Executive Summary

- Female-owned informal firms are smaller, less profitable than male-owned firms. Traditional policies have focused on entry and not scale.

- Women entrepreneurs face differential barriers to scale. Key constraints are lack of market linkages, information and access to networks.

- Marketing cooperatives and mobile phone-based information helplines leverage economies of scale to facilitate collective scaling-up.

Why do we care?

<table>
<thead>
<tr>
<th>One out of four informal firms in India are female-owned</th>
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<tr>
<td>10 percent long-term income loss can be attributed to gender gaps in entrepreneurship.¹</td>
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<td>Gender of firm owner is strongly correlated with gender of employees</td>
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Approach

| Quantitative analysis using nationally representative firm-level data |
| Focus groups and interviews with ~ 30 female entrepreneurs |
| Expert interviews with NGOs, governments, researchers |

Conditional on entry, female-owned firms perform worse on a variety of firm performance outcomes

Entry
- 40% of firms owned by women, catch-up driven by growth of single-owner-worker firms

Scale
- Women: earn 1.2X less profits, hire 7X less workers perform better when they hire workers

Entry
- 9% of firms owned by women, high concentration of firms with no workers

Scale
- Women: earn 1.1X less profits, hire 1.2X less workers perform better when they hire workers

These differences hold after accounting for differences in industry choice, location and other firm-owner characteristics.

Status quo assumes organic growth but female-owned firms face additional, differential barriers while scaling up. Why?

Demand-side constraints
- Lack of information about products among consumers

Supply-side constraints
- Lack of credit
- Lack of training/skills
- Industry choice
- Lack of access to markets
- Lack of networks

Institutional constraints
- Corruption
- Social norms

Complex interactive web of potential binding constraints
Women are primarily constrained by lack of information, networks and market linkages

<table>
<thead>
<tr>
<th>Lack of information</th>
<th>Lack of networks</th>
<th>Lack of market linkages</th>
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<td>“No, I haven’t heard of government programs that help me. How would I even know about it? I often rely on my husband to help me with financial management.”</td>
<td>“I know how hard I struggled to set up my business, I had no role models or mentors. Now that I am successful, I want to help all the women in my community.”</td>
<td>“We were unable to sell at prices that covered costs or we couldn’t even find buyers. In the end, we had to use our savings to repay our debts and shut down the business.”</td>
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Focus groups revealed lack of awareness about credit schemes, other support programs

Data shows stronger male networks; networks are strong predictor of entrepreneurial activity

Women felt excluded from male-dominated supplier-trader networks; mobility affects market access

Underlying social norms (lack of mobility, care responsibilities, acceptable industries, norms around hiring men) further constrain female entrepreneurs

Policy Recommendations

**Mobile phone-based information helpline**

Voice-based helpline that can be used to send content and answer questions
- Can reach low-literacy populations
- Low-cost, easy to implement
- Adaptable to multiple languages
- Can provide industry-specific content, financial literacy training or information about govt. schemes

**Marketing Cooperatives**

Cooperatives i.e. group-based entrepreneurship via joint sales
- Leverages economies of scale to create market linkages
- Can facilitate stronger female networks
- Greater bargaining power
- Potential to influence norms
Does Screening Matter?
Not all informal female entrepreneurs can or want to scale. We could screen out the subset of “transformational” entrepreneurs

**Pros:** Higher potential for impact; stronger, aligned networks

**Cons:** Costly; hard to implement; requires multi-stakeholder coordination

Multiple implementation mechanisms for each policy based on tradeoffs between cost, capability and impact

Mobile phone-based information helpline

<table>
<thead>
<tr>
<th>Helpline Only</th>
<th>Helpline + Community Sharing</th>
<th>Helpline + Community Sharing + Screening</th>
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<tr>
<td>Helpline that provides voice-based information</td>
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Marketing Cooperatives

<table>
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<tr>
<th>General</th>
<th>Targeted</th>
<th>Targeted + Buyer Linkages</th>
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<tr>
<td>Joint marketing cooperatives</td>
<td>Joint marketing cooperatives for homogenous products (requires NGO management)</td>
<td>Joint marketing cooperatives for homogenous products + Matching with buyers/local traders through NGO/private sector</td>
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</table>

Increasing in cost, degree of stakeholder coordination required, and impact

Test, Iterate and Evaluate

1. **Prototyping**
   - Low-cost, rapid iteration using:
     - A/B Testing
     - User-centered design

2. **Monitoring & Evaluation**
   - RCTs (randomized control trials) to evaluate which intervention is effective?
   - M&E framework for output & outcome measurement

For more details on analysis, recommendations and evaluation, please refer to ‘Barriers to scale for female entrepreneurs in India’ (2018) by Niriksha Shetty