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# 'Inclusive Finance', Gender & the Business Case

POYT WILLIAM GREY

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by

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**ISED Small Enterprise Observatory**

*Jointly with*

**ISED Centre for Financial Education & Research**

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# PREFACE

The concept of ‘inclusive finance’ has gained significant global acceptability over the past few decades. Apart from its ideological premises, the practice of this highly socially relevant concept is difficult and complex. While the credit manager of a bank is at the receiving end of such a complex task, it is important to focus on public policy and strategies with great care. Under ‘gender budgeting’, there is a ‘gender’ component in every public program, as a thumb-rule for credit flow. Even the public financial institutions have their dedicated ‘gender’ programs. To what extent the financial institutions find a ‘business case’ with such programs? Besides, what is the experience of such programs in relation to bankability and sustainability? It is important that the “banker’s dilemma” is reduced to the minimum with the help of a strong evidence- base. Such an initiative is critical from the point of view of ensuring the credibility of gender sensitive public programs for enterprise development, and to ensure accelerated credit flow into such businesses. This study is based on a large research initiative at the ISED, on the theoretical and methodological aspects of ‘Gender and Enterprise’, as an evolving constituency. The field evidences, forming the backbone of this research, come from the State of Kerala.

As this title come out as a joint output of the Observatory and the ISED Centre for Financial Education & Research, the Institute wishes to thank, without fail, the pains and efforts of the authors, and all who have supported it through inputs and suggestions. ISED has taken best efforts to ensure the quality and reliability of this paper. However, for the findings and views, the authors alone are responsible.

Cochin  
October 20,2020

P.M.Mathew  
Director, ISED



# 'Inclusive Finance', Gender & the Business Case

K.Sivakumar

## Abstract

*The concept of 'inclusive finance' has gained significant global acceptability over the past 2 decades. Apart from its ideological premises, the practice of this highly socially relevant concept is difficult and complex. While the credit manager is at the receiving end of such a complex task, it is important to focus on public policy and strategies with great care. As gender budgeting has become the honour of the day, in most of the public programs, there is a gender component in to which credit should naturally flow. Even the public financial institutions have their dedicated gender programs. To what extent the financial institutions find a business case with such programs? Besides, what is the experience of such programs in relation to bankability and sustainability. It is important that the bankers dilemma is reduced to the minimum with the help of a strong evidence base. Such an initiative is critical from the point of view of ensuring the credibility of gender sensitive public programs for enterprise development, and to ensure accelerated credit flow in to such businesses.*

KEY WORDS: Inclusive finance, gender, entrepreneurship, India

## 1.0 Introduction

In the schema of enterprise development, finance has a critical role to play. Along with the two other sides of the enterprise triangle, i.e. business development services, and entrepreneurship, finance facilitates the 'real' transactions happen, by facilitating the mobilization of resources and capabilities. While finance is a critical input, its supply can be through institutional or non-institutional sources. Our discussion as follows, is largely confined to institutional sources. The degree to which institutional finance become useful to entrepreneurs belonging to particular social categories is, undoubtedly, a major area of policy concern. However, the flow of institutional finance is not simply a mechanical process. It depends on the structure, dynamism and orientation of institutions as well. Therefore, a discussion on the working of financial institutions in Kerala, and their perceptions and sensitivity to gender financing, is crucial.

## 2.0. Macro Scene of Finance to Women Enterprises

A discussion on the comparative scene of

financing structure of women enterprises, is useful for a better understanding of the position of Kerala. The following tables lead us to some broad conclusions:

- 1) Both at the national level and in Kerala, institutional finance form only an insignificant part of women enterprise finance. In fact, the position of Kerala is lower than that of the national figure.
- 2) At the national level, 'Self finance' constitute the most significant component of their finance pie. Kerala stands first in terms of the share of self finance.
- 3) 'Donations and transfers' from other agencies form the next major source of finance for these businesses. This may include a variety of sources such as CSR funding, as also donations/support from welfare organisations and donor channels. Among the Focus States, the position of Kerala in this regard is the lowest. This is understandable because of two reasons : a) Kerala does not have a strong presence of the private corporate sector; and b) It is not a focal State of donor priority.
- 4) The data also shows that, the so-called 'BIMARU States' have a larger share of women enterprises, gaining from 'donations and transfers', than in other States.

5) Despite the relatively high visibility of MSMEs in the seven Focus States, these States do not indicate a significant spill over effect with regard to flow of institutional finance for women enterprises. The question as to whether the financial institutions do not find a significant business case with these enterprises, or that the promotional agencies fail to deliver effectively, is a subject that requires detailed investigation.

6) A proactive role of the government as

promoter of women entrepreneurship, often gets reflected in relation to the share of government's financial assistance to such units. In fact, among the Focus States, the position of Kerala in this regard is much lower than that of the National figure.

7) While Kerala is considered as a successful state with regard to mobilisation of social capital, the impact of such mobilization does not get reflected in the flow of finance for investment in women enterprises.

**Table:7.1. Financing Pattern of Women Enterprises in India**

State	Institutional Finance ratio in %	Self Finance Ratio in %	Govt Grant Ratio in %	Indigenous Finance Ratio in %	Group Finance Ratio in %	Donations/ Transfers from other agencies in %	Total
Jammu & Kashmir	2.00	75.19	5.36	2.98	0.14	14.29	1.00
Himachal Pradesh	2.70	89.65	2.50	0.08	0.27	4.73	1.00
Punjab	0.50	84.90	1.62	0.27	0.08	12.53	1.00
Chandigarh	0.40	97.00	2.00	0.30	0.02	0.26	1.00
Uttarakhand	1.85	86.54	3.33	0.22	0.38	7.65	1.00
Haryana	0.46	93.21	1.20	0.35	0.09	4.68	1.00
Delhi	0.46	84.53	1.63	0.34	0.15	12.88	1.00
Rajasthan	1.05	73.54	3.19	0.53	0.16	21.53	1.00
Uttar Pradesh	0.53	75.76	3.02	0.48	0.20	20.01	1.00
Bihar	1.27	50.51	4.76	1.13	0.34	42.00	1.00
Sikkim	2.30	88.90	4.44	0.13	0.06	4.05	1.00
Arunachal Pradesh	0.70	81.54	4.09	0.44	0.37	12.86	1.00
Nagaland	0.39	94.00	0.78	0.48	0.18	4.17	1.00
Manipur	0.91	94.72	0.39	0.76	0.10	3.12	1.00
Mizoram	0.83	88.92	3.55	0.08	0.09	6.52	1.00
Tripura	1.56	88.60	3.16	0.84	0.32	5.52	1.00
Meghalaya	0.76	92.38	2.24	0.39	0.16	4.08	1.00
Assam	1.22	90.29	2.23	0.81	0.74	4.70	1.00
West Bengal	0.96	69.20	3.06	3.40	0.55	22.77	1.00
Jharkhand	1.00	44.60	8.36	0.30	0.48	45.26	1.00
Odisha	1.43	75.50	5.13	0.82	1.16	15.95	1.00