



# BREAKING THROUGH

Addressing barriers to scale for informal female entrepreneurship in India

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Policy Brief

Niriksha Shetty | 8 April 2018

## 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?

**One out of four** informal firms in India are female-owned

**10 percent** long-term income loss can be attributed to gender gaps in entrepreneurship.<sup>1</sup>

Gender of firm owner is strongly correlated with gender of employees

## Approach

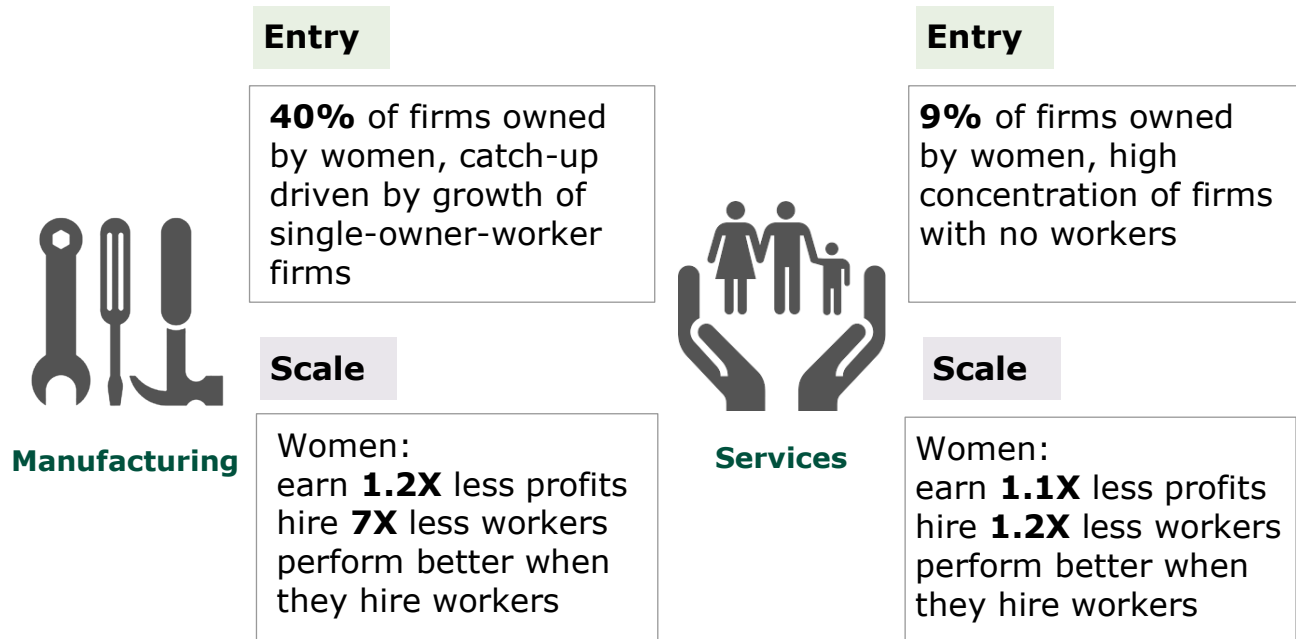
**Quantitative** analysis using nationally representative firm-level data

**Focus groups and interviews** with ~ 30 female entrepreneurs

**Expert interviews** with NGOs, governments, researchers

<sup>1</sup> Cuberes, D., and M. Teignier. *Gender Gaps in the Labor Market and Aggregate Productivity*. Department of Economics, University of Sheffield, 2012.

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



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

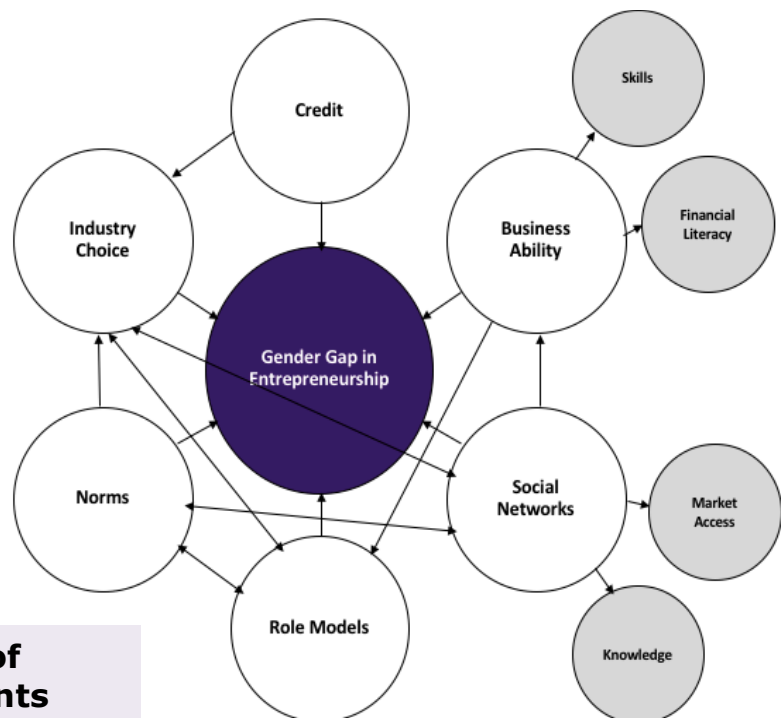
### Supply-side constraints

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

### Lack of information

"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."

Focus groups revealed lack of awareness about credit schemes, other support programs

### Lack of networks

"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."

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

### Lack of market linkages

"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."

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?

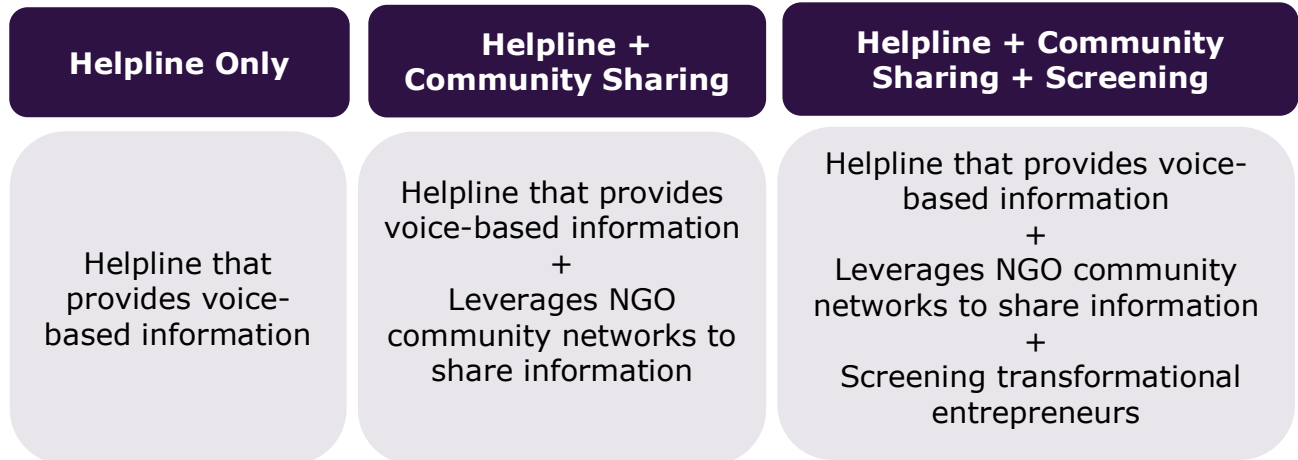
Not all informal female entrepreneurs **can or want to scale**. We could screen out the subset of “transformational” entrepreneurs

**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



### Marketing Cooperatives



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