

## Focus 72 - Closing Gender Gaps in Education, Finance & Child Care - Unlocking the Full Potential of Women Entrepreneurship in India

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### Abstract

The staggeringly low number of women entrepreneurs in India demands for a number of interventions in terms of education, access to finance and child-care options. Considering that women empowerment in itself is valuable and has positive effects on the economy, it is high time to address the gender gaps in education, unequal access to finance and unequal distribution of domestic responsibilities. Evidence shows that there is a clear correlation between women entrepreneurship and factors such as women literacy rates, financial knowledge, owning a bank account – among others. While the largest share of child care falls on women, it can be dealt through adequate infrastructure such as child-care centers.

Although the government has taken initiatives on entrepreneurship, few of these target women. Due to the limitations and low status of women in society, these initiatives are mostly unfavorable. Hence, it is now time to amend policies and make them more gender inclusive. This policy brief discusses various interventions, including strategic plans for free and compulsory education advocacy and awareness in partnership with nonprofits, women-specific financial inclusion policies and programs collaborating with the State Bank of India, and establishing child-care centers.

**Keywords:** Women Entrepreneurship, Education, Access to Finance, Child Care, Indian Entrepreneurship, Women in Business, Gender-inclusive Policies, Skill India, Startup India, Women Empowerment

### What is at Stake?

Women constitute 48.95% of India's population, yet the share of women starting their own business is significantly lower than is the case with men (UN India Business Forum, 2018). Women entrepreneurs constitute only around 14% (8 million) of all Indian entrepreneurs (Salve, 2016; National Commission for Women, n.d). Hence, it is not a surprise that India was ranked 70th of 77 countries, one of the lowest rankings in the Female Entrepreneurship Index 2015 released by



At **17%**, India has a lower share of women's contribution to GDP than the global average of **37%**



In a scenario where women participate in the economy as equals with men, it could add **USD 2.9 trillion** to India's annual GDP by **2025**

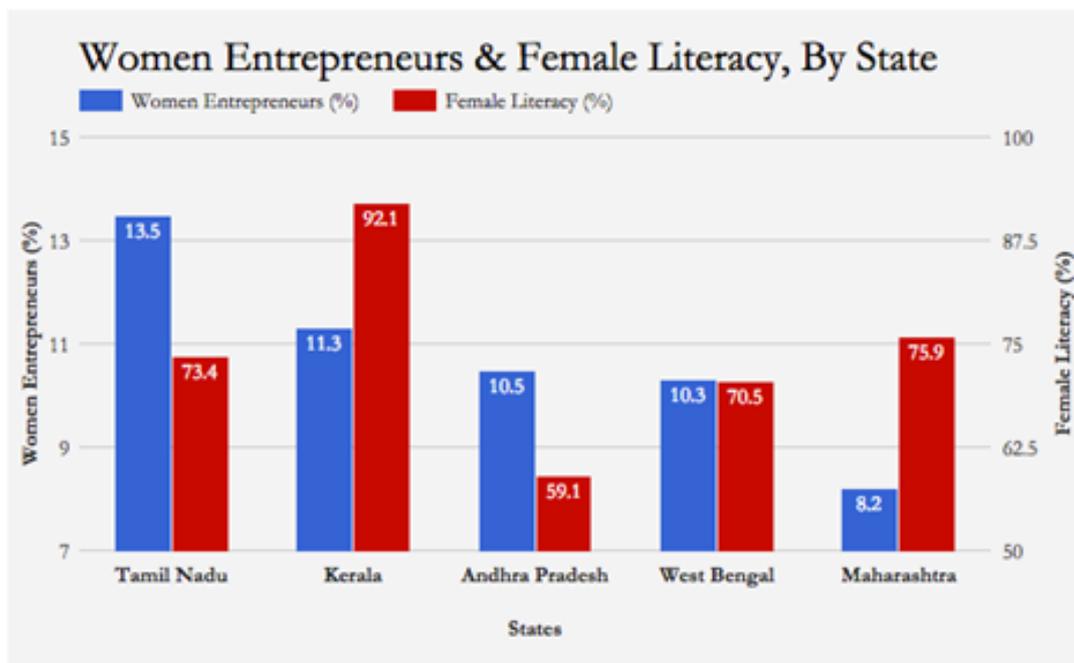
the London-based Global Entrepreneurship Institute (Salve, 2016). The low number of women entrepreneurs can be explained through factors such as persisting gender gaps in education, unequal access to finance and the burden of child care. Policies that unlock the potential of about half the population are of paramount importance for the country's economic growth and for realizing women's rights and gender equity. This policy brief is limited to discussing only few particular aspects of the broader problem of women underrepresentation in business.

### Gender Gaps in Education

India ranks woefully low in gender-based surveys and studies. In 2018, it ranked 108th out of 149 countries in the World Economic Forum's Global Gender Gap

Report – with the lowest scores on health and survival and economic participation (Mathew, 2019). According to the Census<sup>1</sup> 2011, the female literacy rate was 65.5% nationwide (male literacy stood at 82%; Salve, 2016). Even more alarming is the declining female participation in the labor force from 34% in 1999 to 27% in 2014 (Salve, 2016). When women do work, they receive lower wages than their male counterparts and generally occupy low-skill jobs in agriculture and services, often in the informal economy (Mathew, 2019).

About 50% of women entrepreneurs in the whole country originate from the four southern states – Tamil Nadu, Kerala, Andhra Pradesh, and Karnataka – and Maharashtra (Salve, 2016). It is crucial to note that these states also have the highest literacy rates and fare well nationwide on other indices in education (Fig.1).



*Fig.1 Women Entrepreneurs & Female Literacy by State, India (Source: Economic Census 2012, Men and Women 2011)*

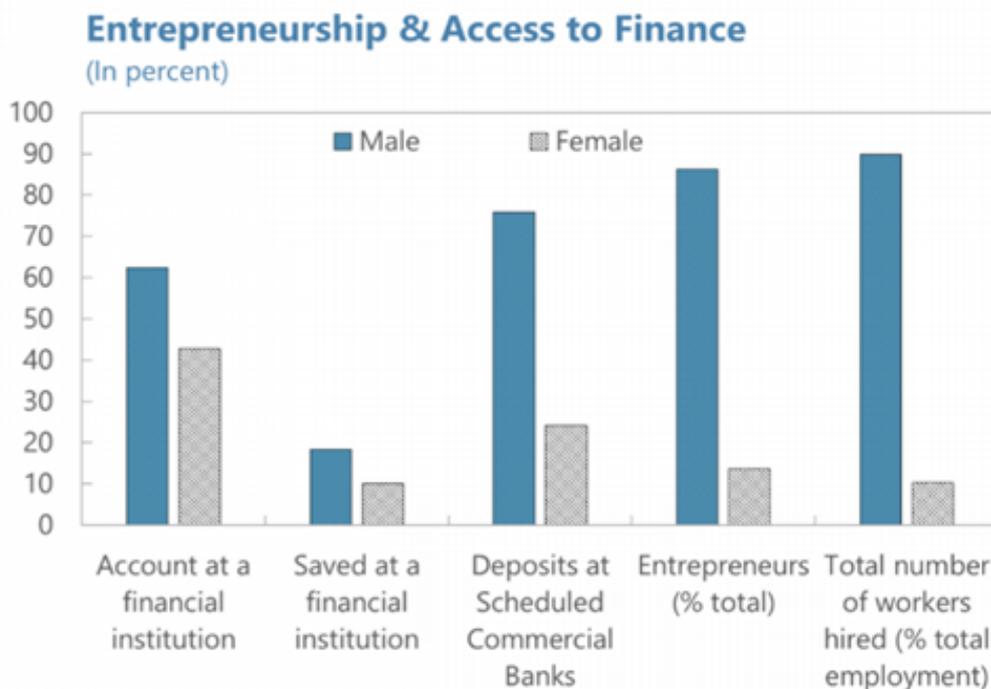
These states have literacy rates above the national average and the highest number of women who have completed education of 10 years or more (Salve, 2016). The rate of women’s education seems to correlate with rates of their success in entrepreneurship. Besides gender gaps in education, a number of other factors are

<sup>1</sup> National survey conducted every ten years.

responsible for underrepresentation of women in business, ranging from unequal access to finance to lack of institutional support such as child-care options.

### Unequal Access to Finance

Evidence shows that access to finance plays a large role in one’s decision to pursue business. This is especially true for women. Both financial and digital inclusions are closely related to rates of women entrepreneurship – their absence is responsible for low representation. Compared to men, women in general do not have access to bank accounts, credit, or mobile banking (Neill, Vargas & Haan, 2016). Women, especially in rural areas, do not own a bank account and rely largely on their male partners for financial matters (Fig.2). Even when women do have bank accounts, the number of savings or deposits in these accounts is staggeringly low. Moreover, due to a patrilineal family structure, women in India rarely own property that could serve as collateral for start-up loans (Mathew, 2019). In addition to this, the terms of these loans are unfavorable to women when compared with their male counterparts (Korreck, 2019; UN India Business Forum, 2018). Hence, although schemes and women-specific loans are launched, as long as women face these constraints, they will not be able to reap their full benefits.



*Fig.2 India - Gender inequality in entrepreneurship and access to finance (Source: World Bank, Sixth Economic Census (2014))*

## Risk-taking & Confidence in Business

Fear of the risks involved in starting a business is another significant factor that discourages women from pursuing entrepreneurship (Clifford, 2013). Women tend to choose a career path that offers a stable income and other safety-related benefits. Evidence also shows that women are less confident about their entrepreneurial abilities than men – a trend even more visible in developed regions of Asia (Clifford, 2013). Low levels of confidence in their abilities and skills can only be addressed through proper education, specifically in financial literacy and business training, and by building networks of women entrepreneurs in the country.

## Unequal Distribution of Domestic Responsibilities

The unequal distribution of domestic responsibilities can be largely attributed to the social expectations set on women in Indian society to be homemakers and primary caregivers. This impedes women from taking business ideas to the market. A gender-focused Global Entrepreneurship and Development Index conducted by Dell ranked India at No.16 out of 17 countries based on a wide range of indicators (Robbins, 2013). It scored especially low in institutional foundations and the established support and infrastructure women need to pursue their goals. India has no systemic support in place to relieve the burden of child care. Lack of child care options is a huge hindrance to those women who aspire to become something more than just mothers or homemakers.

## Govt. Schemes and its Limitations

Over the years, the government has launched a number of programs and schemes for entrepreneurship, including funding opportunities, business modeling support through incubation centers, and training. However, these programs are mostly favorable to men in business. For instance, Skill India<sup>2</sup> favors men in that it provides training in plumbing, masonry, and welding to young men, while women are left with gender-biased sectors of beauty, wellness and cooking – none of these enabling them to become entrepreneurs (Mathew, 2019).

Startup India is another major program that provides handholding, funding support and industry-academic partnership for budding entrepreneurs (National

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<sup>2</sup> A government-sponsored program for vocational training.

Commission for Women, n.d). Due to the size and scope of the program, a larger share of its services is targeted towards male entrepreneurs. Since the launch of the Pradhan Mantri Jan Dhan Yojana (PMJDY) in 2014, about 127 million women have gained access to bank accounts (National Commission for Women, n.d). It also allowed women to have collateral-free finance for their businesses. It is true that among all these programs, only a few focus on women alone and their access to finance. When they do provide loans for women to start businesses, they fund less-risky sectors such as tailoring and micro enterprises with loan amounts limited to a million rupees<sup>3</sup>. Therefore, it is now time to reach an agreement on the gender gaps in these schemes & programs, to realize the actual women needs and to take proactive measures to address them.

### Policy Options

Proactive measures can take the form of policies that aim to address challenges pertaining to women in business. These interventions are intended to provide additional support to existing policies such as the Right to Education Act, Startup India, Pradhan Mantri Jan Dhan Yojana and others. Such policies align the interests of the Ministry of Women and Child Welfare and those of the Ministry of Skill Development & Entrepreneurship. Some major areas that demand imminent interventions include:

- **Strategic plans for free and compulsory education advocacy and awareness**

Without question, access to education is a right, and girls' education is quintessential for women empowerment. As the rate of women's literacy correlates with the rate of their entrepreneurship, girls' education should be of paramount importance. A strategic plan for enforcing the Right of Children to Free and Compulsory Education Act, 2009 should be in place not only to advocate but also to actually enroll girls in public schools.

- **Gender-targeted financial inclusion policies and programs**

Evidence shows that financial inclusion policies for women can help reduce unemployment and increase the share of the formal sector in the overall economy

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<sup>3</sup> EUR11500

– thereby boosting the GDP in the long run. Hence, the first step is to work towards equal access to finance. Policies should feature larger loan amounts with lower interest rates and fees, longer loan tenures, hassle-free loan processing, and quick disbursement. Financial education for women is also important as research show that educated mothers are more likely to participate in the labor force (Robbins, 2013). Familiarity with financial processes makes women confident in approaching a bank and taking a loan. In addition, equal inheritance and property laws should be enforced in order for women to be able to claim credit. As mentioned earlier, although funding opportunities are available as part of the existing programs, a more favorable scheme should be introduced to address issues pertaining to the women community.

- **Establishing child-care centers**

The government should take realistic measures in order to address the issue of gender inequalities in private spheres. It has to work within the system of social and family structures and provide customized solutions. For instance, the government could take the heavy-lifting off the women on domestic responsibilities – and interventions such as child-care centers should be established. Adequate system support enables women to experience more freedom and focus on their own growth as individuals. This in turn can contribute to a rise in entrepreneurship and labor force participation as well.

### Recommendations

The policy options mentioned above have real potential to work since they are based on experiences from around the world. They will also be effective since they aim to work within the prevailing system. The fact that these are already successfully implemented in a few states indicates practicality.

- Collaborations with local nonprofits is essential to advocate the compulsory education act. Non-governmental organizations such as the *Pratham* which are working towards children's education should be supported by the ministry. Financial support through various grants for projects aiming at better enrollment of girl children should be extended. Moreover, infrastructure such as public schools should be opened for nonprofits to open weekend classes and provide additional study support for poorly performing students.

- Equal opportunities can be created by helping women open bank accounts, as well as training them on basic finance and loans and mobile banking. The Ministry of Women and Child Welfare can collaborate with the State Bank of India<sup>4</sup> on this so as to provide pro bono services in rural communities. They can make use of the building space available in *Anganwadis*<sup>5</sup> for meetings and take evening classes on these matters. The advantage of this model is that the infrastructure and other resources needed are already present. Such an initiative can also be spearheaded by local actors such as district administration officers. To this end, internship programs for recent graduates like that launched in Kerala can be replicated in other states (Times of India, 2020). State governments can replicate the work of *Kudumbashree*<sup>6</sup> in Kerala, which enables women to obtain microcredit and bank loans to start their own enterprises with low interest and a longer term of payment (George & Johny, 2018). More entrepreneurship schemes should be introduced targeting women and considering their demands of larger loan amounts with lower interest rates and fees, longer loan tenures, hassle-free loan processing, and quick disbursement.
- The Ministry of Women and Child Welfare should invest more into infrastructure such as child-care centers in communities. It will help women from poor economic backgrounds to have extra time and focus on their career goals of starting a business. Although an equal distribution of domestic responsibility cannot be guaranteed this way, it would be the first step in addressing the burden of child care.

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<sup>4</sup> A national bank

<sup>5</sup> Government institutions for pre-schooling

<sup>6</sup> Women's self-help groups

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