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The Future is Female

AN ASSESSMENT OF GROWTH-ORIENTED,
OPPORTUNITY-DRIVEN, WOMEN-OWNED
ENTERPRISES IN RURAL INDIA

OCTOBER 2023



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Executive Summary

OVERVIEW

Women are an untapped resource for economic development across the world, particularly in developing countries like India. Entrepreneurship is a critical avenue for women's empowerment, leads to substantial benefits for the health and well-being of families and communities and represents a sizable proportion of women's paid work in several countries. In India, where female labour force participation is declining¹, entrepreneurship and effective participation in the labour market are vital for socio-economic development.

Typically, women-owned enterprises operate at a smaller scale, in low-growth sectors and are financed by their savings. Women's entrepreneurship in India is dominated by subsistence micro-enterprises. Of the 5.2 million women-owned enterprises located in rural India², 86.9% operate without hired labour, 79% are self-financed and 60% are in the manufacturing sector.

There is a lacuna in the available knowledge on women entrepreneurs, the growth potential of their enterprises and the constraints they face, even as programs supporting female entrepreneurs have gained momentum across the globe. Learning about growth-oriented women entrepreneurs, the life cycle of their enterprises, the factors that affect the current and future growth of their firms, and the support their businesses need, are prerequisites for interventions, support and policymaking.

The study situates rural growth-oriented enterprises amongst the wider universe of women-owned micro-enterprises. It analyses design principles, features, interventions, frameworks and tools that promote growth-oriented entrepreneurship among rural women.

The research methodology combines a review of existing literature, a spatial analysis of where growth-oriented enterprises are concentrated and a primary survey. The survey considered 2,400 women-owned enterprises, 40 in-depth qualitative interviews and focus group discussions across four states of India - Bihar, Chhattisgarh, Maharashtra, and Tamil Nadu.

The scarcity of extant literature on growth-oriented women's enterprises (GOWE) necessitated the evolution of a working definition. It was challenging to identify and distinguish GOWE from subsistence enterprises in the Indian context and important to pay heed to the significant differences in the scale of operations of GOWE and traditional Micro Small and Medium Enterprises (MSME). The extensive literature review generated a working definition of growth-oriented enterprises, as distinct from subsistence enterprises and high-growth MSME, within the larger segment of microenterprises.

For this study, an enterprise is labelled as growth-oriented if it meets at least two of the three criteria listed below:

- 1. Number of employees:** If the number of employees in an enterprise increased between 2018 to 2020, OR if the enterprise had at least one employee at the time of the survey;
- 2. Annual sales:** If enterprise sales grew in 2020 as compared to 2018 AND the enterprise had annual sales of more than INR 240,000;
- 3. Enterprise enhancement:** If the enterprise added to or enhanced the business in the last three years through innovation in any of the following: (a) new product/service, (b) logistical/business support services, (c) marketing methods, (d) technological additions, (e) market/customer base and (f) change in the product offering.

More than 85% of rural growth-oriented, women-owned enterprises are concentrated in five major subsectors, namely retail trade, manufacture of apparel, manufacture of food products, food and beverage service activities and handloom.

¹ India ranks 70th among 77 countries covered in the Female Entrepreneurship Index (2015)

² 6th Economic Census, 2012-13. Ministry of Statistics and Programme Implementation. For more details, visit: <https://www.mospi.gov.in/all-india-report-sixth-economic-census>

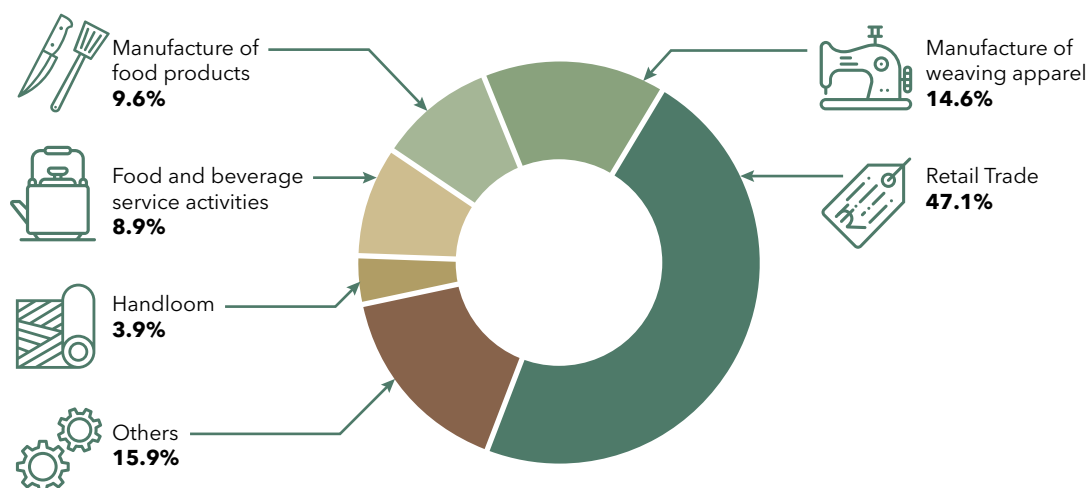


Figure 1: Sector-wise concentration of non-farm, women-owned enterprises in rural India

This study identifies the distinctions between women-owned growth-oriented and subsistence enterprises, as presented in Table 1. It finds no difference between the two categories on a range of characteristics such as age, education, experience and other socio-economic characteristics. However, they vary significantly in behavioural traits such as entrepreneurial orientation, resilience, decision-making, innovation and risk-taking ability. Growth-oriented women entrepreneurs demonstrate higher autonomy over business decisions, innovativeness and the ability to take risks. They use a mix of their savings and loans from formal sources to finance their enterprises at the start, as compared to personal savings used by non-growth-oriented enterprises. They consciously pursue growth objectives, accumulate capital and reinvest their earnings back into their businesses.

As compared to subsistence enterprises, growth-oriented enterprises can grow faster, are more productive, and more importantly, have the potential to create jobs. A large proportion of growth-oriented enterprises operate out of permanent structures in the marketplace, with proximity to the customer base. As opposed to subsistence enterprises, they employ hired labour either permanently or contractually. Growth-oriented entrepreneurs demonstrate an understanding of competition in the marketplace wherein the absence of a product or enterprise may motivate them to start their businesses.

METRIC	GROWTH-ORIENTED ENTERPRISE	SUBSISTENCE ENTERPRISE
Average monthly sales	~ INR 25,500	~INR 10,500
Employees	Hired employees along with family members and some contractual employees~ 1-5 employees	Own account enterprise ~ No employees
Average loan amount	~ INR 82,400	~ INR 40,900
Innovation	Identify new ways to run the same business, with little enhancement	Little to no innovation or upgradation
Forward and backward integration	No	No
Diversification	Based on access to finance and external nudges	Based on necessity and financial needs of the family
Skills and experience	Marginal skill upgradation	No skill upgradation
Location	Some located in the market, yet many home-based ventures	Mostly home based
Formalization	Formalization limited to awareness, external push and convenience	Incredibly low level of formalization and legalization
Finance and investments	Formal credit along with personal savings	Mostly personal savings

Innovation and technology	Use technology to reach customers and make financial transactions	Limited use of technology
Market and customer linkages	Local customers limited to one's local network	Local customers limited to one's local network
Collaboration	Limited collaboration restricted to procurement, etc.	No collaboration
Social network	Limited support	No support

Table 1: Distinctions between women-owned growth-oriented and subsistence enterprises

Finally, this study makes recommendations on policy changes such as customized access to finance and support networks, for subsistence enterprises to transition to opportunity enterprises³ and for opportunity enterprises to achieve higher growth potential. Most existing programs focus on smaller credit (US\$ 606-1212⁴), which often does not meet the requirements to scale operations. Creating products such as flexible un-collateralised loans, flexible repayment schedules, discounted interest rates, a reduced emphasis on assets as collateral, and a credit guarantee schemes may help better signal creditworthy GOWE to financial institutions (Barboni and Agarwal, 2020).

Restrictive socio-cultural factors; lack of formal, adequate, and customized finance; and lack of advisory, mentoring and networking support are major challenges faced by GOWE in rural India. Gender and social norms restrict women's mobility, and thereby their ability to procure supplies and raw materials for their enterprises, leaving women entrepreneurs reliant on the support of their male relatives.

A value chain-based support approach is likely to create a stronger network of enterprises than an enterprise-based approach. While an enterprise support approach would strengthen individual enterprises, it would not translate to benefits for the wider ecosystem, where women suffer from a lack of access to networks and mentoring at various levels. Collaboration, by forming and strengthening value chains, can help overcome the lack of information that constrains women entrepreneurs' decisions to enter specific sectors and fuel their growth ambitions.

This work is part of a broader analytical piece by the World Bank team that aims to inform project design for the World Bank Group supported operations and help develop recommendations for entrepreneurship support programs in India and beyond. While the research presented herein, is a first attempt to better understand the niche of growth oriented women's enterprises in rural India, there is a need to study this segment in much greater detail in order to tailor programs that will empower and support them.

³ While subsistence enterprises are driven by need, opportunity enterprises are set up to exploit an identified business opportunity, to create jobs and make productivity gains.

⁴ INR 50,000 - 1,00,000, using the exchange rate of US\$ 1 = INR 82.41, as on June 2, 2023.

Abbreviations and Acronyms

COVID-19	Coronavirus Disease
CBO	Community Based Organization
CLF	Community Led Federation
CSR	Corporate Social Responsibility
DAY-NRLM	Deendayal Antyodaya Yojna - National Rural Livelihoods Mission
NRETP	National Rural Economic Transformation Project
GOWE	Growth-Oriented Women's Enterprises
GST	Goods and Services Tax
ITI	Industrial Training Institute
MFI	Microfinance Institutions
MSME	Micro, Small & Medium Enterprises
MUDRA	Micro Units Development & Refinance Agency Ltd
NBFC	Non-Banking Financial Companies
NGO	Non-governmental Organization
NSS	National Sample Survey
NSSO	National Sample Survey Office
RRB	Regional Rural Banks
SEWA	Self Employed Women's Association
SHG	Self Help Group
SME	Small and Medium Enterprises
SVEP	Start-up Village Entrepreneurship Program
VO	Village Organization

All dollar amounts are U.S. dollars unless otherwise indicated

All rupee amounts are Indian rupees unless otherwise indicated

CHAPTER 1

Introduction

1.1 INTRODUCTION

Agriculture is central to India's economy, employing 55% of the male workforce and 76% of female workers⁵. The overall contribution from agriculture to the Gross Domestic Product (GDP) has declined from 21.6% in 2000 to 16.8% in 2021⁶. While this is a gradual progression for most developing economies, in India this structural transformation – from an agrarian economy to a modern economy – has been slow, despite several decades of high economic growth rates. Furthermore, in 2020, agriculture contributed 37% to rural India's GDP, while it employed 61% of India's workforce. Specifically in agriculture, employment has increased at a much lower rate as compared to output, and even declined in the wake of high growth in output, post-2004-05. The main reason for sluggish growth followed by negative growth in rural employment, is that the non-farm sector is unable to absorb labour in the same proportion as its contribution to rural GDP, implying jobless growth (Bain and Company, 2022; Periodic Labour Force Survey (PLFS); Chand, Srivastava, and Singh, 2017). Non-farm sectors like manufacturing and services contributed 14% and 38% respectively while generating only 8% and 19% of employment.

Over the last decade, approximately 27 million Indian women have moved out of farming and only five million have joined the non-farm sector, while the remainder have withdrawn from the labour force altogether (Chand, Srivastava, and Singh, 2017). Like most developing countries, India's female labour force participation (FLFP) initially declined with economic growth, however, unlike most developing countries, the FLFP failed to accelerate on account of lower fertility rate and higher education⁷. With limited interest and job potential in agriculture, women willing to work were either unable to find suitable non-farm jobs close to home or did not have the requisite technical skills to secure the available jobs⁸ (Bain and Company, Google, 2019).

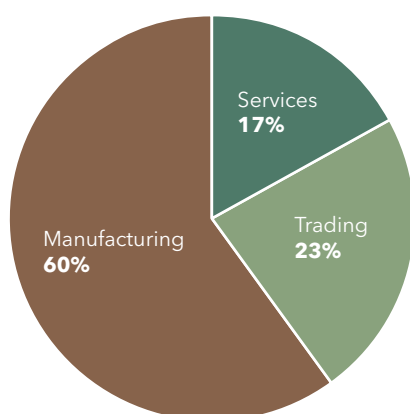


Figure 2: Sector wise distribution of women-owned enterprises in rural India

Manufacturing accounts for 60% of all women-owned enterprises in rural geographies followed by trading and services at 23% and 17% respectively (Figure 2). In the manufacturing sector, apparel manufacturing or tailoring units account for 34.7% of enterprises. Retail trade enterprises include the sale of food products (cereals and pulses, tea, coffee, spices and flour), beverages, tobacco, clothing, furniture, appliances, hardware, cosmetics and several other lines of merchandise (See Annexure 1A). Sectoral shifts from agriculture to other services have led to the emergence of entrepreneurial activities that must be bolstered through appropriate skill training for innovation, together with easy access to finance (Gundry and Welsch, 2001).

Women's entrepreneurship in South Asia is dominated by subsistence microenterprises. While entrepreneurship amongst women holds enormous potential to spur economic opportunity, job creation and economic empowerment, India has the third-highest gender gap in entrepreneurship in the world (Global Entrepreneurship Monitor, 2014)⁹. By 2030, it is estimated that the working-age population of India will cross 1

5 Periodic Labour Force Survey (PLFS), Government of India, 2019. For details, see: https://mospi.gov.in/sites/default/files/publication_reports/Annual_Report_PLFS_2019_20F1.pdf

6 World Bank, 2021. For details, see: <https://data.worldbank.org/indicator/NV.AGR.TOTL.ZS?locations=IN>

7 Economic Times, 2023. Female Labour Force Participation is defined as the section of working female population in the age group of 16-64 in the economy currently employed or seeking employment. Women who are still undergoing studies, and persons above the age of 64 are not reckoned in the labour force.

8 Construction is the only non-farm sector that employed the rural workforce owing to low-entry barriers in terms of skills. However, participation of women varies significantly across geographies.

9 Among Organization for Economic Cooperation and Development (OECD) countries, the number of women-owned enterprises is increasing at a pace faster than men's businesses (Niethammer, 2013). Women's entrepreneurial activity has increased up to 10%, narrowing the gender gap by five percent since 2014 (Global Entrepreneurship Monitor, 2017).

billion and with approximately 54 million entering the workforce. At the same time, it is anticipated that women's labour force participation will see a further decline. Promoting women's entrepreneurship is a critical agenda in this context to address the growing economic and employment gender gap (Bain and Company, Google, 2019).

A decline in long-term entrepreneurship among women and an increase in women-owned own-account enterprises¹⁰, indicates a high level of informalization and vulnerable enterprises¹¹. There are between 13.5 to 15.7 million women-owned enterprises, which are primarily own-account enterprises (Bain and Company, 2019). Almost 79% of women-owned establishments in India are self-financed and 43.3% employ one or more hired worker. In rural India, there are about 5.2 million women-owned enterprises, of which 86.85% operate without any hired workers. In terms of percentage share, five states account for about 50% of all women-owned enterprises in India, namely Tamil Nadu (13.51%), Kerala (11.35%), Andhra Pradesh (10.56%), West Bengal (10.33%) and Maharashtra (8.25 %).

1.2 THE UNTAPPED POTENTIAL OF WOMEN'S ENTERPRISES

The World Bank's 2018-22 Country Partnership Framework, consistent with the Government of India's (GOI's) priorities, underscores the need to pivot to more resource efficient, inclusive and diversified growth in the rural sector. With declining female labour force participation (FLFP) and increasing informalization of the Indian economy, women's employment, entrepreneurship and their effective participation in the labour market are vital for the socio-economic development of the country (Samantroy and Tomar, 2018).

Building on the architecture of the Deendayal Antyodaya Yojna - National Rural Livelihoods Mission (DAY-NRLM), there is a renewed focus on investments in entrepreneurs who are equipped to scale up and grow. While programs supporting women entrepreneurs have gained traction and prominence as a means to create jobs and boost productivity across the globe in the past few years, they have primarily been targeted at micro-enterprises, whereas growth-oriented enterprises remain an understudied niche (Cirera & Qasim, 2014).

Women in rural India have robust growth ambitions and want to scale up. A recent study of women across rural and urban enterprises found that more than 90% of the respondents aspired to grow. These ambitions are bolder and clearer for successful entrepreneurs and small business owners, as compared to own-account entrepreneurs (Bain and Company, 2019). Apart from social and cultural norms, limited access to business and technical skills, networks, funds, and finance impact women-owned businesses disproportionately.

Women's entrepreneurship in rural India represents untapped socio-economic potential. Global evidence suggests that micro-enterprises need customized strategies - such as capacity building, credit, marketing and legal solutions - to grow, particularly as they mature and start treading their own path. However, there is scant research on the life cycle of GOWE, their potential for growth, pre-existing constraints, limitations and business requirements. It is therefore critical to gain more granular insights into this niche, to develop interventions, support, and policies for entrepreneurship-led job creation in rural geographies.

1.3 MAPPING OUT GOWE

This study builds on the findings from a 2020 World Bank internal study which established a baseline spatial distribution of clusters of rural, women-owned enterprises with growth potential, and as such was the first attempt to do so using a national sample and state samples (World Bank, 2020)¹².

These clusters were identified basis cross-sectional data from enterprise surveys, including the all-India distribution of high-growth women's enterprises based on the National Sample Survey Organization's (NSSO) 73rd round survey and the DAY-NRLM or NRLM enterprise survey (conducted under the World Bank supported National Rural Economic Transformation Project (NRETP) with the Ministry of Rural Development) to identify enterprises with growth-potential ("high-growth enterprises" identified by these surveys are defined as GOWE in this present work).. The study focused on factors that are strongly associated

10 Own-account enterprises are those that usually run without hired workers or regular employees.

11 6th Economic Census, 2012-13. Ministry of Statistics and Programme Implementation. For more details, visit: <https://www.mospi.gov.in/all-india-report-sixth-economic-census>

12 World Bank. Clusters of High-Growth Women-Owned Enterprises in Select Districts of Rural India (English). To view the full report, visit: <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/099062524230027398/p17744315c03d40b1b89c1d56080441d6b>.

with the growth potential of rural enterprises, namely, size, location, vertical and horizontal linkages, formal establishment, access to finance and technical assistance, access and use of technology as well as sector.

A growth score was constructed based on select characteristics of high-growth enterprises, identified from a review of literature on enterprise performance and the three major growth characteristics common to the NSSO and NRLM datasets.

An indicative growth score (between 0-3) was constructed as a summation of these three binary variables, namely (i) the size of the enterprise in terms of total workers engaged, (ii) the location of its premises and (iii) access to formal credit. Enterprises with a growth score of 2 or more have been classified as 'high-growth' enterprises, while enterprises with growth scores of 1 and 0 are termed 'enterprises with growth potential' and subsistence enterprises, respectively. Based on the distribution of enterprises linked to this growth score, the study further classified enterprises into three categories (i) 'high-growth' enterprises, (ii) enterprises with growth potential, and (iii) subsistence enterprises.

CLASSIFICATION OF ENTERPRISES	SCORE	NSSO 73 RD ROUND SURVEY	NRLM ENTERPRISE SURVEY
High-growth enterprises	2 - 3	5.45%	13.79%
Enterprises with growth potential	1	21.35%	39.21%
Subsistence enterprises	0	73.20%	47.00%

Table 2: Categorization of women-owned enterprises as per a growth score ranging from 0-3, based on the NSSO 73rd Round Survey and NRLM Enterprise Survey

Based on this growth score, 73% of the enterprises were subsistence in nature, 21.35% demonstrate some growth potential and 5.54% were classified as high-growth enterprises. However, the proportions of high-growth enterprises and enterprises with growth potential were higher - 14% and 39%, respectively - in the NRLM survey.

STATE	MEAN GROWTH SCORE
Andaman & Nicobar Islands	1.111
Andhra Pradesh	0.56
Assam	0.778
Bihar	0.496
Chandigarh	1.094
Chhattisgarh	0.498
Daman & Diu	0.153
Delhi	0.895
Goa	0.856
Gujarat	0.405
Haryana	0.329
Himachal Pradesh	0.703
Jharkhand	0.131
Karnataka	0.403
Kerala	0.668
Lakshadweep	1.028
Madhya Pradesh	0.389
Maharashtra	0.361
Manipur	0.45

Meghalaya	0.995
Mizoram	0.548
Nagaland	0.407
Odisha	0.498
Puducherry	0.67
Punjab	0.268
Rajasthan	0.183
Sikkim	0.87
Tamil Nadu	0.351
Telangana	0.085
Tripura	0.167
Uttar Pradesh	0.563
Uttarakhand	0.424
West Bengal	0.199

Table 3: Distribution of women-owned enterprises per the NSSO 73rd round

STATE	DISTRICT	MEAN GROWTH SCORE	STATE AVERAGE
Chhattisgarh	Bastar	1.303	1.015
	Raipur	0.726	
Karnataka	Tumkur	0.575	0.512
	Gadag	0.544	
	Uttara Kannada	0.417	
Madhya Pradesh	Shivpuri	0.677	0.504
	Chhatarpur	0.505	
	Balaghat	0.330	
Maharashtra	Osmanabad	0.990	0.757
	Solapur	0.970	
	Palghar	0.926	
	Sindhudurg	0.621	
	Wardha	0.546	
	Ratnagiri	0.490	
Odisha	Koraput	1.927	0.984
	Deogarh	0.949	
	Rayagada	0.941	
	Gajapati	0.934	
	Kandhamal	0.829	
	Malkangiri	0.743	
	Ganjam	0.567	

Rajasthan	Baran	0.879	0.664
	Dungarpur	0.848	
	Udaipur	0.805	
	Banswara	0.660	
	Rajsamand	0.644	
	Jhalawar	0.580	
	Churu	0.543	
	Kota	0.522	
	Tonk	0.498	
Tamil Nadu	Thanjavur	0.749	0.651
	Salem	0.743	
	Tiruchirappalli	0.652	
	Erode	0.565	
	Cuddalore	0.546	
Lowest Growth Score		0	
Highest Growth Score		3	

Table 4: Distribution of women-owned Enterprises as per NRLM enterprise survey. These interpretations are limited to the districts and blocks surveyed.

While this study provided a situational overview of enterprises in India, there are clear limitations to this analysis, as detailed below.

- i. The NSSO data was representative of the all-India situation of informal enterprises, however since the analysis focuses only on a subsection of this sample limited to the eight NRLM states, this study is not representative of the countrywide, rural women-owned enterprises segment.
- ii. The NSSO 73rd round is dated, as it was completed between July 2015–June 2016 and the situation of rural enterprises has changed dramatically since then.
- iii. The NRLM listing survey targeted enterprise-development programs linked to the Self-Help Group network promoted by the program. Therefore, these findings are not comprehensive.
- iv. The survey was completed by a community cadre of local women functionaries of the DAY-NRLM, rather than trained professionals.
- v. The growth score, constructed to compile information on growth clusters, was premised on cross-instrument mapping that resulted in very few (only three) variables common to both surveys.
- vi. This is a static analysis. It must be buttressed by longitudinal data to understand the growth of enterprises.

The authors acknowledged that additional surveys, including a follow-up with high-growth enterprises predicted by this analysis, would improve the accuracy of identification and help sharpen the nature and impact of enterprise development programs for rural women. Furthermore, the available literature reviewed on this subject alluded to urban, developed economies, with limited lessons for the rural Indian context. Therefore, a follow-up study was designed to identify districts and blocks with a higher incidence of growth-driven rural women's enterprises, to corroborate these findings, develop a more-comprehensive score, add a qualitative perspective to the scoring and reflect changing trends and contexts, to better focus policy and reform endeavours.

1.4 GOWE IN RURAL INDIA

This current analysis was therefore conceived of, to study the sub-segment of individual GOWE operating in rural geographies, located in four states of India - Bihar, Chhattisgarh, Maharashtra, and Tamil Nadu. It began with a literature review, followed by a survey of more than 2,400 women-owned enterprises, 40 in-depth qualitative interviews and focus group discussions. The study aimed to identify the characteristics of growth-oriented women's enterprises and entrepreneurs in rural India, the drivers and barriers to their growth and the design principles and policies that support them.

Undertaken between August and September 2021, the ongoing COVID-19 pandemic threatened to derail the prospects of the study. However, the study was adapted to examine hitherto unexplored facets of resilience and coping mechanisms of women entrepreneurs to external shocks (in this case the COVID-19 pandemic). The findings of this study challenged the assumption that growth-oriented enterprises are inherently more resilient. It found that women entrepreneurs, already under-represented in India's economy, suffered more from the adverse effects of the pandemic, overall.

The three phases of this research are detailed below.

PHASE 1: Literature Review

A literature review collated existing knowledge, experiences and perspectives on GOWE and informed study design and analysis.

The scarcity of extant literature on growth-oriented women's enterprises necessitated the evolution of a working definition.

It was challenging to identify and distinguish GOWE from subsistence enterprises in the Indian context; and important to pay heed to the significant differences in the scale of GOWE and traditional MSME.

In India, micro-enterprises are enterprises with an investment of up to US\$ 120 K/ INR 1 crore and a turnover of up to US\$ 600 K/ INR 5 crore. This definition encompasses a variety of enterprises, with varying potential to grow. The Ministry of Rural Development (MoRD) promotes micro-enterprises in rural and remote pockets of the country through its extensive beneficiary base under the DAY-NRLM. A large proportion of these enterprises earn revenue between INR 3-30 lakh per annum, far below the US\$ 600 K/ INR 5 crore threshold defined by the Ministry of Micro, Small, and Medium Enterprises (MoMSME) as representative of a micro-enterprise.

In the existing literature, micro-enterprises have been segmented, basis their characteristics (Collaborative for Frontier Finance, Omidyar Network, 2018; Bain and Company, Google, 2019) as 'Livelihood/Sustaining' Enterprises or Solopreneurs which are 33 family-run initiatives, usually serving local markets, on the path to incremental growth; 'Dynamic' enterprises of small-business owners which are enterprises on a growth trajectory of expansion, innovation or employment; 'Niche' ventures which cater to customized or specific segments focused on innovation; and 'High-Growth' ventures or 'Scalar' enterprises which typically cater to large markets, are disruptive, possess high risk tolerance and are mostly situated in urban centres.

Most rural women-owned enterprises in India are therefore either livelihood enterprises or dynamic enterprises. In the absence of a similar typology, the extensive literature review generated a working definition of GOWE within the larger segment of microenterprises.

PHASE 2: Analysis of growth-oriented enterprises

In phase two, quantitative surveys, interviews and focus group discussions were undertaken to identify the seminal characteristics of GOWE and the drivers of their growth.

Under the aegis of the DAY-NRLM, the World Bank has maintained a strategic focus on women's entrepreneurship and rural livelihood interventions in India. With access to data from the Self-Help Group (SHGs) network¹³ across 315,140 individual

¹³ The DAY-NRLM facilitated the creation of strong, sustainable and inclusive institutions, with Self-Help Groups (SHGs) as the nodal unit, where participant community members would be empowered and made self-reliant. Each SHG comprises 10-20 women in a village and its core function is guided by the five principles (Panchasutra) of regular meetings, regular savings, regular inter-lending, regular repayment and regular bookkeeping. Initially, SHGs provide credit to members by revolving their internal funds from savings and interest payments. Having built up financial discipline, SHGs are eligible for financial support from the DAY-NRLM. SHGs are then aggregated and federated at the village level into Village Federations (VFs), and at the district level as Community Led Federations (CLFs). This enables SHG members to access bank credit by leveraging a more substantial savings corpus, economies of scale and reduced transaction costs.

enterprises from 11 states¹⁴, the authors decided to study whether SHG membership had a bearing on entrepreneurship. They developed a multi-stage, stratified, random sampling technique to sample districts, blocks, villages, and enterprises. During the COVID-19 lockdowns, access to this data enabled the authors to work directly with the project team to identify entrepreneurs and customize surveys and data collection. Further, since the entrepreneurs are beneficiaries under DAY-NRLM, there is tremendous scope to establish proof of concept by implementing the recommendations that emerged from the study.

In stage one, enterprises from the NRLM listing survey¹⁵ were first shortlisted using proxy indicators, namely the growth score mentioned earlier. Then, a follow-up exercise involved detailed data tracking and recording exercise with the enterprises shortlisted in stage one. This two-stage exercise allowed the authors to test the validity of the growth score, developed as part of the report.

The survey was scheduled to take place across all 13 NRETP states, in 114 districts and 358 blocks. However, the second stage had to be adapted to the lived realities of the ongoing COVID-19 pandemic and a listing of SHGs participating in the World Bank's ongoing enterprise support programs was used to draw the sample. A limitation of this sampling strategy was that enterprises run by women with membership in SHGs were overrepresented. Therefore, additional enterprises were surveyed in each village through convenience sampling to get a sample of enterprises run by women not associated with SHGs. A supervisor deployed in the field was responsible to schedule and conduct a telephonic survey with the sampled respondents.

A five-point growth score¹⁶ divided women-owned enterprises into three categories – high, medium, and low. Since the aim was to understand the determinants of high-growth enterprises, enterprises with a higher score were over-sampled. To ensure coverage of enterprises across the spectrum of growth potential, the study considered districts across four states, including three districts in Bihar and two each in Chhattisgarh, Maharashtra, and Tamil Nadu. Based on the number of high-category enterprises, the top districts in each state were selected and surveyed. Further, six blocks with an adequate number of enterprises across all three categories were sampled (High-50, Medium-25, Low-25) to avoid any shortfall of samples due to logistical reasons or non-response (See Table 3).

STATE	HIGH	MEDIUM	LOW	NON-SHG	TOTAL
Bihar	241	350	78	65	734
Chhattisgarh	110	390	47	83	630
Maharashtra	203	110	103	101	517
Tamil Nadu	235	183	51	123	592
Total	789	1033	279	372	2473

Table 5: Distribution of the quantitative survey sample across score category and states

The survey collected data only on key indicators due to practical limitations on the duration of the telephone calls. The team did not collect detailed data on enterprise operations, assets and financial transactions. The data does not represent all the women-owned MSME of the states covered. These findings are broadly and directionally valid and reasonably represent trends within these states.

A structured questionnaire gathered data on three major components - the enterprise, the entrepreneur, and the household. It included sections on understanding the entrepreneurial background, management skills, revenue and cost details, concentration of customers and suppliers, financing, innovation and technology, decision-making, confidence, mobility, and support from the family and community.

Under the qualitative component, 24 in-depth semi-structured interviews and 16 focus group discussions were conducted with shortlisted enterprises/entrepreneurs from the sample to get a variation across different performance levels. Ten enterprises (each) were selected from amongst high, medium and low growth score enterprises, to ensure representation and variation across the different performance levels. An additional ten enterprises were sampled to deep dive into the workings of high or low-performing enterprises, based on discussions and emerging insights.

¹⁴ As of August-September 2020, when the second survey was conducted.

¹⁵ A listing of all enterprises in the block, by its member-households.

¹⁶ To see how the 5-point growth score was used for sampling refer to Annexure 1B

The objective of these discussions was to understand the individual traits of the entrepreneurs, enterprise characteristics and the larger ecosystem. The data and interviews yielded rich insights into the characteristics of growth-oriented entrepreneurs and the drivers and factors influencing the growth of their enterprises. The field-work provided an overview of a typical growth-oriented enterprise in some key sub-sectors and highlighted various enterprise aspects and challenges. Since each sub-sector has a distinct business cycle, customer base and geographic prevalence, this report also identified critical success factors for GOWE. Phase two culminated in detailing challenges faced by GOWE and how the COVID-19 pandemic affected them.

PHASE 3: Analysis of Existing Policies and Programs

The third and final phase of this research focused on a structural analysis of existing policies and programs, to derive insights from them in the context of this study. Gaps in programs targeting rural women entrepreneurs were identified and studied in conjunction with the findings generated in the earlier phases. Based on the analysis of primary data and a review of the policy landscape, this report provides a rationale for investments in rural GOWE, defines their characteristics, discusses factors that contribute to growth and provides recommendations to support the sector.

CHAPTER 2

Seeking Growth

2.1 THE LITERATURE REVIEW

Global evidence suggests that unless provided with dedicated support, most micro-enterprises will continue to operate and sustain operations at the micro-level. In India, experience from the field suggests that some of these rural enterprises, while small, have the potential to grow and create local employment¹⁷. A literature review highlights the paucity of detailed insights on growth-oriented enterprises in the developing world, which this study aims to rectify. However, despite its focus on micro-enterprises in urban, developed economies, the available literature identifies multiple approaches and categories that may help better understand the enterprise growth process. These definitions are based on growth levels, potential, economic outcomes, performance outcomes and other dimensions and indicators, as listed below.

Enterprises have been classified in literature, around business performance, motivation and desire to grow, plans and growth potential (Gundry and Welsch, 2001). Growth and performance are traditionally linked to economic outcomes such as growth rate of sales(Gundry and Welsch, 2001; Djankov et al., 2007; Caledron et al., 2013), turnover and net profit margin (Harpriya et al., 2020), profit (Caledron et al., 2013) and value-addition (Kantor, 2005; Unni and Naik, 2018). A combination of firm-performance outcomes such as profitability, level of profits, sales and investment in previous years, along with firm characteristics such as number of employees or paid employees, number of hours spent by the owner on their enterprise, have been regarded as indicators of success (Chatterjee et al., 2019; Fafchamps and Woodruff, 2016).

A further distinction has been made between subsistence and opportunity enterprises (Calderon et al., 2016), where subsistence enterprises are set up for need, while opportunity enterprises are set up to exploit an identified business opportunity, to create jobs and make productivity gains (Schoar, 2010; GEM, 2015). Based on our analysis of multiple studies, a summary of characteristics that are positively correlated to enterprise growth is provided in Figure 5 and a representation of characteristics that had no correlation with enterprise growth in Figure 6. These characteristics are examined in detail subsequently.











Enterprise Characteristics			Entrepreneur Characteristics			Ecosystem Characteristics		
	Location	Micro-enterprises with more proximity to urban areas, areas with high footfalls.		Prior Experience	Beneficial if entrepreneur has experience in same/ similar sector; helps build network to access critical resources.		Market Linkages (Vertical & Horizontal)	Micro-enterprises with steady network of buyers and suppliers more likely to have a steady income flow. Are also better placed to grow with effective linkages.
	Hired Workers	Often seen in conjunction with the location parameter, micro-enterprises hiring paid workers function at optimum levels and reach out to wider markets.		Risk-taking Ability	Significant contributor to growth. Key indicator of an 'opportunity driven' entrepreneur. More likely to reinvest in business.		Social Network	Key contributor to micro-enterprise growth. Helps gain timely access to information, markets, finance, etc.
	Credit + Robust Mentorship	Allows micro-enterprises to invest more in technology to increase production and meet quality standards.					Family Support	Key contributor to growth, particularly for women-enterprises.
	Business Training	Business training coupled with customized technical skills improves business management practices in the enterprises.						
	Absorptive Capacity	Access to knowledge (technology, market trends) is instrumental in fostering micro-enterprise growth.						

Figure 3: Summary of enterprise, entrepreneur and ecosystem characteristics that contribute to micro-enterprise growth

17 The Ministry of Rural Development (MoRD) promotes micro-enterprises in rural and remote pockets of India through its extensive beneficiary base under the DAY-NRLM.






Enterprise Characteristics			Entrepreneur Characteristics		
	Age	Mixed findings. Some authors suggest younger firms are more agile, while others give more importance to experience.		Age	Mixed findings. While younger entrepreneurs are considered more driven, older entrepreneurs seem to have the financial resources.
	Formalization	No conclusive evidence that formalisation leads to growth; however micro-enterprises tend to move towards formalisation as they begin to grow.		Education	No conclusive evidence. Education leads to efficiency but correlation with growth is unclear.
	Sector	Anecdotally manufacturing and service sectors are more suited for growth, but there is no clear evidence for ruling out trading enterprises for developing countries.			

Figure 4: Summary of enterprise and entrepreneur characteristics that are inconclusive

Across the literature, employing hired labour, number of employees and employment growth rate, are some of the indicators used to adjudge growth-oriented enterprises. ‘Hiring labour’ is considered a measure of entrepreneurial success for small firms (Nichter and Goldmark, 2009; De Mel et al., 2010). The OECD regards firms as high-growth when they are composed of hired labour (ten or more) and have an annual employment growth rate of 20% over the past three years (Goswami, Medvedev, and Olafsen, 2019).

“Enterprise upgrading” or “growth through innovation” (Reeg, 2013) are an amalgamation of the qualitative and quantitative aspects (innovation and firm growth, respectively) of growth-oriented enterprises. In this schema, any innovation - related to the product, process, market, function, sector, etc. - that induces an increase in any growth parameter of enterprises, such as the company’s returns, sales, assets, or number of employees, qualifies the firm as growth-oriented.

2.2 CHARACTERISTICS, DRIVERS AND BARRIERS TO GROWTH

While no single theoretical framework captures all the factors that can influence enterprise growth, most of the literature classifies these factors into layers or levels. Growth and growth potential are regarded as a function of characteristics inherent to the enterprise, entrepreneur, and social and economic environment. Reeg (2013) proposes an onion model as a framework within which the different layers are entrepreneur characteristics, enterprise characteristics, social networks, business networks and business environment. The broad categories under which these characteristics fall are individual, firm-level, relational, and contextual (Nichter and Goldmark, 2009). For our research, we have adapted the onion model to three layers, namely entrepreneur, enterprise and the ecosystem (See Figure 7).

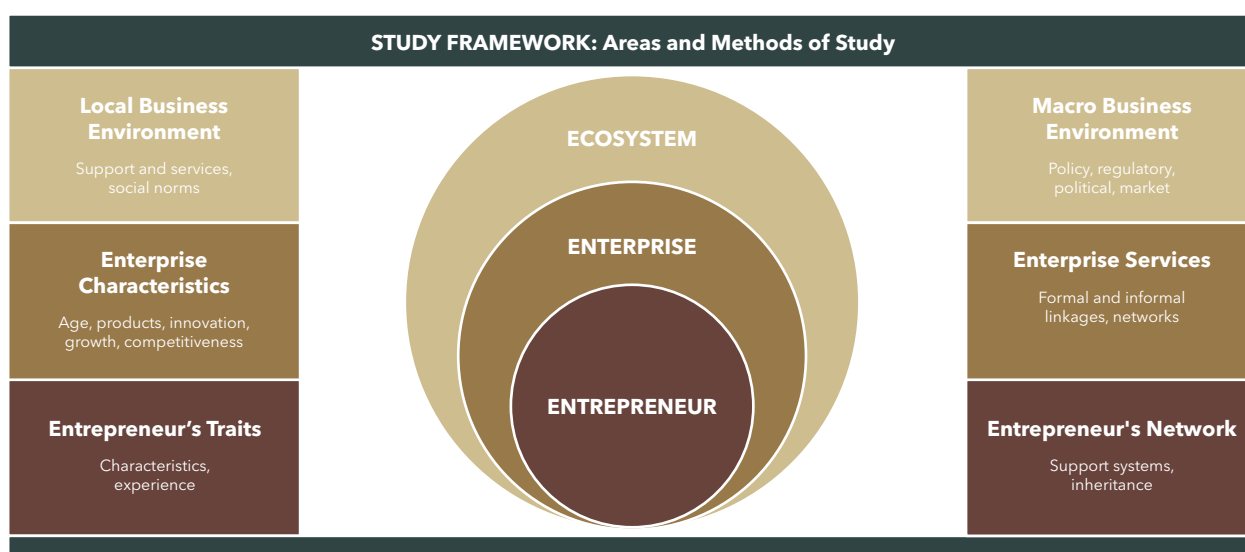


Figure 5: The onion-model, indicative of growth potential

2.2.1 Entrepreneur Characteristics

At an individual level, age, education and skills, gender, social network, assets, family support, social background and entrepreneurial traits are characteristics that are associated with growth. Autonomy, resilience, risk-averseness, ambition, and motivation are entrepreneurial traits. Most of the research studying enterprise growth, and in particular the literature focused on women-led or women-owned enterprises, has focused extensively on the factors that act as drivers of success and the usual barriers to entrepreneurship, development, and growth. The literature differentiates between two sets of potential explanations, namely constraint-driven factors, including external barriers stemming from institutions, the regulatory environment and social norms, and preference-driven factors arising from internal motivations such as risk tolerance and subjective preferences (Bardasi et al., 2011).

1. Age

There is evidence around both ends of the age spectrum, where older entrepreneurs are more likely to have accrued financial and other resources needed to grow their enterprises, whereas younger entrepreneurs are often more motivated to grow their micro-enterprises (Mel, McKenzie, and Woodruff, 2010).

2. Education, Skills, and Experience

Education, skills and experience are positively associated with growth/success (Nichter and Goldmark, 2009). Several authors claim that formal education increases entrepreneurs' problem-solving skills, motivation, self-confidence and foresight and enables entrepreneurs to assimilate available knowledge (Burki and Terrell, 1998; Mel, McKenzie, and Woodruff, 2008). This entrepreneurial experience also enables micro-entrepreneurs to develop professional networks that can unlock critical resources (Reeg, 2013) and contribute to an understanding of market trends.

A study in Sri Lanka finds that "higher-ability MSME owners are more likely to add employees" (De Mel et al., 2010), where ability is adjudged by scores on multiple cognitive tests and years of schooling. In this study, the addition of employees is regarded as a sign of expansion and growth within MSME.

However, while education contributes to enterprise efficiency, its attribution to growth is unclear (Reeg, 2013).

3. Family Support

Most of the literature concurs and recognises family support as a critical factor associated with women's entrepreneurship and its growth. This is especially true for women-owned or women-led enterprises, since women's mobility and autonomy is often contingent on familial and societal norms and restrictions (Reeg, 2013).

4. Social Networks

While social networks may enable entrepreneurs to gain and exchange information and resources, in the context of women's enterprises, there is mixed evidence of their correlation to enterprise growth (Nichter and Goldmark, 2009). A review of existing programs by the World Bank suggests that women entrepreneurs across countries have smaller and less diverse networks and tend to rely on advice from male members of the family (Cirera and Qasim, 2014). However, some literature cites networks as a critical factor for success (Basole and Chandy, 2019). Especially in developing country contexts, social networks are instrumental in raising gap finance for the enterprise, while networking motivates women entrepreneurs to diversify into male-dominated sectors with higher growth potential (Campos, Goldstein, McGorman, Boudet, and Pimhidzai, 2012). Prior work experience and entrepreneurial experience, also enable micro-entrepreneurs to develop business-related networks that can facilitate access to resources or information (Reeg, 2013).

5. Entrepreneurial Traits

Literature focused on entrepreneurial traits identifies multiple attributes that are crucial determinants of the growth of enterprises. In Reeg's (2013) evaluation of Indian MSME, success factors are highly contingent on the entrepreneur, their networks, and attributes such as education, work experience, motivation, and family background.

Risk-taking ability, willingness to take risks and calculated risk-taking have been associated with growth entrepreneurs whilst a risk-averse outlook is associated with subsistence or survivalist entrepreneurs (Collaborative for Frontier Finance, Omidyar

Network, 2018; Reeg, 2013; Singer, Amros and Moska, 2014; Koellinger, Minniti, and Schade, 2007; Gundry and Welsch, 2001). Most rural entrepreneurs fall under this category and are deemed 'necessity entrepreneurs' (Bain and Company, Google, 2019; World Bank Group: Trade and Competitiveness, 2014). This is true for female entrepreneurs who are either forced or drawn to entrepreneurship due to limited job opportunities and economic prospects instead of profit and growth opportunities (Basole and Chandy, 2019). Early-stage female entrepreneurs exhibit higher fear of failure as compared to their male counterparts (Singer, Amros, and Moska, 2014; Koellinger, Minniti and Schade, 2007). Growth-oriented entrepreneurs are more likely to take risks, reinvest in the business and scout for opportunities to improve their business. While most of the research around risk appetite finds a positive link between willingness to take risks and success/growth, there are some conflicting tendencies between MSME owners, wage workers and the self-employed vis-a-vis risk-taking ability and attitude (De Mel, 2008).

Ambition and associated traits such as the need for achievement, are also considered contributors to entrepreneurial growth (Collaborative for Frontier Finance, Omidyar Network, 2018; Reeg, 2013; Acharya, 2007; De Mel et al., 2010).

Lastly, other entrepreneurial traits identified in the literature are an internal locus of control, problem-solving orientation, assertiveness, self-efficacy, power, motivation and intensity toward business ownership (Gundry and Welsch, 2001; Acharya, 2007; De Mel et al., 2010).

2.2.2 Enterprise Characteristics

At the enterprise level, factors such as access to credit, nature of business, the status of work (self-sufficient versus dependent on other producers), size, number of employees, ownership and registration, access to training and diversification affect performance and growth (Brahmachary, 2017; Harpriya et al., 2020; Kantor, 2005; Maurya and Mohanty, 2019; Piritta, 2015). Empirical evidence suggests that women's Medium and Small Enterprises (MSEs) tend to grow more slowly than those owned by men. This difference in growth rates is partially due to the location of women's MSEs in slow-growing sectors, but a statistically significant difference remains even when controlling for sector.

1. Age of the Enterprise

There is mixed evidence around the link between the age of the enterprise and its growth potential. While some research suggests that older firms have a higher propensity to grow than younger ones (Kassa, 2021; Unni and Naik, 2018; Reeg, 2013), other studies highlight productivity losses experienced by older enterprises owing to relatively outdated equipment (Goswami, Medvedev, and Olafsen, 2019) and an aversion to risk (Burki and Terrell, 1998). Younger micro-enterprises reportedly face 'up or out' dynamics such that they tend to grow more rapidly as compared to older enterprises, albeit with lower survival probabilities (Davis, Haltiwanger, and Schuh, 1996, Haltiwanger, 2012). However, older firms benefit from better expertise and managerial sophistication (Reeg, 2013), stable productivity and reputation effects (Banerjee and Duflo, 2000) accumulated over time (USAID, 2005). The entrepreneur's capability, rather than age, plays a greater role in enterprise growth. There was no clear evidence of the relationship between age and the micro-enterprise's propensity to grow.

2. Location and Access to Markets

Location is universally acknowledged as vital in determining growth prospects. Micro-enterprises with a growth potential tend to move away from localised markets to serve a wide base of customers (Collaborative for Frontier Finance, Omidyar Network, 2018; GEM2015). (Reeg, 2013). While micro-enterprises operated from within households may benefit from access to unpaid family labour and other household resources, any income and profit from the enterprise is often utilized for daily household needs, with limited or no opportunity for reinvestment of profits (USAID, 2005).

The study of MSME upgrading in India by Reeg (2013) finds that in combination with location, some sectors and domains – namely manufacturing and urban enterprises – are more likely to grow and innovate than enterprises located in retail or rural areas.

3. Formalization

Similar to age, literature around formalization and registration presents mixed evidence (Nichter and Goldmark, 2009). Formalization can be perceived as a contributor as it links to better access to credit and insurance and thereby expansion and growth (Maurya and Mohanty, 2019). However, informal enterprises may function without regulation and associated costs of registration, taxation and other compliance (Maloney, 2004), but face growth-inhibiting disincentives. In developing

countries, informal enterprises contribute more than 40% to a country's GDP (Schneider, 2006; Perry, et al., 2007). As these micro-enterprises grow, the lack of formalization hinders access to institutional credit, government schemes and contracts with large buyers (USAID, 2005; Mead and Morrisson, 1996).

While most micro-enterprises on a growth trajectory eventually move from an informal to a more formal setup (Collaborative for Frontier Finance, Omidyar Network, 2018), there is little evidence that formalization by itself causes or hinders enterprise growth (Porta and Shleifer, 2011; Reeg, 2013). Therefore, the correlation between formality and growth is probably due to reverse causality, where informal companies that had grown or decided to grow had to formalize, sooner or later (Hampel-Milagrosa, Loewe and Reeg, 2013). Given the mixed evidence around its contribution to growth, formalization is considered an outcome of growth in this study rather than a driver/barrier to it.

4. Credit and Capital

While there is mixed evidence on whether credit is needed for growth (Nichter and Goldmark, 2009), access to credit and capital can be crucial for growth and expansion (Kassa, 2021; Gundry and Welsch, 2001). An estimated 70% of all MSME in emerging markets lack access to credit (Peer, 2010), which limits their ability to scale and achieve their potential (Singh and Chhabra, 2019). Micro-enterprises are often unattractive customers for commercial banks or other formal financial institutions, as they are associated with an unfavourable risk-return balance (Collaborative for Frontier Finance, Omidyar Network, 2018). Micro-enterprises with access to more finance invest more in technology, allowing them to produce larger volumes (USAID, 2005), invest in regulatory compliance and meet quality standards. Growth micro-enterprises should ideally be able to access long-term commercial finance with flexibility in debt term structure (Field, Pande, Papp, and Rigol, 2010).

Key factors that hinder access to capital and credit are similar to those that influence the success, growth and potential of women entrepreneurs¹⁸. Geography, size of the enterprise, formalization, bank linkages, lack of collateral (assets and ownership), financial literacy and awareness, high rejection rate (high-risk group), lack of concrete goals and peer support, transaction costs, and the overall gender-biases within the finance sector, have been observed to limit credit access. Access to credit has potential spill-over effects on other elements of business and is considered a growth-related characteristic when combined with other characteristics such as access to training or mentorship (International Labour Organization, 2014, Krea LEAD 2021).

5. Employment

Employment is considered a good measure of the growth orientation of an enterprise and most growth-oriented micro-enterprises employ workers from outside the household (Collaborative for Frontier Finance, Omidyar Network, 2018; Schoar, 2010; Daynard, 2015; GEM, 2015; Unni and Naik, 2018). Enterprises that employ four to five workers were almost 50% more productive than smaller enterprises (Basole and Chandy, 2019), as they were able to operate at their optimum capacity and reach out to a wider customer base. Hiring additional workers in combination with a separate location of the micro-enterprise, is regarded as a driving factor for growth. Furthermore, although home-based micro-enterprises tend to hire informal workers, there is no evidence that this contributes to enterprise growth.

6. Domain and Sector

While a study of Indian MSEs finds that sector and domain of business affect growth (Reeg, 2013), research suggests that women-led enterprises are more concentrated in low-profitability sectors (Field et al., 2014). Several studies of the predominantly female-centric Indian MSE sector find that the manufacturing and service sectors perform better than retail (Mel, McKenzie, and Woodruff, 2008, Mead and Liedholm, 1998).

¹⁸ Literature that studies barriers and constraints to growth and development of women's entrepreneurship and enterprises frequently coincides with literature that studies low access to capital/credit as a characteristic of women-led enterprises and nano/micro rural enterprises. According to one such study, of the estimated 11.4 million women-owned MSMEs in India, formal financial institutions cater only to 10 percent. Women who cannot access formal finance may be clubbed into three groups: "(i) those who sought credit from FIs but had their applications rejected, (ii) those who never applied as they felt they could not meet the collateral requirements, and (iii) those who never applied for of other reasons, including lack of awareness about loan products and application procedures, risk aversion, unfavorable terms of credit or complex application forms." Source: World Bank Group, n.d.

7. Innovation, Modernization and Technology

Growth-oriented micro-enterprises tend to have access to knowledge and information (Reeg, 2013) and leverage this knowledge to experiment and innovate (Collaborative for Frontier Finance, Omidyar Network, 2018). Literature suggests that growth-oriented enterprises focus on expansion, modernization, innovation, information and communications technology, facilities and infrastructure (Gundry and Welsch, 2001; Amrita et al., 2018; Unni and Naik, 2018). Technology and infrastructural support allow women to eliminate travel, multi-task and balance business with domestic responsibilities, and are a prerequisite to operate a business successfully (Amrita et al., 2018; ICRW Report, 2012).

8. Vertical and Horizontal Linkages

Micro-enterprises with growth potential have strong vertical and/or horizontal linkages. Negotiating long-term or medium-term contracts with buyers and suppliers ensures steady business operations. Micro-enterprises that pursue aggregation also exhibit the potential to grow (Liedholm, 2002) as they can consolidate production and negotiate with buyers and suppliers for better terms of trade (USAID, 2005).

Over time, these entrepreneurs also connect enterprises with new markets (USAID, 2005) and provide critical market information, such as on quality and access to technology that helps them adapt to market trends and benefit from knowledge spill-overs (Goswami, Medvedev, and Olafsen, 2019). Literature suggests that in addition to internal growth, high-growth firms generate social and economic benefits for other firms in the areas where they operate (Mason, Bishop, and Robinson, 2009).

9. Access to Business Training

Most studies indicate that business management training significantly improves the management skills of entrepreneurs, thereby positively impacting micro-enterprise practices such as record keeping (World Bank Group: Trade and Competitiveness, 2014). Research also found that general business training coupled with customized technical training had a greater impact on business performance. Entrepreneurs who received technical training were more likely to revive loss-making businesses than closing them (Valdivia, 2011). However, the effect of such training on women-owned enterprises seems to be limited (Berge, Bjorvatn, and Tungodden, 2012, Mel, McKenzie, and Woodruff, 2014). This phenomenon is attributed to the possibility that the women entrepreneurs in attendance may be 'necessity entrepreneurs' who are less likely to grow their business (Valdivia, 2011), or that the training may not be oriented towards the specific needs of GOWE (World Bank Group: Trade and Competitiveness, 2014).

10. Absorptive Capacity

Absorptive capacity refers to the ability of an enterprise to identify, evaluate, and learn from available knowledge to achieve their objectives (Cohen and Levinthal, 1990; Zahra, 2002). Analysis by several authors shows that growth-oriented micro-enterprises have access to knowledge and information and leverage this knowledge to experiment and innovate (Reeg, 2013; Collaborative for Frontier Finance, Omidyar Network, 2018). These enterprise studies highlight that the timely development of new products catering to emerging market trends is instrumental in fostering growth.

2.2.3 Ecosystem Characteristics

Ecosystem characteristics – on relational, contextual and operational levels – are key parameters for the growth and success of women-run enterprises. Relational factors are social networks, market linkages, and the availability of supporting markets and services. Access to markets (Kantor, 2005), government support (Chatterjee et al., 2019), social networks and peer support and interaction (Field et al., 2016; Ghani et al. 2012) tend to drive growth and entrepreneurship. Contextual factors are the business, social and legal environment (Nichter and Goldmark, 2009). Operational aspects such as logistics support, management, market linkages and external support from individuals or enterprises in the value chain determine growth parameters. Women led enterprises have a high chance of failure due to poor access and management of logistics, a weak understanding of consumer demands or poor market linkages (Kantor, 2005; Field et al., 2016; Ghani et al. 2012).

While social networks are significant, there is mixed and unclear evidence of their linkage with growth. Regarding value chains, elements such as the nature of demand, sector-specific characteristics and power relationships are linked with enterprise growth (Nichter and Goldmark, 2009).

None of the factors mentioned above explain micro-enterprise growth in isolation. Usually, it is a combination of enterprise and entrepreneur characteristics, coupled with a conducive business environment that leads to growth (International Labour Organization, 2014). The combination of these characteristics varies greatly across enterprise types and countries, implying that different factors play roles at differing stages and levels (Reeg, 2013). Further, these characteristics may be the result of past expansion, just as much as current status or indicative of future expansion.

Finally, smaller firms more frequently report uncertain or unpredictable government policies as a factor that reduces growth-enabling investments (World Bank, 2005). Ironically, government policies that aim to benefit MSEs may suppress growth if they provide disincentives for employment expansion. For example, India offers attractive incentives to small enterprises, however, these measures backfire because growth beyond a specified level entails losing valued benefits (Little, Mazumdar and Page, 1987). In fact, some owners may split up their MSEs into several enterprises to make them look smaller (Kashyap, 1988). Further, the manufacture of certain products in India is reserved for small firms, which reduces incentives for firm expansion (World Bank, 2005).

2.3 A WORKING DEFINITION

The first undertaking of this study is to contextualise GOWE amidst the wider universe of women-owned enterprises in rural geographies. While most of the literature focused on high-growth enterprises consists of evidence on male-owned enterprises, there is robust evidence that women face different challenges and employ different strategies and approaches to growth (Gundry and Welsch, 2001; Jennings and Brush, 2013). Further, where research on women's entrepreneurship and enterprises exists, there is significant variation in the definitions adopted for growth-oriented enterprises. Moreover, these definitions do not provide visibility into sub-segments of enterprises in rural geographies. Such sub-segmentation is critical to define and identify GOWE, or those micro-enterprises that fall in the "missing middle" (Collaborative for Frontier Finance, Omidyar Network, 2018) between MSME and subsistence enterprises.

STEP 1: Review of global definitions of growth-oriented enterprises

The first step involved secondary research to review the definitions of GOWE used elsewhere, from existing research, policy documents, and other sources. This process revealed that the typical parameters used to identify growth are annual turnover or year-on-year increase in sales of an enterprise, the number of employees and enhancement in enterprise operations.

STEP 2: Establish a working definition of growth-oriented enterprises for this research

Based on the literature and identification of characteristics, a working definition with three parameters was established.

For this study, an enterprise is labelled as growth-oriented if it meets at least two of the three criteria listed below.

1. **Number of employees:** If the number of employees in an enterprise increased between 2018 to 2020, OR if the enterprise had at least one employee at the time of the survey;
2. **Annual sales:** If enterprise sales grew in 2020 as compared to 2018 AND the enterprise had annual sales of more than INR 240,000;
3. **Enterprise enhancement:** If the enterprise has added or enhanced the business in the last three years through innovation in any of the following: (a) new product/service, (b) logistical/business support services, (c) marketing methods, (d) technological additions, (e) market/customer base and (f) change in the product offering.

CHAPTER 3

Fostering Growth

3.1 CHARACTERISTICS OF GROWTH-ORIENTED ENTREPRENEURS AND ENTERPRISES

Based on the sampling strategy discussed earlier, the survey reached out to 2,473 women-owned enterprises operating in rural geographies across four states in India. Retail enterprises, including those selling groceries, beverages, tobacco, clothing, furniture, appliances, hardware, cosmetics, etc. predominated the sample, accounting for 42% of all surveyed enterprises.

The top two categories of enterprises were tailoring units (25%) and kirana shops (general stores; 19%). Food and beverage service and food production, together account for 9% of the sample, which included tea shops, restaurants and businesses selling prepared food products like pickles, snacks, and sweets (See Figure 8). The entrepreneurs sampled consisted of a mix of SHG member-participants of the NRLM and non-SHG members. Of the total sample, 14% of entrepreneurs were not members of any SHG.

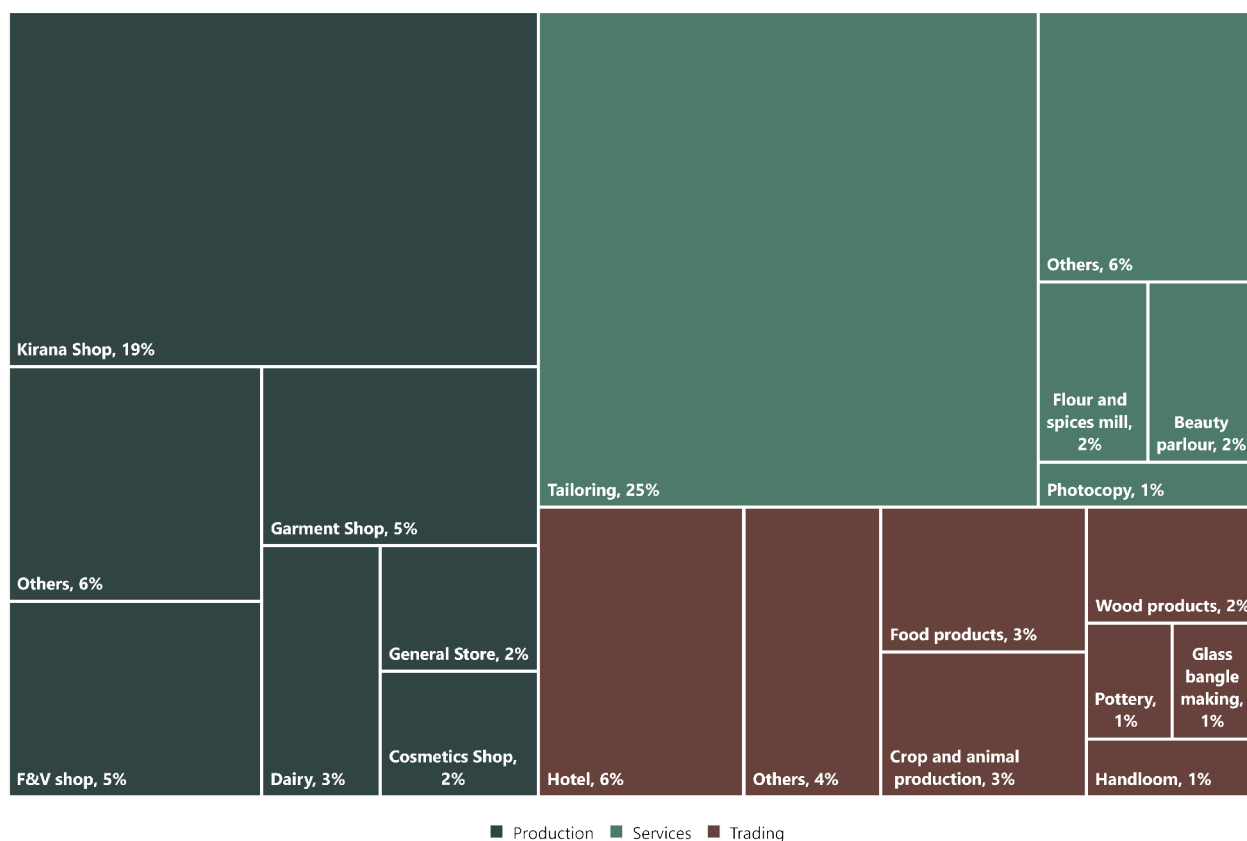


Figure 6: Sample distribution of enterprises by type and sector

Of the sampled enterprises, 22% were found to be growth-oriented as per the definition discussed above, while the remaining 78% constitute subsistence enterprises. Amongst the GOWE segment, 35% are involved in production, 22% in trading and 15% provide services. At 44%, Tamil Nadu has the largest proportion of GOWE (See Figure 9).

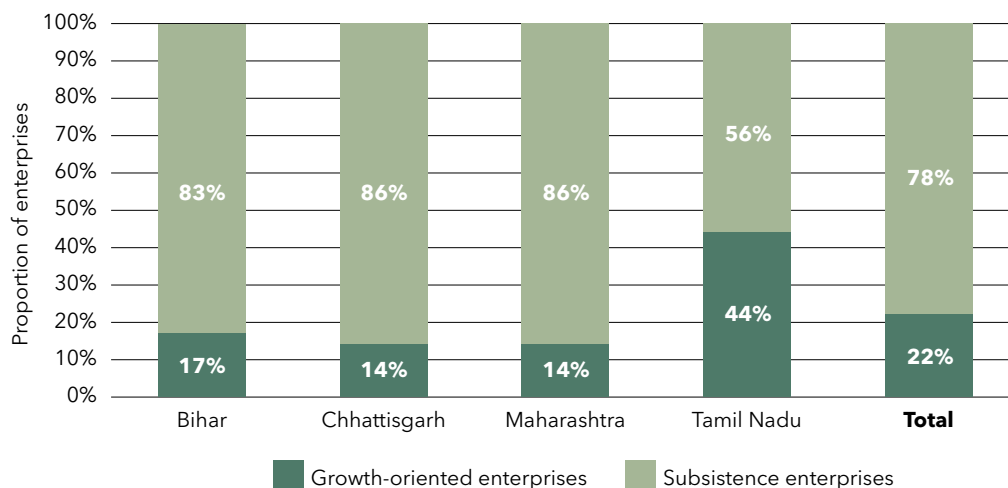


Figure 7: Enterprise growth category (as per study definition), by State

The seminal characteristics of growth-oriented entrepreneurs and enterprises distinguish them from subsistence enterprises and entrepreneurs. At the entrepreneur level, the characteristics studied were age, education and training, investment behaviour, record-keeping skills and time spent on the enterprise. Entrepreneurial traits such as autonomy, resilience, risk-averseness, ambition, and motivation were studied for their association with growth. At the enterprise level, formalization, enterprise type, enterprise financing and backward linkages were explored. The test of significance is tabulated at the end of the section, along with a summary of qualitative findings. (See Table 4)

3.1.1 Entrepreneur Characteristics

1. Age, Education and Training of Entrepreneurs

The study found no distinction in the average age of the woman entrepreneur, which was around 36 years for both growth and subsistence enterprises.

Women entrepreneurs had heterogeneous schooling levels, but entrepreneurs of GOWE had two additional years of education (on average), than those of subsistence enterprises. There was significant variation between the two sub-groups, as 62% of growth-oriented entrepreneurs had more than eight years of schooling, compared to 42% of subsistence entrepreneurs. Although an education up to grade 10 was the most common attainment level for both sub-samples, in absolute terms the GOWE group had more secondary school graduates. Higher education can therefore be associated with the likelihood of growth for women-owned enterprises.

Prior experience was not a significant contributor to the growth of an enterprise, since the average years of experience before establishing the enterprise was significantly higher for entrepreneurs running a subsistence enterprise. During interviews and focus group discussions, growth-oriented entrepreneurs across states reported having learnt basic business skills from members of their families, while others acquired skills over time from private trainers.

Interactions with women entrepreneurs from Bihar suggest that respondents who ran tailoring units learnt from their mothers or relatives, while those manufacturing cosmetics or running beauty salons were trained by private trainers from the city, at considerable fees. Respondents in Chhattisgarh and Tamil Nadu, as well as a few in Maharashtra, were reportedly professionally trained in tailoring and stitching, while some entrepreneurs in Maharashtra received training on food processing.

Growth-oriented women entrepreneurs articulated the need to build on their technical capacities, alongside business skills.

For instance, an entrepreneur in Chhattisgarh recognised an opportunity for printing and other computer-related enterprises and could leverage it due to the guidance received on the technical operations and know-how from her partner.

2. Investment Behaviour

A significantly higher proportion of GOWE reinvested in their businesses or borrowed capital from banks to make subsequent investments (92%), as compared to the subsistence enterprises (71%). For further investments, 81% of GOWE invested money – borrowed from formal sources including private commercial banks and Non-Banking Financial Institutions (NBFIs) – vis-à-vis only 40% of subsistence enterprises.

The proportion of profits used for consumption was much lower for GOWE (32%), as compared to subsistence enterprises (41%) (See Figure 10). Growth-oriented entrepreneurs reinvested a significant portion of profits into the enterprise (39%) followed by savings for future operations and emergencies (29%). For subsistence entrepreneurs, personal consumption was foremost, followed by reinvestment of profits into the enterprise (35%) and saving for future operations and emergencies (24%). Investment, other than personal finance and reinvestment, are traits associated with growth-oriented enterprises.

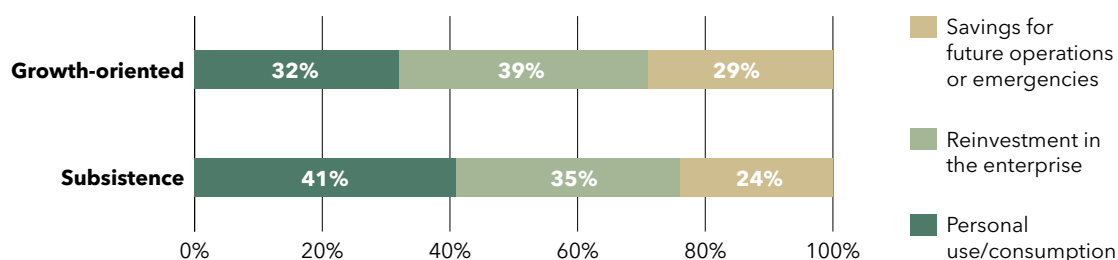


Figure 8: Use of enterprise profits by growth category

3. Record Keeping

Growth-oriented entrepreneurs demonstrated better record-keeping habits. When asked whether respondents maintained a log of finances and inventory, 63% of growth-oriented entrepreneurs regularly maintained accounts in a notebook, while only 35% of subsistence entrepreneurs did so. A lack of understanding of the importance and methods of record-keeping were cited as key reasons.

4. Working Hours – time spent on household chores vis-a-vis enterprise-related work

Women across enterprises type and states devoted a significant amount of their time to household chores and worked on their enterprises only after concluding their domestic responsibilities of cleaning, cooking and childcare. On average, the time spent by growth-oriented entrepreneurs on enterprise related work was seven hours a day, compared to six hours a day by subsistence entrepreneurs.

While the difference in time spent on enterprises does not vary significantly between the two groups, the reallocation of time from household chores to business operations by growth-oriented entrepreneurs suggests a shift of priorities towards their businesses. Qualitative interactions reveal that women can spend more time on enterprise-related work when household tasks are supported and managed by other members of the family.

5. Entrepreneurial Traits

The findings show that overall, the risk-taking ability of all women entrepreneurs is relatively low, however, subsistence entrepreneurs are more risk-averse¹⁹.

Growth-oriented entrepreneurs were highly innovative, keen to try new ideas and significantly more adaptive and resilient. They reportedly took more decisions on their own or in consultation with family members. Thus, risk-taking ability, innovativeness, autonomy, and resilience are associated with growth-oriented entrepreneurs. Notably, these traits are observed at different levels of scale and size of operations and different stages of the entrepreneurial journey.

¹⁹ To study the inclinations of the entrepreneurs in terms of their risk-taking ability, their decision-making power, resilience and innovativeness, a set of perception-based statements for each of these traits were placed before the survey respondents. They were asked to rank the extent of their agreement or disagreement with the statement on a five-point Likert scale of 0-4, where four represented a strong agreement.

	GROWTH-ORIENTED ENTERPRISE	SUBSISTENCE ENTERPRISE	DIFFERENCE OF MEANS
Age (years)	36	37	-1**
Education (highest class passed)	7	9	-2***
SOURCES OF FURTHER INVESTMENT (% OF ENTREPRENEURS USING SOURCE)			
Internal Source (e.g., business savings)	86%	59%	27%***
External Source (e.g., formal/informal loans)	22%	31%	-9%
No further investments	9%	29%	-20%***
Record maintenance (proportion of entrepreneurs engaging)	67%	43%	24%***
Average time spent in household work (hours per day)	4	5	-1***
Average time spent in enterprise work (hours per day)	7	6	1***
Proportion of women receiving support from family	90%	84%	6%***

Note: Asterisks denote significance: *p < .10, ** p < .05, ***p < .01. Source: Survey Data

Table 6: Entrepreneur characteristics by growth category

3.1.2 Enterprise Characteristics

1. Formalization

There is a higher level of formalization among growth-oriented enterprises with 18% registered, as compared to only 6% of subsistence enterprises registered. Overall formalization remains low among women-owned micro-enterprises, with only 8% of them registered.

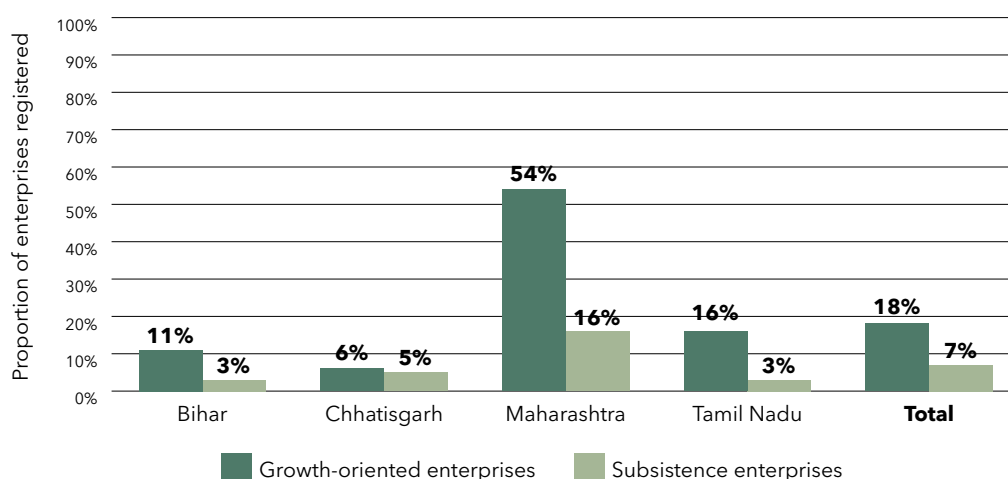


Figure 9: Enterprise formalization, by growth category and state

Large disparities can be observed across states, with 54% of all formally registered growth-oriented enterprises located in Maharashtra compared to 6% in Chhattisgarh (See Figure 11). The *Udyog Aadhar* registration²⁰ is the most common form of formalization in Maharashtra. Even though there is a high proportion of registered GOWE in Maharashtra, on account of the

²⁰ Also known as Aadhaar for Business, Udyog Aadhaar is a twelve-digit Unique Identification Number provided by the Indian MoMSME. For more details, see: <https://udyamregistration.gov.in/Government-India/Ministry-MSME-registration.htm>

overall low level of formalization, this factor cannot be considered a significant differentiator between growth-oriented and subsistence enterprises.

2. Backward Linkages

Whereas 55% of GOWE procured supplies only via cash transactions, this figure was at 69% for subsistence enterprises. About 82% of all enterprises reportedly procured raw materials and supplies predominantly using cash, while a few used credit. For similar enterprises, subsistence enterprises had two to three main suppliers while GOWE were likely to have 10 or more suppliers, suggesting greater diversification.

Gender and social norms restrict women's mobility thereby affecting the procurement of supplies and raw materials for their enterprises. In most cases, they overcome the challenge by seeking support from their male relatives. The study yielded mixed responses which were separated into those who procure supplies for their enterprises through the male members of the family, and those who do it on their own. Growth entrepreneurs explicitly mentioned that even when male members helped them procure supplies, they took the decision on the products and quantity. Growth entrepreneurs procuring supplies on their own did it for one of two reasons, either the supplies were available close to their place of operation, or they did not have supportive male relatives. Subsistence entrepreneurs who did not have male counterparts to support them travelled long distances to procure the supplies.

3. Enterprise Financing

Growth-oriented entrepreneurs used a mix of personal savings and loans from formal sources as an initial investment into their enterprise. As compared to 64% of growth-oriented entrepreneurs, 81% of subsistence entrepreneurs predominantly used only personal savings. Loans from formal sources of borrowing such as public and private banks, NBFIs and microfinance groups accounted for 63% of start-up capital for GOWE.

About half the GOWE surveyed had an enterprise bank account, as compared to 37% of subsistence enterprises. Of the 29% of enterprises that took loans, the average loan amount taken by growth-oriented enterprises (US\$ 1000/ INR 82,414) was more than double the average amount borrowed by subsistence enterprises (US\$ 496/ INR 40,897) (See Table 5).

	GROWTH-ORIENTED ENTERPRISE	SUBSISTENCE ENTERPRISE	DIFFERENCE
Proportion of enterprises registered	18%	7%	9%***
Proportion of enterprises borrowing from formal sources	81%	49%	32%***
Average amount of loan availed	INR 82,414	INR 40,897	INR 41,517***
SOURCE OF FINANCE AT THE START OF THE ENTERPRISE (% OF ENTERPRISE)			
Own savings	64%	81%	-17%***
Informal loans	29%	26%	3%
Formal sources	63%	37%	26%***
Proportion of enterprises operating outside of house	49%	61%	12%***
Proportion of enterprises operating out of fixed separate structure, outside of house	43%	31%	12%***
Note: Asterisks denote significance: *p < .10, ** p < .05, ***p < .01.			
Source: Survey Data			

Table 7: Enterprise characteristics, by growth category

4. Location of the Enterprise

A majority of the enterprises were located within household premises (58%), however, this number was at 49% for GOWE and 61% for subsistence enterprises. Amongst GOWE, 37% operated from fixed and permanent structures outside the household²¹ (See Figure 12). About 11% of subsistence enterprises operate from temporary locations without fixed premises – such as roadside vendor carts, baskets etc.²² (See Figure 12).

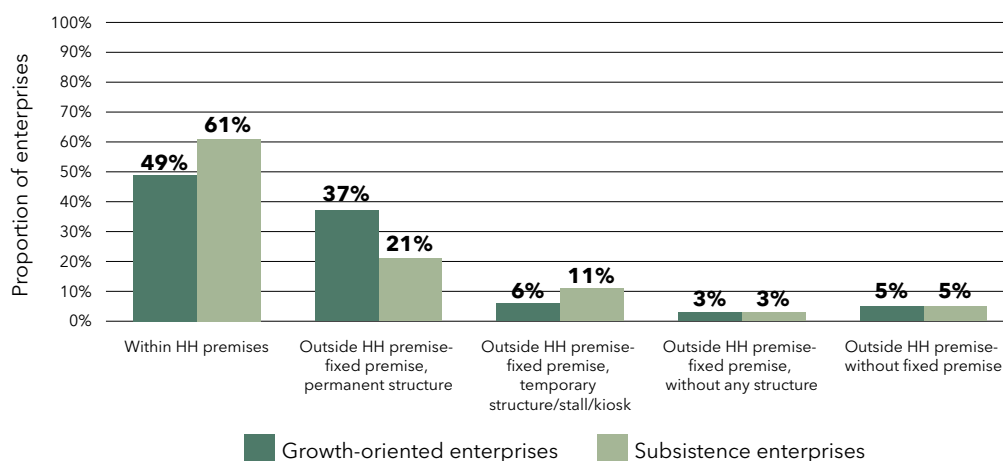


Figure 10: Enterprise location, by growth category

3.2 DRIVERS AND ENABLERS OF GROWTH-ORIENTED ENTREPRENEURS AND ENTERPRISES

Drivers and enablers differ from characteristics, as they accelerate growth while characteristics are features or attributes of growth-oriented enterprises. This study reviewed the potential of enterprise location, access to customers, finance, networks, and use of technology as drivers of enterprise growth. Logistic regression identified the drivers of growth and their relative contribution to the success of the enterprise. The regression results determine the likelihood that an enterprise will be growth-oriented, depending on various factors. The binary dependent variable indicates whether the enterprise is growth-oriented or not, based on the definition discussed previously (See Table 6). These are instrumental variables and the qualitative arguments that follow from this regression are consistent with prevailing literature.

	COEFFICIENT	STANDARD ERROR
Access to formal loans	1.463***	0.139
Household Support	-0.182	0.182
Market location	0.198*	0.117
Customer base	0.888***	0.147
Collaboration and partnerships	0.650***	0.137
Use of technology	0.330**	0.129
Constant	-2.728***	0.247

Note: Robust standard errors. Asterisks denote significance: *p < .10, ** p < .05, ***p < .01.
 Regression controls for state and enterprise fixed effects.
 Source: Survey Data

Table 8: Logistic regression of drivers of growth

21 Shops, workshops, etc., that are either owned or rented and do not change.

22 Enterprises without fixed premises are regarded as mobile vendors.

1. Proximity to Customers

A fixed structure outside the household increases the likelihood of success for an enterprise by 21%²³. Qualitative interactions attested to these results and growth-oriented entrepreneurs underscored the importance of a fixed location to build a better customer base. Further, operating out of formal premises or pucca shops (permanent structures), lent a degree of formality and gravitas to the business operation, thereby enabling growth.

However, whether this location needed to be within the household, outside it or in the marketplace, varied by enterprise type. In some cases, the proximity of the house to a marketplace motivated the entrepreneur to start the enterprise, while some entrepreneurs were location-agnostic and walked door to door to sell perishable goods such as vegetables and flowers.

Proximity to customers is a significant enabler of growth as it reduces the gap between the enterprise and its customers. Further, growth-oriented entrepreneurs also demonstrated an understanding of competition in the marketplace, especially where the absence of an enterprise, service or product, motivated them to start their business. Subsistence enterprises did not demonstrate similar market know-how.

2. Customer Base

Word of mouth and social networks were the most prominent ways of attracting customers by growth-oriented entrepreneurs in rural geographies. Qualitative interactions attest to a strong reliance on social and filial ties to drive business and expand the customer base.

However, the market, customer base and customer diversification available to most women entrepreneurs in rural geographies remain small, localized within the village and limited. Growth-oriented entrepreneurs had a relatively higher geographic diversity of customers, where 27% had a mix of customers from within and outside the village. In comparison, only 16% of subsistence enterprises had customers from outside their village. Diversification of the customer base helps reduce dependency on a single customer segment, and better sustain external shocks. From the regression analysis, enterprises with a mix of local and non-local customers were 2.4 times more likely to be growth-oriented than an enterprise with only local customers. Entrepreneurs who had been in business for a decade or more reported no problem attracting customers (since people knew them and their enterprises well), and enjoyed frequent and repeat customers.

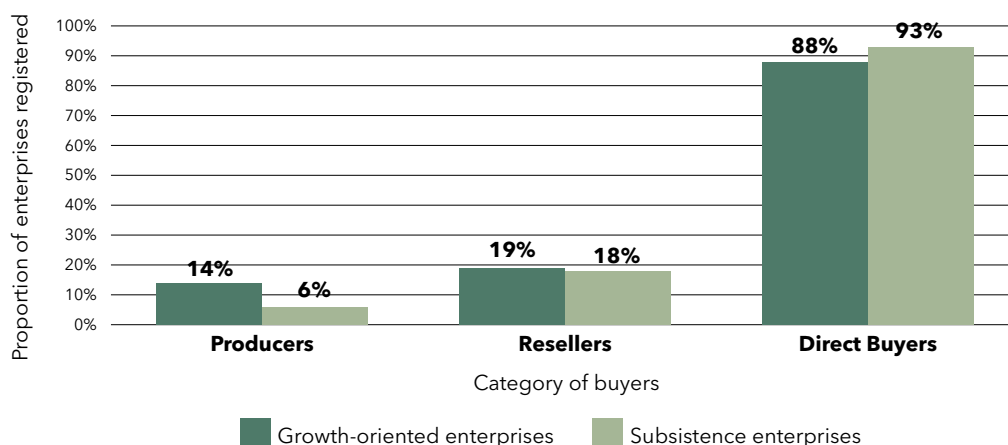


Figure 11: Customer type, by growth category

Growth-oriented enterprises reaped benefits by supplying to wholesale buyers, large private sector businesses or e-commerce platforms. While direct buyers are the predominant category for rural entrepreneurs, GOWE have a significantly higher proportion of institutional buyers (See Figure 13).

23 The coefficient is significant at 10% confidence level.

3. Access to Credit

Access to formal finance is the most important enabler of growth. Women entrepreneurs who have access to formal sources of credit are 4.32 times more likely to transform into growth-oriented entrepreneurs²⁴ (See Table 5). Most women entrepreneurs, including subsistence entrepreneurs, relied upon household savings and SHGs for credit. However, these sources are unequal to the demands of growth-oriented entrepreneurs, for whom SHGs and formal sources of borrowing were the preferred choices. Overall, growth-oriented entrepreneurs, who had been SHG members had more and easy access to formal credit. SHG members across Bihar stated a preference for loans through their Community-Based Organizations (CBOs)²⁵, citing the ease of borrowing, flexibility of payment, affordable interest rates and lack of formal application procedures. Qualitative evidence from respondents in Bihar who availed revealed that the process is lengthy (processing time is 2-3 months), loan amounts are inadequate (ranging between US\$ 303-606²⁶) and interest rates are high (at a monthly interest rate of 1%).

While CBOs cater to the credit needs of a majority of women in rural India, they are constrained by the size of loans that can be extended to their members. The loans from SHGs were small and often equally distributed among its members. As a result, consumption and emergencies take precedence over livelihood needs in loan disbursement.

In Tamil Nadu, SHG members took small loans in their own name and distributed the collective amount to those who needed it. Some respondents in Chhattisgarh mortgaged jewellery at the rate of 2-4% per month at the goldsmith to meet the credit needs of their enterprises.

Complex procedures to access loans and unaffordable interest rates were impediments to access formal credit by all enterprises. Growth-oriented entrepreneurs demonstrated a higher awareness of documentation requirements and were confident about the paperwork. However, they reported that a rejection of loan applications was rampant, indicating imperfect signalling to creditors. A lack of formalization and record-keeping makes it difficult for financial institutions to distinguish GOWE from subsistence enterprises, often leading to loan rejection (Jaiswal 2023; LEAD Krea 2021; World Bank n.d.). For subsistence entrepreneurs, a lack of awareness of formal credit channels and application procedures and a fear of failure to repay, were prominent barriers to access formal credit.

4. Partnerships and Collaboration

Regression results reveal that enterprises that collaborate with other enterprises have a 91% higher probability of being growth-oriented. Of the sampled enterprises, 46% had collaborated with other similar businesses in the same market to improve their business performance. For GOWE, this number stood at 70% as compared to 40% for subsistence enterprises. An important collaboration strategy among entrepreneurs was the bulk procurement of raw materials. Other avenues of collaboration, such as creating supply chains among enterprises, leveraging joint transportation and collaborating to serve larger customers and markets, were less reported, suggesting further scope for growth.

5. Use of Technology

Enterprises that use technology for operations tend to scale up, be more efficient and have a 39% higher chance of being growth-oriented. Technology provides ease of access to a large set of resources, customers, market channels and more secure transactions. Technology tools for enterprises including payment and communication channels like WhatsApp, email, websites, social media, Immediate Payment Systems (IMPS) and digital payment gateways²⁷ are being used by 23% of the total enterprises surveyed. This proportion does not vary significantly across GOWE and subsistence enterprises. Upon closer study, however, GOWE in Maharashtra and Bihar used digital mediums more extensively. For instance, they circulated images of stitched garments over WhatsApp to reach more customers and digital payment gateways (GPay and Paytm) to receive payments. Especially post COVID-19, technology is a significant driver of growth, enabling businesses to expand reach (to customers and suppliers), ease financial transactions and receive support through online channels.

²⁴ P-value significant at 1%

²⁵ SHGs, Village Organizations (Vos) and Community Led Federations (CLFs)

²⁶ INR 25,000 - 50,000 using the exchange rate of US\$ 1 = INR 82.41, as on June 2, 2023

²⁷ Such as GPay or BHIM etc., payment apps that let one make simple, easy and quick transactions using Unified Payments Interface (UPI).

6. Networks

Social networks form an integral part of the entrepreneurship journey amongst members of CBOs. These networks include business support groups or informal business networks such as women's groups, trade associations, cooperatives or informal business groups. Amongst growth-oriented entrepreneurs, 58% belonged to such groups as compared to 53% for subsistence entrepreneurs. Irrespective of growth-orientation, 81% of all enterprises have benefited from membership to these groups.

The network-based growth theory suggests that the main challenge for someone attempting to enter a new occupation is their outsider status and lack of connections in the business ecosystem. Pertinent to our study is the corollary that community networks may substitute individual connections, allowing members to help each other and bootstrap their way out of traditional occupations into more remunerative options. Collectivization enables entrepreneurs to overcome social mobility barriers, to begin with, and with time and increased savings, it empowers them to grow further.

7. Access to Schemes and Insurance

Access to insurance and other social protection schemes offered by the government provides financial stability to entrepreneurs. However, only 7.5% of all enterprises surveyed had insurance, with no significant variation across growth-oriented and subsistence enterprises.

While entrepreneurs in other states were less aware of government schemes (or fewer accessed financial assistance, skills development, and insurance schemes), Tamil Nadu was an outlier. In Tamil Nadu, 53% of enterprises had accessed government schemes, as compared to other states where this proportion was below 10%. Within this set of enterprises in Tamil Nadu, 48% had accessed programs by Women Entrepreneurs India (WEI) and 42% had accessed the central government's Women Enterprise Development (WED) scheme that provides financial assistance to entrepreneurs for business activities. Overall, in Tamil Nadu, 93% of GOWE had accessed support schemes, while only 22% of subsistence enterprises had done so; 9.6% of enterprises in Chhattisgarh and Bihar, and 8.32% in Maharashtra had accessed government schemes, respectively.

8. Support from Family Members

All growth-oriented entrepreneurs received support from household members, friends and relatives. While the quantitative results from regression do not attest to domestic support as a driver of enterprise growth, during qualitative interactions this factor emerged as an important enabler for women's ability to run enterprises successfully. While it is not mandatory for all growth enterprises to receive the support of family members, those that did receive support reported enhanced enterprise performance.

Entrepreneurs in GOWE received more support from household members and 52% say that they received support from their spouse, compared to only 28% of subsistence entrepreneurs. All entrepreneurs said that female members are more supportive than male members of the family. As against 10% of growth-oriented entrepreneurs, 16% of subsistence entrepreneurs had no support from their family or friends and needed to rely on themselves to run the enterprise, as well as perform household work. Qualitative interactions with high-growth entrepreneurs validated this finding through testimonials where entrepreneurs' husbands or children constantly helped them procure supplies or manufacture products.

3.3 CHALLENGES FACED BY GROWTH-ORIENTED ENTREPRENEURS AND ENTERPRISES

This section highlights the impediments to growth and scale for growth-oriented women's enterprises. Numerous scale and survival constraints, including sociocultural norms and biases against women entrepreneurs; difficulty in accessing finance; lack of advisory, mentoring, and networking support are some of the challenges. Qualitative interactions with entrepreneurs yielded recurring themes that apply across sectors and geographies and play a part in constraining their scale of operations. These challenges are similar, yet different, from those faced by MSME and other similar enterprises in urban geographies.

1. Cultural and Social Norms

Despite the changing landscape, women entrepreneurs face myriad sociocultural barriers to participation in the rural economy. They are perceived as informal and unconcerned entrepreneurs, operating the business for sustenance

rather than for scale and growth. Social norms that limit their mobility, reduce their ability to reach suppliers, purchasers, and lenders. They are dependent on male family members for strategic sourcing and marketing activities that require travel, as they find it difficult to devote time and be away from their homes. Many growth-oriented women-entrepreneurs reported prioritizing housework and caregiving over business, to attend to family emergencies, festivals or other life-cycle events. This curtails their ability to operate enterprises that require a physical presence at the business premises, such as retail shops, beauty salons, tailoring, etc.

Generally, women entrepreneurs were disadvantaged at digital skills, financial literacy and access to education, compared to their male counterparts. Growth-oriented entrepreneurs depended on a limited number of suppliers and a traditional customer base, which reduced their resilience to external shocks.

Women entrepreneurs spoke of low bargaining power and limited influence over prices and payment terms. As a result, they often dealt in cash, with higher working capital requirements. They had low visibility to new markets, the latest sales channels, contemporary trends and demand. They often lacked skills such as financial accounting, business management, marketing best practices, sales and customer service, communication and negotiation, inventory and supply chain management and leadership. They had limited skills to predict business revenues and cash flows.

2. Access to Affordable Finance

While financial inclusion has grown in India in the last decade, women still face hurdles in financing their businesses.

The women entrepreneurs in this study started their businesses with limited resources and were more reliant on self-financing. At the inception, most entrepreneurs had drawn on personal finances or the support of family and friends to finance their enterprise. At the expansion phase, lack of access to adequate loans inhibited their growth prospects. As is evident from the results, SHGs were the largest loan providers to growth-oriented entrepreneurs. However, these loans were often inadequate to meet their investment needs.

Traditional financial institutions did not view women-owned micro-enterprises as a sizable credit opportunity. Credit evaluators could not recognise and evaluate the growth prospects of these enterprises due to a lack of documentation and records. With limited formalization and literacy, a sizable proportion of growth-oriented women entrepreneurs did not have the necessary compliance documents – such as Goods and Services Tax accreditation, Income Tax Returns and Books of Record – required in traditional settings.

In the absence of financial products with flexible terms (that allow delayed repayments), growth-oriented women entrepreneurs prefer to operate at their existing scale rather than borrow from formal institutions. This was especially noticeable when women needed to produce collateral, as asset ownership among them was low in rural geographies. Repaying equal amounts of money each month has been difficult for growth-oriented entrepreneurs due to the unpredictable and non-uniform nature and cycle of their enterprises.

Growth-oriented women entrepreneurs stated a readiness to avail of government support. However, they had limited access to information and were unsure of their entitlements and the processes to access these schemes. They preferred intermediary organizations such as SHGs and VOs that demystify and simplify the process for them. While SHGs provide loans, the quantum is often inadequate to meet the investment needs of GOWE.

3. Absence of Advisory, Mentoring and Networking Support

The main motivator for women entrepreneurs, across sectors and sizes, was to contribute to household income and improve their standard of living. Growth-oriented entrepreneurs, much like subsistence entrepreneurs, had therefore started out of necessity and were not primed to perform business operations. Since network relationships were the most frequently used and trusted source of advice and support for small business owners, the lower-quality networks available to women encumber the growth of their businesses. Additionally, limited access to successful peers and role models in high-growth sectors is a challenge for women entrepreneurs.

3.4 IMPACT OF COVID-19 ON GOWE

Resilience is key for women-owned enterprises to sustain growth and face adversities and external shocks. However, it is a misconception that GOWE are always resilient. While growth is defined in terms of the size or scale of operations and growth of revenue or profits, resilience refers to the ability of an enterprise to maintain its level of business operation. In this section, we focus on business resilience and provide an overview of the links between growth and resilience, against the backdrop of the COVID-19 pandemic.

Resilience in a business context alludes to the characteristics of an organization that allow continued operations under difficult circumstances or recovery from shocks. The presence and use of financial slack (Sutcliffe and Vogus, 2003; Gittell et al, 2006; Bradley et al, 2011), continuous innovation (Hamel and Valikangas, 2003), or the creation of agile supply chains (Christopher and Peck, 2004) are enabling features of resilience. MSME tend to fire-fight in the face of crises rather than to proactively plan for them (Sullivan-Taylor and Branicki, 2011), while growth-enterprises with astute change management and access to good finance are likely to be more resilient.

Women-led enterprises experienced additional adverse effects due to the COVID-19 pandemic. The first COVID-19 wave in 2020 posed severe challenges for these enterprises due to a government-imposed lockdown, which exacerbated pre-existing challenges and diminished growth achieved in the past. Reduced household income (as a result of the lockdowns) retrenched the working capital of women's businesses. Since our survey was conducted between August and September 2021, we collected information on the numerous ways in which COVID-19 affected these businesses and how entrepreneurs coped with these external shocks.

Of the surveyed enterprises, 60% shut down temporarily for an average of five months during the lockdowns, but resumed operations once restrictions were lifted. At the time of the survey, 95% of these enterprises were functional, while the rest were temporarily shut, but intended to start back. When entrepreneurs were asked how their enterprise performed during and post the lockdowns, 56% of subsistence enterprises reported a reduction in sales and revenue, as against 40% of GOWE. (See Figure 14). A large proportion of tailoring units, handicraft units and beauty parlours faced slowdown, while restaurants, *kirana* or general shops were able to maintain their sales and revenue.

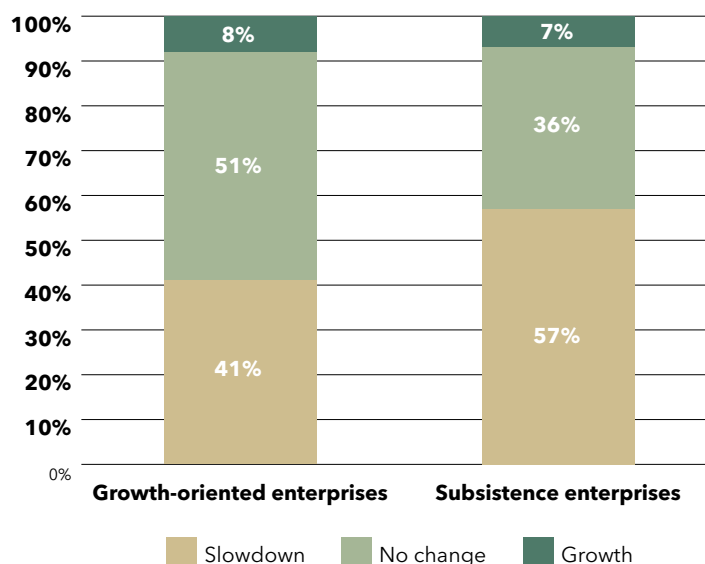


Figure 12: Enterprise performance during and post COVID-19 lockdowns, by growth category

In a sharp divergence in their approach to adversity, 59% of subsistence enterprises did not take any measures to cope with the situation, whereas only 29% of GOWE did not make any changes. GOWE attempted to absorb this shock by reducing the cost of raw materials and/or human resources and took loans to back enterprise finances. Most subsistence enterprises that took measures to cope with COVID-19 used their savings to continue business operations (See Figure 15).

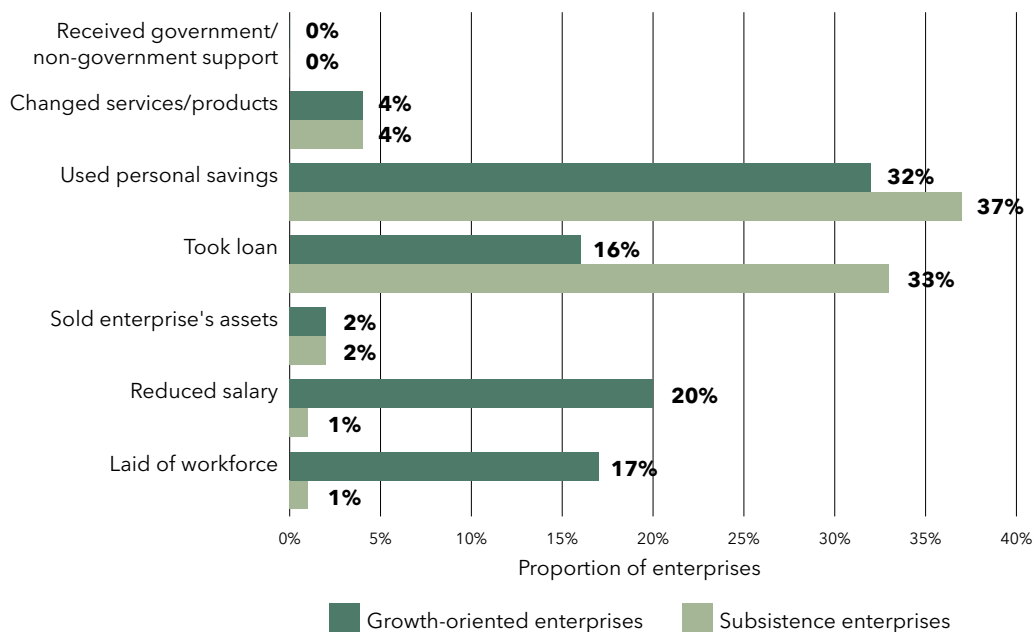


Figure 13: Coping strategies adopted by enterprises during COVID-19, by growth category

To cope with the fallout of the lockdowns, 30% of enterprises introduced new products or services and 16% attempted innovative marketing methods, while 60% of enterprises did not change any business strategies. More than a third of the enterprises surveyed in Maharashtra and Tamil Nadu introduced new products, whereas 29% of the enterprises in Tamil Nadu improved marketing methods post-COVID-19 (See Figure 16).

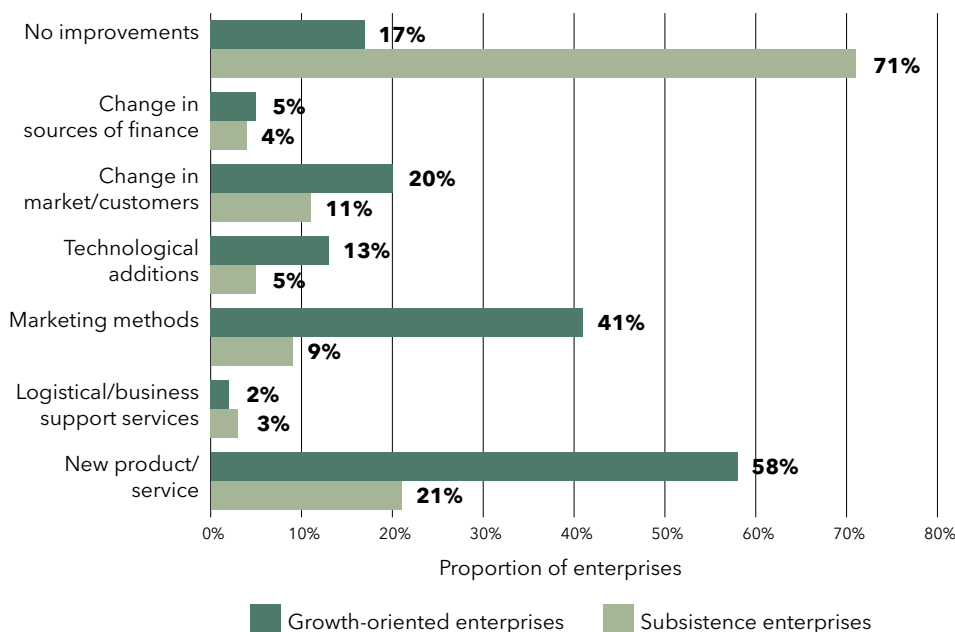


Figure 14: Coping strategies adopted by enterprises during COVID-19, by growth category

Some enterprises classified as growth-oriented also fared poorly after the COVID-19 shock and demonstrated low resilience in their business operations and coping methods. The quantitative and qualitative data is presented as a matrix in Figure 17. Given the evidence, it is apparent that not all growth-oriented enterprises are resilient, nor vice versa for subsistence enterprises. The unravelling of COVID-19 has disadvantaged micro-enterprises in general and its impact on women-owned enterprises in particular has been significant.



Figure 15: Matrix of characteristics of high and low levels of resilience and growth of an enterprise

A growth mindset; access to technology, digital infrastructure, finance and markets; digital literacy, technical knowledge and skills; the health and well-being of the entrepreneur; and financial, emotional and physical support from family enabled GOWE to remain resilient and bounce back from shocks. Per the qualitative data, most growth-oriented women entrepreneurs possessed these characteristics before COVID-19, identified opportunities during the crisis and adjusted their business models. It is crucial to monitor these trends and create gender-specific support systems for long-term recovery and sustainable development (Women Entrepreneurs’ Resilience in Times of COVID-19, 2020).

CHAPTER 4

Nurturing Growth

The literature review provided valuable insights into international good practices, which have significant resonance for GOWE in rural India. The review was complicated by the scarcity of literature on this subject in developing countries since most programs and studies focus on the micro-enterprise sector at large, which includes both micro-entrepreneurs with a potential to grow, as well as 'necessity' entrepreneurs. A key takeaway is that elements of business training and finance should be buttressed and hinderances to growth for women entrepreneurs, be alleviated.

Literature from across the globe suggests that generic interventions by entrepreneurship programs did not produce instant effects on expansion or income and performance outcomes were highly dependent on interventions targeted by beneficiary profile (Cho and Honorati, 2013). There is good evidence to suggest that business training programs and access to financial resources are beneficial, however, they are not as effective if provided in silos (Cirera and Qasim, 2014; de Haan, 2016; Siba, 2019). Therefore, a combination of finance and training is much more effective (ILO, 2018; Cirera and Qasim, 2014). Some binding constraints, such as presence in low-growth sectors, legal and institutional environment (Cirera and Qasim, 2014), social and psychological constraints (Siba, 2019) and so on, must also be addressed together with training and finance. Market connections, mentoring, networking, and consulting services have been found to improve the effectiveness of such programs (de Haan, 2016; Cirera and Qasim, 2014). With regards to implementation, it is emphasized that there must be an additional focus on the constraints specific to women and there is a need to experiment with design, delivery and engendering the curricula.

4.1 FEATURES OF ENTERPRISE SUPPORT PROGRAMS IN DEVELOPING COUNTRIES

There is evidence from across the board to show that a successful women's economic empowerment intervention needs more than just access to financial capital and hard business skills. Some factors, borne out by programs across the developing world, are detailed below.

1. Local Mentors and Role Models

Many programs around the world focus on the softer aspects of scouting local and aspirational role models and organize interactions with women entrepreneurs in an informal setting, for inspiration and ideas. Across several African countries, programs facilitate successful women entrepreneurs to train, coach, and ideate with growth-oriented entrepreneurs, and connect them to enabling institutions and markets. Interactions with local mentors have proven to build confidence among women entrepreneurs.

In the Caribbean, the World Bank Group supported the development of the women innovators network Caribbean (winC) to connect growth-oriented women entrepreneurs and help scale their businesses through mentoring, training and peer-to-peer learning. This women-led network engaged hundreds of women online and provided a platform from which they could receive access to mentorship and participate in focus groups and workshops (Cirera and Qasim, 2014). The research found that 94% of women entrepreneurs felt that their businesses had become more focused; 48% noted an increase in business total sales; 77% indicated that they had significantly improved their marketing methods since joining the program and 73% indicated having significantly improved their internal processes, organizational structure and management practices.

2. Building Trust Networks

The Mekong Women's Entrepreneurship Challenge (MWEC) piloted in Cambodia, Laos, and Vietnam facilitated a structured peer-to-peer learning program which involved sharing practical, real-world experiences to improve confidence, risk-taking, and business management capabilities among growth-oriented women entrepreneurs. The pilot demonstrated the importance of creating a trusted and safe environment for women to share and discuss freely and seek advice from their peers (World Bank, 2014). Early evidence suggests that 90% of the participants considered launching new products or services or entering new markets based on such interactions and 82% reported to have significantly changed their business plans as a result of the program.

3. Risk Diversification

In Tanzania, growth-oriented women entrepreneurs were found to have a variety of businesses, which enabled them to diversify risk. Although traditionally this strategy of horizontal growth is considered a weak approach, a study by the International Labour Organization (ILO) found that as many as 46% of women entrepreneurs had additional businesses, while 16% had more than two businesses (Richardson et al., 2004).

4. Administrative and Business Skills and Training

In Nicaragua, the *Small Business of the Family Economy* program promoted MSME growth for both men and women. It was found that women are more likely to benefit from programs focused on improving productivity and administrative techniques, such as record keeping and business management. However, in Uganda, the *Start and Improve Your Business* program to enhance business performance through subsidised loans, grants, and free business skills training did not impact female-owned enterprise profits. A randomized control trial on Tanzania's Business Women Connect program found that while the mobile savings program substantially increased savings, it did not affect female-owned enterprise profits or sales, even when combined with hard skills such as business management, basic profitability concepts and record-keeping.

5. Decentralizing Business Development Service (BDS)

Experiences from countries such as Tanzania, Pakistan, and India demonstrate that most growth-oriented women entrepreneurs in rural areas are unable to access high-quality BDS, as such services are primarily concentrated in urban areas (Richardson et al., 2004). According to a study conducted by International Centre for Entrepreneurship and Career Development in India, women entrepreneurs form only 2-20% of clients of the mainstream BDS providers (Richardson et al., 2004)²⁸.

6. Personal Initiative Training

Evidence from Togo suggests that apart from technical and managerial training, training on taking initiative, being proactive, and demonstrating perseverance must also be delivered to women entrepreneurs. Results show that women entrepreneurs who received such training witnessed a 40% average increase in profits, compared to no significant increase for those with conventional business training (Delavelle and Rouanet, 2020).

7. Addressing Unconscious Bias

Many studies have recommended training and programs for ecosystem players, such as bank managers and credit officers, to address unconscious bias against women enterprises (OECD, 2017; Bullogh, Amanda & Hechavarría, Diana & Brush, Candida & Edelman, Linda, 2019).

8. Integrating Loan and Training Programs

Under the *Women's Microfinance Initiative's Transition to Independent Banking Program* in Uganda, upon successful repayment of micro-loans, borrowers were graduated to conventional bank loans (PostBank Uganda). This provided an opportunity to GOWE to access appropriate loan products to scale up and build a robust credit history. The initial micro-lending program was paired with technical and managerial training, mentorship and follow-up support, to enable growth-oriented women entrepreneurs to use the loan for business growth and cultivate regular repayment behaviour (ADB, 2018).

28 To read more about ICECD, visit: <https://icecd.org/needs-assessment-study-reports>

4.2 REVIEW OF ENTREPRENEURSHIP SUPPORT PROGRAMS IN INDIA

4.2.1 Government Programs

Government policies related to rural women's entrepreneurship in India have thus far focused on sustenance and poverty alleviation, rather than building high-growth businesses. Accordingly, most policy initiatives are either geared towards encouraging first-generation women entrepreneurs to set up enterprises or are general programs aimed at growing MSME. Dedicated programs to identify and support rural GOWE are recent and few.

In recent years, the Ministry of MSME has marshalled the agenda of strengthening small businesses. Given the nationwide impetus toward incubation, financial inclusion and social protection, livelihood policies must be revised towards growth for women's enterprises. A review of several government schemes has been undertaken to identify which interventions worked and how they did so, as well as which didn't. The Ministry of MSME categorises interventions into two broad areas, namely financial assistance and skilling and capacity building (See Annexure 4A).

Government programs, such as those under the Skill India umbrella struggle to recruit women, place them in jobs, and retain them in these jobs (Kumar 2022). A study by the International Growth Center tracked female participants in Odisha who had completed training under Deen Dayal Upadhyay - Grameen Kaushal Yojana (DDU-GKY; Prillaman, Pande and Moore 2018). It identified two crucial factors dictated by social norms that prevent women from taking up and retaining jobs- firstly, the lack of support and permission from the families to pursue work outside, and secondly, childcare. A lack of childcare provisions in the training premises often hinders the participation of women (Beagle and Matulevich 2020).

Gender bias around work, the lack of social mobility, information, and access to networks have affected the uptake of skill training programs. These training and capacity-building programs in India are premised on traditional gender roles and notions of women's work, often restricted to domestic chores and related activities such as caregiving. Various challenges persist, such as the inability to travel to the remote locations of Industrial Training Institutes (ITIs); absence of adequate and functional toilets at the institutes; lack of counselling and orientation for course selection; difficulties in dealing with course work alongside family responsibilities; and the perception of ITIs as male-dominated, with many more male instructors than female.

4.2.2 Non-government programs

The agenda of women's entrepreneurship has also been supported by private initiatives undertaken by philanthropic institutions, Corporate Social Responsibility (CSR) foundations and non-government organizations (NGOs). While the larger focus has been on training and capacity building, initiatives have also focused on mentorship, financial linkages and technological upgradation of enterprises. The training component includes upskilling entrepreneurs on soft skills, including negotiation, customer understanding, financial literacy and management. Organizations like deAsra and Deshpande Foundation work very closely with entrepreneurs and provide incubation support and one on one mentorship to a select few (owing to high associated costs).

Another major initiative by NGOs and private foundations includes supporting enterprises to prepare business plans and financial projections. Organizations like Self-Employed Women's Association (SEWA) and Aga Khan Rural Support Program (AKRSP) couple business planning with financial inclusion, which enables them to provide better financial linkages with government programs. Along with a focus on the ecosystem approach, the private sector is also involved in influencing policy and advocacy to enable a conducive environment for rural enterprises.

CHAPTER 5

Empowering GOWE

5.1 FEATURES OF GOWE IN RURAL INDIA

Women's entrepreneurship in South Asia, including India, is dominated by women-run subsistence microenterprises with few growth-oriented businesses. As compared to other countries the share of women entrepreneurs in India is low and largely concentrated in subsistence micro-enterprises, often characterized as necessity-driven entrepreneurs. Of these women-owned enterprises, 65% are based in rural India (6th Economic Census, 2013-14)²⁹, and only 13.2% employ labour from outside the household. This is an opportunity for India's growth agenda, as these entrepreneurs can generate jobs, contribute to economic and social development and foster women's empowerment.

This study has performed the critical work of identifying characteristics and features of the hitherto under-studied segment of women entrepreneurs and their GOWE in rural India. The value of this endeavour lies in its emphasis on features that distinguish them from growth-enterprises and subsistence enterprises, which are as follows:

1. Motivation and Initiation

Most GOWE in this study were triggered by a life crisis. The study of motivations and reasons for women to start their businesses revealed that the most important factor was to support their husbands and family by contributing to household expenditure, followed by self-motivation for financial independence. Since the primary reason was to support family income, these enterprises have grown at different rates.

2. Entrepreneurs' Traits

Entrepreneurs running successful GOWE vary significantly from subsistence entrepreneurs in their behavioural traits. While the motivation to start the enterprise is similar and stems from necessity for both subgroups, growth-oriented entrepreneurs on average have a higher risk-taking ability, greater drive to try innovative ideas, products and methods and demonstrate higher levels of autonomy when it comes to making decisions about the enterprise.

3. Enterprise Practices

Growth-oriented entrepreneurs differ in how they use profits, reinvesting them more often than their subsistence counterparts. There is a low level of formalization across both sorts of enterprises, with some variation geographically.

4. Enterprise Characteristics

Proximity to the customer base (main market location relevant to the customer segment), access to adequate, formal and customized finance, and technology use are top enablers of growth. Enterprises with these characteristics have a higher probability of growth orientation.

This study presents an illustrative description of an ideal high-growth enterprise based on interactions with experts and experience working with women-owned businesses (See Figure 18). While we observed a variation in the characteristics of growth-oriented entrepreneurs as well as enablers to growth, the difference is distributed disproportionately. An ideal growth-oriented women entrepreneur would showcase higher levels of diversification of business, with forward and backward linkages, critical thinking ability and motivation to expand the scale, size and range of business operations.

There are stark differences between enterprises that demonstrate high growth vis growth-oriented enterprises, studied as part of our sample. While growth-oriented enterprises perform better than those that are not growth-oriented, there is a long road ahead, yet.

²⁹ 6th Economic Census, 2012-13. Ministry of Statistics and Programme Implementation. For more details, visit: <https://www.mospi.gov.in/all-india-report-sixth-economic-census>

	GROWTH ENTERPRISE	GROWTH-ORIENTED ENTERPRISE	SUBSISTENCE ENTERPRISE
Innovation	Identifying new but related areas for innovation and expansion	Identify new ways to run the same business with little enhancement	Little to no innovation or upgradation
Forward and backward integration	Yes	No	No
Diversification	Based on market demands and customer needs	Based on access to finance and external nudges	Based on necessity and financial needs of the family
Skills and experience	Constant skill upgradation	Marginal skill upgradation	No skill upgradation
Formalization	Identify and implement legal requirements and formalization of business	Formalization limited to awareness, external push, and convenience	Exceptionally low level of formalization and legalization
Location	Proximity to customers central	Some located in market yet many home-based ventures	primarily home based, some with market based location
Finance and investments	Formal credit for business expansion	Formal credit along with personal savings	Majorly personal savings
Employment	> 10 employees	1-5 employees - some family members and some contractual	Own account enterprise - No employees
Innovation and technology	Use of technology for various operations - marketing, financial transaction, record keeping etc	Use technology for limited operations such as marketing and financial transactions	Limited use of technology
Market and customer linkages	Active sourcing of newer markets, customises and evolves as per demand	Local customers limited to one's local network	Local customers limited to one's local network
Collaboration	Active collaboration with other enterprises to leverage better deals	Limited collaboration restricted to procurement etc	Little to no collaboration
Social network	Financial and emotional support	Limited support	Very limited support

Table 9: Indicative profile of growth, growth-oriented and subsistence enterprise

5.2 CHALLENGES AND OPPORTUNITIES FOR GOWE

The factors that limit women's entrepreneurship are manifold and intertwined, and the success of female entrepreneurship programs at scale is a journey with a long-term view, that involves deep, intensive and collaborative work in clusters, specifically tailored to women, while addressing inter-connected issues in parallel. The purpose of this study of rural GOWE was to understand their characteristics, drivers and barriers to their growth. The aim was to inform design principles and features of programs that may scale and impact this segment of enterprises, in India and beyond. This section extracts key challenges and learnings from the study.

1. Market Opportunities and Formal Enterprise Services

The markets and customers available to rural women entrepreneurs are small and hyper-local with limited scope for direct customer diversification. Women mostly deal with local suppliers and majorly in cash. Similarly, formal financial services and other enterprise services such as logistics, workforce, etc are limited, and the visibility and/or discovery of these opportunities by women entrepreneurs and service providers is limited. Most growth-oriented women entrepreneurs quickly reach a level of saturation and growth remains stagnant unless new opportunities are created in local markets.

2. Structural Issues

Gender and social norms restrict women's mobility and constrain their ability to expand their operations, products and services to newer markets and customers. There are strong gender stereotypes about women's activities in the labour market. Social attitudes and cultural views tend to exert a negative influence on women's desire to start businesses, as well as on women's self-confidence.

3. Entrepreneur Mindset, Orientation and Capability

In rural markets, the social context within which women entrepreneurs operate, limits their exposure, orientation and growth potential. Similarly, market opportunities, access to required knowledge, skills and key relationships is limited. This further limits their ability to take risks, to take a long-term view of their enterprises, or formalise their enterprise to achieve higher levels of growth and profitability.

4. Support System and Fallback Mechanisms

There are many projects and programs that work with rural women on fostering livelihoods and shifting social norms, etc. Most of these work on one issue and do not address the challenges faced by women entrepreneurs comprehensively. Entrepreneur-specific or enterprise-specific support, trusted advisors and fall-back mechanisms at the society and family level are limited.

5. The Missing Middle

GOWE are currently caught in the 'missing middle' – between the livelihood financed micro enterprises and the evolved MSME ecosystem. There is a need to support rural women enterprises to graduate from their current level to the MSME ecosystem, so that they may benefit from these systematic and comprehensive support structures. However, this graduation requires tailored interventions that focus on an enabling environment (including a supportive family, society and market) that strengthen and celebrate women's enterprises.

5.3 POLICY RECOMMENDATIONS

While the Government of India recognizes women enterprises and their contribution to economic development, this segment needs specific attention, at the entrepreneur, enterprise and ecosystem level, to grow and contribute to jobs and incomes.

5.3.1 Entrepreneur Level Support

In order to improve women's entrepreneurial skills, individual agency, decision making capabilities, a growth and formalization mindset must be fostered. There is a need to provide gender-sensitive training and upgrade and strengthen women entrepreneurs' skills in business management, marketing, and technical skills. Programs focused on numeracy, literacy, business management, simple record keeping and marketing, through experiential learning methods are the need of the hour to strengthen women's leadership skills and self-confidence.

5.3.2 Enterprise Level Support

Enterprise-specific local mentorship is critical as it can provide long-term support and motivation and address issues comprehensively. Well-connected local experts who understand markets, services and local culture are important as they can play the supporting role of a mentor and guide for women.

5.3.3 Ecosystem Level Support

Market opportunities are critical, and curated opportunities from local and distant markets should be made available to women entrepreneurs. Once the market is available, growth-oriented women entrepreneurs are known to ensure that they produce with quality and run enterprises well. In a cluster-based approach, with an adequate number of women's enterprises, market services can be viably provided to women entrepreneurs. Similarly, well curated products and services related to finance, logistics and other procurement services, are key.

Financial products and services such as un-collateralised loans with flexible repayment schedules and discounted interest rates need to be introduced and made accessible to growth-oriented women entrepreneurs (Barboni and Agarwal, 2020). Currently, most programs focus on smaller credit (US\$ 606-1212)³⁰ which often does not meet the needs of the enterprises to scale operations. There is a need to introduce loan products that provide loans through a step approach, with process and documentation that are adaptable by the segment.

Programs that aim to empower GOWE need to adopt a geographical cluster approach and address inter-related issues via a comprehensive framework.

5.4 REFORMS

Based on the lessons learnt from this study, the policy and reform recommendations that support GOWE, are classified into design, institutional and investment reforms.

5.4.1 Design Reforms

1. Data-Driven Targeting

The identification of growth-oriented entrepreneurs is of paramount importance, for which there is a need to develop data-driven methodologies to better target this segment. The present methodologies are based on generic indicators, which often leads to inclusion and exclusion errors.

Identifying the target segment of GOWE in rural areas is also challenging and costly. This is a major disincentive for the private sector to invest in rural women enterprises. Data is also required at a decentralized level to identify emerging sectors for enterprise activity. Mapping the geographical location of the enterprise could also help match the promotion of specific enterprises with broader sectoral trends.

The government could invest in creating data platforms or consider leveraging existing resources to devise tools and indicators to identify the target segment. Furthermore, there is an urgent need for various departments and programs to collect and release gender disaggregated data to understand current trends.

2. Networking and Advocacy

Access to networks and mentoring is required at various levels, especially to overcome the lack of information that constrains women entrepreneurs' decisions to enter specific sectors and subsequent growth ambitions. There is a need to create rural women growth entrepreneurs' associations to advocate for, and serve the needs of their members and disseminate information on good practices in promoting successful and sustainable businesses. There is also a need to organise rural women micro-entrepreneurs collectively into business groups that enable economies of scale in production and marketing. Considering the significance of domestic support on the performance of GOWE, community leaders, both women and men, at the local, regional and national level, must be engaged as champions to foster support for women's entrepreneurship development.

3. Last Mile Incubation and Advisory Support

The One Stop Facility (OSF) model at the block / sub-district level are an important part of the implementation architecture providing just-in-time business development support to the entrepreneurs. OSF Centres are business facilitation-cum-incubation centres at the sub-district level, which provide customized business development services through a trained cadre of community professionals, experienced mentors and functional experts. Each OSF supports a minimum of two and maximum of four blocks.

30 INR 50,000 - 1,00,000, using the exchange rate of US\$ 1 = INR 82.41, as on June 2, 2023

4. **Women Mentors for Women Enterprises**

Studies and good practices from various countries point towards the need to create trusted networks for women enterprises to share experiences, challenges, and seek advice. While there is no dearth of training programs for women enterprises, combining these initiatives with a local mentoring programs could reap significant benefits.

5. **Personal Initiative Training**

Almost all entrepreneur training programs, particularly those for women enterprises in India, focus on imparting soft skills along with the technical business management skills. Including components of personal initiative training to existing modules may be a useful addition to drive women entrepreneurs to take calculated risks and expand their businesses.

6. **Regular Refresher Trainings**

Most training programs follow a structured approach and impart business management and technical skills to entrepreneurs. However, many entrepreneurs, particularly those on a growth track, feel the need for regular follow-up support. While mentoring is expected to address gaps, entrepreneur support programs must also plan to regularly assess training needs and deliver short programs in the field. Women entrepreneurs undergoing trainings may also be certified by a third-party to enable access to ecosystem services, such as finance.

7. **Enabling Environment at Family, Cluster and Society Level**

Social attitudes and cultural views still tend to exert a negative influence on women's desires to start businesses, as well as on their self-confidence. There is a need to raise awareness about the potential of entrepreneurship to shore up women's motivation for business creation and development. A structural shift, focused on family members and the community at large, to address the gender and social norms that limit women entrepreneurship is the need of the hour. At the same time, women's entrepreneurship needs to be promoted broadly to counter gender stereotypes about women's activities in the labour market. There is a need for gender mainstreaming of all rural business development initiatives by removing systemic barriers and reforming laws and regulations that impede women's economic empowerment.

8. **Targeted Support for Growth-Oriented Entrepreneurial Women**

Lessons from existing MSME promotional policies by the Government of India underscore the need to properly target support towards women entrepreneurs who are more entrepreneurial or growth-oriented. In a departure from current policy, government support schemes should differentiate between entrepreneurs that operate growing and dynamic enterprises with the potential to create new jobs and those that consider enterprises as mere sources of income.

9. **Collaborative Working Model**

In order for women entrepreneurs to be profitable and grow, they require comprehensive and multi-dimensional support, which cannot be delivered by a single agency. Collaborative action models with civil society, government and market players, anchored by cluster agencies may be a way to address this challenge. Leveraging the opportunities provided by technology and platform thinking can help scale these collaborative models in the long run.

5.4.2 **Institutional Reforms**

1. **Decentralized Incubation Centres**

The government initiative to set up One Stop Facilities (OSFs) and deploy a trained community cadre to provide last mile business development services is laudable. Going forward, efforts must be made to improve the technical capability of these decentralised incubation centres. Collaboration with the private sector must be prioritized or accelerated to expose enterprises to latest market trends and methods of modernizing businesses.

2. **Women's Entrepreneur Associations**

The government's orientation towards GOWE signals a trend of upcoming targeted schemes and programs. To regularly provide feedback to the government and advocate for a favourable policy environment, it is important to develop and

nurture self-governed women's entrepreneur associations at all levels (perhaps starting from district as a base unit). The associations have often identified ways in which women entrepreneurs could gain better access to appropriate resources.

3. Partnerships with the Private Sector

As enterprises grow, it becomes pertinent to expose them to the knowledge and experience of the private sector. Private sector players are more attuned to market trends, and knowledge and commercial partnerships with the private sector can help the rural enterprises to become smarter, more effective, and efficient.

4. Avenues for Institutional Procurement

Institutional procurement, such as government procurement, enables women enterprises to work with a safety net as they explore and compete with the open market. The government and women's enterprise promotion and support agencies must develop a graduation framework to enable younger enterprises to benefit from public procurement safety nets, while continuing to provide handholding services to enterprises that have grown their operations and no longer need the safety of government procurement to earn a regular revenue stream.

5.4.3 Investment Reforms

1. Cash Inflow based Financial Products

Women have proved that they are credible borrowers and in addition to affordable finance, the financial sector must innovate to devise agile products tailored to meet their needs and match their enterprise's cash cycles. Investments must be made to promote digital book-keeping and payment solutions and build capacities of women enterprises to adopt these solutions. This will allow an insight into cash flows, and thereby the development of more refined financial products.

2. Commercial Loans

Measures to provide access to commercial credit (by government support programs) is a critical element to ensure sustainability of growth enterprises. Apart from addressing credit needs, a commercial loan will help establish credit worthiness and allow enterprises to avail future loans. Learning from international experience, graduation programs for enterprises that have a sound history of repaying micro-loans to mainstream commercial finance could also be developed.

3. Digital Solutions

Adopting digital solutions will help develop sector specific benchmarks to assess enterprise performance, provide customized support services and lending. District-level data analytics could provide key stakeholders, including banks, with information on opportunities and associated risks. This will allow for data to be used as a decision support system rather than a centralized policy input alone.

4. Priority Sector Tag for Rural Women Enterprises

While micro-enterprise financing is categorized as a priority sector for lending, these loans are mostly provided to enterprises at the upper end of the spectrum (that is, enterprises closer to the US\$ 600K/ INR 5 crore turnover mark) (World Bank, 2022). There is a need to further sub-segment the micro-enterprise category, prioritize loans to women's enterprises and focus on GOWE to encourage commercial banks to lend to this segment.

5.5 CONCLUSION

The identification of rural GOWE in this analysis is based on enterprise surveys and listing exercises completed as part of on-going World Bank projects, linked to existing literature and government data. This work is part of a broader analytical piece by the World Bank team that aims to inform project design for enterprise support programs.

Estimates suggest that India has between 13.5 to 15.7 million women-owned enterprises, which represent 20% of all enterprises in the country (NITI Aayog, 2022). While women's entrepreneurship in the region is dominated by subsistence, single-person enterprises, these provide employment to an estimated 22 to 27 million people.

This study is an attempt to rectify the information scarcity with regards to women-led GOWE, that represent a significant opportunity to generate jobs and contribute to the dynamism of the economy.

Most entrepreneurship development and support programs are primarily targeted at microenterprises and then women, making it difficult to draw conclusions about program design for growth-oriented entrepreneurs. Anecdotes from the field and case studies of women's entrepreneurs show that if provided with the right set of tools, both financial and technical, women-led enterprises can dramatically transform economic and social outcomes for women.

It is estimated that by 2030, the working-age population of India will cross 1 billion and with approximately 54 million entering the workforce. India has the third highest gender gap in entrepreneurship in the world (NITI Aayog, 2022) and it is anticipated that the women's labour force participation will most likely see a further reduction. IFC's work on "Financial Inclusion for Women-Owned MSME found that women face higher borrowing costs, are often expected to provide collaterals and mostly get shorter-term loans. Consequently, per the latest estimates, only 14% of women-owned enterprises avail formal financing for growth-financing, compared to 66.7% of male-owned enterprises (Singh and Chhabra, 2019). Further, the unravelling of COVID-19 has disadvantaged micro-enterprises in general and women-owned enterprises in particular. Promoting women's entrepreneurship is a critical agenda in this context to address the growing economic and employment gender gap, and when this latent and untapped economic potential is leveraged, the future is female.

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Annexures

ANNEXURE 1A: Top-10 Sectors of GOWE in Rural India (NSSO 73rd round)

ENTERPRISE TYPE	SHARE OF ENTERPRISES (%)	PROPORTION OF ENTERPRISE THAT EMPLOY HIRED LABOUR	AVERAGE MONTHLY SALES (INR)	AVERAGE MONTHLY PROFIT(INR)
Custom tailoring	33.79	7.9%	5628	4010
Manufacture of tobacco products	7.87	1.0%	1964	1810
Retail sale of cereals and pulses, tea, coffee, spices, and flour	5.13	8.8%	37208	7266
Retail sale in general stores	4.13	5.6%	25013	5230
Hairdressing and other beauty treatment	2.99	30.0%	13133	8008
Restaurants without bars	2.78	43.1%	42333	15890
Retail sale of fresh or preserved fruit and vegetables	2.38	2.4%	28604	6195
Embroidery work and making of laces and fringes	1.58	6.6%	4515	3061
Academic tutoring services	1.5	3.9%	5305	4216
Tea/coffee shops	1.49	25.8%	26931	9326

ANNEXURE 1B: 5-point Growth Score Used for Sampling

To sample enterprises with different growth potential and profiling of the same, the study used a growth score metric for the identification of the enterprises. The growth score metric was defined based on the scoring methodology developed by NRLM related to the selection of enterprises to be supported under NRETP OSFs³¹. The enterprise growth score metric ranges from 0-5 based on five different variables. These variables have the potential to contribute to and/or inform the growth characteristics of an enterprise according to the methodology. Details about the variables used in the score metric are as follows.

#	VARIABLE	SCORE
1	Taken formal loan	Yes - 1 No - 0
2	Shop type	Rented premises - 1 Others - 0
3	Hired workers	Yes - 1 No - 0
4	Location of the enterprise	Main market and highway/main road - 1 Others - 0
5	Age of the enterprise	<=2018 - 1 2019 - 0

The growth score metric was used to categorise the women-owned enterprises into three main categories to identify enterprises with various levels of growth potential. The three categories were designed to be GOWE in the "High" category with a score of 4 or 5; enterprises with growth potential in the "Medium" category with a score of 2 or 3; and subsistence enterprises in the "Low"

31 Annexure I of File No. S-1 1 057/06/201 8/SVEP (364887) Government of India, Ministry of Rural Development (DAY-NRLM), Dated 1 4th July, 2020 (Note on Methodology for Shortlisting Enterprises to be Supported under One Stop Facilities under National Rural Economic Transformation Project)

category with a score less than 2. Since the objective of the study is to examine what drives growth and characteristics of GOWE, the sample was divided in 2:1:1 across high, medium, and low score enterprises, respectively.

ANNEXURE 1C: Survey questionnaire on Entrepreneur Traits

We study four primary entrepreneur traits

1. Risk perception
2. Resilience
3. Innovation
4. Autonomy

For each trait, three statements were presented to the respondents, where they stated their level of agreement based on their personal experience and perceptions. The questions were:

RISK PERCEPTION	In general, I believe in expanding gradually by taking small thought-out and calculated steps	<ol style="list-style-type: none"> 1. Strongly agree 2. Agree 3. Neither agree not disagree 4. Disagree 5. Strongly disagree
RISK PERCEPTION	In general, in my enterprise, when confronted with decision-making situations involving uncertainty, my company, I usually adopt a 'wait and see' approach in order to minimise the probability of costly mistakes	<ol style="list-style-type: none"> 1. Strongly agree 2. Agree 3. Neither agree not disagree 4. Disagree 5. Strongly disagree
RISK PERCEPTION	Regarding the enterprise, I believe in low-risk projects	<ol style="list-style-type: none"> 1. Strongly agree 2. Agree 3. Neither agree not disagree 4. Disagree 5. Strongly disagree
RESILIENCE	I am able to adapt to change quickly	<ol style="list-style-type: none"> 1. Strongly agree 2. Agree 3. Neither agree not disagree 4. Disagree 5. Strongly disagree
RESILIENCE	I believe I can achieve goals despite obstacles	<ol style="list-style-type: none"> 1. Strongly agree 2. Agree 3. Neither agree not disagree 4. Disagree 5. Strongly disagree
RESILIENCE	I accept failures well and do not get discouraged	<ol style="list-style-type: none"> 1. Strongly agree 2. Agree 3. Neither agree not disagree 4. Disagree 5. Strongly disagree
INNOVATION	I like to try new things and ideas	<ol style="list-style-type: none"> 1. Strongly agree 2. Agree 3. Neither agree not disagree 4. Disagree 5. Strongly disagree

INNOVATION	I have introduced many lines of products and/or services since the beginning (successful as well as unsuccessful ones)	1. Strongly agree 2. Agree 3. Neither agree not disagree 4. Disagree 5. Strongly disagree
INNOVATION	The changes introduced in products/services has been quite different and innovative	1. Strongly agree 2. Agree 3. Neither agree not disagree 4. Disagree 5. Strongly disagree
AUTONOMY	With respect to major finance-related decisions, usually,	1. Strongly agree 2. Agree 3. Neither agree not disagree 4. Disagree 5. Strongly disagree
AUTONOMY	With respect to decisions around new additions/expansion (product/service/market),	1. Strongly agree 2. Agree 3. Neither agree not disagree 4. Disagree 5. Strongly disagree
AUTONOMY	With respect to decisions around adoption and use of technology,	1. Strongly agree 2. Agree 3. Neither agree not disagree 4. Disagree 5. Strongly disagree

ANNEXURE 4A: Entrepreneurship Support Programs of the GOI³²

1. Financial Assistance Programs

- a. Launched in 2015, The Ministry of MSME's Pradhan Mantri Mudra Yojna³³ (PMMY) aims at providing collateral-free loans up to a limit of INR 10 lakh to support new and help existing micro-enterprises grow. Reports showed that initially, the PMMY achieved a higher impact in the nano-enterprise or Shishu category³⁴, however, this momentum waned as there was a decline in new accounts opened, after Financial Year (FY) 2016-17³⁵. A key reason was that bank targets set by the government did not translate into a rise in lending to nano enterprises. While there was a 5.6% increase in the amounts disbursed to nano-enterprises in 2016-17, these were distributed amongst less than 3% of the 1,23,000 enterprises in the segment.

Implementation experience suggests that even though women have accessed the highest number of loans, the average ticket size of loans disbursed to them is US\$ 325³⁶, which is insufficient for a growth-oriented enterprise. Therefore, refinance in its current form does not appear to have any significant impact on the funding needs of the intended beneficiaries. Disbursement of loans to beneficiaries with limited credit history, without risk assessment of business plans and a lack of close monitoring, makes implementation challenging and intensive (IWWAGE, 2020).

³² The list of programs is not exhaustive.

³³ For more details, visit: <https://mudra.org.in/FA>.

³⁴ PMMY provides loans of less than INR 50,000 to entrepreneurs under the Shishu category (nano-enterprises), between US\$ 606-60,000 (INR 50,000- INR 5 lakhs) under the Kishore category and US\$ 60,000-120,000 (INR 5 lakhs - INR 10 lakhs) under the Tarun category.

³⁵ Reports suggest that during the FY 2016-17, refinance provided by PMMY was in the range of INR 3,525.94 crore to 11 Public Sector Banks (PSBs), 20 MFIs, four non-MFI NBFCs, in addition to some unreported number of RRBs.

³⁶ INR 26,747, using the exchange rate of 1 US\$ = INR 82.41, , as on June 2, 2023.

- b. **The Small Industries Development Bank of India (SIDBI) and MoMSME have instituted a Credit Guarantee Fund Trust for Micro and Small Enterprises³⁷ (CGTMSE)** to enable financial institutions to provide collateral-free loans of up to INR 50 lakh to women entrepreneurs. The scheme provides a guaranteed cover of 80% for loans extended to women. Anecdotal evidence suggests that the facility faces implementation issues in the field and not many rural GOWE have benefitted from it.
- c. **The Cluster Development Program³⁸ (MSE CDP) is an important scheme of the Office of Development Commissioner (MSME).** The cluster development approach has been the key strategy to enhance productivity and competitiveness, as well as build the capacity of MSEs and their collectives. It provides infrastructure support in the form of common facility centres (for testing, training, stocking raw materials, effluent treatment, complementing production processes, etc.) in new and existing industrial areas. Further assistance has been provided in the form of setting up Flatted Factory Complexes, with a special emphasis on micro-village-based enterprises, women-owned enterprises and Schedule Caste, Schedule Tribe-owned units. Associations of Women's Enterprises have also been assisted under MSECDP to display and sell products by women-owned micro and small enterprises at exhibition centres.

Another initiative to promote cluster development by the MoMSME is the Scheme of Fund for Regeneration of Traditional Industries (SFURTI)³⁹. The Khadi and Village Industries Commission (KVIC)⁴⁰ serves as the nodal agency to promote cluster development for *Khadi*. In FY 2020-21, the scheme witnessed a decline in the number of approved clusters, artisans employed and grants extended, as compared to the preceding year.⁴¹

2. Skilling and Capacity Building Programs

The National Skill Development Mission 2015⁴² emphasises that women comprise half the demographic dividend and skilling them could increase their participation in the country's labour force. According to the Labour Bureau data from 2013-14 (Kumar, ORF, 2022), only 3.8% of India's adult women had ever received vocational training, compared to 9.3% of men, leading to a wide gender gap in skills training. Of the women who had received vocational training, 39% did not join the labour force following training.

- a. **In 2016, the GOI launched the Start-up India Program⁴³, aimed at providing incubation and ecosystem services to encourage start-ups.** Even though 10% of the earmarked INR 10,000 crore corpus is reserved for women's enterprises, the program is not aligned to rural priorities and supports enterprises which are much larger than the defined segment of GOWE.

Similarly, government initiatives such as Pradhan Mantri Yuva Udyamita Vikas Abhiyan⁴⁴, have been implemented to support the creation of an enabling environment and provide training and mentorship services. However, like the Start-up India program, these programs are generic and do not cater specifically to rural women entrepreneurs (PIB, 2019).

- b. **Since 2018, the key ministries of MSME and Skill Development and Entrepreneurship launched women-centric programs, signalling that the government recognizes the potential of women's enterprises and is taking measures to support their growth.**

In 2018, on Women's Day, the Ministry of MSME launched a targeted Udyam Sakhi Portal⁴⁵, which provides access to learning tools, training, mentors, knowledge about incubation facilities, investor meets, etc. The portal is particularly targeted towards women's enterprises and has enrolled social entrepreneurs, senior executives, retired businesswomen and former bank officials as mentors.

37 For more details, visit: <https://www.cgtmse.in/>.

38 For more details, visit: https://my.msme.gov.in/mymsme/reg/COM_ClusterForm.aspx.

39 For more details, visit: <https://sfurti.msme.gov.in/SFURTI/Home.aspx>.

40 For more details, visit: <https://www.kvic.gov.in/kvicres/index.php>.

41 According to the available data from the ministry, the number of approved clusters reduced to 107 in FY 2020-21 from 157 in FY 2019-20, after increasing from 68 in FY 2018-19. Similarly, the grant provided jumped from INR 139 crore in FY 2018-19 to INR 397 crore in FY 2019-20 before declining to INR 321 crore in FY 2020-21. The number of artisans employed also increased from 32,462 in FY 2019-19 to 84,171 in FY 2019-20, but dropped to 62,408 in FY 2020-21.

42 For more details, visit: <https://www.msde.gov.in/en/reports-documents/policies/NSDM>.

43 For more details, visit: <https://www.startupindia.gov.in/>.

44 For more details, visit: <https://innovateindia.mygov.in/yuva/>.

45 For more details, visit: <https://udyam-sakhi.com/>.

- c. **In the same year, the Ministry of Skill Development and Entrepreneurship, in collaboration with GIZ initiated a program 'Her & Now'⁴⁶ to provide incubation and acceleration support to identified women enterprises in peri-urban areas of the North-East, Rajasthan and Telangana.** This is amongst the first initiatives undertaken by the GOI to recognize the GOWE segment. Over 600 women's enterprises have been supported so far.
- d. **The flagship program of MDSE—the Pradhan Mantri Kaushal Vikas Yojana⁴⁷ (PMKVY) promotes gender mainstreaming of skills, through short-term skills training.** Close to 50% of the candidates under PMKVY are women, and in its third phase, the program has trained 4,830,646 women as of November 2021 (Kumar, ORF, 2022).
- e. **A few National Skill Training Institutes exclusive to women offer training under two schemes: the Craftsmen Training Scheme (CTS) and the Craft Instructors' Training Scheme (CITS)⁴⁸.** Currently, training courses under the Craftsmen Training Scheme are being offered through a network of 15,042 ITIs (2,738 government and 12,304 private) located across the country, with 22.8 lakhs trainees enrolled in one or two yearlong programs, under the auspices of the Directorate General of Training, Ministry of Skill Development And Entrepreneurship (MSDE).
- f. **The Skills Acquisition and Knowledge Awareness for Livelihood Promotion⁴⁹ (SANKALP) scheme, implemented by MSDE in collaboration with the World Bank, supports skill training schemes like PMKVY and aims to increase the participation of women in short-term vocational training.**
- g. **The Support to Training and Employment Program for Women⁵⁰ (STEP) by the Ministry of Women and Child Development trains women to become self-employed or entrepreneurs.** However, this scheme has become largely ineffective, with its budget remaining underutilised⁵¹ (Kumar, ORF, 2022).
- h. **The Government of Telangana also launched an incubator called 'WE Hub'⁵² which supports existing women entrepreneurs to seek funding, corporate connections and mentorship to scale up their businesses.** Learning from this experience, in 2022, WE Hub launched a dedicated program to incubate rural GOWE. The program is expected to demonstrate a workable model to provide high-intensity incubation and acceleration support to this target segment, as it aims to incubate 50 rural women entrepreneurs in selected sectors.

46 For more details, visit: <https://herandnow.in/>.

47 For more details, visit: <https://www.pmkvyofficial.org/>.

48 Since vocational training falls under the auspices of both the central and state governments, the responsibility to develop, create training standards and norms and conduct exams rests with the central government, while the day-to-day administration, such as admissions to it is, rests with the respective state governments.

49 For more details, visit: <https://sankalp.msde.gov.in/>.

50 For more details, visit: http://wbcdwds.gov.in/User/scheme_STEP.

51 In 2013-14, STEP's budget was INR 180 million, of which around INR 70 million was used. By 2017-18, despite an increase in its allocation to INR 400 million, less than INR 25 million was utilized. The beneficiaries also fell from 31,478 to 4,200 in the same period (Kumar, ORF, 2022).

52 For more details, visit: <https://wehub.telangana.gov.in/>.

