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Existing women-owned SMEs are found to make a significant contribution to the economic growth of the nations, particularly in their ability to create large scale employment, poverty alleviation and inclusive growth. Because of non-availability of sex-disaggregated data, it is difficult to know the exact economic impact of women entrepreneurship in India. The committee setup by the Govt. of India (Mitra, 2012), to study the status of Angel Investment and Early Stage Venture Capital recommended the need for a catalytic government and regulatory environment, adequate capital flows (both debt and equity), support from business and society, and availability of appropriate talent and mentoring as the key to boost a vibrant entrepreneurial ecosystem. Women constitute 50 percent of the country’s population. However, they own less than 13 percent of enterprises in the registered MSME sector. This clearly indicates that they are an under harnessed economic resource for India. Prior studies reveal that, very few women entrepreneurs seek and avail the benefits intended for them under various schemes and programmes of the government. They are essentially supported (financial and otherwise) by their families, in particular by their spouses. Shah’s (2013) study finds that women entrepreneurs are mostly unaware of the existence of the schemes and programmes specially designed for them to help them succeed.

The promotion of SMEs is a state subject under the Constitution of India; therefore, the study is confined to the State of Karnataka. The state figures among the top five industrialised states in India. As per the 15th National Census Survey 2011, women constitute 49 percent of the state population (Census Commissioner-Govt. of India, 2014). The 4th All India Census of MSMEs 2006-2007 report, indicates there are 26647 women-owned MSMEs in Karnataka. Of them, 1755 are women-owned SMEs which are the subject of this study.

The objective of the study is to know about the state of awareness and participation in the programmes of the central and the state government in the state of Karnataka among existing women entrepreneurs in SMEs and if this, leads to accessing bank finance.

The rest of the paper is organized as follows. The relevant literature on policies and programmes of the government for women entrepreneurs in SMEs is examined, followed by an elaboration of the research methodology, and an explanation of sampling. The results section is organized into five sub-categories, namely, the awareness of the policies and programmes by women entrepreneurs in SMEs; their significance of association with access to bank finance; and the overall impact of the two groups’ (i.e., the representative majority group and the others) awareness of the policies and programmes on access to bank finance.

Research Questions:
1. Do awareness of the policies/participation in the programmes of the government by women entrepreneurs in SMEs enable access to bank finance?
2. What are the non-financial key constraints that inhibit access to bank finance?
3. How to create a vibrant entrepreneurial ecosystem for potential and existing women entrepreneurs in SMEs through improved access to bank finance?
Literature Review:

**Significance of Women Entrepreneurs:** Entrepreneurs are a vital catalyst for India’s economy. VanderBrug (2013), argues that women in emerging markets plough back 90 cents of every additional dollar of income into “human resources”, which includes their families’ education, health, and nutrition (compared to 30-40 percent for men), thereby helping their families, communities, and nations. Christine Lagarde (2013) believes that investment in women is ‘smart economics’ which contributes to inclusive growth and her message at the World Economic Forum, Davos was that, ‘when women do better, economies do better’ (Verveer & Azzarelli, 2013). Women entrepreneurs, when successful, will be change makers in their families and society and inspire others to be self-reliant (Shah & Saurabh, 2015). However, many first generation entrepreneurs are unable to take the plunge due to lack of access to finance and a business environment that is difficult to navigate for first-timers (Intellecap, 2011). A gender sensitive SME policy is essential if the economy is going to work for women as well as men and to benefit from both women's and men's intellectual, entrepreneurial and physical labour (D’Ovido, 2011).

**The current status of women-owned SMEs in India:** According to the sixth economic census-14 percent of business establishments are run by women; 79 percent of them are self-financed; 4.4 percent have borrowed money from a financial institution/government; and they employ 13.48 million people (Saha, 2016). Women-owned firms are smaller, having less growth, in retail and service sectors and therefore, less likely to seek any form of external financing. The size and sector account for gender differences in application for commercial loans, leases, and supplier financing (Orser et al., 2005). Women entrepreneurs still face challenges getting fair access to capital (Cantwell, 2014).

**Awareness of Policies and Programs of the Government for Women owned SMEs:** Having realised the importance of women entrepreneurship for their country’s progress, most governments use a range of financial measures ‘hard’ policy instruments - direct grants, loans, loan guarantees and venture capital initiatives, and ‘soft’ policy instruments-business capital initiatives, business support, advice (Lambrecht & Pirnay, 2005; Wren & Storey, 2002) to promote entrepreneurship. The policies meant to promote women’s entrepreneurship carries an explicit focus on economic growth. Here, women are considered as a means to an end, and the gender equality is discussed as either a means to economic growth or a result of economic growth (Ahl & Nelson 2015). Few policies reconcile motherhood and work (Budig et al. 2010). A recent study finds that women entrepreneurs do not accept the role of the government in their success. Therefore, there is a need for the government has to relook at its policies, especially in terms of their accessibility and reach (Tiwari & Goel). MSMEs–Development Office (DC-MSME), various State Small Industries Development Corporations (SSIDCs), nationalized banks and Non-Government Organizations (NGOs) conduct Entrepreneurship Development Programmes (EDPs), process/product oriented EDPs, and award prizes to outstanding woman entrepreneurs. DC-MSME has a women’s cell to provide coordination and assistance to women-owned MSMEs. SIDBI has two special schemes – Mahila Udyam Nidhi for providing equity and Mahila Vikas Nidhi to offer developmental assistance (MSME.Govt. of India, 2016). The Reserve Bank of India (RBI) has mandated all public sector banks to maintain sex disaggregated data of their total lending portfolio. A 14-point action plan is drawn for increasing women’s access to the formal financial sector. The RBI has stipulated the scheduled commercial banks to earmark at least 5 percent of their net bank credit to women entrepreneurs. As per the plan, women cells need to be set up at the bank’s head office and regional offices where information, counselling/ guidance and credit related services will be provided (Reserve Bank of India, 2000). The eleventh five-year plan (2007- 2012) focused on inclusive development and the twelfth five-year plan (2012-2017) the government’s priority has been to consolidate the existing interventions relating to the promotion of gender equality and the empowerment of women and proceed to address new gender-specific challenges. There are numerous policies that touch upon and have direct and indirect implications for entrepreneurship, but the focus on entrepreneurship still remains fragmented and devoid of any strategy content (Shah et al., 2014). According to investors, India’s regulatory framework is inhibiting, changing and ambiguous. This environment compounds the riskiness of investing in Indian enterprises and hampers investments in smaller deals and start-up (Intellecap, 2011). The studies have found the existing policies and
programmes to have “androcentric” perspective. They very often do not take into account the specific needs of women entrepreneurs (Goyal, 2015; Huggins & Williams, 2009; OECD, 2004). From the experiences of the developed nations, where women entrepreneurship has taken off it is found that the “Macro” policies are more effective than “micro” policies in promoting entrepreneurship (Storey, 2008). The OECD (2004) study of many nations reiterates the fact that SME policy is highly complex, delivered in a variety of ways and subject to changes over short periods of time. SMEs are simple in organisational form, they are both numerous and diverse. There is no “typical SME”. Diversity is due to sectoral and regional differences, age of the firm, pace of growth, and profitability of the enterprise. The diversity presents challenges to the policy makers (OECD, 2004). Hence, there is a new realization among policymakers that the policies and programmes and the state support for enterprises has been generally ineffective (Bridge, 2010; Greene et al., 2008; Huggins & Williams, 2009; Richard et al., 2007; Shane, 2009). The enterprise policy is also called a ‘bad public policy’ because most of the time it leads people to start marginal businesses that are likely to fail, have little economic impact, and generate little employment. Hence, there is a need to choose winners and give them the state support (Shane, 2008). Most attention is paid to implementation (Vega et al., 2013) and evaluation stages (Jones et al., 2013; Storey, 1999). The policy formulation is hidden from view (Dennis Jr, 2011). It is complex and messy (Lundstrom & Stevenson, 2005). Very often, the politicians use policies for short-term electoral gains rather than have a coherent agenda designed to achieve clear objectives (Arshed et al., 2014; Storey, 1994). The World Bank (2016) report has ranked India 130th in terms of ‘ease of doing business’ and 155th in terms of ‘starting an enterprise’ among 189 nations.

Access to Bank Finance: In India, access to finance is recognized as a key constraint in the formation and growth of women-owned businesses. India ranks 42 out of 189 economies surveyed on ease of getting credit. It has a score of 6/12 on the depth of credit information and 9/12 on the strength of legal rights index (The World Bank, 2016). Women in India remain inadequately covered by the banking system both in terms of total number of deposit accounts, value of deposits and credit supply. 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, approximately 74 per cent of the total requirement.

RBI data showed that the share of small scale industries in the gross bank credit from scheduled commercial banks has been continuously going down. However, the total credit to women by public sector banks has constantly increased over the years in terms of numbers of accounts. All 26 public sector banks experienced an increase in the share of credit to women as a percentage of the net bank credit. Moreover, for all the public sector banks, women’s non-performing loans (NPA) as a percentage of total credit is a meagre 3.81 per cent in 2013 (Rao, 2014). The Committee on Technology Innovation and Venture Capital found information asymmetry, low equity base and lack of cash flow being reasons for not getting early stage finance (Govt. of India, 2006). The State Financial Corporations, as development finance institutions play a very important role in meeting credit needs of the entrepreneurs. Unequal inheritance rights for women and work restrictions limit their access to start up capital and collateral (Saha, 2016). There is lack of tolerance for business failures in India. When businesses fail due to market failures or other genuine reasons, they become untouchables for financial institutions. The risk/venture capital subsidiary of Small Industries Development Bank of India (SIDBI) falls short in meeting their requirement.

Non Financial Key Constraints in Accessing Bank Finance: It is reported by the committee set up to examine the financial architecture of the MSME sector that – equity as a source of financing is underutilised and the investment by venture capitalists and angel investors is low; the payments from large corporates are delayed; the utilisation of the credit guarantee and insurance schemes by banks has been low due to capacity constraints and operational issues; lack of awareness of schemes by the MSMEs; banks face challenges in credit risk assessment of MSMEs, due to absence of financial information including historical cash flows, credit track record and tools to assess credit risk and finally, lack of formal legal structure and the absence of a centralised database system (Ministry of Finance. Govt of India, 2015)
Null Hypothesis ($H_0$): There is no association between awareness of the policies and programmes of the government and access to bank finance.

Figure 1. Conceptual framework

Research Methodology

The literature review revealed the significance of the policies and programmes of the government in promoting women entrepreneurship. Hence, in an effort to shed light on the awareness and participation of women entrepreneurs in various programmes and schemes of the centre and the state government, and its impact on the access to bank finance, mixed methods of inquiry was used under pragmatic worldview. This method made use of both qualitative and quantitative methods such as social survey, in-depth personal interviews, expert opinion survey and blogs. In-depth partially guided personal interviews yielded rich data from which relevant themes were developed using grounded theory. The open-coding helped in identifying factors that enabled women entrepreneurs in SMEs in accessing bank finance and this helped in developing the tool for further inquiry. The social survey helped in collecting the biographical, social and financial data of the women entrepreneurs in the sample. The study population comprised of women entrepreneurs in SMEs registered with District Industries Centre in the state of Karnataka, India, who own 50 percent or more ownership stake and manage one or more activities of the firm. Since majority of the women entrepreneurs are married, with children, assisted by their spouse and family members in both business and with household chores, hence, there is a fine line of difference between the sole proprietorship and family business in the context of the women studied. The state of Karnataka constitutes 30 districts of which only 17 districts have presence of genuine women entrepreneurs in SMEs. The sampling frame was obtained from the Commissioner of Industrial Development and Director of Industries and Commerce. The total number of women-owned SMEs enumerated in the list was 1755. Of them, only 8 enterprises are medium enterprises (0.001 per cent of the study population) (Dept. of Industries and Commerce-Bengaluru, 2015). The sample size of 326 was derived using the formula of Yamane Taro (1967). The sampling method used for the qualitative study was non-probability purposive and judgemental sampling technique and for the quantitative approach it was probability random systematic sampling technique. Several personalized emails, telephone calls, and intervention from the local and state industry associations was sought to get the survey questionnaires filled up. For the statistical analysis, both descriptive and inferential statistics such as frequencies, percentages, Pearson’s Chi-square test, Logistic Regression and Content Analysis were used.

Results and Discussion

Table 1.0

<table>
<thead>
<tr>
<th>Awareness of Policies and Programmes of the Government</th>
<th>Yes</th>
<th>No</th>
<th>%</th>
<th>%</th>
<th>%</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>NSIC-Marketing Assistance</td>
<td>44</td>
<td>238</td>
<td>73.0</td>
<td>13.5</td>
<td>13.5</td>
<td>100.0</td>
</tr>
<tr>
<td>CGTFMSE</td>
<td>55</td>
<td>226</td>
<td>69.3</td>
<td>13.8</td>
<td>13.8</td>
<td>100.0</td>
</tr>
<tr>
<td>Interest Concession</td>
<td>72</td>
<td>326</td>
<td>64.1</td>
<td>13.8</td>
<td>32.6</td>
<td>100.0</td>
</tr>
</tbody>
</table>
The survey findings show that only one third of the women have participated in the Entrepreneurship Development Programmes of the government, specialized training programmes, and domestic trade fairs. There is very little awareness (less than 20 percent) of the other programmes (Table 1.0). The women entrepreneurs reported that they are not aware of these programmes. It is also true that they are not aware of the usefulness of these programmes to their field of activity. The language of delivery, the distance from the venue of the programme, the timings, the matching of the programme content with their needs, the follow up after the programme may dampen the participant’s interest for the programme. However, the few who have participated in the programmes have benefitted immensely. This is shown by the results of the test which show statistically highly significant association of the awareness of the programmes with access to bank finance.

The test results showed that there is statistically highly significant association between attending specialized training and access to bank finance (p=0.000), awareness of NSIC-Marketing Assistance Scheme and access to bank finance (p=0.008), awareness of CGTFMSE scheme and access to bank finance (p=0.000), awareness of concessional interest rates and waiver of processing fee and access to bank finance (p=0.000), awareness of state investment subsidy and access to bank finance (p=0.000), awareness of TREAD, Vendor Development Programmes and access to bank finance (p=0.008), awareness of CGTFMSE scheme and access to bank finance (p=0.000), awareness of NSIC facilitation council and access to bank finance (p=0.000) and statistically significant association between awareness of international trade mission and access to bank finance.
(p=0.032), awareness if skill development programmes and access to bank finance (p=0.000) and awareness of vendor development programme and access to bank finance (p=0.048) (Table 2.0). The logistic regression results confirm high impact of the comparing group on the access to bank finance where most of the factors show odds ratio above 1. Hence, null hypothesis is rejected and the alternate hypothesis is accepted at 5 percent level of significance.

Conclusions

Women entrepreneurs’ awareness and participation in the various programmes of the state and central government was studied and it was found that their participation was limited to entrepreneurship development programmes, specialized training programs and domestic trade fairs. Most of the women entrepreneurs surveyed said they were not aware of the schemes. But those who have availed the schemes have benefitted immensely. Hence, the test results show that there is statistically highly significant association between the awareness and participation in the programmes of the government and access to bank finance. All the government subsidies and grants are back-ended and are paid directly to the lending bank and therefore, it is mandatory that the women entrepreneurs borrow from the banks to avail these benefits.

Recommendations

Central to policy development around women owned business was the definition of the term woman enterprise. According to Government of India definition, a woman enterprise should be at least 51 percent owned by a woman or women and should have 50 percent or more women employees. This policy has the effect of restricting the class of ‘women enterprises’ to small businesses, because the vast majority of women-owned and managed businesses may not meet these stipulations and hence, will be excluded from the entitlements due to women enterprises. It is argued that government policies have an impact on the entire lifecycle of an enterprise, as well as on the entrepreneurial ecosystem. In order to create a supportive policy and regulatory environment, it is important that governments - central, state and local to recognize the distinct nature of first-generation women entrepreneurs (Ahl & Nelson, 2015).

In India, the policies and programmes are largely gender-neutral and non-discriminating across regions, sectors, type of industries, size, legal form, gender and age of the entrepreneurs. Hence, the state support has been largely ineffective in promoting women entrepreneurship. While formulating policies for women entrepreneurs the full lives of women entrepreneurs cannot be ignored, including their family commitments and the societal structure in which they live (Ahl & Nelson, 2015). For policies to be effective, they should identify and cater to the specific needs of women. The need may be to remove a constraint or making use of an opportunity which is denied to her or a support which will enhance the quality of work or life of a woman. Women entrepreneurs in manufacturing and services are individual populations and therefore, the policies and the programmes for them should be addressing their unique needs. Hence, the recommendation is for gender sensitization and gender audits in key government ministries such as HRD, Planning, Finance and Trade. Also, gender responsive budgeting and due allocation of funds/resources to the Ministry of Women and Child Welfare at the centre and the state level is needed.

SMEs are of a simple organisational form, at least in comparison with larger enterprises. Hence SME policy instruments should not be complex if they are to be understood and implemented by smaller firms as they are limited by time, resources to employ specialists, and for their survival need to focus more on customers than the government (OECD, 1997; Storey, 2008). Therefore, the recommendation is to develop a supportive legal and regulatory framework. Less regulation, better regulation and regulation as a last resort (BEIS, 2016).

The biggest challenge women face when starting and growing their businesses is access to capital (Stengel, 2016). Seed capital policy that gives women entrepreneurs access to finance for certain sunrise sectors such as transport, education, health, communication, use of renewable resources wisely will encourage more women to venture into entrepreneurship. This will create women entrepreneurs at all levels – rural, semi-urban and urban locations, engaging all sections of the society
Increase women’s legal access to property to improve access to collateral and control over assets.

As per government records women entrepreneurs are 12.36 percent of the entrepreneur population. Among them only 6 to 7 percent are genuine entrepreneurs. It is also proved in this study that women entrepreneurs contribute immensely to the economic growth. Hence, it is recommended that they are treated as a minority sector. This will promote women entrepreneurship in a big way. As minority sector, they will be entitled to preferential allocation of finance and the rate of interest will come down to 4 percent from the existing 14 percent, which is very high. Even the land allotment by KSSIDC and KIADB to minority sector is at 50 percent of the cost offered to general category (Girish, 2016).

The state support has been largely ineffective in promoting women entrepreneurship in India this is evident from the small number of women entrepreneurs in SMEs. The SME Policy omits the explicit consideration of the gender dimension in its problem statements and does not consider the heterogeneity of women entrepreneurs or men entrepreneurs. In order to overcome this, there must be qualified/experienced women entrepreneurs in the policy making body. A system of women helping women, women representing women, and women holding the knowledge, must become the norm. The policy makers should listen to the voice of women entrepreneurs (OECD, 2004).

The current Chambers of Commerce do not have the capacity to provide the support to Women SMEs. Women's Associations are few and far between and are institutionally very weak and therefore unable to carry out their due role (ILO, 2012). The District Industries Centre can take the initiative in introducing women entrepreneurs to the existing women industries associations or encourage them to start an association.

The research studies have found that the women entrepreneurship as a goal is subordinated to wider goals such as economic growth, poverty alleviation and women empowerment and is not a goal by itself. Therefore, most of the policies are not women entrepreneur friendly or they do not serve the needs of women entrepreneurs. There is a need to have a women dimension to every Entrepreneurship and SMEs policies to encourage more number of women to become entrepreneurs.

The policymakers and women themselves need to recognize that women are dynamic agents of change for social and economic development. The curricula and the education system should work towards creating an enterprising culture among the youth.

Considerations for Future Research

Historically, the research on the policies and programmes for small and medium women entrepreneurs focused only on enumerating the different policies, programmes and the institutions that delivered them. There is hardly any research on the process of formulation of policies, the evaluation process, the feedback mechanism and the follow-up process. The study of the impact of the policies at different life-stages of the enterprises i.e. at start-up, growth, etc. will further assist the policy makers in customizing the policies to suit the needs of women entrepreneurs.

The individual level determinants of entrepreneurial behaviour and success may explain at best who becomes an entrepreneur; not how many will do so. As regards structural characteristics of regions it is found that they do not easily lend themselves to effective policy making for the purpose of increasing the number of start-ups.

Research has demonstrated that entrepreneurial activities seem to vary systematically with certain dimensions of 'culture' or prevailing attitudes in a society (Davidsson, 1995; Shane, 2009). Therefore, it is useful to study the ecosystem with its supporting institutions, whether it is conducive for evolution or growth of entrepreneurs.

References


