprises. Crucially, MUDRA loans are offered without any collateral security, which make them more attractive to these enterprises.[23] The MUDRA refinance loan is categorized into three buckets depending on the growth-stage and the funding needs of the micro-enterprises, as below:[24]

Table 1: Types of MUDRA Loans

MUDRA LOAN
Shishu (loans up to INR 50,000 [$ 680])
Kishor (loans in the range of INR 50,000–500,000 [$ 680–6,800])
Tarun (loans in the range of INR 500,000–1,000,000 [$ 6,800–13,600])

Till FY 2019–20, around 62 million loan accounts have been created under MUDRA[25] with close to 90 percent of the sanctioned loans in the 'Shishu' category and less than 2 percent in the 'Tarun' category.[26] This reflects that MUDRA has focused more on ultra-micro enterprises. Also, with an objective to enhance credit flow to MSMEs, the RBI granted small finance bank (SFB) licenses to ten existing non-banking financial companies (NBFCs) in 2015.[27] However, it is significant to note that for the eight SFBs which earlier operated as NBFC-MFIs, the share of microfinance loans was still more than 80 percent of their portfolio.[28]

Figure 3: Split of MUDRA loan categories



Source: Annual Report, 2019-20, MUDRA

The past few years have witnessed the emergence of a new category of lenders who place greater emphasis on technology for disbursal/collections and use of non-traditional sources of data for credit underwriting.

These Fintech Lenders, as they are popularly called, are often organized as NBFCs. Some of the emerging offerings used by fintech lenders include invoice financing, point-of-sale (PoS) lending, and supply chain financing. According to a 2018 report commissioned by Google, India's market for digital lending is poised to grow from $110 billion in 2019 to $350 billion in 2023, with a substantial focus on MSMEs.[29] It is hoped that these entities will be instrumental in augmenting the credit flow to under-served enterprises in the future.

[22] Financing India's MSMEs – Estimation of Debt Requirement of MSMEs in India, IFC, 2018
[23] FAQ, MUDRA Website
[24] Annual Report, MUDRA, 2019–20
[25] Ibid
[26] Ibid
[27] Guidelines for Licensing of Small Finance Banks in the Private Sector, RBI, 2014
[28] Small Finance Banks Seek Equity Investment to Fund Non-MFI Portfolio, Business Standard, 2019
[29] A Wider Circle: Digital Lending and the Changing Landscape of Financial Inclusion, PwC, 2019

2.1.3. The missing middle in MSME financing

Almost 60 percent of the credit demand from micro-enterprises and 70 percent of credit demand from small enterprises is currently unmet by formal financial institutions.[30]

The mature small and medium enterprises tend to have stable cash flows, better access to collateral, qualified management and better awareness of financing options, which makes them more likely to access debt from formal financial institutions. The credit needs of micro-enterprises are currently addressed to a certain extent by microfinance institutions (MFIs). Current RBI guidelines do not allow MFIs to lend more than INR 125,000 ($1,700) to an individual as part of their 'qualifying asset' book (85 percent of the total book size of a MFI should meet the qualifying asset criteria).[31] This restricts the role of MFIs in financing the micro-enterprise whose debt demand lies beyond this threshold.

The credit requirements of larger micro-enterprises and small enterprises fall in the purview of financial institutions like scheduled commercial banks (including SFBs) and the NBFCs.

However, in providing access to credit to this segment, these financial institutions, particularly banks, have concerns on account of:[32]

- A small amount of credit requirement per enterprise, which is not commercially attractive
- Lack of sufficient, traditional credit information with these enterprises
- Inability to offer collateral
- Lack of formal accounting records
- Lack of formal registrations
- Difficulty in ascertaining cash flows and profits
- Limited market information about the opportunity from this segment, unclear channels to efficiently source potential borrowers from it.

Thus, larger enterprises in the micro-enterprise segment find it difficult to access credit – both from SFBs / commercial banks / NBFCs as well as from microfinance institutions. The resulting unmet credit demand has led to such micro enterprises and small enterprises being referred to as the "missing middle" in MSME finance, as their requirements fall between microfinance loans and larger loans offered by banks/NBFCs (see Figure 4).

Figure 4: Conceptualizing the 'Missing Middle' in MSME Finance

[30] Financing India's MSMEs – Estimation of Debt Requirement of MSMEs in India, IFC, 2018
[31] Qualifying Assets Criteria – Review of Limits, RBI, 2019
[32] State of Financial Inclusion of Micro-enterprises: Missing Middle, SIDBI and GIZ

2.1.4. Overview of access to finance gap for women owned MSMEs

According to an IFC study titled 'Financial Inclusion for Woman-owned Micro, Small & Medium Enterprises (MSMEs) in India', despite increasing recognition of women entrepreneurs' contribution to economic growth, access to finance remains a challenge for them.[33]

Despite demonstrated capabilities, women entrepreneurs face disproportionately high barriers in starting and growing their businesses, and particularly in accessing finance. The opportunity cost of this gender gap is significant for the whole economy, given that women entrepreneurs' economic impact has a multiplier effect in terms of job creation. A report commissioned by Google in 2019 mentions that investing in women entrepreneurs can result in (a) increase of direct employment by around 45–50 million people and (b) increase in the indirect and induced employment of another 80–100 million people by 2030, a multiplier of 2X.[34]

According to another IFC study 'Improving Access to Finance for Women-owned Businesses in India', lending to women-owned MSMEs as a distinct segment is still unexplored by financial institutions.[35]

There is a lack of awareness among financial institutions about the potential business opportunity in this segment. One reason for this is the lack of data or research that would help reduce the perception of risk and enable the creation of a business case to target this segment.[36] Gender-related factors, such as lack of collateral and weak property rights of women also play a part.[37] In addition, even in cases where financial institutions have created women-MSME targeted credit schemes, lack of awareness among women entrepreneurs and limited outreach by financial institutions (especially in rural areas) has resulted in limited impact.[38]

IFC's work in this area aims to:

- build awareness about opportunities in access to finance for women-owned businesses;
- demonstrate commercial viability of offering financial services to this sub-segment; and
- strengthen capacity of the financial sector, to offer targeted financial services to women entrepreneurs.

This report attempts to identify a sub-segment of women-owned micro-enterprises which would be a suitable market segment for formal financial institutions: women-owned very small enterprises (WVSEs).

This WVSEs sub-segment forms a part of the 'missing middle' (see section 2.2 below). The report (a) highlights the potential market opportunity from this sub-segment, (b) provides details on the sectors and geographies which have the presence of WVSEs, providing financial institutions a baseline of information to target this sub-segment, and (c) suggests mechanisms which financial institutions can use to reach WVSEs in an efficient and sustainable manner.

Image: Raisa Jorge / Rumi Consultancy / World Bank

[33] Financial Inclusion for Woman-owned Micro, Small & Medium Enterprises (MSMEs) in India, IFC
[34] Powering the Economy with Her: Women Entrepreneurship in India, Google and Bain & Company, 2019
[35] Improving Access to Finance for Women-owned Businesses in India, IFC, 2014
[36] Financial Inclusion for Woman-owned Micro, Small & Medium Enterprises (MSMEs) in India, IFC
[37] Ibid
[38] Ibid

2.2. Defining Women Owned Very Small Enterprises

The first endeavor of this study is to situate WVSEs in the context of the wider MSME universe, in order to enable a deeper understanding of the characteristics of their businesses. While the term 'MSME' is well accepted globally to indicate the size of an enterprise, there is significant variation in the definitions adopted. Moreover, these definitions are not designed to provide visibility into sub-segments within each category (micro / small / medium). However, such sub-segmentation is critical to define VSEs and identify those micro-enterprises that fall in the missing middle.

A definition of WVSEs, a sub-segment of microenterprises, has been arrived at keeping in mind international parallels and the specific Indian context.

Table 2: Process to define WVSEs[39]

STEPS	KEY PROCESS STEPS AND OUTCOMES
01 **Review global definitions of VSEs**	The first step involved secondary research to review the definitions of VSEs used elsewhere, from IFC and other sources, and identify the key parameters used for such definitions. This process revealed that the quantum of credit required by an enterprise and the number of employees, are typical parameters used to define VSEs.
02 **Identify overlaps with the definition of MSMEs used in India**	The recently revised definitions of micro, small and medium enterprises in India are based on the quantum of investment made in an enterprise and its turnover. The Small Industries Development Bank of India (SIDBI) provides a segmentation of micro enterprises from a loan eligibility perspective, which can be used to compare and define sub-segments of micro enterprises with the global definitions of VSEs identified above.
03 **Establish a working definition of WVSEs for this research**	Based on overlaps identified above, an appropriate definition based on three parameters was established: loan eligibility, number of employees and turnover. Turnover was included in the definition to make it comparable to the Indian definition of MSMEs and for ease of identification of VSEs for the purpose of this research.

Figure 5: Working definition of WVSEs in India

Loan Eligibility	No. of Employees	Annual Turnover
INR 200,000 - 1 Million (~$ 2,700 -$ 13,600)	< 20	INR 1 Million - INR 5 Million (~$ 13,600 -$ 68,000)

Note: Either the credit requirement or annual turnover or both to be met by an enterprise to be categorized as a WVSE, for all practical purposes of this study.

[39] Please refer to Annexure 1 for a more detailed description of the definition process

2.3. The credit opportunity from WVSEs

There exist reports that have estimated the credit demand for MSMEs in India[40] and women MSMEs in particular.[41] However, the existing estimations are for the overall MSME universe and are geared to highlight the gap in credit demand. There is no credible estimation of the credit opportunity from women micro-entrepreneurs in the missing middle. Given the focus of this research on WVSEs among the missing middle entrepreneurs, this section provides an estimation of both the number of enterprises in this segment, as well as the credit opportunity from them.

2.3.1. Estimated size of the WVSE segment and finance demand from WVSEs

2.3.1.1. Estimating the number of WVSEs

> **Applying the growth trends provided in the annual report of the Ministry of Micro, Small & Medium Enterprises, the number of MSMEs in India is estimated to be 81.3 million in 2019–20.[42]**

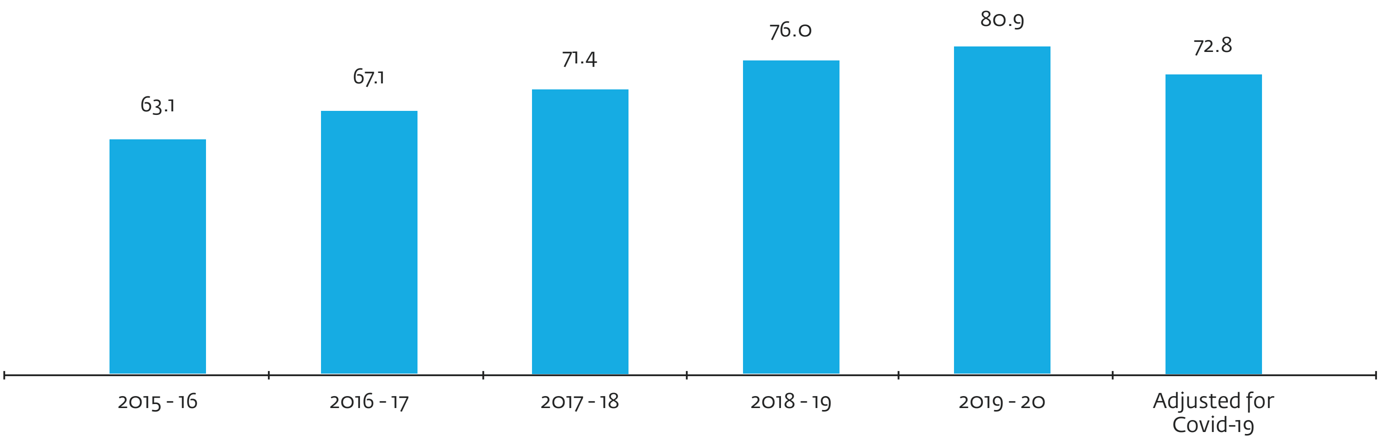
Micro-enterprises account for 99.5 percent of MSMEs, and there are an estimated 80.9 million micro enterprises in the country. However, the COVID-19 pandemic has had a significant negative impact both on the Indian economy and MSMEs. Enterprises had to face a reduction in new orders during the pandemic, and logistical constraints because lockdowns impacted deliveries, raw material procurement and labour availability. The resultant liquidity constraints forced many MSMEs to shut operations. According to a survey conducted between the 9th August and 14th August 2020 by the National Small Industries Corporation (NSIC), an agency under the Ministry of Micro, Small & Medium Enterprises, about 10 percent of MSMEs have shut down.[43]

Image: ABBAS Farzami / Rumi Consultancy / World Bank

The number of micro-enterprises as of August 2020, incorporating the impact of COVID-19, can thus be estimated to be 72.8 million enterprises (see Figure 6).

[40] Financing India's MSMEs - Estimation of Debt Requirement of MSMEs in India, IFC, 2018
[41] Financial Inclusion for Woman-Owned Micro, Small & Medium Enterprises (MSMEs) in India, IFC
[42] Annual Report, Ministry of Micro, Small & Medium Enterprises, 2019–20. (The number of manufacturing enterprises in the MSMEs increased at a CAGR of 6.14% from 2006–07 [as quantified in the MSME Census of 2006–07] to 2015–16. The number of services enterprises increased similarly at a CAGR of 6.56% over the same period. These growth rates were assumed to have remained constant over the subsequent years up to 2019–20.)
[43] MSMEs slowly get back on their feet, but liquidity problems, shortage of orders & labour remain, The Print, 2020

Figure 6: Number of micro-enterprises in India (million)



Source: Annual Report, Ministry of MSME, 2019–20; IFC – Intellecap Analysis

The Ministry of Micro, Small & Medium Enterprises estimates the share of women-owned enterprises within micro-enterprises to be 20.4 percent.

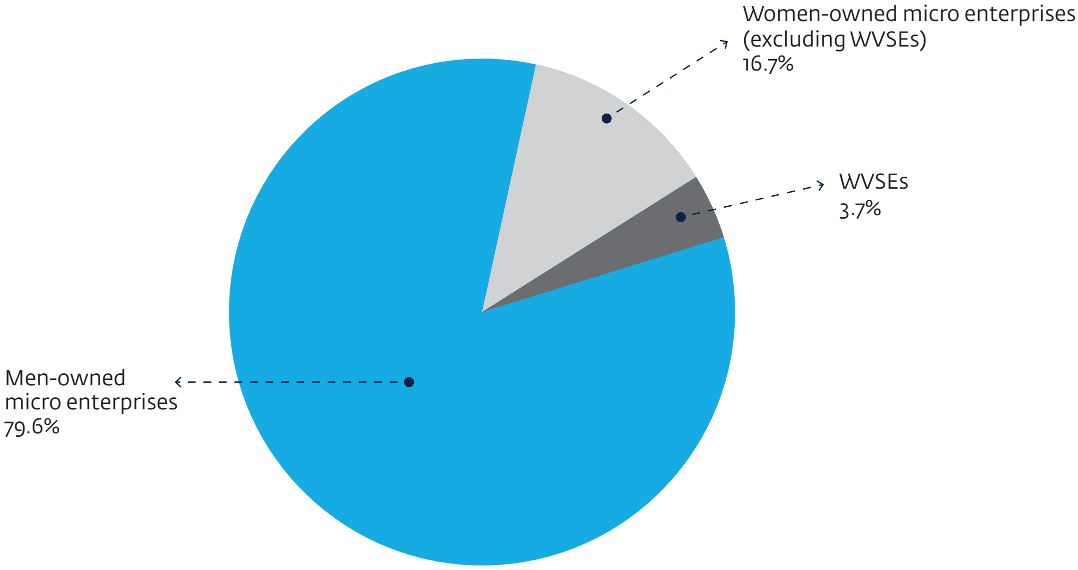
Further analysis based on the MSME Census (2006–07) and the NSS 73rd data indicates that WVSEs account for roughly 18.1 percent of the women-owned micro-enterprises, which is roughly 3.7 percent of all micro-enterprises (see Figure 7).[44]

2.3.1.2. Estimating WVSE demand for finance

A four step approach was adopted to estimate the demand for finance from WVSEs.[45]

This estimation was carried out separately for WVSEs engaged in manufacturing and those engaged in services.[46]

Figure 7: Share of WVSEs in the micro-enterprise segment



Source: Annual Report, Ministry of MSME, 2019–20; IFC-Intellecap Analysis

[44] MSME Census 2006–07 and various reports of the NSS 73rd Round (2015–16)
[45] Please refer to the Annexure 2 for detailed workings
[46] Please see Annexure 3 for more details. The definitions have been derived basis the explanatory notes published by Central Statistical Organisation (CSO), Ministry of Statistics and Program Implementation, Government of India, as part of the National Industrial Classification (NIC) Codes released in 2008.

Table 3: Process to estimate WVSE finance demand

STEPS	KEY PROCESS STEPS AND OUTCOMES
01 Estimate number of women-owned micro-enterprises engaged in manufacturing and services businesses	The first step involved the estimation of the number of manufacturing and services WVSEs within the universe of women-owned micro-enterprises. Analysis of the data reported in the 73rd NSSO Round and MSME Census of 2007 indicated that, **71.5% of women-owned micro-enterprises are manufacturing enterprises, whereas only 28.5% women-owned micro-enterprises are services enterprises.**[47] This is in contrast with the broader MSME universe in which 69% of the enterprises are engaged in services with only 31% in manufacturing[4.8].
02 Estimate the number of WVSEs within women-owned micro-enterprises	An analysis of the MSME Census suggests that 22.6% of all manufacturing-sector women-owned micro-enterprises are WVSEs and 6.9% of services-sector women-owned micro-enterprises are WVSEs. Together, WVSEs account for 18.1% of all women-owned micro-enterprises.
03 Estimate the debt demand per WVSE	In 2016, IFC had estimated the aggregate fixed asset demand and working capital demand for women-owned micro-enterprises in India.[49] In this research, the **aggregate demand was further split to estimate the average working capital and fixed assets demand per manufacturing enterprise and per services enterprise.** The average demand per WVSE for fixed assets and working capital was calculated through appropriately adjusting existing estimates[50] of the per-unit demand from women-owned micro-enterprises.
04 Estimate total finance demand from WVSEs	**The demand for finance from WVSEs was** calculated separately for manufacturing and services WVSEs, by multiplying the respective number of enterprises by the respective per unit demand. The total demand for finance from WVSEs was calculated by summing up the demand from manufacturing WVSEs and services WVSEs.

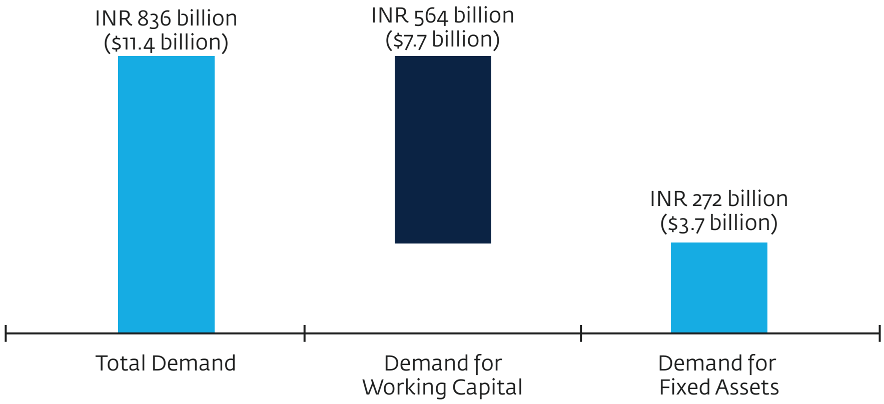
The demand for finance from the WVSE segment has been estimated to be INR 836 billion ($11.4 billion). Of this, ~32.5 percent demand is for fixed assets while the balance 67.5 percent is for working capital (see Figure 8).

This estimated demand is 29.3 percent of the demand for finance from all women-owned micro-enterprises, estimated earlier by IFC (when scaled appropriately for 2019/20). This implies that WVSEs, which make up about 18.1 percent of the women-owned micro-enterprise universe, account for 29.3 percent of the demand for finance. This indicates that WVSEs are a vast potential market that financial institutions can target.

Demand for debt from WVSEs: INR 836 billion ($11.4 billion)

[47] The share of micro-enterprises involved in the manufacturing and services activities was calculated through an analysis of various reports of the NSS 73rd Round. The numbers were validated through consultation with eminent academicians and economists who have been studying and analyzing the micro-enterprises in India.
[48] Annual Report, Ministry of Micro, Small & Medium Enterprises, 2019–20
[49] Financial Inclusion for Woman-Owned Micro, Small & Medium Enterprises (MSMEs) in India, IFC
[50] Ibid

Figure 8: Demand for finance from the WVSE segment



2.3.2. The average debt demand from a WVSE

Although there is significant variation in the characteristics of WVSEs, across sectors of operation and scale of business, a representative manufacturing WVSE having an annual turnover of INR 2.5 million ($ 34,000) has been estimated to have a finance demand of INR 0.36 million ($ 4,900). The corresponding number for a services WVSE having an annual turnover of INR 2.5 million ($ 34,000) is INR 0.26 million ($ 3,500).[51]

Image: Ghullam Abbas Farzami / World Bank

Figure 9: Indicative per-unit demand of WVSEs

Manufacturing WVSE

Representative turnover: INR 2.5 million (~$ 34,000)

Sector of operation: Textiles, apparel, handicraft, food and beverage

Demand for capital: INR 360,000 (~$ 4,900)

Need for capital: Purchase of machinery and raw material, building finished goods inventory, staff salaries, transport costs.

Service WVSE

Representative turnover: INR 2.5 million (~$ 34,000)

Sector of operation: Retail trade, beauty and personal services, eateries, education

Demand for capital: INR 260,000 (~$ 3,500)

Need for capital: Purchase of inventory/consumables, rent, expenses, staff salaries, development of premises, transport costs.

[51] Estimates based on the process described earlier in Table 4. Please refer to Annexure 1 for the detailed estimation process.

2.4. Research design and methodology

The research methodology combined a review of existing literature and analysis of sub-sectors of high WVSE concentration with in-depth qualitative interviews.

It aimed at identifying the key characteristics of WVSEs in various sub-sectors, with an objective of better understanding the specific characteristics of their businesses, their financial profile and the key challenges they face in business operations and in accessing finance. The research was divided across three phases:

Table 4: Research design phases

PHASE	OBJECTIVE
Phase I – Identification of key WVSE sectors	Identify key sectors, sub-sectors and geographies of WVSE operations
Phase II – Deep dive analysis of the shortlisted WVSE sectors	Gain perspectives on the operations / challenges of WVSEs in the identified sectors
Phase III – Identifying opportunities and critical success factors	Structural analysis and deriving insights across each cluster

2.4.1. Phase I – Identification of key WVSE sectors and their geographies of operations

A four-step process was adopted to identify key sectors, sub-sectors and geographies of WVSE operations.

Figure 10: Identification of key WVSE sectors and geographies

IDENTIFICATION OF SECTORS WITH HIGH CONCENTRATION OF WOMEN ENTREPRENEURS	IDENTIFICATION OF 'CLUSTERS' WITHIN THESE SECTORS	SECONDARY AND PRIMARY RESEARCH TO SHORTLIST CLUSTERS	FINALIZATION OF CLUSTERS FOR RESEARCH
• Secondary research and literature review • Identification of manufacturing sectors with high proportion of women micro-enterprises • Identification of services sectors with high proportion of women micro-enterprises	• Identification of geographical clusters on WVSE activity in manufacturing sectors • Creation of long list of sector-cluster combinations	• Assessment of WVSE activity in sector-cluster combinations through secondary research • Tele-primaries to obtain more granular information • Initial shortlist of clusters for further finalization	• Analysis of clusters through a selection framework comprising of multiple parameters • Scoring and prioritizing final clusters for research

2.4.1.1. Step 1 – Identification of sectors with high concentration of women-owned micro-enterprises

The research initially analyzed the composition of women-owned micro-enterprises in various sectors through an extensive review of a diverse set of relevant authoritative quantitative sources, such as the Sixth Economic Census (2013–14), Fourth MSME Census (2006–07), Fourth Handlooms Census (2019), data from the Scheme of Fund for Regeneration of Traditional Industries (SFURTI) and from the Ministry of Textiles and the Ministry of Food Processing Industries. The information thus gathered was vetted and cross-referenced with recent publications, such as reports by GIZ[52] and GAME[53], among others, and news articles. Key findings were validated through interactions with multiple experts from academia, as well as from the members of the expert advisory group that guided the NSS 73rd Round survey. Through extensive database analysis and literature review, it was observed that the top 10 sectors account for 90 percent of the women-owned micro-enterprises. (See Chapter 3 for a list of these 10 sectors.)

2.4.1.2. Step 2 – Identification of a long-list of clusters and geographical areas of operations within the sectors

After identification of sectors with a concentration of women-owned micro-enterprises, the research focused on identifying the specific geographical locations where women-owned micro-enterprises in these sectors operate. Given the significant difference in the nature of manufacturing and services activities, this analysis was carried out separately for both.

For the manufacturing enterprises, clusters were identified across the country through various government and private industry databases, as well as conversations with the intermediaries. This process yielded a long-list of almost 40 manufacturing clusters.

The services enterprises are dispersed across the country, as they directly serve end-customers. These enterprises do not lend themselves to clustering and are concentrated in the urban areas due given their large population. The sectors constituting services enterprises exhibit wide variety, such as community, social and personal services (such as beauty parlors, salons, document agents), educational services (such as pre-schools and tuition classes), financial services (such as financial planning, accounting services), and wholesale and retail trading (such as kirana shops, jewellery and clothes stores) Given this variety the research identified 5 specific sub-sectors which have high WVSE activity for further research.

2.4.1.3. Step 3 - Secondary and primary research to shortlist top clusters

A deeper analysis was performed to understand the presence of women-owned micro-enterprises and alignment with WVSE parameters. The evaluation was carried out primarily for the manufacturing activity clusters; by analyzing publicly available cluster-related quantitative and qualitative information, and through discussions with key sectoral intermediaries (government/DIC officers, lead bankers, trusted intermediaries, and local cooperatives). This evaluation resulted in the shortlisting of 10 manufacturing clusters.

2.4.1.4. Step 4 – Selecting clusters for deep-dive

A cluster selection framework was created for the shortlisting of the final list of manufacturing clusters. Ten clusters were analyzed on the basis of the framework to identify clusters for a deep dive in Phase II. Although service enterprises were found to be concentrated in urban areas, semi-urban geographies from across the country were also included to ensure a diverse coverage.

52 Women-led Micro Entrepreneurship: An Analysis of Value Chains and Opportunities, GIZ, 2020
53 Unlocking Entrepreneurship Opportunities for Women, Facebook and GAME, 2019

2.4.2. Phase II – Deep dive analysis of the shortlisted WVSE sectors

This phase of the research focused on conducting detailed discussions with WVSEs, corporations, and ecosystem intermediaries that work with women entrepreneurs; and financial institutions such as banks, SFBs, UCBs and NBFCs.

Customized interview guides were created to steer these discussions.

In-depth semi-structured interviews were carried out with 90 WVSEs across the shortlisted sectors and clusters.

The enterprises were sourced from multiple channels such as women entrepreneurship associations, suppliers to corporations, and from members of cooperatives. The interactions sought to understand typical business characteristics of WVSEs and entrepreneurs' experience/needs across four broad themes: i) social infrastructure and business related challenges, ii) access to finance, iii) needs and availability of non-financial services, and iv) regulatory and compliance. The interactions were aimed at curating detailed profiles of WVSEs that would enable financial institutions to gain a better understanding of the nature of these businesses and their credit needs.

Key informant interviews were held with 12 ecosystem stakeholders (corporations and intermediaries) who are active in supporting WVSEs in the shortlisted sectors and/or clusters.

The objective of these discussions was to understand the landscape of women entrepreneurs they engage with and provide support/market linkages to. These stakeholders provided insights into their models of engagement with the WVSEs, type of support provided, typical financing needs of enterprises, sources of finance and critical factors in enabling access to finance for WVSEs.

Key informant interviews were conducted with 6 financial institutions (a large private bank, SFBs, a cooperative bank and a large NBFC) to understand their perspective on lending to WVSEs and specifically in the ticket size needed by WVSEs.

The interactions with financial institutions tried to assess their existing processes to target women entrepreneurs, their willingness to customize products to address WVSE needs, and to design innovative outreach to WVSEs and understand associated challenges. The discussions also covered the target business segments within MSMEs, geographical focus areas, sourcing methodology, lending ticket sizes and gender composition of the institutions' portfolios.

2.4.3. Phase III – Identifying opportunities and critical success factors

The final phase of this research was focused on structural analysis and deriving insights across each cluster.

This phase analyzed the data and interview insights to identify gaps that exist in supply of finance to WVSEs. The analysis also provides an overview of typical WVSE profiles in each sub-sector and highlights various business aspects, especially the need for capital and the sources thereof. Because each sub-sector has a distinct business cycle, customer base, geographic prevalence, this report also identifies the critical success factors needed for a financial institution to evaluate the WVSEs from a sub-sector lens.

Table 5: Split of interviews conducted

STAKEHOLDER INTERVIEWS WITH	NUMBER OF INTERVIEWS
WVSEs	90
Ecosystem stakeholders (Intermediaries and corporations)	12
Financial institutions (private bank, SFB, cooperative bank, NBFC)	6

2.5. Report structure

Chapter 3 of the report provides a detailed description of the various WVSE clusters/geographies identified in the research. It also provides a break-up of the overall WVSEs across various sectors.

Chapter 4 is focused on WVSEs and provides sectoral characteristics and indicative WVSEs profiles in each of the sectors, shortlisted for this research. The chapter also provides a summary of the details gathered from interviews with WVSEs and provides insights on business specifics, socio-cultural context in which WVSEs operate, business related challenges, level of awareness of financial products / services and challenges faced by WVSEs in accessing finance.

Chapter 5 of the report is focused on corporations and ecosystem intermediaries and is devoted to findings from the interviews with them. These include perspectives on financial and non-financial needs of WVSEs, experience in partnering with WVSEs and recommendations on potential interventions that could enable WVSEs to scale.

Chapter 6 classifies WVSEs across all sectors, on the basis of a few important behavioral and attitudinal dimensions, into three personas. These personas reveal the financial needs, challenges and support sought by the various WVSE entrepreneurs.

Chapter 7 of the report is focused on presenting the perspective of the financial institutions in addressing the WVSE segment. The chapter also builds on the insights presented in Chapters 4 and 5 to provide recommendations to financial institutions to tap into the opportunity provided by WVSEs.

Annexure 1 details the methodology that was adopted for arriving at the working definition of WVSEs

Annexure 2 details the methodology that was adopted for arriving at the debt finance demand in the WVSE segment. It thus can be read as an addendum to Chapter 2, section 2.3.

Annexure 3 provides the official definition of manufacturing, trade and services activity, as per the Government of India. The annexure further provides the definitions of the various sectors that have been profiled in this report, as sectors with high presence of WVSEs.

Annexure 4 provides the sector-wise number of women-owned micro-enterprises across the manufacturing, trade and services activity in India, as per the latest official sources put out by the Government of India. This annexure can thus be read as an addendum to Chapter 3, sub-section 3.1.1.

Annexure 5 provides an estimate of the sector-wise demand from WVSEs.

Women-owned Very Small Enterprises - what sectors do they operate in and where are they located?

03

Image: Peter Kapuscinski / World Bank

Key Takeaways

- A vast majority of women-owned micro-enterprises (71.5%) are engaged in manufacturing and the rest in services and trading sectors.
- Women-owned micro-entrepreneurs are concentrated in ten sub-sectors of manufacturing, services and trading sectors. These ten sub-sectors account for over 90% of the women-owned micro-enterprises.
- There are an estimated 2.7 million women-owned very small enterprises (WVSEs) in India.

Existing gender-disaggregated data about micro-enterprises in India can be used as a proxy to understand the landscape of WVSEs in the country.

There is no existing analysis of 'WVSEs' as a sub-segment of micro-enterprises. However, there is significant government data available on the spread of micro-enterprises, by geography, by sector, and by gender. This gender-disaggregated data is reported in the annual reports of the Ministry of MSME and the reports of the National Sample Survey Office (NSSO), of which the 73rd round of 2015-16 are the most recent and relevant.

This report uses the data for micro-enterprises as a proxy to identify and locate WVSEs in the country, and identifies specific sub-sectors and clusters where these enterprises operate. The purpose of such an exercise is to identify sub-sectors of WVSEs that can potentially be targeted by capital providers as viable market segments. This chapter provides an insight into the WVSEs and details the various WVSE sub-sectors with associated clusters / geographies.

3.1. Understanding the landscape

3.1.1. Sectors of operations

A vast majority of women-owned micro-enterprises operate in the manufacturing sector.

Women-owned micro-enterprises account for 20.4 percent of all micro-enterprises in the country[54]; and there are 14.9 million such women-owned micro-enterprises in India. The 73rd NSSO survey data provides the share of women-owned enterprises within various manufacturing, trading and services sub-sectors. The vast majority of women-owned micro-enterprises in manufacturing[55] is in sharp contrast with the sectoral dispersion of the overall micro-enterprise universe, in which most enterprises are in the services sector. The research team validated the contrasting findings by interacting with experts from academia and from the expert advisory group that guided the NSSO survey.

The experts emphasized that women micro-entrepreneurs typically operate businesses from their home, because they are expected to devote time to fulfill domestic tasks. Consequently, they prefer to be involved in various types of manufacturing activities that allow them to be flexible in the time that they allocate to the business.

Women micro-entrepreneurs are concentrated in ten sub-sectors, which account for over 90 percent of the women-owned micro-enterprises.

Table 6: Top 10 sub-sectors of operation of women-owned micro-enterprises

S. NO.	NAME OF SECTOR	ACTIVITY	SHARE OF ENTERPRISES
01	Manufacture of wearing apparel	Manufacturing	26.4%
02	Manufacture of tobacco products	Manufacturing	22.6%
03	Retail trade	Trading	15.7%
04	Manufacture of textiles	Manufacturing	10.8%
05	Community, social and personal services	Services	4.5%
06	Educational services	Services	3.8%
07	Manufacture of food products	Manufacturing	2.6%
08	Other manufacturing (including jewellery and bijouterie)	Manufacturing	2.6%
09	Manufacture of wood products	Manufacturing	2.2%
10	Food service activities (eateries)	Services	2.1%
Total			**93.3%**

Source: The NSS 73rd Round: Economic Characteristics of Non-agricultural Unincorporated Enterprises in India, 2018. Note: Handlooms and handicrafts are included in the above. Other manufacturing includes manufacturing of jewellery and bijouterie.

[54] Annual Report, Ministry of Micro, Small & Medium Enterprises, 2019–20
[55] It is to be noted that manufacturing enterprises account for only 31 percent of all micro enterprises (men-owned + women-owned), however, within the women-owned micro-enterprise universe, 71.5 percent enterprises are manufacturing enterprises. This peculiarity can be attributed to women entrepreneurs dominating manufacturing sub-sectors such as manufac-
turing of textile, apparel and tobacco, through home-based enterprises. Please see Annexures for definitions of manufacturing, trading and services. The research team vetted this conclusion through interactions with multiple sector experts.

There is an overlap in the geographies of operation of many women-owned micro-enterprise activities.

Secondary research indicates that manufacturing activities that are allied to each other are often 'clustered' together in specific geographies. In order to identify such geographies where women-owned micro-enterprises, and by extension, WVSEs, will be located, a few sub-sectors from the above list were consolidated into one category. For instance,

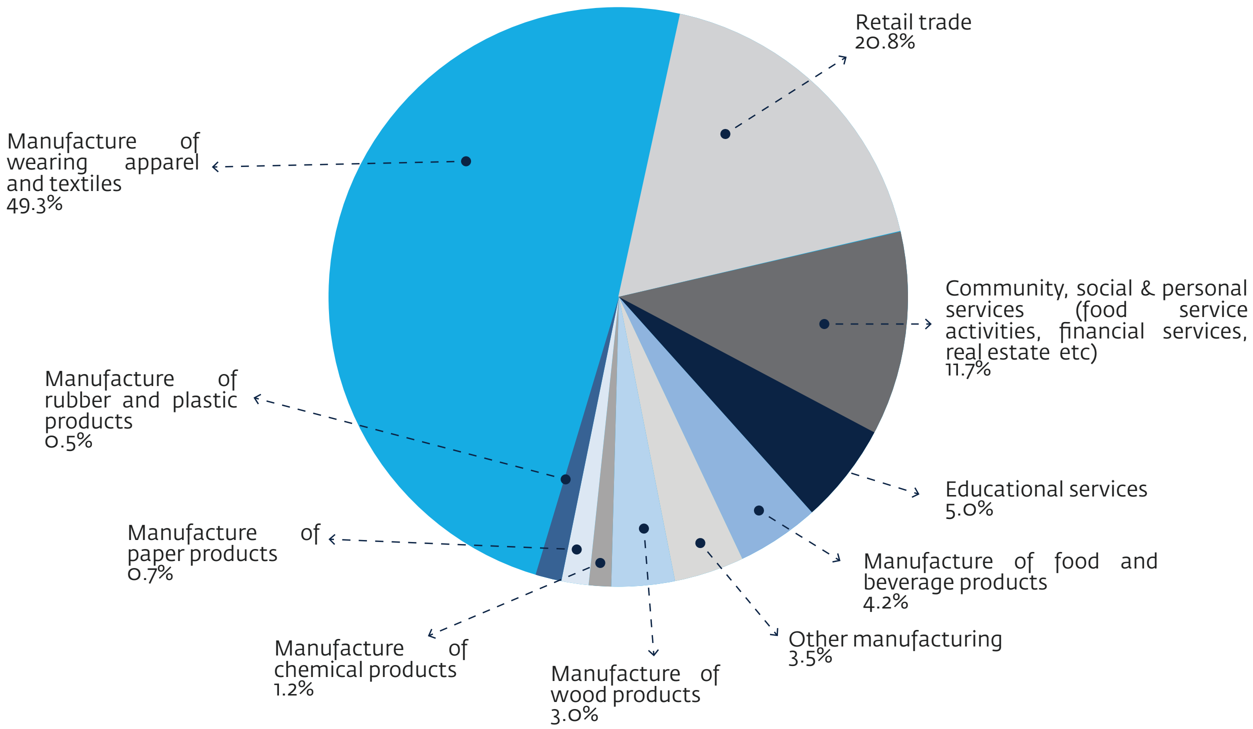
1. 'Manufacture of wearing apparel' and 'manufacture of textiles' were consolidated into one category as the clusters for these sectors are overlapping.

2. Services sectors of 'community, social & personal services', 'financial services', 'beauty salon' and 'food service activities' were consolidated as they operate in urban agglomerations.

3. 'Manufacture of tobacco products' was dropped from the analysis as secondary research suggests that most enterprises in this sub-sector are involved in contract manufacturing at a smaller scale than defined for WVSEs.

Further, in order to ensure that sub-sectors identified covered over 95 percent of the women-owned micro-enterprises universe in India (after the exclusion of tobacco manufacturing sub-sector), a few additional sub-sectors were included for the landscape analysis. Figure 11 shows the list created through this process and the share of women-owned micro-enterprises engaged in them.

Figure 11: Top 10 sub-sectors of operation of women-owned micro-enterprises, after consolidations and exclusions



3.1.2. Geographic clusters of operations

3.1.2.1. Manufacturing clusters

Manufacturing enterprises often exist in 'clusters' because of reasons such as presence of specific skill sets and traditional domination of certain trades in certain geographies, historically developed supply chains and/or government programs.

Some of these clusters include the textile cluster in Tiruppur and adjoining districts[56], the knitwear cluster in Ludhiana, wood-products cluster in Channapatna and the brassware cluster in Moradabad. The research identified a long-list of manufacturing clusters where micro-enterprises, and by extension WVSEs, are located, by carrying out research of available data from various government sources.[57]

Table 7: Long-list of relevant manufacturing clusters

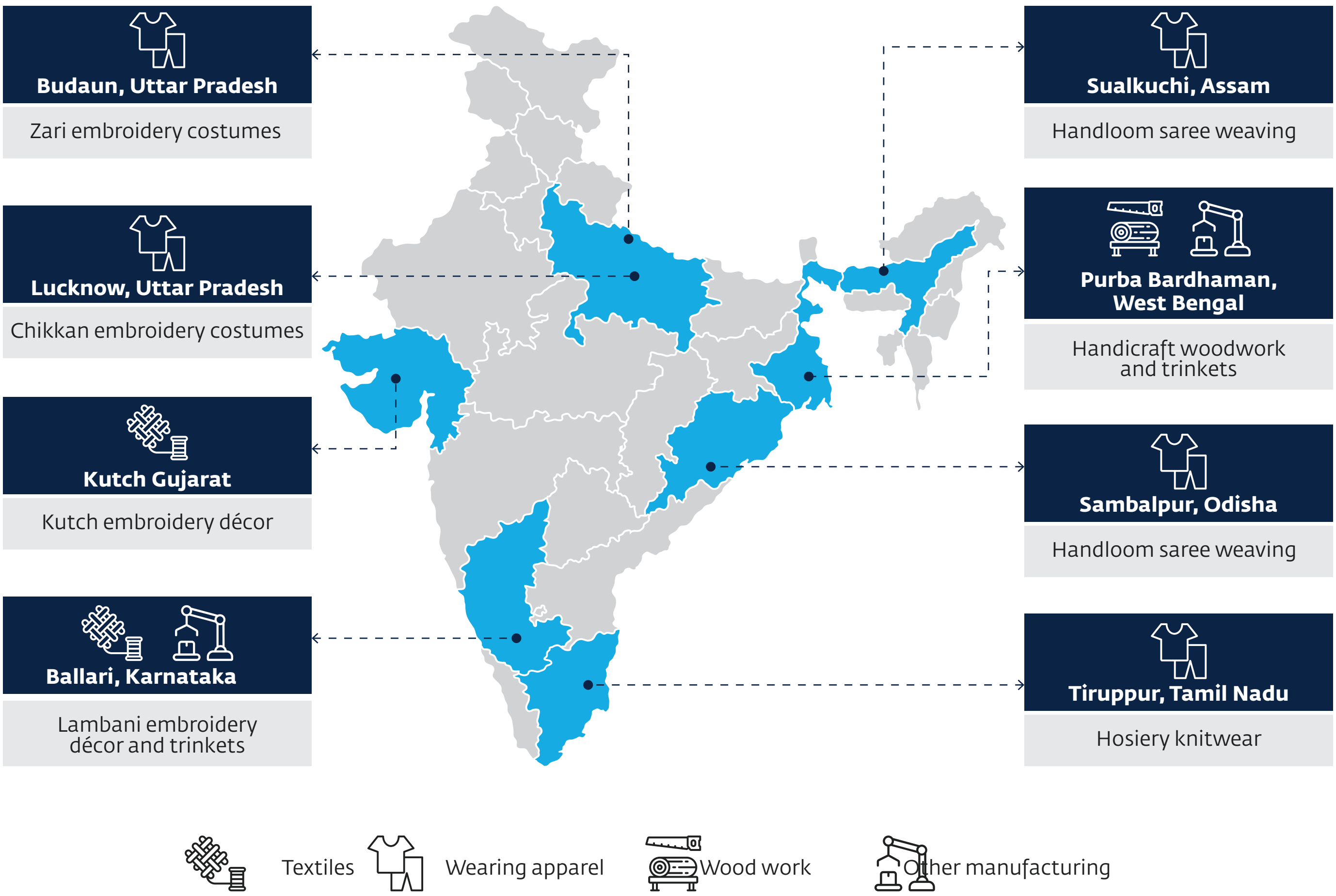
TEXTILES (INCLUDING WEARING APPAREL)	FOOD & BEVERAGE PRODUCTS	CHEMICAL PRODUCTS
Ballari, Karnataka	Fazilka, Punjab	Ankleshwar, Gujarat
Belgaum, Karnataka	Malda, West Bengal	Baddi, Himachal Pradesh
Bhagalpur, Bihar	**OTHER MANUFACTURING**	Kendrapara, Odisha
Budaun, Uttar Pradesh		Purba Bardhaman, West Bengal
Gadwal, Telangana		Sivakasi, Tamil Nadu
Guntur, Andhra Pradesh	Ballari, Karnataka	**PAPER PRODUCTS**
Ichalkaranji, Maharashtra	Munger, Bihar	
Kollam, Kerala	Purba Bardhaman, West Bengal	
Kutch, Gujarat	Udaipur, Rajasthan	Ahmedabad, Gujarat
Lucknow, Uttar Pradesh	**WOOD PRODUCTS**	Parwanoo, Himachal
Panipat, Haryana		Sivakasi, Tamil Nadu
Sambalpur, Odisha		**RUBBER & PLASTIC PRODUCTS**
Sualkuchi, Assam	Channapatna, Karnataka	
Tiruppur, Tamil Nadu	Malappuram, Tamil Nadu	
Tuticorin, Tamil Nadu	Munger, Bihar	Balasore, Odisha
Udaipur, Rajasthan	Mysore, Karnataka	Haldia, West Bengal
West Godavari, Andhra Pradesh	Purba Bardhaman, West Bengal	Sanand, Gujarat

[56] Adjoining districts comprising of Coimbatore, Namakkal, Salem and Karur constitute the heart of TN's textile belt
[57] The research included an extensive review of a diverse set of relevant authoritative quantitative sources such as the Sixth Economic Census, MSME Census, Handlooms Census, data from the Scheme of Fund for Regeneration of Traditional Industries (SFURTI) and from the Ministry of Textiles and Food Processing Industries. The information thus gathered was vetted and cross referenced with recent qualitative publications such as sector reports, landscape research and news articles.

The number of women-owned enterprises in these clusters, however, varies.

The research team depended on interactions with sector-experts, non-governmental organizations that work with women entrepreneurs, industry associations, and lead bankers to validate the presence of women entrepreneurs and specifically WVSEs in each cluster. The intent of this process was to identify clusters that are most relevant for further research and may be potential target markets for financial institutions. The presence of supporting ecosystems in the clusters was also assessed apart from the presence of WVSEs, given that such ecosystems and associated intermediaries (such as organizations that provide skills-training, business support and social support to women) can be potential partners for financial institutions. Based on this assessment, the following manufacturing clusters were identified as high potential geographies for further shortlisting.[58]

Figure 12: Manufacturing clusters shortlisted for potential deep-dive research



3.1.2.2. Trade and services sectors

Enterprises in the trade and services sectors are dispersed across the country, as they directly serve end-customers.

As the demand for services is directly correlated to population, large urban and semi urban agglomerations can be considered as quasi-clusters for the sector. The trade and services sectors exhibit a wide variety in the nature of businesses, with those offering various services such as community, social and personal services, beauty salons, pre-schools, financial services and trading services. Given this variety, it was important to identify specific activities of high WVSE concentration for further research. The following activities were identified through secondary research.

[58] For instance, Ankleshwar, Baddi, Panipat and Ichalkaranji were eliminated because of a low concentration of women-owned enterprises; Bhagalpur, Munger, Fazilka and Udaipur were eliminated as those clusters have women-owned enterprises smaller in scale than WVSEs, and Belgaum and Badaun were eliminated as there weren't strong support ecosystems in these clusters.

Table 8: Trade and services activities

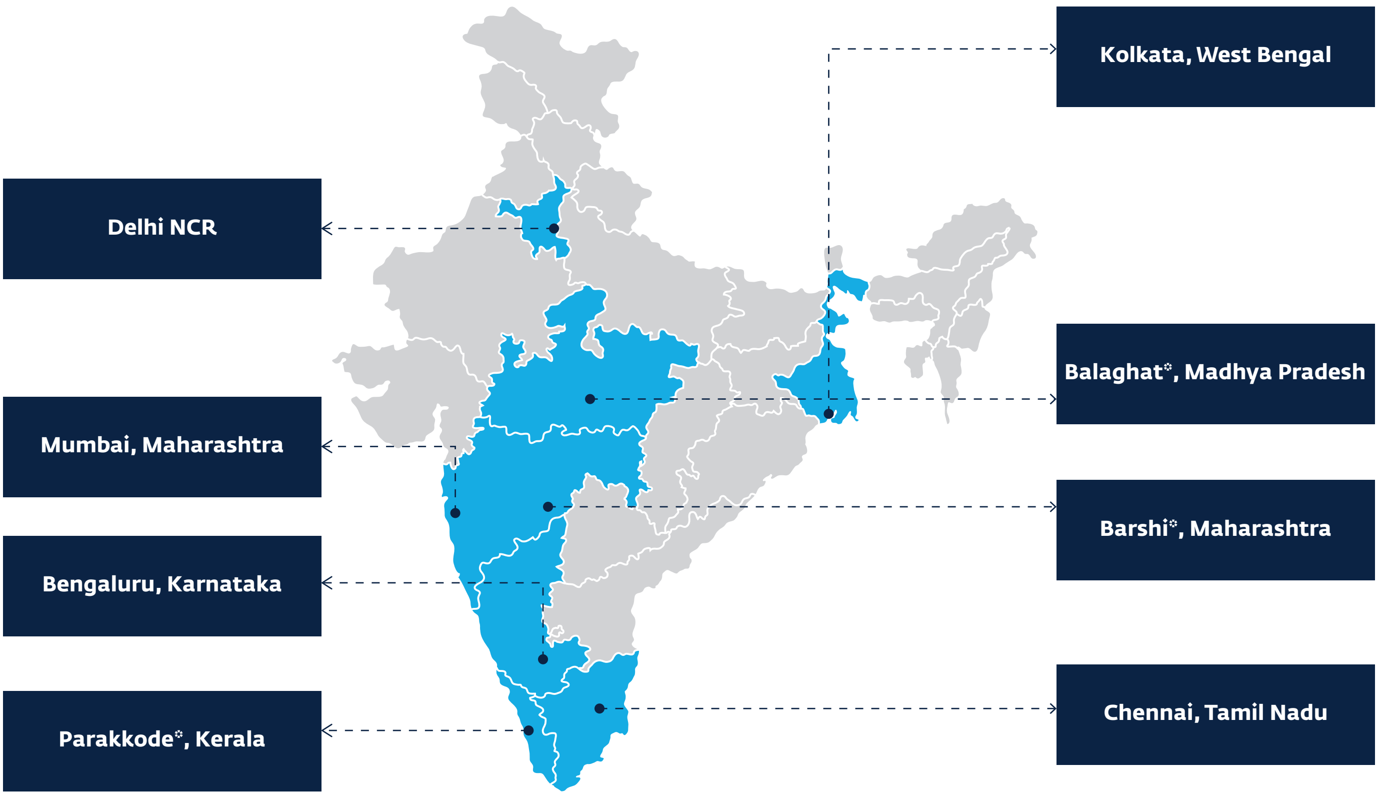
TRADE AND SERVICES ACTIVITIES	
Food and grocery retail 01	• Accounts for 65% of the overall retail market in India[59] • Had a market size of $795 billion as per a 2017 estimate by Deloitte • Dominated by small enterprises – independent kirana stores, and it is estimated that there are over 12 million such stores in India[60]
Jewellery and accessories retail 02	• Accounts for roughly 7% of the overall retail market of $795 billion in India • Includes more than 2.5 million retailers, a vast majority of whom are family-run businesses in the unorganized sector[61] • Women entrepreneurs are active in this segment, through both online and offline channels
Beauty parlors and salons 03	• Includes beauty parlours, hairdressing services and other allied services, provided at dedicated commercial outlets or through at-home services • There are 6-7 million salons in India, with women contributing to more than 85% of the total industry revenues, driven by activities in large cities
Food and beverage services (eateries) 04	• This sector consists of restaurants, eateries, food carts, cafes, bakeries and home kitchens • The market size of food and beverage (F&B) services sector in 2020 is more than $71 billion[62] • There are over 300,000 women-owned micro enterprises in the food services sector in India, and an additional ~500,000 women-micro enterprises involved in the food and beverage manufacturing sub-sector[63]
Educational services 05	• Estimated to have a market size of over $150 billion[64] • Consists of day-care centres, pre-schools, schools, after-school coaching and vocational education centres • There are about 500,000 women-owned micro-enterprises in the education sector, accounting for approximately 36% of all educational micro-enterprises in India[65] • Women dominate the pre-school segment in India, which includes stand alone pre-schools and organized pre-school chains which run on a franchisee model

Apart from urban agglomerations, services-sector enterprises are also located in large numbers in semi-urban geographies where ecosystem enablers deliver a range of support services to women entrepreneurs. These ecosystem enablers include Kudumbshree in Parakkode (Kerala), Sarva Shikshan Prayog in Barshi (Maharashtra) and Udyogini in Balaghat (Madhya Pradesh). Given the limited scope of this study, a representative mix of large and small cities such as Mumbai, Delhi, Pune and Indore were selected for primary research in addition to the representative semi-urban locations mentioned above.

Image: Peter Kapuscinski / World Bank

[59] Unravelling the Indian Consumer, Deloitte & Retailers Association of India
[60] Kirana Stores Find it Hard to Pay for Stock, Times of India, March 2020
[61] Indian Gems and Jewellery Industry Report, India Brand Equity Foundation, 2020
[62] Opportunity India – Transforming Food Retail through Innovation, India Food Forum, 2020
[63] According to the reports of the 73rd NSSO round, which provide the number of total micro-enterprises in the sub-sector, and the share of women-owned enterprises within it. Numbers appropriately scaled to 2020.
[64] Education Technology – India Market Insights, Technopak, 2019
[65] Economic Characteristics of Unincorporated Non-Agricultural (Excluding Construction) in India, NSS 73rd Round, 2018

Figure 13: Services clusters shortlisted for potential deep-dive research



** Balaghat, Barshi and Parakkode are geographical clusters where ecosystem enablers have organized women entrepreneurs to deliver a range of services*

3.1.3. Shortlisting key clusters for further research

The final step of the landscape assessment involved development of a cluster selection framework and using it to identify clusters for deep-dive research.

The framework assessed the clusters on the size of the credit opportunity, market potential, presence of financial institutions in the cluster and presence of non-financial support systems. Each cluster was scored on the nine parameters and these scores were weighted in accordance to the relevance of the parameter for this research. The nine parameters were:

1. **Number of WVSEs in the cluster** provided an indication of the more immediate opportunity for financial institutions, relevant to this study.

2. **Overall number of enterprises in the cluster** provided an indication of the notional size of the opportunity for financial institutions from it, beyond WVSEs

3. **Type of aggregation seen in the cluster** provided an indication of the level of organization in the cluster, such as presence of SHGs, producer groups, and collectives which could be relevant structures for financial institutions to source information and leads

4. **Registration status of enterprises in the cluster** indicated the level of formalization of WVSEs in the cluster

5. **Size of typical capital requirement of enterprises in the cluster** indicated the average demand for capital from WVSEs in the cluster

6. **Potential for a financial institution to differentiate itself in the cluster** indicated the level of penetration of financial institutions – microfinance institutions, banks and NBFCs – in the cluster

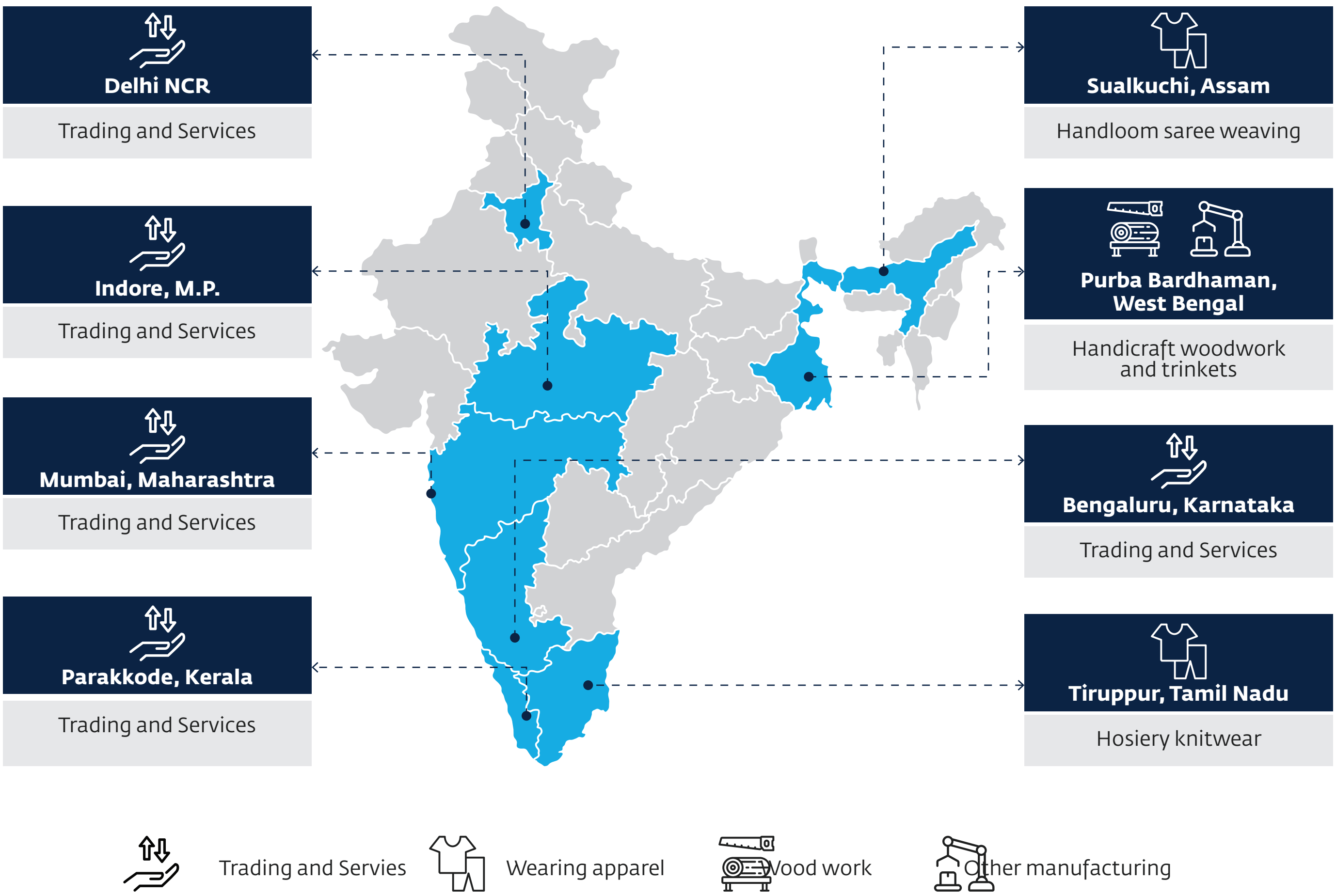
7. **Market potential for WVSEs** indicated whether WVSEs in the cluster catered to local, national or international markets and the notional opportunity thereof

8. **Extent of sale through e-commerce by enterprises in the cluster** indicated diversity in the sales channels used by WVSEs and the notional ability of enterprises to continue operations in the COVID-19 scenario

9. **Existence of cluster-level interventions** provided an indication of the level of support already available to WVSEs in the cluster, which can be amplified through the supply of credit by financial institutions.

The manufacturing clusters were ranked on these parameters, based on relevant data captured from secondary and primary research. For the services clusters, a broader geographic spread was preferred to ensure diversity in types of WVSEs profiled. Using this process, a final list of 8 clusters was identified, as shown in Figure 14.

Figure 14: Final list of sub-sectors and clusters for deep-dive research



Note that trading and services clusters are indicative. Other Tier 1 and Tier 2 cities were also included.

3.1.4. Outreach and primary research

The research team interacted with 90 WVSEs across these clusters with an objective to understand their background, growth aspirations, non-financial support needs, nature of business, key success factors, impact of COVID-19, quantum of credit demand and challenges faced in accessing finance.

With a focus on access to finance, the team strived to understand the barriers faced by the WVSEs because of socio-cultural factors including biases from financial institutions and from suppliers, buyers and the entrepreneurs' families. The intent was to understand the factors that drive WVSEs to choose certain sources of capital over others, in order to uncover aspects that formal financial institutions need to be aware of when targeting this segment.

Table 9: Outreach and primary research

S. NO.	NAME OF SECTOR	CLUSTERS	NO. OF RESPONDENTS
01	Manufacture of textiles (including wearing apparel)	Tiruppur and Sualkuchi	20
02	Manufacture of wood products	Purba Bardhaman	10
03	Retail trade – food and grocery	Mumbai	20
04	Retail trade – jewellery and accessories	Delhi, Bangalore	10
05	Miscellaneous services – beauty salons and services	Pune	10
06	Miscellaneous services – food and beverage services (eateries)	Indore	10
07	Educational services - preschools	Hyderabad	10
Total			**90**

Note that trading and services clusters are indicative. Other Tier 1 and Tier 2 cities were also included.

Multiple financial institutions, corporations and sector experts/intermediaries relevant to these activities and clusters were also interviewed.

The objective of these interviews was to understand the perception of these stakeholders about doing business with WVSEs, the unique needs of WVSEs, barriers in providing non-financial services to WVSEs and challenges in providing financial support to WVSEs.

While the aggregate findings of this primary research are provided in subsequent chapters, the next chapter provides an overview of WVSE activities shortlisted.

Role played by WVSEs in different sectors and indicative profile of typical WVSE in each sector

04

4.1. Manufacturing of Textiles

Textile manufacturing is one of the largest manufacturing sectors in the country, contributing more than $140 billion to India's $3 trillion economy.[66]

The sector is the largest employer outside of agriculture and provides direct employment to approximately 45 million people.[67] The sector is highly diversified in terms of the means of production and covers the entire gamut ranging from handlooms to power looms to knitting machines to industrial mills. Enterprises in the sector manufacture various items such as fabrics, wearing apparel, hosiery products, home décor items and technical textiles from both natural and man-made fibers.

Image: Peter Kapuscinski / World Bank

Figure 15: Key characteristics of the textile sector (2020)

Market Size (domestic and export)	Contribution to GDP	Employment in Sector
~$ 140 billion	~4%	~45 million

Women are key contributors in the manufacturing of textiles, both as entrepreneurs and workers.

The sector dominates the women-owned micro-enterprise landscape in the country — over 35 percent of the roughly 15 million women-owned micro-enterprises in the country are involved in manufacturing of textiles.[68] In terms of employment, women constitute about 50 percent of the workforce in the textile sector.[69]

- 15 million women micro-entrepreneurs involved
- 2 million independent women weavers
- Sector accounts for over 70% of the overall WVSE demand for capital.

[66] Textiles Brochure, Invest India, 2020
[67] Ibid
[68] Economic Characteristics of Unincorporated Non-Agricultural (Excluding Construction) in India, NSS 73rd Round, 2018
[69] Swami, Meenakshi S and Padma, Stanzin, Women in the Informal/Unincorporated Textile Sector of India: Gendered Relationship between Proprietorship, Employment and Types of Enterprises across States (March 3, 2015). Available at SSRN: https://ssrn.com/abstract=2813632 or http://dx.doi.org/10.2139/ssrn.2813632

4.1.1. Value chain and types of enterprises in the sector

The textile value chain is heavily influenced by retailers, who design the end product as per design trends that are likely to be popular in the market.[70]

Retailers determine specifications of the product in terms of the quality and decide the overall pricing. Design inputs play a key role in ensuring that the output of the enterprises is in line with market requirements, as in many cases the design trends are transient and seasonal. The design inputs flow down the value chain to garment manufacturers and from them further down to manufacturers of fabric, yarn and fiber.

Power loom enterprises constitute close to 60 percent of the output of all textile enterprises in India.[71]

More than 90 percent of these power loom enterprises are in the unorganized sector.[72] The technology level of this sector varies from plain power looms to high-tech shuttle-less looms. Some of the major clusters include Panipat, Ichalkaranji and Solapur. The prominent power loom products include cotton and blended fabrics. Knitting enterprises account for 15 percent of the overall output of the sector[73] but contribute to almost a quarter of the total textile sector exports.[74] The major knitting clusters include Ludhiana for woolen clothing and Tirupur for cotton clothing.

Figure 16: Value chain in the textile sector

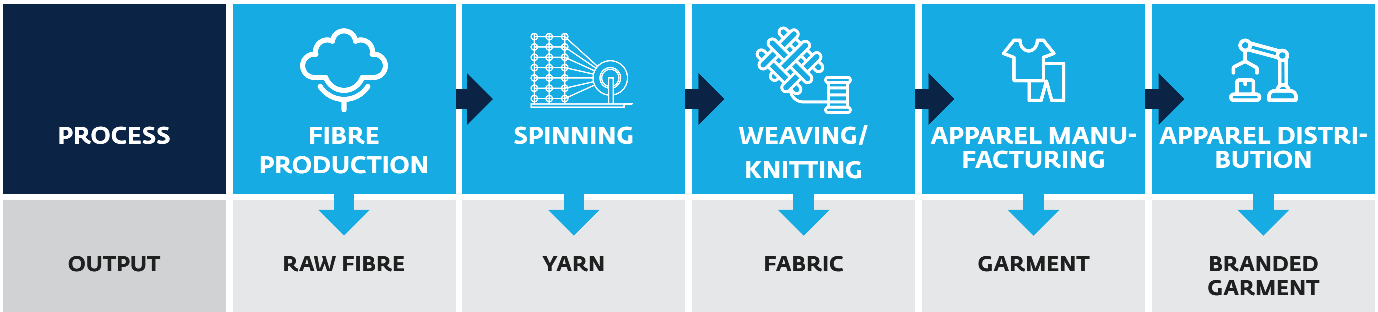
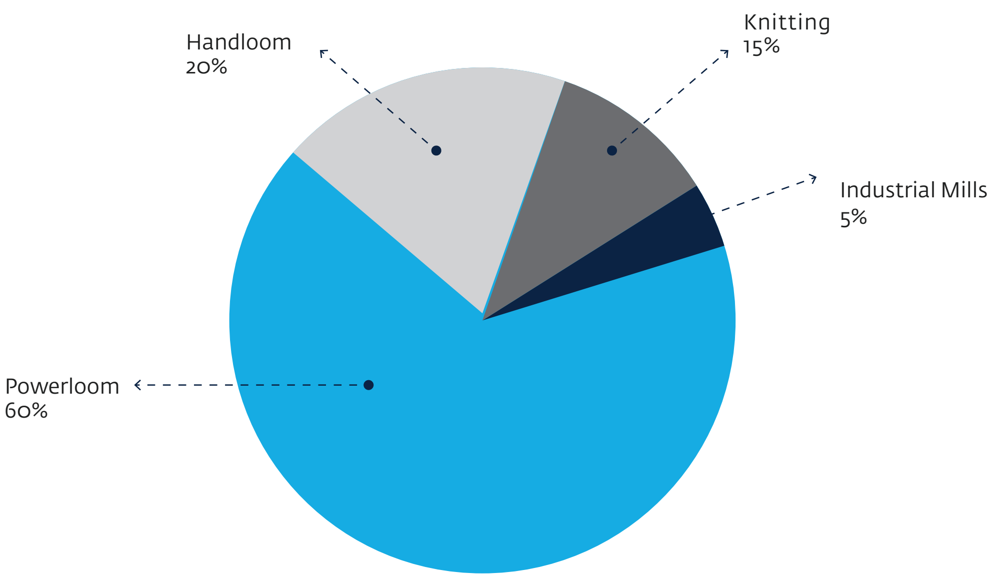


Figure 17: Composition of textile output in India (%)



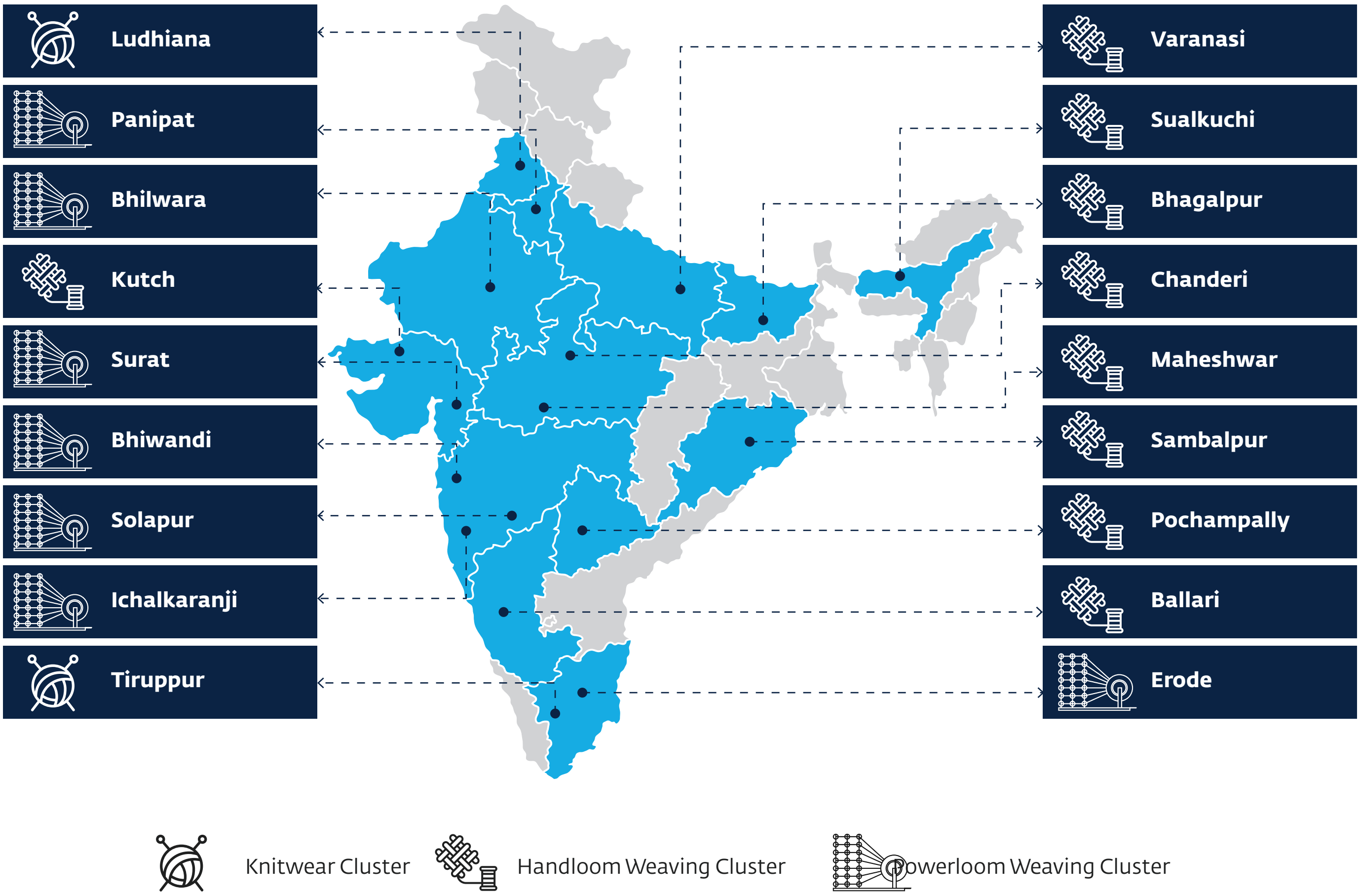
[70] The Entire Value Chain of the Textile Industry, 2019
[71] Powerloom Cluster in India, Textile Value Chain, 2020
[72] India to Boost Powerloom Sector with New Energy Efficient Technologies, 2018
[73] Powerloom Cluster in India, Textile Value Chain, 2020
[74] Textile Excellence, 2020

Women-owned micro-enterprises are dominant in the handloom sub-sector, with close to 2 million independent women weavers in India, accounting for more than 70 percent of all the handloom weavers in the country.[t]

Most of these weavers often operate from their homes in rural areas (termed as home-based enterprises), have very low capital investment needs, rely on intermediaries for sourcing their raw material and get paid on a job-work basis. The handlooms clusters like Sualkuchi, Ballari and Kutch are dominated by women-owned enterprises. Some of the prominent products include sarees, kurtas, and shawls.

Image: Peter Kapuscinski / World Bank

Figure 18: Textile manufacturing clusters shortlisted for potential deep-dive research



[75] Fourth All India Handloom Census of India, Ministry of Textiles, 2019–20

The government of India has initiated multiple schemes that enable entrepreneurs in the textile sector to access credit and procure loom / raw materials.

Some of the prominent ones are listed below.

Table 10: Important government schemes focused on the textile sector

SCHEME	NODAL MINISTRY/ DEPARTMENT	PURPOSE	DESCRIPTION
01 Weavers' Mudra Scheme[76]	Office of the Development Commissioner (Handlooms), Ministry of Textiles	Term loan and short-term working capital demand loan	• The scheme provides margin money assistance, concessional interest rates and credit guarantee for a period of 3 years to handloom weavers. • Maximum loan size is INR 0.5 million ($6,800), inclusive of demand loan and working capital finance.[77] • Securities that can be held by financial institutions include looms and stocks.[78]
02 Hathkargha Samvardhan Sahayata[79]	National Handloom Development Corporation Limited (NHDC), Ministry of Textiles	Financial assistance in the form of grant/subsidy for technological upgradation	• The scheme enables weavers to procure better looms / accessories and thus enhance their earnings through improved productivity and quality of products. • Under the scheme, 90% of the cost of loom / accessory is borne by the Government while 10% is borne by the beneficiary. The Government's share is released directly in the bank account of the beneficiary.
03 Yarn Supply Scheme[80]	National Handloom Development Corporation Limited (NHDC), Ministry of Textiles	Subsidy for purchase of raw material	• The scheme supplies all types of yarn to eligible handloom weavers all over the country at mill gate price. • 10% price subsidy is also reimbursed by National Handloom Development Corporation (NHDC) through a direct benefit transfer route for specific types of yarn.
04 Group Workshed Scheme[81]	Office of the Textile Commissioner, Ministry of Textiles	Subsidy for development of common infrastructure in an existing or new cluster	• The scheme provides for installation of modern knitting and knitwear machines in an existing or new cluster to provide better facilities for operational enterprises. • A beneficiary group must consist of a minimum of 4 entrepreneurs having separate legal status.

[76] Weavers MUDRA Scheme, PIB, GoI, 2019
[77] Weaver MUDRA Scheme, Bank of Baroda
[78] Ibid
[79] Protection of Local Weavers, PIB, GoI, 2019
[80] Ibid
[81] Guidelines of the Comprehensive Scheme Guidelines for Development of Knitting & Knitwear Sector under PowerTex India, Ministry of Textiles, 2019

4.1.2. WVSE sectors of operations

India is home to many traditional handloom clusters in which artisans utilize traditional skills to manufacture products that cater to domestic and export markets.

Sualkuchi, a cluster identified for this research, is the center of commercial handloom production in Assam. The artisans in the cluster are renowned for their exceptional weaving skills, especially for the Assamese silk sarees made out of wild silk. A number of support businesses have developed in the surrounding areas to support Sualkuchi's core handloom operations. These enterprises are involved in the production of jacquard designs and silk yarn processing. Assam has the highest number of weavers in the country- over one million- and more than 90 percent of these weavers are women.[82]

Of over 10,000 master weavers in the country, close to 96 percent are in Assam, a large majority of them being women.[83]

The master weavers are normally locally recognized in the cluster for their exceptional weaving skills and understanding of the technical aspects of the manufacturing process as well as for facilitating market linkages. They act as quasi-entrepreneurs, and bear business risk on behalf of the weavers who work under them. They manage supply commitments to buyers, purchase raw materials and engage weavers on a job work basis.

Apart from master weavers, the handloom sector is witnessing an increase in participation from professional city-based fashion designers — many of them women — who are tying up with the independent weavers in various clusters of India.

These entrepreneurs[84] run their own boutique studios in cities and aim to cater to the growing demand for sustainable handloom textiles. They bring a deep understanding of the design aesthetics of the clientele and engage with weavers for enabling social impact.

In the knitting sector, the districts of Tirupur, Coimbatore, Namakkal, Salem and Karur in Tamil Nadu constitute the core of Erode's textile cluster belt.[85]

These districts are home to 0.4 million enterprises[86], where most of the work is carried out from home-cum-work sheds on a job-work basis.[87] Our discussions with local authorities and associations indicate that close to 10 percent of all knitting and power loom enterprises are run by women. The cluster has units all along the value chain of knitwear: spinning, knitting, printing, manufacturing and exports. In addition, there are ancillary units that supply buttons, laces, embroidery, and cones.

Corporations like Amazon[88], GoCoop, Craftsvilla and Rangasutra are providing handloom enterprises a marketplace platform to sell directly to end customers.

For example, Amazon's Karigar program is expected to help close to 800,000 artisan and weavers get access to the market.[89] GoCoop, a start-up that has attracted venture funding, already caters to over 50,000 customers based in more than 20 countries.[90] Rangasutra's tie up with IKEA has not only enabled women artisans in its network to benefit from greater production volumes but has also channeled global design trends and quality standards to the handloom sector. Similarly, the Aditya Birla group has recently completed the acquisition of Jaypore — a leading e-commerce platform for handloom / artisanal jewellery.

The demand for finance from WVSEs engaged in textile manufacturing is estimated to be about INR 600 billion ($8.2 billion).

This accounts for over 70 percent of the overall WVSE demand for capital. Financial institutions can reach these WVSEs through tie ups with corporations in the value chain (such as e-commerce companies and bulk buyers), establishing contact with relevant govt. departments for cluster-level databases (Development Commissioner - Handlooms, for example) and partnering with intermediary organizations that support WVSEs (such as Antaran and Dhriiti).

[82] Guidelines of the Comprehensive Scheme Guidelines for Development of Knitting & Knitwear Sector under PowerTex India, Ministry of Textiles, 2019
[83] Women constitute over 90 percent of the total weavers in Assam. Fourth All India Handloom Census of India, Ministry of Textiles, 2019–20
[84] 7Weaves
[85] A Glimpse of South Indian Textile Industry, Fibre2Fashion
[86] Tamil Nadu New Integrated Textile Policy, 2019
[87] TN to Promote its Rs 35k cr Textile Sector at Erode Mega Fair, 2018
[88] Amazon Karigar
[89] The Economic Times, 2020
[90] The New India Express, 2020

4.1.3. An indicative profile of a textile WVSE

Interactions with textile WVSEs yielded insights on the nature of business activities carried out by WVSEs, capital invested/needed, challenges faced, and important criteria for business success.

Based on these interviews, the following sectoral profile has been created to provide a composite image of a WVSE in the textile sector.

Figure 19: Indicative profile of a textile WVSE

MANUFACTURE OF TEXTILES

Image: Pixabay

FINANCIAL PROFILE

Typical annual revenue	Typical profit margin
INR 2.3 million	**20% - 30%**

Sources of initial capital

- Average initial capital required ~INR. 0.3 million
- Initial capital arranged through own equity due to lack of collateral

Capital Need

- Working capital loans of INR.0.4-0.5 million for business expansion (raw material purchase, sample creation for a new line etc.)
- Term loan for investing in fixed assets to expand into different part of value chain such as garment manufacturing or raw material production

Documentation available

- More than 90% have a bank account, 60%+ have a current account
- 70% maintain accounts (manually/computerized) and some also engage a CA for legal and financial documentation
- Nearly half have GST registration, some also have MSME and Udhyam Aadhar registration

FINANCIAL TRANSACTION FLOW

Vendor

Cash for local purchase; bank transfer for out-station purchase

Customer

Bank transfers most preferred followed by UPI and wallets

ENTERPRISE OVERVIEW

- Products manufactured: Wearing apparel, fabric, sarees, stoles, towels etc.
- Typical age group of entrepreneur: Late 30s
- More than 90% enterprises registered sole proprietorships operating primarily from home

Business overview

- Average five to eight years of business vintage with a staff size of 5 - 6
- Customers in national and international markets
- Inventory light - sales are mostly made-to-order; samples utilized for business development
- Non-credit financial product not availed

Seasonality

- Mildly seasonal : Peak season Oct – Jan, dips in Feb-Mar and July-Sep (monsoon)
- Supply chain prone to natural calamities

KEY CHALLENGES FACED

- Limited sales channels: Enterprises often have to supply to a few selected buyers, which reduces their bargaining power
- Long credit cycles: These make it difficult to arrange for raw materials
- Gender bias from sector stakeholders

MODES OF OUTREACH TO CUSTOMERS

- Intermediary route: Aggregator organizations (Antaran, Dhrittii, Dastkar); E-Commerce (Ajio, Jaypore, Amazon Saheli, GoCoop)
- Direct : Social-commerce (Instagram, Facebook); Website; handloom fairs
- Government route: Cooperatives (MSME, Textile), Development Commissioner (Handlooms), Stand Up India

KEY SUCCESS FACTORS

- Strong artisanal workforce: Orders given to a core team of artisans and quantum of repeat orders to the same artisans are indicative of stability and reliability of supply chain
- Diversity in product range: Since consumer needs can be transient, diversity in the type of weaves produced / product profile can result in more stability in sales
- Relationship with sales intermediaries: Long term relationships with a core group of buyers is a strong positive

DIGITAL CHANNELS USAGE

- High prevalence of social media for marketing and promotions
- Gradual shift towards social and e-commerce for sales

4.1.4. Challenges faced by WVSEs in the textiles sector

Table 11: Challenges faced by WVSEs in textile sector

Market linkages and visibility for products 01	WVSEs in the textile sector face challenges in optimizing their sales and sourcing channels. WVSEs which are involved in manufacturing of traditional and indigenous textiles have limited avenues to reach buyers. Identifying and adopting the most optimum avenue for sales and taking their products to the market are the biggest challenges that the WVSEs face. WVSEs often sell their products to a fixed set of intermediaries who have high bargaining power and are able to dictate prices and payment terms.
Engagement with traditional intermediaries 02	WVSEs in the textile sector have to deal with men as part of their business — either in the downstream artisanal part of the value chain or in the upstream market linkage part. Men often feel that women entrepreneurs are not serious about the business and prefer to prioritize commitments with other male entrepreneurs. Additionally, infrastructural and safety concerns constrain WVSEs from exploring sourcing options, especially when it requires them to travel in rural parts of the country.

4.1.5. COVID-19 impact on the textiles sector

The textile sector is likely to see shrinkage by 20–30 percent over the next few years because of the impact of the COVID-19 pandemic.[91]

The textile industry has requested the Reserve Bank of India for a one-time loan restructuring, citing a 25–50 percent drop in the overall demand in FY21 because of the COVID-19 pandemic. The Confederation of Indian Textile Industry estimates that 25 percent of textile units might witness permanent closure in the current situation.[92] While some WVSEs were saddled with inventory because of order cancellations during the pandemic, others found it difficult to fulfill commitments because they couldn't source raw materials and engage with artisans, because of logistical constraints. The businesses that sold directly to customers at exhibitions were drastically affected as all gatherings were prohibited.

However, COVID-19 has also provided an opportunity for those who were able to quickly adapt and evolve their business models.

Several enterprises started manufacturing masks and gained from an increased preference for local products sold through e-commerce channels. Masks have become a fashion accessory and many WVSEs are catering with different designs, colors, prints and fabrics, at different price points for different customer segments. The market size for masks is estimated to be around INR 110 billion (~$1.5 billion) with 'fashion masks' contributing to the bulk of this demand.[93] Overall, the WVSE respondents for this report mention that they have greatly benefited from the online medium and expect it to be their major sales channel even after the pandemic.

Women's Global Development and Prosperity (W-GDP) - Building a Resilient Women Entrepreneurs program

USAID in India & SEWA Bharat

- Aims reach 135,000 women by strengthening SEWA agriculture, garments, social security, and finance cooperatives to help members prepare for and respond to COVID-19 through market-based approaches
- Help micro entrepreneurs identify opportunities to diversify or expand businesses
- Support an enabling environment that allows micro-entrepreneurs and cooperatives to thrive

[91] Overview of Textiles Industry in India and Impact of Covid-19, 2020
[92] Textiles Industry Seeks Loan Rejig, The Economic Times, 2020
[93] India's Textile Industry is Crafting a Future in Global Fashion Mask Market, The Hindu Business Line, 2020

4.2. Food & Beverage Services (Eateries)

The market size of food and beverage (F&B) services sector in 2020 is about $71 billion.[94]

The F&B services sector is highly diversified and consists of restaurants, eateries, food carts, cafes, bakeries, and home kitchens, many of which are run by women entrepreneurs. The sector has emerged as a key contributor to the Indian economy in terms of employment generation and entrepreneurship growth as well as growth in the allied industries.


Image: Raisa Jorge / Rumi Consultancy / World Bank

Figure 20: Key characteristics of F&B services sector (2020)

Market Size	Contribution to GDP	Employment in Sector
~$ 71 billion	~2%	~7.3 million

Women play a key role in the F&B services sector, both as entrepreneurs and workers.

There are over 300,000 women-owned micro-enterprises in the food services sector in India, and an additional ~500,000 women-owned micro-enterprises involved in the food and beverage manufacturing sector.[95] The F&B services sector employs approximately 4.6 million women directly and indirectly.[96] Most of these women-owned enterprises are unorganized.

300,000 women-owned micro-enterprises in the food services sector
Employs approximately 4.6 million women directly and indirectly

4.2.1. Value chain and types of enterprises in the sector

The organized F&B services segment accounts for just over a third of the F&B services market size of about $71 billion.[97]

More than 3.7 million people are employed by the organized part of the F&B services sector, contributing 51 percent to the total food service industry workforce. Majority of the enterprises are Casual Dining Restaurants (CDRs), which constitute almost 55 percent of the organized market. This is followed by the Quick Service Restaurants (QSRs) sub-segment which constitutes almost 20 percent of the organized market and is the fastest-growing sub-segment. Although Cafes form a small share of the organized market at 7 percent, these are projected to grow at a CAGR of over 30 percent, with market expansion especially in Tier-2 and Tier-3 cities. Fine-dining Restaurants are the smallest segment and account for just about 2 percent of the organized market. With growing disposable incomes, increased spending on eating out, and an exposure to global cuisine, this sub-segment is expected to grow at a CAGR of 18–20 percent.

[94] Opportunity India Transforming Food Retail Through Innovation, India Food Forum, 2020
[95] Economic Characteristics of Unincorporated Non-Agricultural (Excluding Construction) in India, NSS 73rd Round, 2018
[96] Unlocking Entrepreneurship Opportunities for Women, Facebook and GAME, 2019
[97] The Changing Landscape of the Retail Food Service Industry, FICCI, 2018

The unorganized segment of the F&B services sector accounts for more than 65 percent of the market and a large number of women-owned micro-enterprises come under this segment.[98]

This segment comprises of small eateries, dhabas, street food vendors as well as home-based entrepreneurs selling snacks and baked goods. An estimated 3.6 million people are employed in the unorganized segment of F&B services.[99] This sector has also benefitted from collaboration with organized food aggregators like Swiggy and Zomato to reach a larger customer base.

The Government of India has introduced multiple schemes to enable entrepreneurs as well as workers in this sector to access credit, develop skills and get trained in food safety standards and certifications.

The F&B services sector has been included under the list of businesses eligible for loans under the MUDRA scheme. Training programs are regularly conducted by the government in the area of packaging, storage, marketing, FSSAI regulations and organic certifications. Some of the prominent schemes are listed below.

Figure 21: Composition of F&B services sector revenues in India (percent)

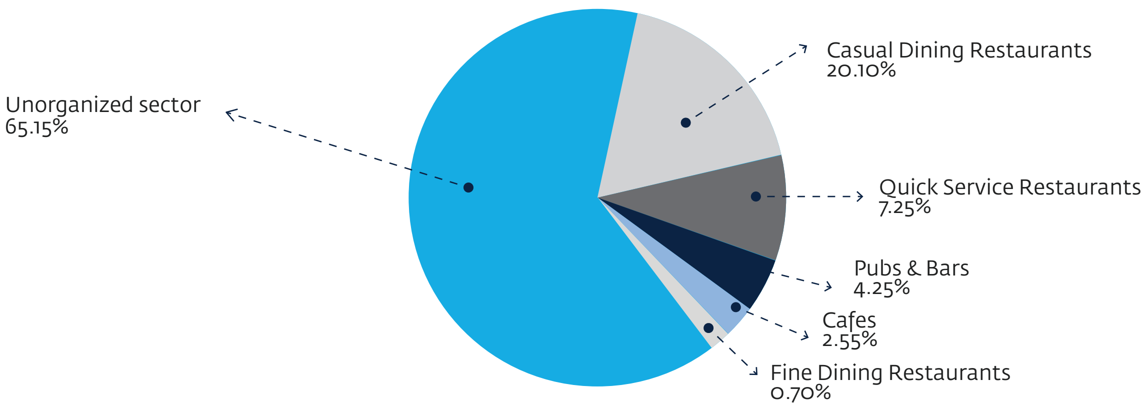


Table 12: Important government schemes focussed on the F&B services sector

SCHEME	NODAL MINISTRY/ DEPARTMENT	PURPOSE	DESCRIPTION
01 PM Formalization of micro-food enterprises (PM FME)[100]	Ministry of Food Processing Industries	Technical support for product and service upgradation	• The scheme aims to support 200,000 small food enterprises through a cluster-based approach and has allocated a budget of INR 100 billion (~ $1.4 billion) • Under this scheme, Government of India provides technical, marketing and branding support to unorganized small food enterprises in the country. The scheme also intends to help such enterprises comply with FSSAI standards • Existing individual micro food processing units desirous of upgrading their units can avail credit-linked capital subsidy at 35 percent of the eligible project cost with a maximum ceiling of INR 1 million per unit
02 MUDRA scheme	Department of Financial Services, Ministry of Finance	Working capital loan with refinance facility for banks	• The refinance scheme up to INR 1 million ($13,600) without the need for collateral is applicable to food retail businesses like small eateries /restaurants / stalls, bakeries, tiffin services, confectionary shops, canteen services, and home-based foods.[101]

[98] India Food Services Report, National Restaurant Association of India, 2019
[99] India Food Services Report, National Restaurant Association of India, 2019
[100] Ministry of Food Processing Industries, Government of India
[101] Purposes of the MUDRA loan, MUDRA Website

4.2.2. WVSE sectors of operations

The rise in food tech app businesses in India has provided an opportunity for women to operate enterprises from their kitchens, monetizing their culinary skills.

These women home chefs cater to the growing demand for home-cooked, authentic regional food as well as healthy and organic meals for young working professionals who order in on a regular basis. They work on a profit-sharing basis[102], with approximately 50–60 percent of the transaction value going to the chefs and the rest to the food tech company. Food tech aggregator platforms focused on the home chef market include Foody Buddy, Authenticook, Homefoodi, and Curryful. Data from some of these platforms indicates that they have on-boarded a significant number of home chefs during the pandemic, indicating a rising trend in this sector.[103] Food tech companies like Swiggy and Masalabox are also supporting entrepreneurs in the home-cooked meals segment — a segment that is largely dominated by women. For example, Swiggy launched a separate app called 'Swiggy Daily', which aims to deliver food to consumers made by home chefs in their vicinity based on a daily, weekly or monthly subscription basis.[104]

Another prominent sub-segment with high WVSEs activity is the bakery industry in India.

Changing consumer demands leaning towards healthier and customized baked products are shaping the bakery industry in India. Smaller bakeries and home bakers are increasingly tapping into the artisanal and gourmet baked goods markets, which focus on quality over quantity. WhatsApp groups have become a popular channel to promote and supply their food products among neighbors and friends. With a need for relatively small amount of initial capital, women entrepreneurs find it easier to start home-based baking enterprises. Niche websites like homebakers.co.in as well as Facebook groups like Home Bakers Guild provide a network for home bakers to promote and sell their products[105].

The demand for finance from WVSEs engaged in food & beverage services is estimated to be about INR 3.6 billion ($48 million).

Financial institutions can reach these WVSEs through tie ups with aggregators (such as Swiggy, Zomato and other start-ups) and exploring partnerships with social commerce platforms (like Facebook and Instagram).[106]

Image: Abbas Farzami/ Rumi Consultancy / World Bank

[102] E-commerce: Home Chefs Cook Their Way to Riches via Food Start-ups, Financial Express, 2015
[103] The Rise of Home Chefs in India Amid the Pandemic, The Economic Times, 2020
[104] Swiggy has currently paused the operations of its 'Swiggy Daily' app because of a fall in demand, given the pandemic.
[105] Home Bakers Guild, Facebook
[106] How Facebook is Enabling the Success of Indian SMBs Amidst COVID-19 Pandemic, YourStory, 2020

4.2.3. An indicative profile of a F&B services (eateries) WVSE

Interactions with WVSEs providing F&B services yielded insights on the nature of business activities carried out by WVSEs, capital invested/needed, challenges faced, and important criteria for business success. Based on these interviews, the following sectoral profile has been created to provide a composite image of a WVSE in F&B services.

Figure 22: Indicative profile of an F&B services WVSE

FOOD AND BEVERAGE SERVICES

Image: Flickr

FINANCIAL PROFILE

Typical annual revenue	Typical profit margin
INR 1.8 million	**20% - 40%**

Sources of initial capital

- Average initial capital required ~INR 0.4 million
- Initial capital mostly arranged through own savings or through friends and family
- Reluctance towards bank loans for initial capital in order to avoid EMI repayment cycle early on in the business

Capital Need
- Average capital needed INR 0.6 million
- Working capital loans needed for acquiring movable assets like cold storage and other speciality equipments; also needed to renovate the interiors of the outlet
- Term loan for expansion within same or new premises

Documentation available
- All have a bank account, ~60% have a current account
- 50% maintain books digitally; ~ 30% avail services of CAs in legal and financial documentation
- All of them have a FSSAI license; less than 50% have a GST registration

FINANCIAL TRANSACTION FLOW

Vendor
Bank most preferred mode of payment to vendors; petty cash for other purchases

Customer
Debit/credit cards and UPI followed by cash

ENTERPRISE OVERVIEW
- Services offered: Provision of prepared eatables and beverages, street food, fusion foods, bakery items, fruit-based and 'healthy' preparations
- Typical age group of entrepreneur: Early 30s
- More than 90% enterprises registered sole proprietorships operating from home or commercial premises

Business overview
- Average seven years of business vintage with a staff size of 2-10
- Customers from immediate vicinity and in some cases, from across the city and visitors
- Non-credit financial products availed: General insurance

Seasonality
- Mildly seasonal, with lower customer footfall in Monsoon season and high business during the festive seasons

KEY CHALLENGES FACED
- Low profit margins in cases where customers order through the foodtech platforms like Swiggy and Zomato
- Lack of confidence in dealing with financial matters like accounting, costing, etc.
- High rent in cases where the outlet has to be located in a street with high customer footfall
- Gender bias in dealing with the vendors, who do not give importance to the business requirements of WVSEs

MODES OF OUTREACH TO CUSTOMERS
- Direct: Social media (Instagram, Facebook, WhatsApp Status, Broadcasts and Groups); displays outside the outlet
- Indirect: Discovery through foodtech platforms like Swiggy and Zomato

KEY SUCCESS FACTORS
- Location: Better footfall on prominent streets in the city where customers come for shopping
- Differentiation: Distinct offering, whether cuisine or ambience, for both repeat orders and word-of-mouth publicity

DIGITAL CHANNELS USAGE
- Social media (Instagram, Facebook, WhatsApp Status, Broadcasts and Groups) for marketing purposes
- Foodtech platforms for discovery by customers

4.2.4. Challenges faced by WVSEs in the F&B services sector

Table 13: Challenges faced by WVSEs in the F&B services sector

01 Significant pass-through expenses incurred in reaching out to customers	WVSEs in the F&B services sector have the challenge of carving a niche for themselves to ensure discoverability among customers. The entrepreneurs attempt to gain market by choosing to operate from locations with high visibility or by leveraging food delivery platforms like Swiggy or Zomato. Both of these discovery mediums present distinct challenges for WVSEs. Not only do WVSEs face social challenges in accessing premium locations, the rental charges at these locations significantly impact profitability. Similarly, food tech platforms also charge a significant margin to provide access to customers. Many entrepreneurs have therefore taken the third route wherein they work from their homes and seek discoverability through social media platforms.
02 Balancing passion with business imperatives	WVSEs who venture into the sector do so because they have a keen interest in the culinary world and want to share their offerings on a commercial scale. However, they aren't very familiar with the financial aspects of running a business, which presents challenges in terms of dealing with vendors, employees, and utilities. In addition, set up costs in case of physical outlets can entail significant capital expenditure in expensive equipment and furniture / fixtures.

4.2.5. COVID-19 impact on the F&B services sector

A report released by Zomato in August 2020 mentions that close to 40 percent of restaurants may permanently shut down because of the impact of the pandemic.[107]

Around 60 percent of restaurants report that their revenues may stay at less than half of their standard levels even after re-opening. The reasons are capacity restrictions to enforce social distancing as well as consumer reluctance to dining out.[108] Being a high contact sector, consumers have become averse to consuming outside food even after the lockdowns were lifted in various cities. Consequently, even home deliveries through food tech platforms have witnessed a significant reduction in demand. Some of the home bakery and home chef WVSEs have resorted to delivering online classes to augment their income.

Image: Flickr

[107] Around 40% of Restaurants May Shut Down Permanently: Zomato Report, Business Standard, 2020
[108] Ibid

4.3. Educational services – pre-schools

The education industry in India is estimated to have a market size of over $150 billion.[109]

Within this, the annual combined expenditure by union and state governments amounts to nearly $90 billion, which is approximately 3 percent of India's GDP.[110] The government of India particularly realizes the importance of investing in education to reap the demographic dividend[111] and has introduced the 'health and education cess' of 4 percent on union taxes[112] to ramp up investments in the education sector. There are close to 16 million people employed in the educational services sector.[113]

Primary, secondary and higher education in India are provided by both government owned institutions and institutions set up by the private sector.

In addition, there exist a large number of pre-schools, after-school tuition facilities, and vocational training & skill development centers in the private sector to cater to distinct educational needs of different segments of students.

Figure 23: Key characteristics of the educational services sector (2020)

Market Size	% spent of GDP on education by Government of India	Employment in Sector
~$ 150 billion	~3%	~16 million

There are about 500,000 women-run micro-enterprises in the education sector, accounting for approximately 36 percent of all educational micro-enterprises in India.[114]

While a quarter of these women-run enterprises are located in urban areas, the rest are providing much needed educational services in semi-urban and rural areas.[115] From an employment perspective, nearly 5 million women are employed in education enterprises across India[116] accounting for over 40 percent of the women workforce in the services sector.[117]

- 500,000 women-run micro-enterprises
- 5 million women employed
- Out of 271 million, 90 million students use supplementary education

4.3.1. Private enterprises in the educational services sector

There are about 500,000 private schools across India of which about a quarter receive aid from the government.[118]

These cater to over 120 million children in India, accounting for approximately 50 percent of the overall school enrolment in the country.[119] Contrary to the popular perception of private schools as 'elite', the growth of the sector has been powered by low-and middle-income families across states choosing to pay fees and send their children to private schools rather than sending them to government run schools that do not charge fees. It is also estimated that 45 percent of families pay less than INR 500 ($7) per month as course fees.[120]

[109] Education Technology — India Market Insights, Technopak, 2019
[110] Economic Survey, 2019–20
[111] Demographic Changes and their Macroeconomic Ramifications in India, RBI, 2019
[112] Health and Education Cess, Clear Tax, 2018
[113] Which are the Top Sectors that Generate Employment in India?, Mint, 2018
[114] Economic Characteristics of Unincorporated Non-Agricultural Enterprises (Excluding Construction) in India, NSS 73rd Round, 2018
[115] Unlocking Entrepreneurship Opportunities for Women, Facebook and GAME, 2019
[116] Ibid
[117] Economic Characteristics of Unincorporated Non-Agricultural Enterprises (Excluding Construction) in India, NSS 73rd Round, 2018
[118] State of the Sector Report on Private Schools in India, Omidyar Network India and Central Square Foundation, 2020
[119] Ibid
[120] Ibid

Of the 271 million enrolled school children in India, approximately 90 million use supplementary education in the form of offline private tuition.[121]

The Indian private tuition market can be divided into four segments: coaching for competitive exams, small study groups, one-on-one home tuition and online live/content. The small study groups and one-to-one tuitions market itself is estimated at over INR 800 billion ($11 billion) and is largely unorganized.[122] It is important to note that in this particular segment, women tutors are more preferred. However, most women tutors do not prefer to teach grade 9 or above - only 33 percent classes above grade 9 are conducted by women tutors against the overall share of 46 percent.[123] Because parents are willing to pay a premium for training children for the 10th and 12th examinations, this is considered to be a missed opportunity. Average monthly fees in small study groups can range from INR 2,200 – 18,000 ($30 – $250), depending on the grade.[124]

The rise of ed-tech industry in India is an indication of a potential disruption in the supplementary education industry.[125]

Some of the prominent start-ups here include Byju's, Unacademy, Vedantu, Toppr, and Doubtnut. It is estimated that the industry will cross INR 220 billion ($3 billion) in revenue by 2021[126], with tailwinds like increasing Internet / smartphone penetration and emergence of vernacular-language apps.

The child skill enhancement market size is estimated to be relatively small at INR 6 billion (~ $80 million), but growing rapidly at a CAGR of 18 percent.[127]

With the growing disposable income in the hands of the middle classes in India, demand for extra-curricular activities for their children has been rising.[128] These activities are positioned to be relevant from the point of view of building essential life skills. Some of the common extra-curricular activities include music, dance, painting, computer skills, foreign language classes, photography, creative writing, cooking, and sports.[129]

It is empirically known that many of these extra-curricular centers are run by women, especially in activities like language training, cooking, painting, music and dance.

The market for pre-school services in India is estimated to be about INR 110 billion ($1.5 billion)[130] and is expected to grow at a CAGR of 18 percent CAGR during 2020–24.[131]

In the pre-school sector, there is a very high degree of participation by women edupreneurs both in the organized as well as unorganized segments.[132] A key driver is the fact that parents prefer pre-schools to be completely staffed with women teachers and also managed by women.[133] About 90 percent of this market is served by unorganized enterprises while the organized sector is dominated by a franchisee model.[134] Some of the big franchisee chains include Mother's Pride, EuroKids, Kidzee, and Kangaroo Kids. The pre-school franchise brands started in big cities but are now targeting smaller cities and towns.[135] The release of the new National Education Policy (NEP) can potentially give a fillip to the pre-school industry by placing pre-school education firmly within the ambit of formal education coverage.[136] The NEP replaces the traditional 10+2 structure of school curricula in India with a 5+3+3+4 curricular structure corresponding to ages 3–8, 8–11, 11–14, and 14–18 year, respectively. The policy thus emphasizes the extra year spent in pre-schools by children of age 3. Pre-schools expect that NEP shall encourage more parents to send their children to such centers, as only 10 percent children currently receive pre-school education.[137]

Pre-schools cater to children in the age group of 3–6 years, with an average intake of 40–50 students.[138]

The ideal floor space for a pre-school is 2,000–2,500 square feet along with at least 200 square feet of outdoor play area.[139] Some of the fixed assets that are required in the pre-schools include ergonomic chairs, tables with soft edges, cushioned floors, transportation vans, and CCTV cameras.[140] The fees in pre-schools can range between INR 30,000 – 225,000 ($400 – $3,000) per annum.[141]

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121 Edtech In India, Omidyar Network India and RedSeer, 2020
122 Education Technology — India Market Insights, Technopak, 2019
123 A Glance Into the Indian Home Tuition Market in Numbers, 2017
124 Great Indian Tuition Boom, The Week, 2015 (Inflation adjusted at 5% for the year 2016–20)
125 From BYJU'S to Unacademy — competition in India's fast-rising online education sector, Business India, 2020
126 Edtech In India, Omidyar Network India and RedSeer, 2020
127 Education Technology – India Market Insights, Technopak, 2019
128 Affluent Indians are doing everything to support extracurricular ambitions of their children, Economic Times, 2019
129 Enrolling Your Child for Hobby Classes, Indian Parenting
130 India's Blossoming Day Care Market, 2019
131 Preschool Market in India by Area and Age Group — Forecast and Analysis 2020-2024, Technavio Research, 2019
132 Women Entrepreneurs Make Successful Inroads into Early Childcare Learning Business in India, The Statesman, 2019,
133 India's Education System Needs More Women For Early Childhood Development, The Entrepreneur, 2019
134 India's Blossoming Day Care Market, 2019
135 Aim to Reach Small Towns of India, 2014
136 National Education Policy, Ministry of Education, GoI, 2020
137 India's Education System Needs More Women For Early Childhood Development, The Entrepreneur, 2019
138 The Pre-school Curriculum, NCERT, 2019
139 How to Start a Pre-school in India, 2016
140 Ibid
141 Parents Spend a Fortune on Pre-school, The Times of India, 2011 (Inflation adjusted at 5% for 2012–20); Steep Fees, but Most Parents Willing to Pay, The Times of India, 2016 (Inflation adjusted at 5% for 2016–20)

4.3.2. WVSE sectors of operation

The pre-school market in India was chosen for study as part of the research. There are two kinds of edupreneurs in the pre-school industry:

1. Edupreneurs that operate on a franchisee model: These women edupreneurs utilize the brand, expertise, curricula and standard operating procedures of the franchise to attract parents. A typical urban pre-school operating in a franchisee set up has an annual intake of about 100 kids with an annual fee of INR 36,000 ($500).[142]

2. Independent edupreneurs: These edupreneurs are especially passionate about early childhood development and hence operate their independent centers with their own pedagogy rather than adopting a franchise model.[143] Often, these independent edupreneurs are trained in international pedagogical methods like Montessori[144] and Reggio Emilia.[145] They blend these pedagogical methods with their own experience gathered from teaching experience in schools or pre-school franchises. The size of intake is also less than franchisee operations — between 30–60 students — with a promise of greater individual attention. They also hire only certified teachers (10–15) on roll and pay them higher salaries than the market price, for the superior skills they bring.[146] They are able to sustain with this business model as they charge a premium from the parents for promising a superior outcome as compared to the franchise-run pre-schools.

The demand for finance from WVSEs engaged in educational services (of which pre-schools is a sub-segment) is estimated to be about INR 6.70 billion ($91 million).[147]

Financial institutions can reach the WVSEs through tie-ups with the franchise brands (Mother's Pride, for example), technical pre-school services providers (for example Flinto and Kreedo) and pedagogical certification institutes (for example the Asian College of Teachers for Montessori method).

Image: Dominic Chavez/International Finance Corporation

[142] India's Schooling Segment, Technopak, 2014 (Inflation adjusted at 5% for 2015–2020)
[143] Maria Montessori School
[144] Montessori Teaching Method
[145] The Reggio Emilia Method
[146] Primary Interviews with the WVSEs
[147] Note that this number is for WVSEs in the category 'educational services' as defined by the NSSO, and not only for pre-schools, which is a sub-segment of educational services

4.3.3. An indicative profile of an educational services (pre-schools) WVSE

Interactions with WVSEs providing educational services yielded insights on the nature of business activities carried out by WVSEs, capital invested / needed, challenges faced, and important criteria for business success. Based on these interviews, a sectoral profile has been created to provide a composite image of a WVSE in educational services.

Figure 24: Indicative profile of educational services (pre-schools) WVSE

EDUCATIONAL SERVICES (PRE-SCHOOLS)


Image: Dominic Chavez/International Finance Corporation

FINANCIAL PROFILE

Typical annual revenue	Typical profit margin
INR 3 million	**20% - 30%**

Sources of initial capital

- Average initial capital required ~INR 0.8 million
- Initial capital mostly arranged through own savings or through family and friends
- Reluctance towards bank loans for initial capital in order to avoid EMI repayment cycle early on in the business

Capital Need
- Average capital needed INR 1 million
- Working capital loans needed for buying/upgrading assets at the pre-school premises
- Term loan required for expansion

Documentation available
- All enterprises have a current account in the name of the school
- 70% maintain books digitally through Tally and Busy, and many also utilize a CA's service in legal and financial documentation

FINANCIAL TRANSACTION FLOW

Vendor
Bank transfer and cheques most preferred mode of payment

Customer
Bank transfer is the most common way, followed by cash and cheque

ENTERPRISE OVERVIEW

- Services offered: Pre-school education and day care
- Typical age group of entrepreneur: Late 30s and early 40s
- More than 50% enterprises registered as sole proprietorships, operating in spaces in residential areas

Business overview
- Average ten years of business vintage with a staff size of 10-15
- Most customers from immediate vicinity
- Non-credit financial products availed: Building and other assets insurance, and health insurance for employees

Seasonality
- Not seasonal, admissions throughout the year
- Fees collected at regular intervals through the year – monthly, quarterly or six-monthly

KEY CHALLENGES FACED

- High cost of property, especially when rented, which drastically reduces the margins
- High competition and significant need for marketing to attract customers , especially in the case of independent enterprises (non-franchisees)
- Limited knowledge about sources and processes to accessing formal finance
- Challenge in recruiting high quality staff trained in early childhood pedagogies

MODES OF OUTREACH TO CUSTOMERS

- Direct: Social media (Facebook and WhatsApp groups); displays outside the pre-school premises
- Indirect: Word-of-mouth publicity from parents

KEY SUCCESS FACTORS

- Owned properties: In cases where the enterprises are run from owned properties, margins are high, given that there is no rental expense
- Well qualified staff: Parents who are happy with their children's growth help spread the enterprise's name locally, leading to higher enquires and conversion rate

DIGITAL CHANNELS USAGE

- Most enterprises have websites, Facebook pages, etc. to showcase the premises, pedagogy, team and infrastructure
- Prospective customers come on landing pages through word-of-mouth and forwarded messages on the WhatsApp groups

4.3.4. Challenges faced by WVSEs in the educational services (pre-schools) sector

Table 14: Challenges faced by WVSEs in the educational services sector

Brand differentiation and competition from larger players 01	Edupreneurs, especially those operating independent pre-schools, struggle to differentiate themselves in the face of high competition and large pre-school franchises which have a higher brand recall. The biggest value proposition in the sector is the promise of superior educational outcomes for the children. This requires high investment in better quality of staff, infrastructure / pedagogical tools as well as marketing. However, trained staff is highly susceptible to be 'poached' by competitors while any innovation in pedagogy can be easily replicated.
Balancing passion with business imperatives 02	Edupreneurs typically venture into this industry because of their keen interest in early childhood development, and associated skill sets and experience. However, they struggle with operational, marketing and financial aspects of the business.

4.3.5. COVID-19 impact on the educational services (pre-schools) sector

The pre-school sector has been particularly impacted because of the COVID-19, as this form of distinct learning cannot be replicated in the digital world.

The pedagogy in the age group of 3-6 tends to rely more on working with objects and a high degree of physical activity to impart learning. Many parents have consequently withdrawn their children from pre-schools, hurting the revenues. In addition, the pandemic may bring about structural changes in parents' behavior with a preference for admissions into formal schools rather than pre-schools. The anecdotal evidences from various cities in India confirms that a large number of pre-schools have shut down because of the pandemic.[148]

Image: Flickr

[148] Pre-schools closed in various cities of India like Delhi NCR, Mumbai, Bengaluru, and Ludhiana

4.4. Food & Grocery Retail

The food & grocery retail market in India accounts for 65 percent the retail industry in the country,[149] amounting to almost $500 billion in 2017.[150]

It contributes 16 percent to the GDP of the country.[151] Businesses involved in the sector operate in a range of formats including general stores, kirana stores, neighborhood stores, convenience stores, street markets, department stores, supermarkets and hypermarkets, and cash-n-carry formats. The sector comprises of more than 12 million small retail outlets spread across the country.[152]

About 10 percent of all women-owned micro-enterprises in India are engaged in food & grocery retail, accounting for roughly 1.5 million enterprises.

Most women entrepreneurs run small grocery stores. Over 16 percent of all women-owned micro-enterprises are engaged in dry grocery (including cereals & pulses, tea/coffee and spices) retail, 10 percent in fresh fruit and vegetable retail and 6 percent in confectionary retail.[153]

Roughly 1.5 million women-owned micro-enterprises

Highly fragmented, with unorganized retail constituting 98%

Figure 25: Key characteristics of the food & grocery retail sector

Market Size	Contribution to GDP	No. of Retail Outlets
~$ 500 billion	~16%	~12.8 million

4.4.1. Value chain and types of enterprises in the sector

The sector is highly fragmented, with unorganized retail constituting 98 percent of food & grocery retail in India.[154]

The unorganized nature of the market can be attributed to the traditional local stores/vendors and relatively late emergence of organized players in the country. Most women-owned businesses in the retail sector are part of this unorganized segment.

Image: Flickr

[149] 98% of Grocery Retail Market is Controlled by Kirana Stores, ET Brand Equity, 2016
[150] India Food Forum, 2017
[151] Food Retailing In India — The Way Forward, Progressive Grocer India, 2018
[152] Number of Retail Grocery Outlets India 2013–2020, Statista
[153] Digital Solutions for Women-Owned Enterprises, Sattva
[154] Retail Sector Expansion Creates New Opportunities for High-Value Products, GAIN, 2019

Table 15: Types of unorganized grocery retail

RETAIL FORMATS IN THE TRADITIONAL UNORGANIZED SECTOR	
Neighbourhood/ convenience stores	**Mandis**
• Small, independent kirana stores dominate the food & grocery retail market • There are currently over 12 million such stores in India[155] • These stores are located in close proximity to the customer, which makes them accessible and popular • Such stores are typically run by families for generations. They have the ability to serve local preferences and hence command customer loyalty.	• Mandis cater to both urban and rural customer segments • The most popular among them are fruit & vegetable mandis present at multiple locations within towns and cities, followed by dedicated markets for pulses, cereals, and spices.

Modern, organized retail constitutes 2 percent of the total food & grocery retail market in India.[156]

Table 16: Types of grocery retail in organized sector

RETAIL FORMATS IN MODERN, ORGANIZED SECTOR	
Supermarkets	• Most supermarkets in India have emerged over the last decade, and are located in major cities with 1,000–10,000 sq. feet of floor space[157] • They offer everyday use household products along with a variety of food products, catering to customers' regular household needs • Reliance Fresh, D-Mart, EasyDay, More Supermarkets, Spencer's, Haiko, Nilgiri's are the primary examples of this retailing format in India
Hypermarkets	• Hypermarket are larger than super markets and vary between 50,000–100,000 sq. feet area • They offer an array of products ranging from grocery, pulses and cereals, processed food products, fruits & vegetables, along with an extensive collection of household products, clothing, furniture and small appliances • Key players serving this market include Star Bazaar, HyperCity, Big Bazaar, and Spencer's Hypermarket
Gourmet & imported food stores	• These cater to the international food preferences of urban, young professionals who are looking for quality and specialty food products • Imported foods such as berries, asparagus, salmon, chocolates, cheese, juices, and wine constitute the bulk of their sales • Prominent players include Godrej Nature's Basket, FoodHall, Le Marche, Brown Tree. This segment is also likely to exhibit rapid growth on the back of rising urbanization, rising affluence, increased health awareness and changing lifestyles. Women-owned retail stores/ chains are a recent entry into this retail category, looking to provide specialty products to urban consumers

155 Ibid
156 Retail Sector Expansion Creates New Opportunities for High-Value Products, GAIN, 2019
157 Evolving Organized Food and Grocery Retail in India

Online grocery delivery, an emerging segment in the retail landscape of India, is expected to be a beneficiary of changing consumer habits because of COVID-19 lockdown.

India's online grocery delivery market is expected to see a 76 percent year-on-year increase revenues to reach $3 billion in 2020.[158] Platforms such as Amazon, BigBasket and Grofers have been the pioneers in the market, while Jiomart, Flipkart and others have ventured into this space recently owing to the tremendous demand for home delivery of groceries during the pandemic. Other prominent players include Dunzo, Swiggy-operated SuprDaily, and Milkbasket, which serve niche markets in metro cities.

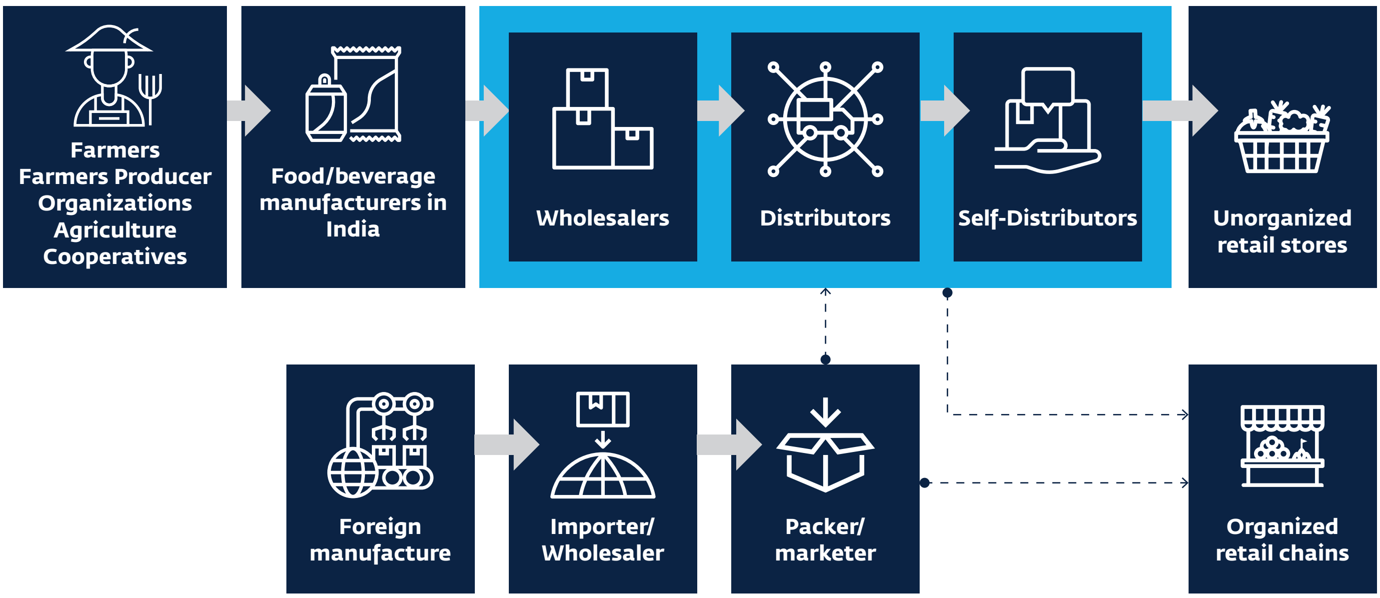
Food & grocery retailers typically source products either from intermediaries such as cooperatives / wholesalers or branded manufacturers.

Suppliers for the industry include farmers, agriculture cooperatives, farmer producer organizations and domestic/foreign food processors & manufacturers. While unorganized retailers go through distributors and sub-distributors to source products, most organized retail chains are able to procure directly from the manufacturers or marketers owing to the larger order quantity. This also allows organized players with economies of scale, to compete aggressively on product pricing.

The government of India has been working towards deepening the market by allowing FDI in retail, facilitating aggregation of produce and improving food safety norms.

In 2016, the government allowed 100 percent FDI in food & grocery retail in India which provided a major boost to hyper local grocery start-ups such as BigBasket and Grofers, as well as large organized retailers such as Walmart. It is believed that organized retail has the potential to make the supply chain more efficient, increase employment opportunities and boost local manufacturing. The government is also undertaking grading and standardization measures, such as adoption of HACCP (The Hazard Analysis Critical Control Point) by the Bureau of Indian standards, across stages of production, processing and packaging to ensure food safety and integrity from source to consumer.

Figure 26: Value chain in the food & grocery retail sector



[158] The Rise of the Online Grocery Market in India, Transfin, 2020

4.4.2. WVSE sectors of operation

Most women-owned enterprises engaged in food & grocery retail are a part of the unorganized segment.

In the unorganized segment, women-owned enterprises are primarily operating as either neighborhood stores in cities or home-based shops in rural/semi-urban areas. Additionally, women entrepreneurs in the food and grocery retail sector are also experimenting with niche home-based confectionery manufacturing as well as specialty food retail (such as pre-mixed meal ingredients, jams, sauces, salsa, and pickles) either in their neighborhoods or with the help of dedicated online delivery services such as Dunzo.

The demand for finance from WVSEs engaged in retail trade is estimated to be INR 27.6 billion ($375 million). Because food and groceries retail accounts for 65 percent of the retail market in India, INR 18 billion ($245 million) is the demand for capital from WVSEs engaged in food and grocery retail.

Financial institutions can potentially reach the WVSEs in the food & grocery retail sector by partnering with local grocery delivery apps (for example Dunzo, Jiomart, and Swiggy) and by having feet-on-the-ground in the local markets near big residential areas in major cities.

Image: Flcikr

4.4.3. An indicative profile of a food & grocery retail WVSE

Interactions with WVSEs retailing food & grocery products yielded insights on the nature of business activities carried out by WVSEs, capital invested / needed, challenges faced, and important criteria for business success. Based these interviews, the following sectoral profile has been created to provide a composite image of a WVSE in food & grocery retail.

Figure 27: Indicative profile of a food & grocery retail WVSE

FOOD AND GROCERY RETAIL

Image: Unsplash

FINANCIAL PROFILE

Typical annual revenue	Typical profit margin
INR 2 million	**10% - 20%**

Sources of initial capital

- Average initial capital required: INR 0.2-0.4 million
- Initial capital typically arranged from own savings, through friends and family, and sometimes from banks
- Banks were preferred when there was a hassle-free process in approval and sanction of the loan, especially factors like time and documentation

Capital Need
- Average capital needed INR 0.5-0.6 million
- Working capital loans needed to stock more products and buying cold storage equipment
- Term loan needed for expanding and refurbishing the shop premises

Documentation available
- About 50% have a dedicated current account for their shops
- About 80% maintain books manually and rest use Tally; a few hire a dedicated accountant for the enterprise
- Most businesses have a GST registration and UAM number

FINANCIAL TRANSACTION FLOW

Vendor
Bank transfer and cash are two preferred modes of financial transaction

Customer
UPI and cash most of the times, sometimes debit/credit cards

ENTERPRISE OVERVIEW
- Typical services offered: Branded FMCG products, loose unbranded edible and grocery items
- Typical age group of entrepreneur: Early 30s to early 40s
- More that 80% enterprises registered as sole proprietorships, typically having rented commercial spaces

Business overview
- Average three years of business vintage with a staff size of 1-2
- Most customers from extended vicinity
- Almost none of them have availed any form of insurance for their shop

Seasonality
- Mildly Seasonal, with higher sales in the period Oct-Mar (due to festivals and celebrations)

KEY CHALLENGES FACED
- Limited store space, for stocking of items and cold storage equipment; lack of aisles for customers to browse hinders a desirable buying experience
- Thin margins on branded mass market FMCG products, and inability to market the local, unbranded variants - including private labels in some cases - which have higher margins
- Gender bias, in terms of dealing with sales representatives and wholesalers

MODES OF OUTREACH TO CUSTOMERS
- Direct: Only through store branding to attract customers (generally have a loyal local clientele); also uses WhatsApp to receive, confirm and fulfill orders with option of home delivery

KEY SUCCESS FACTORS
- Ability to understand customer needs at hyperlocal level: Strong sense of market intelligence to understand and cater to the changing demand pattern of diverse set of local customers, which results in a loyal clientele
- Location and captive customer base: Stores located near housing societies are more accessible to customers, and many also offer credit for low-value purchases

DIGITAL CHANNELS USAGE
- Use of WhatsApp for coordination with the vendors as well as customers

4.4.4. Challenges faced by WVSEs in the food & grocery retail sector

Table 17: Challenges faced by WVSEs in the food & grocery retail sector

Difficulty in balancing business and household 01	The food & grocery retail sector demands significant time commitment, which women entrepreneurs find difficult to meet, given the burden of house-work and care-work. Food & grocery stores are typically open throughout the year to address customer needs. This is problematic for many WVSEs to balance with domestic household responsibilities.
Male dominated and traditional nature of business 02	WVSEs also mention that they face an ingrained gender bias from vendors, manifesting in unfavorable pricing terms and difficulty in sourcing. WVSEs, therefore, have to be extremely particular about what they stock and how much they stock. This results in sub-optimal inventory management and increased logistics costs
In ability to focus on the long term 03	Thin margins of the business emphasise a focus on the present rather than future business strategy. The cash dominated nature of the business also makes it difficult to source working capital loans that may enable them to stock more and earn better margins.

4.4.5. COVID-19 impact on the food & grocery retail sector

Food & grocery WVSEs initially benefited from COVID-19 lockdown, as it led to an increase in demand from consumers who resorted to panic buying.

The average purchase volume per customer thus witnessed a sharp increase during that time. There was also a significant shift from essential products to high value items including snacks, packaged meats, frozen and ready to cook food, among others, providing better returns to the WVSEs. There were further tailwinds because the customers weren't able to make many discretionary purchases, and hence their monthly budget on food and grocery increased to some extent.

The pandemic has spurred the adoption of digitization in the sector both in order delivery as well as payments.

Many neighbourhood stores have formed partnerships with online delivery and supply platforms while others are leveraging platforms such as WhatsApp to engage with their customers.[159] Cash is still the predominant method of payment in non-metro cities, however, with COVID-19, digital payments are increasingly being preferred in the metros.[160]

Image: Pixabay

[159] Sentiments of India — Kiranas, EY, 2020
[160] Ibid

4.5. Jewellery & Accessories Retail

India's gems and jewellery sector contributes more than $75 billion to India's economy, and is estimated to grow to $100 billion by 2025.[161]

This sector employs over 4.6 million people in the country.[162] The sector includes more than 2.5 million retailers, a vast majority of whom are family-run businesses in the unorganized sector. The jewellery retail sector comprises of sale of precious jewellery, semi-precious jewellery and imitation and fashion jewellery.

Women are key contributors in the jewellery & accessories retail sector, especially in the fashion jewellery segment.

In terms of employment, women play a significant role – women constitute about 75 percent of the workforce.[163]

Women constitute about 75% of the workforce
7% of the retail market in India, INR 1.9 billion ($26 million)

Figure 28: Key characteristics of the jewellery & accessories retail sector

Contribution to GDP	Employment in Sector	No. of Retail Outlets
~25%	>4.6 million	>2.5 million

4.5.1. Value chain and types of enterprises in the sector

The Gems and jewellery industry is dominated by the precious and semi-precious jewellery segments.

These segments are dominated by unorganized family-run retail businesses. However, the unorganized sector has been impacted by a confluence of trends, including a shift in consumer preferences towards more modern designs and government efforts to formalize the economy (demonetization, introduction of GST and the mandatory hallmarking rule).[164]

Organized retailers offer customers the advantages of contemporary design, lightweight jewellery, and most importantly, trust by way of hallmarked jewellery.

Additionally, new schemes which give an assured resale value and discounts on making charges have also led to customers shifting to branded retail stores. As per industry estimates[165], leading organized retail brands[166] such as Tanishq and Kalyan Jewellers would account for close to 42 percent of the precious and semi-precious jewellery market share by 2023. Changing tastes have also brought about newer players such as Caratlane and Amrapali Jewels which cater specifically to young, working women that demand contemporary designs.

[161] Family jewellers survival at stake as consumers shift to large brands, Business Standard, 2018
[162] Indian Gems and Jewellery Industry Report, India Brand Equity Foundation, 2020
[163] Report on estimation of manpower requirement in Fashion Jewellery subsector in India (2017-2026), Gem and Jewellery Skill Council of India, 2017
[164] Gold Hallmarking to be Made Mandatory Soon, Charted Online
[165] Family Jewellers' Survival at Stake as Consumers Shift to Large Brands, Business Standard, 2018
[166] Organized players include: Tanishq, PC Jewellers, Tribhivandas Bhimji Zaveri, Thangamayil, GRT, Joyallukas, Kalyan Jewellers, Malabar Gold, PN Gadgil & Sons and 8 others

In addition to precious and semi-precious jewellery being sold by organized retailers, there is a growing demand for less expensive jewellery, also called "fashion jewellery".

This includes forms of jewellery such as zirconium, terracotta, pearls and synthetic stones and even brass jewellery which are growing in popularity especially among the youth. The increasing prevalence of fast fashion and hike in prices of gold and silver has also contributed to the rise in popularity of fashion jewellery. This sub-segment estimated to be about $2 billion in revenue and is steadily growing at a CAGR of 20 percent as per 2019 estimates.[167] Many WVSEs exist in the fashion jewellery sub-sector, mainly because of the relatively low costs of manufacturing these products. They cater to a niche, affluent consumer segment.

The jewellery and accessories sector follows a typical pattern of value addition, thereby as the level of processing increases, so do the price and profit margins.

The first stage of the jewellery and accessories retail sector is the procurement of raw material which includes precious metals such as gold, silver, non-precious inputs such as terracotta, plastic and cloth (for accessories). This stage is followed by the product design stage. The design is finalized on the basis of prevalent design trends in the market. Production units which include jewellery and accessory manufacturing units then use these raw material and design inputs to create the product by means of cutting, shaping and polishing them. This product is then sent for necessary quality checks and hallmarking process (for precious jewellery). The checked product is then packaged and sent to the warehouses where the product is stored for further distribution via online or offline sales. In case of offline retail, the product is then sent to the physical stores where it is bought by the consumer and in case of online retail, the product is sent for final distribution via delivery partners.

Figure 29: Value chain in the jewellery & accessories retail sector

[167] Rising Shining India's Fashion Jewellery Market, India retailing, 2020

The Government of India has initiated multiple schemes to encourage the formalization of the jewellery retail sector. The details of these schemes are mentioned below:

Table 18: Important government schemes focused on the jewellery & accessories retail sector

SCHEME	NODAL MINISTRY/ DEPARTMENT	PURPOSE	DESCRIPTION
01 BIS Hallmark Scheme[168]	Bureau of Indian Standards (BIS)	Quality check on gold jewellery to enhance consumer trust	• The gold jewellery hallmark carries a BIS mark, purity in carat and fitness, unit's identification and the jeweller's identification mark • The purpose of making hallmarking mandatory for Gold Jewellery and Artefacts is to ensure that consumers are not cheated while buying gold ornaments • The purity of Gold can only be in three caratage i.e. 14, 18 and 22
02 MUDRA scheme[169]	Ministry of Micro-small and Medium Enterprises, SIDBI	Term loan and short-term working capital demand loan	• The coverage of the scheme has been extended to cover imitation jewellery and jewellery made of cane and bamboo
03 GST relaxation[170]	Ministry of Finance	Higher purchasing power for consumer	• Reduction in making charges from 18% to 5% (*5% without Input Tax Credit [ITC]) for services by way of job work in relation to gems and jewellery

4.5.2. WVSE sectors of operations

Many women-owned micro enterprises in the fashion jewellery segment employ artisans to create traditional handmade jewellery.

WVSEs working with traditional craftspeople create handmade brass and silver jewellery in contemporary styles using traditional techniques like Dokra, an ancient metal casting technique. In addition to being sold by brick-and-mortar stores in popular areas of metropolitan and Tier-1 cities, offline marketplaces such as the Dastkar Bazaar and flea markets are also significant contributors to sales volumes. A major challenge faced by micro retailers that sell indigenous products in this price-sensitive segment is the stiff competition from cheap Chinese imports that are sold at a fraction of the cost of the local products.

E-commerce is vital to the success of the imitation jewellery business in India as customers are becoming more comfortable with online purchase of fashion jewellery.

With growing Internet penetration, a more reliable e-commerce ecosystem of payments and logistics, and a growing familiarity and willingness to buy high value products online, customers are turning to e-commerce platforms to purchase fashion jewellery. As per estimates, 18 percent of all jewellery sales are expected to be made online by 2025.[171] Amazon has a very large number of fashion jewellery products listed. Other online retail portals such as Fabindia, Myntra and Jaypore showcase a smaller range of specially curated products from select vendors. Imitation jewellery is a high growth and high margin business, and online retailers typically earn up to 40–60 percent on every transaction as compared to the precious and semi-precious jewellery segments, which offer only a profit margin of 15–20 percent.[172]

The demand for finance from WVSEs engaged in retail trade is estimated to be INR 27.60 billion ($375 million).

Retail of jewellery and accessories accounts for 7 percent of the retail market in India, and the demand for capital from WVSEs engaged in this sector is INR 1.9 billion ($26 million). Financial institutions can reach these WVSEs through tie-ups with e-commerce platforms (such as Etsy, Jaypore, Itokri, Ajio, Mynta, and Amazon), partnering with intermediary organizations or accelerator programs (Her and Now, Dhritti), direct sourcing at wedding fairs / exhibitions and by leveraging social media (such as Instagram and Facebook).

[168] Press Information Bureau, 2020
[169] The Mudra Scheme, Development Commissioner (Handicrafts)
[170] Jewellers Welcome GST Cut on Making Charges, Business Standard, 2017
[171] How Indian e-commerce has Impacted Jewellery Retail, Indiatimes, 2019
[172] Role of E-commerce in the Growth of Imitation Jewellery, Your Story, 2018

4.5.3. An indicative profile of a jewellery & accessories retail WVSE

Interactions with WVSEs selling jewellery & accessories yielded insights on the nature of business activities carried out by WVSEs, capital invested / needed, challenges faced, and important criteria for business success. Based on these interviews, the following sectoral profile has been created to provide a composite image of a WVSE in jewellery and accessories retail.

Figure 30: Indicative profile of a jewellery & accessories retail WVSE

RETAIL OF JEWELLERY AND ACCESSORIES

Image: Flickr

FINANCIAL PROFILE

Typical annual revenue	Typical profit margin
INR 1.9 million	**30% - 40%**

Sources of initial capital

- Average initial capital required: ~INR 0.3 million
- Initial capital mostly arranged through friends and family. Reluctance towards bank loans for initial capital in order to avoid EMI repayment cycle early on in the business

Capital Need

- Average working capital needed INR 0.3 million for hiring new resources, rent, marketing, paying vendors

Documentation available

- All have a bank account, 80% have a current account
- 75% have a GST registration, some also have a MSME registration and export license for international sales
- 60% maintain books (manually/ computerized) and some also utilize a CA's service in legal and financial documentation

FINANCIAL TRANSACTION FLOW

Vendor
Cash most preferred mode of payment

Customer
Bank most preferred mode of payment

ENTERPRISE OVERVIEW

- Services offered: Non-precious/ semi-precious jewellery- Artisanal handmade, silver and imitation
- Typical age group of entrepreneur: Mid 30s
- 90% enterprises registered as sole proprietorships, 60% having home based set ups

Business overview

- Average six years of business vintage with a staff size of 4-5
- Customer base across the city and in some cases across India
- No non-credit financial product availed

Seasonality

- Low seasonality for non-precious / semi-precious jewellery
- Demand spikes up during festival season in Oct-Dec

KEY CHALLENGES FACED

- Difficulties establishing supply chains of artisans / craftspeople who provide good quality products
- Difficulty in understanding legal compliance applicability and processes specially for exports
- Lack of standardization in the non-precious jewellery segment

MODES OF OUTREACH TO CUSTOMERS

- E-commerce(Etsy, Jaypore, Itokri, Ajio, Mynta, Amazon)
- Direct : Social media (Instagram, Facebook); wedding fairs and exhibitions

KEY SUCCESS FACTORS

- Wide product-mix: Enterprises offering a wide variety of product typologies, ranging from low to high value products have better business
- Relationships with allied businesses: Coordination with boutiques, wedding planners, bulk purchasers
- Location: Better footfall in neighbourhood markets, commercial areas and malls

DIGITAL CHANNELS USAGE

- High use of social media for marketing and promotion (through Facebook or Instagram accounts)
- 60% sell solely through e-commerce or social commerce

4.5.4. Challenges faced by WVSEs in the jewellery & accessories retail sector

Table 19: Challenges faced by WVSEs in the jewellery & accessories retail sector

01 Ever changing nature of fast fashion business	The jewellery and accessories sector requires businesses to carry significant inventory. Further, the sector is prone to frequent changes in trends and competition given that others can easily duplicate popular designs.
02 Nascent nature of business channels	Many WVSEs leverage social commerce and / or e-commerce to reach out to their customers. Given that these channels have gained traction only recently, traditional intermediaries / suppliers / financiers find it difficult to understand the nature of business operations.

4.5.5. COVID-19 Impact on the jewellery & accessories retail sector

Even prior to the nationwide lockdown in March 2020, jewellery retailers had started experiencing a dip in business, with sales dipping by 20–25 percent amid fear of the virus's spread.[173]

The sector has been badly hit by COVID-19 with significantly reduced sales, especially for businesses selling solely from brick and mortar shops. Jewellery retailers in India are re-evaluating their brick and mortar business model and implementing omni-channel approach with an enhanced digital strategy to boost sales. However, the online gold market in India is still very small and accounts for just 1–2 percent of the overall gold sales.[174]

Jewellery retailers have also been impacted by disruptions in labour and material supply chains.

From a supply chain perspective, the artisans, jewellery designers and other staff have moved back to their hometown. Enterprises are unable to find replacements and scout for appropriate vendors in the current scenario.

Jewellery and accessories are luxury purchases and low on priority for people during a pandemic.

Even as the lockdown restrictions were lifted, people have continued to stay at home and have not spent money on such purchases leading to a low demand. WVSEs feel that they are still struggling to get the businesses back on track with some estimating that recovery could take a year or two.

Image: Flickr

[173] Jewellery Industry Lose Shine as Corona Scare Grips People, India Times, 2020
[174] Covid-19 Impact – Jewellery Retailers Take-up Digital Channel to Boost Sales, India Times, 2020

4.6. Manufacturing of Wood-based handicrafts

India is a major producer as well as exporter of wood-based handicrafts.

A significant portion of the wooden handicraft produce is exported as there is better value realization in exports. In 2016, the export value of wood-based handicrafts touched $800 million, accounting for close to 40 percent of total handicrafts export.[175] The United States is the largest importer of wooden toys from India, followed by Japan and Australia.[176]

The sector employs more than 6.8 million artisans and craftspeople primarily in rural areas, almost 55 percent of whom are women.[177]

Majority of the craftsmen in this sector either work from their homes, or are employed in large export-oriented units. The products made by the craftspeople can be broadly classified into five categories: a) Wooden Gift Items, b) Kitchen accessories; c) Wooden Toys; d) Statues & figurines; and e) Antique woodcraft. Wooden handicraft include trivets, carved figurines, photo frames, chess sets, trays, mirror frames, jewellery boxes, beads, parquetry work, bookends, table accessories, among others.

Figure 31: Key characteristics of the wood-based handicrafts sector

Export Value	Export Market	Employment in Sector	No. of Enterprises
~$ 800 million	US, Japan, Europe	6.8 million	1.19 million

4.6.1. Value chain and types of enterprises in the sector

The value chain of wooden handicrafts in India begins with procurement of wood, processing the wood, conversion of wood into finished products based on design inputs leading finally to assembly and packaging of the final product.

The government organizes auction for forest trees and issues permits to contractors who cut trees into logs / planks and sell it to agents / merchants. These agents further sell the wood in larger markets, called depots. The manufacturers source wood either directly from agents/ merchants, market depots or importers of specialty wood.

About 33 percent of the handicrafts made in India use reclaimed wood, typically railway wood which is sourced at auctions. Drift wood is expensive, and used only for manufacturing specific items.

25% of the enterprises operated by women

55% craftspeople and artisans are women

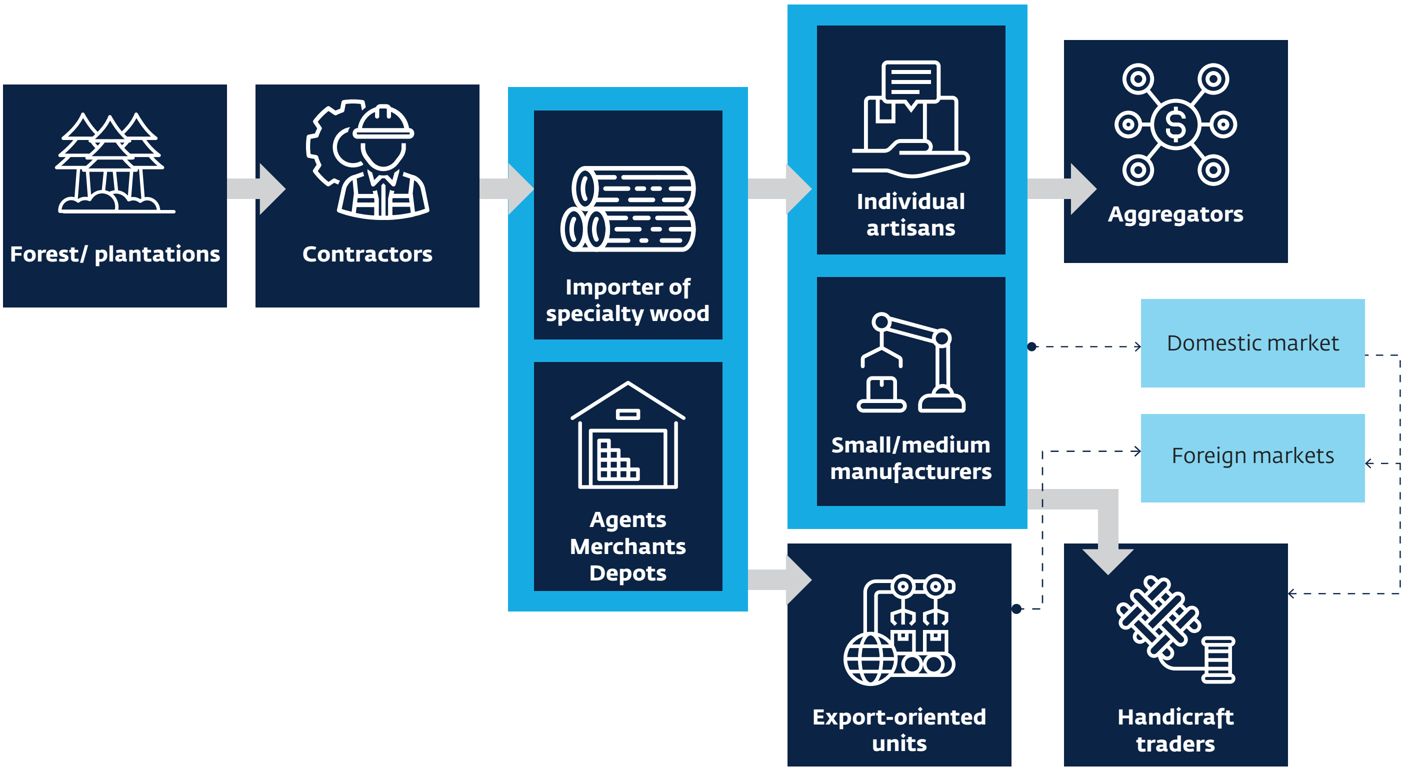
[175] Wood Based Handicraft Industry – Report On Survey Of Wood Based Handicraft Industry: Jodhpur (Rajasthan), WWF India
[176] India Wood Sector Market Study, American Hardwood Export Council, 2016
[177] What the Artisans and the Handicrafts Sector Want from the New Government, Social Story, May 2019

Once the wood is procured, it is processed in a two-step approach. The wood is first treated with chemicals to prevent worms and termites, and it is then dried and seasoned at a particular temperature. Once the wood is completely dry, it is ready for artisans to use. Product designs are provided to most manufacturers / artisans based on the heritage and expertise of the artisanal pool and also on the basis of demand from domestic and foreign markets. Many of these manufacturers have export-oriented units; others sell their products to handicraft traders, who are market intermediaries that have connections with domestic and foreign markets/ customers (see Figure 32). Independent artisans usually depend on conventional designs for making products, or copy popular patterns from the market. These artisans mostly end up selling products to traders owing to lack of direct market access. Over the past few years, online aggregation marketplaces have allowed artisans to sell directly to end customers. Some of these online start-ups such as The Art Exotica are run by women entrepreneurs and focus on creating livelihoods for women artisans from remote clusters of India.

Nearly 24% of the 1.19 million enterprises in the sector are owned by women.[178] Women-owned enterprises can be segmented into two types of businesses.

- The first type of enterprises tie-up with skilled artisans, provide them with raw material and design inputs, purchase the final product from artisans, finally sell them to domestic and international customers either through online channels or through brick-and-mortar stores in cities
- The second type is manufacturing entities. The entrepreneurs either operate small manufacturing units providing direct employment to artisans; or are independent manufacturers who are home-based, making wooden handicrafts for sale to intermediaries

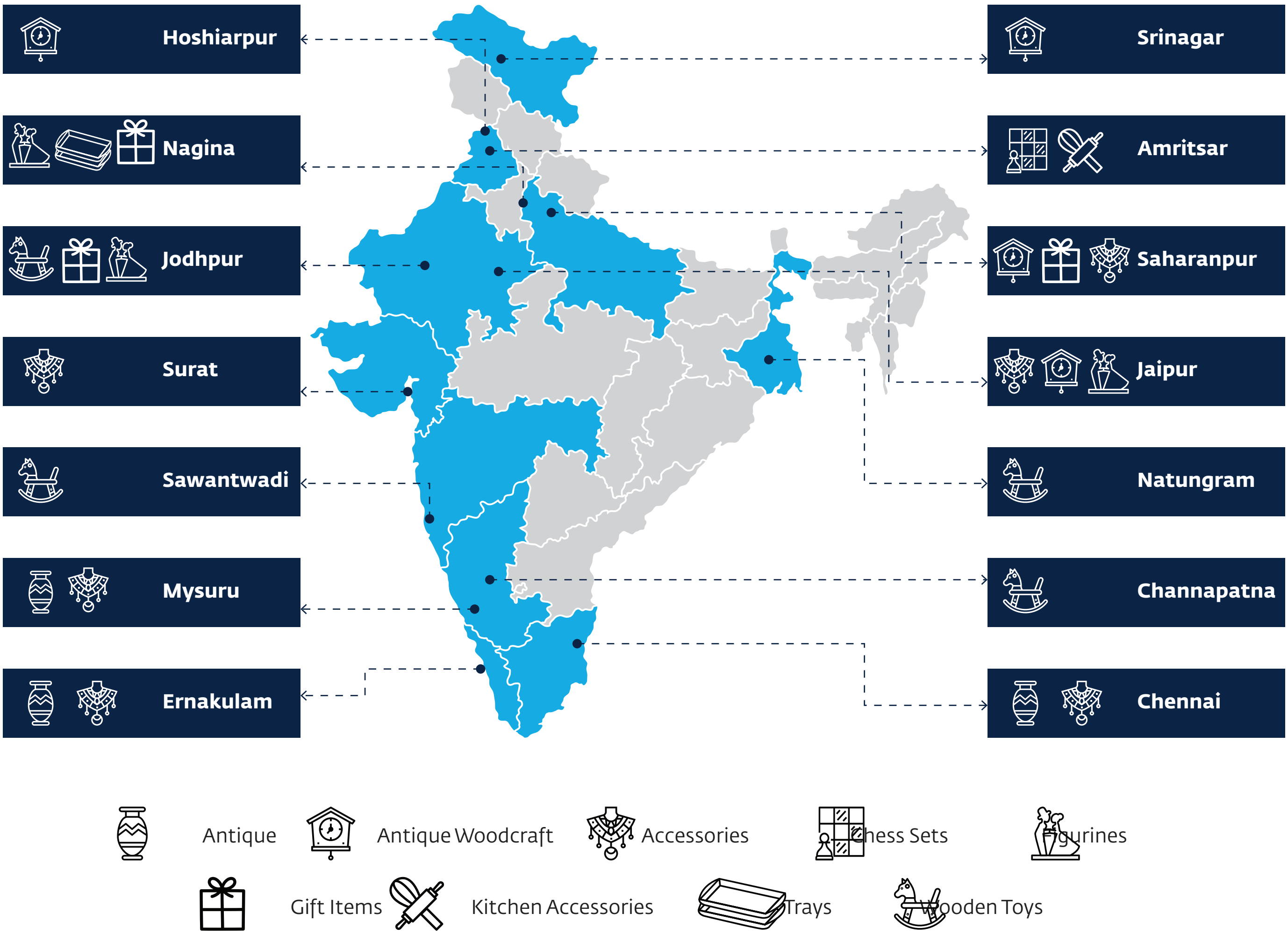
Figure 32: Value chain in the wood-based handicrafts sector



[178] Operational Characteristics of the Unincorporated Non-Agricultural Enterprises (Excluding Construction) in India (2018), NSS 73rd Round 2015-16

The production of wooden handicrafts takes place in product-wise clusters across the country. The product clusters are depicted in the figure below.

Figure 33: Key wood-based handicrafts clusters in India



Manufacturing of wooden toys, which is one of the largest export products for the sector, is centered in Sawantwadi in Maharashtra, Natungram in West Bengal and Channapatna in Karnataka.

Channapatna is the most renowned wooden toy making hub across the country, with a geographical indication tag from the World Trade Organization. However, toy making remains a traditional practice in these clusters, making it a family-led activity with men undertaking cutting and carving jobs, while women do colouring.

Wood-based antiques, another popular wooden handcraft from India is primarily produced in Srinagar in Jammu & Kashmir, Hoshiarpur in Punjab, Jaipur in Rajasthan, Saharanpur in Uttar Pradesh, Mysuru in Karnataka and Ernakulum in Kerala. Antiques made in India have a huge demand in developed markets like the US and Europe.

Production of kitchen accessories primarily takes place in Southern and North Eastern parts of India, while wood-based gift items and figurines are manufactured in Rajasthan.

These figurines and gift items rely on traditional carving and wood painting skills of artisans, most of whom are women.

The Ministry of Textile is responsible for promoting the handicrafts industry and formulating policies for its future growth and expansion. In 2014, a Trade Facilitation Centre and Crafts Museum was set up at Varanasi to bring weavers and artisans under one roof and provide them with a platform for marketing activities. A Mahila e-Haat was set-up by the government specifically to promote women micro-entrepreneurs, SHGs and non-governmental organizations in the handicrafts sector.

This is an online marketing platform that connects women entrepreneurs directly to buyers and enables cashless transactions. This portal has helped women from remote areas to market their products to interested buyers, and also get bulk orders.[179] Launched in 2016, the portal has so far served more than 350,000 beneficiaries and over 26,000 SHGs from 24 states.[180] Some of the important government schemes for the sector are listed below.

Table 20: Important government schemes focussed on the wood-based handicrafts sector

SCHEME	NODAL MINISTRY/ DEPARTMENT	PURPOSE	DESCRIPTION
01 Craft Clusters of India[181]	Ministry of Textiles	To provide marketing and technical know-how	• Provides market linkage to artisanal clusters so that buyers / exporters can contact them directly for enquiries and products
02 Ambedkar Hastshilp Vikas Yojna[182]	Ministry of Textiles	Promotion of handicrafts and craftspeople	• Promoting premium handicrafts products for the niche market • Expansion of production base for utility based, life style and mass production of handicrafts products • Preservation and protection of heritage/ languishing crafts
03 India Handmade Bazaar[183]	Ministry of Textiles	Direct marketing portal for handicrafts and handlooms products	• Artisans registered with the Development Commissioner for handlooms and handicrafts have access to the portal based on their registered mobile number in the respective data base • Once registered on the portal, a weaver/artisan can add or update details and photographs of their products and processes • Buyers can view the products available and can also send a query to the concerned weaver/artisan
04 Comprehensive Handicrafts Cluster Develop-ment Scheme (CHCDS)[184]	Office of the Development Commissioner- Handicrafts, Ministry of Textiles	Upgradation of infrastructural facilities; Market Linkages; product diversifica-tion	• Provides requisite support/ linkages in terms of adequate infrastructure, technology, product diversification, design develop-ment, raw material banks, marketing & promotion, social security and other components that are vital for sustainability of artisans/craftsmen engaged in the Handicrafts sector • Implementing agencies for this scheme will get a grant of INR 700 million from this scheme, which shall be utilized for meeting the critical gaps

[179] 'Financial Inclusion for Woman-Owned Micro, Small & Medium Enterprises (MSMEs) in India', IFC, 2017
[180] 'IndiaHub- about Mahila e-haat' and 'The Indian women's e-commerce website Mahila-e-Haat is looking for associations', Saying Truth
[181] Craft Clusters of India
[182] AHVY
[183] India handmade bazaar
[184] Guidelines of development of mega cluster scheme handicrafts, Ministry of textiles

4.6.2. WVSE sectors of operations

There are several regional clusters in India dedicated to manufacturing of wooden toys and gift items.

Jodhpur in Rajasthan is one of the clusters dominated by women artisans, as well as women entrepreneurs. It is a major wood craft centre in India, and known for its export quality wooden handicrafts. Wood handicrafts comprise over 75 percent of the total handicrafts sector of Jodhpur. The cluster is primarily characterized by individual home-based artisans, majority of whom are women. These women are micro-entrepreneurs who source the wood locally and make indigenous products such as toys, handcrafted decorative items, and carved figurines. The women entrepreneurs, on the other hand, are primarily designers, product aggregator-sellers and/ or exporters.

Recently, there has been an increase in participation of urban women in the sector looking to revive Indian crafts, who tie-up with independent artisans in rural areas.

These women entrepreneurs enable access to quality raw materials for the artisans, provide designs for the final product and buy the finished product at fair prices. The entrepreneurs sell these products either through online channels such as social media or in self-owned stores located in urban areas. For instance, women-led enterprises such as Ariro Wooden Toys and Desi Toys are tapping into the domestic demand for toys made out of materials other than plastic. Given their direct interaction with the end customer, these entrepreneurs usually curate the collections themselves, and align it with the unique heritage of various regional clusters. These start-ups, who source from artisans across the country, are tapping into e-commerce channels such as Flipkart, FirstCry and Amazon to reach the end consumer. Such entrepreneurship models have proven to be a source of sustainable income generation for rural artisans.

The demand for finance from WVSEs engaged in wood-based handicrafts is estimated to be about INR 36.5 billion ($500 million).

Financial institutions can reach these WVSEs through tie-ups with e-commerce partners (such as Iktokri, Amazon, Pepperfry, and Okhai), direct sourcing at craft fairs and exhibitions and by leveraging social media (such as Instagram and Facebook).

Image: Flickr

4.6.3. An indicative profile of a wood-based handicrafts WVSE

Interactions with WVSEs producing wood-based handicrafts provided the research team with a perspective on the nature of business activities carried out by WVSEs, capital invested / needed, challenges faced, and important criteria for business success. Based on these interviews, the following sectoral profile has been created to provide a composite image of a WVSE in wood-based handicrafts.

Figure 34: Indicative profile of a wood-based handicrafts WVSE

MANUFACTURING OF HANDICRAFTS (WOOD)

Image: Flickr

FINANCIAL PROFILE

Typical annual revenue	Typical profit margin
INR 2.4 million	**20% - 30%**

Sources of initial capital

- Average initial capital required: ~INR 0.44 million (0.2 -1.25 million); Most required a small initial investments ~INR 0.2-0.3 million
- Initial capital mostly through own savings. For small initial start-up capital WVSEs didn't feel the need to approach a bank. Those who approached banks did not get a loan as FIs didn't understand the business offerings or plans

Capital Need

- INR 1.2-1.3 million for working capital (setting up website, sourcing higher varieties of wood, scaling up the business)

Documentation available

- All have a bank account, 80% have a current account
- All have a GST registration, some also have a MSME registration
- All businesses maintain books (manually)

FINANCIAL TRANSACTION FLOW

Vendor

Cash and bank transfers are equally preferred modes

Customer

Bank most preferred mode of payment

ENTERPRISE OVERVIEW

- Services offered: Craft items, décor items, decorative frames and doors, toys
- Typical age group of entrepreneur: Early 40s
- 90% enterprises registered as sole proprietorships, 60% having commercial brick and mortar stores

Business overview

- Average eight years of business vintage with a full time staff size of 2-3,contractual fluctuates basis requirement
- Customer base across the city and in some cases across India
- No non-credit financial product availed

Seasonality

- Low seasonality: Sale is spread through the year with spike during festival season in Aug and Oct-Jan
- Certain wood item creation dips during monsoon

KEY CHALLENGES FACED

- Difficulties establishing supply chains of crafts people who provide good quality products
- Developing market linkages to sell products to a wider customer base
- Gender biases while interacting with intermediaries (non-financial and financial)

MODES OF OUTREACH TO CUSTOMERS

- E-commerce (Itokri, Amazon, Pepperfry, Okhai)
- Social media (Instagram, Facebook)
- Craft fairs and exhibitions

KEY SUCCESS FACTORS

- Strong craft workforce: Orders given to a core team of crafts people and quantum of repeat orders to the same person
- Product diversity in types of wood : Investment in wood can be heavy upfront. The businesses that have a mix of expensive and cheaper woods tend to have more stable profitability

DIGITAL CHANNELS USAGE

- High use of social media for marketing and promotion (through Facebook or Instagram accounts)
- 60% make sales through e-commerce or social commerce

4.6.4. Challenges faced by WVSEs in the wood-based handicrafts sector

Table 21: Challenges faced by WVSEs in the wood-based handicrafts sector

01 Market linkages and visibility for products	WVSEs in the sector struggle to create visibility for their products in the market because niche products require significant market development to create awareness. Many WVSEs manufacturing wood products depend on niche and narrow sales channels. There are not many platforms selling wood based products, and the ones that exist cater only to the larger cities.
02 Nature of business makes it difficult to scale	Most wood based products, being artistic, are unsuitable for bulk manufacturing, and enterprises do not benefit from any operating leverage even with increase in volumes. In addition, WVSEs find it difficult to access mentoring / advisory support to help them scale up the business, given the lack of sector specific networks.

4.6.5. COVID-19 impact on the wood-based handicrafts sector

In the wake of the COVID-19 crisis, manufacturing units across India were shut down hitting the industry hard.

The output from the wood products industry in India touched a 97-month low in March 2020, contracting by 26.5 percent.[185] Artisans' earnings were hit as a result of reduced demand in the domestic and export markets. Enterprises that supplied to upstream businesses experienced order cancellations in anticipation of low market demand. Enterprises that sold products through exhibitions / fairs / through brick and mortar stores were impacted by restrictions on movement. Several export units have downsized by 50–60 percent and artisans have been forced to consider alternate professions to meet basic needs.

However, some businesses have benefited from an increase in demand for home-décor items.

Enterprises that used digital channels experienced a greater interest in décor items during the lockdown. Consumers may have been more inclined to add new décor items in their houses as a result of spending a lot of time indoors. With the ease in restrictions, the demand for need-based products has recovered to nearly the same level as before the pandemic.


Image: Flickr

[185] Wood Products Output Contracted by 26.5%, a 97-Month Low, in Mar 2020, Mint Analytics, 2020

4.7. Beauty & Salon Services

The beauty & salon services sector is a sub-segment of the beauty and wellness industry with an estimated annual turnover of $3.8 billion in 2017 and expected to grow at a CAGR of about 30 percent. [186]

There are about 7 million beauty salon and spa enterprises in the country (see Figure 35).[187] The sector is expected to employ nearly 12 million people by 2022. The sector is dominated by unorganized[188], stand-alone units; and the ratio of organized to unorganized units is estimated to be 1:9.[189] The sector is more organized in southern India with large chains such as Naturals and Green Trends[190] The organized entities, however, are estimated to grow at a far more rapid pace (23 percent) than unorganized entities (16 percent) until 2022.

Initiatives of the National Skill Development Corporation, set up by the Ministry of Finance, have had a positive impact on the supply of skilled labor to the sector as nearly 80 percent work force is secondary educated or vocationally trained.

A beauty and wellness sector skill council has been set up to promote skill development in the sector, (see Table 12). Additionally, a national certification and reward scheme called STAR (Standard Training Assessment and Reward) has been launched to provide training to a million young people. The National Skill Certification and Monetary Reward Scheme (NSCMRS) scheme will provide monetary incentives for successful completion of market-driven skill training to approximately 1 million youth.

Figure 35: Key characteristics of the beauty & salon services sector

Market Size	Potential Employment	No. of Salons
~$ 3.8 billion	>12 million	~6-7 million

Women play a very crucial role in the sector as business owners, service professionals and customers.

The larger community, social and personal services sector consists of nearly 1 million women micro-entrepreneurs.[191] Particularly in the beauty and salon services, women contribute to more than 85 percent to the total revenues and constitute more than 50 percent of the total workforce.

Industry interactions show that one of the most pertinent challenges for women in the sector is that they usually do not have the authority to make investment-related decisions, despite their high entrepreneurial aspirations.

60% of the sector is unorganized
1 million women micro entrepreneurs in the sector

[186] Wellness and Beauty – An Ecosystem in the Making, FICCI, EY, 2019
[187] Today My News, 2020
[188] Human Resources and Skill Requirements in the Beauty and Wellness Sector, 2017-22, NSDC, KPMG
[189] Economic Empowerment among Women Entrepreneurship in Beauty Services SEGMENT: Is it the Beginning of an ERA For Sustainable Development?, A.Bharathy,2013
[190] Indian salon industry report, Reevolv, 2015
[191] Economic Characteristics of Unincorporated Non-Agricultural Enterprises (Excluding Construction) in India, NSS 73rd Round, 2018

Table 22: Key government schemes focussed on the beauty & salon services sector

SCHEME	NODAL MINISTRY/ DEPARTMENT	PURPOSE	DESCRIPTION
01 Beauty and Wellness Sector Skill Council (B&WSSC) [192]	Set up in partnership with the Confederation of Indian Industry (CII) and the National Skill Development Corporation (NSDC)	Skill development	• Promote an effective and efficient ecosystem to develop and impart skills in the Beauty and Wellness sector • Impart skills through relevant content and curriculum, courses, information database, delivery systems and standardization of the accreditation and certification process, to enhance the employability of the Indian workforce, nationally and globally
02 National Apprenticeship Promotion Scheme (NAPS) [193]	Ministry of Skill Development and Entrepreneurship	Skill Development and experiential learning	• Provides 2–3 months of Instructor Led Training (ILT) and includes six months of mandatory apprenticeship • B&WSSC has listed five job roles under NAPS namely, Beauty Therapist, Hair Stylist, Spa Therapist, Nail Technician as well as Yoga trainer

4.7.1. WVSE sectors of operations

The sector has numerous operational models that can be customized to suit the needs of the market and preferences of the entrepreneur.

While entrepreneurs do differentiate themselves based on the type services offered, another key point of differentiation is the point of delivery of these services. The enterprises may operate from a designated commercial establishment or from a residential location or may actually provide home visits to the customer's location. The three categories are briefly described below:

Table 23: Categories of beauty and salon services sector

CATEGORIES OF BEAUTY AND SALON SERVICES	
(i) Enterprises operating from a formal commercial complex: These are of four broad types	
Franchisee model	Retail outlet salons that are the licensed franchisee of an established brand such as Lakme, VLCC, Habibs, and Naturals. These tend to operate out of multiple-locations and have the same standard of training and service options across all locations.
Speciality salons	Speciality salons provide specialized services such as nail treatment, hair growth, and laser treatment. Speciality salons tend to offer only one or two very specific services.
Boutique salons	These salons not only provide salon services but also have an attached jewellery or lifestyle section where customers can shop. They tend to be more expensive.
Standalone salons	These are owned by individuals / partners who are not affiliated to any brand or chain. Standalone salons generally cater to the needs of clientele in the neighbourhood.

[192] Beauty and Wellness Sector Skill Council
[193] NAPS, Beauty and Wellness Sector Skill Council

(ii) Enterprises operating from non-commercial locations: These enterprises offer services to people residing in local communities and tend to provide multiple services. They operate out of the owner's house / garage, are largely stand-alone and have a small staff size.

(iii) Door-to-door service: There are two kinds of door to door service providers

Independent beauty services	These services are provided by individuals who travel to the customer's house to provide pre-specified services. These services can be provided by an individual only or by individuals who are part of a group of freelancers coming together.
At-home service aggregators	Aggregators use an online platform to provide an interface between the customer and the beauty professional for a wide range of services. Often, the aggregators also invest in providing training and products to the service professional, who pays a commission to the aggregator for each client served.

In terms of geographies, the beauty and salon services sector is not clustered to any specific part of the country. However, the growth of salon is concentrated in the top 50 cities of India.[194] A large number of women-owned enterprises are most likely to be present in these cities.

It is estimated that WVSEs engaged in community, social and personal services (of which beauty salons is a sub-segment) have a demand for capital of INR 8 billion.[195] Financial institutions can reach WVSEs in this sector through online intermediaries like the Urban Company, by having feet-on-the-ground in the local markets near residential areas in major cities and by leveraging local phone databases (Just Dial) and social media (Instagram, Facebook).

Table 24: Cities with WVSEs presence in the beauty & salon services sector

Cities with high earning potential and high spending potential	Cities with moderate earning and high spending potential	Cities with moderate earning and moderate spending potential
Delhi	Ludhiana	Patna
Kolkata	Amritsar	Indore
Ahmedabad	Chandigarh	Bhopal
Pune	Faridabad	Surat
Greater Mumbai	Kanpur	Vizag
Hyderabad	Guwahati	Mysore
Chennai	Vadodara	Raipur
	Coimbatore	
	Kochi	

[194] Shrinking Gender Barriers – Sustainable Business Opportunity in Unisex Beauty Salons for Entrepreneurs in Urban India, IJITEE, 2020
[195] Note that this number is for WVSEs in the category 'community, social and personal services' as defined by the NSSO, and not for only beauty salons, which is a sub-segment of community, social and personal services

4.7.2. An indicative profile of a beauty & salon services WVSE

Interactions with WVSEs providing beauty & salon services yielded insights on the nature of business activities carried out by WVSEs, capital invested / needed, challenges faced, and important criteria for business success. Based on these interviews, the following sectoral profile has been created to provide a composite image of a WVSE that provides beauty & salon services.

Figure 36: Indicative profile of a beauty & salon services WVSE

BEAUTY AND SALON SERVICES

Image: Flickr

FINANCIAL PROFILE

Typical annual revenue	Typical profit margin
INR 2.4 million	**20% - 30%**

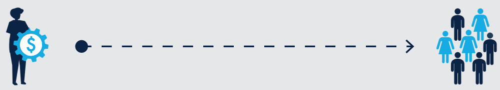
Sources of initial capital

- Average initial capital required: ~INR. 0.7 million
- Initial capital mostly arranged through own savings or through friends and family
- Reluctance towards bank loans for initial capital in order to avoid EMI repayment cycle early on in the business

Capital Need
- Average capital needed INR. 0.9 million
- Working capital loans needed for business activities (salary, rent, improving interiors)
- Term loan for setting up a new saloon or fixed assets such as specialized stations (shampoo, nails etc.), facial and laser machinery etc.

Documentation available
- All have a bank account, 60%+ have a current account
- 70% maintain books manually and most also utilize a CA's service in legal and financial documentation
- Most businesses have a shop and establishment license and nearly 40% have a GST registration

FINANCIAL TRANSACTION FLOW



Vendor
Bank most preferred mode of payment

Customer
Cash most preferred followed by digital wallets and cards

ENTERPRISE OVERVIEW

- Services offered : Hair, skin, mani-pedicure, nail art, freelance makeup
- Typical age group of entrepreneur: Late 30s and early 40s
- More than 90% registered sole proprietorships operating primarily out of rented commercial spaces

Business overview
- Average nine years of business vintage with a staff size of 4-5
- Most customers from immediate vicinity and some from across the city
- Non-credit financial products availed: Fire insurance

Seasonality
- Not seasonal for basic services such as hair cuts, face and body services etc.
- Highly seasonal for luxury services such as make-up, spa treatments, face treatments etc. High demand Oct-Mar
- Capital needs fluctuate due to seasonality

KEY CHALLENGES FACED

- High staff attrition as large chain based salons have the capital to provide better compensation
- Balancing long hours at the salon with household responsibilities
- Gender bias and lack of support from family for some WVSEs

MODES OF OUTREACH TO CUSTOMERS

- Local on-ground promotion and advertisements
- Social media (Instagram, Facebook)
- Word-of-mouth

KEY SUCCESS FACTORS

- Location: Better footfall in residential areas
- Ambience : Match between the aesthetics of the salon and the locality it is in
- Brands: Awareness and acceptability of the brands used

DIGITAL CHANNELS USAGE

- High use of WhatsApp broadcasts for communicating offers as well as social media for marketing (Facebook or Instagram account)
- Freelancers heavily rely on Instagram for bookings
- Some WVSEs generate revenue by using video platforms (zoom, skype, google meet) to conduct make-up classes

4.7.3. Challenges faced by WVSEs in the beauty & salon services sector

Table 25: Challenges faced by WVSEs in the beauty & salon services sector

01 Low barriers to entry	The beauty and salon services sector is highly competitive with low barriers of entry. Good service, affordability, and customer satisfaction are critical for the success of beauty salons. WVSEs depend heavily on well-trained staff to deliver quality service to customers. However, employees in the sector are highly susceptible to be 'poached' by competitors / start off on their own.
02 Difficulty in balancing business and household responsibilities	The sector is characterized by long working hours, and most salons are open throughout the week. The client-facing nature of the business and the imperative to deliver high quality services requires the entrepreneurs to spend significant time on the business. Many women entrepreneurs find it difficult to balance this facet of the business with their household responsibilities
03 Access to finance challenge	As most WVSEs offering beauty & salon services do not have assets in their name, they find it difficult to borrow finance from a formal institution. Even if collateral is available, WVSEs are reluctant to take a loan because EMIs begin immediately while business normally takes time to ramp up, given the localised nature of the business.

4.7.4. COVID-19 impact on the beauty & salon services sector

The beauty and salon services sector is one the worst hit sectors by the COVID-19 pandemic.

Because there is close proximity between the customer and the service provider, customers have stayed away from availing even routine services and the sector has experienced a sharp fall in revenue. A renowned beauty salon chain said that the decline in business was as steep as 50 percent initially.[196]

Most salons have had to reduce staff and several salons reduced the salary paid to staff.

WVSEs mentioned that they ran out of working capital after the initial few months. The salons also faced an existential crisis as they had to pay rent despite being shut leading to several entrepreneurs losing all their savings. Most entrepreneurs who tried to get loans or overdraft facilities from their existing banks were unsuccessful.

After the 'unlock' was announced by the government, there has been a gradual uptick in business.

Another leading salon chain indicated that footfall has improved from about 50 percent of pre-lockdown trends to about 80 percent in the festive season (October 2020). However, because beauty treatment is considered more of a luxury than a necessity, customers prefer to undergo low-revenue routine services rather than more specialized services.[197]

Furthermore, salon expenses have increased because of additional hygiene and safety requirements such as sanitizers, face shields, and PPE kits.

A pan-India salon chain mentioned that there has been an increase in use of sanitizer bottles by 200–300 percent.[198] Another salon chain owner said that the consumable cost had increased the overall material cost by 30 percent.[199]

[196] Salons, Customers Take Extra Precautions Amid #CoronaScare, Times of India, 2020
[197] Covid-19 Affects Business of Beauty Parlours, Salons this Karva Chauth, Web India, 2020
[198] Fear all around': Covid-19 Leaves Wellness Sector in Bad Health, Hindustan Times, 2020
[199] Covid-19 Impact: Beauty Parlors to Undergo Seismic Shift in the New Normal, Economics Times, 2020

4.8. The demand for finance from WVSEs in various sectors

As mentioned in each of the sections above, a vast portion of the demand for finance from WVSEs is unmet across sectors. Below is the demand for finance from the various sectors described in the preceding sections. [200]

This represents a significant opportunity, given that studies have established that a large share of the demand for finance from the MSME sector, and especially from micro-enterprises remains unfulfilled by formal financial institutions. An IFC report estimates this share to be 70 percent of the addressable demand for finance from sector.[203] The same report estimates that two-thirds of the demand from micro enterprises, of which WVSEs is a sub-segment, remains unfulfilled. A report by the Reserve Bank of India's expert committee on MSMEs estimated the credit gap in the sector to be INR 20-25 trillion in 2019, which is roughly 60 percent of the demand.[204] Further another IFC report estimates that nearly 90 percent of the women entrepreneurs in India have not availed finance from formal financial institutions.[205] A vast majority of these did not apply for loans to formal financial institutions at all – for reasons such as inability to provide collateral or because of a lack of awareness about loan products and application procedures, risk aversion, unfavorable terms of credit or complicated application forms.[206] These reasons were also mentioned by the women entrepreneurs who participated in this research, indicating the need for financial institutions to tailor products and processes that are able to reach this untapped opportunity.

Table 26: Demand for finance across sectors

Type of sector	Description	Demand for finance	
		in INR billion	in $ billion
Manufacturing	Manufacture of wearing apparel and textiles	606.4	8.27
Manufacturing	Manufacture of wood products	36.5	0.50
Trade/ Service	Food and groceries retail trade	18.0	0.25
Trade/ Service	Community social and personal services	8.0[201]	0.11
Trade/ Service	Educational services	6.7 [202]	0.09
Trade/ Service	Food service activities (eateries)	3.6	0.05
Trade/ Service	Jewellery and accessories retail trade	1.9	0.03

[200] Please see Annexure 5 for demand for finance from the Top 10 sectors of WVSE activity, identified as part of this study
[201] Note that this number is for WVSEs in the category 'community, social and personal services' as defined by the NSSO, and not only for beauty salons, which is a sub-segment of community, social and personal services
[202] Note that this number is for WVSEs in the category 'educational services' as defined by the NSSO, and not only for pre-schools, which is a sub-segment of educational services
[203] 'Financing India's MSMEs: Estimation of debt Requirement of MSMEs in India', IFC, 2018
[204] Report of the Expert Committee on Micro, Small and Medium Enterprises, Reserve Bank of India, 2019
[205] 'Financial Inclusion for Woman-Owned Micro, Small & Medium Enterprises (MSMEs) in India', IFC, 2016
[206] Ibid.

4.9. Challenges faced by WVSEs

In addition to the sector-specific challenges mentioned in the respective sections above, WVSE face various challenges in operating their businesses and accessing finance, because of aspects such as social biases within the family and in the business, banking and regulatory ecosystems, and insufficient support structures.

Further, the COVID-19 pandemic has had a significant negative impact on women entrepreneurs in particular. A survey conducted by SEWA Bharat on the impact of COVID-19 indicated that 78% of the women entrepreneurs surveyed were out of savings entirely during the lockdown.[207] Given that most women entrepreneurs are self-financed, reduced household income as a result of the pandemic directly curtails women's businesses. Additionally, there has been an increase in the domestic workload of women in the pandemic, which has reduced the time they spend on their professional work. Interactions with over 90 WVSEs undertaken for this report indicate that these challenges apply to women from across sectors and play a part in constraining WVSEs to a limited scale.

Table 27: Snapshot of challenges faced by WVSEs

Social biases and conditioning	Inability to access the right kind of finance	Lack of access to non-financial services	Accounting and regulatory compliance related
• Gender bias in family and the business ecosystem • Limited opportunities to diversify sales channels	• Unsuitable credit products • Limited access to information about financial service providers • Discomfort with borrowing from formal sources • Insufficient support in accessing government schemes • Unconscious bias from credit providers	• Lack of advisory, child care and networking support • Insufficient access to government-driven non-financial support	• Limited exposure to accounting and regulatory best practices

[207] Gender precarity in the lockdown, SEWA Bharat, 2020

Table 28: Detailed descriptions of challenges faced by WVSEs

SOCIAL BIASES AND CONDITIONING

Gender bias in family, society and business ecosystem

- **Women entrepreneurs are often perceived by family members and the business ecosystem as non-serious entrepreneurs operating the business to fulfil a hobby rather than to scale and grow**
  - Interactions with women entrepreneurs have revealed that such bias is present in their homes, as well as across the business ecosystem they interface with: such as suppliers, purchasers and lenders.
  - From a social perspective, many WVSEs are expected by their families to de-prioritize business for house-work and care-giving, to take care of family emergencies, festivals or when life-cycle events occur. This substantially impacts WVSEs operating in businesses where they have to spend significant time at the business premises (such as food and grocery retail shops, beauty salons and eateries).
  - From a business perspective, WVSEs face a bias across the value chain right from suppliers to artisans as well as from buyers. For example, in the textile and woodworking sectors this bias is seen from male artisans who often do not give priority to dealing with WVSEs.

Limited opportunities to diversify sales channels

- **Several WVSEs depend on a limited number of traditional sales channels which makes them susceptible to market disruptions**
  - Because of the burden of care-work, women entrepreneurs find it challenging to devote time towards strategic sourcing and marketing activities that may require them to travel and be away from their homes.
  - This is especially true in the case of WVSEs involved in the manufacturing of textiles and wood products who supply to intermediaries and thus do not have access to end consumers. These intermediaries, often men, exert a high bargaining power to dictate prices and payment terms. Another consequence is that WVSEs often do not have visibility into demand / design trends and hence they face challenges in managing sourcing from their artisanal pool.
  - In services and trading sectors, WVSEs have been able to leverage technology to gain a degree of direct market - traction. WVSEs have tapped into the fast growing social-commerce platforms to spread word about their offerings and attract customers.

INABILITY TO ACCESS THE RIGHT KIND OF FINANCE

Unsuitable credit products

- **Women entrepreneurs prefer flexibility in repayment schedules**
  - Given the biases faced, WVSEs tend to be challenged in being able to predict business revenues and this makes them uncomfortable with agreeing to a defined repayment schedule.
  - WVSEs, therefore, prefer to borrow from friends and family who allow them flexibility in repayment. Such capital might be available to them at low or no interest, which makes it even more attractive.
  - In cases when such capital is not available, WVSEs prefer to operate at their existing scale rather than borrow from formal institutions. This is the case especially when they have to depend on their husbands or family members to act as guarantors.
  - All these factors tend to limit WVSEs from exploiting the potential of their business opportunity, confining them to a limited scale.

Limited access to information about financial service providers

- **WVSE are often unaware of the different kinds of FIs that can provide the quantum of finance they need**
  - While some WVSEs have been borrowers of microfinance institutions in the past, they are unsure of processes to procure larger ticket sized loans. They often lack a dependable source of information that will apprise them of all the available options and recommend what is best for them.
  - FIs have also not leveraged their communication channels to create awareness about products that may be relevant to WVSEs, such as overdraft facilities or working capital term loans.
  - Intermediary organizations, such as Sarva Shikshan Prayog and Kudumbshree have been able to help WVSEs overcome this lack of awareness to a certain extent.

Discomfort with borrowing from formal sources

- **Women entrepreneurs prefer not to engage with formal financial institutions because of the perception of tedious and difficult paperwork**
  - Many WVSEs perceive that engaging with formal financial institutions is a cumbersome and challenging process. They have the perception, that banks and NBFCs require adherence to strict processes and paperwork. Certain policies of Financial Institutions (FIs) such as the need for three years of business performance records and maintenance of a mandatory minimum deposit with the bank also tends to restrict ability of WVSEs to engage with FIs.
  - This perception is seen across sectors, including in cases where WVSEs have a history of borrowing from microfinance institutions. WVSEs, however, have been able to overcome this aversion and secure finance from banks when they have received support from their family or an intermediary organization that demystifies and simplifies the process for them.

Insufficient support in accessing government financial support schemes

- **WVSEs do not receive sufficient support in accessing government schemes that might benefit them**
  - While many WVSEs that participated for this report indicated that they have heard of both sector-specific and broad-spectrum government schemes that may help them access finance, they are unsure of their entitlements and the processes to access such schemes. However, such schemes are typically channelled through formal FIs which WVSEs are averse to approaching.
  - WVSEs that receive support from intermediaries or through cluster-level support organizations (in the case of manufacturing WVSEs) are able to access MUDRA loans and/or loans under the CGTMSE scheme, and sector-specific support such as that through the Pradhan Mantri Credit Scheme for Powerloom Weavers.

Unconscious bias from credit providers

- **Policies and practices of FIs create an unconscious bias against WVSEs**
  - Loan applications often require a male co-signee which makes women entrepreneurs dependent on family members, who may or may not be supportive of their business. Further, it may reduce the agency of the women in spending the money borrowed.
  - WVSEs also believe that the recovery processes of credit providers are often not sensitive to their social status and are wary of dealing with collection agents, who are typically men.

LACK OF ACCESS TO NON-FINANCIAL SERVICES

Lack of advisory, child-care and networking support

- **WVSEs typically do not have access to affordable professional services that fulfil their non-financial needs**
  - WVSEs often learn business skills on the job and rarely receive any formal support in terms of business advisory, accounting and marketing best practices, inventory and supplier management, and human resource management.
  - Women entrepreneurs also often depend on their families for child-care support and in cases where such support is not available they have to prioritize their care-giving roles in the family.
  - Separately, WVSEs expressed that being connected with other WVSEs can help them in enhancing their confidence, learning from each other and keep them up-to-date with sectoral trends, which is often not possible because of time constraints.

Insufficient access to government-driven non-financial support

- **WVSEs often struggle to access sector-specific schemes that provide them non-financial support**
  - As mentioned above in the sector descriptions, the government has designed a number of sector specific initiatives such as the Amended Technology Upgradation Funds Scheme (ATUFS), Ambedkar Hastshilp Vikas Yojana and / or cluster level schemes such as Integrated Skill Development Scheme and Common Facility Centre, which are of relevance to WVSEs. However, WVSEs often struggle to benefit from such initiatives because of lack of information about them and lack of support in accessing them.

ACCOUNTING AND REGULATORY COMPLIANCE RELATED

Limited exposure to accounting and regulatory best practices

- **As is the case with many small businesses, WVSEs are not aware of accounting standards and practices**
  - This lack of knowledge makes WVSEs dependent on others for keeping track of business finances. While most WVSEs part of this study maintained books of accounts, there was a lack of knowledge about the technologies and tools (accounting software, financial management, and fintech products) that can enable them to maintain accounts in a transparent and efficient manner.
  - Many WVSEs outsource compliance related tasks to a male partner or a CA. Consequently, WVSEs end up being reliant on others for many compliance decisions and do not have a perspective on how to organize the business to grow.
  - This limited adherence to best practices creates a perception of risk among capital providers, and may deprive WVSEs from accessing finance despite strong business performance.

Support provided by eco-system players in building capacity and supporting growth of WVSEs

05

Image: Rama George-Alleyne / World Bank

Key Takeaways

- Intermediaries enable WVSEs to collectivize, enhance their awareness, and access learning resources. They also help WVSEs to access market opportunities, strengthen market linkages, encourage them to utilize financial services and provide mentorship and networks to them

- Corporations provide WVSEs access to markets and market intelligence, support in operational management and also enable access to finance through partnerships with financial institutions, by enabling supply chain financing or cash-flow based repayment

Interactions with WVSEs as part of this research highlighted women entrepreneurs' need for support services not only during the start-up phase but also during the growth phase.

The need for a supportive entrepreneurial eco-system is especially important because women entrepreneurs operate in a socio-cultural context that displays gender bias and limits their access to resources. Research has indicated that that women may have less confidence in their ability to start and grow a business and are also less likely to have networks and mentors to support them on their journey.[208] The nature of support required tends to change as the enterprise grows and WVSEs seek access to different resources that support growth. Availability of such support enables WVSEs to better understand their financial and non-financial options, thus empowering them to make informed decisions.

Two kinds of eco-system players provide specific support to the WVSEs (see Figure 37).

First, eco-system players who forge business partnerships with WVSEs to provide market linkages; these are generally corporations that involve WVSEs in their value chains and supply chains. Second, eco-system players who provide business advisory services to WVSEs and help build their capacity. These are generally the intermediary organizations comprising of industry associations, non-governmental organizations, and women's forums.

[208] Non-Financial Services: The Key to Unlocking the Growth Potential of Women-led Small and Medium Enterprises for Banks, IFC, 2020

Figure 37: WVSEs Business and advisory partnerships

Business partnerships

- Ecosystem players like corporations which forge business partnerships with WVSEs across the value/supply chains to provide market linkages.
- These partnerships are both on the forward and backward linkages side for the WVSEs. For example, corporations in the textile sector that source finished goods from the WVSEs in the handloom clusters provide forward linkages; while large FMCG corporations ensure efficient supply of the SKUs to WVSE retail outlets, providing backward linkages.
- In the absence of formal sources of finance, corporations directly provide working capital support and milestones-based finance at various stages of the partnership with WVSEs.
- Some corporation partners: Amazon, Etsy, Rangasutra, FoodBuddy

Advisory partnerships

- Ecosystem players like intermediary organizations (such as trade associations, NGOs and women's forums) provide capacity-building and advisory services to WVSEs for efficient running of business.
- They provide mentorship to WVSEs in day-to-day business decision-making, including providing sectoral information and functional knowledge as well as imparting the necessary soft skills. For example, intermediaries provide WVSEs with access to platforms for business incubation and networking opportunities.
- Intermediaries also support WVSEs in becoming more formalized in their operations and business structure, through capacity building in matters like registration, book-keeping, and tax compliance, indirectly preparing them for accessing capital from financial institutions.
- Some intermediary partners: Dhritti, Antaran (Tata Trusts), Kudumbashree

Image: Iwan Bagus/IFC

5.1. Intermediaries providing capacity building support

Intermediaries play a key role in collectivizing WVSEs, enhance awareness among WVSEs and enable access to learnings & large scale interventions.

Intermediaries can be sector specific or sector agnostic organizations, and can be structured as:

Table 29: Types of intermediaries

Non-profits	Cooperative societies	Trusts/trade unions	Accelerators/ incubators	Women associations	For-profit corporations
• Dhritti • Okhai • Banglanatak • GAME	• Mann Deshi foundation • Shree Mahila Gruha Udyog • SEWA Bharat	• SEWA • Women India Trust • Entities under the TATA Trust	• WE HUB • Zone Startups • Upaya Social Ventures	• Confederation of Women Entrepreneurs (COWE)	• Sheroes • Lal10 • Urban Company

These intermediaries provide three distinct types of support to WVSEs as shown below in Table 30.

Table 30: Support provided by intermediaries to WVSEs

Strengthen market access	Support access to finance	Advocacy, networking and other support services
• Support in identifying new markets and channels • Provide inputs related to design and demand trends • Link with livelihood support initiatives	• Drive behaviour change in WVSEs to encourage them to access financial services • Directly link WVSEs to financial institutions	• Provide access to mentorship • Enhance access to peers to promote cross-learning and networking • Carry the voice of WVSEs to the policy makers • Support WVSEs in streamlining operational processes

5.1.1. Strengthen access to markets

Intermediaries help WVSEs strengthen access to markets in the following ways.

5.1.1.1 Support in identifying new markets and channels

Many intermediaries play a key role in supporting WVSEs to access market opportunities and strengthen market linkages.

Often WVSEs are not able to identify new channels of sale for their produce. For example, WVSEs interviewed in Sualkuchi usually sell only in nearby markets or through exhibitions. Intermediaries such as Antaran (Tata Trusts) support these enterprises in accessing new markets by providing inputs about design trends, quality requirements, product pricing and logistics support. This helps the WVSEs to create products that have a higher probability of sales and also fetch better prices. Banglanatak in West Bengal has taken a bottoms-up approach and it helps WVSEs to sell handicraft and handloom products in national and global markets. Banglanatak supports WVSEs until they are ready to independently conduct business with Indian and global clients in the handicrafts space. Organizations such as Dastkar played an important role in providing access to markets during COVID-19 by taking the products of WVSEs associated with them online.

GAME is seeking to create 50 million new jobs in India, through these mass entrepreneurs, by 2030. GAME defines mass entrepreneurs (MEs) as those who typically hire 5–20 employees in their business. GAME intends to this by adopting a 5 step approach: of making entrepreneurship aspirational; nurturing entrepreneurial mindsets and skills early; converting job-seekers to entrepreneurs; helping single and micro entrepreneurs grow; and enabling women to start and succeed as MEs.

Source: https://massentrepreneurship.org/

Intermediaries also play a role in other women-dominated sectors such as beauty parlors, education, F&B services where WVSEs face high levels of competition, market saturation and low profitability. Intermediaries support enterprises with capacity building, business management, people and buyer management.

For instance, Global Alliance for Mass Entrepreneurship (GAME) aspires to catalyze ~5 million women mass entrepreneurs in India by 2030. GAME intends to support women entrepreneurs in urban centers across 4 priority sectors: food, apparel, health, wellness and education. GAME provides entrepreneurs with exposure to new markets, networking opportunities and overall business growth support.

Banglanatak is a social enterprise working in rural West Bengal with a mission to foster inclusive and sustainable development using culture-based approaches. The organization aims to ensure that the WVSEs are not reduced to mere 'artisan-labor'. It handholds the WVSEs to negotiate the business deals on their own terms and provides training and exposure important for the purpose. Banglanatak is currently running a program for handicraft clusters in West Bengal, with the support from the state government and UNESCO.

Source: https://banglanatak.com/ and primary interview with the founder of Banglanatak.

Platforms such as Urban Company and Sheroes partner with certification providers under the Skill India mission, to provide entrepreneurs with access to skill development programs and markets, thereby supporting women micro-entrepreneurs, who can graduate to become WVSEs.

Dhritti incubates aspiring entreprenurs with its professional pedagogical support. Its pedagogy rests on three aspects followed as a continuum: inspire through skill development and awareness about entrepreneurship; incubate through continuous support as well as guidance in the form of a set plan; and transform through enabling the value chain along with financial linkages. It also organizes events for the entrepreneurs to network and learn from each other.

Source: https://dhriiti.com/ and primary interview the founder of Dhriiti

5.1.1.2 Providing design and demand trends related inputs

Intermediaries also enable demand-side buyers looking to source unique products and services by acting as a single sourcing point to reach multiple WVSEs.

B2B businesses and corporations looking to diversify their products find it easier to access a large number of WVSEs through a single intermediary. This process saves the larger organizations the time and effort needed to communicate order specifications as well as track production and manage delivery. Additionally, intermediaries also support corporations on adopting gender-inclusive sourcing policies, along with relevant case studies and best practices. Organizations like Lal10 in the woodwork handicrafts space provide this crucial market intelligence to the WVSEs, whom they designate as 'cluster champions'. Lal10 provides specific design inputs and product specifications to WVSEs aligned to the needs of B2B buyers. The WVSEs are thus able to get larger order size with desired designs from the buyers, helping generate greater profits.

Lal10 combines the traditional skills of artisan-entrepreneurs with modern design aesthetics and links producers to large B2B market within India and abroad. Their model is derived from ITC's e-choupal initiative, wherein an entrepreneur liaisons with the local artisans to cater to the market. More than 300 corporations based out of 18 countries – including Zara, Four Seasons – source products from Lal10. It imparts skill development and design training to these artisan-entrepreneurs and sources the products directly from them. This helps skipping the middleman, thus giving the artisan-entrepreneurs better returns.

Source: http://www.lal10.in/ and primary interview with the founder of Lal10

5.1.2. Support access to finance

Intermediaries help WVSEs access finance in the following ways.

5.1.2.1 Drive behavior change in WVSEs to encourage them to access financial services

Cooperatives, associations and non-profits have the potential to change behavior and motivate uptake of formal finance among WVSEs.

Some WVSEs are averse to seeking formal finance because of the lack of awareness and fear of defaulting on a monthly repayment obligation. Intermediaries also roll out behavioral change management and communication programs to enhance the adoption of formal books of accounts and digital recording transactions by WVSEs. For example, Dhriiti helps WVSEs to prepare detailed business plans and put together other relevant documentation required for seeking a bank loan. Dhritti also supports WVSEs in changing their mind-set and seek formal loans to support their growth and reduce dependence on informal sources of finance. From the perspective of financial institutions, intermediaries can play a role in supporting them to understand specific business nuances of the sectors in which WVSEs operate. They can also act as trusted intermediaries for financial institutions to reach out to WVSEs.

5.1.2.2 Directly link WVSEs to financial institutions

Intermediaries play a prominent role in assisting WVSEs to avail appropriate credit products from the financial institutions.

Many WVSEs are aware of finance providers only in generic terms — banks, informal moneylenders and family/friends/relatives. They are usually not aware of various kinds of formal financial institutions (banks, SFBs, UCBs, RRBs, NBFCs, SIDBI, and NABARD), the types of products offered by them, and the differences in their terms & conditions. Intermediaries play a vital role in creating awareness about financial assistance mechanisms for WVSEs. For example, Kudumbashree in Kerala manages the Government of India's Start-up Village Entrepreneurship Programme (SVEP) under which it provides mentorship to WVSEs and links them to appropriate financial institutions. Initially it helps arrange a small credit facility under the SHG-bank linkages and later on certifies the credentials of the WVSEs who it deems fit for the larger individual credit uptake.

5.1.3. Advocacy, networking and other support services

Intermediaries support WVSEs through advocacy and networking in the following ways.

5.1.3.1 Provide access to mentorship

Intermediaries provide capacity building services, training services, and mentoring services that help enable WVSEs to scale up.

Intermediaries provide WVSEs a platform to go to whenever they need any kind of business help. This help may be an operational need: for example, selecting the right location for starting a beauty salon or a non-business need; for example, suggestions on time management between business and family responsibilities.

5.1.3.2 Enhance access to peers to promote cross-learning and networking

Intermediaries like associations and accelerators, play a leading role in providing network and advisory support to the WVSEs.

Women-focused accelerators and network associations provide a common platform for WVSEs to engage with other entrepreneurs. This helps them to build a support system outside of their personal networks as well as an opportunity to seek guidance from mentors. WVSEs also benefit from showcasing their enterprises to accelerators and incubators, for financial as well as non-financial support.

Kudumbashree runs entrepreneurship development program specifically aimed at enterprises that either have an existing business or a skill. Under this program, Kudumbashree assists WVSEs to imbibe entrepreneurial competencies and also get relevant support from the local panchayat office. It provides crucial motivation training to the women entrepreneurs, which it considers as important as technical and business skills for entrepreneurship. Apart from this, it also invites family members to its entrepreneurial development workshops, so that they can be relied upon for future support and encouragement to the WVSE entrepreneur.

Source: Primary interview with the key officials running the Kudumbashree program in Kerala.

5.1.3.3 Carry the voice of WVSEs to the policy makers

Intermediaries inform policy creation through their understanding of needs of WVSEs and also provide improved accessibility and awareness of government policies to WVSEs.

There are several women focused initiatives launched by the Government of India that provide both financial support (such as the MUDRA scheme) and non-financial support (such as Mahila-E-Haat, Mahila Shakti Kendra, and STEP schemes). Such schemes are often a result of active participation by intermediaries.[209] The intermediaries also work with the hyperlocal non-governmental organizations to create awareness about the relevant schemes that the WVSEs can apply for. At the other end of spectrum, intermediaries engage in advocacy with policy makers to inform policies that benefit women entrepreneurs.

5.1.3.4 Support WVSEs in streamlining operational processes

Sector specific intermediaries also provide support and recommendations to overcome sector specific challenges.

For example, WVSEs in the jewellery retail sector face a high rejection rate of their produce by e-commerce websites. This is primarily because the product is not manufactured as per specifications laid out. Intermediaries provide capacity-building support to WVSEs to help them stay abreast of market preferences as well as adhere to design specifications. WVSEs also need an enabling ecosystem that offers sector-specific capacity building and trainings, on procurement readiness and quality control, along with networking events with potential buyers to be able to scale.

[209] Chambers of Commerce (CoC), Mann Deshi Foundation

5.2. Corporations have established business partnerships with WVSEs

To overcome gender-specific constraints to women's involvement in supply chains, companies have taken initiatives to provide support to WVSEs in one or more of three broad areas.

Table 31: Support provided by corporations to WVSEs

Shine the light - Enable WVSEs to better understand the market	Strengthen the core - Enable WVSEs to adopt robust processes	Secure capital access - Enable WVSEs to access finance
• Provide WVSEs direct access to market intelligence • Enable WVSEs to establish credibility among customers	• Bring transparency and rigour in maintaining books of accounts • Enable optimum inventory management	• Establish partnerships with financial institutions to provide supply chain financing and cash-flow based repayment

5.2.1. Shine the light – Enable WVSEs to understand the market better

From a market perspective, WVSEs face challenges in understanding evolving consumer needs, gaining access to consumer markets and are significantly impacted by seasonality in demand.

A few corporates have recognized the value of incorporating WVSEs into their supply chain to serve end customers better. WVSEs also gain from this because integration into corporate value chains can bring in a degree of revenue predictability into their operations. This section highlights the various engagement models that corporates have adopted to better align WVSE capabilities with customer preferences.

5.2.1.1. Provide WVSEs direct access and market intelligence

In traditional manufacturing sectors such as textile and woodworking handicrafts, many WVSEs are physically and socially far removed from their target customer base.

WVSEs are thus unable to assess and proactively respond to changing customer needs. E-commerce platforms are attempting to bridge this gap by facilitating direct access to end consumers. For example, Amazon has launched its two programs, Amazon Saheli and Amazon Karigar, which is geared towards increasing the market access for the WVSEs. Amazon Saheli has provided market access to close to 300,000 women entrepreneurs overall.[210]

[210] Amazon India Waives Fee to Help 1 million Weavers, Artisans, Women Entrepreneurs, IndiaRetailing.com, 2020

There are specialized players in the market who cater to the needs of WVSEs especially in the textile handloom space.

For example, GoCoop has partnered with multiple handloom clusters across India to provide access to local and international markets to artisan-entrepreneurs operating in those clusters. It is thus able to also provide a year-long market access to the WVSEs, unlike the traditional route-to-market taken by WVSEs: exhibitions and fairs which might not occur at regular intervals through the year. Similarly, Jaypore (a part of Aditya Birla Fashion and Retail) sources textiles, artisanal jewellery, and décor items from various clusters across the country and links enterprises to end consumers through its online platform.

gocoop™ crafting change

GoCoop is the first dedicated online marketplace in India that connects the weaver entrepreneurs to the large market all over India and abroad. Currently, these weaver entrepreneurs are based out of more than 50 clusters. It caters to more than 50,000 consumers across 20 different countries. It works closely with the Ministry of Textiles and conducts cluster development projects, holding workshops with the weavers to educate them about e-commerce.

Source: https://gocoop.com/

In the F&B services sector, many WVSE food entrepreneurs are limited by the preferences of the immediate markets they serve.

Entities like Masala Box, and Swiggy help WVSEs discover customers beyond their immediate vicinity. The start-ups curate a menu that caters to their customer base and liaison with their partner WVSE entrepreneurs to cook these meals. These WVSEs are thus able to leverage their culinary skills to serve a market that would have been difficult for them to discover for themselves.

Another rapidly growing trend that connects WVSEs to end consumers directly is 'Social Commerce'.

Social commerce is a subset of electronic commerce that involves social media, online media that supports social interaction and user contributions to assist online buying and selling of products and services. For example, in the case of F&B services and jewellery & accessories retail, it has been seen that Facebook and its family of apps including Instagram and WhatsApp, have been leveraged by WVSEs to gain market access. In sectors like beauty parlors/salons, such market access is provided digitally by start-ups like Urban Company.

AJIO.COM

Ajio, part of Reliance Retail, started its brand 'Indie' in 2015 to extend its brand in the ethnic wear segment. They reach out to master weavers-entrepreneurs in over 50 clusters in India and merchandize their brands. These master weavers work with more than 500 artisans in their respective clusters. The clusters are spread across states like Rajasthan, Madhya Pradesh, Maharashtra, Andhra Pradesh, and Odisha. Ajio curates, displays and promotes the merchandize within their product category (such as sarees, shirts, accessories, footwear, jewellery, and home décor textiles) or their cluster category (such as Chanderi, Ikat, and Benaras).

Source: https://www.ajio.com/shop/indie

5.2.1.2. Enable WVSEs to establish credibility

WVSEs face intense competition from the entrenched large players in their respective sectors in gaining consumer wallet share.

Being associated with reputed corporations can be helpful for these WVSEs, to gain credibility and build a better brand profile. Corporations also carry out detailed due diligence and capacity building, to ensure that the products sold meet quality requirements. For example Ajio provides WVSEs an e-commerce platform to display their products. But before onboarding a product, Ajio visits the clusters and establishes contacts with the master-artisans interfacing with artisan-entrepreneurs. This provides the WVSEs an opportunity to create their merchandize brands, whereas Ajio is able to source and sell high quality and authentic products.

In the pre-school education space, the independent pre-schools struggle to establish credibility with parents who want to ensure best early childhood development for their children.

Parents avoid sending their children to independent pre-schools in the absence of such credibility, even if the entrepreneurs possess certifications and offer superior pedagogies. Corporations like Kidzee, EuroKids and Kreedo help WVSEs establish this credibility in the market. Kreedo allows WVSEs that run pre-schools to tap into their toolkits, in exchange for a one-time set up cost without any subsequent royalty. This low touch approach not only ensures that margins are not impacted but also provides flexibility to a WVSE to bring their own experience and creativity in terms of pedagogy. More than 1,000 Montessori institutions and preschools throughout India currently use Kreedo in their core curriculum.[211]

In the F&B services space, companies enable WVSEs to customize their entire menu.

This helps WVSEs carve out a niche for themselves in consumer markets and successful entrepreneurs have higher brand recall and word-of-mouth publicity. Start-ups like FoodyBuddy also take care of the entire logistics operations, such that WVSEs can focus on their core competence and undertake initiatives to establish their brand.

5.2.2. Strengthen the core – Enable WVSEs to put in place robust processes within the organization

Many WVSE entrepreneurs face constraints in daily management of their operations in terms of inventory control, billing & invoicing, receivables management, and raw material sourcing.

In addition to internal challenges, prevalent social and cultural norms impose further constraints on WVSEs related to business management. For example, gender biases impede the ability of WVSEs to negotiate pricing / payment terms / order quantities with vendors for business procurement and with customers. In addition, mobility and security constraints felt by women entrepreneurs prevent them from undertaking extensive travel to seek out the best business deals.

All of this hurts the medium-to-long term growth prospects of their enterprises. Some corporations have been able to support WVSEs to overcome these constraints and strengthen their ability to grow.

5.2.2.1. Transparency and rigor in maintaining books of account

While many WVSEs maintain a track record of their business transactions, they cite an inability to maintain a formal book of accounts because of limited access to accounting best practices.

This has an impact on their businesses in terms of being able to manage payment flows, track receivables, ensure compliance and obtain access to finance. Because corporations also insist on digital modes of payment and proper invoicing, engagement with them brings more transparency in WVSE book keeping practices.

Some startups are attempting to transform book-keeping practices of food & grocery retailers through simple, easy to use digital solutions.

For example, Khatabook provides a mobile-based khata, or record, that helps retailers track transactions which were, so far, either not recorded or primarily recorded on paper (Bahi khata).[212] The app features a ledger system, and sends reminders and alerts linked to upcoming payments. This helps the retailers to keep track of short-term credit provided to customers, improves transparency and enhances the efficiency of their business. The data that is collected also enables access to more services, such as credit through partnerships with banks and NBFCs. The key area of change management is in building capacity of WVSEs that either maintain manual books of account or do not have formal book keeping services and are unfamiliar with digital tools. Companies do this by making the interface intuitive and supporting use in local languages.

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[211] Kreedo website
[212] Kirana-Tech: The Next Stop In India's Tech Journey, Bloomberg Quint, 2020

Other startups offer solutions to simplify order management, inventory management, compliance and billing.

For example, apps like Vyapar provide a range of features from invoicing, billing, to GST filing and inventory management. It is aimed at all those growing businesses that lack sufficient knowledge of accounting software (like Tally) and seek a more mobile-friendly digital solution. Some other players are also aiming to integrate banking services within their apps by taking advantage of open APIs offered by banks. This could enable better access to credit for food and grocery retail WVSEs by enabling easier credit risk assessment.

5.2.2.2. Enable optimum inventory management

Because most WVSEs have poor forward and backward linkages, they tend to have challenges with respect to inventory management.

For example, WVSEs in food and grocery retail generally face regular 'stock out' issues[213] which can be attributed to financial and social factors. From a financial perspective, WVSEs tend to minimize inventory to ensure that they do not run out of funds. An out-of-stock scenario not only results in loss of business for WVSEs but also imposes time costs because the retailers are forced to visit a wholesaler. Limited re-order quantity also results in higher prices at the wholesale market, thus perpetuating the cycle.[214] This trend is not limited just to the food and grocery sector, but other sectors as well , such as in manufacturing (WVSEs maintain lower raw material and finished goods inventory), wherein WVSEs take more time to fulfil orders.

B2B marketplace digital platforms have considered this as an emerging opportunity and are revolutionizing the supply chain, targeting the WVSE F&G retailers.

Udaan operates a B2B FMCG marketplace that connects retailers with brands, distributors, wholesalers, and traders. Retailers can browse the app, find the product they want to stock and place orders.[215] The app, backed by a nationwide supply chain network, has connected over 1 million retailers across 900 locations.[216] By using such services, retailers are now able to order anytime and access supplies in a reduced time. Additionally, this optimizes their costs of procurement, improving the profitability. The data also allows the marketplace platforms to tie up with banking and non-banking lenders, and extend working capital facility to these retailers.

5.2.3. Secure capital access – Enable WVSEs to access finance

WVSEs are constrained by a lack of sufficient funds to expand their manufacturing or services facility.

In traditional sectors like textiles and woodworking handicrafts, the WVSEs generally manufacture items when an order is placed by the buyer. They are thus dependent on the advance provided by the buyers, to start their operations, but have to source the rest of the capital either from their own savings or through informal channels.

5.2.3.1 Establish partnerships with financial institutions to provide supply chain financing and cash-flow based repayment

Corporations recognize the opportunity to support WVSEs with supply chain finance in order to ensure continuity of operations.[217]

WVSEs that are dependent on informal finance providers will either end up not sustaining themselves or be forced to increase cost of products manufactured. As a result, corporations provide supply chain finance to WVSEs, to keep their supply chain strong and prices in control. Our interactions with corporations indicated that not only do they provide an upfront advance but also pay WVSEs on achievement of certain pre-committed milestones in the production process.

Financial institutions have an opportunity to offer supply chain financing and cash flow based repayment solutions to WVSEs.

FIs can partner with corporations and seek their inputs on WVSE credentials and the size of their order book with the corporation. In traditional textiles, woodworking handicrafts, jewellery & accessories sectors, the digital marketplace platforms present a new opportunity for financial institutions. This provides an opportunity for financial institutions to provide cash-flow based lending to WVSEs, wherein repayment can be aligned to purchases via the digital platform.

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[213] Kirana Stores Need an Equal Playing Field, Financial Express, 2018
[214] Courting Kirana Stores – Tech Giants and Start-ups that are Changing Indian Retail, The Supply Chain Lab, 2020
[215] Udaan Business Model, 2019
[216] Udaan – India's Amazon or Alibaba?, Harvard Business School, 2020
[217] The Supply Chain Finance Opportunity, Accion, 2019

F&G retail sector is poised for innovations helped by corporation-FI partnerships.

Hindustan Unilever Ltd (HUL) has on-boarded SBI as a partner, to provide paperless instant overdraft facility (up to INR 50,000, $680) to retailers, to enable payments to distributors.[218] SBI will also provide UPI-based solutions to HUL's retailers, to assist with cashless payments through Shikhar app.[219] The app enables retail partners to order their inventory directly. It has currently on-boarded more than 200,000 general trade stores.[220] The retailers can now order anytime, anywhere, as per their convenience; search from the catalogue of HUL brands; and, get notified about the latest schemes and offers that are running.

Image: Iwan Bagus/IFC

[218] SBI, HUL Partner to Provide Digital Solutions to Small Retailers, Mint, 2020
[219] Ibid
[220] Online Grocery Market is Booming – HUL's Shikhar App Now Gets Double the Orders, Business Insider, 2020

WVSE personas – Classifying WVSEs across sectors into common archetypes

06

6.1 The rationale for classifying WVSEs into common archetypes

Analysis of the 90 WVSEs who were interviewed, revealed differentiation among a few important behavioral and attitudinal dimensions that could be distinctly observed.

These dimensions included:

1. The underlying reason for starting the enterprise
2. Business aspirations
3. Risk taking ability
4. Advisory support needs
5. Financial decision-making ability

This analysis consequently resulted in the creation of three distinct personas from among the WVSE entrepreneurs.

The proposed classification is not static: Enterprises can move from one sub-segment to another based on their growth trajectory and personal aspirations. Enterprises could share some motivations or response patterns across sub-segments in some cases.

These personas encapsulate the entrepreneurial journeys made by the WVSEs. These personas also reveal the financial needs, challenges and support sought by the various WVSE entrepreneurs.

Most importantly, these personas helped us identify the contours of opportunities that exist for financial institutions and non-financial services providers, to cater to these entrepreneurs. With this classification, stereotypes have been created that help as a first pragmatic step to move from the "one-size fits all solutions" to a more customized support, that recognizes differences within WVSEs across the 5 parameters listed above.

Figure 38: The three personas

The Ambitious Builder

The Passionate Creator

The Steady Anchor

6.2. The Ambitious Builder

Figure 39: Persona of 'The Ambitious Builder'

THE AMBITIOUS BUILDER

I am my own boss. I am ambitious and nothing will stop me from taking my business to new heights. I will leave no stone unturned until I fulfil my aspirations.

Image: Iwan Bagus/IFC

'I started this enterprise as I saw a clear market opportunity that can be tapped for attaining business success'

ENTREPRENEURIAL JOURNEY

- Started this business to create something that's my own and I don't need to follow someone else's vision.
- I have a clear vision for the business, and a broad idea of how to get there.
- Ambition is the main driver and I want to showcase how a successful business is built by self-made women.
- Constantly working to find innovative ideas to expand and grow, and will do what it takes to get the job done

BUSINESS PROFILE

- Typically operates in a commercial brick-and-mortar location. May also have significant online presence.
- Registrations include GST, UAM and relevant industry license, and has a dedicated commercial bank account for business transactions. Tally/Excel is used for accounting.
- Provides employment to more than 5 people.
- Customers are based locally/across India

MY CHALLENGES

- Frustrated due to cumbersome banking process and past loan rejections due to lack of collateral
- Lack of customized credit products which are aligned with the cash flows of the business

FINANCIAL NEEDS

- Initial capital arranged through own savings
- Have a clear plan, but execution constrained by lack of credit
- Application for a bank loan rejected in the past. Do not want to go through the application-related hassles again and get rejected once again.

THE SUPPORT I NEED

- A platform to learn more about the financing-related aspects and business plan writing
- A network that connects to the other women entrepreneurs facing similar issues

DIGITAL CHANNELS USAGE

- High use of social media for marketing and promotion (through Facebook or Instagram accounts)
- 60% make sales through e-commerce or social commerce

MYTHS I WILL DEBUNK

Women entrepreneurs are not credit-worthy, as they do not have a well-laid execution strategy in place to utilize the loan

6.3. The Passionate Creator

Figure 40: Persona of 'The Passionate Creator'

THE PASSIONATE CREATOR

I do what I love. I am daring and have the zeal to follow my passion. I would rather create what I believe in than run with the crowd. My team is my family.

Image: Iwan Bagus/IFC

'I started this enterprise to take local products to more markets in India and abroad'

MY CHALLENGES

- Lack of access to advice and mentorship regarding business aspects
- Do not have a collateral to give and access to affordable formal credit is difficult.

THE SUPPORT I NEED

- A channel to link to a larger customer base
- A platform to learn more about the financing-related aspects and business plan writing

ENTREPRENEURIAL JOURNEY

- Started the business to add meaning to my life.
- Passionate about the product and service offering of the business. Also passionate about the impact created on stakeholders dependent on my business.
- Engrossed 24*7 into the business with a vision to expand the customer base and create impact. Have a clear vision for the business.

BUSINESS PROFILE

- Operates in a commercial brick-and-mortar location or from home.
- Registrations include GST, UAM and relevant industry license. Has dedicated commercial bank account for business transactions and a CA to support documentation and processes.
- The business has a permanent staff size of less than 5 but generally has a larger number of contractual employees.
- Most customers are based across India, and also globally.

FINANCIAL NEEDS

- Initial capital arranged through own savings.
- Have a clear plan and possess will and resolve to grow the business despite the lack of capital
- Unable to access unsecured capital, needed to grow the business through greater customer outreach

MYTHS I WILL DEBUNK

Women entrepreneurs are pursuing a business primarily as a hobby, are non-serious entrepreneurs, and unsuitable customers for financial institutions and investors

6.4. The Steady Anchor

Figure 41: Persona of 'The Steady Anchor'

THE STEADY ANCHOR

I am confident and hard working. I am an eternal optimist and I like living my life. My work doesn't define me, its one facet of who I am.

Image: Dominic Chavez / International Finance Corporation

'I am doing this business as I am interested in this work and I am happy to support to my family's income through my work'

ENTREPRENEURIAL JOURNEY

- Started the enterprise to use my skillset and keep myself engaged in a productive way, while supporting my family financially.
- Content with the success made and the milestones achieved and the steady pace of business
- Strive to give the best effort to maintain a healthy business while maintaining harmony in personal life.

BUSINESS PROFILE

- Operates from home or a small commercial setup near home.
- Registrations include GST and relevant industry license. A dedicated commercial bank account is used for business transactions
- The business has a 3 - 4 employees
- Most customers are based locally

MY CHALLENGES

- Lack of information about the avenues for formal advisory support that can guide the next steps in the business
- Dependence on family members to take financial decisions regarding the business.

THE SUPPORT I NEED

- A network that connects with the other women entrepreneurs from whom can learn new things to improve the business and also share own learnings too to help others

FINANCIAL NEEDS

- Initial capital was arranged through own savings or through family members
- Family members would be first choice for additional capital, as want to avoid collateral and other terms and conditions of the banks.

MYTHS I WILL DEBUNK

Women entrepreneurs cannot pursue both a thriving career and a good family life

6.5. Opportunities for FIs

6.5.1. Relevance of personas in designing financial products

The WVSE personas delve into the motivations, needs and outlook of the WVSEs and are indicative of their behavioral traits.

Understanding the underlying motivations, challenges and business goals, in addition to financial requirements of different types of WVSEs based on their sectors / sub-sectors, can enable FIs to design relevant products to meet short term and long term needs of WVSEs. Each of the three archetypes have unique financial needs and non-financial support requirements.

The behavioral traits can be additionally used by FIs to assess present and future trends and needs.

For example, the ambitious builders are focused on growth and have tried availing formal credit in the past. These may be VSE currently but are more likely than others to graduate to larger revenue sizes with need for more sophisticated financial products, in the near future. Similarly, the passionate creators are WVSEs that have an impact focused business outlook and thus, are more likely to partner with FIs, to extend value chain financing products across their supply chains. On the other hand, the steady anchors tend to be risk averse and usually limit their business operations within a limited circle of competence, making them less likely to default.

6.5.2. Addressing the financial needs of 'The Ambitious Builders'

To address the financial needs of the 'Builders', financial institutions need to take a long term view, adopt innovative credit models and provide credit products linked to growth.

Table 32: Addressing the financial needs of the 'Builders'

Take a long term view	Financial institutions need to take a long term view of engaging with these entrepreneurs. These entrepreneurs are in the growth stage of their businesses. As these enterprises scale up, their demand for both fund and non-fund based services is likely to evolve and grow.
Adopt innovative credit underwriting models	Financial needs of the 'Builders' are likely to be linked to future growth prospects rather than being based solely on past performance. Hence, financial institutions may need to adopt innovative credit underwriting models by leveraging credit guarantee mechanisms / commitments from upstream players, to cater to the credit needs of the 'Builders'. Stringent credit processes based on past track record, may prevent a comprehensive assessment of the opportunity provided by 'Builders'.
Provide longer tenure loans with flexible repayment schedule	The 'Builders' need tailored term loans which align with their business growth prospects. Financial products that are linked to the business prospects prepared by WVSEs could prove to be a win-win relationship for both parties.

6.5.3. Addressing the financial needs of 'The Passionate Creators'

To address the financial needs of the 'Creators', financial institutions need to create products that serve not only the 'Creators' but also their supply chain.

Table 33: Addressing the financial needs of the 'Creators'

Provide non-collateralised loan products to both the entrepreneur as well as the supply chain 01	Most 'Creator' WVSEs are in the handloom / handicraft sectors and are passionate about growing not only their business but also about improving the socio-economic status of the artisans in their value chain. Hence, 'Creator' WVSEs not only have credit needs of their own, but also engage with a range of artisans in their supply chain, who also need access to credit. Most 'Creator' WVSEs record their transactions with both: their customers and suppliers, which can be assessed by the FIs, to determine the strength of their businesses. Customized scorecards can be built to make affordable and unsecured finance available for the 'Creator' WVSEs value chain.
Partner e-commerce platforms to reach out to and assess the 'Creators' 02	Because a large number of WVSEs sell products on e-commerce platforms, FIs can partner with e-commerce platforms to source and evaluate WVSEs with good sales records and credit habits. FIs can access information on not only the revenues of the WVSEs but also build a more robust profile of the business, in terms of customer engagement, repeat orders, and reviews. 'Creators' with good profiles can be given preferential access to credit, addressing one of the key challenges for this category of WVSEs.

6.5.4. Addressing the financial needs of 'The Steady Anchors'

To address the financial needs of the 'Anchors', financial institutions need to start with offering small ticket-size credit products.

Table 34: Addressing the financial needs of the 'Anchors'

Offer small ticket size loans and help build a credit culture 01	The 'Anchors' are risk averse and typically rely on family sources to meet capital requirements. They typically operate at a modest scale and are likely to maintain good repayment record. They are wary of the formal loan process, documentation needs and collateral requirements. The ticket size of loans needed can be low and government schemes focused on women entrepreneurs can be leveraged to extend credit to them.

6.5.5. Non-financial needs across the WVSEs personas

Table 35: Non-financial needs across WVSEs

A platform where they can meet and network with like-minded women entrepreneurs 01	WVSEs expressed a need for a local networking platform where they can learn business best practices and share their learnings. Advice and mentoring can assist them in preparing to access credit from financial institutions. The awareness and information gathered through such a platform will enable the WVSE to deal with social biases, navigate government regulations, leverage government schemes for their benefit and also handle documentation requirements better.
Training to hone business -management skills 02	Currently women entrepreneurs often depend on their husbands / other family members for addressing business matters. But providing access to training may enable them to take business decisions and reduce this dependency. Some of the specialized training support topics include: • Digital marketing • Accounting • Business development • Business forecasting • Leadership
A platform to gain information about their business 03	Apart from the general business management skills, they would also like to have access to a portal where they can learn more about the new developments in their trade. WVSEs have a keen interest in their sector of operation and such a portal would allow them to stay updated with best practices they can implement in their businesses.

Tapping the opportunity from the WVSEs segment: Recommendations for financial institutions

07

7.1. The business case for financial institutions

WVSEs collectively represent a credit opportunity of INR 836 billion[221] ($11.4 billion).

This study assessed WVSEs concentrated in seven sub-sectors i.e. manufacturing of textiles, manufacturing of handicrafts (wood products), jewellery retail, food and grocery retail, food & beverage (F&B) services, beauty and salon services and education (primarily pre-schools).[222]

Although there is significant variation among WVSEs across sectors of operation and scale of business, certain common characteristics can be identified.

Most WVSEs operate as sole proprietorships, have a bank account and a current account for business. They also tend to maintain books of accounts and have a GST registration. WVSEs have also begun to use digital finance for both, making payments to vendors as well as receiving payments from customers.

Table 36: Typical profile of a WVSE

AVERAGE REVENUE	PROFIT MARGIN	INITIAL CAPITAL NEEDED
INR 1.8 - 3 Million (~ $ 24,500 - 40,000)	10 - 40%	INR 200,000 - 800,000 (~ $ 2,700 - 10,800)
DOCUMENTATION AVAILABLE	**TYPICAL FINANCIAL TRANSACTION FLOW**	**LEGAL STATUS**
• **90%**+ have a bank account • **50%**+ have a current account • **50 -70%** maintain books • Nearly **50%** have a GST registration	• For Vendirs **Bank and Cash** • By Customers **Bank/ Digital wallets and Cash**	• Over 90% registered as sole proprietorships

[221] Please refer to Chapter 2
[222] Please see Annexure 4 for sectoral breakup of finance demand

Advisory inputs from intermediaries enable WVSEs to build their business capacity while corporations promote tighter business integration between WVSEs and the markets they serve.

Intermediaries support WVSEs in tapping new markets, accessing finance, establishing connections with peers / mentors and also in building capacity to address challenges. On the other hand, corporations provide the WVSEs a large market to sell their products, strengthen the understanding of demand trends and build sophistication in their business processes. Together, these ecosystem players support the WVSEs to grow faster and enable them to tap into formal sources of finance.

Despite women entrepreneurs constituting over 20 percent of MSMEs in the country, our interactions with FIs indicate that women borrowers comprise just 5 - 8 percent of their portfolio.[223]

This report has highlighted that WVSEs have the absorption capacity to take loans ranging from INR 200,000 to INR 1 million, their ability to sustain business operations and the scale of credit opportunity that WVSEs collectively represent. This chapter lays out perspectives of FIs regarding lending to WVSEs and leverages the broader findings to identify ways and means for FIs to better serve WVSEs.

Image: Dominic Chavez / International Finance Corporation

[223] Primary interviews were conducted with six financial institutions (a large private bank, SFBs, a cooperative bank and a large NBFC) to understand their perspective on lending to WVSEs

7.2. How do financial institutions perceive WVSEs?

7.2.1. Traditional outlook towards WVSEs

Table 37: Traditional perceptions of WVSEs and their outcomes

Traditional FI perceptions about WVSEs	Outcomes of traditional perceptions	Ways to address traditional perceptions
01 WVSEs do not represent a sizeable credit opportunity	FIs do not carry out analysis of gender disaggregated data and thus are not able to identify trends in credit needs	• Analyze gender-disaggregated data to identify sub-segments based on demographic, behavioral, geographic, sectoral and business characteristics.
	FIs do not set portfolio diversity targets, as a result most lenders have fewer than 10% women borrowers in the overall portfolio. Progressive government schemes such as CGTMSE / women focused sector specific financial schemes are not fully utilized	• FIs can commit to a gender-based portfolio target, which can be made part of the 7.5% of the overall priority sector lending to micro-enterprises. • Specific targets can be set for availing government schemes for women entrepreneurs. These targets can be reported as part of annual reports and quarterly releases.
02 WVSEs are not well integrated into formal supply chains	Outreach mechanisms to make WVSEs aware of suitable products and services are not explored	• FIs can partner with intermediaries and corporations to source WVSE borrowers. This can also enable FIs to design suitable fund / non-fund based products and other non-financial services to WVSEs.
03 WVSEs have a lower ambition for business growth	Unconscious societal biases against women take precedent without the evaluators recognizing them	• FIs can arrange continuous training sessions/newsletters for employees to sensitize them about unconscious gender biases that must be avoided.
04 WVSEs do not maintain adequate compliance related documents (such as GST and ITR) and books of account, and prefer cash	Credit products aligned to WVSE needs and cash flows are not offered	• FIs can put in place a specific checklist of documents and digital records for loan origination teams to necessarily source from a potential WVSE borrower.

Financial institutions often do not view WVSEs as a sizeable market sub-segment of the women entrepreneurial universe.

FIs have limited market information of the sectors that WVSEs are concentrated in and their specific needs. Parameters that can be used to sub-segment WVSEs such as business and behavioral characteristics, sector-characteristics and outlook, integration with value chains, and availability of supportive government schemes are being overlooked. As a result, credit products offered do not take into account critical aspects such as the seasonality of operations, need for uncollateralized working capital credit, and existence of alternate data points to evaluate credit eligibility. However, it is evident from this study that WVSEs hold significant market opportunity that FIs can tap into.

Given that the characteristics of WVSEs are not well understood by FIs, inaccurate perceptions about women entrepreneurs continue to exist.

Many FIs have the perception that women entrepreneurs lack adequate business documentation (ITRs, GST returns). However, interviews conducted with WVSEs for this study indicate that a significant proportion of WVSEs file ITR, with some utilizing the services of Charted Accountants to support them and more than 50 percent WVSEs have a GST registration. Further, there exists a perception that WVSEs prefer to transact in cash rather than use banking channels. As a result, FIs believe that they cannot assess credit worthiness of WVSEs, because they do not have verifiable transaction data. However, contradictory to perceptions, analysis of interview data for this report indicates that more than 90 percent WVSEs have a bank account, more than 50 percent have a current account, and nearly 60 percent maintain books of account and a significant majority use digital modes of financial transactions with their suppliers / customers.

7.2.2. Operational barriers in capturing the WVSE market

Table 38: Operational barriers in addressing WVSE credit needs

OPERATIONAL BARRIERS IN CAPTURING THE WVSE MARKET	
CHALLENGES IN CUSTOMER ACQUISITION	**CHALLENGES IN POST CREDIT SERVICES**
• Lenders typically source women borrowers through DSA channels that are typically staffed with men. WVSEs may not feel comfortable dealing with and sharing financial information with them. This, combined with financial solutions not designed to address WVSE needs, result in WVSEs not engaging with formal sources of capital. • Digital sourcing has lower penetration as lack of alignment of interest between e-commerce platforms and FIs has inhibited the creation of a mutually beneficial model. In the interest of simplicity of operations, platforms prefer to retain control over the mode of financial transactions with WVSEs.	• FIs incur a high cost of servicing and monitoring, relative to the size of the WVSE loan • Several WVSEs have home-based businesses and FIs field staff faces difficulty in interfacing with them • Recovery processes need to be adapted to keep in mind the social context of WVSEs and recovery agents need to be trained in appropriate recovery practices

Traditionally, FIs rely on third party Direct Sales Agents (DSAs) to source low ticket size loans or focus on converting direct customer queries. However, because most DSAs are men, their ability to connect with potential WVSE borrowers and sustain a relationship based approach is limited.

WVSE customers are reluctant to share their financial needs and business performance parameters that would meet requirements stipulated by the FIs. They may also not share appropriate documentation despite having it; or they may not be able to source the same, leading to higher loan application rejections as well as a perception of higher transaction costs. However, in recent years, digital sourcing through e-commerce platforms has emerged as an alternate mode of sourcing that can help build pipeline of WVSE borrowers along with providing high quality transaction data. FIs and the platforms have an opportunity to build on this and structure deep symbiotic relationships with both large e-commerce platforms as well as niche social commerce platforms.

The manual nature of post credit monitoring adds to the operational costs for FIs.

In the case of both collateralised as well as uncollateralised loans, FIs have to monitor the loan portfolio to detect early signs of stress. Because several WVSEs have home-based businesses, FIs also face logistical challenges in engaging with them and monitoring their performance / stock levels. However, recent government initiatives to link Udyam Aadhar registration of entrepreneurs with GST filing data may make it easier for FIs to access reliable data on a regular basis. An enabling legislative and data sharing architecture can potentially provide access to regular business metrics that can be monitored using technology and thus reduce operational costs.

7.2.3. Existing interventions that enable FIs to address WVSE credit needs

Government initiatives can be leveraged to enable unsecured lending to women entrepreneurs.

- **Government schemes such as MUDRA and the Credit Guarantee Trust for Micro and Small Enterprises (CGTMSE) scheme aim to catalyze flow of credit to women borrowers.** FIs can leverage the credit risk guarantee mechanism offered under these schemes, to reduce the cost of providing credit to WVSEs. The CGTMSE scheme has recently been made more market friendly: the scheme now allows loan sanctioning on a hybrid model wherein the scheme can provide guarantee coverage up to 75 percent of the loan amount, while the rest can be secured via collateral. However, FIs felt that CGTMSE's requirement of at least three years of business vintage doesn't allow entrepreneurs to take an initial capital loan and thus loans cannot be provided to early stage WVSEs.

- **Udyam Aadhar could enhance transparency and enable FIs to obtain trustworthy background information about a potential WVSE borrower.** The MSME ministry launched the Udyam Aadhar registration portal in July 2020. Unlike Udyog Aadhar, which relied on self-declaration by MSMEs, Udyam Aadhar draws data from PAN and GSTIN databases to provide certification about the nature of business and the financial profile of WVSEs. This platform can thus provide necessary insights to FIs to source credible information about a WVSE.

- **Popularizing credit products with built in flexibility such as dropline over-draft (DOD) is seen as the way ahead by some FIs.[224]** While these products benefit WVSEs by aligning borrowing needs with business seasonality, it also creates a borrowing behavior that is favorable for banks. The product is a natural extension of a current account relationship. It increases awareness among WVSEs about the need to maintain financial discipline and enhances the potential for graduation to a term loan in the future. A key challenge with existing DOD is the need for collateral, which is difficult for WVSEs to provide. However, backed by statistics of lower defaults in women owned business, FIs can structure an uncollateralized product that can be marketed exclusively for WVSEs.

[224] Dropline Overdraft is a financial instrument that allows a borrower to overdraw cash from his/her current account up to an agreed limit, wherein the withdrawal limit reduces each month from the sanctioned limit. The interest rate is paid only on the withdrawn cash and not on the total borrowing limit

Table 39: Key initiatives focused on women entrepreneurs

PROGRAM NAME	PARTNERS INVOLVED	BRIEF DESCRIPTION	SUPPORT AREAS
Project Her & Now 01	GIZ; Ministry of Skill Development and Entrepreneurship (MoSDE); WeHub	• Equips women entrepreneurs with critical business skills, customized support through mentorship, access to market opportunities and linkages to financial institutions. • Provides access to technical, financial, governmental and policy support required to enterprises to scale up and accelerate with global market access.	• Business acceleration • Training • Facilitating credit and market linkages • Mentorship • Access to networks
The Women Entrepreneurship Platform (WEP) 02	Niti Aayog	• WEP offers incubation and acceleration support to women founded / co-founded startups to help them start and scale-up, through its various partners.	• Credit ratings • Mentorship • Funding support • Apprenticeship and corporate partnerships • Marketing assistance • Compliance & tax assistance
CWE-KTECH Incubator 03	Catalyst for Women Entrepreneurship Government of Karnataka; NASSCOM 10K Start-ups	• Incubator and co-working space for women entrepreneurs with tech enabled enterprises in Bangalore. The incubator provides seats and facilities for 12 months at the NASSCOM 10K Startup warehouse.	• Financial planning • Market linkage • Technology and business skills • Trade networks • Mentoring
Trade Related Entrepreneurship Assistance and Development (TREAD) 04	Ministry of MSME	• The scheme envisages economic empowerment of women entrepreneurs through trade related training, information and counseling extension activities related to trades, products, services etc.	• Credit (government grant up to 30% of the total project cost) • Training and counselling

7.3. Recommendations for the financial institutions to address the INR 836 billion ($11.4 billion) credit opportunity

This section presents recommendations for financial institutions across product design, sourcing, underwriting and recovery processes to enable them to tap into the opportunity represented by WVSEs. The recommendations indicate the cross-functional nature of any intervention focused on enhancing access to credit; they have been based on the analysis of secondary data and insights gathered from interactions with WVSEs, intermediaries, corporations and FIs, as part of this study.

Table 40: Summary of recommendations

SITUATION	COMPLICATION	OPPORTUNITY	RECOMMENDATIONS
FIs have not been able to adopt a 'gender lens' when devising credit products and processes 01	Lack of analysis of sex-disaggregated data.	FIs that can develop differentiated products aligned to business needs of WVSE, can tap into a significant market opportunity.	1. Establish a process that captures and analyzes sex-disaggregated data about customers; and use it to devise products with features more relevant to women borrowers, such as flexible un-collateralized loans, flexible repayment schedules and discounted interest rates.
	Limited gender diversity within FIs.	FIs that are able to deploy a more gender-balanced workforce have an opportunity to attract WVSEs as a new segment of clients.	1. Sensitize employees about gender-related aspects. 2. Build a gender-diverse workforce. 3. Explore sources of capital that enables greater ability to take additional risk.
Origination and underwriting processes often serve to exclude WVSEs 02	Most existing partners do not have the capacities to provide information about credit worthy WVSEs.	FIs have the opportunity to cater to a lucrative, emerging WVSE market segment, by securing a first-mover advantage through the right channels.	1. Leverage partnerships with intermediaries that support WVSEs to help in sourcing leads. Sourcing can also be done through leveraging women-specific government schemes.
	Existing go / no-go criteria for credit assessments ignore WVSE specific characteristics.	Gender sensitive criteria that do not automatically exclude women can provide a pipeline of creditworthy customers for FIs.	1. Capture data that goes beyond traditional go/no-go determinants at the sourcing stage.
	Women typically do not own immovable property which can be offered as collateral to FIs.	Underwriting methods that do not overly depend on immovable collateral are critical to serving WVSEs.	1. Partner with financial technology companies that leverage alternate methods such as psychometric and behavioral data for credit assessment.

WVSEs are unable to access sufficient non-financial services (NFS) to support their business operations 03	Business performance and need for financial services of WVSEs tend to show more variability as compared to men-owned enterprises.	Provision of NFS in addition to loans can be an effective way of understanding and mitigating risk associated with lending to WVSEs.	1. Provide NFS to ensure that WVSEs receive support to increase operational efficiencies of their businesses, and to build awareness about financial products and the institutions that provide them. 2. Devise a push-based strategy by co-creating training partnerships to provide WVSEs with necessary business skills. 3. Partner with entities that are experts in developing case studies and modules on non-financial services in small businesses.
Monitoring and recovery processes of FIs are often not sensitive to the needs of WVSEs 04	FIs have limited ability to monitor business perfor-mance of WVSEs.	FIs can leverage technology to institute mechanisms for business monitoring, while developing gender-sensitive recovery practices.	1. Develop 'phygital' women-focused monitoring mechanisms to support WVSEs. 2. Include elements from behavioral economics to nudge the WVSE borrowers towards good repay-ment behavior.

7.3.1. Gender sensitivity in product and process design

Situation

Financial Institutions (FIs) have not been able to adopt a 'gender lens' when devising credit products and processes.

Complication

FIs find it difficult to adopt a gender lens in design-ing credit offerings because of:

1. **Lack of analysis of sex-disaggregated data.** FIs typically capture a wide range of data about their existing and potential customers. However, the data is largely not analyzed in a sex-disaggre-gated manner, to understand women's needs and socio-economic contexts. Similarly there is limited analysis of information available about business characteristics, demand patterns and areas of operations (sectors / clusters) of women entrepreneurs to inform product design and rollout process. The lack of analysis of sex-disag-gregated data has been recognized as a signifi-cant barrier in the way of defining gender differentiated strategies for financial institu-tions.[225]

2. **Limited gender diversity within FIs.** The financial services sector is largely male dominated with limited awareness about specific needs of women borrowers, and limited lived-experience informing product and policy design.

Image: Peter Kapuscinski / World Bank

[225] Sex-disaggregated Supply-side Data Relevant to Financial Inclusion, Inter-American development Bank, 2018

Opportunity

1. FIs that can develop differentiated products aligned to WVSE business needs can tap into a significant market opportunity.

As seen from the analysis presented in this report, WVSEs present a large market opportunity, which can be tapped through differentiated products aligned to their business needs. Greater engagement of intermediaries and corporations with WVSEs and high quality national statistics (NSSO data / handloom census data) has now made it possible to paint a richer picture of WVSE business activity. Market research has established that women are strong savers; are prudent borrowers with lower loan to deposit ratios; and, have a lower share of non-performing loans.[226] Specifically in the case of SMEs, a survey of 154 banking clients conducted by IFC showed that NPL ratios for loans to women-led SMEs were lower (3.6 percent) than NPLs for total SME loan portfolios (4.5 percent).[227] However, according to the same study, women-led SMEs accounted for only 16 percent of overall SME loans.[228] This indicates that a significant opportunity from WVSEs remains untapped.

2. Financial institutions that are able to deploy a more gender-balanced workforce have an opportunity to attract WVSEs as a new segment of clients.

A male dominated financial services sector leads to unconscious gender bias creeping into policies and processes. Indeed, women entrepreneurs who participated in this study expressed that they often experience bias from representatives of financial institutions, typically men.

Cent Kalyani scheme of the Central Bank of India is offered to women entrepreneurs to meet day-to-day requirements, such as purchase of plant & machinery/equipment, and working capital expenditure. The processing charges are waived off on the loan amount.

Recommendations

Financial institutions can take the following steps to target WVSEs as a market segment:

1. Establish a process that captures and analyzes sex-disaggregated data.

Financial institutions should ensure that they capture and analyze quantitative and qualitative data to discover banking habits and evolving needs of the different personas of WVSEs. This data can be sourced through FIs' own loan origination systems and by partnering with direct sales agents (DSAs), corporations that engage with WVSEs and intermediaries who support them. Analysis of such data can help FIs discern the preferences of WVSEs for various credit products and FIs' ability to service them. The importance of sex-disaggregated data has been highlighted as a global best practice when seeking to serve women SMEs.[229] FIs can leverage data from a range of public and private data sources to create a richer profile of WVSEs. These include sources such as the NSSO, Handloom Census, National Rural Economic Transformation Project (NRETP) data, and data from e-commerce websites and entities that work with women entrepreneurs. Such data will help FIs understand needs of WVSEs and devise products that have features which women borrowers will find attractive. These may include uncollateralized loans or loans that have an initial moratorium on repayment, flexible repayment schedules and/or discounted interest rates in line with the preferences of WVSEs.

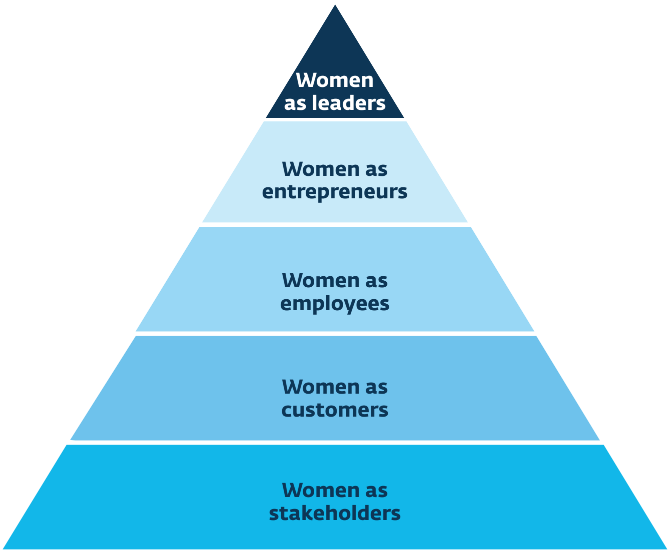
BLC Bank in Lebanon started disaggregating data by gender at the launch of its "WE Initiative." The bank redesigned its IT systems to extract baseline gender data to measure performance. These metrics are now reflected in the bank's key performance indicators.

2. Sensitize employees about gender-related aspects.

As mentioned earlier, closing the gender gap in access to finance is significant for the whole economy, given that women entrepreneurs' economic impact has a multiplier effect.[230] Financial institutions should conduct an internal gender audit / assessment to assess how processes and attitudes of management and employees are geared to target WVSEs. Consequent adaptations will help FIs devise a gender action plan to not only strengthen internal intent to reach more WVSEs but also effectively translate this intent in the sales and marketing outreach. IFC's Gender Approach can be used as a framework to generate this action plan, with clear outcomes on women, as not only entrepreneurs, but also leaders, employees, customers and stakeholders within the community. An understanding and appreciation of the various roles that women fulfil in society can make financial institutions more sensitive to their differentiated needs in terms of policies, products, processes and non-financial support.

[226] The Economics of Banking on Women, The Global Banking Alliance for Women (GBA), 2017
[227] Banking on Women – Business Case Update, IFC, 2019
[228] Ibid
[229] Access to Finance of Women-Owned SMEs in Southeast Asia: An Assessment of Five Countries, Women's World Banking, 2015
[230] A report commissioned by Google in 2019 mentions that investing in women entrepreneurs can result in increase of direct employment by around 45–50 million people and increase the indirect and induced employment of another 80–100 million people by 2030, a multiplier of 2X. Source: Powering the Economy with Her: Women Entrepreneurship in India, Google and Bain & Company, 2019

Figure 42: IFC's Gender Approach



During the adaptation phase, FIs can leverage analysis of sex-disaggregated data to re-position their products and processes, establish partnerships that help source more women applicants and build employee buy-in about the importance of focussing on WVSEs. A gender audit and subsequent adaptation exercise needs to be followed up with regular gender-sensitization trainings and periodic surveys. This will ensure that employee awareness and attitude about gender related aspects is improving. It will also result in identification of aspects in policy and processes that might serve to exclude women, such as requiring a male co-signee on loan application forms. Research has indicated that training leads to a measurable increase in positive gender awareness and there exist linkages between training and sales to women clients.[231]

3. Build a gender-diverse workforce.

Most of the client-facing personnel of banks tend to be men. The WVSEs who participated in this research expressed that they have experienced unconscious bias from bank loan officers, DSAs and other bank branch staff. Other research has suggested that women want their bank to under stand their businesses and be transparent[232] and that women tend to borrow more when they are served by women-led financial intermediaries[233]. It is therefore critical that financial institutions make their workforce more gender-diverse to effectively tap into the business opportunities provided by WVSEs. This may include building gender sensitivity and gender diversity in the business-correspondents (BC) teams of the FIs.

4. Explore sources of capital that enables greater ability among financial institutions to take additional risk.

Financial institutions should actively explore sources of gender-focussed and philanthropic capital that will allow them to experiment with custom offerings, to serve WVSEs with a higher risk-profile. For instance, Women's World Banking Capital Partners Fund is a private equity limited partnership that makes direct equity investments in women-focused financial institutions. Its assessment methodology allows it to choose the investments that will drive maximum impact. Currently, it has an AUM size of more than \$50 million across 10 investments in 9 countries, including India.[234] Overseas Private Investment Corporation (OPIC), U.S. government's development finance institution, has also globally comitted \$350 million to financial institutions invesing in women-run enterprises.

10,000 Women (Women Entrepreneurs Opportunity Facility - WEOF)

The Goldman Sachs Foundation, IFC, and other investors will contribute up to \$600 million to create The Women Entrepreneurs Opportunity Facility, which will enable approximately 100,000 women entrepreneurs to access capital i.e. help banks to serve women entrepreneurs better.

[231] Gender Intelligence for Banks— Moving the Needle on Gender Equality, IFC, 2017
[232] How to Create Financial Products that Win with Women, Women's World Banking, 2018
[233] Employment Opportunities for Women in India's Growing Financial Sector: A Study Across Four States, SEWA Bharat, 2014
[234] Gender Lens Investing, Women's World Banking

7.3.2. Gender sensitive origination channels and underwriting

Situation

Origination and underwriting processes of FIs often serve to exclude WVSEs.

Complication

FIs find it difficult to source high quality WVSE applicants because of:

1. **Most existing partners do not have the capacities to provide information about credit worthy WVSEs.**
Financial institutions may not be aware of or may be underutilizing partnerships that may provide them access to WVSEs — such as those with intermediaries that work with women entrepreneurs and/or corporations. Traditional sourcing channels are often male dominated, and there can be inherent biases that may restrain leads of women entrepreneurs from being pursued seriously.

2. **Existing go / no-go criteria for credit assessments do not take into consideration WVSE specific characteristics.**
Financial institutions have very specific and often inflexible requirements at the loan origination stage — in terms of data and/or documents — which WVSEs might struggle to provide, despite having healthy businesses. WVSEs typically do not have access to collateral and they find it difficult to improve their scores under traditional metrics of credit underwriting because of the socio-cultural constraints that they operate under.

Opportunity

1. **FIs have the opportunity to cater to a lucrative, emerging WVSE market segment, by securing a first-mover advantage through the right channels.**

   Women entrepreneurs have been established to be loyal customers[235] and they make up a long-term, stable market segment for financial institutions to upsell and cross-sell manifold along the way. Serving this segment requires establishing channels that effectively convey utility of products and services to potential women clients, and demystify the application processes. FIs have the opportunity to do both of these, through partnering with existing sectoral or sector-agnostic collectives/associations of women entrepreneurs and or other entities that work with them.

2. **Gender sensitive criteria that do not automatically exclude women can provide a pipeline of creditworthy customers for FIs.**

   Data and information related to the entrepreneur (social and behavioral data points) and the business (cash flows and qualitative success factors) which supplements the traditional documents can help 'include' more WVSEs in the FIs' assessments.

3. **Underwriting methods that do not overly depend on immovable collateral are critical to serving WVSEs.**

   There has been increasing focus on developing alternate credit scoring models which use non-traditional data metrics for assessing credit risk.[236] With the rise of digitization, it is easier to access these data points and conduct under-writing by using machine learning algorithms. Some of the non-traditional data points that have seen adoption globally include telecom data, geolocation and travel data, utility bill payment information, analysis of social media profiles, and e-commerce transaction data. For example, LenddoEFL, a fintech company, provides psychometric tools which allow FIs to use the digital footprints of SMEs to access financial services. The tools apply machine learning, AI, and predictive analytics algorithms to convert massive amounts of structured and unstructured data into actionable insights. In a study done in Peru by Entrepreneurial Finance Lab (EFL) — which merged with Lenddo in 2017 to create LenddoEFL[237] — it was found that the financial institutions could sanction almost 60 percent more loans to thin file SME customers, without any negative impact on recovery.[238]

Recommendations

Financial institutions can take the following steps to reach out to WVSEs and on-board them:

1. **Leverage partnerships with intermediaries that support WVSEs to help in sourcing leads.**
Financial institutions should have contractual arrangement with intermediaries that work with women entrepreneurs to source leads. Examples of such intermediaries have been cited earlier in this report[239] and they can be developed to be 'women-specific DSAs' of financial institutions. Financial institutions can repose faith in reputed organizations which are known to extend support to WVSEs in scaling up, hence providing a less risky loan origination model.This is especially critical, given that women entrepreneurs expect opportunities to network[240], which are provided by such intermediaries.

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[235] The Economics of Banking on Women, The Global Banking Alliance for Women (GBA)
[236] Here's How Alternative Credit Scoring Can Improve the Poor's Access to Loans, Asian Development Bank, 2020
[237] LenddoEFL
[238] Are Psychometric Tools a Viable Screening Method for Small and Medium-Size Enterprise Lending? –- Evidence from Peru, World Bank Group, 2017
[239] Intermediaries can be sector specific or sector agnostic organizations and can be structured as non-profits (Dhritti, Okhai, Banglanatak, GAME), cooperative societies (Manndeshi foundation, Shree Mahila Gruha Udyog, SEWA Bharat) , trusts/ trade unions (SEWA, Women India Trust, all entities under the TATA Trust) , accelerators / incubators (WE HUB, Zone Start-ups, Upaya Social Ventures) , women associations (Confederation of Women Entrepreneurs (COWE)) even for-profit corporations (Sheroes, Lal10, Urban Company).
[240] How to Create Financial Products that Win with Women, Women's World Banking, 2018

Success of such collaborations can be beneficial to intermediaries as well, allowing them to attract more women-enterprises to their fold. This can potentially enable a virtuous cycle, beneficial to both the financial institutions and the intermediary providing a ready pool of women-run enterprises to support financially and non-financially. For instance, in the case of manufacturing of textiles & apparel, these can be cluster-level organizations that support entrepreneurs, such as the Tirupur Exporter's Association. In other cases, partnerships with sector-agnostic intermediaries such as Swayam Shikshan Prayog and GAME and/or programs such as Kudumbashree can be explored by financial institutions to reach women entrepreneurs. Sourcing can also be done through leveraging women-specific government schemes which may already be supporting numerous women entrepreneurs or may hold the potential to do so. (For example, the Women Entrepreneurship Platform (WEP) launched by NITI Aayog and SIDBI to incubate and accelerate the business growth of women entrepreneurs in the country).[241]

Garanti Bank in Turkey supports women entrepreneurs through leveraging partnerships with local universities, NGOs, chambers of commerce, women entrepreneurs association and business magazines. It also organizes a competition to recognize and award the best women entrepreneurs in the country. IFC has recently invested $75 million in a bond issued by the bank—the first private sector gender bond in emerging markets dedicated to financing enterprises and companies owned or managed by women.

2. Capture data that goes beyond traditional go/no-go determinants such as revenue and collateral availability at the sourcing stage.

This can be in the form of 'report cards' that capture social and behavioral determinants of creditworthiness, qualitative information about the business that can help predict the performance, and entrepreneur data that can help predict repayment behavior. Given that gender-sensitive origination will ultimately lead to tracking data that allows gender-sensitive under writing, financial institutions should ensure that such data is collected at the time of origination. Such data can be used to develop a predictive analytic model that uses feedback provided and preferences received from WVSEs to help improve the loan origination process.

3. Partner with financial technology companies that are leveraging alternate methods such as psychometric and behavioral data for credit assessment.

Such traits may be related to WVSE borrowers' potential "willingness" to repay their loans, above and beyond their financial "ability" to repay.[242] This is crucial as many WVSEs may not perform well on objective factors at a given moment in their nascent businesses, but may have enterprising personality traits. Such traits are in fact more stable over the long run rather than the objective business metrics. This can help build an alternate digital lending scorecard for underwriting which can help financial institutions carve their own niche and differentiation advantage (see figure below for components of an indicative scorecard which can be appropriately modified/improved for underwriting). The use of digital data trails become especially important for WVSEs in sectors like textiles, food & beverage services and jewellery & accessories retail where a majority of marketing and sales are done through online mediums.

CARD SME Bank in the Philippines has created a psychometric based credit scoring model for the large number of women-owned SMEs in the country. Among others, the bank places greater weight on non-financial criteria such as age, health, and management of the business. The credit scoring model gets customized based on the ticket size of the loan.

Image: Peter Kapuscinski / World Bank

[241] The Women Entrepreneurship Platform (WEP), NITI Aayog
[242] The Promise of Psychometric-Based Credit Scoring in Financial Inclusion, NextBillion, 2019

Figure 43: Data sources for a credit scorecard

KEY DATA SOURCES

1 Credit Bureau
- Good, bad or no score?
- At a personal level, has the entrepreneur been a responsible borrower in the past?

2 E-commerce portals
- How strong is its online footprint?
- What are customers saying about this business?
- What are return rates?
- How have sales been growing?

3 Social media
- Educational qualifications
- Past entrepreneurship track record
- Online testimonials

4 Financials - tax returns & accounting
- What is the overall stated financial health of the business?
- Are taxes being paid on time?
  Integration with popular accounting tools such as Tally and Quickbooks

5 Banking history
- What is the cash flow profile
- Are payments timely?
- Do cheques clear?
- What is the average liquidity
- Reconstruction of profitability from the statements

6 Utilities / Telcos
- Are the payments timely?
- What are the average spends, what does that say about the promoters lifestyle and company business?

7 Psychometric assessment
- How able is the entrepreneur?
- What are their attitudes towards risk and repayment?

8 Government / KYC databases
- Integration with MCA, RoC, NSDL, and UAIDI databases for verification

Source: IFC-Intellecap analysis

Image: Peter Kapuscinski / World Bank

7.3.3. Non-financial services (NFS)

Situation

WVSE are unable to access sufficient non-financial services (NFS) to support their business operations.

Complication

1. **Business performance and need for financial services of WVSEs tend to show more variability as compared to men-owned enterprises.**
   Women entrepreneurs have to fulfil the dual role of being home-makers and business-owners. In addition, they also face constraints on their mobility, both from a time of travel perspective as well as from a location of travel perspective. WVSEs receive limited support in planning for and overcoming any businesses disruptions, because of non-business commitments. As a result, their business performance as well as needs for financial services shows more variability as compared to male run enterprises.

Opportunity

1. **Provision of non-financial support in addition to loans can be an effective way of understanding and mitigating risk associated with lending to WVSEs.**

   A recent report by IFC finds that integrating NFS into the financial products reduces the underwriting risk that has been taken.[243] As mentioned earlier in this report, there exist multiple intermediaries in India that work with women entrepreneurs in collectivizing them and enhancing their awareness. They also provide access to learning, skill development and business support. Such intermediaries can be potential partners for financial institutions in reaching WVSEs and providing NFS. These intermediaries can also advise WVSEs on best practices of new access to market channels such as e-commerce and social commerce. They serve the dual purpose of providing access to markets for WVSEs and creating a track record that can be leveraged by financial institutions for underwriting.

Recommendations

Financial institutions can explore various approaches to support WVSEs in improving the efficiency of their businesses and helping them scale up.

1. **Provide non-financial-services (NFS) to ensure that WVSEs receive support to increase operational efficiencies of their businesses.**
   NFS are business development services offered to entrepreneurs with the objective to provide them with relevant business related information / education, mentoring support, facilitating market linkages and build their capacity to adopt robust management techniques. An IFC report found that provision of well-integrated non-financial services for WSMEs yield positive return on investment within one to two years.[244] The report also found that WSMEs in IFC client banks with targeted Banking on Women programs had NPLs of 1.9 percent vs. 3.8 percent for the total SME portfolio. Importantly, when non-financial services are provided to women entrepreneurs, the returns outperform those from offering these services to men.[245] It also increases the likelihood of higher incomes for FIs in a few years, as WVSEs use the NFS to operate more effective enterprises. Further, it generates loyalty among the WVSEs who prefer such hands-on non-financial support. Overall, this signifies the high returns on investment that financial institutions can make by building NFS-bundled products.

2. **Devise a push-based strategy by co-creating training partnerships to provide WVSEs with necessary business skills.**
   Interactions with WVSEs as part of this study validated the understanding that women entrepreneurs often do not receive sufficient business-related training and mentorship. Apart from access to finance, WVSEs need support with business aspects such as access to markets, financial best practices and business management. Such support is especially important in services sectors like beauty parlours, pre-schools and food & beverage services which do not have a strong presence of dedicated intermediaries for sector-specific business support, a gap which financial institutions can fill. Financial institutions can institute programs that 'bundle' business -training for WVSEs with financial products and services. In some cases, the partnerships with intermediaries can help in delivering such training to WVSEs. Such bundling will also help financial institutions better understand the operational challenges faced by WVSEs, which can further inform product and process design.

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[243] Non-Financial Services: The Key to Unlocking the Growth Potential of Women-led Small and Medium Enterprises for Banks, FMO and IFC, 2020
[244] Non-Financial Services: The Key to Unlocking the Growth Potential of Women-led Small and Medium Enterprises for Banks, FMO and IFC, 2020
[245] Ibid.

Project Shakti, undertaken by Hindustan Unilever Limited involves training of rural women entrepreneurs (Shakti ammas) on basic principles of distribution management and familiarization with the company's products. Rural Sales Promoters (RSPs) coach these entrepreneurs on management, troubleshooting, as well as enhancing their soft skills of negotiation and communication.

3. **Partner with entities that are experts in developing case studies and modules on non-financial services in small businesses.** Training on such non-financial services can be delivered at a classroom level for a dedicated cohort and continuous training can be delivered in the form of short snippets through WhatsApp or e-mails. Intermediaries in sectors like textiles (for example, Antaran [Tata Trusts] and Dhritti) are well suited, as they engage and support WVSEs in their nascent stages of business. Financial institutions can also deploy feet-on-the-ground, especially women frontline staff, to gather feedback from WVSE customers about the application of the training in their daily business management. These can feed into a predictive modelling, where in a bank can prepare itself well in advance for future customer needs.[246] The staff can be designated as buddies to the DSAs, so that both work in tandem.

The "Jaza Duka" program ("fill up your store") developed by Mastercard, Unilever, and Kenya Commercial Bank (KCB) combines distribution data from Unilever and analysis by Mastercard on how much inventory a store has bought from Unilever over time. The resulting digital footprint helps to inform lending decisions by KCB by providing an alternative to formal credit history, transaction records, and collateral requirements. The program also provides store owners with training to help them strengthen internal processes such as cash flow management, inventory management and market intelligence. The micro-entrepreneurs are also provided training on marketing tools and techniques to help sell products and consequently enable them to grow faster.

7.3.4. Gender sensitive monitoring and recovery processes

Situation

Monitoring and recovery processes of financial institutions are often not sensitive to the needs of WVSEs.

Complication

1. **Financial institutions have limited ability to monitor business performance of WVSEs:** Given small ticket sizes of loans, financial institutions find it uneconomical to monitor business performance on-site. The lack of visibility into business performance obviates any supporting interventions. Further, WVSEs are wary of engaging with male representatives of banks and collection agents, as the women have a low bargaining power, given socio-cultural reasons and societal patriarchy.

Opportunity

Financial institutions can leverage technology to institute mechanisms for business monitoring, while developing gender-sensitive recovery practices.

Financial institutions can leverage regulatory filings of the WVSEs to monitor their business performance and anticipate defaults. In addition, making products gender-sensitive by offering flexibility in repayment can help WVSEs be more comfortable with borrowing from financial institutions. Introducing gender diversity in client-facing employees in both origination and recovery sides can help further increase this comfort among WVSEs, and enable financial institutions to improve gender balance in the workforce.[247]

Habib Bank Limited in Pakistan partnered with IFC to provide its staff a Gender Intelligence Training, leading to a measurable increase in gender awareness within the bank. Training outcomes cross-referenced with sales data showed that branches whose managers had been trained in gender intelligence outperform branches with untrained branch managers in terms of increased women's deposits.

[246] 10 Ways Predictive Analytics Can Help the Banking Sector, 2017
[247] Gender Inequalities in India's New Service Economy: A Case Study of the Banking Sector, University of London, 2012 (Doctoral thesis by Supriti Bezbaruah)

Recommendations

Financial institutions can explore various approaches to make their loan monitoring and repayment processes easier for WVSEs:

1. **Develop 'phygital' women-focused monitoring mechanisms to support WVSEs.** Financial institutions can work with regulatory authorities and financial technology companies to develop data-backed 'early warning systems' that will allow anticipation of default and/or need for restructuring. In parallel, financial institutions can create dedicated, women-focused cells at branches, or women-dedicated helplines, to address concerns of WVSEs. Financial institutions should provide gender-intelligence training, whereby the organization as a whole, and its frontline staff in particular, becomes empathetic towards the circumstances of WVSEs. Such cells and training can ensure a streamlined helpline process, whereby the WVSEs can ask for, among other things, restructuring of the loans before they are declared as non-performing/bad loans. Such cells / helplines have the potential to enhance confidence among WVSE borrowers and are especially useful in distressing times of crisis, such as the COVID-19 pandemic.

2. **Include elements from behavioral economics to nudge the WVSE borrowers towards good repayment behavior.[248]** Financial institutions can establish regular communication channels with their borrowers and experiment with various communication nudges that can influence repayment behavior. Such nudges can be integrated with ongoing provision of NFS. They can be in the form of automated reminders, direct-debit of instalment payments, usage of social nudges where other borrowers are shown paying on time, and communication of the opportunity loss from poor credit score.

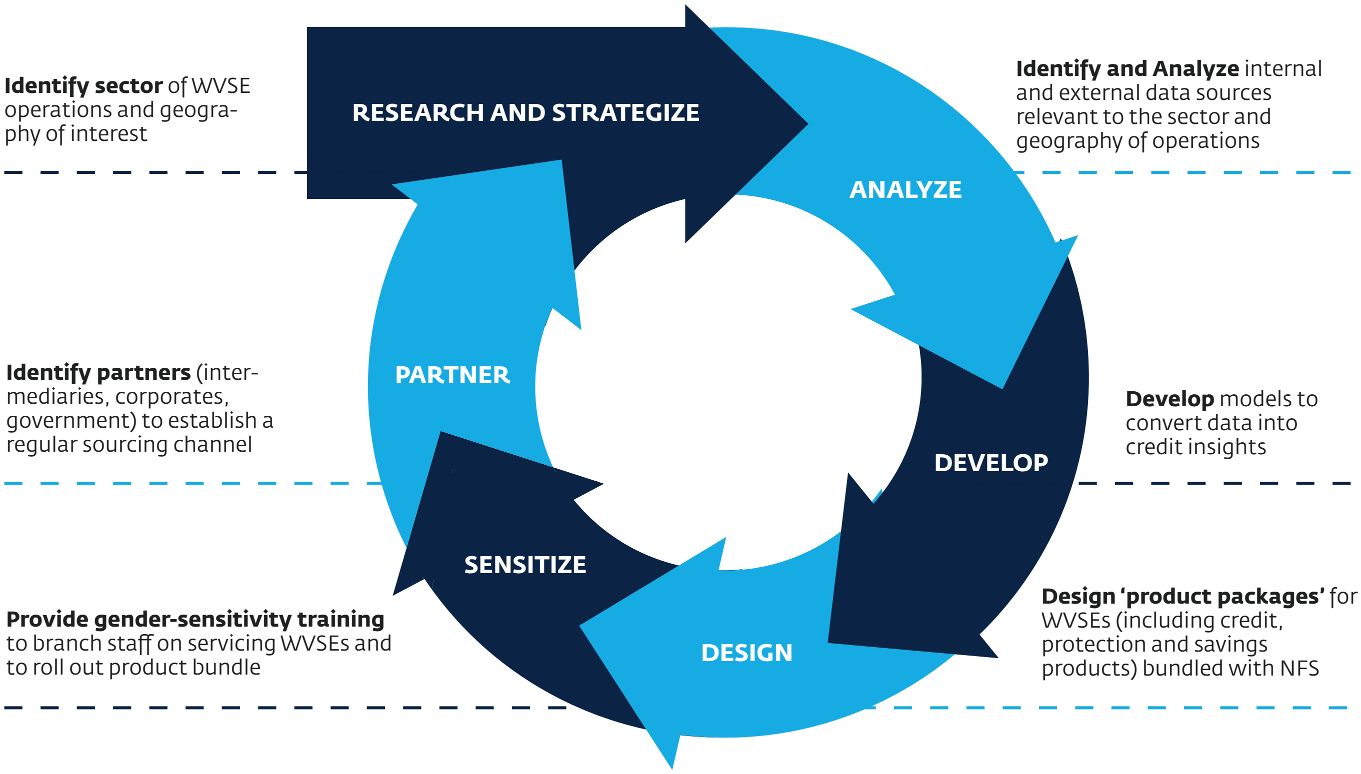
Image: Visual News Associates / World Bank

[248] Insights from Behavioral Economics to Small Business Banking, EBRD, 2013

7.4. Indicative action plan for FIs to reach WVSEs

FIs can pilot an intervention to target WVSEs in a specific sector or a specific geography, and can apply practical learnings from the pilot to replicate in other sectors and geographies. Such a pilot will require close coordination among representatives from various functional roles within an FI, such as business development, risk management, front line sales, marketing & communication, information technology, business process transformation, collections & recovery etc. This section provides an indicative action plan that FIs can adapt to reach out to WVSEs.

Figure 44: Indicative process for FIs to target WVSEs



7.4.1. Research and Strategize

FIs can build on the information provided in this report to undertake further research and identify types of WVSE activity or sectors and/or geography of operation that is most attractive for the FIs. The objective of such research would be to identify a potential credit intervention that offers the greatest alignment from both an opportunity as well as a capability perspective. In addition to market-related aspects, such research could take into account specific FI-related perspectives such as strategic priorities, presence in sectors/geographies, risk appetite, and HR capabilities. In addition the research could also inform the go-to-market approach by identifying the presence of supportive government schemes as well as intermediaries / corporates who could be roped in as potential partners.

This report can be used by FIs to identify a combination of sector and geography or to develop value chain based products. For example, FIs with advanced business correspondent networks may consider venturing into specific opportunity clusters such as the textile clusters of Tiruppur and Sualkuchi. Data can be sourced from various national, state and district level bodies relevant to the geography, such as the Ministry of MSME and the Tamil Nadu Small Industries Development Corporation (TANSIDCO) in the case of Tiruppur. FIs with strong feet on the ground in urban areas have the opportunity to address credit needs of WVSEs in various sectors such as F&B grocery, F&B services, beauty & salon services. Further, FIs that have been able to successfully leverage partnerships can target WVSEs active on social –commerce such as in the case of jewellery and accessory retail.

The report also enumerates various on-going initiatives, led by development financial institutions, multilaterals and donor agencies, that can be utilized to better understand WVSE needs. For example, Project Her & Now, a collaboration between GIZ, Ministry of Skill Development and Entrepreneurship (MoSDE) and WeHub. FIs may approach such consortiums to carry out pilots and test their product offerings.

Similarly, FIs may approach the existing intermediaries building capacities of women entrepreneurs in the geographies or sectors of interest. For example, to address the credit needs of WVSEs engaged in the handloom cluster of Sualkuchi, FIs may partner with an intermediary like Dhritti to get a better understanding of product fit for the market.

7.4.2. Analyze internal and external data

From an internal perspective, in the chosen sector / geography, FIs should seek to assess the availability of sex-disaggregated internal data at the branch or regional level. If possible, data from rejected applications should also be analyzed to identify key reasons for rejection of loan applications from women entrepreneurs. This process should also include consultations with branch managers and personnel involved in sourcing to understand difficulties in reaching women entrepreneurs, operational challenges in converting leads to clients and typical needs of women entrepreneurs that are currently unmet due to policy-related, procedural or any other reasons. Any behavioral aspects that might lead to conscious or un-conscious bias should also be identified in this process to inform future training / gender-sensitization interventions.

From an external perspective, in the chosen sector / geography, FIs should analyze publicly available data related to the WVSE landscape, such as demographics, scale of business, typical products / services offered, integration into a broader value chain, markets served (local / national / international), and level of digitization. This data can be from sources such as publications of the Department of MSME and its regional affiliates, publications of the NSSO, and sectoral/geographical research on MSMEs from various government and private institutions. It would be important to also seek inputs from some of the women customers at this stage to understand their experiences, and identify NFS that can be bundled with a loan-offering.

The Central Bank of Egypt has developed a strategic policy for strengthening sex-disaggregated data for financial inclusion. This began with a gap analysis of existing supply-side data, complemented by a limited demand-side survey. A unified definition of women-owned business was issued as part of this process. A multi-stakeholder data committee in the Central Bank of Egypt was formed to define financial inclusion indicators, and both supply- and demand-side surveys were undertaken for both households and micro, small and medium-sized enterprises (MSMEs), with data disaggregated by gender. These data will form the centralized financial inclusion data hub at the Central Bank of Egypt, with data from banks and Egypt Post, organized by customers' national IDs. The data will help to track progress on financial inclusion goals and will enable more targeted policy interventions in the future to promote greater financial inclusion of women.

7.4.3. Develop credit models

Most existing credit scoring models draw on data collected from a small number of validated sources (for example, historical financial statements, credit history and availability of collateral). Potential WVSE borrowers may not be able to supply sufficient data to be successfully evaluated by such credit models.

Based on the analysis of internal and external data, FIs could adopt a two step approach to develop an effective credit model to enable them to lend, at scale, to WVSEs in the sector / geography of interest. The first step would be to identify data sources that WVSEs will be able to provide (for example, Udyam registration, digital financial transaction history, GST filings, revenue / sourcing track record with established intermediaries / corporates, customer foot fall, location attractiveness, and investment in fixed assets). The second step would be to identify mechanisms to gain access to appropriate data from potential WVSE borrowers in a fair and transparent manner. Incorporating these kinds of alternate data into a robust model would require collaboration between risk, IT and marketing teams.

In India, the Open Credit Enablement Network (OCEN) concept was launched in 2020 and is being considered a new paradigm for credit. It provides a standardized set of APIs so that applications that already interface with individuals and MSMEs can effectively 'plug-in' lending capabilities into their current product and service offerings. These OCEN-enabled marketplaces are called Loan Service Providers (LSPs) and play the role of intermediaries. OCEN will allow for the creation of several new types of loan offerings. These new financial products can be designed around the unique requirements of borrowers. This also enables customers to leverage the data that is already being captured by these LSPs so that lending can become a cash-flow based. For LSPs, this provides a seamless way to cater to the demands of their customers, and more holistically expand their offerings while reducing the cost of acquiring customers. Additionally Account Aggregators will function as enablers in this OCEN-powered credit landscape. LSP's must embed AA API's into their flow so that lenders can digitally and securely request for borrower data. Using their AA handles, borrowers can consent to sharing officially verified data with lenders that will be incorporated in the onboarding, underwriting and monitoring process. The data received from a borrower's Financial Information Provider (such as GST and bank) will be in a machine-readable format (XML, JSON) that can be easily digested by the lender's underwriting model. At present, OCEN is running pilots across the country and has partners like IDFC First Bank and Bajaj FinServ.

7.4.4. Design product packages

Based on the above, FIs can design 'product packages' that include credit offerings, protection products, savings/remittance mechanisms and NFS suited to the needs of WVSEs. These packages should be publicised and deployed through personnel specifically trained to reach WVSE in the target sector/geography. These packages need to be supported by suitably adapted branding, application process / forms, offering of associated government schemes, to be more attractive and relevant to WVSEs. The packages should also include considerations for gender-sensitive monitoring and recovery processes. Such processes may include the establishment of women-only teams to interface with WVSEs.

Kenya Commercial Bank (KCB) and Women's World Banking collaborated to design financial products and support services for women. The proposition combined tailored financial services such as business credit with support services such as business networking and training. The MSME bankers were transformed into relationship managers, encouraging them to take a comprehensive view of customers' businesses and needs. The project team deployed scripts for relationship managers to follow up with customers and promote cross-selling of additional products. More than 600 staff members were trained in relationship management and rollout of the proposition. Over the course of the proposition, women's access to credit increased. When the program first started, only 22 percent of MSME loans to sole proprietors went to women. In branches where the new proposition was rolled out, lending to women-led businesses grew to over 50 percent of the MSME loan portfolio.

7.4.5. Sensitize branch staff to specific context of women entrepreneurs

FIs can partner with gender-experts to design a series of gender-sensitivity trainings for staff, men and women, especially those who interface directly with potential customers. Such trainings should be imparted throughout the pilot period to ensure that staff becomes aware of unconscious bias when dealing with women. FIs can adopt an approach where trainings are provided to an 'experimental branch' as opposed to a 'control branch' to understand outcomes on performance and to inform future trainings. In addition, FIs should ensure that the hiring process assesses potential employees on their gender sensitivity.

Habib Bank Limited in Pakistan partnered with IFC to provide its staff with gender-intelligence training, leading to a measurable increase in gender awareness within the bank. Training outcomes cross-referenced with sales data showed that branches whose managers had been trained in gender intelligence outperform branches with untrained branch managers in terms of increased women's deposits.

7.4.6. Partner with ecosystem intermediaries

Intermediaries play a key role in collectivizing WVSEs, enhance awareness among WVSEs and enable access to learnings / large scale interventions. Similarly, companies have taken initiatives to provide support to WVSEs and enable them to overcome gender-specific constraints that limit women's involvement in supply chains. In the chosen sector / geography of interest, FIs can form partnerships with corporations to gain access to established WVSEs as well as gain insights into their business needs and track record. Partnerships with intermediaries that operate in the geography would aid not only in outreach and sourcing but also to enable the provisioning of cost-effective NFS as the need may be. Further, such partnerships can potentially also help FIs track and ensure that the loans are being used for the intended purposes.

In Bangladesh, a collaboration has been formed between UNCDF, BRAC Bank and Romoni, the first Bangladeshi platform focused on women entrepreneurs in the creative industries such as beauty, tailoring, fashion, and food. In this partnership, UNCDF has provided the financial support to develop the technical infrastructure for the project and BRAC Bank is providing the loans to the entrepreneurs. Romoni has facilitated loans to women entrepreneurs on its platform, that currently has 500+ skilled women micro-entrepreneurs with 3,000+ beauty salons, 800+ home tailors and 300+ boutiques. It also provides specialized training to skilled/semi-skilled micro entrepreneurs for a minimum fee to maintain service quality across the platform and to enable service providers to use the digital platform.

Annexures

08

Annexure 1 – WVSE definition process

Global definitions of Very Small Enterprises (VSEs)

While the terminology of 'MSME' is well accepted globally to indicate the size of an enterprise, there is significant variation in the definitions adopted. Moreover, these definitions are not designed to provide visibility into sub-segments within each category (micro / small / medium). However, such sub-segmentation is critical to defining VSEs and identify those micro-enterprises that fall in the missing middle. IFC categorizes very small enterprises (VSEs) as those with debt finance demand between the typical loan offerings from microfinance institutions and banks, and thus VSEs are co-terminus with the 'missing middle'.[249] Further, according to a global report by Center for Financial Inclusion (CFI) at Accion, such enterprises are classified as those with an ability to graduate to the 'small' category within the MSMEs, with appropriate support.[250] These reports, summarized in the Table 1, provide an indication of the credit need (and the number of employees) generally considered as typical of very small enterprises in the 'missing middle'.

Such global research on the ranges of credit need and number of employees guided the definition of VSEs in the Indian context, as described below.

Defining Indian WVSEs

> **The Government of India recently revised the definition of MSMEs to ensure that the norms are aligned to market norms and updated to account for inflation.[255]**

While the previous definition classified MSMEs solely on the basis of investment in plant and machinery, the updated definition also includes the parameter of turnover to classify MSMEs. The inclusion of turnover in the definition is especially useful because turnover is used by many financial institutions as a basis to classify their books internally.[256] Hence, in addition to the two criteria (credit need and number of employees) used in other geographies, the inclusion of annual turnover in defining WVSEs provides greater nuance and can potentially help financial institutions in understanding the 'missing middle' better.

Table 41: Quantitative characteristics of VSEs

QUANTITATIVE CHARACTERISTICS OF VSES		
PARAMETER	**VALUE**	**GEOGRAPHY AND SOURCE**
Credit need	\$10,000 – 25,000	Latin America, IFC[251]
	\$5,000 – 50,000	Middle East and North Africa (MENA), IFC[252]
	\$6,000 – 30,000	Global, CFI at Accion[253]
Number of employees	2 – 20 employees	Middle East and North Africa (MENA), IFC[254]

[249] Experiences of Microfinance Institutions Serving Very Small to Small Enterprises in Latin America, IFC, 2014; Serving the Very Small Enterprise (VSE) Segment by Microfinance Institutions in the Arab World, IFC, 2016
[250] Emerging SMEs – Secrets to Growth from Micro to Small Enterprise, CFI at Accion, 2016
[251] Experiences of Microfinance Institutions Serving Very Small to Small Enterprises in Latin America, IFC, 2014
[252] Serving the Very Small Enterprise (VSE) Segment by Microfinance Institutions in the Arab World, IFC, 2016
[253] Emerging SMEs – Secrets to Growth from Micro to Small Enterprise, CFI at Accion, 2016
[254] Serving the Very Small Enterprise (VSE) Segment by Microfinance Institutions in the Arab World, IFC, 2016
[255] Upward revision of MSME definition, PIB, GoI, 2020
[256] Primary Interviews with Financial Institutions

Table 42: Official classification of MSMEs in India

PARAMETER	MICRO	SMALL	MEDIUM
Investment	< INR 10 million ($0.136 million)	< INR 100 million ($1.36 6 million)	< INR 500 million ($6.8 million)
Annual Turnover	< INR 50 million ($0.68 million)	< INR 500 million ($6.8 million)	< INR 2,500 million ($34 million)

Credit and turnover criteria

The quarterly MSME reports published by SIDBI and TransUnion provide a useful break-up of the micro-enterprise universe from a loan eligibility perspective.[257]

It gives us a credible anchor to demarcate an upper limit on loan eligibility at INR 1 million ($13,600) for defining VSEs. Another important source to reinforce this upper limit is the 'Tarun' category in the MUDRA refinance scheme which caps loans to the emerging entrepreneurs in the micro-units space at INR 1 million ($13,600).[258] This is also empirically tested to be a correct outer limit by matching it with the unsecured individual business loans provided by a couple of SFBs.[259]

To define the turnover criteria, a linear correlation between loan eligibility as referenced in Table 43 below and the MSME turnover limits is assumed. It can be observed that the ratio of turnover limits to loan eligibility is in the range of 3.3 to 5. The research therefore defines the upper limit for the credit requirement of WVSEs at INR 1 million with a corresponding turnover limit of INR 5 million.[261] As mentioned earlier, microfinance institutions are constrained by regulations from lending more than INR 125,000 ($1,700) to an individual borrower.[262] With this in mind, the lower limit for credit requirement is set at INR 200,000 ($2,700), to accommodate any upward revisions in the upper limit for microfinance institutions in the future. Corresponding to this credit demand, a minimum turnover of INR 1 million ($13,600) is proposed.[263]

Table 43: Classification of MSMEs based on loan eligibility[260]

MSME CATEGORY	SEGMENT	LOAN ELIGIBILITY (INR/$)	TURNOVER LIMITS BASIS UPDATED MSME DEFINITION (INR/$)
Micro	Very Small	< INR 1 million ($13,600)	NA
	Micro 1	INR 1 – 5 million ($13,600 – 68,000)	NA
	Micro 2	INR 5 – 10 million ($68,000 – 136,000)	< INR 50 million ($680,000)
Small	Small	INR 10 – 150 million ($136,000 – 2 million	INR 50 – 500 million ($680,000 – 6.8 million)
Medium	Medium	INR 150 – 500 million ($2 million – 6.8 million)	INR 500 million – 2,500 million ($6.8 million – 34 million)

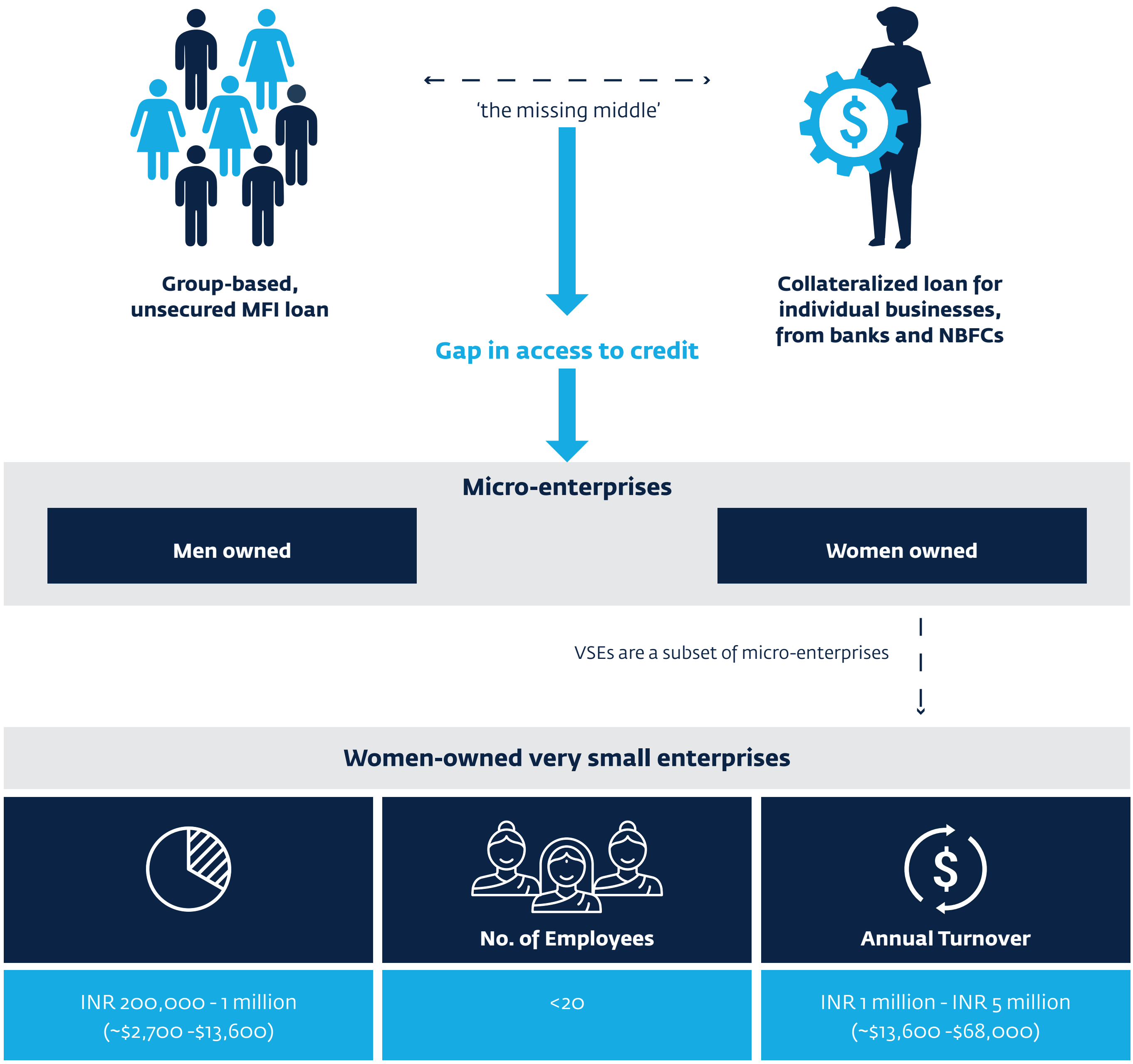
[257] MSME Pulse, SIDBI and TransUnion, 2020
[258] Offerings, MUDRA Website
[259] Loan Solutions for Micro and Small Enterprises (MSME Loans), Suryoday Small Finance Bank; Small Business Loan, Utkarsh Small Finance Bank
[260] MSME Pulse, SIDBI and TransUnion, 2020
[261] It is to be noted that the upper turnover limit of INR 50 million for micro enterprises is part of the upward revision of MSME definition (PIB, GoI, 2020). The earlier definition did not have a turnover limit, and the investment limit for manufacturing enterprises was INR 2.5 million. This limit corresponds to a turnover limit of INR 12.5 million, assuming a ratio of turnover: investment of 5:1, in line with the new definition. Given that most women-owned micro enterprises are concentrated in the lower end of the spectrum of microenterprises, the upper turnover limit of INR 5 million has been established.
[262] Qualifying Assets Criteria – Review of Limits, RBI
[263] It is worth noting that the range of credit requirement thus derived (INR 200,000 to INR 1 million) compares well with the global research provided in Table 1. Considering a purchasing-power-parity exchange rate of $1 = INR 21.1 (Source: https://data.oecd.org/conversion/purchasing-power-parities-ppp.htm), the 'Global' range defined by CFI at Accion in 2016, of $6,000 to $30,000 converts to INR 126,000 to INR 630,000.

Employment criteria

An alignment is observed between the earlier definition of VSEs as per IFC[264], and the applicability of two prominent Indian labor laws.

IFC report keeps the upper limit for employment in VSEs at 20 employees, which is the minimum threshold for the applicability of the Indian labor laws such as the Factories Act, 1948, and the Employees Provident Fund Act, 1952. Keeping this in mind, the research proposes an upper limit of employees for WVSEs at 20 employees. The lower limit is proposed at 2 employees – the same as suggested in IFC's report.[265]

The definition for WVSEs in India thus includes the credit requirement, number of employees and annual turnover, as depicted below.



[264] Serving the Very Small Enterprise (VSE) Segment by Microfinance Institutions in the Arab World, IFC, 2016
[265] Ibid

Annexure 2 – WVSE credit demand estimation process

The demand estimation process briefly outlined in Chapter 2 has been provided in detail below. The estimation process involved the following four steps as outlined in Chapter 2.

Table 44: Demand estimation methodology

STEPS	KEY PROCESS STEPS AND OUTCOMES
01 Estimate number of women-owned micro enterprises engaged in manufacturing and services businesses	The first step involved the estimation of the number of manufacturing and services WVSEs within the universe of women-owned micro-enterprises. Research on data reported in the 73rd NSSO Round and MSME Census of 2007 indicated that 71.5 percent of women-owned micro-enterprises are manufacturing enterprises, whereas only 28.5 percent women-owned micro-enterprises are services enterprises.[266] This is in contrast with the broader MSME universe in which 69 percent of the enterprises are engaged in services activities with only 31 percent in manufacturing.[267] This difference is attributed to the fact that many of the women-owned micro-enterprises operate from home.
02 Estimate the number of WVSEs within women-owned micro-enterprises	An analysis of the MSME Census suggests that 22.6 percent of all manufacturing-sector women-owned microenterprises are WVSEs and 6.9 percent of services-sector women-owned micro-enterprises are WVSEs. Together, WVSEs account for 18.1 percent of all women-owned micro-enterprises.
03 Estimate the debt demand per WVSE	In 2016, IFC research had estimated the aggregate fixed asset demand and working capital demand for women-owned micro-enterprises in India.[268] The aggregate demand was further split to estimate the average working capital and fixed assets demand per manufacturing enterprise and per services enterprise. The average demand per WVSE for fixed assets and working capital was calculated through appropriately adjusting existing estimates[269] of the per-unit demand from women-owned micro-enterprises.
04 Estimate total finance demand from WVSEs	The demand for finance from WVSEs was calculated separately for manufacturing and services WVSEs by multiplying the respective number of enterprises by the respective per unit demand. The total demand was calculated by summing up the demand from manufacturing WVSEs and services WVSEs.

Step 1: The total number of MSMEs in India was used as a starting number for estimating the number of women-owned micro-enterprises in India, as per the calculations below, with numbers sourced from the annual reports of the Ministry of MSME and various reports of the 73rd NSSO Round.

[266] The share of manufacturing and services micro enterprises was calculated through an analysis of various reports of the 73rd NSSO round. The numbers were validated through consultation with eminent academicians and economists who have been studying and analysing the micro enterprise sector in India.
[267] Ministry of MSME, Annual Report, 2019 -20
[268] Financial Inclusion for Woman-Owned Micro, Small & Medium Enterprises (MSMEs) in India, IFC
[269] Ibid

Table 45: Estimation of number of women-owned micro-enterprises in India

PARTICULAR	MANUFACTURING	SERVICES	TOTAL
Size of MSME Universe in 2015-16 (in million) (as per MSME AR 2018-19)	19.7	43.7	63.4
Growth rate of the number of MSMEs (as per MSME AR 2019-20)	6.14%	6.56%	
Size of MSME Universe in 2019-20 (in million) (applying annual growth rates from above)	25.0	56.4	81.3
Size of MSME Universe, accounting for a 10% reduction in the number of MSMEs because of the impact of COVID-19[270]	22.5	50.7	73.2
Size of Micro-enterprise universe (in million) (~99.5% of overall)	22.3	50.5	72.8
Size of women-owned micro enterprise universe (in million) (20.44% of overall micro universe)			14.9
The women-owned micro enterprise universe disaggregated by manufacturing and services (in million) (71.5% are manufacturing enterprises[271])	10.6	4.2	14.9

Step 2: The number of WVSEs from within the women-owned micro-enterprise universe was estimated separately for manufacturing and services sector enterprises. Analysis of the MSME Census of 2007 revealed that 22.6% of manufacturing-sector women-owned enterprises are WVSEs, while the share for services-sector enterprises is 6.9%. In order to arrive at these numbers, the revenue cut-offs used for the WVSE definition (INR 1 million to INR 5 million) were scaled down appropriately to arrive at relevant cutoffs for 2007 (INR 0.4 million to INR 2 million) – this means that a WVSE as defined today – having a turnover in the range of 1 million to 5 million – would have had a turnover in the range of 0.4 million to 2 million at the time of the Census. These cutoffs were then applied to the women-owned micro-enterprise universe in the MSME 2007 Census to calculate the share of WVSEs.

Table 46: Share of WVSE as a subset of women-owned micro-enterprises

Share of WVSEs as a subset of women micro-enterprises
Source: MSME Census, 2007

		NO. OF WOMEN MICRO ENTERPRISES				
TURNOVER RANGE, INR (MSME CENSUS)	TURNOVER RANGE, INR (PRESENT)	TOTAL	MANUFACTURING		SERVICES	
0-2L	0 - 10 L	1,65,742	67,997	63.6%	97,745	92.3%
2-4L	(< WVSE)					
4-8L	10 - 20L	5,592	13,736	22.6%	6,468	6.9%
8-12L	20 - 30L	3,344	5,097		495	
12-16L	30 - 40L	2,391	3,117		227	
16L-20L	40 -50L	15,597	2,257		134	
20L - 50L	> 50L (> WVSE)	1,92,666	14,789	13.8%	808	0.8%
50L-1 Cr.						
>1Cr.						
Total*		2,12,870	1,06,993	100.0%	1,05,877	100.0%

** This total is the number of women microentrepreneurs in the MSME Census, 2007*

WVSEs

[270] MSMEs Slowly Get Back on Their Feet, But Liquidity Problems, Shortage of Orders & Labour Remain, The Print, 2020
[271] The share of manufacturing and services micro enterprises was calculated through an analysis of various reports of the 73rd NSSO round. The numbers were validated through consultation with eminent academicians and economists who have been studying and analysing the micro enterprise sector in India.

Table 47: Split of WVSE universe

PARTICULAR	MANUFACTURING	SERVICES	TOTAL
The women-owned micro enterprise universe (in million) (from Step 1)	10.6	4.2	14.9
WVSEs as a share of women-owned micro enterprises	22.6%	6.9%	
Size of WVSE Universe in 2019-20 (in million) (calculated from above)	2.4	0.3	2.7

At the end of Step 2, it was thus established that there are 2.7 million WVSEs in India.

Step 3: The average demand per WVSE for fixed assets and working capital was calculated through appropriately adjusting existing estimates of the per-unit demand from women-owned micro-enterprises.[272]

Table 48: Demand from women-owned micro enterprises

Overall demand from women micro enterprises
INR 1,94,997 Crores

Source: Financial Inclusion for Women Owned MSMEs, IFC (Data for 2016)

Demand for fixed assets
INR 55,063 Crores

Demand for working capital
INR 1,39,934 Crores

Source: Financial Inclusion for Women Owned MSMEs, IFC (Data for 2016)

Per Unit demand
INR 48,558

Per unit demand
INR 1,23,403

Based on number of enterprises in the micro universe, in 2016

Manufacturing micro enterprises (71.5% of the micro universe)	Fixed Assets	33%	88,264
	Working Capital	67%	1,79,121
Services micro enterprises (28.5% of the universe)	Fixed Assets	25%	23,430
	Working Capital	75%	70,290

- Per unit demand estimated through a process of disaggregation based on number of enterprises in manufacturing and services, and ratios of fixed assets to working capital demand.
- Demand thus estimated extrapolated to 2019/20
- Note that these numbers are for the overall universe of women micro enterprises

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

The process considered two approaches to determine the ratio of working capital to fixed assets for the disaggregation:

i. Use the ratio of 72 : 28 (derived from the debt demand numbers mentioned in the top half of this slide) for both manufacturing and services,
ii. Use different ratios which are a more realistic indication of the nature of demand from manufacturing and services enterprises, with the recognition that these ratios are working estimates representing the entire sector.

Approach 2 was adopted with the ratios as shown above.

Step 4: Given that the per-unit demand calculated in Step 3 is for women-owned microenterprises as a whole (and not WVSEs), it was scaled appropriately to the WVSE turnover range. This process was done separately for manufacturing and services and for WVSEs in various turnover buckets with the overall range of INR 1 million to INR 5 million. This means that the per-unit demand was estimated separately for WVSEs in the turnover range of INR 1 million to INR 2 million, INR 2 million to INR 3 million etc. and total demand was calculated by multiplying the per-unit demand by the number of WVSEs in that particular turnover range. A sample calculation for a WVSE in the range of INR 2 million to INR 3 million is shown below.

Table 49: Sample calculation for WVSEs in range of INR 2-3 million

	PARTICULAR	MANUFACTURING	SERVICES
A	Average TO of women-owned micro enterprises in 2007-08 (INR, from MSME Census and Annual Reports)	7,58,379	3,70,140
B	Average TO of women-owned micro enterprises 2019-20 (INR, adjusting for inflation)	18,40,958	8,98,512
C	Average TO of WVSE (hypothetical for purpose of illustration) (INR, assumed, average TO of a WVSE in the TO range INR 2 million to INR 3 million)	25,00,000	25,00,000
D	Ratio of C : B (estimation factor)	1.36	2.78
E	Adjusted per unit demand for fixed assets (INR) (estimation factor times the per-unit demand from Step 3)	1,19,807	65,191
F	Adjusted per unit demand for working capital (INR) (estimation factor times the per-unit demand from Step 3)	2,43,244	1,95,573
G	Total per unit demand from WVSEs in the TO range INR 2 million to INR 3 million	3,63,051	2,60,764
H	Number of WVSEs in the TO range INR 2 million to INR 3 million	0.51	0.02
I	Total demand from WVSEs in the TO range INR 2 million to INR 3 million (INR billion) (G times H)	185	5

Similar estimation process was followed for WVSEs in the turnover ranges of INR 1 million to INR 2 million, INR 3 million to INR 4 million and INR 4 million to 5 million.

Aggregated, the total demand from WVSEs has been estimated to be INR 836 billion ($11.4 billion). Of the above, ~32.5 percent demand is for fixed assets while the balance 67.5 percent is for working capital.

Annexure 3 – Definitions of sectors identified for primary research

This annexure contains the definitions of the sectors profiled in this report, as mentioned in Table 15. The definitions have been taken from the explanatory notes published by Central Statistical Organisation (CSO), Ministry of Statistics and Programme Implementation, Government of India, as part of the National Industrial Classification (NIC) codes released in 2008.[273] These codes are used by National Sample Survey Office (NSSO) for its various annual rounds of survey, including the 73rd Round (2015-16) which has been used in this report for various calculations.[274]

The NIC codes are created using the following illustrative hierarchical method. Activities are first grouped into 'section' alphabetically coded from A through U, every section is divided into 'division' with 2-digit numeric code, every division into 'group' with 3-digit numeric code, every group into 'class' with 4-digit numeric code and every 4-digit class into 5-digit 'sub-class'.[275] For our project purpose, only 2-digit division code is mentioned below. In some case, 3-digit group code is also mentioned for further clarification.

Table 50: Sectors Chosen for the Primary Research

1	Manufacture of textiles
2	Manufacture of wearing apparel
3	Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials
4	Retail trade, except of motor vehicles and motorcycles
5	Food and beverage service activities
6	Education
7	Other personal service activities

Table 51: Illustrative hierarchical method

LEVEL	DESCRIPTION
Section C	Manufacturing
Division 13	Manufacture of textiles
Group 131	Spinning, weaving and finishing of textiles
Class 1311	Preparation and spinning of textile fibers
Sub-Class 13111	Preparation and spinning of cotton fiber including blended cotton

[273] Explanatory Notes, Pg 161-192 of the PDF, National Industrial Classification (2008), Central Statistical Organisation, Ministry of Statistics and Programme Implementation, Government of India
[274] Table A2 and A3, Page 28-32 of the PDF, Operational Characteristics of the Unincorporated Non-Agricultural Enterprises (excluding construction) in India (2018), NSS 73rd Round 2015-16
[275] Pg 18 of the PDF, National Industrial Classification (2008), Central Statistical Organisation, Ministry of Statistics and Programme Implementation, Government of India

Manufacturing

Units engaged in manufacturing are described as plants, factories or mills and characteristically use power driven machines and materials-handling equipment. However, units that transform materials or substances into new products by hand or in the worker's home and those engaged in selling to the general public of products made on the same premises from which they are sold, such as bakeries and custom tailors, are also included in this section. The materials, substances, or components transformed are raw materials that are products of agriculture, forestry, fishing, mining or quarrying as well as products of other manufacturing activities. Substantial alteration, renovation or reconstruction of goods is generally considered to be manufacturing. Assembly of the component parts of manufactured products is also considered manufacturing; this includes the assembly of manufactured products from either self-produced or purchased components.

13 Manufacture of textiles

It includes the following two groups:

131 Spinning, weaving and finishing of textiles
This group includes the manufacture of textiles, including preparatory operations, the spinning of textile fibres and the weaving of textiles. This can be done from varying raw materials, such as silk, wool, other animal, vegetable or manmade fibres, paper or glass, etc. Also included in this group is the finishing of textiles and wearing apparel, i.e. bleaching, dyeing, dressing and similar activities.

139 Manufacture of other textiles
This group includes the manufacture of products produced from textiles, except wearing apparel, such as made-up textile articles, carpets and rugs, rope, narrow woven fabrics, and trimmings.

14 Manufacture of wearing apparel

It includes all tailoring (ready-to-wear or made-to-measure), in all materials (for example leather, fabric, knitted and crocheted fabrics), of all items of clothing (for example outerwear, innerwear for men, women or children; work, city or casual clothing) and accessories. There is no distinction made between clothing for adults and clothing for children, or between modern and traditional clothing.

16 Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials

It includes the manufacture of wood products, such as lumber, plywood, veneers, wood containers, wood flooring, and basic shapes of wood products. The production processes include sawing, planning, shaping, laminating, and assembling of wood products starting from logs that are cut into bolts, or lumber that may then be cut further, or shaped by lathes or other shaping tools. The lumber or other transformed wood shapes may also be subsequently planed or smoothed, and assembled into finished products, such as wood containers.

Trade

47 Retail trade, except for motor vehicles and motorcycles

It includes the resale (sale without transformation) of new and used goods mainly to the general public for personal or household consumption or utilization, by shops, department stores, stalls, mail-order houses, hawkers and peddlers, consumer cooperatives etc. It excludes the sale of agricultural produce by farmers, sale of food and beverages (for consumption on the premises or take-away, see division 56 below) and rentals. It includes the following groups:

471 Retail sale in non-specialized stores
This group includes the retail sale of a variety of product lines in the same unit (non-specialized stores), such as supermarkets or department stores.

472 Retail sale of food, beverages and tobacco in specialized stores
This group includes retail sale in stores specialized in selling food, beverage or tobacco products.

473 Retail sale of automotive fuel in specialized stores

474 Retail sale of information and communications equipment in specialized stores
This group includes the retail sale of information and communications equipment, such as computers and peripheral equipment, telecommunications equipment and consumer electronics, by specialized stores.

475 Retail sale of other household equipment in specialized stores

This group includes the retail sale of household equipment, such as textiles, hardware, carpets, electrical appliances or furniture, in specialized stores.

476 Retail sale of cultural and recreation goods in specialized stores

This group includes the retail sale in specialized stores of cultural and recreation goods, such as books, newspapers, music and video recordings, sporting equipment, games and toys.

477 Retail sale of other goods in specialized stores

This group includes the sale in specialized stores carrying a particular line of products not included in other parts of the classification, such as clothing, footwear and leather articles, pharmaceutical and medical goods, watches, souvenirs, cleaning materials, weapons, flowers and pets and others. Also included is the retail sale of used goods in specialized stores.

478 Retail sale via stalls and markets

This group includes the retail sale of any kind of new or second hand product in a usually movable stall either along a public road or at a fixed marketplace.

479 Retail trade not in stores, stalls or markets

This group includes retail sale activities by mail order houses, over the Internet, through door-to-door sales, vending machines etc.

Services

56 Food and beverage service activities

It includes food and beverage serving activities providing complete meals or drinks fit for immediate consumption, whether in traditional restaurants, self-service or take-away restaurants or catering, whether as permanent or temporary stands with or without seating. Decisive is the fact that meals fit for immediate consumption are offered, not the kind of facility providing them. Excluded is the production of meals not fit for immediate consumption or not planned to be consumed immediately or of prepared food which is not considered to be a meal.

85 Education

It includes education at any level or for any profession, oral or written as well as by radio and television or other means of communication. It includes education by the different institutions in the regular school system at its different levels as well as adult education, literacy programmes etc. Also included are military schools and academies, prison schools etc. at their respective levels.

96 Other personal service activities

It includes all service activities not mentioned elsewhere in the classification. Notably it includes types of services such as washing and dry-cleaning of textiles and fur products, hairdressing and other beauty treatment, funeral and related activities.

Annexure 4 – Sector-wise number of women-owned enterprises in India

Below is the dis-aggregated data on women-owned enterprises in various sectors as per the data sourced from the NSS 73rd Round report 581: Operational Characteristics of Unincorporated Non-Agricultural Enterprises (Excluding Construction) in India (2018).[276]

Table 52: Dis-aggregated data of women-owned enterprises in various sectors- Manufacturing

MANUFACTURING				
		A	B	C (=A*B)
NOTATION[277]	SECTOR[278]	NO. OF ENTERPRISES (MILLION)[279]	SHARE OF WOMEN -OWNED ENTERPRISES (%)[280]	NO. OF WOMEN -OWNED ENTERPRISES (MILLION)
M1	Cotton ginning, cleaning and bailing	0.002	16.64	0.0003
M2	Manufacture of food products	2.274	14.54	0.331
M3	Manufacture of beverages	0.186	37.72	0.070
M4	Manufacture of tobacco products	3.275	87.72	2.873
M5	Manufacture of textiles	2.604	52.74	1.373
M6	Manufacture of wearing apparel	5.610	59.93	3.363
M7	Manufacture of leather and related products	0.156	12.37	0.019
M8	Manufacture of wood and products of wood and cork, except furniture	1.191	23.94	0.285
M9	Manufacture of paper and paper products	0.107	64.24	0.069
M10	Printing and reproduction of recorded media	0.161	5.76	0.009
M11	Manufacture of coke and refined petroleum products	0.002	15.25	0.0003
M12	Manufacture of chemicals and chemical products	0.173	69.31	0.120
M13	Manufacture of pharmaceuticals, medicinal chemical and botanical products	0.006	7.73	0.0005
M14	Manufacture of rubber and plastics products	0.125	42.78	0.053
M15	Manufacture of other non-metallic mineral products	0.613	7.11	0.044
M16	Manufacture of basic metals	0.052	1.13	0.001
M17	Manufacture of fabricated metal products, except machinery and equipment	0.789	0.92	0.007
M18	Manufacture of computer, electronic and optical products	0.014	6.85	0.001
M19	Manufacture of electrical equipment	0.038	12.04	0.005
M20	Manufacture of machinery and equipment (not elsewhere classified, n.e.c.)	0.081	0.10	0.0001
M21	Manufacture of motor vehicles, trailers and semi-trailers	0.022	0.61	0.0001
M22	Manufacture of other transport equipment	0.006	20.35	0.001
M23	Manufacture of furniture	0.871	0.20	0.002
M24	Other manufacturing	0.949	34.97	0.332
M25	Repair and installation of machinery and equipment	0.360	0.20	0.001
M	Total manufacturing	19.665	45.80%	9.002

[276] Operational Characteristics of the Unincorporated Non-Agricultural Enterprises (Excluding Construction) in India (2018), NSS 73rd Round 2015-16
[277] Table A3, Page 31 of the PDF, Ibid
[278] Ibid
[279] Table T1, Page 119 of the PDF, Ibid
[280] Table T5, Page 131 of the PDF, Ibid

Table 53: Dis-aggregated data of women-owned enterprises in various sectors- Trade

TRADE				
		A	B	C (=A*B)
NOTATION[281]	SECTOR[282]	NO. OF ENTERPRISES (MILLION)[283]	SHARE OF WOMEN -OWNED ENTERPRISES (%)[284]	NO. OF WOMEN -OWNED ENTERPRISES (MILLION)
T1	Wholesale and retail trade of motor vehicles and motor cycles	0.243	1.59%	0.004
T2	Repair and maintenance of motor vehicles and motor cycles	0.979	0.21%	0.002
T3	Activities of commission agents	0.166	4.26%	0.007
T4	Other wholesale trade	1.632	2.37%	0.039
T5	Other retail trade	20.016	10.00%	2.002
T	Total trade	23.036	8.92%	2.056

Table 54: Dis-aggregated data of women-owned enterprises in various sectors- Services

SERVICES				
		A	B	C (=A*B)
NOTATION[285]	SECTOR[286]	NO. OF ENTERPRISES (MILLION)[287]	SHARE OF WOMEN -OWNED ENTERPRISES (%)[288]	NO. OF WOMEN -OWNED ENTERPRISES (MILLION)
S1	Accommodation	0.117	9.68	0.011
S2	Food service activities	2.977	9.00	0.268
S3	Land transport	5.376	0.20	0.011
S4	Water transport	0.006	0.00	0.000
S5	Warehousing and storage	0.007	5.29	0.0004
S6	Support activities for transportation, postal and courier activities	0.088	8.17	0.007
S7	Information and communication	0.319	5.33	0.017
S8	Financial service activities except insurance and pension funding	1.279	9.09	0.116
S9	Other financial activities	0.032	3.78	0.001
S10	Real estate activities	0.863	9.69	0.084
S11	Professional, scientific and technical activities	0.684	3.11	0.021
S12	Administrative and support service activities	1.036	3.83	0.040
S13	Education	1.297	37.42	0.485
S14	Human Health and social work	1.044	7.11	0.074
S15	Other community, social and personal service activities	5.561	10.37	0.576
S	Total services	20.688	8.03%	1.662

[281] Table A3, Page 31 of the PDF, Ibid
[282] Ibid
[283] Table T1, Page 119 of the PDF, Ibid
[284] Table T5, Page 132 of the PDF, Ibid
[285] Table A3, Page 31 of the PDF, Ibid
[286] Ibid
[287] Table T1, Page 120 of the PDF, Ibid
[288] Table T5, Page 132 of the PDF, Ibid

Table 55: Dis-aggregated data of women-owned enterprises in various sectors- Total

TOTAL				
		A	B	C (=A*B)
NOTATION	SECTOR	NO. OF ENTERPRISES (MILLION)	SHARE OF WOMEN -OWNED ENTERPRISES (%)	NO. OF WOMEN -OWNED ENTERPRISES (MILLION)
M	Manufacturing	19.665	45.8%	9.002
T	Trade	23.036	8.9%	2.056
S	Services	20.688	8.0%	1.662
T+S	Trade and services	43.724	8.5%	3.718

RATIO OF MANUFACTURING AND SERVICES (INCLUDING TRADE) WITHIN THE TOTAL ENTERPRISES		
	TOTAL ENTERPRISES	WOMEN-OWNED ENTERPRISES
M:T+S	31:69	71:29

As seen above, the ratio of number of manufacturing enterprises to number of services enterprises (including trade) among women-owned enterprises is 71:29.

This leads us to conclude that while India overall is a services and trade dominated economy, women-owned enterprises are more concentrated in the manufacturing sectors.

Annexure 5 – Sector-wise demand from WVSEs

Below is the demand for finance from the Top 10 sectors of WVSE activity identified as part of this report.

Table 56: Sector wise demand from WVSEs

NAME OF SUB-SECTOR	DEMAND FOR FINANCE	
	in INR billion	in $ billion
Manufacture of wearing apparel and textiles	606.4	8.27
Manufacture of food and beverage products	51.3	0.70
Other manufacturing	42.5	0.58
Manufacture of wood products	36.5	0.50
Retail trade	27.6	0.38
Community, social & personal services, and food service activities (eateries), financial services, real estate and social work activities (miscellaneous services)	15.5	0.21
Manufacture of chemical products	15.3	0.21
Manufacture of paper products	8.8	0.12
Educational services	6.7	0.09
Manufacture of rubber and plastic products	6.8	0.09
Others	18.6	0.25
Total	836.2	11.40

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