

Gender and Enterprise in India- Key Issues in 2015

ISED Discussion Paper



Institute of Small Enterprises and Development



ISED House, ISED Road, Cochin - 682028
Email: info@isedonline.org, seo@isedonline.org
www.isedonline.org

Gender and Enterprise in India- Key Issues in 2015



by

ISED-SEO Team



Institute of Small Enterprises and Development

© Institute of Small Enterprises and Development 2015

All rights reserved. No part of this document may be reproduced or utilised in any form or by any means, electronic or mechanical, including photocopying, recording or by any information storage or retrieval system, without permission in writing from the publisher.

Institute of Small Enterprises
and Development, ISED House,
ISED Enclave, ISED Road,
Cochin-682 028, India
URL: www.isedonline.org
Email: info@isedonline.org



ISED Small Enterprise Observatory,
ISED House, ISED Road,
ISED Enclave, ISED Road,
Cochin-682 028, India
URL: www.isedonline.org
Email: seo@isedonline.org

Published by P.M. Mathew, for Institute of Small Enterprises and Development. Printed and bound in India by Vivanta Printers, Cochin - 682024

Series: ISED Policy Briefs

ISBN 978-93-80830-55-1

Price: ₹ 295.00 (India); US \$ 15.00 (Overseas)

About ISED Policy Brief Series

The purpose of '*ISED Policy Briefs*' series, of the Institute of Small Enterprises and Development, is to present a short and informative analysis of some of the current issues relating to developmental issues. It offers a brief background of issues, as also the latest analysis and findings. Monographs under this Series carry policy recommendations that can further be deliberated among policy circles, the media, and the general public.

Preface

The entrepreneurship route to women empowerment has now been widely debated around the world. There are two key aspects that form the compass of such debates: 1) entrepreneurship; 2) gender. Unless these two aspects come together in a synergic manner, the objectives of social policy relating to gender -sensitive and inclusive development are not likely to be fulfilled. While such an integrated approach need to be designed and taken forward, some fundamental questions come to the fore: 1) Does women entrepreneurship differ from entrepreneurship in general?; and 2) Is the problem of finance which is critical in enterprise development, essentially gender-specific, or, a more visible reflection of a general problem of all SMEs? A realistic answer to these two questions is crucial from the point of view of design and implementation of programmes meant for economic empowerment of women. The following pages are devoted to two central issues: 1) gender and finance; and 2) gender and 'real services' that contribute to enterprise development.

Our discussion in the preceding pages lead us to the need for a paradigm shift in entrepreneurship development initiatives in the country. The conventional model ,centred on infrastructure, finance, and marketing, cannot contribute much to entrepreneurship development. In the modern environment, the need lies with releasing and enhancing the hidden capabilities, and providing a suitable ecosystem where knowledge has a significant role. After all, in a knowledge economy, it is knowledge and capabilities that can empower women, not simply support in the key functional areas.

This publication is the outcome of the in- house research by the ISED Small Enterprise Observatory, in cooperation with the Center for Social Development . I am thankful to the members of the research team, who have put in their expertise and resources to shape this document into the present form. I am also thankful to the members of technical support team who have extended support services from time to time.

I hope, the discussion and the brief findings of the study would immensely help researchers, policy makers, practitioners , and students belonging to the broad disciplines of Management, Economics, Sociology and gender studies.

Cochin
November 15,2015



P.M.Mathew



Gender and Enterprise in India-Key Issues in 2015

1.0.Introduction

The entrepreneurship route to women empowerment has now been widely debated around the world. There are two key aspects that form the compass of such debates: 1) entrepreneurship; 2) gender. Unless these two aspects come together in a synergic manner, the objectives of social policy relating to gender-sensitive and inclusive development are not likely to be fulfilled. While such an integrated approach to development need to be designed and taken forward, some fundamental questions come to the fore: 1) Does women entrepreneurship differ from entrepreneurship in general?; and 2) Is the problem of finance which is critical in enterprise development, essentially gender-specific, or, a more visible reflection of a general problem of all SMEs? A realistic answer to these two questions is crucial from the point of view of design and implementation of programmes meant for economic empowerment of women. The following pages are devoted to two central issues: 1) gender and finance; and 2) gender and real services that contribute to enterprise development.

2.0.Why Gender is Important in SME Debates?

Over the past few years, there has been an active discussion regarding the role of entrepreneurship and innovation in economic development across the world. Governments, and development economists are becoming increasingly active in exploring the role of entrepreneurship in economic development. The double focus on SMEs and entrepreneurship in new ventures is, itself, an important development. Whereas in the past, innovation policy worked through investments in research and development, a broader view now needs to

be taken of where innovation occurs, and the conditions needed to support them. Innovation is not just science and technology; it is also the creation of a multitude of new products and services in all sectors of the economy, new marketing methods, and changes in ways of organizing businesses in their business practices, work place organization, and external relations. In this framework, new firm creation through entrepreneurship ,which typically generates new SME entities (but occasionally also “born large” firms) and innovations in existing SMEs, play an important role (OECD, 2010). In India, the ‘Make in India’, as a strategic approach, and he focus on skill development, underlies the criticality of entrepreneurship in the country and march towards an accelerated growth rate. Women entrepreneurship , in this context, plays an important potential role.

What do we know about female entrepreneurship in developing countries? Do ‘stylized facts’, as briefly noted above, also apply to developing countries? The general question is whether the characteristics and role of female entrepreneurship vary across countries at different stages of their development. Recent evidence shows that prevalence rates of female entrepreneurship tend to be relatively higher in developing than in developed countries. This has traditionally been explained by the fact that, in developing economies, women face higher barriers to entry in the formal labour market and have to resort to entrepreneurship as a way out of unemployment and, often, out of poverty. Research on female entrepreneurship in Latin America and the Caribbean, for example, found very high rates of female entrepreneurship in the poorest countries of the region— up to 35 per cent in Peru—and notes that only 13 per cent of women entrepreneurs in the region indicated that they expected their firms to grow over the following

five years. In many cases, opportunities and incentives are unfavourable for women to begin businesses, even when they have the abilities and knowledge.

Larger gender gaps in start-up activity are found in middle-income countries, whereas they tend to be narrower in lower-income countries probably because many women start businesses out of necessity. Surprisingly, women in poorer countries tend to be more self-confident about their abilities (skills and knowledge) to become entrepreneurs and less afraid of failure, compared to women in middle- and high-income countries—notwithstanding subjective and possibly biased perceptions about self-confidence, fear of failure, and existence of opportunities or significant and systematically associated determinants of the gender gap across all countries.

3.0. Women Entrepreneurship Conceptualised

The term, 'women entrepreneurship' is an ensemble. It means different groups in different contexts. Therefore, a characterisation of the group is crucial from the point of view of analysis and policy. Goffee and Acase (1985) attributed some unique characteristics for women entrepreneurs and classified women entrepreneurs into four groups :

- a. The Conventional Group: This Group is made up of women entrepreneurs who believe in the natural superiority of men, although they have lofty entrepreneurial ideals. They have high attachment ideals and an equal attachment to patriarchal ideals.
- b. The Innovative Group: This group has a high attachment to entrepreneurial ideals, but a low attachment to patriarchal ideals. They reject prevailing / conventional notions, and are not afraid to compete with men. They are often more educated than the conventional.
- c. The Domestic Group: This group has high attachment patriarchal ideals and very low attachment to entrepreneurial ideals. They are strongly attached to the conventional female role. Very often they are unwillingly self-employed entrepreneurs.
- d. The Radical Group: This group has a very low attachment to both entrepreneurial and patriarchal ideals. They have no commitment to conventional female roles and no commitment to entrepreneurial ideals. They became entrepreneurs due to various reasons.

On the basis of the situation in which women turn to the role of an entrepreneur, they can be classified into three:

- a. **Natural Entrepreneurs:** Natural or pure entrepreneurs possess basic entrepreneurial

talent and are often good managers too. They are motivated by economic rewards (make profit or generate income) or psychological factors such as independent employment, social status etc. On getting a chance, they will start their career. Majority of them will establish their business without much external support and assistance

- b. **Created Entrepreneurs:** Created or motivated entrepreneurs are prop ups through incentives, training or such other schemes. Even though they are not self-starters, if someone gets them started, they keep going alright. Entrepreneurship Development Programmes (EDPs) and Governmental assistances are aimed at creating new generation entrepreneurs.
- c. **Forced Entrepreneurs:** Forced entrepreneurs are reluctant to undertake any venture. But some incidents push them to undertake the responsibility of a business. Death of parents or husband, property, or family business inherited may force them to become entrepreneurs. They are, by and large, deficient in managerial proficiency.

4.0. Approaches to 'Gender and Enterprise'

An understanding of the state of women entrepreneurship in India presupposes a discussion on the objectives of women entrepreneurship itself. One can identify three major objectives: 1) economic empowerment and incomes; 2) entrepreneurship resource approach; 3) capabilities approach; and 4) social goal. Available literature in the subject area make some or more references to these objectives. A discussion on these objectives would indeed be rewarding,

4.1. Economic Empowerment and Incomes.

The basic argument underlying women entrepreneurship development relates to economic empowerment and incomes. The central argument is that, in a patriarchal society, income opportunities are unevenly distributed between the two genders. Considering entrepreneurship as the best among the opportunities of autonomous development of the individual, it is argued that women should increasingly be brought into the entrepreneurship stream.

4.2. Social Goal

In a society where job opportunities are largely dependent on educational attainments, it is natural that the employment opportunities of women remain relatively low. Besides, because of gender-specific reasons, the ease of entry into the job market also remains lower for women. Therefore, entrepreneurship, for them, is considered as a more adaptable vocation.

4.3.Capabilities Approach

It has been argued that, in the context of women, there are some gender specific capabilities that can be nourished and enhanced. The 'social capital' argument highlights the potential of women relating to social organization, and thereby to mobilize social capital, which can form a solid base for entrepreneurship development(See ,for instance, Harriss, et.al., 1998).

4.4.Entrepreneurship Resource Approach

In any economy, entrepreneurship is a critical resource which need to be preserved from the angle of sustainable development. However, public policy often does not come up to this higher level of thinking, Therefore, entrepreneurship development programmes organized by public agencies often have a limited goal of employment promotion, rather than development of entrepreneurship as a critical resource for sustainable development. In an emerging era characterized by the hegemonic role of the 'new economy', it is knowledge that contributes most to economic development. While women constitute more than 50% of the population, their role cannot be ignored. Therefore, it is crucial that women entrepreneurship is created and preserved as a critical resource adding value to the Indian economy.

5.0.The Ecosystem

In the agenda of enterprise development, the primary focus of progressive governments has been to provide an ecosystem wherein enterprises can sprout and grow. However, the specific social category to which an enterprise belong to, is a value question relating to the objectives of social policy in the country. While, in some countries, these objectives of social policy are external to the enterprise development policy, in some others, they are built into the overall development policy. In India, a mixture of the above two has been practiced. For institutional development, there is the role of the government: Women's Development Corporations and the State-run Livelihood-cum-Poverty Reduction Missions and EDIs play their role. For finance, the RBI directives are there relating to credit delivery norms.

The most crucial aspect relating to start-up policy and strategy is the start-up ecosystem in relation to the role and performance of institutions. A start-up ecosystem is formed by people, start-ups in their various stages, and various types of organizations in a location (physical or virtual), interacting as a system to create new business start-ups. These organizations can be further divided into categories such as, public promotional agencies, financial institutions, universities, support organizations (like incubators, accelerators, co-working spaces etc.), research organizations, providers of business development services, and large businesses . Different organizations typically focus on specific parts of the ecosystem and start-ups at their specific development

stages. The strength of the ecosystem varies from region to region because of historical and institutional factors. An understanding of these factors and the behavior of stake holders is important from the point of view of evolving appropriate policies and strategies.

India has significant stories of successful entrepreneurial ventures of women, and most of them are unique models that often provide learning opportunities and replicability. These include individuals and institutons. Some of the outstanding examples are: Anu Aga (Thermax), Kiran Shaw (Biocon), Sudha Murthy (Infosys) , Ekta Kapoor ('K' serials). The millions of unknown hands and hearts that make Lijjat Papad and Amul household names, are significant examples of women entrepreneurship.

Besides such role models that triggered success stories, there are also corporate initiatives that have helped grass root initiatives. There are a few organizations that are leading the way in recognizing and supporting women entrepreneurs. Leading among them are few corporates like ITC, which have come up with a unique award to honor women who have not only shaped their own destiny, but have left an indelible mark on the lives of others. It has recently launched Vivel Active Fair Awards, which celebrates the journey of courage and passion of the modern Indian Women, women who have shed their inhibitions to pursue their dreams. Vivel Active Fair is honoring these extraordinary women for being that change and making a difference.

There are also a few other national level initiatives that target promotion of enterprise and initiative among women. TIE, a not-for-profit network of entrepreneurs, brings together enterprising women through its 'TIE Stree Shakti' initiative..FICCI has a dedicated wing for women entrepreneurs named as FLO – FICCI Ladies Organization. It is a broad-based forum comprising both early stage and established entrepreneurs who work towards policy initiatives, knowledge sharing and networking. National Entrepreneurs Network (NEN) has some programs for women, specially focused on mentoring and capacity building .Cherie Blair Foundation for Women is also active in India for promoting women entrepreneurs, and ably supported by the most renowned activists across the world. Goldman Sachs, one of the largest banks in the world, also runs a training initiative which aims to help over 10000 women entrepreneurs grow their business. The National Entrepreneurship Network (NEN) is Wadhvani Foundation's initiative ,that focus on women entrepreneurship training and mentoring .

6.0. Strategies of Women Entrepreneurship Development

India has a diversified experience of women entrepreneurship development. This can be explained

in terms of the policy responses, as also the operation of the market forces. Based on these two broad influences, one can identify four broad patterns of women entrepreneurship in the country:

6.1. Public Policy-driven

With the mainstreaming of gender in public promotional programmes of the Government of India, women entrepreneurship development also became a focal theme. As such, the Ministry of Industry, in the year 1977, then gave a special emphasis on women enterprise development. The core of the programme was to earmark a portion of the budgetary allocations on enterprise development, specifically for women enterprises. Under this programme, support was extended to two categories of enterprises: 1) individual enterprises; and 2) all-women cooperatives. This scheme was intended to provide financial assistance to women units in small scale and cottage industries, and to attract more women entrepreneurs into the industrial sector.

The core of the programme was to offer special subsidies and incentives, such as, machinery and equipment grant, workshop building grant, rent for hired buildings, grant for hire purchase of buildings, salary for functionaries of co-operatives, and stipend for trainees.

By early 1990's, as a fall-out of the 'women self help group' (SHG) movement around the world, in India also, the subject got significant policy attention. Following isolated experiments in States like Karnataka and Kerala, the self help groups (SHGs) picked up in other parts of the country as well. Subsequently, several variants of the movement emerged. In states like Kerala, Rajasthan and Madhya Pradesh, State-sponsored Poverty Reduction Missions were set up, broadly under the same methodology. Besides, NGOs and caste-communal groups also took initiative in sponsoring such self help groups.

A major achievement of the self help group movement was in the realm of finance. Promotion of group savings and microcredit operations, enhanced the visibility of the movement. The SHG-Bank Linkage programme, initiated in 1990, was a major step forward in linking women groups with formal financial Institutions. While

this helped to enhance the credibility of SHGs, it also had an additional potential of nurturing entrepreneurial activity among women. However, the impact on women entrepreneurship development is a debatable subject.

From the point of view of public policy and development planning, however, micro level success stories, by themselves, are not enough. It is necessary to examine the macro foundations of policy making, as also the impact of such policies at the ground level. Therefore, one needs to look at macro level data on women enterprises more closely. Though available data base is scanty, from the point of view of public policy and shaping of development strategies, there need to be a closer understanding of the macro situation.

6.2. Market Driven Entrepreneurship

Unlike the public promotional programmes, the market forces also have played their role in nurturing women entrepreneurship in the country. However, the emerging picture is a mixed one. Given the prevailing property rights in the country, women undoubtedly have several constraints in becoming successful entrepreneurs. There are several stories of successful women entrepreneurs who have made a real impact. However, the sources of such entrepreneurship also differ. A close examination of the success stories indicate several women entrepreneurs emerging from the business families. In some cases, women join the business of their spouses as silent partners. In some other cases, they graduate over time into successful entrepreneurs. There are also cases of stand-alone success stories, wherein, women become entrepreneurs through their hard effort and lead the way to other family members.

6.3. NGO Driven Entrepreneurship Development

With the growth of the 'new economy', some of the favorable conditions for the growth of women entrepreneurship were created. Objective factors like part-time work, skill levels, education etc. that are specific to women attract the attention of the MNCs and the large corporations. As such, large companies like Microsoft and IBM are interested in utilizing the entrepreneurial traits of women as useful actors in the value chain. This has led to the growth of the

Women's Entrepreneurship: Global Patterns

Box No. 1

Growing attention is being given to women's entrepreneurship as part of the empowerment agenda and as a means to expand opportunities and benefit from their engagement in productive (self-) employment. According to available estimates, approximately one fourth to one third of the world's formal sector enterprises are owned and operated by women. However, studies also suggest that in some countries, women entrepreneurs experience more difficulties than men in starting and expanding their businesses, particularly due to cultural norms and social attitudes. Statistics also show that women are less likely than men to start businesses and grow their small firms into larger enterprises.

Source: UNCTAD