

# Gender, Enterprise, and Finance: The Way Forward



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# **Gender, Enterprise, and Finance: The Way Forward**

by

ISED Small Enterprise Observatory

*jointly with*

ISED Centre for Social Development

**Institute of Small Enterprises & Development**

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### **About 'ISED Policy Briefs' 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 development of this constituency. 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

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In the development debate, 'gender and finance' is a question of polemics. It can be summarized in terms of two statements that emerge from the overall objectives of gender sensitivity in economic governance. It may be summarized in the form of the two following statements of probability: 1) Economic empowerment of women should be ensured through the entrepreneurship route; and 2). Women should get adequate finance. In India, the inconsistency between the above two statements is often reflected both in the practice of entrepreneurship development and financing, such that, while there are several public programmes in the subject area, the impacts are doubtful. The Union and State governments have come out with a number of programmes for training and mentoring of women entrepreneurs, which often leads to some entrepreneurial activity, individual, collective, or both. The financial institutions have several gender-specific programmes which target women, ensuring that a portion of bank finances go to women as per directives of the RBI and of the government. Beyond these, the key question is, how effectively the gender-specific programmes are implemented and their benefits reach women. This leads us to another fundamental question, and enquiry thereto, as to the constraints endemic to gender-specific programmes, where institutional finance is involved in. Against this background, this study raises the following key research issues:

1. Is public policy relating to institutional finance for women entrepreneurship, appropriate to the social reality of India?
2. Does the policies of the public sector banks truly reflect these realities?
3. What explains the success or failure of these policies in relation to women entrepreneurship development in the country?

These research questions led the project to circumscribe an analytical exercise around five research questions as follows:

1. To examine the foundations of policy relating to women entrepreneurship development, in relation to: a) institutional finance; and b) capacity building.
2. To examine the extent and coverage of such policy across different financial institutions, regions and subsectors;
3. To analyze the institutional and policy constraints relating to credit delivery;
4. To examine the degree and extent of capacity building among women entrepreneurs that lead to credit absorption; and
5. To examine the strengths and weaknesses of institutional structures such as SLBC, Inter institutional Committee and District level Monitoring Committee and other official consultative forums, in ensuring credit delivery to women.

The following pages seek to summarise the broad findings of the ISED research with respect to identification of the critical issues of policy and strategy alternatives. It also gives some broad guidelines on the way forward. Such a discussion also leads to some concrete action points for the consideration of the Ministry of Women and Child Development and of other related Ministries/Departments of the Union Government and of the states.

Action for gender empowerment depends on the political will to gain it. But here, the underlying question is, how economic empowerment is perceived. If it is on the enterprise route, one need to follow the rules of the game. The focus need to be on the value chain. In order to act on the value chain, particular capabilities are need. The prime question for policy, therefore, is, whether such capabilities exist today. If not, they need to be imparted. Who will impart that? Here the question of repetitiveness of institutions and their initiatives need to be examined thoroughly. The ultimate principle need to be a principle of comparative advantage: 'competence to be counted where it counts most, and incompetence, where it counts least'.

# Gender, Enterprise, and Finance: The Way Forward

## Abstract

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Keywords: Gender and empowerment, economic empowerment, comparative advantage.

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## 1.0 Introduction

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## 2.0. Global Scene of Women Entrepreneurship

Changes in the global scene of women entrepreneurship and finance has important implications for policy and practice in India. Gender and Finance has, of late, emerged as a key business opportunity – the launch of the Women's Finance Hub, the impressive growth

in membership of the Global Banking Alliance for Women, and the increasing evidence gleaned from early movers such as Westpac (Australia), Garanti Bank (Turkey), and BLC (Lebanon), have shown that, beyond social obligations, there is a strong business case in 'gender and enterprise'.

Against the above opportunity, there are some important constraints. Basel II/III and other enabling environment issues getting more attention – while the principles behind the new, stabilizing regulations are sound, growing evidence from putting these into practice in different regions shows that implementation approaches need more attention. For example, the recent EU clarifying regulations on trade finance are but one example of this response, with other areas, particularly around the development of common financial markets infrastructure, and around administrative requirements for SME accounts, in need of more detailed examination.

The global scenario, as it emerges from reliable sources, paints a promising scene for women and their enterprises. While, in the past, finance for women entrepreneurs was essentially an issue of gender sensitivity, and was founded on the principle of true equality in a democratic society, where both women also get their due democratic rights, there has been a major paradigm shift. The convergence of three vital aspects of modern governance, viz., gender, environment, and principles of responsible business, bring in a whole host of business opportunities, where women can and must play a major leadership role. 'Social enterprise' is such a sunrise sector. However, being an emerging sector, in countries like India, the ecosystem and policy framework need to be put in place. The promotional institutions meant for women have to think of a reengineering, and new financial instruments and products should emerge. According to some projections at the international level, 'crowd funding' and fintech will make a bigger splash in emerging markets than either has, to date, in the developed markets. There are some recent global projections that need closer examination based on the experience of India. The G20 will turn more attention to improving the enabling environment for SME Finance, moving away from more short-term direct intervention measures. It may have a global impact as well. Enhanced initiatives on institutionalisation is anticipated. More "women's

banks" will be started in more countries, dedicated exclusively to women's interests, mostly publicly owned and supported. The global private sector will take some "baby steps" towards its own collective commitment to closing the SME Finance Gap, following on the growing number of public (national) commitments. "Impact investing" will have its first major scandal, in all likelihood due to perceived mis-allocation of investor funds... which will lead to more decisive movement on transparency and meaningful standards.

### **3.0. Conclusions of the Study**

The ISED research comes out with the following broad conclusions: These conclusions, however, are not the last word in the subject area. But they are worth examination.

#### **3.1. Basic Questions on Gender and Credit Flow**

The findings of this study do not corroborate the usual perception that women enterprises, as a sub category, are more deprived in terms of credit availability than the rest of enterprises in the MSME sector. Rather than considering it as a contentious issue, it is necessary to look at the typologies of women enterprises and their credit needs in closer terms. One need to also ask the more fundamental question of 'which women', rather than putting all women enterprises in a single basket.

#### **3.2. The Foundations of Public Policy**

Public policy on women entrepreneurship development in India emerged through a gradual process. Starting from a welfare focus in women's development, four major influences have shaped public policy into its present form: a) the global thinking, influences, and the role of media; b) the political developments and the articulation in the country in relation to women's rights and of hitherto denied opportunities; c) the influence of donor perspectives through bilateral and multilateral programs; and d) the influence of best practices and successes stories in business.

In tune with the requirement of these factors, there emerged a relation of gender-specific economic activities which demanded institutional finance. However, the flow of institutional finance itself demands the presence of some co-operant factors: the level of entrepreneurial capacity in relation to gender, and the need for capacity enhancement among women, emerge as a crucial prerequisite.

### 3.3.Spatial Dimension

The question of space has two connotations in the context of gender. On the one hand, it implies the requirement of regional balance in the democratic federal system of the country. On the other hand, there arises the need for ensuring gender balance among various subsectors and across several public programs that have been implemented by various ministries and departments. Our research indicates that within the Indian government, the initiatives for gender budgeting does not get automatically translated into gender based well-being. This imbalance needs policy corrections, as also strategy alternatives and new mechanisms. If gender budget seeks to ensure gender based well being, public policy and programmes needed to have an outward oriented approach, where the full potential of the various private actors are harnessed to a larger extent possible.

### 3.4..Credit Delivery: Policy and Practice

This research shows that, Indian's policy on gender sensitivity of credit channelization is commendable. However, the practice remains much to be desired. There are objective and subjective factors that contribute to such a result. Individual and institutional attitudes constrain credit flow in the case of public financial institutions. On other hand, there are flaws and constraints of institutional structures and mechanisms which need to be corrected. The third contributory factor relates to credit absorption capacity of women entrepreneurs. There is need for enhancement of such capacity through effective strategies. Effective supply of BDS is crucial in this regard. Government agencies directly do very little as service providers. The fourth is the role of knowledge and knowledge system as an aid to enhanced credit flow and triggered capacities, has not yet been properly addressed. One of the major challenges of this research is to examine , articulate and direct the way forward in this context.

### 3.5.Enhancing Credit Absorptive Capacity

Enhancing credit delivery by itself, will not lead to productive utilisation of credit by women and development of enterprise and entrepreneurship. This has been amply demonstrated by the experience of multiplication of gender specific programmes by various Ministries and public agencies, and the unsatisfactory record of their

performance. The need of the time is to enhance credit absorptive capacity.

### 3.6.Knowledge Systems: Restructuring and Redesigning

India has a vast network of promotional and financial institutions servicing the constituency of women entrepreneurs through various strategies. This network includes national and regional institutions, and an array of programmes ranging from credit support to credit promotional initiatives. Based on a review of the strength and weakness of this network , this study proposes an effective knowledge system, exclusive to the context of 'gender and enterprise'. The 'Women Enterprise Observatory', proposed as an outcome of this research, is a focal point of public policy initiatives and programmes.

### 3.7.Policy Snippets for the Ministry of Women and Child Development

NMEW, the specific department of the Ministry of Women and Child Development, has the challenging task of ensuring convergence in public programmes and policies relating to women development in the country. This research provides some concrete inputs for breaking down the relatively abstract concept of 'women's development' into concrete policies, strategies that can be taken forward in a more effective manner. The study considers 'gender and enterprise' as an effective sub domain wherein the Ministry can come forward with concrete and solid strategies. It suggests a step forward in the following manner:

- i) Beyond mere gender budgeting, the use of knowledge inputs that can, at a time, mobilize and monitor the work of various ministries and departments, need to be highlighted. In India's democratic system, this is an important strategy, both for the parliamentary process ,as also for improving the state of governance which is the core objective of public policy, as outlined by the Prime Minister.
- II) Knowledge systems should work on a public-private partnership mode.
- III)The track record of state level Nodal Agencies of the Ministry of WCD, have not come up to the expectations; a review of their present and potential role need to be initiated expeditiously.
- iv) All State Governments should be encouraged to set up 'Gender and Enterprise Departments'