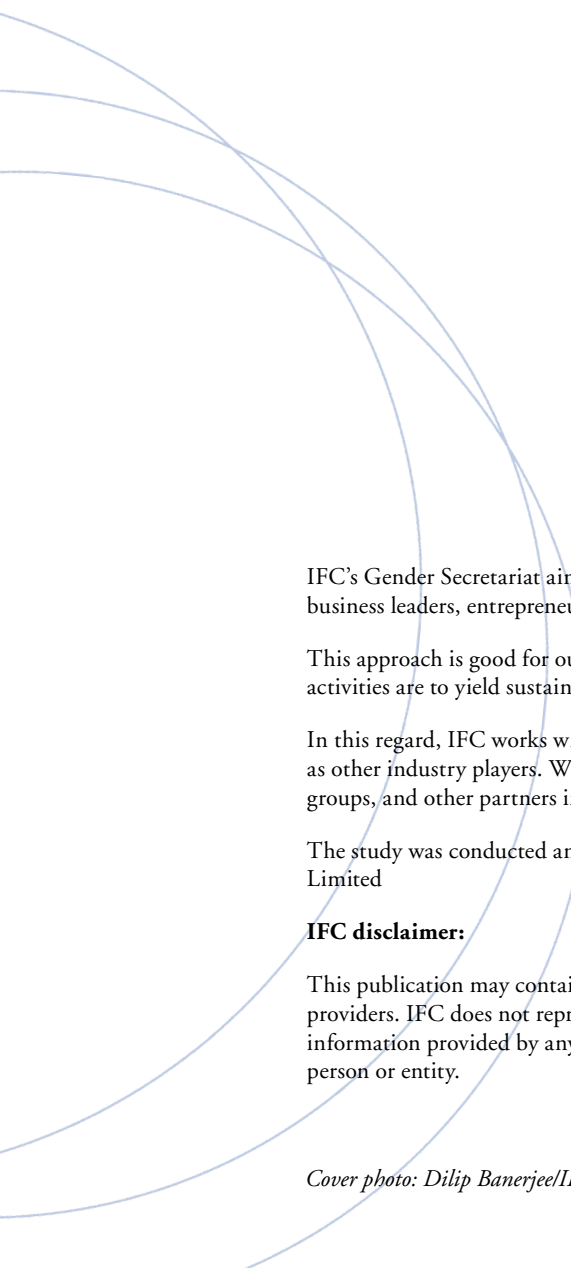


Micro, Small, and Medium Enterprise Finance
Improving Access to Finance for

Women-owned Businesses in India



A Research Report on Opportunities, Challenges, and the Way Forward



IFC's Gender Secretariat aims to strengthen private sector development by focusing on the role of women as business leaders, entrepreneurs, employees, consumers, and economic stakeholders.

This approach is good for our clients and good for business overall. It is also fundamental if economic development activities are to yield sustainable, widespread benefits in emerging markets.

In this regard, IFC works with corporations, financial institutions, government departments, and regulators, as well as other industry players. We also collaborate with business associations, commercial mediation bodies, research groups, and other partners in development.

The study was conducted and written for the International Finance Corporation (IFC) by *MicroSave* Private Limited

IFC disclaimer:

This publication may contain advice, opinions, and statements of various information providers and content providers. IFC does not represent or endorse the accuracy or reliability of any advice, opinion, statement or other information provided by any information provider or content provider, or any user of this publication or other person or entity.

Table of contents

Improving Access to Finance for Women-owned Businesses in India	7
Executive Summary	9
1. Women-owned Businesses in India: An Overview.....	11
1.1 Micro, small, and medium enterprises.....	12
1.2 Women-owned micro, small and medium enterprises.....	13
2. Analysis of Access to Finance Gap for Women-owned Enterprises.....	19
2.1 Estimating demand for financing for women-owned businesses.....	20
2.2 Supply of finance to women-owned businesses	21
2.3 Financing programs for women entrepreneurs	21
2.3.1 Government schemes	21
2.3.2 Finance provided by commercial banks	22
2.3.3 Microfinance	25
2.4 Current demand-supply gap in access to finance to women-owned MSMEs.....	26
3. Global Best Practices for Women-owned Enterprise Financing	27
3.1 Commercial banks providing tailored financial solutions to women-owned MSMEs	28
3.1.1 Best practices of commercial banks from developed economies	28
3.1.2 Best practices of commercial banks from emerging economies.....	30
3.2 Finance for women-owned businesses: A key focus for development finance institutions	33
3.3 Equity financing.....	34
4. The Way Forward.....	35
4.1 Finance for women-owned MSMEs - The business case for financial institutions.....	36
4.2 Key recommendations	37

Annexure 1: Estimation Approach	42
Approach to calculate the financing gap.....	42
Annexure 2: Case Study	45
Increasing access to finance for women entrepreneurs in Lebanon	45
Annexure 3: References	46

List of tables

Table 1 Definition of micro, small, and medium enterprises based on investment.....	12
Table 2 MSMEs' access to finance	13
Table 3 Classification of women-owned MSMEs.....	14
Table 4 Geographical distribution of women-owned MSMEs.....	14
Table 5 Access to finance of women-owned enterprises.....	15
Table 6 Demand for financing from women-owned MSMEs	15
Table 7 Demand and supply side constraints to access finance for women entrepreneurs	16
Table 8 Financing requirements of women-owned MSMEs	20
Table 9 Supply of finance to women-owned MSMEs by different institutions.....	21
Table 10 Government scheme for women-owned MSMEs.....	22
Table 11 Public sector banks' schemes for women-owned MSMEs.....	23
Table 12 Finance demand, supply, and gap for women-owned MSMEs	26
Table 13 Estimated average financing needs of women-owned MSMEs	43
Table 14 Estimated working capital financing demand by women-owned MSMEs	43
Table 15 Estimated asset financing and investment demand by women-owned MSMEs	43
Table 16 Estimated total financing demand by women-owned MSMEs	44

Abbreviations

BDS	Business development services
CGTMSE	Credit Guarantee Fund Trust for Micro and Small Enterprises
CGTSI	Credit Guarantee Fund Trust for Small Industries
DFIs	Development financial institutions
EBRD	European Bank for Reconstruction and Development
EDP	Entrepreneurship development program
FIs	Financial institutions
GDP	Gross domestic product
GOWE	Growth Oriented Women Entrepreneurs
ILO	International Labour Organization
KCB	Kenya Commercial Bank
MFI	Microfinance institutions
MFW	Marketing Fund for Women
MSMED	Micro, small and medium enterprise development
MSMEs	Micro, small, and medium enterprises
NABARD	National Bank for Agriculture and Rural Development
NBFCs	Non-banking financial corporations
NFS	Non-financial services
NGO	Non-governmental organisation
PNB	Punjab National Bank
RBI	Reserve Bank of India
SADC	South African Development Community
SHG	Self-help group
SHG	Self-help group
SIDBI	Small Industries Development Bank of India
SME	Small and medium enterprises
SSE	Small-scale enterprises
SSI	Small-scale industries
TREAD	Trade-related entrepreneurship assistance and development
WEDI	Women Enterprise Development Initiative
WIB	Women in Business
WIPP	Women Impacting Public Policy
WOSB	Women-Owned Small Business

Improving Access to Finance for Women-owned Businesses in India

Lending to women-owned micro, small, and medium enterprises (MSMEs) as a distinct segment is still unexplored when compared to lending to MSMEs in India. Due to a lack of segmental focus and, perhaps, due to a higher perception of risk, formal financial institutions have made little effort to better understand this segment. There is a lack of awareness among bankers of the potential business opportunity presented by this segment. One reason for this is the lack of data that would help present a business case to target this emerging sector. In cases where formal institutions have created women-MSME targeted credit schemes, lack of awareness and limited outreach (especially in rural areas) has meant that the impact is limited.

IFC's work in this area aims to (a) build awareness about opportunities in access to finance for women-owned businesses; (b) demonstrate commercial viability of offering financial services to this sub-segment; and (c) strengthen capacity of the financial sector to offer targeted financial services to women entrepreneurs.

As part of its intervention in this sector, IFC organized a roundtable with representatives from banks, non-banking financial institutions, and industry associations to understand perspectives and discuss financial access for women-owned businesses. The discussion began to build awareness of the opportunities in the women entrepreneurs' segment for financial institutions, and best practices involved.

This report aims to assess the gap in demand and supply of finance, highlight the opportunity in serving women entrepreneurs, and catalogue initiatives taken by financial institutions in access to finance for women-owned businesses in India. The report presents the findings of a scoping study based on secondary research and primary interviews, together with key themes of the roundtable discussion, and recommends potential interventions by financial institutions to address the lack of access to formal finance for women-owned businesses in India.





Executive Summary

Women entrepreneurs make a significant contribution to the Indian economy. There are nearly three million micro, small, and medium enterprises with full or partial female ownership.

Collectively, these women-owned enterprises contribute 3.09 percent of industrial output and employ over 8 million people. Approximately, 78 percent of women enterprises belong to the services sector^[1]. Women entrepreneurship is largely skewed towards smaller sized firms, as almost 98 percent of women-owned businesses are micro-enterprises. As with the broader MSME sector, access to formal finance is a key barrier to the growth of women-owned businesses, leading to over 90 percent of finance requirements being met through informal sources.

The total finance requirement of women-owned MSMEs in 2012 was around Indian rupees 8.68 trillion (\$158 billion). Within the segment, small enterprises led the demand for financing: around Indian rupees 6.42 trillion (\$116 billion), approximately 74 percent of the total requirement. This was mostly due to unmet working capital and investment finance needs. Micro enterprises with a requirement of Indian rupees 2.05 trillion (\$37 billion), accounted for 24 percent. Most of this requirement was largely focused around working capital needs. Women-owned medium-scale enterprises, which account for 0.01 percent of the total MSME sector had finance requirements of around Indian rupees 0.21 trillion (\$4 billion), about 2 percent of the total requirement.

The total supply of formal finance to women-owned MSMEs in 2012 was around Indian rupees 2.31 trillion (\$42 billion). This resulted in a finance gap of Indian rupees 6.37 trillion (\$116 billion), or 73 percent of total demand.

The global experience of banks such as Westpac in Australia, Wells Fargo in the United States, and Royal Bank of Scotland clearly indicates that financial institutions can proactively and profitably engage with women entrepreneurs as clients to bridge funding gaps. Financial institutions that have created specific approaches for women entrepreneurs as part of their

[1] Banks have a general perception that financing of the services sector is more challenging due to lack of readily available financial benchmarks and collateral, as opposed to those available for manufacturing sector enterprises

overall SME strategies have seen an increase in the number of women clients, both as entrepreneurs and as consumers. Overall, it was noticed that women borrowers have stronger repayment track records. Gender disaggregated data from banks indicates that non-performing loans are 30 to 50 percent lower in women-owned businesses. Also, women-owned MSMEs present greater potential for cross sales. Research^[2] indicates that they are likely to access two to three times more products when compared with male entrepreneurs. This roughly makes them twice as profitable for banks as a consumer segment.

Financial institutions can tap this profitable segment with products and services tailored to the needs of women-owned MSMEs. However, financial institutions will need to adapt due to a number of reasons. First, women entrepreneurs are predominantly in the services sector, while the majority of credit extended by banks has historically been to manufacturing-based enterprises. Second, banks rely heavily on collateral to give credit, which is a constraint for women-owned services enterprises. Third, there is also a need to address some of the more obvious barriers that prevent women entrepreneurs from approaching financial institutions, such as a lack of women relationship managers and the need for support from a male family member to access credit. Finally, financial institutions should consider options such as advisory desks at selected bank branches to offer information on products and services tailored to women-owned enterprises. Providing non-financial services (NFS) and training, along with access to financial products, will offer holistic growth opportunities to women entrepreneurs.

This report takes a look at the state of access to finance for small women entrepreneurs and how the issue could be addressed.

Chapter 1 highlights the key characteristics of women-owned businesses and discusses the major issues confronting women-owned MSME entrepreneurs. It focuses on lack of financing as a barrier to growth and success. The subsequent two chapters focus on assessing market opportunities by estimating demand-supply gap in access to finance for women entrepreneurs (chapter 2) and details global best practices in financing women-owned enterprises (chapter 3). The report concludes by presenting the business case for financing women-owned MSME finance and outlines recommendations for financial institutions to address the lack of access to formal finance for women-owned businesses in India (chapter 4).

[2] Banking to the female economy: Global banking alliance for women, interview with Inez Murray, CEO for Global banking alliance for women



1

Women-owned Businesses in India: An Overview

1. Women-owned Businesses in India: An Overview

1.1 Micro, small and medium enterprises

India's growth story in the past decade has seen rapid industrial progress as well as exponential growth of the services sector. The micro, small, and medium enterprises (MSME) sector played a significant role in this through innovation, diversification, and employment generation. An estimated 29.8 million MSMEs in India^[3] contribute 11.5 percent of gross domestic product (GDP), 45 percent of industrial output, 40 percent of exports, and employ nearly 69 million people.

MSMEs in India are broadly divided into two classes according to the provisions of the MSME Development (MSMED) Act, 2006. These are:

- Manufacturing enterprises engaged in the manufacturing or production of goods pertaining to any industry specified in the first schedule of the Industries Development and Regulation Act, 1951, defined in terms of investment in plant and machinery.
- Service enterprises engaged in providing or rendering of services defined in terms of investment in equipment.

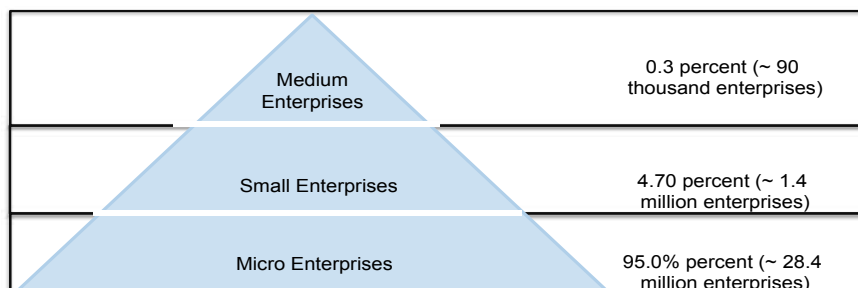
The segmentation into micro, small, and medium is based on investment in plant and machinery (in case of manufacturing) or in equipment (in case of services). This is detailed in table 1.

Table 1 Definition of micro, small, and medium enterprises based on investment

Type	Manufacturing (investment in plant and machinery) Indian rupees million (\$ thousand)	Service (investment in equipment) Indian rupees million (\$ thousand)
Micro	Up to 2.5 (Up to 45.5)	Up to 1.0 (Up to 18.2)
Small	2.5 – 50.0 (45.5- 909.1)	1.0 – 20.0 (18.2 – 363.6)
Medium	50.0 – 100.0 (909.1 -1,818.2)	20.0 – 50.0 (363.6- 909.1)

[3] Micro, Small, and Medium Enterprise Finance in India, A Research Study on Needs, Gaps and Way Forward (November, 2012), IFC

Figure 1 Composition of micro, small, and medium enterprises within the MSME sector



Ninety-four percent^[4] of micro, small, and medium enterprises operate without formal licences or registration. Approximately 29 percent^[5] belong to the manufacturing sector. MSMEs in the services sector, comprising of the remaining 71 percent, mostly operate in conventional transaction-based industries.

Access to finance is a key constraint to growth of the MSME sector in India. A significant proportion of financing is sourced from informal sources such as moneylenders. The funding sources used by various MSMEs are given in table 2.

Table 2 MSMEs' access to finance ^[6]

Funding source	Share (percent)
Formal financial sources	21.50
Self-equity	3.30
Informal sources	75.00

1.2 Women-owned micro, small, and medium enterprises^[7]

Around 3.01 million women-owned enterprises represent about 10 percent of all MSMEs in the country. Collectively, they contribute 3.09 percent of industrial output and employ over 8 million people. Approximately 78 percent of women enterprises belong to the services sector. Women entrepreneurship is largely skewed towards smaller sized firms, as almost 98 percent of women-owned businesses are micro-enterprises. Approximately 90 percent of women-owned enterprises are in the informal sector. The classification of women-owned businesses is shown in table 3, while table 4 shows the geographical location of women-owned MSMEs across India.

[4] Micro, Small, and Medium Enterprise Finance in India, A Research Study on Needs, Gaps and Way Forward (November, 2012), IFC.

[5] Ibid.

[6] Ibid.

[7] All data in this section from Quick Results Fourth All India Census of MSMEs 2006-07; Annual Report of Ministry of MSME, 2011-12 projected, MicroSave Analysis

Table 3 Classification of women-owned MSMEs

Category	Registered	Unregistered	Total	Total versus all women-owned businesses (percent)	Total versus all MSMEs (percent)
Micro	274,059	2,655,318	2,929,377	97.62	9.40
Small	40,722	30,414	71,136	2.37	0.23
Medium	276	-	276	0.01	0.01
Total	315,057	2,685,732	3,000,789	100.00	10.25

Table 4 Geographical distribution of women-owned MSMEs

Prevalence of women-owned businesses	State-wise Share (percent)	Number of states/union territories (#)	States/union territories	Combined share (percent)
High	>10.00	4	Kerala, Karnataka, Tamil Nadu, West Bengal	51.9
Medium	5.00-10.00	2	Andhra Pradesh, Madhya Pradesh	11.5
Low	2.00-4.99	7	Rajasthan, Maharashtra, Punjab, Uttar Pradesh, Bihar, Gujarat, Odisha	26.7
Very Low	<1.99	20	Rest of India	9.9

As with the rest of the sector, access to finance is the biggest barrier^[8] to growth and development for women-owned MSMEs. As a result, there continues to be a heavy reliance on informal sources of finance for seed capital and working capital requirements. The funding sources for women-owned MSMEs are listed in Table 5.

[8] Analytical paper on Gender and Access to Finance, Sushma Narain, World Bank, 2008

Table 5 Access to finance^[9] of women-owned enterprises

Funding source	Share (percent)
Formal financial sources	3.1
Semi-formal financial sources	4.8
Self, family, friends or informal sources	92.1

This study estimates that the total financing needs of women-owned micro, small, and medium enterprises are approximately Indian rupees 8.68 trillion (\$158 billion). Table 6 shows the demand for finances from women-owned enterprises in both formal and informal sectors.

Table 6 Demand for financing from women-owned MSMEs

Type	Formal Sector		Informal Sector	
	Number of units (in thousands)	Financing demand Indian rupees trillion (\$ billion)	Number of units (in thousands)	Financing demand Indian rupees trillion (\$ billion)
Micro	274.06	0.19 (3.49)	2,655.32	1.86 (33.86)
Small	47.53	3.91 (71.16)	30.41	2.50 (45.54)
Medium	0.28	0.21 (3.75)	0.00	0.00 (0.00)
Total	321.86	4.31 (78.40)	2,685.73	4.37 (79.40)

[9] State Level Bankers Committee Report for 2012 for all the states, Analysis in the study

Although the financing needs for women-owned enterprises are not radically different from the needs of male-owned enterprises, the level of financial exclusion is higher due to a combination of factors. Also, the social status of women and prevalent social norms in India influence perceptions of financial institutions and the ability of women entrepreneurs to access finance. The key demand and supply side constraints specific to women entrepreneurs' ability to access finance are outlined in table 7.

Table 7 Demand and supply side constraints to access finance for women entrepreneurs

DEMAND SIDE	SUPPLY SIDE
<ul style="list-style-type: none"> ● Limited financial awareness and understanding of financial products/ services: Women lack knowledge about available finance options, advantages and disadvantages, and costs of various options, benefits of borrowing, etc. This lack of knowledge generates reluctance to access finance from formal channels. ● Lack of adequate collateral: Access to collateral remains a key issue, especially for women entrepreneurs, given social and legal restrictions around inheritance and land ownership rights. Even if a woman legally owns an asset, male members of the family will often hold the title deed. 	<ul style="list-style-type: none"> ● Perception of higher risk profile in the absence of collateral security and guarantee/support by male family member: Banks generally consider women-owned enterprises as a high-risk sub-segment as these enterprises operate mostly in the informal sector and are usually micro in scale. Further, absence of collateral causes banks to avoid this sub-segment. Some bankers believe lending to unmarried women could be risky. The event of marriage could lead to change of locality or profession, and a possibility of default. ● No real attempt to tailor products/services to suit the needs of the woman entrepreneur: Banks often rely on personal profiles and track records while reviewing loan applications. In the case of women, these are often not strong enough or relevant for banking needs as women entrepreneurs often lack proper records / documents. There is little effort by financial institutions to understand this sub-segment and design tailored financial products or processes. ● Perception that bank branches are unwelcoming to women customers: One common criticism expressed by women entrepreneurs is that bank branches are not conducive due to a disproportionately low number of women relationship officers (female employees constitute less than 20 percent of the workforce in banks). In addition, no specific efforts are made to build a more conducive environment to attract walk-ins by women customers and/or to provide advisory services to supplement financial services. Both strategies have had significant success in other countries.

DEMAND SIDE	SUPPLY SIDE
<ul style="list-style-type: none"> ● Need for support from male family members: Several banks require either the husband's or father's (in case of unmarried women) signature to approve loan applications for women borrowers, which can sometimes act as a deterrent. ● Lack of confidence or hesitation to approach financial institutions: Women entrepreneurs tend to have less experience with banking institutions and could feel intimidated to approach a bank. Poor financial literacy often translates into inadequate accounting and financial management functions. 	<ul style="list-style-type: none"> ● High transaction costs given the small size of women-owned MSME firms: Although high transaction costs are a well-known barrier for finance for the MSME segment, this is further intensified for women-owned businesses, which are usually very small and have lower than average finance requirements. It is estimated that average finance needs of men-owned enterprises are about 2.4 times that of women-owned enterprises. The cost of administering and servicing small loans to women entrepreneurs is relatively high due to similar processing and documentation requirements for enterprises regardless of size. Additionally, the credit risk assessment process, which is generally complex, is the same for small or large loans. Thus, banks tend to focus on clients with larger loan demands. ● Lack of reliable information about financial management makes the women entrepreneurs less attractive to financiers: Due to lack of knowledge of financial management, women-owned enterprises do not always maintain the necessary financial documents in the required format, which make them less attractive to financial institutions.



2

Analysis of Access to Finance Gap for Women-owned Enterprises

2. Analysis of Access to Finance Gap for Women-owned Enterprises

2.1 Estimating demand for financing for women-owned businesses

Based on the 4th MSME Survey Census of Registered and Unregistered MSMEs, 2006 and the 2011-12 report of the Ministry of MSME, there are 321,000 registered and 2.69 million unregistered women-owned MSMEs in India. These 3.01 million enterprises were segmented into micro, small, and medium enterprises. The financing demand for each of these comprises of working capital needs, financing of long-term assets, and investment demand. The total combined demand for finance by women-owned MSMEs, using 2012 data as a base, is approximately Indian rupees 8.68 trillion (\$158 billion), which includes both debt and equity. A detailed explanation of the methodology used to arrive at these estimates is included in Annexure 1.

The small enterprises segment leads the demand for financing, followed by micro and medium enterprises. The total debt required by women-owned MSMEs is estimated at Indian rupees 6.10 trillion (\$111 billion) and equity at Indian rupees 2.58 trillion (\$47 billion). Financing requirements by segment and the split between debt and equity by segment, is provided in table 8.

Table 8 Financing requirements of women-owned MSMEs

	Total versus all women-owned businesses (percent)	Total demand in Indian rupees trillion (\$ billion)	Demand Share (percent)	Debt demand in Indian rupees trillion (\$ billion)	Equity demand in Indian rupees trillion (\$ billion)
Micro	97.62	2.05 (37.36)	24	1.64 (29.89)	0.41 (7.47)
Small	2.37	6.42 (116.70)	74	4.31 (78.44)	2.10 (38.26)
Medium	0.01	0.21 (3.75)	2	0.14 (2.50)	0.07 (1.25)
TOTAL	100.00	8.68 (157.80)	100	6.10 (110.82)	2.58 (46.98)

2.2 Supply of finance to women-owned businesses

Total formal finance extended to women-owned MSMEs in 2012^[10] was around Indian rupees 2.31 trillion (\$42 billion). This credit supply originated from various types of financial institutions such as public sector banks, non-banking financial corporations, and self-help group-bank linkage programs. A breakdown of types of institutions financing women-owned MSMEs is given in table 9.

Table 9 Supply of finance to women-owned MSMEs by different institutions

Source	Financing supply share (percent)
Public sector banks through microcredit	30
Public sector banks to small scale industries	38
Prime Minister's Rozgar Yojana	2
Swarna Jayanti Shahari Rozgar Yojana	1
Swarna Jayanti Gram Swarozgar Yojana	4
Private sector banks	19
Foreign banks	5

2.3 Financing programs for women entrepreneurs

The government of India encourages greater financial sector participation for women-owned MSMEs to address the significant finance gap in this sub-sector.

2.3.1 Government schemes

The government has an ambitious 14-point action plan for public sector banks to increase women's access to bank finance, including MSME finance. It set a target of 5 percent aggregate public sector bank lending to women and instructed the central bank to track performances. Following this, Reserve Bank of India (RBI) in 2000 asked public sector banks to report credit extended to women. This resulted in an increase of loans to women from 2.36 percent in 2001 to 5 percent of total lending in 2007. Aggregate net bank credit to women increased to 6.3 percent in 2009, with 25 banks reaching targets.

Apart from MSME-specific initiatives, India's 11th five-year plan encourages ownership rights for women by offering incentives for registration of property. Women homebuyers benefit from tax exemptions, lower stamp duties, and easier availability of home loans. This could help women who own MSMEs to get greater access to collateral and, in turn, access business finance.

The MSME ministry has flagged the promotion of women-led enterprises as a key priority area. In 2008, the ministry launched the government of India's only financing scheme for women entrepreneurs. However, lack of awareness among target clients led to low uptake of this scheme. In 2012^[11], loans of Indian rupees 7.7 million (\$140,000) were disbursed against a target of Indian rupees 38 million (\$700,000). Table 10 outlines the key details of the scheme.

[10] Annual Report, Ministry of Finance, 2012

[11] Annual Report, Ministry of Micro, Small and Medium Enterprises 2012

Table 10 Government scheme for women-owned MSMEs

Scheme	Implementing Agency	Details	Features
Trade Related Entrepreneurship Assistance and Development (TREAD) scheme for women	Ministry of Micro, Small and Medium Enterprises	Objective is to provide better access to finance. non-governmental organizations to be the implementing agencies by lending funds to entrepreneurs	Credit: 30 percent of total project cost as government grant, 70 percent by the appraising institution Training and development: Indian rupees 100,000 for the NGO conducting the program

The government plans to set up India's first all-women's public sector bank -- the Bharatiya Mahila Bank -- by the end of 2013. The bank targets to have 25 branches by March, 2014. This bank will focus on the banking needs of women and promote their economic empowerment. The government has approved Indian rupees 10 billion (\$181 million) as seed capital for this bank. It gave an in-principal approval for the bank in June 2013.

2.3.2 Finance provided by commercial banks

Public sector banks lead in extending finance to women-owned MSMEs. Key public sector bank programs for women-owned MSMEs are outlined in table 11.

Table 11 Public sector banks' schemes for women-owned MSMEs

Scheme	Sponsoring bank	Details	Products
ALEAP and CGTSI - Mutual Credit Guarantee Scheme for Women	Andhra Bank	Credit (Fund-based and/or non-fund-based) for single eligible borrowers in the micro and small enterprise sector.	Credit facility up to Indian rupees 10 million (\$181,818) for manufacturing and service sectors but excluding retail trade; without collateral security or third party guarantee for a tenure of five years.
Akshaya Mahila Arthik Sahay Yojna	Bank of Baroda	Financial assistance for professional, self-employed women and for women in retail trade and agriculture.	Movable and immovable asset-based term loans and working capital limits.
Cent Kalyani	Central Bank	Financial assistance to women entrepreneurs for economic pursuits in various sectors.	Loans up to Indian rupees 10 million (\$181,818) without any collateral security or third party guarantee.
Dena Shakti Scheme for Women Entrepreneurs	Dena Bank	Finance for women entrepreneurs in agriculture and allied activities, small enterprises, retail trade, micro credit, education, and housing.	Term loans and working capital limits with a ceiling of Indian rupees 2 million (\$36,364) in the priority sector and housing and Indian rupees 50,000 (\$909) under micro credit.
Schemes for professional and self-employed women	Oriental Bank of Commerce	For professional and self-employed women.	For purchase of fixed assets (term loans) and to meet working capital needs. Maximum Indian rupees 500,000 (\$9,091) including working capital limit of Indian rupees 100,000 (\$1,818) Five to seven year tenure. 15 percent interest on loans above Indian rupees 25,000 (\$455).
Orient Mahila Vikas Yojana	Oriental Bank of Commerce	For women-owned MSMEs. Also, micro credit units provide doorstep services to women in rural areas.	Loans up to Indian rupees 1 million (\$181,818) without any collateral. Margin of 15 to 25 percent. Up to 2 percent concessions. No collateral security for small-scale industries for loans up to Indian rupees 2.50 million (\$45,455).

Scheme	Sponsoring bank	Details	Products
Priyadarshini Yojana	Bank of India	For women to set up small, village, and cottage industries. Covers payments for machinery.	No collateral required for loans up to Indian rupees 500,000 (\$9000). Interest rates relief from 0.5 percent to 1 percent for small-scale industries.
Udyogini Scheme	Punjab and Sind Bank	Loans on liberal terms for women entrepreneurs in agriculture, tiny/small-scale industries, and retail. Also for professional and self-employed women.	Need based amounts. Collateral for loans above Indian rupees 25,000. Margins of 15 to 25 percent based on quantum and purpose of the loan.
PNB schemes for women	Punjab National Bank	Five schemes for women entrepreneurs: 1) To meet gaps in equity 2) To purchase infrastructure 3) Easier credit to finance crèches 4) To meet working capital credit requirements of allied agricultural activities 5) Margin concessions.	Interest rates to be relaxed by 0.25 percent in non-priority sector advances and 0.50 percent in priority sector advances. Margins to be reduced to 10 percent wherever the margin requirement is more than 10 percent. Waiver of 50 percent upfront fee where applicable.
Stree Shakthi Package for Women Entrepreneurs	State Bank of India	For women entrepreneurs (small scale units managed by one or more women entrepreneurs) with a stake of not less than 51 percent. Entrepreneurs who have undergone entrepreneurship development programs conducted by state-level agencies or programs co-sponsored/sponsored by the bank are eligible.	Interest concessions of 5 percent based on business enterprise for self-employed women and SSIs. Interest rates lower than applicable. Collateral security waived for loans up to Indian rupees 500,000 (\$9091) for industrial units.
Marketing Fund for Women (MFW)	Small Industries Development Bank of India	Provides assistance to women entrepreneurs and organisations involved in marketing products manufactured by women entrepreneurs to increase their reach in domestic and international markets.	Flexible terms and conditions based on past track record and viability of project.

Scheme	Sponsoring bank	Details	Products
Annapurna Scheme for Financing Women for Establishing Food Catering Units	State Bank of Mysore	Supports women entrepreneurs setting up food catering units.	Maximum loan of Indian rupees 50,000. (\$9091) Composite term loan (50 percent working capital). 36-month tenure. Margin of 10 percent.
Mahila Vikas Scheme	State Bank of Travancore	To provide term loan/working capital to units promoted by women entrepreneurs. Only enterprises owned and administered by woman entrepreneurs, having a minimum financial interest of 51 percent and providing at least 50 percent of employment generated to women.	Loan from Indian rupees 50,000 to 500,000 (\$900 to \$9000). Tenure of 60 months, cash credit 12 months. Margins of 25 percent for term loans and 20 percent for cash credit.
Special Benefits for Women Entrepreneurs in Micro and Small Enterprises Segments	Canara Bank	Provides special schemes for women	Nil margins and no processing fees for loans up to Indian rupees 50,000 (\$900). 10 percent interest rate and no processing fees for loans from Indian rupees 50,000 to 500,000 (\$900 to \$9000).

2.3.3 Microfinance

In 2012, the number of microfinance clients in India was 90 million. Of these, nearly 95 percent were women who primarily accessed loans for income-generating activities. Microfinance loans for seed capital allow women borrowers build credit habits and become more bankable. Thus, microfinance plays a key role in expanding access to finance for low-income women aspiring to become entrepreneurs.

However, microfinance is effective in serving the needs of tiny enterprises which do not have as much potential to contribute to GDP and employment generation when compared with micro, small, and medium enterprises. MSMEs in India are constrained by microfinance's mono-product environment, singular delivery model, lack of flexibility, and shorter-tenure loans with limited amount of credit. In this environment, microfinance is limited to providing working capital to tiny home-based income generating activities.

Microfinance innovatively addresses the constraints of access to collateral through joint liability mechanisms and a sophisticated understanding of individual clients' personal circumstances in the case of individual lending. Another model of access to finance for women is the self-help group-bank linkage model. Largely promoted by NABARD, the SHG-bank linkage program was, in 2012, able to link over 9.9 million women with banks and enable access to credit. However, as this is targeted at low-income women and not at women-owned MSMEs, it caters to the needs of micro entrepreneurs, at best.

Microfinance is widely seen as a valuable tool to expand access to finance and empower women to set up and grow businesses and become earning members of households. Microfinance has great potential to expand from its current tiny/home enterprise model to MSMEs run by women. Microfinance institutions have a strong women borrower base and are in a position to address specific needs of this segment. The unique characteristics of existing microfinance models can be leveraged to bring more women entrepreneurs into the formal financial sector by building on microfinance credit histories.

A way forward for Indian banks can be based on the example of Exim Bank. With IFC's help, Exim Bank partnered with Sero Lease and Finance, a micro-leasing company in Tanzania, to successfully help women graduate from microfinance to the formal banking sector by facilitating transfer of borrowers' good credit histories from microfinance institutions to commercial banks. The program has committed \$1 million to target 30,000 women. The program includes training on business planning, management, and banking services such as the loan application process.

2.4 Current demand-supply gap in access to finance to women-owned MSMEs

The finance gap for women-owned MSMEs is Indian rupees 6.37 trillion (\$116 billion), or 73 percent of total demand. Details of the calculation methodology are included in annexure 1. The finance gap by segment is broken down in greater detail in table 12.

Table 12 Finance demand, supply, and gap for women-owned MSMEs

	Total demand Indian rupees trillion (\$ billion)	Total supply Indian rupees trillion (\$ billion)	Financing gap Indian rupees trillion (\$ billion)	Share (percent)
Micro	2.05 (37.36)	0.76 (13.76)	1.30 (23.58)	20
Small	6.42 (116.70)	1.43 (25.91)	4.99 (90.79)	78
Medium	0.21 (3.75)	0.13 (2.38)	0.08 (1.36)	2
TOTAL	8.68 (157.80)	2.31 (42.05)	6.37 (115.75)	

Table 12 shows clearly that women-owned MSMEs present a potential business opportunity for banks and non-banking financial corporations.



3

Global Best Practices for Women-owned Enterprise Financing

3. Global Best Practices for Women-owned Enterprise Financing^[12]

3.1 Commercial banks providing tailored financial solutions to women-owned MSMEs

3.1.1 Best practices of commercial banks from developed economies

There are several examples of banks in developed economies that have successfully designed and implemented access to finance programs for women customers. But, three examples stand out - Wells Fargo Bank and American Express from the United States of America, and Westpac Banking Corporation from Australia.

Wells Fargo

Wells Fargo is a diversified American financial services company that leads in financing women-owned businesses. Wells Fargo recognized and seized the opportunity to tap women-owned businesses in their growth through:

- **Products**
 - **Tailor-made and customized products:** Wells Fargo's customized products and solutions (such as offering unsecured credit lines) for women entrepreneurs enabled access to high-quality and affordable finance to women-owned businesses in the United States. Its Women Business Services Program provides outreach and education to help women business owners increase access to capital and other financial services.
- **Non-financial services**
 - **Training and networking opportunities:** Wells Fargo collaborates with women's organisations, such as the National Association of Women Business Owners, to reach women businesses and provide clients with research, financial solutions, and business advice resources. The program includes providing financial tools, research, financial guides, workshops, and seminars.
 - **Recognising achievements of women entrepreneurs:** Building partnerships with national and regional organisations and an annual "trailblazer" award to recognize the business achievements and leadership of women entrepreneurs are also part of the program.
- **Results**
 - Since the program was launched in 1995, Wells Fargo has extended credit of more than \$38 billion^[13] to over 750,000 women entrepreneurs. The bank serves women-owned business with financial services, loans, and lines of credit including unsecured credit lines of up to \$100,000.

[12] This chapter is based on IFC's October 2011 publication titled Strengthening Access to Finance for Women-Owned SMEs in Developing Countries

[13] Wells Fargo & Company Corporate Social Responsibility Interim Report 2012

Westpac Banking Corporation

Westpac Banking Corporation sought to become the “Bank of Choice for Women” by realizing the potential of Australia’s businesswomen. Since 2002, Westpac has been the only Australian bank to have a dedicated women’s market team.

Westpac is a founding member of the Global Banking Alliance for Women, an organisation of institutions committed to women in business and women’s wealth creation worldwide. Importantly, Westpac’s is a retail model – not just for women entrepreneurs, but all women customers. Its value proposition and brand has been built on a liability-based strategy which is a good model for banks to consider.

■ Products

- Westpac has a holistic perspective towards women’s banking, addressing a complete spectrum of services from personal and private to SME and commercial banking.
- Westpac’s focus on women is embedded into all existing segments, delivery models, products, and organisational structure. Women are not treated as a separate operational or strategic segment.
- Internal training across the bank is aimed at lifting the standards of service to women.

■ Non-financial services

- Capacity building through the Davidson Institute.
- Outreach and advocacy through social media via its Ruby Connection program.
- Women Investment Advisory Service Unit specialized in investment planning, education, risk management, and business services.
- Developed platforms such as the Ruby Connection, the Learn Lead, and Succeed Program to provide Australian women entrepreneurs with what they needed the most: business management training and an opportunity to network among themselves to potentially partner and grow their businesses.
- Education offered to businesswomen through educational seminars, cash flow workshops, and superannuation information sessions.

■ Results

- Westpac disaggregated by gender the portfolios of every section of the bank and conducted research that enabled it to create a strong value proposition for Australian women business owners.
- Westpac’s Women in Business program contributed over \$2.5 billion to Westpac’s bottom line in 2009. The bank received national and global sustainability awards, including recognition as one of the world’s most ethical companies in 2008, 2009, and 2010 by Ethisphere. It is the only Australian bank listed on the 2011 list of Global 100 Most Sustainable Companies, and is recognized by the Dow Jones Sustainability Index as a leader in the global banking sector.

American Express

American Express, the leading payment card issuer for small businesses in the United States, successfully targets and promotes women entrepreneurs.

■ Products

- The American Express OPEN Program enables women-owned enterprises to access a variety of cards specifically designed to help them manage their day-to-day business activities. This includes business charge and credit cards that deliver purchasing power, flexibility, rewards, and savings on business services from an expanded line-up of partners, online tools, and services designed to improve profitability.
- American Express has also been active in promoting women entrepreneurs' access to government contracts, which is traditionally a male dominated area. American Express lobbied for the passing of the Women-Owned Small Business (WOSB) Federal Contract program, which dedicates a percentage of government contracts in 83 different industries to women. The program creates more federal contracting opportunities for women-owned small businesses.

■ Non-financial services

- Women can access information, advice, and guidance from other women entrepreneurs through the OPEN forum, an online platform that provides cutting-edge tools and insights to help women-owned enterprises easily monitor everyday operations, from advertising new products to paying vendors.
- American Express has also partnered with “Count Me In, Make Mine a Million” program to work with its women clients and help them achieve the million-dollar sales threshold.
- American Express collaborated with Women Impacting Public Policy (WIPP), to create the “Give Me 5 Program” to advocate for more federal contracting opportunities for women-owned small businesses. The program is designed to educate women business owners on how to apply for and secure federal procurement tenders.

Although these three models have different approaches to financing women entrepreneurs, a common aspect is providing targeted training and mentoring/networking opportunities to women entrepreneurs as part of the core offering.

3.1.2 Best practices of commercial banks from emerging economies

Banks in some emerging economies have had success with similar women-centric programs. In contrast to programs in developed economy, however, the focus is on creating products and services to help women-owned MSMEs overcome the challenges of lack of collateral and start-up capital, and to support them in meeting non-credit needs such as cash management and insurance, and non-financial services such as training, mentoring, and networking.

DFCU Bank

DFCU Bank in Uganda, as part of its SME business strategy, created the Women in Business (WIB) Program in 2007 to assist Ugandan women entrepreneurs grow through access to finance.

■ **Products and services**

- Customized financial products such as loans and savings for women entrepreneurs: Since collateral requirements are a major obstacle for Ugandan women as they have difficulty accessing property, DFCU created a “land loan” specifically for women. With this, women can take a loan to purchase property that they can later use as collateral for business loans.
- Promotes partnerships among clients: To facilitate this, the bank created an investment club, a savings scheme where women entrepreneurs raise funds together to make future business investments. Investment club members can also use the amount saved as collateral.

■ **Non-financial services**

- Business management and financial awareness training to women entrepreneurs in addition to traditional credit product offerings.

■ **Results**

- The program has financed over \$20 million to women entrepreneurs in Uganda.

SME Bank

The **SME Bank** in Malaysia enhances the capacity of women entrepreneurs to run stronger businesses.

■ **Products**

- Financial products adapted to match needs of women entrepreneurs who, in Malaysia, are heavily concentrated in manufacturing and tourism. SME Bank Malaysia has several packages for the women entrepreneurs, depending on size and development stage.

■ **Non-financial services**

- Incubation system through which the bank provides financing, entrepreneurial guidance, and training. SME Bank has used its incubation center to encourage women to enhance business skills and grow businesses.
- Assists clients in marketing and promoting products.

Rawbank

In the Democratic Republic of Congo, **Rawbank** partnered with IFC to design and launch its “Women in Business” program. The program, “Lady’s First” aimed at capturing dynamic and growing women-owned SMEs. IFC provided initial financing of \$1.87 million to support women entrepreneurs. The program included:

- **Products**
 - Lending strategy that eases collateral requirements for women entrepreneurs.
- **Non-financial services**
 - Training and regular SME banking products for women entrepreneurs.
 - RawConseil – a legal advice desk that provides assistance to women entrepreneurs to register their businesses and help them navigate through difficult business environment processes such as getting spousal permission to register a business or open a bank account.
- **Results (by 2011)**
 - Rawbank’s active women borrowers grew from three to over 110, their loan portfolio expanded from \$200,000 to about \$8 million.
 - The bank has over 950 deposit accounts worth over \$15 million.
 - Over 500 women-owned SMEs received training and legal advice.

Garanti Bank

Garanti Bank in Turkey borrowed a €50 million (\$68 million) facility from European Bank for Reconstruction and Development (EBRD) to increase access to finance for Turkish women entrepreneurs through its on-going Woman Entrepreneur’s Support Package. The program aims to increase access to finance for women’s business activities and access to training. The package includes:

- **Products**
 - Special project loans for women-owned SMEs, company insurance.
- **Non-financial services**
 - Access to business and financial management training through the bank’s partnerships with local universities.
 - Sponsors the “Woman Entrepreneur of the Year” award in collaboration with Kagider (Turkey Women Business Association).
- **Results**
 - Since the start of the program in 2007, Garanti Bank has lent \$250 million to 12,000 women entrepreneurs and consumers, trained approximately 1,600 participants, and received over 3,000 applications for the Woman Entrepreneur of the Year award.

Exim Bank

In Tanzania, **Exim Bank** became the first financial institution to provide lines of credit to women entrepreneurs running midsize enterprises when it launched its Women Entrepreneurs Finance Program in 2007. IFC provided a \$5 million credit line to finance the program, and the Canadian International Development Agency helped fund the business advisory services. Exim Bank takes an innovative approach to address the unique challenges faced by women entrepreneurs running midsize firms. The bank allows women to use contracts with reputable companies as collateral for their loans, which have an average size of \$160,000.

Other banks in developing markets such as Access Bank in Nigeria, Sacom Bank in Vietnam, and Bank International in Indonesia, have also realized the potential of women entrepreneurs and have initiated or are examining specific approaches to enhance growth opportunities for women-owned businesses.

3.2 Finance for women-owned businesses: A key focus of development finance institutions

IFC assists BLC, Lebanon to increase its reach to SME clients through disbursement of new SME loans, of which 20 percent will be women entrepreneurs.

BLC recognizes women including women-owned SMEs as a sub-segment across all banking products, including retail banking products. IFC supports ABANK Turkey to grow its women-owned SME portfolio to 150 clients and \$100 million in outstanding loans by the end of 2016. This will be achieved with a \$25 million credit line and an additional \$15 million from FMO, the Dutch Development Bank, of which 50 percent is slated for women entrepreneurs. Garanti Romania plans to expand its SME portfolio to \$1.4 billion in outstanding loans, to at least 300 women-owned businesses by the end of 2015. IFC supports this effort with a €22.5 million (\$30.4 million) credit line, with 50 percent of the facility aimed at women entrepreneurs.

African Development Bank

African Development Bank's Growth Oriented Women Entrepreneurs (GOWE) program is a partial guarantee aimed at women entrepreneurs. The program was launched in Kenya and Cameroon in 2006 and 2007 respectively. The Kenya GOWE program is fully financed by the African Development Bank with up to \$3 million for capacity building and management, and another \$10 million for the partial guarantee facility. In Cameroon, African Development Bank, Canada Trust Fund (\$450,000), and Irish Trust Fund (\$100,000) jointly financed the GOWE program for capacity building and management. African Development Bank has in place \$13 million for the partial guarantee with International Labour Organisation (ILO) as technical advisory partner. Similar partial guarantee programs in Tanzania and Zambia have recently been launched.

USAID's Development Credit Authority

USAID's **Development Credit Authority** program partners with Kenyan financial institutions to encourage lending in areas that are underserved due to the perception of high risks. Under this partnership, Kenya Commercial Bank (KCB) has introduced the Grace Loan, which is tailor-made for individual women entrepreneurs and women business groups to meet working capital or business expansion needs. Women can apply for funds of up to \$62,000, repayable in up to 36 months. The loan also has an important training component. To access value added services, women entrepreneurs get the opportunity to join KCB's Biashara Club (a club for business women, biashara in Swahili means business). Since its launch, the bank has lent over \$1.6 million to 350 women entrepreneurs.

3.3 Equity financing

As with the rest of the MSME sector, equity finance, particularly in the early stages, is critical for the growth of women-owned enterprises. As with other businesses, women-owned enterprises need to be capitalized if they are to achieve sustainable growth. Although commercial banks and microfinance institutions have been engaged in providing credit, other sources such as equity funds or angel/investment funds are required for equity support. World-wide, women-owned businesses attract less than 5 percent of venture capital funds. Investment funds such as equity and angel funds provide access to seed capital, as well as technical assistance support which may increase sustainability of these enterprises. There are several international funds that have successful models that target women-owned SMEs.

Trapezia Fund

The UK-based **Trapezia Fund** is the first equity fund dedicated to venture capital requirements of women-centred business in the United Kingdom and Europe. Trapezia offers investors the opportunity to invest in women-focused businesses for three to five years. The fund, which uses tax rebates to incentivise investors, started with \$7 million in November 2006. It has invested amounts of \$380,000 to \$880,000 in a diversified portfolio of ten companies led by women. A Trapezia II fund is currently in negotiations to meet the demand in the United Kingdom.

Women Enterprise Development Initiative

Similarly, in South Africa the **Women Enterprise Development Initiative** (WEDI) is a seven-year, \$250 million closed-end, women-owned SME equity fund. WEDI achieves high social impact and above average returns on investments by using up to 1 percent of funds for assessment and support required by women entrepreneurs to be successful. WEDI incorporates a multi-disciplinary and holistic approach to enterprise development, while providing capacity building services to women-owned SMEs to achieve long-term growth. Operating out of South Africa, the fund covers the Southern African Development Community (SADC) region.



4

The Way Forward

4. The Way Forward

The number of women entrepreneurs in India is increasing; so is the demand-supply gap for financing of women-owned enterprises. There is a growing opportunity for financial institutions to address the needs of this segment. While tapping this market requires financial institutions to make some contextual adaptations, there is a strong case that serving women entrepreneurs makes significant business sense.

4.1 Finance for women-owned MSMEs – The business case for financial institutions

The business case for financial institutions to expand financial products and services to women-owned enterprises is based on a combination of volume and value factors.

Volume

- **Significant market opportunity:** Women entrepreneurs present a strong “volume” business case as there are over three million women-owned businesses in India and only about 3 percent of these businesses access finance from formal financial institutions. The financing gap for women-owned businesses is 73 percent of total requirements or approximately Indian rupees 6.37 trillion (\$115 billion).

Value

There is significant empirical evidence that women tend to be better borrowers and customers, thus providing “value” to their partner financial institutions.

- **Better quality credit:** Women-owned MSMEs have a better repayment track record^[14] according to the experience of banks in developed economies. Gender disaggregated data from banks indicates that non-performing loans are 30 to 50 percent^[15] lower in women-owned businesses when compared with those owned by men.
- **Comprehensive banking relationships:** Women tend to be more loyal in the long term^[16] to a chosen financial institution and they are better depositors into bank savings accounts as well.
- **Enhanced profitability:** Some reports^[17] suggest that women are roughly twice as profitable as men, because they access more products from the bank or financial institution with which they have dealings. Women-owned MSMEs could have more potential for cross sales^[18] when compared with men-owned businesses. While male entrepreneurs focus on just one product dealing with a bank and usually will look at multiple options before buying other products, female entrepreneurs are more likely to access a range of services such as credit, savings, insurance, and remittances. Banks’ cross sales to women entrepreneurs are two to three times higher^[19] than to men-owned businesses.

In India, given a lack of any market leader in this space, there is enormous potential for formal financial institutions to develop a brand as a financial partner for women-owned businesses. An institution entering this sub-segment will have a first mover advantage.

[14] Ready for Growth: Solutions to Increase Access to Finance for Women-Owned Businesses in the Middle East and North Africa, IFC

[15] Banking to the female economy: Global banking alliance for women, interview with Inez Murray, CEO for Global banking alliance for women

[16] Interview with Ms. Mary Ellen Iskenderian, President and CEO of WWB published by Times of India Crest, dated 9 March 2013

[17] Banking to the female economy: Global banking alliance for women, interview with Inez Murray, CEO for Global banking alliance for women

[18] Ibid

[19] Banking to the female economy: Global banking alliance for women, interview with Inez Murray, CEO for Global banking alliance for women

4.2 Key recommendations

Given the limited financing to women-owned enterprises, several levels of interventions are required to build this market.

Role of formal financial institutions

- *Customized offerings for women entrepreneurs require deep understanding of the market*

The financial needs and support services required by women entrepreneurs will have to be researched and documented. Due to limited knowledge and experience in this area, financial institutions may have to begin the product development process with market research followed by pilots in select geographies.

- *Build a “brand” and develop tailored products and services to meet financial needs of women entrepreneurs*

Next, with an understanding of the needs of women entrepreneurs, financial institutions can focus on building a “brand” as a financial partner for women-owned businesses, catering to the full spectrum of their financial needs. A suite of financial products and services specifically tailored to the financial needs of these entrepreneurs can be offered, along with associated sourcing and marketing strategies.

- *Customize policies, processes and systems to align to women entrepreneurs’ needs*

In addition to developing tailored products and services and a “women-friendly brand”, financial institutions can align policies, procedures, and systems to become more accessible to women entrepreneurs. Financial institutions can build “brands” as banks that serve women entrepreneurs through targeted sourcing/marketing strategies, generate awareness about products and services, and provide tailored tools to women such as doorstep services, online, and phone support. For instance:

- Simplify the approval process to reduce the number of visits to branches
- Explore potential for “doorstep financial delivery model” branchless banking and other innovative delivery systems
- Consider tie-ups with non-governmental organizations, microfinance institutions, and self-help groups that often have a better understanding of their geographies and insights into clients’ cash flow cycles and repayment capacities. These tie ups could reduce transaction costs and manage risk
- Remove dependence on male members of family as a pre-requisite to access finance. Some/many public sector banks demand the husband’s or father’s (in case of unmarried women) signature to approve loan applications
- Explore options on psychological or alternative collaterals such as post-dated cheques, movable assets, and business assets
- Incorporate delivery channels such as online banking, mobile banking, and phone-a-financial product facilities.

- *Promote a friendlier environment for women customers*

When financial institutions deal with a relatively new customer segment with customized products, changes in human resource management systems may be needed. Banks can train sales staff, including relationship managers, on how to engage with women entrepreneurs. Financial institutions may consider hiring and training more female relationship managers to target women-owned MSMEs, as this could increase accessibility to new customers and provide greater comfort to them. Branches should be seen as more friendly and approachable for women customers.

- *Deliver non-financial services*

Non-financial services can be a strong complement to the core business of credit delivery. Potential services could include:

- Programs to make women aware about banking products and processes. Since a key demand-side constraint is the lack of awareness of products and services, financial institutions should proactively build awareness about tailored products and services available. Banks could organise workshops, seminars, town council meets, and group discussions. Such events offer opportunities to women entrepreneurs to have one-on-one interactions with bankers and get to know about financial products and schemes for women. They also offer opportunities for women entrepreneurs to build networks.
- Training programs on human resources, financial management, business management, marketing, and financing the venture. These skills can be extremely beneficial in supporting women entrepreneurs sustain and grow their enterprises, making them long-term and better customers.
- MSME toolkit to help women businesses at different stages of the business cycle -inception, start-up and growth - in areas such as business planning, financial projections, input management, marketing, market linkage, and branding. Women-owned businesses that are unable to engage expensive advisory services can benefit from this type of intervention.

Enabling environment

- *Co-create a risk capital fund*

Governments and, in some cases, multilateral agencies have come up with risk share facilities to encourage banks to lend to women-owned enterprises. A risk-share facility with support from the government of India can provide impetus to credit delivery to women enterprises and will encourage banks and financial institutions to focus on this segment.

- *Equal rights to property*

Governments should promote and incentivise joint property registration. Such a move will enable women to be included in asset registration, give them equal rights to property, enabling them to use it as collateral and enhance access to finance. Similarly, governments should focus on amending regulations to address issues around inheritance of property and land ownership of women.

- *Simplify collateral requirement*

More than 90 percent of women-owned enterprises in India are self-financed. Stringent collateral and documentation requirements act as barriers. A simplified collateral regime will greatly encourage women entrepreneurs and enable access. Governments may focus on developing an effective secured transactions regime for women enterprises characterized by a wide range of allowable collaterals (immovable and movable), the establishment of clear priority rankings of claims over collateral, efficient collateral registries, and effective enforcement of collateral in case of default. Governments may focus on developing a credit guarantee scheme to enable women entrepreneurs borrow from formal financial institutions in the absence of collateral.

- *Formulate women-focused policies to promote women-owned enterprises*

The government of Andhra Pradesh has set an example by creating a dedicated women-enterprise focused industrial area. This initiative is an important landmark in terms of 'policy segmentation' to promote women enterprises and can be replicated in other geographies.

- *Co-create an online customer care support*

A call center for women entrepreneurs to guide them on business planning, financial management, working capital management, input/raw material purchase, legal counselling, and market linkages will help them get help and information on critical issues that they face at different stages of the business cycle.

- *Role of development finance institutions (DFIs)*

DFIs can offer credit lines and equity schemes to commercial banks in developing countries to increase their capabilities to address the needs of women entrepreneurs. This will enhance the efforts from the government and the private sector to address the needs of women entrepreneurs. In addition, DFIs can support financial institutions through guarantee facilities to mitigate risks perceived by financial institutions looking to lend to women entrepreneurs. Also, DFI interventions can be combined with technical assistance to assist financial institutions enhance the skills of women entrepreneurs.



Annexures

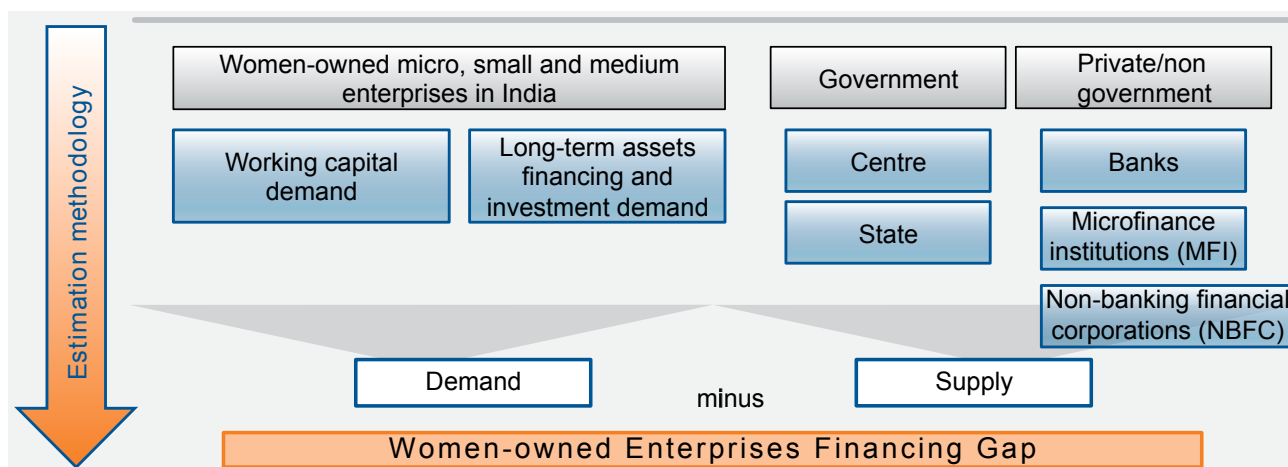
Annexure 1:

Estimation approach

Approach to calculate the financing gap

The estimation of the financing demand and gap for women-owned MSMEs is based on an approach that entails comprehensive assessment of women-owned MSMEs' financing needs, and supply by formal financial services providers. The financing gap is calculated, based on the needs and supply as shown in figure 2:

Figure 2



Detailed estimation process

Data on total number of women-owned MSMEs, both registered and unregistered, was extracted from the MSME Ministry's Annual Report 2011-12 and 4th MSME Survey Census of Registered and Unregistered MSMEs 2006. The women-owned MSMEs were then segregated into micro, small, and medium enterprises as per the definition of the ministry. The working capital needs based on average operating margin and average gross output per enterprise was estimated for each segment. Long-term assets financing and investment demand was estimated based on asset turnover ratio and average plant and machinery (for manufacturing sector) or total assets (for services sector) per enterprise. Table 13 shows the estimated average working capital and assets financing demand.

Table 13 Estimated average financing needs of women-owned MSMEs

Segregation level	Average working capital need (In \$ thousand)	Average long-term assets financing and investment (In \$ thousand)
Micro	4.80	8.00
Small	352.40	1,144.80
Medium	3,130.00	10,442.60

The estimated demand for financing of women-owned MSMEs in India for working capital and fixed assets financing was calculated based on the estimated financing needs for each segment (tables 14 and 15). The total financing need for women-owned MSMEs is estimated at \$158 billion (table 16).

Table 14 Estimated working capital financing demand by women-owned MSMEs

Working capital financing demand estimation			
	Number of units	Average working capital financing need (In \$ thousand)	Consolidated financing needs (in \$ billion)
Micro	2,929,376	4.80	14.05
Small	77,943	352.40	27.47
Medium	276	3,130.00	0.86
TOTAL	3,007,595		42.38

Table 15 Estimated asset financing and investment demand by women-owned MSMEs

Long-term assets and investment financing demand estimation			
	Number of units	Average long-term assets and investment financing need (In \$ thousand)	Consolidated financing needs (In \$ billion)
Micro	2,929,376	8.00	23.31
Small	77,943	1,144.80	89.23
Medium	276	10,442.60	2.88
TOTAL	3,007,595		115.43

Conversion rate: \$1= Indian rupees 55 (based on an average of 2012)

Table 16 Estimated total financing demand by women-owned MSMEs

Long-term assets and investment financing demand estimation				
	Number of units	Working capital demand (In \$ billion)	Long-term assets and investment financing (In \$ billion)	Consolidated financing needs (in \$ billion)
Micro	2,929,376	14.05	23.31	37.36
Small	77,943	27.47	89.23	116.70
Medium	276	0.86	2.88	3.75
TOTAL	3,007,595	42.38	115.43	157.80

The demand estimate was compared with financing supply from scheduled commercial banks, non-bank finance corporations and microfinance institutions. Supply data was sourced from the Reserve Bank of India, microfinance sector reports, and websites of top NBFCs of India. The total supply of financing to the women-owned MSME sector for 2012 was calculated at \$42 billion. The financing gap for women-owned MSME sector was estimated at \$116 billion.

All figures have been rounded when referenced in the main report to avoid the conclusion that they are anything more than approximates based on the best information and analysis available at the time of preparation.

Annexure 2:

Increasing access to finance for women entrepreneurs in Lebanon

IFC works with BLC Bank to improve access to finance and support growth of women-owned businesses in Lebanon. BLC Bank, supported by IFC, launched the Women's Empowerment Initiative, which offers a range of services tailored to women-owned businesses. This initiative makes it easier for these businesses to access the capital they need to expand, creating jobs and spurring economic development in Lebanon.

The opportunity

The main barrier to increasing participation of women in business in Lebanon remains access to finance. While this constraint is universal for all small and medium enterprises, regardless of gender, it tends to disproportionately affect women-owned businesses. Women own more than 30 percent of all smaller businesses in the developing world, but in Lebanon only 3 percent of bank loans go to female entrepreneurs.

This under-tapped market presents an enormous opportunity for financial institutions and other business providers that support women-owned businesses. Research indicates that women tend to be loyal customers and cautious investors, in addition to having better loan-payback rates. Serving this market not only makes business sense, it also has a positive impact on society as a whole by expanding economic growth and job creation. A recent World Bank study in Lebanon has shown that women-owned enterprises hire more women and provide greater social benefits to employees than enterprises owned by men.

The approach

IFC's Advisory Services team worked with BLC Bank to design financial services and banking products for smaller enterprises. As a sub-set of its overall strategy for small and medium enterprises, IFC helped BLC recognize the business case for actively reaching out to the market of smaller enterprises owned by women.

IFC's support included market research to understand the needs of women-owned businesses and testing of new product concepts. Adopting IFC's recommendations, BLC launched the Women's Empowerment Initiative, the first program dedicated to the economic empowerment of women in the Middle East and North Africa region. BLC Bank targets women employees and entrepreneurs, providing them with innovative products and services to support their advancement.

In addition to new financial services, the Women's Empowerment Initiative provides non-financial services critical to supporting the growth of women-owned businesses. In this context, BLC launched a website dedicated to female entrepreneurs that allows them to exchange ideas and combine forces to tackle professional challenges. BLC Bank also created a Woman Entrepreneur of the Year Award to honor successful businesswomen.

Results and impact

- Increased number of loans to women-owned small and medium enterprises by 55 percent.
- Increased number of women-owned deposit accounts by 17 percent.
- Became the first bank in the Middle East and North Africa to commit to the UN Global Compact/UN Women's Empowerment Principles and to join the Global Banking Alliance for Women.

"Initiatives like these are key to changing attitudes about the role of women in society. At the same time, we are also demonstrating that there is a considerable commercial advantage in providing women with concrete means to access financing for their businesses."

— Maurice Sehnaoui,
Chairman and General Manager,
BLC Bank

Annexure 3:

References

- Almodóvar-Reteguis, N., Kushnir, K., & Meiland, T. Mapping the Legal Gender Gap in Using Property and Building Credit.
- Andersson, I., Raihan, A., Rivera, M., Sulaiman, I., & Tandon, N. (1993). Handbook on Women-owned SMEs. Entrepreneurship: Theory & Practice, 16, 5-26.
- Annual report (2012). Annual report of KVIC. Retrieved from KVIC
- Annual report (2012). Annual report of Ministry of Finance. Retrieved from Ministry of Finance
- Annual report (2012). Annual report of Ministry of Micro, Small and Medium Enterprises. Retrieved from Ministry of Micro, Small and Medium Enterprises
- Annual report (2012). Annual report of NABARD. Retrieved from NABARD
- Annual report (2012). Annual report of NSIC. Retrieved from NSIC
- Annual report (2012). Annual report of SIDBI. Retrieved from SIDBI
- Banking to the female economy: Global banking alliance for women, interview with Inez Murray, CEO for Global banking alliance for women
- Bruni, A., Gherardi, S., & Poggio, B. (2004). Entrepreneur-mentality, gender and the study of women entrepreneurs. Journal of Organisational Change Management, 17(3), 256-268.
- Brush, C., Carter, N., Gatewood, E., Greene, P., & Hart, M. (2004). Clearing the hurdles: Women building high-growth businesses. FT Press.
- Cohoon, J. M., Wadhwa, V., & Mitchell, L. (2010). The anatomy of an entrepreneur: Are successful women entrepreneurs different from men. Ewing Marion Kauffman Foundation, 6.
- Dhameja S K (2002), Women Entrepreneurs: Opportunities, Performance and Problems, Deep Publisher (P) Ltd., New Delhi.
- Eastwood, T. (2004). Women Entrepreneurs-Issues and Barriers. A Regional, National and International Perspective. Exemplas Ltd.
- Gill, K. (1986). Hindu women's right to property in India. Deep & Deep Publications.
- Interview with Ms. Mary Ellen Iskenderian, President and CEO of WWB published by Times of India Crest, dated 9 March 2013
- Kumbhar, V. (2012). Some Critical Issues of Women Entrepreneurship in Rural India. Available at SSRN 2043821.
- Mahanty Sangram Keshari – Fundamentals of Entrepreneurship – Prentice Hall of India Raheem A (2006), “Role of SHGs”, Yojana, Vol. 50, No. 12. Renuka V. (2001) Opportunities and challenges for women in business, India Together, Online Report, Civil Society Information Exchange Pvt. Ltd.

Memon, S. A. (2012). A study of women entrepreneurship development in Kolhapur city. *Zenith International Journal of Business Economics & Management Research*, 2(5), 12-22.

Micro, Small and Medium Enterprise Finance in India, A Research Study on Needs, Gaps and Way Forward (November, 2012), IFC

Mohiuddin, W., & Ramlal, D. Empowerment of women in India-new patterns.

MSME Census (2007). Fourth All India Census of Micro, Small and Medium Enterprises - Registered Sector. Retrieved from Ministry of Micro, Small and Medium Enterprises

MSME Census (2007). Fourth All India Census of Micro, Small and Medium Enterprises - Unregistered Sector. Retrieved from Ministry of Micro, Small and Medium Enterprises

Parmar, T. Indian Women Entrepreneurship: Issues and Prospects. *Management Issues & Options*, 66.

Ready for Growth: Solutions to Increase Access to Finance for Women-Owned Businesses in the Middle East and North Africa, IFC

Sanusi, S. L. Increasing women's access to finance: Challenges and Opportunities.

Sharma, D. A., Dua, M. S., & Hatwal, M. V. Micro enterprise development and rural women entrepreneurship: Way for economic empowerment.

Statistical tables (2012), Banking sector statistics. Retrieved from RBI

Stein, P., Goland, T., & Schiff, R. (2010). Two trillion and counting. International Finance Corporation, McKinsey & Company.

Strengthening Access to Finance for Women-Owned SMEs in Developing Countries, IFC, October 2012

T, M. (2013). Contemporary issues and challenges in woman entrepreneurship. *International Journal of Trade & Global Business Perspectives*, 2(1), 191-197.

Tambunan, T. (2009). Women entrepreneurship in Asian developing countries: Their development and main constraints. *Journal of Development and Agricultural Economics*, 1(2), 27-40.

Trade Related Entrepreneurship Assistance and Development (TREAD) Scheme for Women." MSME-DO. N.p., n.d. Web. 15 May 2013.

Verheul, I., & Thurik, R. (2001). Start-up capital:” does gender matter?”. *Small business economics*, 16(4), 329-346.

Watson, J., & Robinson, R. (2003, September). SME performance: does gender matter. In Small Enterprise Association of Australia and New Zealand 16th Annual Conference, Ballarat.

Watson, J., Newby, R., & Mahuka, A. (2009). Gender and the SME “finance gap”. *International Journal of (December, 2013)and Entrepreneurship*, 1(1), 42-56.

Women Entrepreneurship. SmallB. N.p., n.d. Web. 15 May 2013.

Acknowledgements:

Ananya Wahid Kader, Makena Mwiti, Jennifer Isern, Roshika K Singh, Swati Sawhney, Pratibha Chhabra, Ashutosh Tandon (IFC), Manoj K Sharma, Anup Singh, Abhishek Lahiri, Abhay Pareek, Bhavana Srivastava (MicroSave)

About IFC

IFC, a member of the World Bank Group, is the largest global development institution focused exclusively on the private sector in developing countries. Established in 1956, IFC is owned by 184 member countries, a group that collectively determines our policies. Working with private enterprises in more than 100 countries, we use our capital, expertise, and influence to help eliminate extreme poverty and promote shared prosperity. IFC leverages the power of the private sector to create jobs and tackle the world's most pressing development challenges. IFC's vision is that people should have the opportunity to escape poverty and improve their lives

Contact Information

International Finance Corporation
Maruti Suzuki Building
3rd Floor, 1 Nelson Mandela Road,
Vasant Kunj, New Delhi - 110070
India
T: +91 11 4111-1000
F: +91 11 4111-1001
www.ifc.org

Stay Connected

www.ifc.org/southasia
www.facebook.com/IFCsouthasia
www.twitter.com/IFC_SouthAsia
www.ifc.org/facebook
www.twitter.com/IFC_org
www.youtube.com/ifcvideocasts
www.ifc.org/SocialMediaIndex