



Sakshamaa Briefing Paper

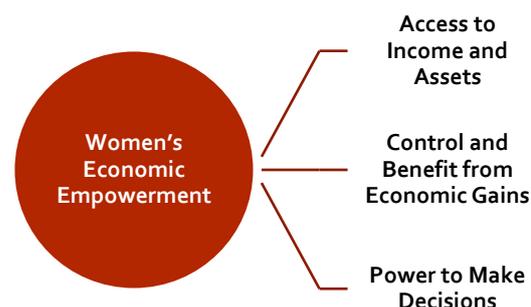
Fostering Entrepreneurship for Women's Economic Empowerment in Bihar



Strengthening women's entrepreneurship is a vital pathway to spur global economic growth and boost poverty reduction. Emerging research shows that if women and men participated equally in the economy as entrepreneurs, global GDP could rise by approximately 3 to 6 percent, boosting the global economy by \$2.5 trillion to \$5 trillion.¹ However, achieving this outcome requires collective and collaborative action from a range of different stakeholders.

India stands to gain significantly from the expansion of women's entrepreneurship – advancing women's economic equality will boost its GDP manifold.² Women account for roughly half of India's population, though their share of labour force is just 25 percent, and contribution to GDP is 18 percent - one of lowest in the world.

Despite sustained growth of GDP, rising per capita income, and reduction in absolute poverty, India's gender balance for work participation remains among the lowest in the world. The Female Labour Force Participation (FLFP) rate has been declining despite rising education levels, and currently stands at a low 20.3 percent (against a global average of 46.9 percent) from 30.3 percent in 1990 according to the data released by the World Bank in June 2020. FLFP is likely to decline in further because of Covid-19 led economic set-backs, technological disruptions, changing nature of jobs including automation across sectors and existing social barriers.



Covid-19 proved to be a setback in India's effort towards achieving gender parity. According to Global Gender Gap report 2021 of World Economic Forum, India is at 140th rank among 156 countries, a fall of several places. The country had ranked 112th (among 153 countries) in year 2020. Among the key drivers of this decline is lowering of women's labour force participation rate, which fell from 24.8 per cent to 22.3 per cent.

To galvanise the growth and economic rebound from a Covid stricken economy, India laid foundation of Atmanirbhar Bharat Abhiyan (Self-Reliant India Mission) in year 2020, with a special focus on entrepreneurship. As the mission of self-reliant nation may not be achievable without gender inclusion, India has undertaken several policy measures including Stand-up India and Start-up India flagship initiatives to promote entrepreneurship among women and continuous engagement of women with industry and business to ensure gender parity. However, regardless of supportive policies and institutional arrangements, women entrepreneurship in India remains low. A majority of women led enterprises remain home based and unregistered, and hence are unable to reap available benefits.

India's demographic dividend offers opportunities for better economic growth. Its low income states like Bihar, Uttar Pradesh, and Madhya Pradesh may benefit most from demographic dividend because of higher percentage of young population. However, because of lack of employment opportunities, and large scale job losses due to Covid there is a likelihood that a large number of working age people will be unemployment or underemployed, majority being women. For reaping the demographic dividend,

¹ Shalini Unnikrishnan and Cherie Blair. (2019) Want to Boost the Global Economy by \$5 Trillion? Support Women as Entrepreneurs. Boston Consulting Group. <https://www.bcg.com/publications/2019/boost-global-economy-5-trillion-dollar-support-women-entrepreneurs> Accessed on 1st July 2021.

² McKinsey Global Institute. (2018) THE POWER OF PARITY: ADVANCING WOMEN'S EQUALITY IN ASIA PACIFIC Focus: India. <https://www.mckinsey.com/~/media/McKinsey/Featured%20Insights/Gender%20Equality/The%20power%20of%20parity%20Advancing%20womens%20equality%20in%20India%202018/India%20power%20of%20parity%20report.ashx> Accessed on 1st July 2021.

it is increasingly important to implement gender inclusive strategies on education, skill development, informal sector development, and entrepreneurship. Entrepreneurship is a potent means that empowers women economically and can progress women from no employment to self-employment.

Bihar: Championing the cause of women economic empowerment but challenges remain

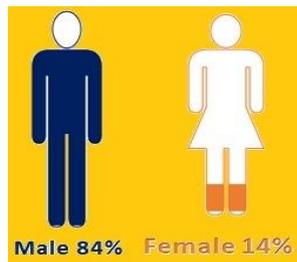
In spite of double digit economic growth, the state of Bihar has been facing challenges related to unemployment and poverty. To supplement the growth process, the State Government implemented 'Seven Resolves' (Saat Nishchay, presently in second phase/part-2) since December 21, 2016 which prioritizes women's employment.

Bihar has India's lowest female labour force participation. Women's access to wage employment, self-employment, and entrepreneurship is very limited in the state. Women economic engagement is largely in the informal sector, without job protection and social security coverage.

Micro, Small and Medium Enterprises (MSME) sector is still emerging in Bihar. As per NSS 73rd round data, MSMEs with male owners stood at 6.69 percent in the state, whereas MSMEs with female owners was only 1.36 percent. There is a strong likelihood that due to Covid pandemic led supply chain disruptions and revenue losses, the number of MSME units would have further reduced in Bihar.

In the October 2015-December 2019 data compiled by Ministry of MSMEs, Bihar ranked 3rd in Udyog Aadhaar registration - out of 83,70,447 MSMEs, 10.43 percent (68,53,734) are from Bihar. The figure is encouraging as new enrollments on Udyog Aadhaar, a government portal allowing Aadhaar-based registration of MSMEs, reflect growing business formalisation of emerging entrepreneurs. However, year-wise analysis of registrations indicate some disparity; there has been a reduction in Udyog Aadhaar registrations from 2017-2018 to 2019-2020 (till December 2019), and furthermore, the reduction is higher for women.

Gender Gap in Entrepreneurship



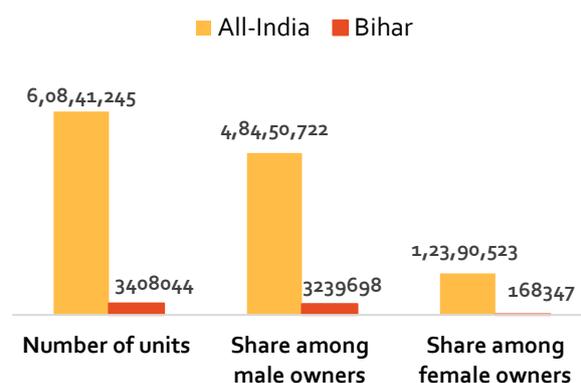
Despite limited job opportunities and entrepreneurship being a suitable economic avenue for women, women entrepreneurs are limited.

As per the Sixth Economic Census women constitute around only 14 percent of the 58.5 million entrepreneurs in the country. Clearly, women are underrepresented among entrepreneurs.

The Economic Census indicates that the total number of establishments owned by women entrepreneurs was 8.05 million (13.76 percent) with Tamil Nadu having the highest share (13.51%). Women entrepreneurs are mainly concentrated in five states - Tamil Nadu, Kerala, Andhra Pradesh, West Bengal, and Maharashtra.

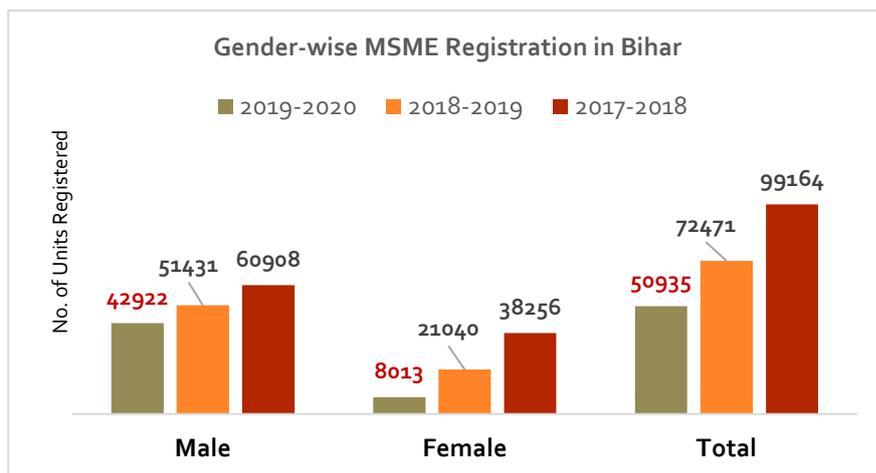
Majority of women led enterprises are single person outfits; only 17 percent of them employed workers, compared to 28 percent overall. About a third of women entrepreneurs (34.3 percent, 2.76 million) work in agriculture sector with large engagement in livestock.

Distribution of Proprietary MSMEs by Gender of Owners [NSS 73rd Round] in Bihar



There are over 6 crore MSMEs in India, out of which majority fall in the category of microenterprises. Only 5 percent of total MSME units are in Bihar, out of which female owned are only 5 percent, indicating very high gender gap in established businesses. The situation calls for addressing constraints related with women owned businesses.

“Viksit Bihar ke 7 Nischay”, a package of programmes, being implemented - includes schemes on financial inclusion, entrepreneurship, women's reservation in jobs, provision of water, electricity, concrete streets, toilets, and higher education.



Bihar needs more women entrepreneurs

With limited job opportunities available, increasing number of women in the state have been starting businesses, largely home-based, to augment family income. The state government also enhanced its focus on entrepreneurship, making provisions in the new industrial policy formulated in 2020, for additional capital subsidy to incentivise setting-up of new units. An exclusive scheme has also been launched w.e.f. June 2021, to address business capital needs of existing and newly incorporated enterprises led by women.

Entrepreneurship is often regarded as a preferred choice among women considering greater flexibility than a day job. Due to technology advancement and increasing e-business opportunities, more number of women may be nurtured to become entrepreneurs. Notably, by removing barriers to entrepreneurship and supporting economic engagement of women, several gender based barriers can be targeted. Promotion of women entrepreneurship might prove as an effective tool to improve FLFP.

Centre for Catalyzing Change’s (C3), Sakshamaa Initiative has been interacting with women small business owners and urban solopreneurs, with businesses in early growth stage. As part of this exercise, the focus is also on reviewing Covid impact on women business owners, especially unregistered or informal microenterprise owners, and generating evidence for policy uptake.

Women as business owners and the struggles they face: observations from the ground

Women business owners are driven by the earning their business provides along with flexibility entrepreneurship offers. A large number of women business owners C3’s Sakshamaa team has interacted with are recent entrants, with no prior experience in this domain. Many struggled when incorporating their business. In spite of entrepreneurial aspirations several operate as unregistered entities due to lack of clarity around process, and fear of paperwork.

The business capital requirement is met through informal sources by most of these women entrepreneurs, as they are unable to source timely and adequate finance from formal sources, or are not keen on taking risk of

CM Mahila Udyami Yojna 2021

From June 2021, Bihar state government initiated an entrepreneurship scheme to support resident women between the ages of 18-50 years.

The scheme will be administered by Bihar Start-up Fund Trust, Department of Industries and will have a fund availability of INR 200 crore for financial year 2021-22. The application submission will be allowed for three months from date of launch. Under the scheme, INR 10 lakh will be provided per eligible beneficiary, half of it will be in the form of grant and remaining shall be interest to be returnable in 7 years through 84 equated monthly instalments. Post approval, INR 25 thousand can be provisioned for training of each beneficiary.

Bihar is the only state so far to have subsidised and interest free capital support for promoting women entrepreneurship. Hopefully, the support will help facilitate first generation women entrepreneurs setup their businesses, and support in sustaining ongoing women led businesses.

borrowing from external sources. All of them experienced a variety of challenges, including accessing capital due to lack of collateral, and they need more awareness and understanding about different financial products and eligibilities to avail scheme benefits.

In addition to this, awareness on government subsidy schemes and other schemes to support and mentor entrepreneurs was limited. Many shared that managing growth is a crucial part of business and mentorship for the same will give them comfort and confidence.

The key challenges being faced in initiating and growing a business:

Access to trusted business advisors and entrepreneurial education: Due to lack of business experience and business related information, many women entrepreneurs fear failure and doubt their potential; most new business starters lack support from business mentors and advisors that support them through areas they are unsure about, especially during the initial growth phase. It is relatively easier for women to initiate a business venture, they often fall short when aiming to scale up. Due to lack of business understanding and ability to manage growth, either they limit the business activity or hand it over to husband / any other male member from family or go for closure. To manage growth, it is crucial for women to receive knowledge and strategic training.

Access to timely finance: Financial inclusion in Bihar has improved significantly with better access to banking outlets / customer service points. Women, especially who have recently started their enterprise have limited access to capital, primarily due to lack of financial records. Often their requirements are of small ticket size or a credit line – different from the product offering of banks and other formal financial institutions. Further, woman led enterprises are perceived to be riskier by lenders due to small size and uncertainties involved with continuity of the business.

Digital inclusion: Limited business intelligence and knowledge of trends due to technical challenges such as limited digital literacy; and lack of understanding on implementing ideas to ongoing business and marketing of products is a concern. Digital understanding acts as a catalyst for boosting women participation in economic roles. Lack of skills and access to connectivity and digital devices pose challenges for them to use services available over digital platforms and benefit from digital economy.

Lack of support network: Women entrepreneurs often face challenges in accessing information on available financial markets and how to materialize linkage. Owing to limited business intelligence and knowledge of trends due to technical challenges such as digital literacy; and lack of understanding on implementing ideas to ongoing business and marketing of products. In the absence of support networks, women entrepreneurs face constraints related with access to financial and technical support to expand the business from home-based to commercial level.

Gender barriers: Women entrepreneurs often face gender-based barriers to starting and growing their businesses, like social norms blocking access to participation for business networking, limited mobility and access to information and networks. These challenges hinder women's advancement and their integration in the mainstream. The burden of household and family care responsibilities leave women with little time to learn and network, and expand their enterprises.

A call for fostering a more enabling environment

Promoting women entrepreneurship will boost Bihar's economy by facilitating better demand conditions, resource utilisation, capacity expansion, improving employment and might prove as an effective tool to improve female labour force participation. The Covid-19 pandemic imposed unprecedented challenges in front of Bihar's government. Apart from other efforts, the state also requires initiatives for rehabilitation, employment and livelihood generation of returnee migrant workforce. As Bihar is one of the biggest suppliers of unskilled labour in India, the incidence of reverse migration taking place even during second wave of pandemic in 2021 is high. The state presently lacks employment opportunities, be it in agriculture, business or industries to absorb this returning workforce. Advancing the role of women in economy by way of

entrepreneurship will be a key driver for Bihar in this regard. Key suggestions for policy makers in this context include: -

- ➔ **State policy for entrepreneurship:** As entrepreneurship is critical for the economy of Bihar, the state government may consider drafting and implementing a State policy for the same with focus on promoting women entrepreneurship.
- ➔ **Formalisation of informal enterprises** by way of sensitisation drives, reducing entry barriers and supporting transition from informal to formal will be a very relevant intervention. As part of this, a specialized incubation programme can be initiated for young girls and women having entrepreneurship abilities to help set-up their own businesses.
- ➔ **Provision of information, skill and capacity building and mentorship** to take up and sustain economic activities and self-employment especially for first generation entrepreneurs. The support may be made local to make it more accessible for women. A women entrepreneurship cell can be promoted at state level with sub-cells at district levels.
- ➔ **Leveraging the power of networks.** Strong and functional network of mentors and advisors need to be developed at state and district level along with entrepreneurial education programmes for all stages of business. This may be delivered through online platforms.
- ➔ **Relaxed terms and conditions to increase credit towards female entrepreneurs.** Norms may be simplified for seed funding for start-ups and business scale-up finance. The recently launched Mahila Udyami scheme of state government may consider continuing its application validity beyond the current period of 3 months.
- ➔ **Childcare and family responsibilities** are notable barrier to start and scale up businesses. Provision of family care support can immensely help women to start and continue entrepreneurial journey.

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This Briefing Paper is prepared by Sonmani Choudhary, Technical Expert- Economic Empowerment, Centre for Catalyzing Change.

Centre for Catalyzing Change's, Sakshamaa: Initiative for What Works, Bihar, aims to accelerate gender focused and evidence-based transformative policies for women and girls in Bihar.

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