

# Planning for



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## Entrepreneurship Development:

### Experience, Critical Constraints and the Way Forward

by  
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**Planning for Women Entrepreneurship Development:  
Experience, Critical Constraints and the Way Forward**

*A Project of*

**State Planning Board  
Thiruvananthapuram**



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## PREFACE

Entrepreneurship development initiatives are part of the development agenda at the national level and in Kerala today. Methodologies for a scientific assessment of the impact of such interventions are still in an evolving stage in the country. Beyond head-count, entrepreneurship development needs an out-of-the-box thinking and innovative strategies. This becomes more complex where gender appears as an added dimension. The purpose of this study is to critically look at the beaten track and to explore more appropriate and relevant alternative strategies. In most academic discourses, the understanding of the term, "women entrepreneurship" is rather abstract. It need to be made concrete according to the norms of Development Practice. The present project is built upon such premises.

This study should be understood as a continuation of the long association between ISED and SPB. The ISED-SPB Report on Database of the Kerala Economy(2001) find that, available data is not demand-driven, and calls for strengthening the data base of the State, with special focus on industry and enterprise.

This study was facilitated by the active interest in the subject area, by the State Planning Board. Given the long track record of ISED and of the author, the project could be tuned to the requirements of building up a 'Gender and Enterprise' constituency of the State. Our special thanks are due to Dr. V.K Ramachandran, Vice Chairman, and to Dr. Mridul Eapen, Member, for their keen interest and support. Thanks are also due to Mr. K.Biju, Director of Industries and Commerce, and to his team at the headquarters and in the districts, for their support. But for the sincere support of our respondents, the entrepreneurs, bankers, BDS providers, and various officials, we could not have arrived at the findings of this study.

The Desk and the Field Teams at the ISED contributed their best for the successful completion of this project. The Team at the ISED Small Enterprise Observatory provided excellent data support. Special thanks are due to Dr. J.M.I.Sait, Vishnu Vardhahan, Jovel Johnson, Phillips Mathew, S. Suresh, Ajith George and Kishore Joseph for their meticulous work and inputs from time to time.

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Cochin

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Project Director



## Acronyms & Abbreviations

ALMP	- Active labour market policies
AM	- Achievement Motivation
ASAP	- Additional Skill Acquisition Programme
BDS	- Business development services
BRIC	- Brazil, Russia, India and China
CAGR	- Compound Annual Growth Rate
CDS	- Current Daily Status
CR	- Concentration Ratio
CWS	- Current Weekly Status
D&O	- Dangerous and offensive
DC (MSME)	- development Commissioner (MSME)
DDU- GKY	- Deen Dayal Upadhyaya Grameen Kaushalya Yojana
DES	- Directorate of Economics and Statistics
DFI	- Development Finance Institutions
DIC	- District Industries Centres
EDI	- Entrepreneurship Development Institute
EDP	- Entrepreneurship Development Programmes
EFC	- Entrepreneurial Framework Conditions
ESS	- Employee Self-Service
FWPR	- Female Workforce Participation Rate
GDI	- Gender related Development Index
GEM	- Global Entrepreneurship Monitor
GII	- Gender Inequality Index
GVA	- Gross Value Added
HANVEEV	-Kerala State Handloom Development Corporation



ICT	- Information and Communication Technologies
IGCR	- Industry Group Concentration Ratio
ILO	- International Labour Organization
ISED	- Institute of Small Enterprises and Development
ISED-SEO	- ISED Small Enterprise Observatory
KSEB	- Kerala State Electricity Board
KSIDC	- Kerala State Industrial Development Corporation
KSSEDM	- Kerala State Self Entrepreneur Development Mission
LCM	- Life Cycle Management
LED	- Local Economic Development
LFPR	- Labour force participation rate
LQ	- Location Quotient
LSG	- Local Self Government
MGNREGA	- Mahatma Gandhi National Rural Employment Guarantee Act ?
MSME	- Micro Small and Medium Enterprise
NABARD	- National Bank for Agriculture and Rural Development
NBFC	- Non-Banking Finance Company
NCEUS	- National Commission on Enterprises in the Unorganised Sector
NPA	- Non-Performing Assets
NRLM	- National Rural Livelihood Mission
NSA	- Non-State Actors
NSSO	- National Sample Survey Organisation
OAE	- Own Account Enterprises
PRI	- Panchayati Raj Institutions
REDA	- Regional Enterprise Development Audit (at the ISED)
REDP	- Rural Entrepreneurship Development Programme
RTI	- Right to Information

UAM	- Udyog Aadhar Memorandum
VCA	- Value Chain Analysis
WPR	- Worker- Population Ratio

# HIGHLIGHTS

## Background

'Gender and enterprise'(G&E) is a critical theme in development debates today. It can be summarized in terms of two key aspects: 1)economic empowerment of women through the entrepreneurship route; and 2) creation of an appropriate ecosystem. The state of Kerala is pioneer in both the areas. However, against the background of the fast changes that are on in the economy, it is necessary to have a fresh look at the existing policies and strategies, and to have a futuristic approach in the coming days. This research initiative raises three key research issues: i) Do the women enterprises offer a sustainable income opportunity for the promoters? ii) What need to be the future strategies for promotion of sustainable women enterprises and entrepreneurship in the State? iii) What are the key constraints to women entrepreneurship development that need to be addressed by policy makers on a priority basis? Against the above three issues, the objectives of this research can be summarized under the following areas:

1. Kerala's track record relating to the 'Gender and Enterprise' constituency.
2. Key factors that contribute to the growth of gender-sensitive self employment and sustainable entrepreneurial initiatives.
3. Critical constraints to growth of entrepreneurship, at policy and firm levels .
4. Guidelines for promotion of enhanced entrepreneurship among women.

## Key Findings

The key findings of the study are discussed in relation to the above four thematic areas.

The growth of the 'Gender& Enterprise' constituency in Kerala corresponds to the State's distributed and inclusive pattern of enterprise and entrepreneurship development. While such physical aspects of the State are unique at the national level, there are some constraints which need policy correction. The growth of entrepreneurship among women has largely been necessity- oriented. While the need for creating a culture of opportunity-orientation is undoubted, there are critical gaps in two major areas: a) the gaps relating to framework conditions which makes imbalances in the actual delivery of public programmes; and b) the inadequacies related to 'real services', makes the public programmes for women entrepreneurship development fail in achieving their full potential.

Firm- level constraints to growth and sustainability have been examined in relation to eleven critical areas; they are, ecosystem, motivation and organisation, autonomy, training and mentoring, business development services, finance, marketing, skills and labour-use, innovation and growth, and security threats. Of these, the advantages relating to ecosystem are unparalleled. In other areas, there need to be a meticulous examination from the angle of policy correction and improvement of strategies .

While the rising aspirations of entrepreneurial women are a commendable achievement of Kerala, it is also important to note that, such aspirations fail because the problem of a low level trap today. There are enormous opportunities of channelizing and taking forward such aspirations in to a higher plane.

The need for corrective steps arises because of the more recent changes in the objective situation of Kerala, which has been discussed under four focal areas: 1) growth of the new economy; 2) changes in employment opportunities of women; 3) new aspiration and outlook, especially around the concept of descent jobs; and 4) strategic approaches to women empowerment.

### **Policy Options**

The policy priorities, against the above emerging environment has been discussed in relation to four vital areas: 1) scientific development of a 'Gender and Enterprise' constituency; 2) correction of regional entrepreneurship deficiency; 3) spatial management and policy; and 4) approaches and strategies for effective utilization of social capital.

### **The Way Forward**

Based on the understandings and learning of this research, the way forward has been spelled out in relation to several action points, arranged under eight theme areas. These action points relate to some broad focal areas, such as knowledge management, streamlining of economic governance system, mobilization for entrepreneurship development, reforms in institutional structures, setting up of innovative funds for more effective targeting in the gender and enterprise constituency, an entrepreneurship resource policy, key performance indicators for bench-marking monitoring system for the health of women enterprises, innovative strategies for harnessing the potential of women entrepreneurs in process areas along with product areas, guarantee of business development services etc.

Taking forward the above policy package effectively, it is expected that a vibrant 'Gender and Enterprise' constituency is maintained, on the one hand, and the rising aspirations of women, generated through Kerala's successful initiatives in promotion of social capital, is properly channelized into investments and employment.

**Unlike much of the available literature in the subject area, the basic purpose of this study is to guide the line departments and agencies to initiate meaningful programs and projects. Therefore, it is important to suggest some potential subsectors and initiatives that deserve consideration. The first step in this regard is a meaningful categorisation of women enterprises and entrepreneurs in terms of their capabilities. Such capabilities can be broadly discussed under two areas: a)process capabilities; and b)product related capabilities. Process capabilities are capabilities that are gender- specific. For example, women have particular dexterity in areas, such as food processing, assembly lines, packaging, tailoring and garment making, management of boutiques etc. In relation to**

**product specialisation, they have particular advantages in areas such as hospitality services, food processing, creative industries, and resource based industries.**

Beyond the macro picture and issues, at the operational level, it is important to grapple with the subsectoral story. It is subsector level strategies, rather than generic ones, that are likely to be more realistic, concrete, and of a sustainable nature. The discussion, therefore, need to concentrate on issues of economic governance, with focus on subsectors.

**Structurally, it is important to categorise Kerala's enterprise system in relation to various subsector categories. One can identify six subsector categories as follows:**

1. **Strategic subsectors;**
2. **High penetration subsectors;**
3. **Regional engines of growth;**
4. **Outward orientation subsectors;**
5. **Sunrise growth subsectors; and**
6. **Knowledge- culture bonding subsectors**

**The growth pattern, as observed in the State today, is essentially state- driven rather than market- driven. The government allocates available funds under 14 districts, along with broad targets, which essentially leads to repetitive projects and product- lines within and across districts. Unless this strategy is reconsidered, the natural result would be a practical wastage of public resources, with no major tangible results regarding entrepreneurship creation.**

**Our field evidences indicate that, across the State, there has been a mushrooming of some of the product- lines, such as, garment- making, boutiques, paper craft etc. Even while admitting this less healthy development, the opportunity lies in vertical integration of such product- lines, which may lead to an expansion of the market opportunities of the present entrepreneurs. Such vertical integration would require, selective public investment in extremely selective areas of infrastructure development. Along with such an intervention , there need to be the development of a market expansion strategy involving a variety of related components, such as, strategic BDS, branding, application of selective marketing interventions etc.**

**On lines of the above strategic approach, we find the following opportunities, district wise:**

- **Strategic subsectors: Ernakulam**
- **regional engines of growth: Palakad, Ernakulam**
- **High penetration subsectors: Trivandrum, Kollam, Kottayam, Alleppey**
- **outward- orientation subsectors: Ernakulam, Palakkad**
- **sunrise growth subsectors: Ernakulam, Trivandrum**
- **Knowledge culture bonding subsector: Ernakulam**

**Based on the broad indications, as above, it would be instructive to suggest a list of promising product lines/subsectors that deserve detailed examination and follow-up studies:**

1. **Food processing**
2. **Printing and publishing**
3. **Electronic processing& assembling**
4. **Social enterprise and circular processing**
5. **Gifts and sovereigns**

Each subsector has its limits and opportunities. These limits and opportunities are dependent on the entrepreneur's aspirations. Our discussions on the subsectoral experience, based on the following six typologies, provide us significant leads on the kind of constraints and potential. These need to be studied from an action point of view. In fact, it is immediate corrective action that is needed during times of a slowdown in the economy. Apart from either of the two causatives, structural or cyclical, the contribution of these two causatives need to be addressed. Accordingly, remedial measures need to be both short term and long term.

## **Conclusion**

Enhancing the capacity of women as entrepreneurs need to be part and parcel of the 'sustainable development' agenda of Kerala. This would imply that, public programs, as they exist today, need a critical evaluation, based on the perceptions and felt- needs of the entrepreneurs who are currently on the active stream. The two active segments of entrepreneurs, those falling under PMEGP, and those under ESS, broadly represent two levels of entrepreneurship. The PMEGP beneficiaries generally belong to the middle and lower classes, who often do not have much resources at their command. The ESS beneficiaries, on the other hand, mostly belong to a better- off category. Irrespective of whichever category they belong to, the common constraints relate to their unsatisfactory knowledge base, inadequate capabilities of analysing and planning the life cycle of their

businesses, and inadequate access to markets. While the public programs of today offer their support services, largely under infrastructure, the actual requirements of these entrepreneurs belong essentially to the area of soft interventions. This, obviously, leads to a situation of irrelevance, wherein, the doors of mis-utilization of rich resources earmarked under the Gender Budget are thrown open. The message that comes up is this: 1) Many of the gender based programs, the allocations of which are thinly spread out,, may be transferred to a consolidated fund of the State government; and 2) this fund may be administered by a n autonomous 'Gender and Enterprise Commission'. The modalities of such an institutional restructuring need to be the task of a special Working Group constituted by the Government of Kerala.

# **I .Women Entrepreneurship: Scope and Leading Issues Today**

## **1.0. Introduction**

The promotion of entrepreneurship through direct policy interventions is a relatively new area in India. Historically, entrepreneurship in the country has been considered as a legacy emerging from the business communities. The government's supportive role was considered to be minimal. Subsequently, in line with the new thinking on a proactive approach to entrepreneurship development, which dates back to the early 1970s, an enhanced policy attention on the potential role of entrepreneurs came into focus. A special focus on particular social categories, also came into focus, in which women who form nearly half of the population in India, thus, got enhanced attention.. While the entrepreneurship role is one among them, it is necessary to look into how the idea grew from the stage of ideation into practice. While the perception and practice are two important components of policy formulation and strategy development, it is vital to have a historical and structural view of the subject. The following is a discussion on the Indian experience, with a special focus on the State of Kerala.

## **2.0. Coverage and Scope of the Subject**

The entrepreneurship route to women empowerment has now been widely debated around the world. The subject has two dimensions: 1) entrepreneurship; and 2) gender. These two aspects are crucial in labour market analysis and policy. Since entrepreneurship development is essentially a labour market problem, it is important that these two aspects come together in a synergic manner. While such an integrated approach to development is put forth, some fundamental questions come to the fore: i) Does the women enterprises offer a sustainable income opportunity for the promoters? ii) What are the key constraints to women entrepreneurship development that need to be addressed by policy makers on a priority basis? iii) What need to be the future strategies for promotion of sustainable women enterprises and entrepreneurship in a regional setting? A realistic answer to these three questions is crucial from the point of view of design and implementation of programmes meant for economic empowerment of women.

### ***2.1. Scope***

Economic empowerment of women is a global agenda today. The Fifth Goal of the UN Sustainable Development Goals(SDG), seeks to achieve gender equality and empowerment. 'Gender equality' is not only a fundamental human right, but a necessary foundation for a peaceful and sustainable world. The exclusion of women places half of the world's population outside the realm of opportunity to partner in building prosperous societies and economies. Women's equal access to education, decent work, and representation in political and economic decision making are not only rights, they benefit humanity at large. By investing in the empowerment of women, we not only make progress on SDG-5, we also make gains on the alleviation of poverty and fuel sustainable economic growth.

Globally, in tune with the above Goal, the multilateral agencies have attempted to define and to give due importance to the subject. Compared to men, women in many countries do not have equal access to productive employment. They are over-represented in the informal economy, but with little or no social safety. While the country experiences differ, the broad global pattern suggests the need for gender-sensitive interventions in the labour market(ILO,2018).



Although women constitute a little less than half of the economically active population, their contribution to economic activity is far below the potential. The progress towards gender equality in respect of participation in economic activities needs improvement. A comparative understanding on participation is crucial for initiating corrective action.

As per Census of India 2011, the workforce participation rate for females is 25.51% against 53.26% for males. Rural sector has a better female workforce participation rate of 30.02% compared with 53.03% for males, whereas for the urban sector, the participation rate of females trails at 15.44% against 53.76% for males. 41.1% of female main and marginal workers are agricultural labourers, 24.0% are cultivators, and 5.7% are household workers. The report of the National Sample Survey (68th Round) indicate that the worker population ratio for females in the rural sector was 24.8 in 2011-12, and 54.3 for males. In the Urban sector, the ratio is 14.7 for females and 54.6 for males. Among the States/UTs, the highest worker population ratio for females in the rural sector was in Himachal Pradesh at 52.4% and in the urban sector in Sikkim at 27.3%. It also shows that, 59.3% females of the rural workforce were self-employed, 5.6% had regular wage/salaried employment and 35.1% females were casual labourers, as compared with 54.5%, 10.0%, and 35.5%, for males, in the same categories, respectively. Urban India had nearly equal proportion (42.8%) of women participation in self-employment. A total of 20.5% women were employed in the organized sector in 2011 with 18.1% working in the public sector and 24.3% in the private. The labour force participation rate for women across all age groups was 25.3 in rural sector and 15.5 in urban sector, compared with 55.3 and 56.3 for men, in the rural and urban sectors, respectively, in 2011-12 (NSS 68th Round).

The unemployment rate for women in rural areas was 2.9, as against 2.1 for men, whereas it was 6.6, and 3.2 for women and men in urban areas, during 2011-12. The average wage/salary received by regular wage/salaried employees of economically active age group was Rs. 428.66 per day for females, compared with Rs. 550.23 per day for males in rural areas. For urban areas, it was Rs. 609.7 and Rs. 805.52 per day for females and males, respectively.

Female participation in labour force has remained lower than male participation, as women account for most of the unpaid work. When women are employed in paid work, they are overrepresented in the informal sector. They also face significant wage differentials vis-à-vis their male counterparts .

## ***2.2. Entrepreneurship as an Untapped Potential***

Self employment has often been considered as the micro form of entrepreneurship in any society. Therefore, the trends in growth of self employment, as also its relative share in the labour market, are decisive variables in understanding and planning for entrepreneurship development.

The relative share of wage employment and self employment can be interpreted in relation to the level of aspirations, on the one hand, as also the availability of opportunities on the other. In a given context, the sex differentials in the relative share of these two variables is indicative. The relevant question is , why women opt for self employment, much less than men . Does It mean that, the opportunities available to them are less? Or, does it mean that , given the opportunities, women are not able to grab them appropriately? Since gender-segregated data are not readily available, inferences have to be drawn from indirect sources, and case studies.

## ***3.0. Conceptual Framework***

For a realistic understanding of the scope and leading issues in the context of women entrepreneurship development, it is important, at the outset, to set the conceptual framework.