Mainstreaming GLI

An Assessment Of Women Owned Enterprises In Developing Countries

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ABOUT INTELLECAP

Intellecap, part of the Aavishkaar Group, is a pioneer in providing innovative business solutions that help build and scale profitable and sustainable enterprises dedicated to social and environmental change. Founded in 2002, the Aavishkaar Group now manages assets of over USD 750 million and has directed over USD 1 billion of capital to entrepreneurs working on challenging problems sustainably through equity funds, venture debt vehicle, microfinance lending and investment banking intermediation. Intellecap provides a broad range of consulting, research and investment banking services, to multilateral agencies, development finance institutions, social enterprises, corporations, investors, policy makers and donors. In 2017, Intellecap won the 'Impact Market Builder of the Year Award' from Global Steering Group (GSG) Chicago, a G20 Think tank.

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ABBREVIATIONS

ADB	Asian Development Bank
AfDB	African Development Bank
ASPPUK	Asosiasi Pendamping Perempuan Usaha Kecil
B2B	Business to Business
B2C	Business to Customer
BD	Business Development
BDS	Business Development Support
CGTMSE	Credit Guarantee Fund Trust for Micro and Small Enterprises
CSO	Civil Society Organization
CSR	Corporate Social Responsibility
DFI	Development Finance Institution
DFID	Department for International Development
FI	Financial Institution
GDP	Gross Domestic Product
GLI	Gender Lens Investing
GOWE	Growth Oriented Women Entrepreneurs
IDR	Indonesian Rupiah
IFC	International Finance Corporation
ILO	International Labor Organization
INR	Indian Rupee
IT	Information Technology
IWAPI	Indonesian Business Women Association (Ikatan Wanita Pengusaha Indonesia)
KCB	Kenya Commercial Bank
KES	Kenyan Shilling
LGBT	Lesbian, Gay, Bisexual, and Transgender
MFI	Micro Finance Institution
MSME	Micro, Small and Medium Enterprise
NBFC	Non-Banking Financial Company
NGO	Non-Governmental Organization
NPA	Non-Performing Asset
NRLM	National Rural Livelihoods Mission
OECD	Organisation for Economic Co-operation and Development
P2P	Peer to Peer
PE/ VC	Private Equity/ Venture Capital
PMMY	Pradhan Mantri Mudra Yojana
ROA	Return on Asset
ROI	Return on Investment
RSF	Risk Sharing Facility
RWF	Rwandan Franc
SDG	Sustainable Development Goal
SHG	Self-Help Group
SME	Small and Medium Enterprise
SSP	Swayam Shikshan Prayog
STEM	Science, Technology, Engineering, and Mathematics
SURE	Sakhi Unique Rural Enterprise
TAT	Turn Around Time
USAID	United States Agency for International Development
USD	United States Dollar
WE	Women Entrepreneurs
WED	Women Entrepreneurship Development
WEF	Women Enterprise Fund
WEP	Women Entrepreneurship Platform
WEOF	Women Entrepreneurs Opportunity Facility

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EXECUTIVE SUMMARY

Women entrepreneurs own about 28% of all micro, small and medium enterprises (MSMEs) and account for 32% of the financing gap in developing economies[1]. The credit gap for women-owned MSMEs in emerging markets is estimated to be USD1.7 trillion.[2] This translates into lost opportunities in terms of employment generation, innovation, productivity enhancement and overall economic progress. According to a study by Goldman Sachs, closing the credit gap for women-owned SMEs in emerging markets could increase average annual incomes by 12% by 2030.[3]

However, women entrepreneurs face multiple challenges, many of which are linked to their socio-cultural environment, not the least of which is insufficient access to finance. Studies have shown that the loan approval rates for women entrepreneurs are reportedly 15-20% lower than that for men[4] , partly attributable to the unintentional bias from banks and financial institutions that have traditionally catered to men[5], which limits their understanding of the operating contexts of women-owned businesses as well as their socio-cultural constraints. An understanding of these contexts and the challenges faced by women entrepreneurs, coupled with a greater appreciation of women's unique non-financial needs which have a direct bearing on their ability to access finance, can assist global financial institutions in engaging with them in a more focused manner. The study endeavours to add to the existing literature on understanding the finance gap for women-owned enterprises, by – a) analysing the nature of the different segments of women-owned enterprises in terms of their scale, profitability and the business models; b) studying their financial needs; c) identifying barriers to accessing finance; d) evaluating existing ecosystem enablers for financial and non-financial business support, and; e) providing recommendations to improve access to finance for women-owned enterprises in developing countries. While analysing the factors affecting access to finance for women entrepreneurs, the report also touches upon the effect of access to finance on their lives in terms of impact on their agency, bargaining power, ability to challenge patriarchal attitudes, and financial independence, through examples.

Enterprise Segmentation and Observations

This report is primarily based on the insights gathered from 200+ women entrepreneurs interviewed across Kenya, Rwanda, India and Indonesia. The enterprises have been categorized into 3 segments, in order to highlight the unique characteristics faced by each type, and to bring out their specific and differentiated financial and non-financial barriers and needs:

1. **Sustenance enterprises** – These are typically informal, micro businesses that serve hyper local markets, with standardized products/ services using mostly manual production methods. The woman entrepreneur's primary objective to start the business is either to augment household income through additional income generation, or to pursue their hobbies or, in some cases, to serve their community.

2. **Steady state enterprises** – These are formally registered businesses, which serve larger domestic and, at times, international markets. They typically offer value-added products/ services, with some also providing standardized products at a large scale.

3. **High growth enterprises** – These are businesses with highly innovative products and business models that leverage technology and have potential for exponential growth. These businesses try to fill latent market gaps or meet future customer needs.

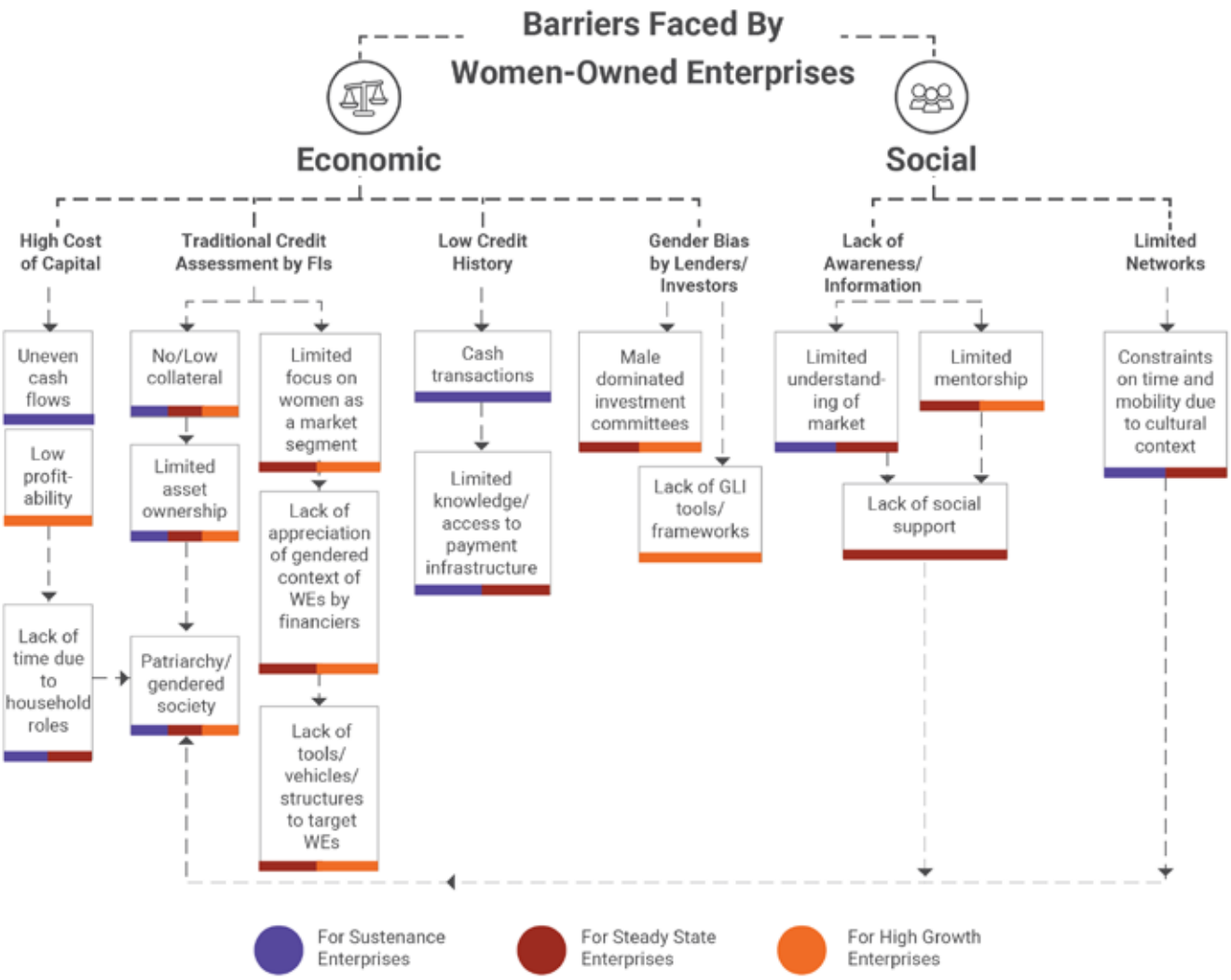
The study indicates that most women-owned sustenance enterprises operate in traditional business sectors including fashion & beauty, food & beverage, consumer goods and agriculture. These enterprises are seen to serve hyper local markets given the limited production capacity (owing to use of manual production methods) and lack of access to resources, leading to smaller scale of business operations. However, almost half of the women entrepreneurs operating sustenance enterprises prefer to limit their business scale to have time to fulfil domestic chores and care responsibilities. Further, among the three

[1] Bruhn, Miriam et al. 2017. "MSME Finance Gap."
[2] 'Access to Finance for female entrepreneurs: Speak louder, push harder', FMO, June 17, 2019
[3] Stupnytska, Anna; Kathryn Koch; Amy MacBeath; Sandra Lawson and Kathy Matsui. "Giving credit where it is due— How closing the credit gap for women- owned SMEs can drive Global Growth. Goldman Sachs Global Markets Institute. February 2014.
[4] Why Women Entrepreneurs Have a Harder Time Finding Funding, Jared Hecht , CEO Fundera, Sep 2016
[5] 'To improve women's access to finance, stop asking them for collateral', CARE International, World Economic Forum, June 2019

segments, sustenance enterprises were the largest employers of women; employing at least 60% women on average. Sixty four percent of these enterprises had never raised capital, and relied on personal savings or borrowed from friends and family to meet business needs. Almost all the sustenance enterprises highlighted the need for low cost working capital finance which remained inaccessible given the lack of collateral, inadequate credit history, social barriers and lack of suitable products. The social barriers stem from patriarchal norms that burden women with care work, restrict their mobility, limit their educational attainment and professional exposure, and lead to lack of confidence and agency. Over 40% of the entrepreneurs interviewed in the sustenance segment had only completed high school education. Almost a fourth of these entrepreneurs had no prior work experience. This resulted in them operating businesses with limited product differentiation, sub-optimal processes, limited market reach and an inherent low potential to scale. For instance, an entrepreneur in Rwanda mentioned that given her academic qualification (high school) and restrictions on travelling out of her hometown, she was unable to find a job; and she then started making earrings at home to sell in the local town market.

Most steady state enterprises also operate in fashion & beauty, food & beverage, and consumer goods & services sectors. These enterprises serve larger domestic markets outside their immediate vicinity, with some having access to international markets as well. This is due to their larger production capacity and service capabilities, automated manufacturing processes and access to more skilled workforce. Steady state enterprises were also seen to employ at least 50% women on average. Around 40% of the steady state enterprises interviewed relied on personal savings to fund business expenditures, typically working capital, which was stated as the primary financing need to scale business. However, inadequate collateral, lack of awareness about financial options, lack of focused mentorship, and low risk appetite of formal financial institutions were barriers for accessing finance for most steady state enterprises interviewed. Socio-cultural aspects such as the burden of care work and safety concerns when travelling for business related activities presented challenges for entrepreneurs in this segment as well. However, entrepreneurs in this segment were found to be better educated, with almost all entrepreneurs interviewed reporting to have either graduate or post graduate degrees. Further, about half had more than 5

Figure 1: Socio-economic challenges faced by women-owned enterprises in accessing finance



years of experience in a related field as their business which enhanced their ability to make business decisions in terms of revenue model, distribution channels, product design/ value addition, etc. which translates into improved business scale. This resulted in a higher capability to raise capital as compared to sustenance enterprises. The prioritization of care-work was, however, visible in this segment as well. For example, an entrepreneur in India who manufactures herbal hair oils at home and sells online preferred to have her business home-based as she needed to be at home to care for her children and her husband travelled extensively for work.

High growth enterprises are primarily engaged in financial services, technology, water & sanitation and Ag-tech sectors, with most of them at very early stages of operations. Given their disruptive business and customer engagement models, almost all high growth enterprises had access to larger domestic and international markets. However, women employment remains restricted in this enterprise segment, as compared to sustenance and steady state. Only about one-fourth of the high growth enterprises were seen to utilize personal capital for business needs; primarily those that were at product prototype stage. More than half of the high growth enterprises identified equity as the most suitable financing route given sector of operations and their future growth potential.

Entrepreneurs operating high growth enterprises were typically urban millennials and faced comparatively lower social barriers, however, they reportedly faced challenges such as unconscious gender bias among male-dominated investors, lack of focused financial instruments that take their needs into account, and a perceived disproportionate level of due diligence by investors.

Even though several government and private sector interventions have been working towards facilitating capital and business support/ trainings across the four countries, there is a gap in terms of access to relevant financing instruments as well as support interventions that are customized for women and the different levels of their enterprise operations. Most women entrepreneurs had not taken advantage of government schemes, due to lack of awareness and bureaucratic apathy towards women entrepreneurs, stemming from the deeply patriarchal roots of societies in developing countries. Financial services ecosystems continue to remain heavily male-dominated and this has led to limited and inefficient implementation of many of the women-entrepreneurs-focused government schemes, which are often channelled through banks and other financial institutions.

The study identified increasing use of financial technology for savings and payments by women entrepreneurs across segments (primarily in the form of mobile money) in East Africa, as compared to South East Asia. This is due to the spontaneous growth and uptake of the financial technology services industry in both Kenya and Rwanda. Increased uptake of financial technology and digitized lending platforms has improved access to information for women in East Africa. Mainstream financial institutions have increasingly begun to collaborate with financial technology providers to leverage customer data to inform product design. For instance, the Kenya Commercial Bank (KCB) and Safaricom collaboration resulted in launch of the KCB M-Pesa in 2015, which offers savings and loan products through a mobile platform. M-Pesa customers can create a mobile-based account through the platform to access loans (MShwari) or other financial products. Loan approval is based on customer's digital footprint and related metrics. It allows the bank to process more loan applications, and also increase uptake of financial products with existing customers. In the first year after launch, KCB was able to extend banking services to 7 million customers, disbursing almost KES12 billion (~USD 120 million) in loans.[6] The Commercial Bank of Africa's M-Shwari also offers similar on-demand loan facilities; with a host of women entrepreneurs reportedly opting for short term credit through the platform across Kenya and Rwanda.

Over the last few years, there has also been an increase in women-focused business development and mentorship programs as well as diversified financing opportunities across the four countries. This includes alternative venture capital sources such as gender lens funds and integration of gender considerations in the mandates of impact and commercial investors. There is also growth in the number of women's networks and mentorship platforms for women business owners. This highlights the potential that stakeholders see in promoting women-owned businesses. For instance, women entrepreneurs part of the Mann Deshi program in India quoted receiving business support in the form of vocational trainings and workshops, financial and digital literacy, assistance with securing food licenses, market linkages etc. which helped them to either start new businesses, or expand customer base.

Recommendations

The Figure 2 represents potential interventions that may help bridge the existing gaps in the ecosystem for women entrepreneurs and promote access to capital for them.

Risk sharing facilities for banks, specifically those lending to women-owned sustenance and steady state enterprises could play a critical role in encouraging them to lend to women entrepreneurs, and, over time, reducing the risk perception in lending to these segments. Provision of collateral-free loans and exploring alternatives to traditionally accepted

[6] 'KCB Reviews KCB M-PESA, Cuts Rates and Resumes Lending on the Mobile Platform', KCB website

immovable collateral may also improve access to capital for women entrepreneurs, who often lack traditional asset ownership due to male-dominated family structures and patriarchal inheritance laws. Facilitating loans that help women purchase assets such as property or land, which may be later used as collateral to raise finance can also help ease access to finance.

There is also a need to offer targeted and accessible non-financial interventions to build the capacity of women-entrepreneurs. These can include:
(i) strategic mentorship either through online platforms or incubation / acceleration programs for high growth and steady state enterprises, and hands-on support to sustenance businesses through community-based 'business-enabler' programs; (ii) focused trainings on financial and digital literacy for sustenance entrepreneurs, business management support and sector-specific trainings for steady state enterprises, and financial strategy, pitch preparation and business advisory support for high growth enterprises; (iii) networking and knowledge sharing through women's business associations, and networks of MFIs and NGOs, which can create opportunities to find potential partners, financiers and investors, and to access market linkages and information.

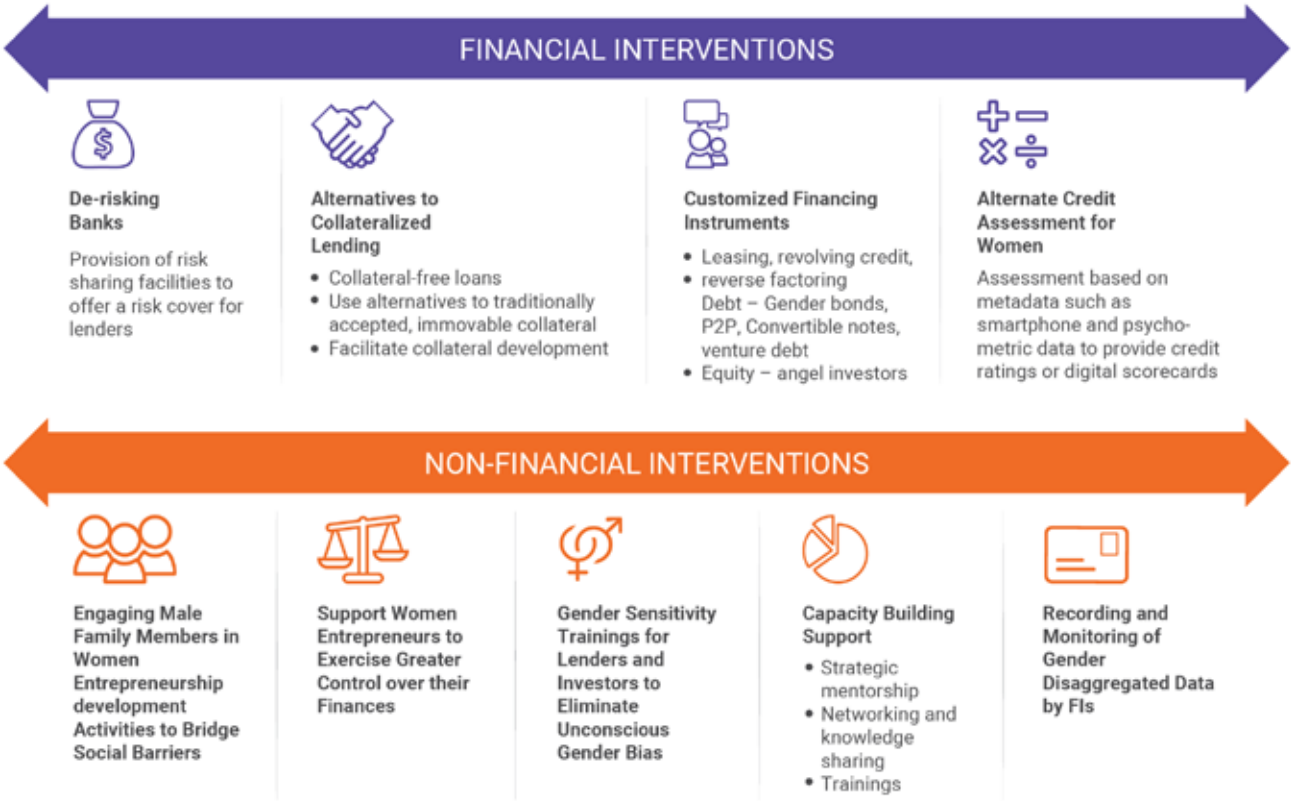
Gender sensitivity trainings for financial institutions can result in overcoming gender biases and stereotypes that exist within these institutions.

Further, monitoring gender disaggregated data will help financial institutions create an evidence base to support the business case for investing in women. This data will allow financiers to create performance benchmarks for different women enterprise segments, offer customized products/ services and also incorporate relevant gender-based indicators into their evaluation processes. Dedicated banking and savings products for women can help them secure their income and gain greater financial control and independence.

Engaging male family members in women's entrepreneurship development can help create awareness about the household level impact of improved income of women, and the challenges they face due to their gendered household roles. Such programs will challenge the established gender norms and help promote both economic as well social empowerment of women.

Based on this understanding and building on the existing guidance documents, this research also posits a framework of questions that helps financial institutions become more aware of their level of preparedness for targeting women entrepreneurs. This 'toolkit' aims to guide financial institutions on factors that will improve their level of awareness about GLI, develop intent, and reorient operational aspects to ultimately channel more capital with a gender lens.

Figure 2: Financial and non-financial recommendations to promote women entrepreneurship



01

INTRODUCTION & METHODOLOGY

01

INTRODUCTION & METHODOLOGY

Globally, the number of women starting business ventures has been on the rise. Female entrepreneurship is up 10% since 2014 with 163 million women starting businesses across 74 economies worldwide.[7] A study by the Global Entrepreneurship Monitor shows that currently there are 200 million women-owned/ led businesses, and around 1 billion women are set to enter mainstream economy as employers, producers and entrepreneurs by 2022.[8]

However, across developing countries, most of the women-owned businesses are micro enterprises in the informal sector.[9] These businesses are spread across a wide range of sectors, such as agriculture, food & beverage, textiles, retail trading and services. These businesses hold significant potential to contribute to the economic empowerment of the women entrepreneurs and also support inclusive economic growth and job creation in their communities.

Despite their potential economic contribution, women entrepreneurs face multiple challenges, many of which are linked to their socio-cultural environment. These challenges include having limited freedom to operate businesses, lack of sufficient time for business activities due to the burden of house-work, limited information about market and market linkages, limited formal business training, lack of access to business support, lack of networks and human resources, and insufficient and unaffordable access to finance.[10] Lack of access to finance and the socially-imposed gendered roles in the society have been identified as the key challenges faced by women-owned businesses, which constraint their ability as well as the willingness to scale up their businesses. According to FMO, women-owned businesses in emerging economies face a USD 1.7 trillion financing gap.[11] The financing needs of women entrepreneurs vary greatly depending on their size, sectors, geographies, business models, and factors unrelated to business such as lack of asset ownership. However, women entrepreneurs often get categorized into a single segment of 'micro' entrepreneurs by most widely used business segmentation approaches, based on factors such as number of employees and annual turnover.

It is a widely recognized fact that MSMEs face difficulties in accessing finance. Women entrepreneurs in particular, across different enterprise segments, face unique and differentiated challenges in raising capital. An understanding of these challenges, coupled with a greater appreciation of their unique non-financial needs which have a direct bearing on their ability to access finance, can assist global financial institutions in engaging with them in a more focused manner, and customizing offerings.

This study endeavours to add to the existing literature on understanding the finance gap for women entrepreneurs. This study interviewed 207 women entrepreneurs across different segments in four emerging economies including India, Kenya, Indonesia and Rwanda.

Using IFC's definition of micro, small and medium enterprises (MSMEs) as a starting point (as highlighted in Table 1), this report examines women-owned micro and small enterprises across formal and informal sectors, to understand the challenges faced in accessing finance, their business/ operational challenges and need for non-financial support, with the aim to build on the existing literature on women's entrepreneurship and explore ways to enable more resources, including capital, capacity building support, mentorship, trainings, skilled manpower, etc., to be channelled to them with a gender lens.[12]

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[7] 'Women's Entrepreneurship 2016/2017 Report', Babson College

[8] Global Entrepreneurship Monitor 2014; In Kenya, around 16% of all businesses are owned by women; India has close to 3 million women-owned MSMEs, comprising 10% of all MSMEs in the country; the Rwandan government reports that women own 26% of the formally registered and 58% of the informal enterprises in the country; while Indonesia is estimated to have more than 22 million women entrepreneurs.

[9] 'Empowering women working in the informal economy', International Labor Organization, Feb 2018

[10] 'Constraints faced by women entrepreneurs in developing countries: review and ranking', Gender in Management, 2018; Intellecap analysis from the study

[11] 'Access to Finance for female entrepreneurs: Speak louder, push harder', FMO, June 17, 2019

[12] Given that scale is a strong determinant of access to finance, women-owned businesses that have annual turnover of more than USD 1.5 million have been excluded from this study as firms reaching this size and maturity typically have access to the commercial debt and venture capital, although the level of accessibility might still be affected by gendered challenges.

Research Methodology

This report is primarily based on the insights gathered from the 207 women entrepreneurs interviewed across Kenya, Rwanda, India and Indonesia. An extensive literature review was conducted in preparation for the primary research to prioritize segments and geographies for the study, and to design the primary research tools – survey questionnaires and discussion guides. The study used concurrent triangulation – a mixed method approach to combine quantitative questionnaire along with a set of qualitative semi-structured interviews to collect data, and on-going secondary research.

a. **Literature Review** – The literature review was undertaken across multiple secondary sources, comprising: (i) academic research papers studying the impact of entrepreneurship on women empowerment, women leading different segments of businesses- from very small and micro enterprises, to medium enterprises; (ii) practitioner reports and publications, including country level reports on women entrepreneurship, on the new age high growth enterprises run by women in each country, state of women-owned MSMEs, challenges faced by women-owned businesses and level of access to finance for women and availability of business support services across countries; (iii) news articles that outlined country-level policies enabling finance for women-owned businesses, public and private interventions to support women owned enterprises, and launch of women-focused funding schemes and incubation/ acceleration programs across developing countries.

b. **Women Enterprise Assessment Framework** – The report relies heavily on primary research, with diverse respondents sourced from multiple networks in each country including not-for-profits and social businesses for rural micro entrepreneurs, country-level women entrepreneurship associations, women cooperatives, incubators/ accelerators, business support providers, and co-working organizations. Women-owned enterprises were examined for key business attributes including women entrepreneurs' profile, their enterprise data, their key financial and non-financial needs and challenges, and gender lens in the socio-economic impact created.

c. **Ecosystem Stakeholder Interviews** – In addition to interactions with women-owned enterprises, 20+ entrepreneurship ecosystem stakeholders (including financial institutions) were interviewed to understand the landscape of women entrepreneurs that they are currently working with, or aim to support.

The team primarily engaged with non-financial ecosystem enablers as part of the study, including incubators/ accelerators, industry associations, women entrepreneurship cells, and not-for-profit organizations. These stakeholders provided insights into the typical sectors and business models for women entrepreneurship in each country, type of support provided to women entrepreneurs, typical financing needs of enterprises and sources of finance, success/ failure factors for accessing finance, and government interventions that help promote women entrepreneurship in the region.

The team engaged with financial institutions to understand the investment/ lending objective, target business segments (SME and others), geographical focus (rural/ urban), sourcing methodology, gender ratio in the sourcing and evaluation team, ticket size, work on gender-focused lending schemes, and interest (if any) in gender lens investing. The team also mapped their enterprise evaluation process and existing investments in women-owned enterprises.

These interactions helped develop the cause-effect relationship between the social and cultural environment

Table 1: IFC Definitions for Micro, Small, and Medium Enterprises[13]

Enterprise Indicators *(two out of three must be met)*	Micro	Small	Medium
1. No. of employees	≤10	>10; and ≤50	>50; and ≤300
2. Total Assets	≤USD100,000	>USD100,000; and ≤USD3,000,000	>USD3,000,000; and ≤USD15,000,000
3. Total Annual Sales	≤USD100,000	>USD100,000; and ≤USD3,000,000	>USD3,000,000; and ≤USD15,000,000

[13]'Financing Micro, Small, and Medium Enterprises', An Independent Evaluation of IFC's Experience with Financial Intermediaries in Frontier Countries, IEG (Independent Evaluation Group)

of the country, and concentration of women entrepreneurs in specific product markets. It also provided an opportunity to appreciate the variations in women entrepreneurship across the four countries.

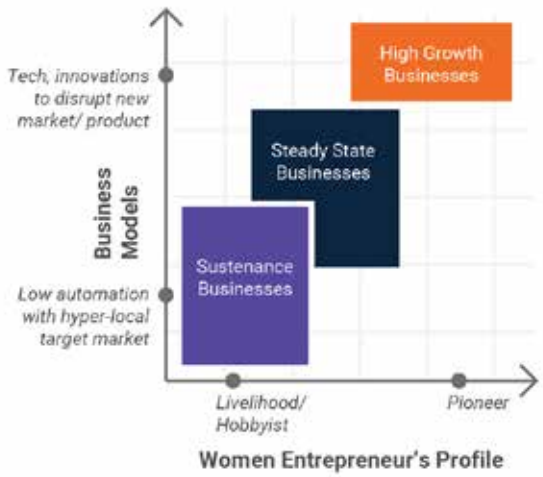
Women-Owned Enterprise Segmentation Framework

Given that more than 85% of the women-owned enterprises interviewed were 'micro' businesses, in keeping with the market trend in the countries of research, an alternate segmentation framework has been proposed in this report to bring out the unique characteristics, financial and non-financial support required, and their social and economic contribution to the emerging economies. The segmentation framework classifies women-owned enterprises into Sustenance, Steady State and High Growth enterprise segments. These three segments have been developed on the basis of the factors mentioned below, and the process of segmenting the enterprises has been outlined in the next chapter.

- **Women Entrepreneurs' Profile:** The business motivation and risk attitude of the women entrepreneurs varied significantly based on the interplay of social and economic contexts of the entrepreneur. In terms of their social context, factors such as level of education, past work experience and/or exposure due to family business, and gendered roles and power dynamics were some of the key factors that determined business outcomes. The economic contexts of women entrepreneurs varied greatly, with many entrepreneurs starting businesses to earn livelihoods and augment family income, despite having limited skill and education levels. Businesses started in such resource constraints, however, often remain only at a sustenance scale. Other motivation factors included the need for greater autonomy and flexibility while working, wanting to build a career out of an existing passion, and a desire to contribute to the society and create impact. [14]

- **Business models deployed:** The business model deployed varied from traditional skill based models with limited automation to technological innovation led business models. The traditional skill based models were highly replicative and typically served hyper-local markets. Most of these business models continue to sustain at micro levels even at the matured stage, with low potential to scale. On the other end of the spectrum, the innovation focused business models aimed to achieve exponential growth by capturing large addressable markets. They either have product or service innovation, or use technology in delivery channels. While these businesses are micro or small at an early stage, they showcase high growth potential as they transition towards the maturity stage. Between these two extremes lies large range of proven business models in established industries that offer existing products and services in domestic and international markets. These small and medium businesses showcase average growth rates and seek to grow through varied degrees of automation and incremental innovation.

Women Entrepreneur Profile including their education and experience, motivation and risk attitude



[14]Intellecap's findings from 200+ interviews of women-owned businesses across Kenya, Rwanda, India and Indonesia. Please refer to chapters 3,4 and 5 on Sustenance, Steady state and High growth enterprises respectively, for a detailed account of the various motivation factors, along with their impact on determining the profile of women entrepreneurs classified under the 3 segments.

02

LANDSCAPE OF WOMEN-OWNED BUSINESSES IN EMERGING ECONOMIES

02

LANDSCAPE OF WOMEN -OWNED BUSINESSES IN EMERGING ECONOMIES

This study examined women-owned businesses across four countries – India, Indonesia, Kenya and Rwanda. This chapter presents a landscape of the women-owned businesses based on interviews conducted with 207 women entrepreneurs across the four countries, supported with secondary data. The women entrepreneurs interviewed are spread across different sectors, geographies, vintage and stages of growth, and business models adopted.

Women entrepreneurship activity in the countries covered in this study has been buoyed by supportive government programs and private sector interventions. Numerous Government programs and private sector interventions currently support women entrepreneurs across the four countries. For instance, in Kenya, the Women Enterprise Fund, led by the Ministry of Gender, offers credit to women entrepreneurs, along with providing market linkages. The Kenyan Government also offers training opportunities to build entrepreneurship skills in the country through the Jitihada National Business Plan Competition. Similarly, the Women's Entrepreneurship Development (ILO-WED) program empowers women entrepreneurs in Kenya and supports them by working with financial, non-financial, public, private, and other stakeholders. Private sector interventions include programs such as She Leads Africa, which is an accelerator for women-owned start-ups. It provides them access to relevant online content, curated tools and courses, mentoring support through industry experts, as well as funding advisory.

In India, the Niti Ayog, the policy think tank of the Government of India, launched the Women Entrepreneurship Platform (WEP) to build an entrepreneurship ecosystem and aid to increase the number of women startups. The WEP recently collaborated with WhatsApp to offer a digital medium for women businesses in India.[15] The Government of India rolled out the Stand Up India scheme, under which banks will give loans of up to INR 1 crore (approximately USD140,500) to women entrepreneurs. Several accelerators and incubator programs, along with other ecosystem builders have sprung up across major cities in India, given the recent surge in the number of women backed startups. The POWERED accelerator launched jointly by DFID India, Shell Foundation, Department of Science & Technology, Government of India and Zone Startups India, aims to support women entrepreneurs in the energy sectors. Several angel investors and incubators like IIM Kolkata and IIT Delhi also actively support women entrepreneurs across the country.

In Indonesia, the Indonesian Business Women's Association (IWAPI) and Women's Small Business Network (ASSPUK) provide avenues through which women entrepreneurs engage with government counterparts and strengthen their own capacity. The MasterCard Center for Inclusive Growth and Commonwealth Bank in Indonesia are working together to help scale women startups by way of skills-building program.

In Rwanda, the Business Development Fund was created in 2011 specifically to guarantee funding for women entrepreneurs, who often have trouble getting bank loans. The Government is also trying to raise the number of women in the technology sector, but few targeted interventions have been implemented so far. The private sector though has also been extending support for women entrepreneurs. Sustainable Development Goals Center for Africa (SDGCAfrica) initiated implementation of women entrepreneurship training in Rwanda. New Faces New Voices' Rwanda Chapter works with ADB and IFC to provide advisory and financing support to local women entrepreneurs. However, there still remains a critical need for better business networks in the country, and women entrepreneurs continue to grapple with lack of professional training, lack of access to wider markets, and high costs of resources.

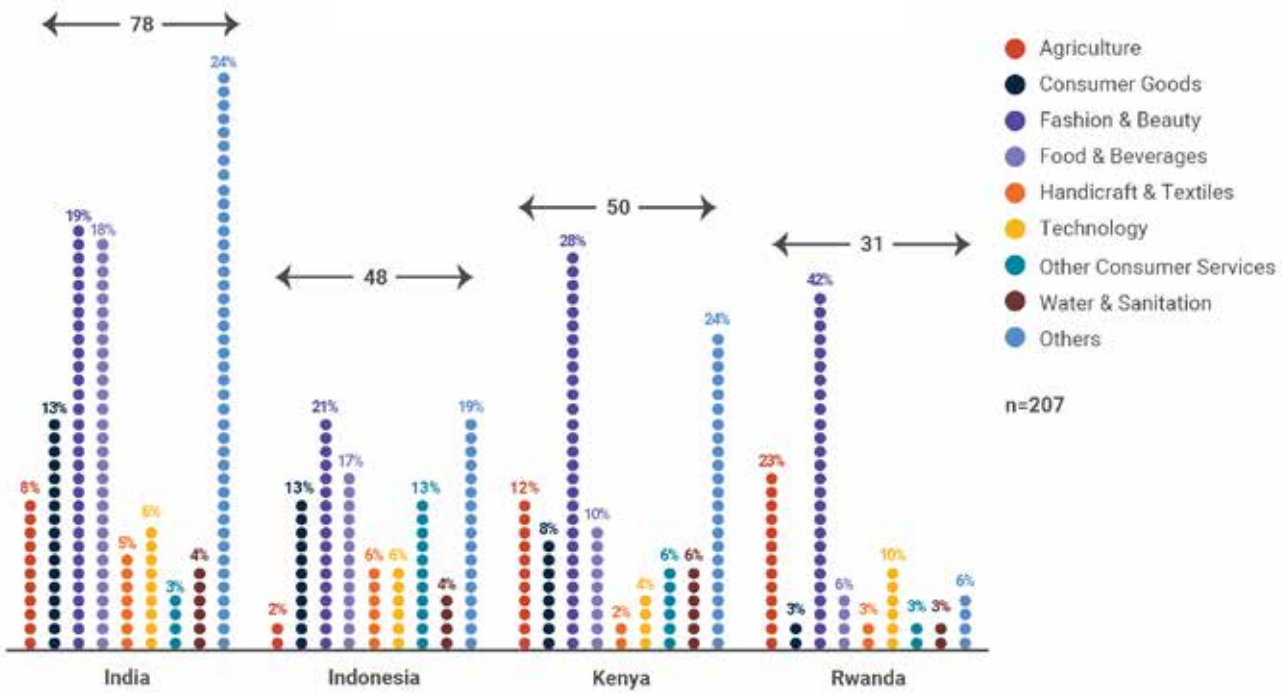
Apart from such support, the growth in women entrepreneurship across the four countries has been driven by an increase in the number of women working in all types of industries, shifting

[15] 'NITI Aayog partners with WhatsApp to promote women entrepreneurs', LiveMint, 25 Jul 2019

gender roles in society, improved education outcomes and women's desire to gain social recognition.[16] Further, as per the World Economic Forum's Global Gender Gap Report 2017, the rate of educational attainment for women across countries has increased significantly, which could be attributed as one of the reasons for growth in women-owned businesses.[17, 18]

The women entrepreneurs surveyed for this study were concentrated in a few sectors such as fashion & beauty, food & beverage and agriculture across the four countries. Around 25% of the women-owned enterprises surveyed operated in the fashion & beauty, 14% in food & beverages and 10% in consumer goods (as highlighted in Figure 3). The sectors of operation in each country correspond to the existing skillsets of the entrepreneurs, local market demand and ease of reaching the target customers. The primary interviews highlighted that a large number of women enterprises in Rwanda were concentrated in retail, services (beauty) and manufacturing; while in Kenya women enterprises were primarily operating in the fashion & beauty, agriculture and food manufacturing and retail. On the other hand, in India most of the surveyed women enterprises were doing business in women's fashion & beauty products, food manufacturing and consumer products; and the Indonesian women entrepreneurs were largely part of textiles businesses followed by beauty products, and agriculture.

Figure 3: Sectors of operation of women-owned enterprises by country



**Note: Other sectors include healthcare, education, energy, training & development, industrial products, construction and financial services.*

[16]'What Factors Have Encouraged the Emergence of Women Entrepreneurs?', Women on Business, Feb 2018

[17](a) 'Education and entrepreneurial success', Ivar Kolstad and Arne Wiig, Sep 2011; (b) van der Sluis et al., 2005; 2008

[18]As per the Global Gender Gap Report (World Economic Forum, 2017), India fully closed its primary and secondary education enrolment gender gap and almost 99% of its tertiary education gender gap. Indonesia, on the contrary, has attained gender parity in secondary and tertiary levels, but educational attainment at the primary school level still stands at 98.5%. Rwanda has fully closed gender gap at the primary and secondary levels, but lags far behind at 76.3% in educational attainment at the tertiary education. However, Kenya has only been able to close gender gap in primary education; secondary and tertiary education levels still stand at 94.2% and 70.3% respectively.

Segmentation of Women-Owned Businesses

Women-owned businesses typically vary significantly in their scale, sectors and business models of operation, markets served, profitability and financial and non-financial requirements. Consequently, it is critical to discern segments to inform policy decisions and support interventions to help them achieve scale and sustainability. Often, segmentation is a subjective process that can follow various approaches depending on the outcome it seeks to achieve. Turnover, assets and number of employees are aspects most commonly used to define and segment businesses globally, usually from a policymaking perspective.

The Omidyar Network along with the Ministry of Foreign Affairs of the Netherlands outlined an approach to segment women-owned businesses into 4 categories – High growth ventures, Niche ventures, Dynamic enterprises, and Livelihood-sustaining enterprises. This segmentation is based on the growth potential of the business, product/service innovation profile, and the entrepreneur's behavioral profile.[19] A study conducted by Intellecap on impact enterprises in East Africa used factors such as Access, Ability and Knowledge to segment surveyed enterprises. Access enterprises provide critical products and services among the low income and underserved population. Ability enterprises increase their capacity to earn higher incomes through skilling or by engaging with them as partners, while Knowledge enterprises build awareness and markets, and encourage behavior change.[20]

Building on these, and for the purpose of this study, the segmentation seeks to bring out similarities and differences among women-owned businesses across developing countries, map challenges faced from a gender perspective and assess their current and future business needs. Across each segment, the study aims to:

a. Analyse the nature of the different segments of women-owned enterprises in terms of their scale, profitability, markets and the business models adopted by them;

b. Study their financial needs;

c. Identify barriers to accessing finance; and

d. Evaluate existing ecosystem enablers and interventions for financial and non-financial business support.

The study culminates into providing recommendations for various stakeholders to improve access to finance for women-owned enterprises across segments. Towards that end, data pertinent to inform the gender analysis and segmentation was captured as part of this study.

Given that more than 70% of the women-owned enterprises covered in this study are in the micro segment[21] (in all the 4 countries more than 90% of the population of women-owned enterprises is in micro segment), with the rest in small and medium category, an alternate segmentation framework has been proposed to bring out the unique characteristics of these businesses, financial and non-financial support required and their social and economic contribution to the emerging economies.

The segmentation framework classifies women-owned enterprises into Sustenance, Steady state and High growth enterprises. These three segments have been developed on the basis of factors as shown in figure 4.

[19]'THE MISSING MIDDLES: Segmenting Enterprises to Better Understand Their Financial Needs', Collaborative for Frontier Finance (Omidyar Network / Dutch Good Growth Fund [DGGF])

[20]'The Game Changers – Impact Enterprises in East Africa', Intellecap, 2015

[21]According to IFC's definitions of Targeted sectors, microenterprises are businesses that meet two of the three criteria: a) annual revenues less than USD100,000, b) assets under USD100,000, and c) fewer than 10 employees.

Figure 4: Segmentation framework for women-owned businesses

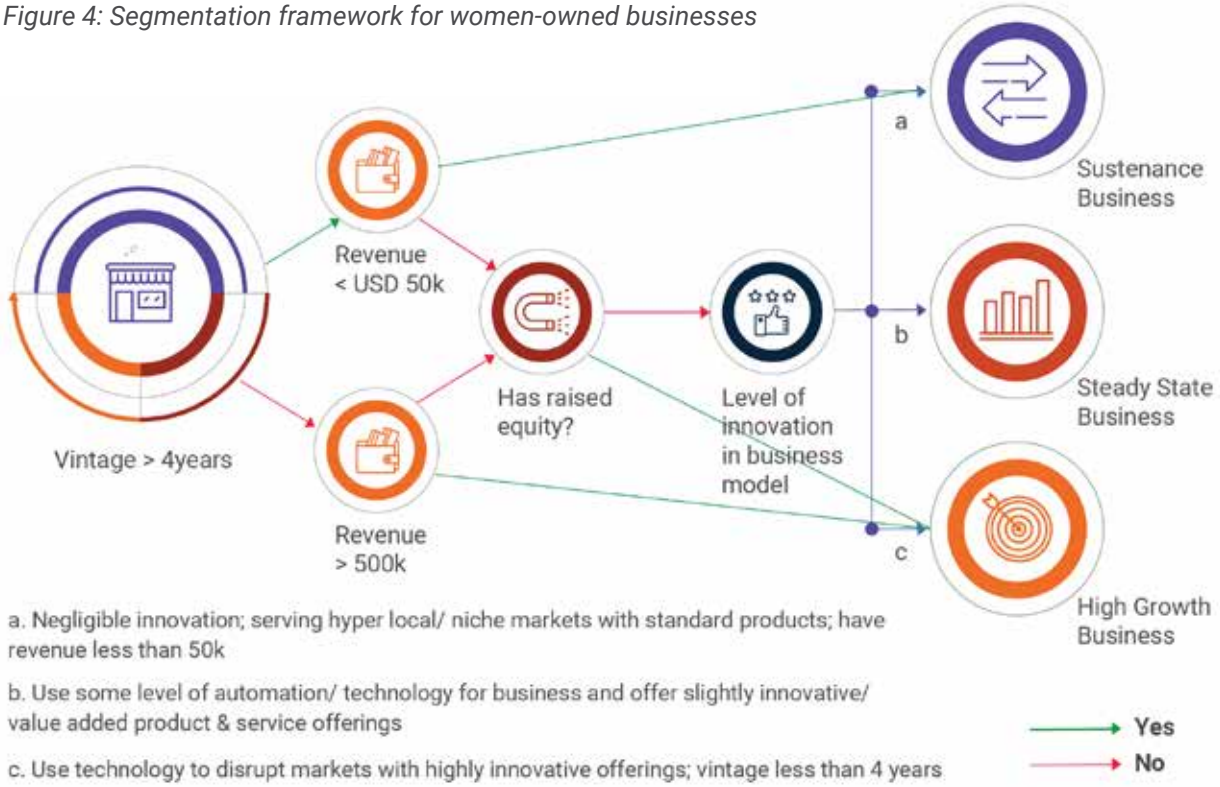


Table 2: Definition of women-owned enterprise segments

Sustenance Businesses	Steady State Businesses	High Growth Businesses
Women Entrepreneurs' Profile: With low risk attitude, these women entrepreneurs either seek livelihood using their traditional skills or are hobbyists fulfilling their passion	**Women Entrepreneurs' Profile:** With low to medium risk attitude, these women entrepreneurs operate in established industries to build a steady state business	**Women Entrepreneurs' Profile:** With high risk attitude, these women entrepreneurs strive to solve market problems while they aim to build a growth-oriented business
Business Model: Mostly informal micro businesses that have minimal automation in production and they serve hyper-local markets with an existing product/services	**Business Model:** Formally registered businesses that operate with semi-automated or automated production to serve incremental domestic or international markets with an existing product/services	**Business Model:** Formally registered businesses (micro or small at an early stage with high growth potential) that leverage technological innovation to capture large addressable markets through product/ service or channel disruption

2.1. Overall Enterprise Profile

A sustenance enterprise is one which supplements existing household earnings, operates at a small scale and typically in traditional sectors/ product segments with limited product differentiation. These may include enterprises such as a roti-making business in India that supplies homemade rotis to nearby restaurants; an earrings maker in Rwanda who did not get employed after college and started hand-manufacturing jewelry to sell in local markets; a hairstylist in Kenya who braids hair for a living; or a woman in Indonesia who manufactures items such as wallets, earrings and belts from recycled materials.

Steady state enterprises are more evolved, are built to scale and reach customers beyond local markets. They offer value-added or differentiated products/ services. These include the likes of an apparel manufacturer in India making women's ethnic wear, with a robust supply chain to offer a new range every 15 days; a clean cook stove manufacturer and supplier in Kenya; a Rwandan manufacturer of earthen tiles for both customers and construction companies; and an aggregator of women weavers in Indonesia to source authentic products for customers and also providing a livelihood for the weaver community.

High growth enterprises are those that offer highly differentiated or innovative products/ services and have high return and impact potential. They operate in technologically advanced and often non-traditional sectors, with businesses such as a platform to create credit profiles of underserved and un-served populations by using social data in India, technological product that can convert atmospheric moisture to drinking water in Kenya, a marketplace that sources fruits and vegetables directly from farmers as per demands of commercial customers, or an online self-publishing platform for budding writers in Indonesia.

Women entrepreneurs in the sustenance segment were found to have traditional business models concentrated in few sectors while steady state and high growth enterprises have more diversity in their operations. For instance, sustenance enterprises were majorly concentrated in manufacturing traditional food products, manual production of textiles and handicrafts, or small utility items such as agarbatti (incense sticks), herbal beauty products or retail shops and beauty parlors. On the other hand, steady state and high growth enterprises saw operations across a wide range of sectors including financial services, travel marketing, corporate gifting items, beauty products, clothing, renewable energy, IT solutions, marketplace and aggregation platforms, wearables for women's safety and environment friendly sanitary products.

Figure 5: Enterprise distribution by segments

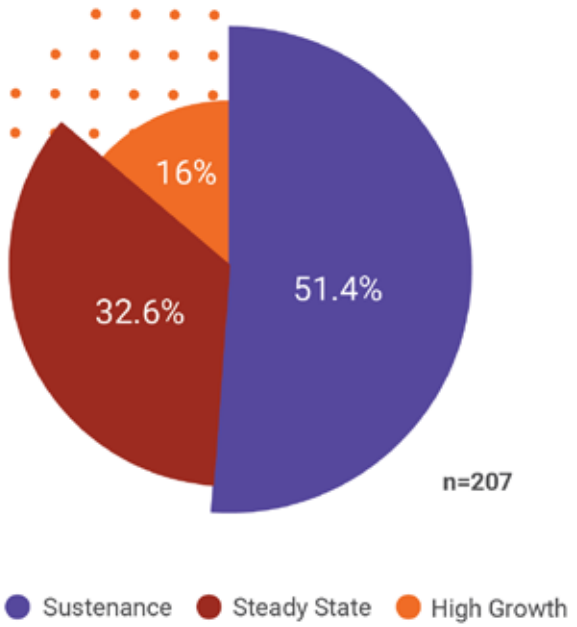
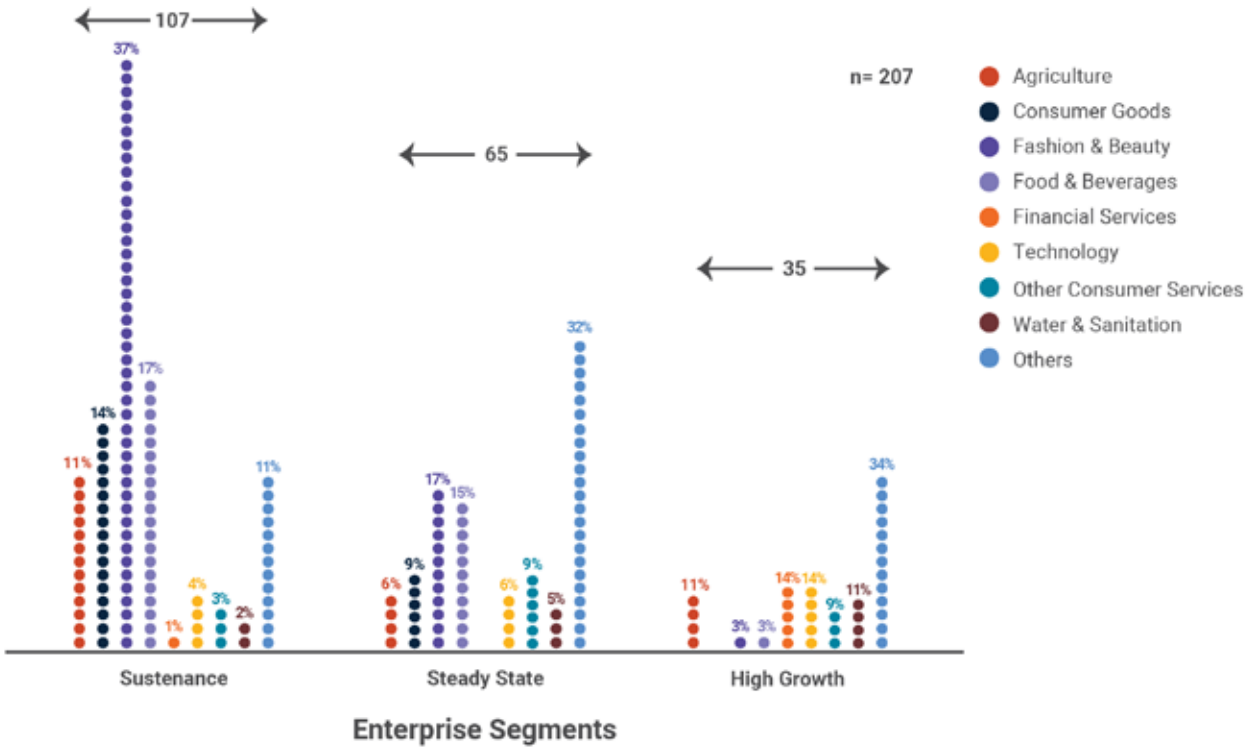


Figure 6: Sectors of operation by enterprise segment



Women entrepreneurs were found to generate employment opportunities for other women across business segments. More than 48% of the enterprises reported that 60% or more of their full-time staff was women. Although most entrepreneurs expressed that they hire employees on the basis of merit without any preference for gender. Currently, a large number of enterprises employ more women than men across functions such as operations, accounts, production as

well as IT management, some employed more women given the nature of work, such as food product manufacturing or tailoring of garments, which is perceived to be more suited for women employees.

Further, several women entrepreneurs interviewed across the four countries worked with and supported women artisans, weavers and tailors to produce and sell textiles, garments, handicrafts and other items. The entrepreneurs often trained the women they work with on product design and standardization, sourcing of raw materials and packaging. These businesses typically work with women from rural areas who have limited or no access market linkages.

Almost half of the women-owned enterprises serve local markets and have limited market reach. A vast majority of the women interviewed for the study had businesses with only local reach, given that they operate with limited resources, but have a good understanding of the local market needs. As a result of this, 51% of the women-owned enterprises interviewed serve only local markets. The remaining women-owned enterprises serve wider domestic markets, half of which have access to international markets as well.

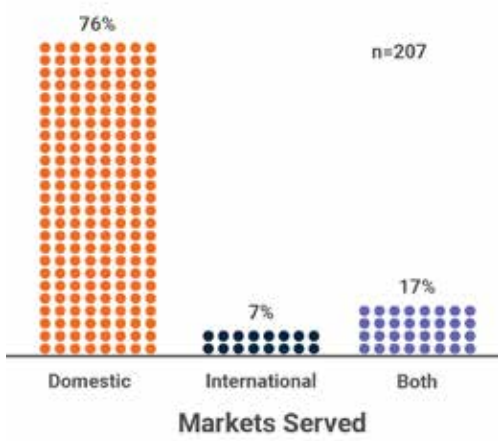
For instance, an enterprise in India that tailors t-shirts and garments caters primarily to local, urban customers given their limited production capacity and customer connects, while a soap bar producer in Kenya caters to a larger domestic market since the manufacturing capacity is larger and it has access to a wide customer base.

A few enterprises that serve domestic markets have explored international markets as well; however the high cost of managing overseas supply chains and a lack of networks limit them from tapping into overseas opportunities. Nonetheless, it was seen that high growth, and to some extent steady state enterprises are able to serve large markets, outside their base locations.

Most of these enterprises achieve such scale through the use of technology such as selling through online platforms like Amazon, or creating an online marketplace themselves to offer the products and services. For instance, a Kenyan enterprise helps connect sellers and buyers of farm implements through its platform, while a Rwanda-based manufacturer of children's wear sells its products online by listing on third-party online retail stores.

Based on the interviews, enterprises that serve hyper local or rural markets typically operate at a sustenance level, due to the limited market size and demand for mostly standardized products at low price points which limits business scalability. There are numerous women-owned sustenance and high growth enterprises that serve rural markets with standardized products, such as a Rwandan entrepreneur manufacturing and selling earrings due to lack of job opportunities; a home-based dry snacks manufacturer in India selling food items to neighborhood houses and offices. However, several enterprises also offer more innovative products such as a direct lending enterprise for purchase of inputs by farmers in Kenya, and an Indonesia-based enterprise manufacturing nutritious biscuits.

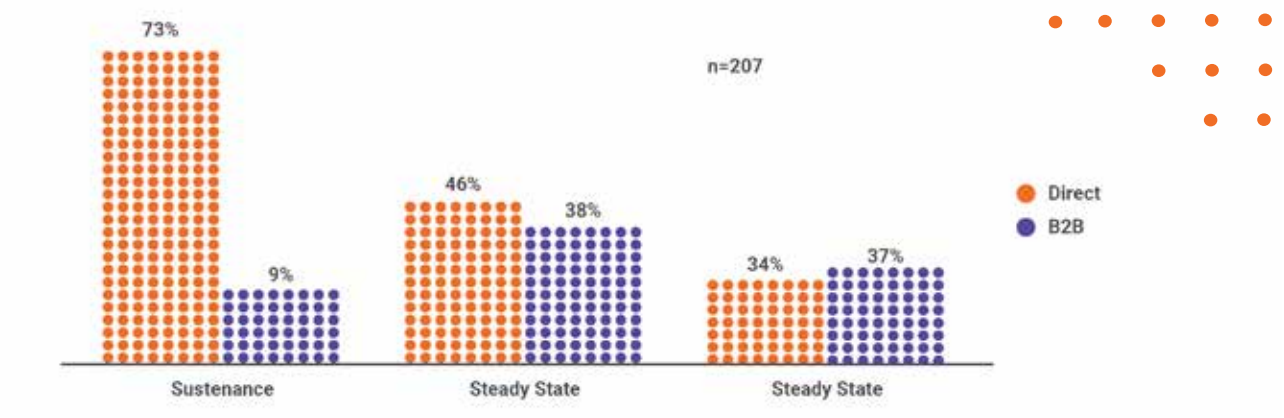
Figure 7: Major market segments served by women entrepreneurs surveyed



2.2. Customer Engagement & Distribution Models

The findings also highlight that businesses which leverage channels beyond direct selling, such as selling online and through B2B channels are able to achieve better scale. Direct distribution was seen to be the most prevalent mode for women-owned sustenance enterprises while the share of B2B and online sales was higher for steady state and high growth enterprises. Women who have better connects with other businesses and corporate clients have access to larger markets and hence, able to grow beyond the sustenance level. However, most women entrepreneurs do not have such connects. Provision of networking support for women-owned enterprises can help them form business connects and supply chain partnerships, and lead to improved operational scale for these businesses. For instance, an Indian enterprise that started by selling clean cook stoves directly to women, moved on to distribution through village level entrepreneurs and small retail shops, and has now established online presence as well. Similarly, an enterprise that used to sell hand-woven textiles indirectly to customers within Indonesia now focuses on online sales to expand market reach and also serves customers in international markets.

Figure 8: Distribution channels used by business segments



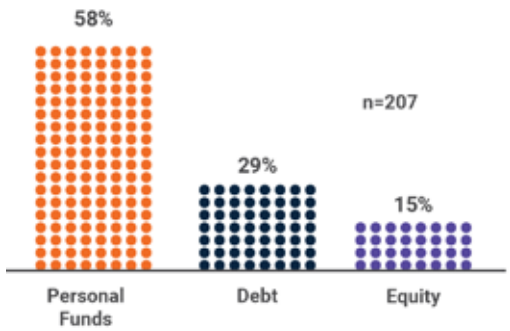
On the other hand, B2B model is being used primarily by steady state and high growth enterprises given the larger scale of production or service capability. An Indian enterprise which makes herbal body care products, supplies to hotels and corporate offices globally since it offers a more consistent revenue stream rather than the B2C mode which is a very competitive market. Similarly, a Kenyan IT security solutions firm provides services to large banks and real estate firms in Africa given the nature of its offering that is suitable only for businesses. However, not all enterprise segments are able to access the various distribution channels owing to factors such as small production capacity, limited customer reach and service channels, and lack of business networks. Further, across all countries, even though women entrepreneurs reached customers through multiple distribution channels, about 58% undertook direct selling, followed by indirect and B2B sales. Examples of enterprises undertaking direct distribution include a poultry farm which sells hens in Rwanda by travelling to the market physically and an energy enterprise in Kenya that provides roofing and tiles to low income customers through various purchase models.

2.3. Access to Finance

More than half of the women entrepreneurs started their business with personal funds or capital borrowed from friends and family. Women across all the four countries highlighted gender bias from loan officers, and sometimes even the need to seek permission from male family members to apply for a loan or to open a bank account. Even though several studies establish that loans to women entrepreneurs have better repayment rates[22,23], the initial access to capital remains a challenge for women. Lenders either view women-owned businesses as more risky or are cautious about non-traditional sectors (wherein several women-owned businesses operate). Additionally, having started businesses to supplement household incomes, women were hesitant to take external finance and add a debt burden. These factors largely discouraged women entrepreneurs to seek loans at early stages of their business.

Only 29% of all women interviewed had secured a loan from banks or other sources, and only 15% raised equity. It was also noted that personal funds, loans from friends and family or commercial debt were the most common mode of financing for both sustenance and steady state enterprises, while high growth enterprises tend to raise more equity financing. Further, sustenance enterprises, part of self-help groups or cooperatives, secured loans from their groups which are easily accessible, collateral-free and interest-free, such as those received by some enterprises from Inkomoko in Rwanda or Chama loan in Kenya.

Figure 9: Type of finance accessed by women entrepreneurs interviewed for the study



Note: Enterprises often access finance from more than one source.

Steady state enterprises however, stated better accessibility to business loans given an established customer base, substantial records of past business income and ownership of fixed assets to be offered as collaterals. In fact, steady state enterprises like those that offer cyber-security solutions in India and

[22]'Banking on Women Pays Off Creating Opportunities for Women Entrepreneurs', IFC, Women in Business (WIN)
[23] 'Improving Access to Finance for Women-owned Businesses in India', IFC 2014

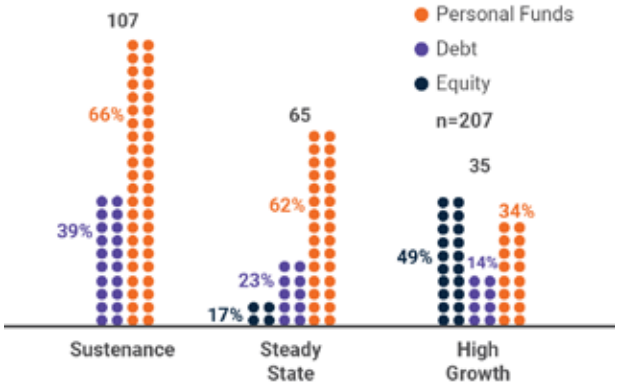
Indonesia are not willing to take equity investors due to fear of sharing decision making authority.

About half of the high growth enterprises have equity investors on board. Despite this, many women entrepreneurs are still dependent on government schemes and interventions which have limitations in terms of accessibility and long approval times, or traditional bank loans for business financing needs.

About 49% of the women-owned enterprises quoted lack of access to working capital as the major bottleneck for sustaining/ growing business operations across all enterprise segments. A large number of women entrepreneurs reported facing gender bias from male investment committees or loan managers, due to which they have not been able to access external capital for business growth. Steady state enterprises such as those making vertical gardens in Kenya need working capital to initiate projects at client location, or to be able to source gift items from manufacturers like a corporate gifting enterprise in India.

Only a very small percentage of businesses, primarily high growth enterprises, quoted the need for equity injection and onboarding investors with similar business objectives to be able to accelerate business growth. An online self-publishing platform for budding writers in

Figure 10: Type of capital accessed by business segment



Note: Enterprises across segments accessed capital from more than one source

Indonesia quoted the need to raise funding to expand to other countries in South East Asia. Similarly, a Kenyan enterprise seeks equity funding for commercializing its solution that converts atmospheric moisture into drinkable water since the sector of business is niche and it is difficult to access loans from banks or any other private or government schemes. Further, an India-based online platform that allows people to learn English through Hindi and other regional languages has raised a pre-Series A equity round and is looking for further rounds to expand more aggressively.

Figure 11: Capital needs of women-owned businesses by segments

Note: Some enterprises highlighted the need for equity/ grant funding, while some were not looking to raise any external capital.

On the contrary, sustenance businesses were either able to fulfill financing needs from MFIs, or their cooperative and self-help groups. Sustenance enterprises which are willing to serve a larger number of customers outside their immediate neighborhood need working capital to purchase raw materials or hire resources. However, the ticket sizes sought by such businesses are too large for an MFI, but too small for any commercial lender. This 'missing middle financing gap' is the most critical financing challenge faced by women entrepreneurs and presents a real need to devise targeted solutions to be able to support the growth of these enterprises.

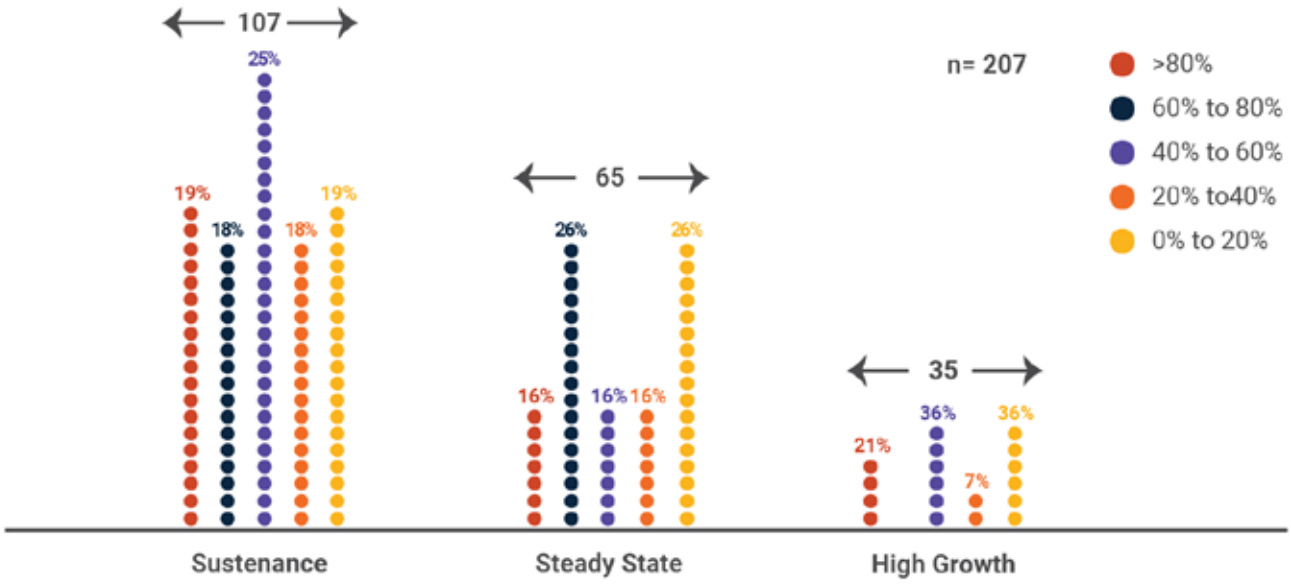
However, some business models offer avenues for women-owned enterprises across segments to work as part of larger value chains, as manufacturers or suppliers/distributors of products and services.

Businesses such as aggregation platforms, large manufacturers of value-added food products, or traders of clothing or garments often procure raw materials or finished goods from businesses offering a more sustained revenue stream and also presenting financing opportunities. The suppliers are typically smaller women-owned enterprises that find it difficult to access a large customer base and raise capital from traditional sources; more so due to the gendered challenges faced by women. However, collaborating with larger businesses in the steady state or high growth segments often gives them indirect access to a large number of customers. For instance, an Indian sustenance enterprise tailoring garments at a small workshop at home with 8-10 employees highlighted that a woman-owned start-up (high growth enterprise) that recently 'discovered' her on Facebook placed an order for 1,000 garment storage bags, offering an alternate source of income generation for her.

Of the respondents who recalled their supplier's gender, 60% reported that at least 40% of their suppliers were small women-owned businesses. This finding suggests that providing capital and non-financial support to such enterprises will not only empower them, but also other women entrepreneurs in the value chain. Eventually, these resources can be instrumental in transitioning many informal women-owned enterprises into formal businesses with steady cash flows and better investment prospects. .

The detailed segment-level findings from women entrepreneur interviews are presented in the following chapters to develop an understanding of the varying operational parameters and business needs across enterprise segments.

Figure 12: Segment-wise split of women suppliers for women-owned enterprises



03

WOMEN-OWNED SUSTENANCE ENTERPRISES

03

WOMEN-OWNED SUSTENANCE ENTERPRISES

The study defines sustenance enterprises as largely unregistered, informal businesses with minimal automation in their production process. The primary motivation behind starting the business is to seek livelihood opportunities based on the entrepreneur's traditional skillsets. They are often geographically restricted, mainly serving hyper-local markets with standardized product/ service offerings, with little or no value addition. Sustenance enterprises have been further categorized as those having annual revenues of less than USD 50,000[24] and typically employing fewer than 10 full-time employees (mostly unregistered staff). The segment bears many similarities to the microenterprises operating in the unorganized sector in Asia and Africa.[25]

Most of the enterprises interviewed in this segment represent traditional sectors such as food and beverages, retail trading, tailoring and agricultural processing/ production. They have a limited potential to scale due to their seasonal nature (especially in rural areas where women engage in business activities during the agricultural off-season) and offer mostly undifferentiated products. Many women entrepreneurs running sustenance enterprises prefer to limit their business scale in lieu of fulfilling domestic responsibilities, as indicated by over half of the entrepreneurs interviewed in this segment.

Despite their small size and limited scale, these enterprises contribute significantly to the household income of women entrepreneurs who run them, paving a path towards financial independence.[26] They play an important role in developing countries by generating employment opportunities and therefore contributing to poverty alleviation.[27] A study by Pragathy (2004) reveals that microenterprises empower women by improving their involvement in household decision-making with regard to taking credit or other financial decisions, purchase and disposal of household assets, education of children and healthcare.[28] In Kenya, a study by Tripp & Kwesiga (2002) states that access to income provides women greater leverage in household decisions and improves their overall status within the household.[29] A study by Sunny (2006) on women's paid work in India finds that participation in paid work enhances women's empowerment, irrespective of the type of work they engage in.[30] In addition to this, sustenance enterprises also empower other women in their communities by providing them new skills and employment opportunities.

Several women entrepreneurs in the sustenance segment highlighted enhanced skill sets, improved self-confidence and improved decision-making power with regards to children's education, nutrition and healthcare expenses within the household, as a result of contributing to household finances through business. However, major financial decisions were still primarily controlled by the male members of the household. An entrepreneur and salonist from Kenya shared that she was only able to leave her abusive marriage after she started her salon business, with financial support from her father. Consequently, she was capable of supporting herself and her children, and hence had the courage to stand up against domestic violence. Findings from the study suggest that women entrepreneurs can be categorized into the following sub-segments, based on the nature of sustenance enterprises they run.

[24]Roughly 80% of these have revenues less than USD 20,000. Please see Chapter 2 for more details on the segmentation approach followed for this study.
[25]Note: OECD defines microenterprises as enterprises that employ less than 10 employees.
[26]'The Role of Women Entrepreneurs in Establishing Sustainable Development in Developing Nations', Kalpana Ambepitiya, March 2016
[27]'Defining success in subsistence businesses', Toledo-Lopez, et al, Journal of Business Research, 2012
[28]'Empowerment of Women through Micro Enterprises Development- A Study of Ranga Reddy District of Andhra Pradesh', Pragathy R, 2004
[29]'The role of micro and small enterprises on women empowerment in Muthurwa market in Nairobi', Neophitus Nancy Wachira, 2008
[30]'Women Paid Work and Empowerment in India: A Review of Evidence and Issues', Gujarat Institute of Development Research, Sunny J., 2006

1. **Necessity Entrepreneurs**

   Insufficient household income from existing sources is the primary driver to start business for these entrepreneurs. The additional income generated from their businesses is typically channeled towards improving the standard of living of the family – which includes expenditure on food, clothing, and other aspects such as providing better healthcare for their families and improving the educational attainment of their children. These entrepreneurs largely rely on their traditional skillset to set up enterprises; some of the prevalent businesses include food/ snacks production, handicrafts manufacturing, weaving, tailoring, and agricultural production, processing and distribution. Necessity entrepreneurs are often resource constrained in terms of capital and social support, and work from home to avoid rent and related overheads. They have limited business expertise and often face social constraints preventing them from receiving classroom trainings or technical assistance, and accessing finance.

2. **Chance Entrepreneurs**

   These women entrepreneurs are not necessarily resource constrained, and are motivated to create, promote and potentially monetize their products or services over time. Their businesses mostly evolve from their hobbies. These may include enterprises that manufacture traditional cosmetics, blend teas, bake cakes at home or recycle used products into accessories, wallets, etc. Chance entrepreneurs are usually sole proprietors and employ staff on a need basis (typically between 5-10 employees). However, many of them are either limited by or prioritize their role as primary caretakers in their families, thus preferring to restrict the scale of their businesses.

3. **Socially conscious entrepreneurs**

   A few women entrepreneurs in this segment are driven by their desire to contribute to their communities by identifying relevant social and environmental needs, and engaging with the appropriate stakeholders to drive impact. For instance, two women entrepreneurs in Indonesia started a waste management enterprise to convert kitchen waste into compost, recognizing the need for better waste management in their neighborhood. Similarly, a few enterprises in Kenya and Rwanda offer rural women, widows and young single mothers income generation opportunities by employing them in activities like stitching, basket weaving, bag making etc.

> My husband spends all his money on alcohol. I therefore, took up a business loan and started this shop so that I could pay school fees and provide for the family
>
> -- Shop keeper, Kenya

Further, entrepreneurs in the sustenance segment indicated that they have limited control over business income, and that their income is mostly controlled by their husbands or fathers. An entrepreneur in India who sells food products and snacks at weekly markets stated that she did not disclose her actual business income to her family members, in order to retain control over it. The entrepreneur had an on-going loan from a money lender and had to deposit her weekly installments immediately after receiving the money as the cash proceeds had to be handed over to her husband as soon as she reached home. Other entrepreneurs in Kenya, Rwanda and Indonesia also highlighted similar stories. An entrepreneur in Kenya making garments for additional income generation was forced to transfer her business loan to her husband's name as he wanted to manage the funds. He defaulted on the payments, making the banks blacklist the woman entrepreneur from seeking out further loans.

3.1. Enterprise Profile

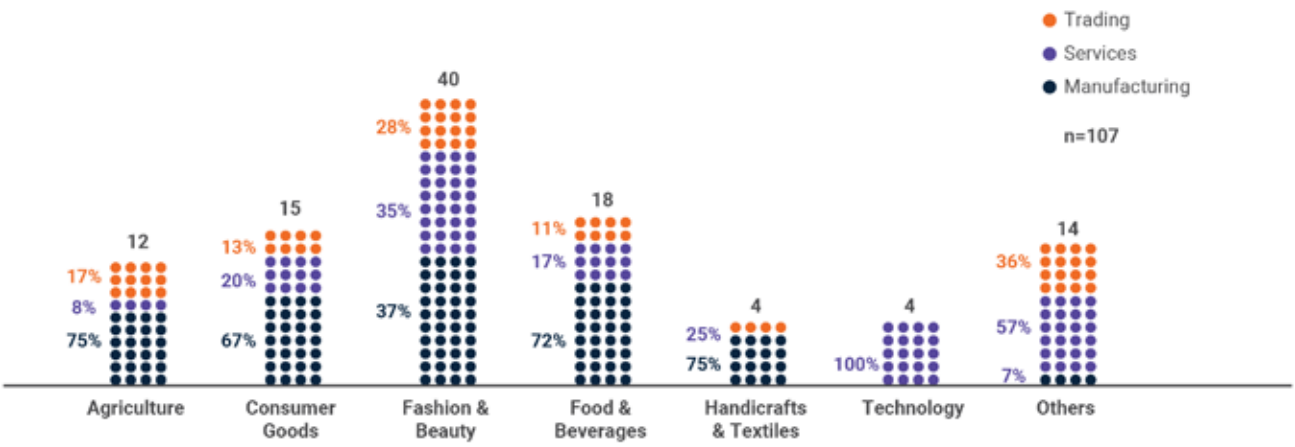
Sector Focus

Most sustenance enterprises covered in the study operate in three broad sectors, which include fashion & beauty, food & beverages, and consumer goods. Majority of these are manufacturing businesses and are characterized by low product differentiation; although around 5% of them do offer niche products and services such as waste recycling solutions, work from home opportunities etc. As denoted in figure 13 below, almost 40% of the sustenance enterprises operate in the fashion & beauty sector, followed by 17% in the food & beverage, 14% in consumer goods and 11% in the agriculture sector. Within the agriculture sector, more than half of the enterprises sell processed goods. For example, an enterprise in Kenya

manufactures ground nut oil as well as groundnut-based feed for animals. In the food & beverage sector, most businesses offer home-cooked products which are sold via retail outlets and/or e-commerce websites. An enterprise in Indonesia, for instance, makes meatballs at home, which it sells to customers through kiosks and weekly markets. In Rwanda, a small enterprise makes fresh home cooked meals which are delivered to customers through e-commerce stores like Jumia. In the fashion & beauty sector, women enterprises either manufacture garments, or trade in imitation jewelry and beauty products. A few sustenance enterprises in India, for example, import and sell cosmetics and skincare products.

While most of these enterprises cater to rural customers, the few serving urban customers have a comparatively larger customer base with higher purchasing power. These enterprises are not limited to the traditional food and fashion industries, but also engage in business sectors such as training, education, consumer services and others.

Figure 13: Type of business activity undertaken by sustenance enterprises by sector of operations



**Note: Other sectors include construction, education, financial services, healthcare, consumer services, training & development, water & sanitation.*

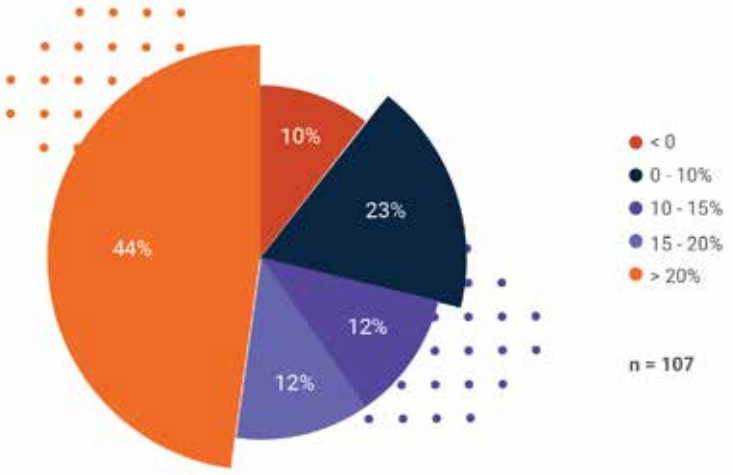
Scale and Profitability

80% of the sustenance enterprises reported revenues of less than USD 20,000 and 41% of them had profit margins of 20% or more. Most sustenance enterprises struggle to scale their businesses in the absence of low-cost finance, technical and business skills, obsolete technology and critical market linkages. They tend to restrict themselves to known markets and loyal customers.

Considering most of these enterprises employ limited staff, work out of their homes and have limited marketing expenses, they have low business overheads which contribute to high profit margins. Of the sustenance enterprises with revenues under USD20,000, over 55% reported profit margins of over 15%, and 44% had profit margins above 20%. However, these enterprises operate at such a small scale, that a margin as high as 25% may result in less than USD 15 of daily earnings which has limited ability to change the economic status of the entrepreneur. Moreover, most of them do not follow financial best practices and often consider only raw material, labor and transportation costs while calculating profits or follow activity-based costing. These often omit rental and infrastructure costs and underestimate other operational costs such as travel, business development etc. Consequently, the actual profit margins may be lower than those reported in the study. For example, an enterprise making soya-based food products in India highlighted that raw material and product packaging comprised 60% of their expenses, followed by a labor cost of 5%. However, it did not account for marketing and compliance costs. Similarly, a Rwandan enterprise making household accessories reported facility rent, labor and raw material costs as the only business expenses, but excluded sales and marketing costs.

None of the enterprises interviewed in this segment maintained formal books of accounts. Sustenance enterprises in all the four countries asserted the need for training on financial principles business management skills and a better understanding of best industry practices. While most of them claimed acquiring practical knowledge of these areas on the job, they had not received any formal education or training on these subjects.

Figure 14: Split of profit margin for sustenance enterprises with revenue below USD20,000



Markets Served

Most sustenance enterprises surveyed in the study serve local markets, given their understanding of local needs, and their ability to leverage established networks in these areas to generate and service demand. The few serving larger markets are able to do so through online channels or word of mouth marketing. Various factors such as poor access to institutional finance (mainly working capital), and restricted mobility of women owing to social barriers within their communities limit their ability to access wider markets. Many entrepreneurs attributed the lack of time to scout market opportunities, to gendered roles in the household. This often prevents them from undertaking long distance travel for exploring new markets and networks. For instance, an entrepreneur in Rwanda who imports cosmetics and women's accessories sells them only to customers in her proximity, because she lacks the time and resources for business development activities, due to household and care responsibilities, and the resulting restrictions on mobility.

Other factors that limit market access for sustenance enterprises include competition from large scale enterprises, over-reliance on direct marketing channels such as door-to-door or word-of-mouth marketing, difficulty achieving the quality standards commanded by various markets and the inability to spend on advertising and sales promotion, among others.

Very few sustenance enterprises in rural areas reported serving urban customers. They were able to access them either through online channels or word of mouth marketing by existing customers. For example, a batik bag seller in Indonesia secured a few overseas customers through word-of-mouth marketing by an existing customer who had settled abroad. A dry snacks manufacturer in India was able to sell to a few international customers by promoting its products on Facebook.

> I have limited mobility due to safety concerns, which limits my access to markets. In addition to this, insufficient time to devote to business and limited financing constrain me to only local markets.
>
> - Sauces manufacturer, Kenya

Employment Trends

Sustenance enterprises emerged as the largest employers of women among the three segments evaluated in the study. Most of them employ at least 60% women, who often work part-time based on the business needs. Over 90% employ fewer than 10 employees at any given time, of which 60% or more are women. A Kenyan low income clothes and bags manufacturing enterprise comprises more than 80% women staff, and employs young teenage mothers on a permanent basis. Similarly,

a crafts making enterprise in Rwanda employs over 60% women, albeit on a part-time basis due to market fluctuations.

Sectors like fashion & beauty, and food & beverages, attract maximum number of women employees. Across the four countries, sustenance enterprises in the fashion & beauty sector employ the most number of women, with 75% of the enterprises recruiting more than 50% women in their workforce. In the food & beverage and consumer goods enterprises, women comprised over 60% of the employees for almost half of the enterprises.

> I wanted to provide a source of income generation for women. I observed that the youth in Indonesia were not aware of batik prints, so I decided to set up a business of batik handicrafts made by young girls and women.
>
> - Handicraft Manufacturer, Indonesia

Business Process Innovation

Most sustenance enterprises deploy traditional production methods, with minimal automation or staff training, resulting in fairly standardized product offerings. Moreover, they face increased competition from large players providing similar products at scale and actively seeking rural and peri-urban customers having saturated urban markets. Sustenance enterprises are unable to compete with these players, and are therefore forced to reiterate their business models, constantly adapting to the dynamic market conditions around them, by exploring more relevant customer segments, or providing services that may be commercially unviable for larger businesses to offer, such as engaging in door to door marketing to boost brand recall and establish customer loyalty, or providing after sales support in remote rural locations. For instance, an Indonesian enterprise defended itself against fluctuating market demand for private label T-shirts, by tailoring and supplying uniforms to hotel staff instead. By altering its target customer segment, the enterprise was able to ensure recurring revenue from B2B sales to hotels.

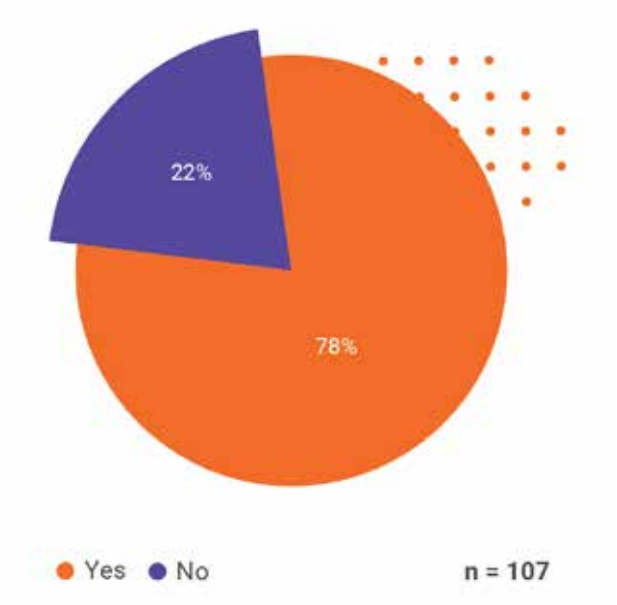
Intent to Raise Capital

65% of the sustenance enterprises interviewed had never raised capital before and more than 22% indicated that they were not seeking capital in the near future. Most enterprises in this segment started the business from their personal savings without any investment from external sources.

The reasons cited by the entrepreneurs for not raising capital included: a) lack of access to formal sources of finance in the absence of collateral or credit history, b) limited buy in from male members of the family to borrow funds, c) unwillingness to apply for loans until a minimum scale was achieved and, d) general lack of awareness about financial products in the market and overall impact of financing on their businesses.

Overall, the impact of financing on the profitability and future growth of sustenance enterprises needs to be better articulated and communicated to entrepreneurs in this segment, as many of them do not seem to fully appreciate the impact that capital infusion can have on their businesses.

Figure 15: Intent to raise finance by sustenance enterprises



3.2. Customer Engagement & Distribution Models

Direct Distribution

Direct distribution is the primary mode of reaching customers for more than 70% of the sustenance enterprises, often in conjunction with other distribution models. Most sustenance enterprises that offer perishable products such as wellness or fresh food products, or highly customized services such as hairdressing use direct distribution. Many are unable to tap into existing distribution networks owing to low product volumes and/or limited working capital to service orders at scale. As a result they often engage in door-to-door sales or word-of-mouth marketing to promote their products. Some enterprises also reportedly participate in local weekly markets, exhibitions or fairs for market outreach to potential customers outside their immediate areas of operation. For instance, sustenance enterprises in Rwanda making earrings, and in Indonesia and Kenya making fresh food products primarily secured sales by participating in the area's weekly farmer markets. A few sustenance enterprises surveyed in peri-urban areas also expressed benefitting greatly from exhibitions in terms of access to networks, lead generation and customer acquisition. In a few instances, their sales from 2-3 day long exhibitions exceeded their average monthly revenues.

Sustenance enterprises using direct distribution channels mostly transact in cash, and majority of them do not maintain formal records of their business transactions. Therefore, they often find it difficult to furnish sales history or records when accessing finance for productive use.

Indirect Distribution

The indirect distribution model, whereby enterprises access distributors through aggregators or intermediaries, is reportedly used by ~21% of the sustenance enterprises. Enterprises that are part of Self Help Groups (SHGs) and cooperatives market their products through their group's networks. Some also sell through NGOs that aggregate small businesses to supply larger volumes to established distributors. Most of these enterprises engage in standardized or lower value products with comparatively larger customer uptake, such as incense sticks, paper bowls, spices, etc. For example, women entrepreneurs who are part of the Swayam Shikshan Prayog (SSP), a women's collective in India, manufacture products 'like incense sticks, pottery, spices, jute products, etc., and sell these products to SSP-run SURE (Sakhi Unique Rural Enterprise), a last mile rural distribution entity which provides dedicated marketing and distribution services. SURE procures, stores and further sells these products through a network of over 1000 women entrepreneurs called sakhis'. Additionally, SSP facilitates strategic partnerships between women entrepreneurs and large corporates.

The aggregator model provides enterprises access to larger markets at relatively low cost. Operating through the SHG or cooperative network also allows these enterprises to access finance either from the group's pooled savings at a very low interest rate, or from rural or cooperative banks in the form of social-collateral backed group loans.

Online Channels

Almost 19% of the sustenance enterprises surveyed, use online channels to deliver products and services. The primary advantage of using this channel for sustenance enterprises is access to a global customer base at a low cost. Most of these businesses are involved in cosmetic or garment trading, or aggregation and sales of handicrafts. Around 14% of the sustenance enterprises intreveiwed in India have been selling country-wide by listing on Amazon, Flipkart, Myntra and Nykaa. Facebook and Instagram have also emerged as global marketplaces over the recent years, where enterprises create product pages or become part of women's/ sellers' groups to showcase their product / service offerings to generate interest from potential buyers from the global online community. For instance, an enterprise in Indonesia reported using Instagram to generate customer interest in the health food she sells. A few sustenance enterprises in India have been actively marketing products on their Facebook page and successfully securing new customers.

Online channels help women entrepreneurs build a fomal record of sales since customer order history can be tracked through the ecommerce website, which can in turn serve as a proof of business for accessing finance.

Additionally, various global e-retailers have introduced programs for promoting women businesses in developing countries. For instance, Amazon Saheli not only allows women in India to list their business products on the website, but also provides them training on managing the business and finances. The program has reached over 1 million women entrepreneurs offering 13

categories of products including apparel, fashion jewelry and packaged food products, and offers them a large customer base throughout India. A semi-urban garment manufacturing enterprise interviewed in India reported an increase in its sales after registering on Amazon Saheli. The entrepreneur went on to receive large scale orders fom an Indian startup that discovered the business on Amazon Saheli platform. The program also provides women entrepreneurs access to its logistic and fulfillment facilities and offers various benefits such as subsidized referral fees, free imaging and cataloging services, account management support, post launch support and greater visibility through specialized storefronts.[31]

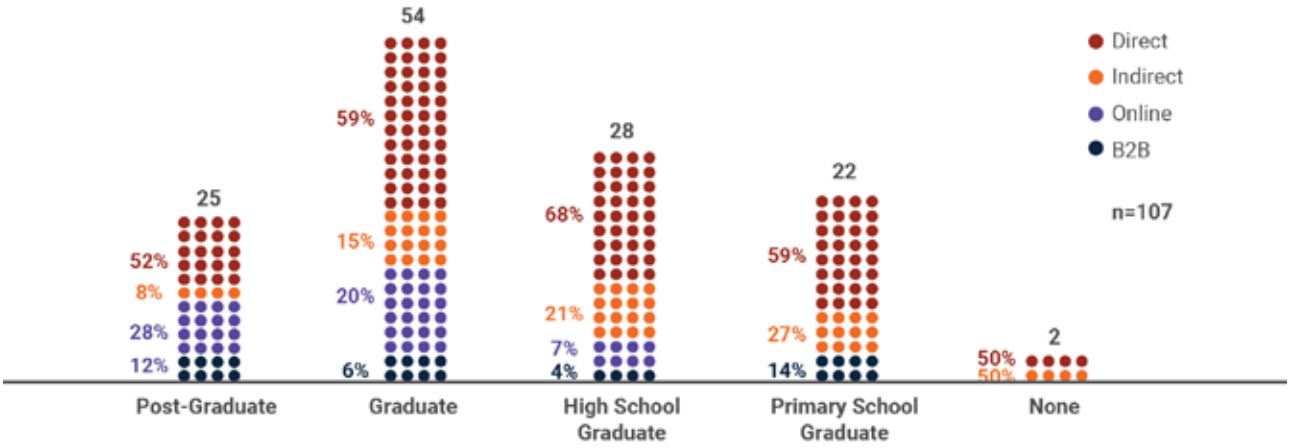
B2B Sales

The B2B channel is used only by 8% of the sustenance enterprises, to secure a sustained revenue pipeline. Many sustenance enterprises reported serving commercial customers, due to the predictable order quantities and long term contracts. While some sustenance enterprises are part of large corporate procurement programs, others scout for small businesses in their locality to ensure continuous business. Most of these enterprises either tailor uniforms for small establishments or supply food to nearby restaurants. This distribution model allows women to raise debt easily, by creating a history of contract orders which acts as proof of sustained income generation.

B2B sales are also promoted by large global corporations coming forward with policies to procure materials from women entrepreneurs in developing countries. The Supplier Diversity and Inclusion program at Walmart is one such example under which the company procures a fixed percentage of their materials from a diverse supplier group including women, minorities, LGBTs, etc. As part of another initiative called Global Women's Economic Empowerment Initiative, Walmart has pledged to source USD 20 billion from women-owned companies.[32]

Impact of entrepreneurs' education levels on the choice of distribution models: For sustenance enterprises in particular, the choice of distribution model appears to be influenced by the academic qualification of the women entrepreneurs. For instance, entrepreneurs with graduate or post graduate degrees tend to use online distribution channels more extensively, as reflected in figure 16. Similarly, B2B customers are more often sought by entrepreneurs with higher academic qualification.

Figure 16: Prevalent modes of distribution for sustenance enterprises by entrepreneur's education level



Note: Enterprises often use multiple distribution channels in conjunction with each other.

[31]"Amazon India launches Amazon Saheli, a special store for women entrepreneurs', Financial Express, Nov 2017
[32] 'Walmart Creates Value Through Supplier Diversity', MBN USA

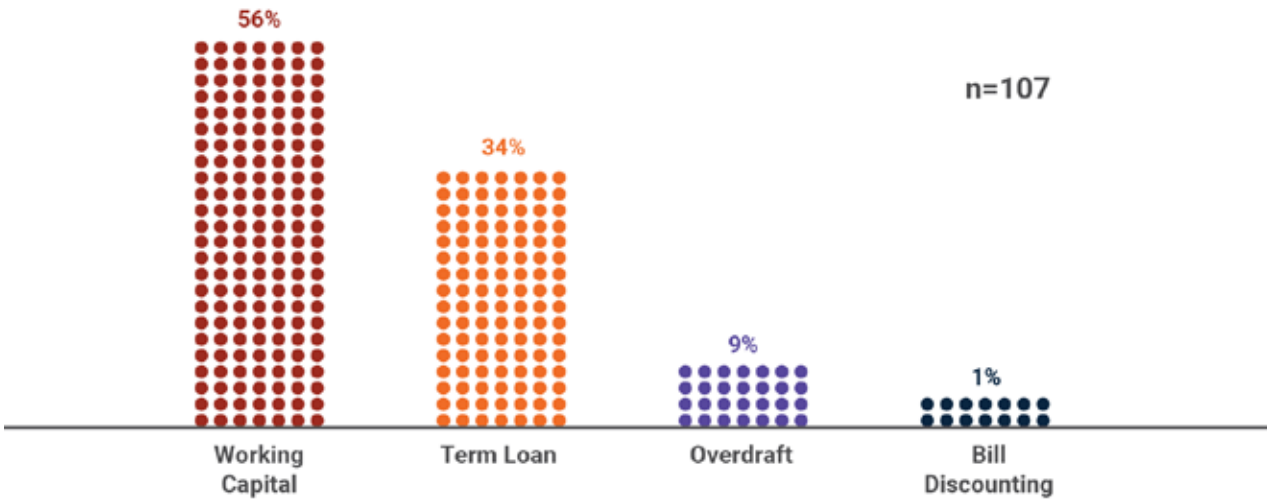
3.3. Need for Finance

Working capital financing is the most sought after financial need of sustenance enterprises as opposed to expansion into new product lines or geographies. Almost 58% of the sustenance enterprises cited the need for working capital to meet operating expenses such as procurement of raw materials, payment of wages, cost of transportation and rent for storage facilities. For instance, an Indonesia-based handbag seller requires capital to finance its labor cost and source batik material for making customized handbags; because the enterprise outsources most of the manufacturing and makes bags only based on customer orders, the need for capital expenditure is negligible. A home-based food company in Rwanda needs working capital to source fruits and vegetables from the market to service online orders. A family-owned artificial jewelry enterprise in India requires capital to restock inventory and finance transportation expenses incurred in sourcing jewelry from another city. Most of the sustenance enterprises are forced to rely on personal savings to fund critical working capital expenses, often lacking financial support from their family members. Many expressed reluctance in applying for loans in the absence of buy-in from the male members of the household, either through the lack of approval or the threat to use the loan for other purposes other than business such as gambling.

Only a few businesses in this segment expressed the need for term loans or overdraft facilities to meet fixed capital requirements (e.g. facility purchase, machinery etc.). For instance, a pulse mill operator in India expressed the need for a term loan to purchase machinery and increase its processing capacity. Another footwear manufacturer using recycled material in Indonesia stated that an overdraft facility may help her fulfill working capital needs to service new orders.

While the need for working capital existed across manufacturing, services and trading enterprises surveyed during the study, term loan was primarily required by manufacturing and trading enterprises given that they are comparatively more capital intensive and asset heavy as compared to service-oriented businesses. Very little difference was observed in the financial needs of sustenance enterprises across the four countries.

Figure 17: Current financing needs of women sustenance enterprises

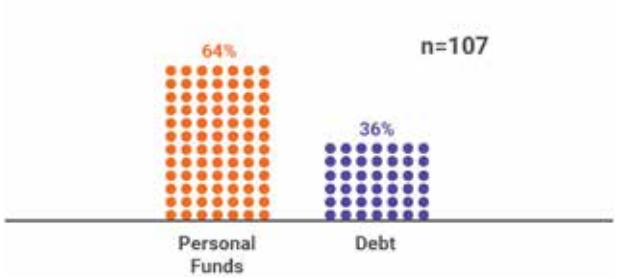


3.4. Barriers to Accessing Finance

Sustenance enterprises mostly depend upon informal sources of finance to meet their daily operational requirements. More than 64% of the women entrepreneurs in this segment rely on personal savings or loans from friends and family to run their businesses. The remaining 36% reported sourcing debt from both formal (banks, MFIs, SHGs etc.) as well as informal (local money lenders)

channels. A few enterprises were also able to raise low cost debt as part of private sector-led accelerator programs. For instance, a health food company in Rwanda secured an interest free loan to cover marketing and branding expenses, as part of the BK Urumuri incubation program, a partnership between Bank of Kigali and Inkomoko, an MSME focused consulting firm in Rwanda.[33]

Figure 18: Type of finance available to/ accessed by women sustenance enterprises



Nonetheless, financial institutions are often reluctant to lend to sustenance enterprises for a variety of socio-economic factors both on the supply and demand side, which are outlined below.

1. Supply-Side Challenges

- **High transaction cost of servicing small sized loans:** Roughly 80% of the sustenance enterprises in the study reported a turnover of less than USD 20,000, demonstrating limited scale, and subsequently the need for small sized loans to finance immediate working capital needs. FIs are unable to justify the commercial viability of extending such small ticket size loans, given the high cost incurred in processing of loan applications, due diligence as well as payment collection, along with higher repayment risk owing to the uneven cash flow cycles of these enterprises.

- **Low risk appetite of FIs:** 44% of the sustenance enterprises were denied a loan or knew someone who was denied a loan in their peer group. The study suggests that this is primarily due to the high-risk perception of sustenance enterprises among FIs due to their unstable cash flows, informal operational processes, limited credit history and inability to present collateral, the latter being a major barrier to financial access for women entrepreneurs. Women's lack of access to both movable and immovable property in developing countries inhibits their ability to provide collateral as security, elevating their risk profile and thereby exposing them to higher cost of capital. This is further exacerbated by an absence of credit history especially in this segment. Loan approval is therefore rare; and even in the few cases where loans are sanctioned, the turnaround time (TAT) between acceptance of loan applications and credit disbursal is quite high, causing some enterprises to resort to informal channels of finance to meet immediate financial needs. For instance, two sustenance enterprises interviewed in Rwanda, making health food products and dealing in fashion apparel respectively, stated that bank loans were available at 15-18% interest, whereas informal money lenders were offering loans at 25%. Despite the higher cost of capital, both the enterprises opted for loans from money lenders, since banks required extensive documentation and communicated a high TAT for loan disbursal, in comparison to the local money lenders.

> "Bank loans are available at interest rates between 10-20%, but take time to process. Loans from cooperative banks are available at 26%. Informal money lenders offer loans above 30-35% which enterprises have to take when money is needed immediately.
> - Multiple enterprises in India

- **High cost of capital:** Sustenance enterprises interviewed highlighted that MFI loans were easier to access, but they proved to be expensive leaving little profit margins after repayment. MFIs lend to women at varying interest rates, across the four countries, at 18-25% in Kenya and Rwanda, 12-35% in Indonesia and 18-27% in India.[34] Moreover, many of the sustenance enterprises in the study fall in the "missing middle" category, i.e. enterprises that may be too small to avail SME credit from commercial banks but have loan size requirements that are much higher than the upper threshold of microcredit.[35] MFIs may not be able to fulfill the capital needs of women enterprises that fall in this category.

[33] 'Bank of Kigali in partnership with Inkomoko to launch 3rd edition of BK Urumuri', Hope Magazine, March 2019
[34] Intellecap analysis
[35] 'Bridging the "Missing Middle" between Microfinance and Small and Medium-Sized Enterprise Finance in South Asia', Savita Shankar, ADB Institute, July 2016

- **Exclusion of underserved segments by traditional credit assessment models:** Conventional credit scoring frameworks rely largely on credit history and collaterals to evaluate the credit worthiness of potential borrowers in the unorganized sector, in the absence of relevant market data on repayment and default rates. Such assessments compare non-traditional business sectors (which lack benchmarks for comparing enterprise performance) with benchmarks from traditional businesses resulting in a less than favorable credit score. These conventional methods often overlook the socio-economic factors that prevent women entrepreneurs from being assessed as credit-worthy. Almost 40% of the sustenance enterprises surveyed did not qualify for a loan through such assessments.

- **Low financial product innovation:** Banks and other financial institutions find it difficult to understand the needs and priorities of women enterprises[36], especially in the sustenance segment. The loan size, interest rates, tenure, collateral requirements and payment terms are often misaligned to the needs of these women who run businesses that are highly seasonal in nature and of limited scale requiring smaller and regular working capital infusion rather than big ticket loans. The fact that many of these women do not own assets and property renders traditional loan products redundant for this segment.

- **Lack of mentorship and business development support:** Most enterprises expressed the need for focused trainings which would help them understand pricing strategy and build market linkages. Even though several government initiatives as well as private programs have been providing training opportunities for women entrepreneurs across Asia and Africa, most women entrepreneurs are unable to access them due to lack of awareness. Focused trainings on business skills, and strategic mentorship can strengthen the ability of these entrepreneurs to improve both scale and profitability of their businesses, thereby improving their chances of accessing finance through formal sources. Many sustenance enterprises narrated their experience of training programs that equipped them with basic business skills and financial literacy but failed to provide technical or operational knowledge. Only few of the sustenance enterprises reported accessing formal trainings, either through government programs as in the case of the National Rural Livelihoods Mission (NRLM) in India, or through other private interventions such as Akili Dada in Kenya, or WEConnect in India and Indonesia.

- **Absence of support services to facilitate adoption of women focused credit schemes:** While 65% of the sustenance enterprises in our study were aware of select women focused financial and non-financial schemes in their countries, very few availed such schemes owing to lack of technical and administrative support and training, long approval cycles (6-12 months) and cumbersome documentation required. Some women entrepreneurs also pointed out the lack of awareness on relevant contact points for accessing these schemes.

> I am aware of the Government of India's schemes for women, but there is lack of information on the points of contact for availing these schemes.
>
> - Incense sticks manufacturer, India

For instance, about 25% of the enterprises in India highlighted that they had heard about the MUDRA scheme[37], but were not aware of whom to approach or where to apply for it. Out of that only two enterprises were able to raise a loan through this scheme. Others in Kenya and Rwanda claimed that they had no idea of alternate financing sources apart from those offered by their women's groups

> Most training programs provide generic knowledge on financial and business literacy, while we need sector-specific technical training programs which can help scale operations.
>
> - Nutritional Biscuits Manufacturer, Indonesia

[36]'To improve women's access to finance, stop asking them for collateral', CARE International, World Economic Forum, June 2019

[37]The Pradhan Mantri Mudra Yojana is a refinance scheme to support development of micro enterprises in India. The scheme has provisions of refinance support for Banks / MFIs / NBFCs for lending to micro units having loan requirement up to INR 10 lakh. In order to encourage women entrepreneurs, the financing banks / MFIs extend additional facilities, including interest reduction on the loans. At present, MUDRA extends a reduction of 25bps in its interest rates to MFIs / NBFCs, who are providing loans to women entrepreneurs.

such as the Chama[38] or M-shwari[39] loans. Some had applied to banks for loans but had been rejected and were unaware of the reasons for rejection. Almost 40% of the respondents also mentioned that they had never applied for bank loans as they lacked enough information and knowledge about what was available in the market, and expressed interest in knowing more about loan products on offer, application processes and ways to access capital.

All of the factors cited above inhibit financial access for women-owned sustenance enterprises, and articulate the need for more focused financial interventions to meet the unique needs of this segment. A summary of the proposed financial and non-financial interventions is provided below and elaborated further in the Recommendations section (Section 6).

There is a clear need to de-risk the banks that lend to women-owned sustenance enterprises, to encourage future lending and to reduce the cost of capital. Development Finance Institutions (DFIs) are well positioned to support banks by way of "risk sharing facilities (RSF)" which provide first loss coverage or partial credit guarantees to banks that lend to women-owned microenterprises.

There is a need to develop and promote innovative financial instruments that can lower the cost of capital for this segment and facilitate easy flow of working capital to these enterprises. For example, women entrepreneur focused bonds raised by banks and backed by a corpus fund mobilized through contributions from CSR programs, corporate foundations and development organizations working towards women empowerment can bring down the cost of capital for this segment and help them scale faster. Instruments like dedicated credit lines, revolving loans, leasing, reverse factoring, etc. could also support the working capital needs of women in this segment.

It is equally important to replace traditional credit risk evaluation models with low cost alternative credit assessment frameworks that can use more readily available unconventional data (such as mobile data, psychometric data, social referencing methods etc.) to predict credit worthiness of entrepreneurs in this segment.

Finally, sustenance enterprises should be better integrated into incubation platforms and accelerator programs that can provide them the technical assistance, mentorship, forward market linkages, networks and most importantly, fund raising support that they currently lack.

Figure 19: Challenges that limit capital flow to women-owned sustenance enterprises

[38]The Chama is an informal cooperative society that pools savings and investments from its members, and pays out the collected amount to some members in rotation or per business/ household financial needs. It comes with flexible repayment options which is often more suitable for women or other smaller businesses. However, the process for joining the Chama groups is very rigorous, and new members are expected to provide guarantees or assurances from existing members.

[39]M-shwari is a bank account offering a combination of savings and loan products, by Commercial Bank of Africa (CBA) in collaboration with Safaricom. They can be accessed directly through a customer's M-Pesa account, and interest is paid based on average daily savings of the individual customers. Upon opening an M-shwari account, customers may apply for and receive loans instantly, even without a credit history. Since launch, almost 20.6 million loans totalling USD277 million have been disbursed to 2.8 million unique borrowers. Source: CGAP

2. Demand-Side Challenges

- **Poor financial literacy:** Most sustenance enterprises do not maintain any formal books of accounts and often over report their profit margins, excluding critical expense heads from their calculation. As a result, banks perceive these entrepreneurs to have lower levels of financial literacy and confidence than their male counterparts. According to a study by IFC, banks feel the need to extend additional assistance to women in identifying financial products, developing business plans and completing documentation, all of which translates into higher loan processing costs for banks.[40] Several entrepreneurs surveyed pointed out that they had learned accounting on the job, and had not received any formal education or training.

- **Inadequate collateral and lack of credit history:** Even though countries have progressed a lot in terms of women's educational attainment and economic representation, social structures in several developing countries still do not allow/ encourage women to own property. According to the World Economic Forum, women own less than 20% of the world's land and as per the United Nations Food and Agriculture Organization that percentage is lower than 10% in developing countries (based on a survey of 34 developing countries).[41] Approximately 49% of all sustenance enterprises in the survey who applied for a loan reported being denied a loan in the absence of sufficient collateral, while 39% revealed that they had never sought external financing of any kind, many of them citing lack of collateral as a reason for not trying.

> Collateral acquisition is a big challenge as wives are not allowed to use matrimonial property. The government is trying to mandate equal matrimonial property ownership but it is not reflected at the family level. It is still a family decision.
>
> - Handicraft manufacturer in Rwanda

- **Low product differentiation:** Most sustenance enterprises provide only standardized or low value added products, given limited access to resources and fluctuating demand from a small customer base. Standardized products also face stiff competition from existing players who offer similar products. This results in a loss of market share for sustenance enterprises, adversely affecting their revenue and subsequently their ability to repay monthly loan installments, making them risky investment propositions for any lender.

- **Social barriers stemming from patriarchal structures:** Gendered roles within the household allow women to dedicate limited time to business, and social settings (patriarchy) restrict mobility and networking with people outside the family, thus restraining access to credit. Existing social structures in several developing countries do not allow women to own property. In many countries like Indonesia, it is common practice for rural women entrepreneurs to seek permission from a male member of the family before opening a bank account. Around 30% of the sustenance enterprises interviewed in Indonesia were asked to present a male family member as a guarantor for her loan, in addition to the guarantor she had suggested. Approximately one-fourth of the Indian sustenance enterprises also reported that some of the banks they approached enquired if they were supported by any male members in their business. These instances reflect an element of gender bias within the banking system as well as the society that needs to be addressed through gender sensitivity trainings and awareness campaigns. Several women entrepreneurs also reportedly have limited support from the family to start a business, as income generation is treated as the primary responsibility of the male members of the family. Studies suggest that women in Kenya have low entrepreneurial success due to little or no family support.[42] Similarly in India, the lack of family support and child care options leads to low female entrepreneurship rates.[43]

[40] 'Financial inclusion for women owned MSMEs in India', IFC
[41] 'Women own less than 20% of the world's land. It's time to give them equal property rights', Monique Villa, World Economic Forum, Jan 2017
[42] The Role of Family Support in Performance of Women-Operated Micro and Small Enterprises in Eldoret, Kenya', Beatrice Imbaya, Journal of Emerging Trends in Economics and Management Sciences
[43] 'Women entrepreneurs in India: What is holding them back?',, Sabrina Korreck, Sep 2019

> I did a beautician course before marriage but was not allowed to work, due to social pressure on my parents. But after marriage, husband understood the importance of my work on family income and so supported me to start my own beauty parlor at home.
> -Beauty parlor owner in India

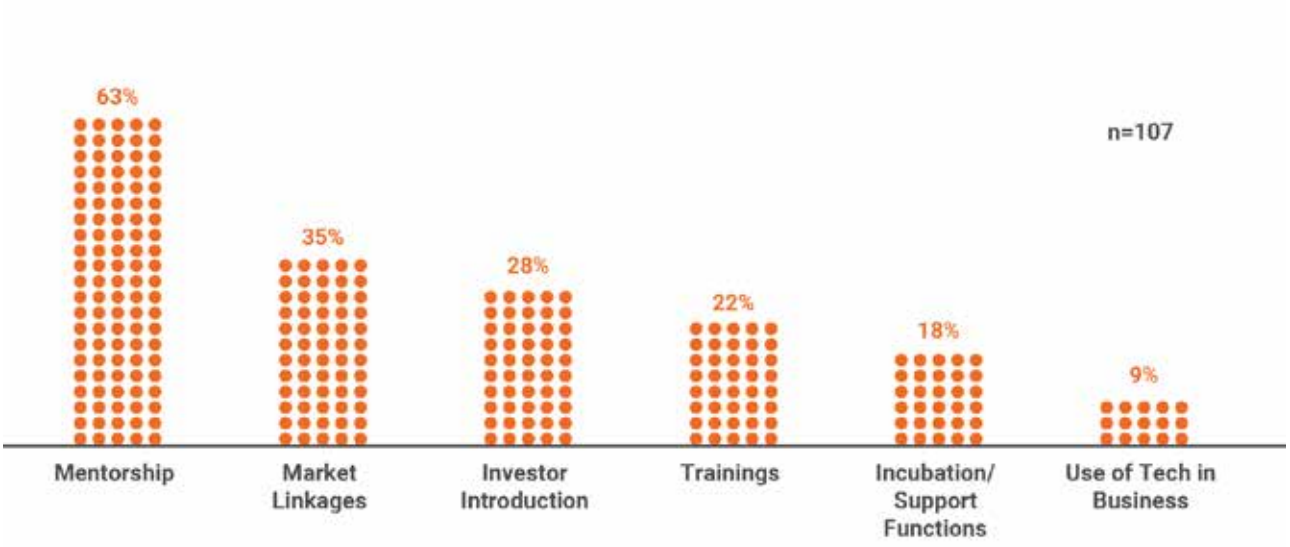
These demand side challenges faced by sustenance enterprises may be addressed through: a) capacity building of entrepreneurs via focused trainings on financial and digital literacy, business management and life skills, and product design and development to enhance product quality and foster innovation; b) exploring alternatives to traditionally accepted collateral such as gold, purchase contract agreements, warehouse receipts, savings balance in the account, etc., or providing land loans to build collateral; c) offering products and services that help safeguard women's savings such as extension of legal services to support women on family and property disputes. These solutions are further detailed and corroborated by global examples, in section 6 on Recommendations.

3.5. Existing Ecosystem Enablers and Initiatives

A majority of the sustenance enterprises interviewed during the study, stressed on the need for business advisory support through mentorship and facilitation of market linkages to drive scalability and sustainability of their businesses. Over 63% of the sustenance enterprises said that strategic mentorship[44] and advisory services were vital to the profitability and scalability of their businesses. 35% pointed out the lack of market linkages and business development support to penetrate wider markets. Another 28% were unaware of various sources of capital at their disposal, and expressed interest in connecting with potential lenders. Most of these enterprises started with the sole purpose of income generation, often lacking the knowledge or experience of running a business successfully.

For instance, an organization in Kenya that started by providing livelihood opportunities to widows in the community, later transitioned into a full time business with the beneficiaries adopting weaving and goat rearing as commercial activities. It received a grant from the Akili Dada program for its

Figure 20: Business support areas critical for sustenance enterprises



Note: Most sustenance enterprises quoted the need for multiple support services

[44]Mentorship refers to the advisory support provided to top management on business strategy for the mid to long term, whereas training refers to technical trainings and workshops for employees to improve their basic operational skills.

operations, however it lacked the mentoring support needed to devise a sound business strategy and exploit relevant market linkages for its products.

In addition to targeted business support interventions, the study also reaffirms the need for customized financing programs and schemes for bridging the credit gap for women-owned sustenance enterprises in developing countries. Currently, sustenance enterprises in the four countries are either using personal capital or borrowing money from MFIs, rural banks and/or self-help groups, to fulfill their business needs. A few countries have experimented with different financing mechanisms to channel low cost capital to women-owned sustenance enterprises. The Chama in Kenya and Rwanda, or the cooperative model in India allows women to pool and invest savings through a group account and lend to members as and when required. While cooperatives in India have very nominal interest rates for loans to its members, the Chama lends to its members at fairly steep interest rates of up to 20%. Another model popular across Africa is "Table banking", similar to SHG loans in India and Indonesia, wherein members of a group meet every month and create a savings pool, borrowing from it as and when repayment needs arise. However, these are mostly small ticket size loans and only at specified intervals which may not suffice for all stages of the enterprise life cycle. M-shwari, a micro credit product in Kenya and Rwanda, allows individual women to securely save money in an account, and borrow in times of need, thus helping small entrepreneurs build a credit history (comprising details of all savings and withdrawal transactions) for the future.

Despite these innovative mechanisms across Asia and Africa there remains a need to scale existing interventions and also devise alternative financing models, new financial products and non-financial services, which can help bridge the financing gap, especially for those women sustenance enterprises that are able to scale beyond the microcredit limits.

A commercial funding mechanism that can provide low cost working capital with short processing time would be ideal for sustenance enterprises. Since most bulk buyers have large order quantities, an aggregation model may allow sustenance enterprises to come together and fulfill the orders collectively. Collectivization of solutions by undertaking implementation through an online platform, or corporate tie-ups may help these sustenance enterprises tap into large markets and increase operational scale.

Globally, various stakeholders including the government, financial institutions, civil society organizations, development organizations and private sector players have come together to enable financial access for micro and small women entrepreneurs represented by the sustenance enterprise segment in this study. They offer a combination of products and services such as: a) financial instruments like credit-guarantee schemes, collateral free loans, interest subsidies and working capital finance; b) capacity building and entrepreneur development programs; c) access to regional and global markets by establishing vital market linkages and; d) networking opportunities through trade fairs, exhibitions and various stakeholder events.

The following examples of initiatives by various ecosystem enablers in the four countries expand on their role to support, mobilize and enhance capital flow for women sustenance enterprises.

a) Government Schemes and Programs

The governments in all the four countries have laid down various programs and policies to facilitate access to finance for micro and small women entrepreneurs. A few examples of government programs and schemes are outlined below, that provide risk guarantees to facilitate collateral free loans at subsidized interest rates, as well as capacity building support to women-owned micro and small enterprises in the four countries.

RWANDA: WOMEN AND YOUTH ACCESS TO FINANCE STRATEGY [45]

Women and youth access to finance strategy was formulated by the government of Rwanda in 2012, to facilitate women and youth's access to credit and other financial services, offer trainings to enhance financial literacy and provide business advisory services. Following this, a guarantee fund was established under the Business Development Fund (BDF) in 2011 as a wholly owned subsidiary of the Development Bank of Rwanda (BRD), to enable financial access for SMEs, especially those that lack sufficient collateral to obtain credit from traditional sources at reasonable rates. Under women and youth access to finance program, BDF offers the following five types of incentives:

- Guarantee risk coverage of 75% of the loan amount for women and youth
- 60% guarantee risk cover on working capital loans limited to Rwf 5 million (USD5200) for individuals and Rwf 10 million (USD10,400) for women and youth cooperatives and associations;
- Women and youth grant facility equivalent to 15% of a loan amount capped at Rwf 10 million (USD10,400)
- Interest rate rebate of 1% on Savings and Credit Co-operatives (SACCO) refinancing loans if the SACCO portfolio to women and youth is 30% or more
- 75% of the capacity building fund to target women and youth

RWANDA: WOMEN FOR WOMEN INITIATIVE

The government of Rwanda launched the Women for Women initiative in 1997, offering marketable skill, savings and other financial literacy skills. It has helped more than 76,000 women, which led to women's daily earnings being more than doubled, average savings grew and their access to loans improved as well.[46]

KENYA: WOMEN ENTERPRISE FUND (WEF)

Government of Kenya launched WEF to empower women entrepreneurs by: a) providing subsidized credit for enterprise development through partner FIs; b) building their capacity; c) facilitating investment in support infrastructure such as business incubators and; d) developing market linkages to facilitate marketing of products in domestic and global markets. The loan products offered by the fund include the following:

- **Tuinuke loan:** This is an interest-free loan, with 5% administrative fee and a grace period of 1 month, given through registered women groups that are interesting in expanding their business or starting a new one. The group must comprise of 10 members with at least 70% women. The amount ranges from KES 100,000 (USD993) in the first cycle repayable in 1 year; to KES 750,000 (USD7,450) in the fifth cycle repayable in 2 years.[47]
- **Local Purchase Order (LPO) Financing:** This product helps increase the capacity of women entrepreneurs to effectively service public tenders. The maximum loan amount offered is KES 2 million (USD19,800) per individual, with tenure of 90 days. The amount financed is 60% of the LPO amount.[48]
- **Bid Bond Financing/Tender Security:** This loan product aims to help women meet the requirements of the tendering process. The bonds are offered to women within Nairobi and its outskirts. The loan size ranges from KES 50,000 to KES 2,000,000 (USD490-19,800)[49].

Until 2019, KES 15.629 billion (USD155 million) has been disbursed to 1,632,825 beneficiaries (98,005 groups) countrywide with repayment rates at 96%.[50] 1,143,156 women have undergone business and financial management trainings, a pre-requisite for loan approval.[51]

[45]Final Report Of The Strategy On Women And Youth Access To Finance (2016-2020), MIGEPROF, June 2016
[46]Women for Women International website
[47]'TUINUKE LOAN', Women Enterprise Fund website
[48]LPO financing, Women Enterprise Fund website
[49]Bid Bond financing, Women Enterprise Fund website
[50]'Report of the pilot assessment on the implementation status and impact of affirmative action funds in Kenya', The National Treasury and Planning, State Department for Planning, May 2019
[51]'Report of the pilot assessment on the implementation status and impact of affirmative action funds in Kenya', The National Treasury and Planning, State Department for Planning, May 2019

INDONESIA: KREDIT USAHA RAKYAT (KUR) - PEOPLE'S CREDIT FOR BUSINESS

In 2007, the government of Indonesia introduced Kredit Usaha Rakyat, a credit program dedicated to MSMEs. The program is implemented by three state-owned banks - BRI, Bank Mandiri and Bank Nasional Indonesia. It provides a guarantee of 70% on the total loan amount to banks that disburse loans to MSMEs. Two types of products are provided under the program - KUR Mikro (loans upto IDR 25 million) and KUR Retail (loan size between IDR 25 million and IDR 500 million). No collateral is required for KUR Mikro. The government also provides an interest subsidy for KUR reducing interest rates for end borrowers from 12% in 2015 to 9% in 2016.[52] with plans to reduce it to 6% p.a. starting 1 Jan 2020.[53]

The total disbursement under KUR from August 2015 to 31 July 2018 was IDR 289 trillion (USD 21billion) with an NPA of 1.09%. 65% of these loans were KUR Mikro.[54]

INDIA: PRADHAN MANTRI MUDRA YOJNA (PMMY)

The MUDRA scheme in India supports micro and small women-owned businesses, by providing collateral free[55] loans of up to INR 10 lakhs (~USD14,000) through branch offices of banks, MFIs, NBFCs etc. The loans fall in 3 categories based on the loan size. They are Shishu (upto INR 50,000), Kishor (above INR 50,000 and upto INR 5 lakh) and Tarun (Above INR 5 lakh and upto INR 10 lakh).

Between April 2015 and March 2019, Loans worth INR 3.7 trillion (~USD52 billion) were disbursed to women under PMMY. Women accounted for 70% of the total loan accounts.[56] The high percentage of women in terms of number of loan accounts is attributed to the high share of MFIs in Shishu loans, whose clients are mostly women.

b) Financial Institutions

Private as well as public financial institutions across countries have launched various loan products coupled with technical assistance to enable sustainable growth of women-owned sustenance enterprises. Credit guarantees provided by the local governments have been instrumental in encouraging lending to this segment, especially by public financial institutions. However, there remains a gap in the overall outreach to women entrepreneurs by FIs, especially in the absence of risk cover/credit guarantees provided by the government. Very few FIs recognize women entrepreneurs as a commercially viable business segment. Below are a few of examples of FIs that are financing this segment, independent of government support.

[52]Women-owned SMEs in Indonesia: A Golden Opportunity for Local Financial Institutions, Market Research Study, IFC and USAID, March 2016
[53]'Government to reduce KUR annual interest rate to 6 percent in 2020', The Jakarta Post, Nov 2019
[54]'The Importance of Inclusive Finance in Poverty Alleviation and Economic Equity through People's Business Credit (KUR)', Heri Susanto, Kredit Usaha Rakyat website
[55]MUDRA website
[56]Mudra Annual report 2018-2019

KENYA: WOMEN MICROFINANCE BANK

The bank deploys capital through women focused micro loans and savings instruments, along with requisite trainings (on business, handling money and potential risks) to strengthen women's participation in the economy. Loans start from as low as Euro 200[57].

The bank has disbursed loans worth USD 12 million, in partnership with Oikocredit, to over 146,965 beneficiaries across Kenya since 2010. 99% of its clients are women and 80% are from rural areas.[58]

INDONESIA: KREDIT PERMAISURI FOR WOMEN MICRO ENTREPRENEURS

Bank Sumut offers the Kredit Permaisuri, a credit product for women-owned micro enterprises. Women already running a business, or intending to set-up a business can apply for this loan. As collateral bank applies the solidarity lending system by requiring women to become members of a group. Loans range from IDR 1 million – IDR 50 million (USD 70-USD3600).[59]

The product was started for women in collaboration with Asian Development Bank (ADB), but Bank Sumut continues to offer the product on its own.

The bank has reached over 40 target groups, consisting of 400 members and disbursed around IDR 2.4 billion (~USD175,000) worth of loans since 2010.[60]

c) Civil Society Organizations

NGO/CSO led programs for sustenance enterprises are prevalent in all the four countries. These programs help mobilize capital, and provide business advisory services to women entrepreneurs. Some of the existing programs are captured below.

INDONESIA: WOMEN'S SMALL BUSINESS NETWORK

Women's Small Business Network (ASPPUK) is a network of ~54 NGOs across 20 provinces in Indonesia focused on strengthening women sustenance enterprises through trainings and technical assistance. Support comprises of business literacy, accounting practices, and internal fund raising through cooperative formation.

It engages almost 2 million women in the micro and small business segments.[61]

RWANDA: TEARFUND

Tearfund Rwanda, a non-governmental organisation mobilizes rural women to join community-led saving groups while equipping them with critical skills and knowledge about saving principles, loan processes, entrepreneurship development and leadership skills. It reaches beneficiaries through 578 local churches, generating alternate livelihood opportunities for them.

The NGO has enabled more than 29,584 families to access financial services. It has mobilized 941 small businesses to access loans from SHGs till date since 2012.[62]

[57]'Banking on women: empowering Kenyan women through microfinance',Oikocredit, Nov 2017
[58]Kenya Women Microfinance Bank, Promoting women's entrepreneurship and empowerment, Oikocredit international, 2020
[59]'Women entrepreneurs in Indonesia: A Pathway to increasing shared prosperity', World Bank, Apr 2016
[60]'Kredit Permaisuri Bank Sumut, Bermanfaat...', intaiNews.com, Aug 2018
[61]From Intellecap's interactions with ASSPUK director
[62]Tearfund Rwanda website

RWANDA: GRASSROOTS PROJECT FOR SHGS

AEE, a faith-based NGO in Rwanda, is working in partnership with Foxglove on the Grassroots Project to establish 1000 Self Help Groups for women living in extreme poverty across rural Rwanda. At least 10 SHGs are formed per village to create a micro economy.

Since its inception in 2003, more than 20,000 women have joined these SHGs to establish businesses, improve family health, access child education and health insurance services.[63]

KENYA: MICROENTERPRISE DEVELOPMENT PROGRAM

Volunteer Kenya's Microenterprise Development Program assists rural women by providing seed capital and advisory, along with equipment and training to start income generation enterprises. The initial grants range from USD500-600 used to purchase start-up equipment, materials and training.

The program has so far engaged over 100 microenterprise groups in its network and also helped them establish group bank accounts for members to secure small monthly loans between USD 5-20.[64]

INDIA: MAHILA E-HAAT

Mahila e-haat is an e-marketing platform for showcasing products and services offered by women entrepreneurs, SHGs and NGOs. It connects these entrepreneurs directly to buyers and facilitates cashless transactions. It was part of the 'Top 100 Projects of India' for the year 2016. This portal has helped women from remote areas to market their products to interested buyers, and also get bulk orders.[65]

Launched in 2016, the portal generated business worth INR 20 Crore (~USD 2.8 million) in the first year itself and impacted more than 0.35 million beneficiaries and over 26,000 SHGs. In 2017-18, the portal was integrated with Flipkart and Amazon, two of the biggest e-commerce players in India to be able to boost businesses of the registered women entrepreneurs.[66]

INDONESIA: ASIA FOUNDATION

The Asia foundation works with women groups in Indonesia to sensitize them on the need to register their businesses in own name and increases their financial access knowledge.

The foundation has organized mass licensing events across 18 districts, with 2,200 women registering their businesses. In collaboration with the Center for Development of Women's Resources (PPSW) (an NGO that works for women's empowerment), Asia Foundation provided valuable skills to members of local women's groups on business development, book-keeping, and revolving fund mechanisms. Further, the foundation and its partners have worked with more than 2000 local government and civil society representatives on gender budgeting and inclusiveness.[67]

[63]Grassroots Rwanda, 2018 Impact Report
[64]Volunteer Kenya website, Microenterprise Development Program
[65]'Financial Inclusion for Woman-Owned Micro, Small & Medium Enterprises (MSMEs) in India', IFC, 2017
[66]'IndiaHub- about Mahila e-haat' and 'The Indian women's e-commerce website Mahila-e-Haat is looking for associations', Saying Truth
[67]'Gender in Indonesia', The Asia Foundation, 2012

d) Other Stakeholders

Several other organisations, such as academic institutions and multilateral and bilateral organizations, have also come forward with training programs for women-owned sustenance enterprises.

INDONESIA: COMMUNITY EMPOWERMENT FOR RURAL DEVELOPMENT

Gender Action Plan of the Community Empowerment for Rural Development (CERD) in Indonesia promotes women's strategic gender interests by improving their skills in non-traditional areas such as business development, finance and accounting.

It has impacted the lives of more than 116,000 rural women by improving their access to credit through development of community-based organizations (over 65% of the borrowers are women) and doubling their household incomes.[68]

INDIA: NATIONAL MISSION FOR EMPOWERMENT OF WOMEN (NMEW)

READ India partnered with the Ministry of Women and Child Development to launch the National Mission for Empowerment of Women. The program offers vocational trainings such as stitching, sewing, computer training, beautician trainings etc., along with gender rights and literacy workshops.

RWANDA: JOINT UN PROGRAM

In Rwanda, the Joint UN Program trains rural women to build sustainable livelihoods in climate smart agriculture and post-harvest handling techniques, cooperative management, using voluntary savings and loan schemes, as well as entrepreneurship skills.

KENYA: WOMEN'S TECHNICAL EDUCATION

Keriri Women's University of Science and Technology, Kenya provides technical education to women in micro and small businesses, along with the business essentials required to scale sustenance enterprises.

[68]'Indonesia: Empowering Rural Women Through Community Development – 2010', ADB

04

WOMEN-OWNED STEADY STATE ENTERPRISES

04

WOMEN-OWNED STEADY STATE ENTERPRISES

Steady state enterprises covered in the study, are mostly formally registered businesses engaged in semi-automated or automated production, serving incremental domestic or international markets. They offer value-added or differentiated products/ services to be able to capture larger markets. Most of the businesses in this segment have been in operation for more than four years, serve both domestic and global markets, and operate across traditional as well as non-traditional sectors such as water & sanitation, renewable energy, tourism, healthcare and consumer services. Their product/ service offerings are differentiated, with a much better potential to scale than sustenance enterprises.

The enterprises in this segment have characteristics similar to small and medium enterprises (SMEs), contributing substantially to employment generation, and fostering productivity and value-added growth in their respective geographies. However, women-owned SMEs face a host of challenges that result in limiting access to finance, including limited financial autonomy, negative societal attitudes, low literacy levels, mobility constraints hindering physical access to financial institutions as well as household responsibilities.[69] Research shows that women-owned SMEs contribute about 9% of the country's GDP in Indonesia[70], 17% in India[71], 30% in Rwanda[72] and 20% in Kenya[73]. Enhancing access to financial as well as non-financial support such as capacity building interventions, supportive policies/ regulations and innovative financing, along with improvement in social structures leading to enhanced agency and financial control for women can promote women SMEs in developing countries and lead to wealth creation and poverty reduction.

Based on the study, women entrepreneurs in the "steady state segment" can be categorized into the following sub-segments, depending on the nature of businesses they run.

1. **The Early Starter**

   These are women who recognized an explicit or latent market demand for a specific product/ service and were able to design an offering around it. This early mover advantage led them to quickly tap their target markets, and resulted in a loyal customer base over time. The typical sectors that most of the early starters have been operating in include organic food and skincare products, eco-friendly construction material, sustainable clothing, low-cost water filters, among others. Most of the early starters interviewed, initiated the business unassisted, to test the market, before hiring support staff to expand operations.

2. **The Experienced Entrepreneur**

   Experienced entrepreneurs are women who have transitioned from corporate jobs into self-owned businesses, in order to pursue their passion while also dedicating time towards domestic responsibilities. Almost a third of these entrepreneurs started their business in partnership with their spouses or fathers. Most of these entrepreneurs apply the domain knowledge and expertise gathered in their previous corporate roles to their existing ventures. In our sample, this sub-segment includes women entrepreneurs offering IT security solutions, brand communication strategies for corporates, marketplaces for artisan-made products, specialized food products, entrepreneurship support services, among others.

[69] 'Strengthening Access to Finance for Women-Owned SMEs in Developing Countries', IFC, Oct 2011
[70] 'Women-owned SMEs in Indonesia: A Golden Opportunity for Local Financial Institutions', IFC, March 2016
[71] 'Women in India's Economic Growth', March 2018, World Bank Group
[72] 'Voices of women entrepreneurs in Rwanda', CARE International
[73] 'Voice of women entrepreneurs in Kenya', IFC

4.1. Enterprise Profile

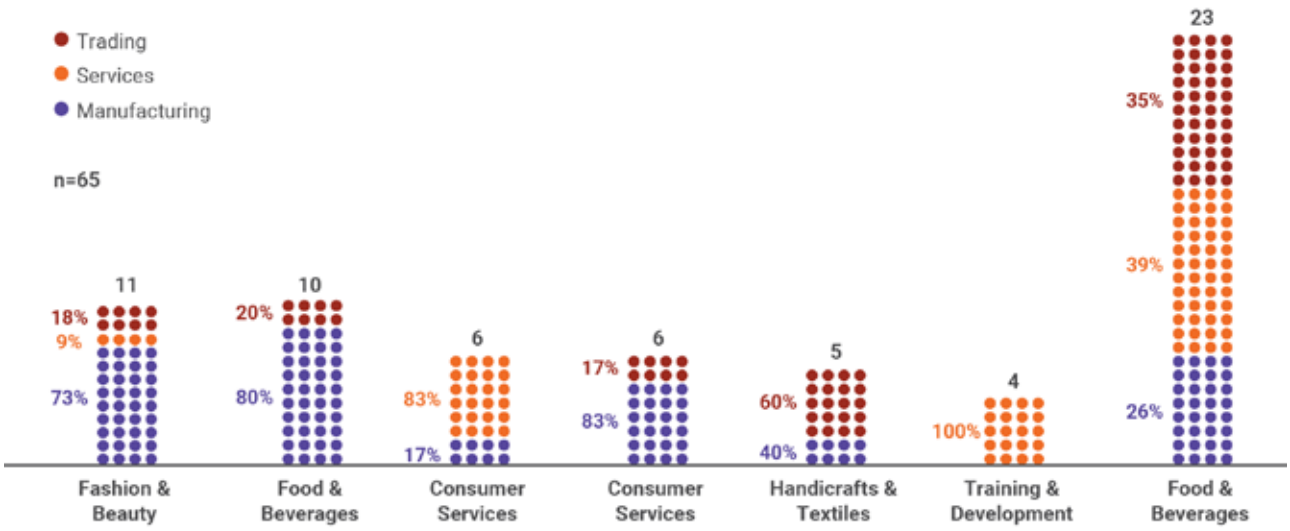
Sector Focus

About half of the steady state enterprises covered in the study operate in sectors such as fashion & beauty, food & beverages, and consumer goods and services, with more than 50% of them engaged in manufacturing. Most of these enterprises command a large customer base catering to both regional and national markets, with 44% also exporting to global markets. Their offerings are more differentiated in comparison to sustenance enterprises working in these sectors. For instance, most steady state fashion & beauty enterprises in India manufacture either skincare products or women's accessories, while in Kenya and Rwanda they mostly trade in fast fashion. In comparison, sustenance enterprises in this sector mostly tailor garments at a small scale or trade in cosmetics locally. In the food & beverage sector, steady state enterprises across the four countries are primarily involved in manufacturing value added food items and other food ingredients commonly used by commercial kitchens (such as dehydrated vegetables, frozen or ready-to-eat food, etc.) selling through retail stores, online retailers and self-owned food service kiosks. In contrast, sustenance enterprises interviewed in this sector are involved in selling home-cooked food and snacks (such as breads, spices, fried snacks, etc.) in their neighbourhood or local grocery stores.

Further, 23% of the steady state enterprises work in sectors such as industrial products, construction and IT services. These enterprises offer products including, but not limited to, water filters, sanitary towels, adult diapers and incinerators, earthen flooring, etc.

About 15% of the steady state enterprises provide specialized services such as designing external as well as internal communication strategies for corporate brand building, business trainings, employment services, and travel bookings, among others. For example, a Kenya-based steady state enterprise works with start-ups to provide business support services along with flexible workspaces.

Figure 21: Type of business activity undertaken by steady state enterprises by sector of operations



Note: Other sectors include agriculture, construction, education, energy, healthcare, industrial products, technology, tourism, water & sanitation.

Scale and Profitability

More than 70% of the steady state enterprises report annual revenues of over USD 50,000; with 58% of them realizing profit margins of 15% or more. Key revenue drivers for this segment include: a) high domestic and export volumes driven by a substantial customer base, automated processes and strategic alliances enabling market expansion; and/or b) differentiated and high-value product offerings. 44% of the steady state enterprises interviewed in the survey cater to international

markets in comparison to sustenance enterprises, only 12% of which are able to access global markets mostly through word of mouth or online channels. This is largely because steady state enterprises have greater exposure to relevant networks such as industry associations and stakeholder conferences, training events, workshops and mentorship programs, compared to sustenance enterprises.

85% of the steady state enterprises surveyed offer differentiated products and services, some of them servicing fairly niche customer segments; such as an enterprise selling unique herbal tea blends in India or another making alternative building materials in Kenya.

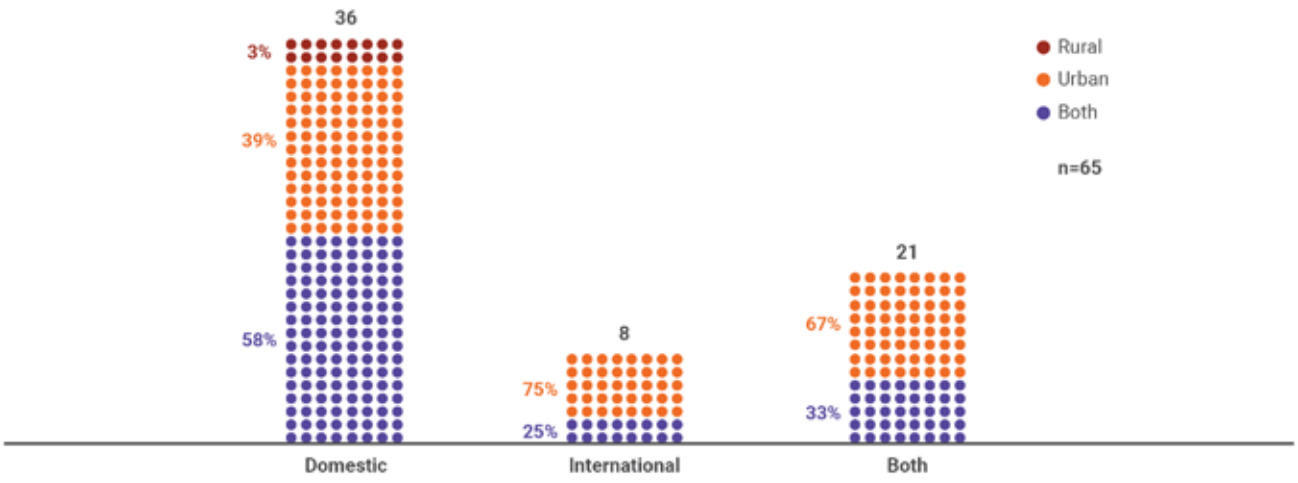
While majority of these enterprises report profit margins over 15%, few may inadvertently over report their profits by excluding certain costs. For instance, an enterprise selling dried and preserved fruits in Kenya excludes business development costs from its profit calculation. An Indonesian aggregator of handicraft-making rural women, which provides livelihoods for the artisans and weavers, spends largely on raw material procurement, weaver trainings, marketing costs and wages but does not account for any infrastructure or compliance costs while calculating profits.

Markets Served

Most steady state enterprises operate in both urban and rural areas, with more than 56% focusing primarily on urban customers. For instance, a handicraft product aggregator in Indonesia employs rural women for production, but sells handicrafts to urban customers who are not as price sensitive as their rural counterparts. The product segments covered by steady state enterprises such as industrial products, consumer services, processed food & beverages and fast fashion resonate more with urban customers owing to specific lifestyle needs, locational advantages, higher purchasing power, greater awareness levels, and exposure to multiple purchase influencers, as compared to rural consumers.[74] For instance, a snack food manufacturer in India makes frozen snacks which are sold only in the cities because there is no demand for these products in rural India. Similarly, a Kenyan IT solutions enterprise provides IT security solutions which are relevant for large companies that are mostly located in urban areas.

> We export organic and fair trade certified coconut sugar from Indonesian farmers, to international markets where demand and affordability for such specialized products is higher.
>
> - Coconut sugar exporter, Indonesia

Figure 22: Markets and target customer segments served by steady state enterprises



[74]'RURAL MARKETING "Rural Marketing is Real Marketing"

Employment Trends

40% of the steady state enterprises employ fewer than 10 employees, while 30% hire more than 40 full-time employees. These enterprises have a high potential to employ, skill and empower women with over 70% comprising more than 50% women in their workforce. Like sustenance enterprises, organizations in the fashion & beauty and food & beverage sectors in the steady state segment, employ the highest number of women, with women employees representing over 40% of their total workforce on an average. Enterprises offering consumer services in this segment also attract over 40% women in their workforce. However, a few enterprises stated their preference for male staff in case of field roles and travel to remote locations. For example, a waste management business in Indonesia employs less than 20% female staff as the business operates in remote rural geographies which are perceived to be unsafe for women. There are some exceptions though; for instance, enterprises such as a clean cook stove manufacturer in Rwanda has fewer than 10 full-time employees, more than 60% of which are women, across roles including sales, technical experts, trainers and support staff.

Business Process Innovation

Over 50% of the steady state enterprises interviewed deploy automated or semi-automated productions processes. Business process automation by these enterprises has enabled them to achieve scale and improve market outreach, reduce cost, improve efficiency, and streamline operational processes. For instance, a frozen snacks manufacturer in India started her business with a small kitchen based in a garage, and later shifted to a bigger facility with semi-automatic machinery, to service growing demand from stores and corporate offices across the state. Similarly, a dried fruit manufacturer in Kenya purchased machinery to process fresh produce into the final product in order to scale operations.

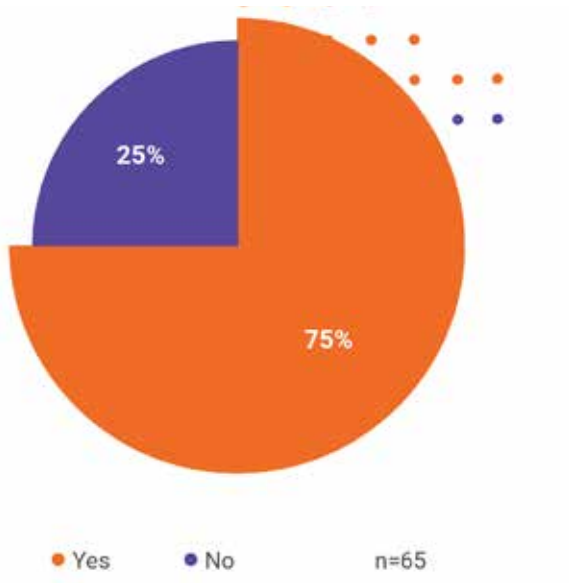
Intent to Raise Capital

35% of the steady state enterprises have reportedly never raised capital, and close to 25% indicated that they are not looking to raise capital in the near future. Around two-thirds of the steady state enterprises interviewed highlighted using their personal savings or borrowing from friends/ family to start business operations.

The key reasons for not accessing finance are high cost of capital, unconscious gender bias from loan managers/ investment committees, lack of awareness about financial products in the market, and perceived rejection given the lack of collateral.

However, as compared to other enterprise segments, steady state enterprises are more successful in attracting low risk debt capital from credible FIs, owing to their scale, operational stability, years of operation and experience, and exposure to global markets. While many sustenance enterprises were able to raise debt, most of them raised it from informal sources,

Figure 23: Intent to raise finance: Are steady state enterprises looking to raise finance?



in comparison to steady state enterprises that raised it from established public/ private banks and NBFCs. In contrast, only 14% of the high growth enterprises interviewed, were able to attract debt, and largely relied on equity capital to expand their operations. More than 76% of the steady state enterprises were in operation for 3 years or more making it easier to access formal debt[75], as compared to sustenance and high growth enterprises, more than half of which had a vintage of less than 3 years.

[74]'RURAL MARKETING "Rural Marketing is Real Marketing"

4.2. Customer Engagement & Distribution Models

Direct Distribution

Direct distribution is the primary mode of reaching consumer markets for almost half of the steady state enterprises. Most of these entrepreneurs are self-employed and deliver products through small retail outlets or offer services directly to end consumers. For instance, a Kenya-based enterprise selling Moringa Oliefera based tea, a niche product, stated that direct selling gives them much needed face time with potential customers to better communicate the value proposition of their unique offering. A fish cake producer in Indonesia sells directly to customers to prevent spoilage of its highly perishable commodity. Direct selling also gives entrepreneurs greater control over their operations compared to a tiered/ indirect approach that may require them to negotiate unfavourable terms with their channel partners. While direct sales might be useful for high involvement and high cost products such as vertical gardens, customized shoes and clean cook stoves, they often exacerbate operational inefficiencies and increase distribution costs in case of low value products.

Indirect Distribution

The indirect distribution/aggregator model is primarily used by enterprises manufacturing value-added products in large quantities and serving wider markets. Almost two-thirds of the steady state enterprises are primarily serving domestic markets through this model, while 25% access both domestic as well as international markets. For instance, a social enterprise in India works with women artisans to produce traditional handicrafts and sells them to urban customers through craft stores and other specialized retailers. Indirect distribution allows women enterprises to access larger markets and scale faster compared to direct distribution models. Some steady state enterprises also leverage the expertise of local women or volunteers to distribute or market products at the last mile. A clean cook stove enterprise in Kenya manufactures and sells clean cook stoves for rural consumers, and leverages the expertise of local women as sales agents to reach customers in remote rural locations.

Online Channels

Only 15% of the steady state enterprises utilize online channels for product distribution. Various factors could preclude the involvement of these enterprises in e-commerce such as high shipping costs stemming from smaller product volumes especially in case of enterprises serving niche segments; high cost of international e-payment solutions; difficulty in providing after sales services; and a general lack of awareness of the potential benefits of e-commerce due to limited exposure to the e-commerce ecosystem and related technological and administrative requirements to build an online presence. According to the study, the few enterprises leveraging online channels, typically offer differentiated products (such as organic skincare products, hand-woven textiles, and niche consumer services) and use either third-party e-commerce websites like Amazon or their own websites and social media pages to sell their products, serving both local and international customers.

B2B Sales

Almost 40% of the steady state enterprises engage in B2B sales. Steady state enterprises using the B2B channel are either export-oriented businesses, manufacturers of commercial products or service providers. Around 36% of the steady state enterprises are manufacturing commercial products such as corporate gifting items for large businesses, specialized food ingredients such as vanilla essence for bakeries and restaurants, and alternate building materials for construction companies. One-third of the steady state enterprises are service-oriented businesses including branding & marketing, software solutions, security services, etc. However, approximately 35% of the enterprises using the B2B channel are also exploring other distribution channels, mostly direct or online distribution.

Many steady state enterprises access business opportunities through dedicated business development staff, leads generated from social media channels, and/or participation in exhibitions/ conferences. In comparison, sustenance enterprises rely more on informal channels such as word-of-

[75]Why banks care for Vintage of Business for Loans?', Shrinivasa Bhat, FundsTiger, Sep 2016
[76]'Direct vs. indirect distribution channels', Wells Fargo Works for small businesses, July 2017
[77]Bringing SMEs to the E-commerce highway, International Trade Centre, 2016
[78]'Impact of e-Commerce on SMEs in India', KPMG, Snapdeal, 2015

mouth marketing. However, despite better access to business opportunities than sustenance enterprises, almost 48% of the steady state enterprises surveyed revealed that they would benefit from more relevant market linkages. 20% also highlighted requirement of support on technology deployment to improve scale and to reach customers in a more cost effective manner.

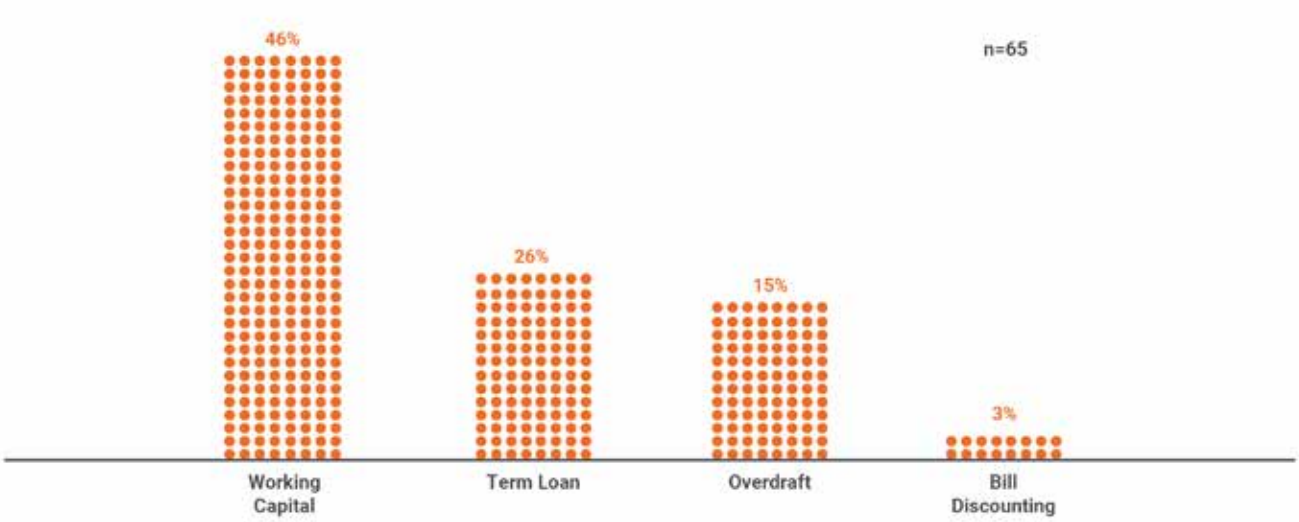
> Facebook communities, such as regional women's groups or pages for specific product categories, have been instrumental in scaling local businesses by giving them access to a global customer base at very low costs. These communities also create awareness on current customer needs and demand scenarios, thus driving more relevant product development by steady state enterprises.

4.3. Need for Finance

Working capital is the most sought after capital need of steady state enterprises, similar to sustenance enterprises. Almost 50% of these enterprises highlighted that they require working capital for a host of activities including marketing and business development, raw material procurement, packaging, transportation and employee recruitment. For instance, a Rwanda-based seller of horticulture products requires working capital to source produce from farmers and fulfil general and administrative expenses like staff payroll, packaging, and transportation/ shipment cost. Similarly, a security services enterprise in Indonesia needs working capital to be able to pay salaries of security personnel as well as their transportation costs, with no capital expenditure requirement.

While working capital finance is sought by enterprises across all sectors in this segment, demand for term loans and overdraft facilities is more pronounced in fashion & beauty, food & beverage and agriculture manufacturing enterprises. Very few businesses in the study opted for equity-based investments for portfolio expansion and/or investment in product and business development in the long run. A few women with asset heavy steady state enterprises, such as a luxury villa operator or a co-working space in Indonesia stated the need for term loans.

Figure 24: Current financing needs of women steady state enterprises



4.4. Barriers to Accessing Finance

Steady state enterprises had better access to debt or equity funding compared to sustenance enterprises, given more stable business and revenue models. About 56% of the women interviewed in the steady state segment had either used personal savings or borrowed money from friends and family to run business operations. However, 38% of the steady state enterprises had secured either debt or equity funding.

Women-owned steady state enterprises had better access to commercial capital as compared to the

other enterprise segments owing to stable business operations, conventional business models, and ticket sizes that matched the financier's targets. For instance, steady state enterprises such as an importer of horticultural products in Rwanda, a water filter distributor in Indonesia and dehydrated vegetable manufacturer in India have been able to successfully secure debt funding for their businesses. On the other hand, only 12% of the steady state enterprises interviewed in Indonesia, Kenya and India had raised equity funding to scale operations. It is noted that typically enterprises that offer conventional products, operate in traditional sectors such as fashion & beauty or food beverage opt for debt financing. Trading businesses also prefer debt capital. On the other hand, steady state enterprises operating in non-traditional sectors with differentiated products/ services, such as those with tech-based businesses, and social enterprises offering products and services like a marketplace for buyers and sellers, environment friendly construction panels, waste management solutions, low cost water filter for rural populations etc., showed a clear preference for equity capital. There are only a handful of steady state enterprises which have not applied for external financing due to various personal and business reasons.

> The value of collateral asked for by banks is very high. It is often difficult for women to access such bank loans as they have to depend on husband's consent, especially when it comes to matrimonial property.
>
> - Tea manufacturer in Kenya

Figure 25: Type of finance available to/ accessed by women steady state enterprises

1. Supply-Side Challenges

The supply side challenges faced by steady state enterprises in accessing finance are very similar to those encountered by sustenance enterprises; however they vary in magnitude depending upon the scale and nature of the businesses, and might stem from reasons that are unique to this segment, as elaborated below.

- **Low risk appetite of FIs:** 49% of the steady state enterprises, who had applied for a loan, were denied a loan in this segment. The two most prominent reasons cited for this were: 1) the lack of collateral, as reported by 31% of the steady state enterprises, and; 2) exclusion of specific sectors by banks in their lending operations. The latter is a reason unique to steady state enterprises, many of which represent unconventional sectors that cannot be adequately benchmarked against sectors traditionally serviced by FIs. These included enterprises involved in online corporate gifting of precious metals, an organization converting plastic and inorganic waste into jewelry, a manufacturer of blended teas, among others. A few entrepreneurs also felt that the banks they approached displayed low confidence in their repayment ability and required a co-guarantor to approve loans. In Indonesia, for example, at least 10% of the women-owned steady state enterprises pointed out that the banks required them to provide a second guarantee for loans from a male family member or business partner.

  Due to the high risk perception associated with women-owned steady state enterprises, the segment is faced with a high cost of capital, just like sustenance enterprises. A few steady state enterprises in Kenya for instance, reported securing loans at interest rates as high as 20% with the value of collateral fixed at 6 times the loan amount. Some also reported interest rates ranging from 20% to 40% per month, charged by shylocks.[79]

> Banks offer interest rates of around 18%, while shylocks charge interest rates of 20%-40% per month.
>
> - Kenyan construction panel manufacturer

[79]In Kenya, informal money lenders or loan sharks are referred to as Shylocks.

- **Traditional credit assessment frameworks for evaluating:** 50% of the steady state enterprises, who applied for loans, did not qualify for a loan through the conventional credit assessment approaches. The few that tried to raise equity also reported a lack of contextual parameters for evaluating women-owned enterprises.

- **Low financial product innovation:** Steady state enterprises, like sustenance enterprises, also struggle to raise capital in the absence of financial products that are tailored to their financial needs and that factor in their socio-economic circumstances. Women-owned steady state enterprises are often unable to fulfil the collateral requirements and interest rates offered by commercial lenders. This combined with the lower growth projections of many women-owned steady state enterprises, as compared to male-owned businesses[80], makes most traditional loan products unsuitable for this segment.

> There is a general perception of women enterprises to be lifestyle businesses for subsistence use, due to which most programs for women target that segment. Also male loan officers do not take women business owners seriously.
> - Fresh fruit trader in Kenya

- **Lack of focused business advisory support and mentorship:** Steady state enterprises require more sector-specific business advisory trainings to better understand customer needs, design more relevant products/ services, leverage technology to scale and streamline operations, and adopt appropriate marketing and distribution channels to reach end consumers more efficiently. Strategic mentorship from sector experts on business model refinement and operational efficiency is also deemed critical by most steady state enterprises. Even though several government initiatives as well as private programs have been providing training opportunities for women entrepreneurs across Asia and Africa, most of them cater to generic training needs such as basic financial literacy or elementary business skills, which are more relevant for sustenance enterprises. Targeted business advisory services can aid in the expansion and profitability of steady state enterprises, enabling them to access capital at more affordable rates.

> I recently attended a financial management training where I discovered the value of consistent sales performance to attract finance in the long run. We are therefore focusing on getting technical assistance necessary for sales growth.
> - Off-grid energy solutions provider, Indonesia

Most financial and non-financial interventions for steady state enterprises to boost financial access are similar to those suggested for sustenance enterprises, as they grapple with a common set of challenges. Most steady state enterprises, like sustenance enterprises, are looking for working capital finance, which can be extended to them in the form of purchase order financing and reverse factoring which are especially relevant for enterprises that are a part of the value chain of larger businesses. Products like merchant cash advance, receivables/ invoice financing and revolving credit facilities could be particularly relevant for women traders. These organizations can also benefit from other alternative instruments such as women-entrepreneur focused bonds, reward-based crowdfunding as well as debt-based crowdfunding or peer to peer lending.

There is also a need to explore alternatives to traditional collaterals such as movable assets, purchase contract agreements etc. as well as collateral-free loans for smaller ticket size loans. Credit assessments based on unconventional variables like mobile data, social media usage data, utility, phone and/or credit card bills, psychometric factors etc. can also be considered for this segment.

Any capacity building support for steady state enterprises must include sector-specific trainings, sustained mentoring, and business advisory services

[80] 'Female Entrepreneurship in Developing Countries', Maria Minniti and Wim Naudé, UNU-WIDER

to boost their business profile and to provide regular exposure to investor networks. Additionally, gender sensitivity trainings for banks and investors, and maintenance of gender disaggregated data by FIs, are also important indirect measures to facilitate the flow of capital towards women entrepreneurs across segments.

All of the above initiatives are explained in more detail in the Section 6 on Recommendations.

Figure 26: Challenges that limit capital flow to women-owned steady state enterprises

2. Demand-Side Challenges

- **Inadequate collateral:** More than 30% of the steady state enterprises surveyed were denied loans due to the absence of collateral. This was further amplified by the inability of many women entrepreneurs to present comprehensive business growth plans coupled with limited experience in raising finance.

- **Lack of awareness about the financial options available in the market:** Approximately 50% of the steady state enterprises interviewed were not aware of any government financing schemes or credit facilities available in the market. Among those, who were aware of government schemes, most reported complex bureaucratic processes and high turn around time as deterrants for availing such schemes.

- **Limited awareness about different channels for networking support and mentorship:** More than half of the steady state enterprises interviewed

> Banks keep asking me for heavy collateral such as car and title deeds which I do not have. If I did, I would have preferred to sell those assets to raise money for the business, instead of pursuing loans.
>
> - Female entrepreneur running manufacturing business in Kenya

had either not received or accessed any non-financial support services. The remaining however reported benefitting from various non-financial services such as access to market linkages, technical assistance, one on one mentoring, networking with investors and relevant trainings through channels including: incubators and accelerators such as Nailab and Ongoza in Kenya, Kinara-Patamar in Indonesia and global accelerators like Google Launchpad and Santa Clara University's Global Benefit Social Institute's (GBSI) accelerator; business consulting firms like Inkomoko in Rwanda; philanthropic foundations like Cherie Blair Foundation and Tony Elumelu in Africa; social innovators like DOT in Rwanda; and networking platforms like WEConnect International, along with various government led competitions and challenges for women entrepreneurs. These channels can be popularized among a large proportion of steady state women enterprises, which lack awareness about them and are looking for non-financial support, to further their ability to access finance.

- **Social barriers due to patriarchal structure:** Patriarchal societies in many developing countries restrict women's ownership of assets, including property, limiting their ability to offer collateral at the time of borrowing. In many cases, women are asked to present a male member of the family as a guarantor for their loan. For instance, the female owner of a coconut processing enterprise in Indonesia was asked to present a male family member as second guarantor to the loan, in addition to the existing guarantor. In many cases, lack of family support also discourages women entrepreneurs from continuing their businesses. An Indian woman entrepreneur, who runs an online marketplace selling leather goods sourced from artisans, highlighted that even though her parents supported her brother to start a business, they were uncomfortable with the idea of a girl doing the same.

> "Banks often require female entrepreneurs to produce a second guarantor for the loan from a male family member such as husband or father.
>
> - Coconut sugar manufacturer in Indonesia

An understanding of the demand-side bottlenecks with regards to credit access, finds that there is a greater need to engage men in women entrepreneurship development (WED) activities, at the household and community level, across all segments. Male family members can be instrumental in empowering women entrepreneurs in their families and communities, by facilitating access to capital, information, and their own networks, which women often lack. The International Labour Organization (ILO) recommends various tools to engage men in WED activities including:

i) Inviting male members to business related trainings targeting women, to understand the benefit of the woman's economic activity for the household and ways in which she can be better supported;

ii) Capacity building of male members to adopt "positive masculinities" by way of workshops, trainings, focus group discussions, etc. covering a range of topics such as gender attitudes, sharing of household chores and caretaking responsibilities, gender-based violence, relationships and sexual health etc.; and

iii) Identifying and recognizing male gender champions such as key opinion leaders or male-targeted NGOs, at a community level, to advocate for WED interventions.[81]

Steady state enterprises can also greatly benefit from improved awareness on government financing schemes, and various channels, both domestic and global, that offer non-financial support services. These schemes and channels can be promoted and made more accessible through better market outreach by the foundations, accelerators, consulting firms and government entities, offering non-financial services. Awareness creation can also be driven by financial institutions that interact with this segment, and industry associations and networking platforms where steady state enterprises congregate in large numbers.

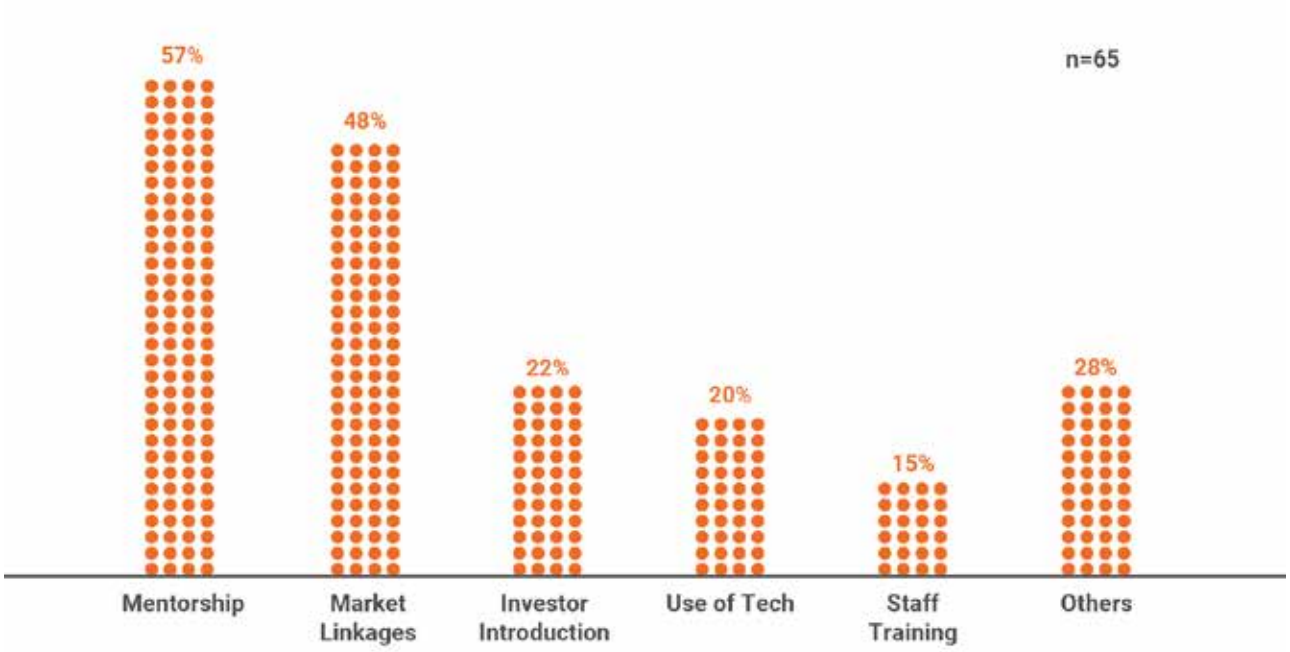
[81] 'Engaging men in women's economic empowerment and entrepreneurship development interventions: An ILO-WED issue brief', ILO

4.5. Existing Ecosystem Enablers and Initiatives

Financial institutions, governments, development organizations and civil society organizations have introduced various initiatives to address the financial and non-financial needs of women SMEs, many of which are represented by the steady state segment in the study. While these enabling conditions have benefitted many women entrepreneurs, there remains a conspicuous gap in the outreach of these programs as indicated by the study. Over 50% of the steady state enterprises in the study are unable to secure working capital finance, and lack access to non-financial services. 57% of these enterprises pointed out the need for strategic business mentorship and 48% continue to scout for improved market linkages. For example, a spice manufacturer in Kenya needed advisory andmentorship to scale her operations and explore new customer segments. A corporate gifting enterprise in India highlighted the need for better market linkages. Better networking opportunities with potential lenders/ investors and improved comprehension of emerging technologies are also vital for over 20% of the entrepreneurs in this segment, as highlighted in figure 27 below.

Ecosystem players must therefore take cognizance of the specific needs of women entrepreneurs across different segments, while designing and implementing their programs.

Figure 27: Business support areas critical for steady state enterprises



Note: Most steady state enterprises quoted the need for multiple support services

Highlighted below are a few initiatives by different stakeholders in the four countries, that have attempted to address some of the needs stated by steady state enterprises and in doing so, have enabled better financial access for them.

a) **Financial Institutions**

Several financial institutions across the four countries have been running funding schemes and programs for women enterprises, but reportedly most are focused on technology-led businesses.

INDIA: BHARTIYA MAHILA BANK

Bhartiya Mahila Bank was established in November 2013. It offers business loans of up to INR 20 crore (USD 2.9million) to women entrepreneurs to help address working capital requirements and business expansion needs. It also provides concessional loans up to INR 1 Crore under the CGTMSE scheme.[82]

In 3 years, the bank had established a network of 103 branches to serve women SMEs, with 7 all-women branches. The total amount of loans disbursed to women till March 2017 stood at INR 192 Crore (~USD 27 million).

In order to expand the bank's reach, Bhartiya Mahila Bank was consolidated with the State Bank of India (SBI) in April 2017 giving it access to SBI's 20,000 branches (with 126 exclusive all-women branches) across the country.[83]

INDONESIA: BII WOMEN ONE

PT Bank International Indonesia (BII), with support from IFC, launched a savings product- "Women One", for women in 2011. It offers favourable lending terms, zero administrative fee, insurance protection, etc. along with access to targeted advisory services for women entrepreneurs.

Women may open the account with an initial balance of IDR 2.5 million (USD180). If they maintain a minimum balance of IDR 1 million monthly, the bank also waives off administrative fee owed by women. The product is also available to women entrepreneurs and SMEs.

So far, the program has been implemented in 286 branches of BII across Indonesia.[84]

[82]Women entrepreneur government schemes, The Better India, June 2019
[83]'Bharatiya Mahila Bank to be merged with SBI from April 1', Economic Times, March 2017
[84]'Developing gender-sensitive value chains: Guidelines for practitioners', FAO, United Nations, 2018

KENYA: GRACE LOAN FROM KENYA COMMERCIAL BANK

The Kenya Commercial Bank (KCB) has a dedicated loan product for women called – Grace loan, launched in 2013. It is meant for women entrepreneurs and women business groups to help them meet their working capital and growth needs. Loans of upto USD 62,000 are available, with a repayment period of 36 months.
Women are also provided opportunity to join KCB Biashara Club through which business trainings are offered.

Since 2013, the bank has lent USD 1.6 million to 350 women entrepreneurs.[85]

KENYA: STANBIC BANK'S DADA

In 2019, Stanbic Bank Kenya launched a product for women called DADA (Dare to Aspire Dare to Achieve). It provides financial and non-financial services for Kenyan women. The bank has set aside KES 20 billion (USD198 million) to lend to women SMEs till 2020.[86]

RWANDA: I&M BANK

In Rwanda, IFC invested USD 10 million in I&M Bank in May-2018, to facilitate capital provision for under-served SMEs, with a special focus on women-owned businesses. The Bank has been building relevant banking products to channelize capital to women entrepreneurs.[87]

This was followed by IFC signing a 2-year, USD 500,000 advisory project with the bank to support SME borrowers.

The bank also offers quarterly financial skills workshops to SMEs for capacity development and business growth.

b) Government Schemes and Programs

INDIA: ORIENT MAHILA VIKAS YOJANA

This scheme was initiated by the Oriental Bank of Commerce for women who hold at least 51% share capital in a proprietary concern. Under the scheme, collateral security is needed for loans between INR 10-25 lakhs (USD14,000-35,000) in case of small-scale industries. The loans can be repaid over a period of 7 years, and borrowers benefit from an interest rate concession of up to 2%.

KENYA: PROCUREMENT PARTNERSHIPS

The Kenyan government has mandated that women and youth get 30% of all government procurement partnerships which supports the growth of women-owned SMEs

INDIA: SUBSIDIES FOR WOMEN-OWNED SMES

In India, different state governments have been providing subsidies for women entrepreneurs such as: Investment promotion subsidy on fixed capital, subsidy for setting up effluent treatment, exemption from entry tax, reimbursement of the cost of preparation of project report, etc.[88]

INDONESIA: REGULATION TO PUSH LENDING TO WOMEN SMES

A 2018 regulation in Indonesia mandates MSME financing to be at least 20% of a bank's lending portfolio, which may act as a push to focus on women-owned SMEs.

[85]'Improving access to finance for women-owned businesses in India', IFC
[86]'Stanbic Bank launches DADA a financial product targeting women', HapaKenya, June 2019
[87]'I&M Bank,IFC ink deal to support small businesses', The New Times, Dec 2018
[88]Stand Up India scheme features, StandUp Mitra website

c) Civil Society Organizations and Other Stakeholders

KENYA: AFDB'S GROWTH ORIENTED WOMEN ENTREPRENEURS (GOWE)

The African Development Bank started the African Women in Business Initiative (AWIB) to provide technical and financial assistance to African women entrepreneurs. As part of this, it created the GOWE Guarantee program for banks in 2007, amounting to USD10 million for Kenya, along with a USD 3 million technical assistance facility to train women entrepreneurs, bankers and service providers.

The program was operational till 2010, and trained around 608 women entrepreneurs in 3 years.[89]

KENYA: YOUNG WOMEN IN ENTERPRISE PROGRAM

TechnoServe started the Young women in enterprise program in 2006, funded by the Nike Foundation, to provide training and support services along with mentoring and financial support to young women in urban slums. It offers employability skills based on the entrepreneurship and employment opportunities in the region. The program also engages microfinance institutions to impart financial literacy trainings.

The program was operational till 2013, wherein 3,852 women received trainings and 692 new businesses were created through the program. [90]

INDIA/ INDONESIA: WECONNECT INTERNATIONAL

WEConnect International provides a platform for corporates, NGOs and women entrepreneurs to network and find opportunities for business partnerships. WEConnect started its program in India around 2010 and identifies, educates, registers and certifies women enterprises, and provides them with access to markets by connecting them with large corporate buyers. The organization also works with corporates to sensitize them on sourcing from women-owned businesses. It also provides current market/ sectoral information to entrepreneurs and helps them respond to tenders and proposals.

Up till 2019, it had more than 750 women businesses registered in India, of which 40 had Women Business Enterprise (WBE) Certification. In Indonesia, there were 150 registered women enterprises, along with 6 active corporate members.[91]

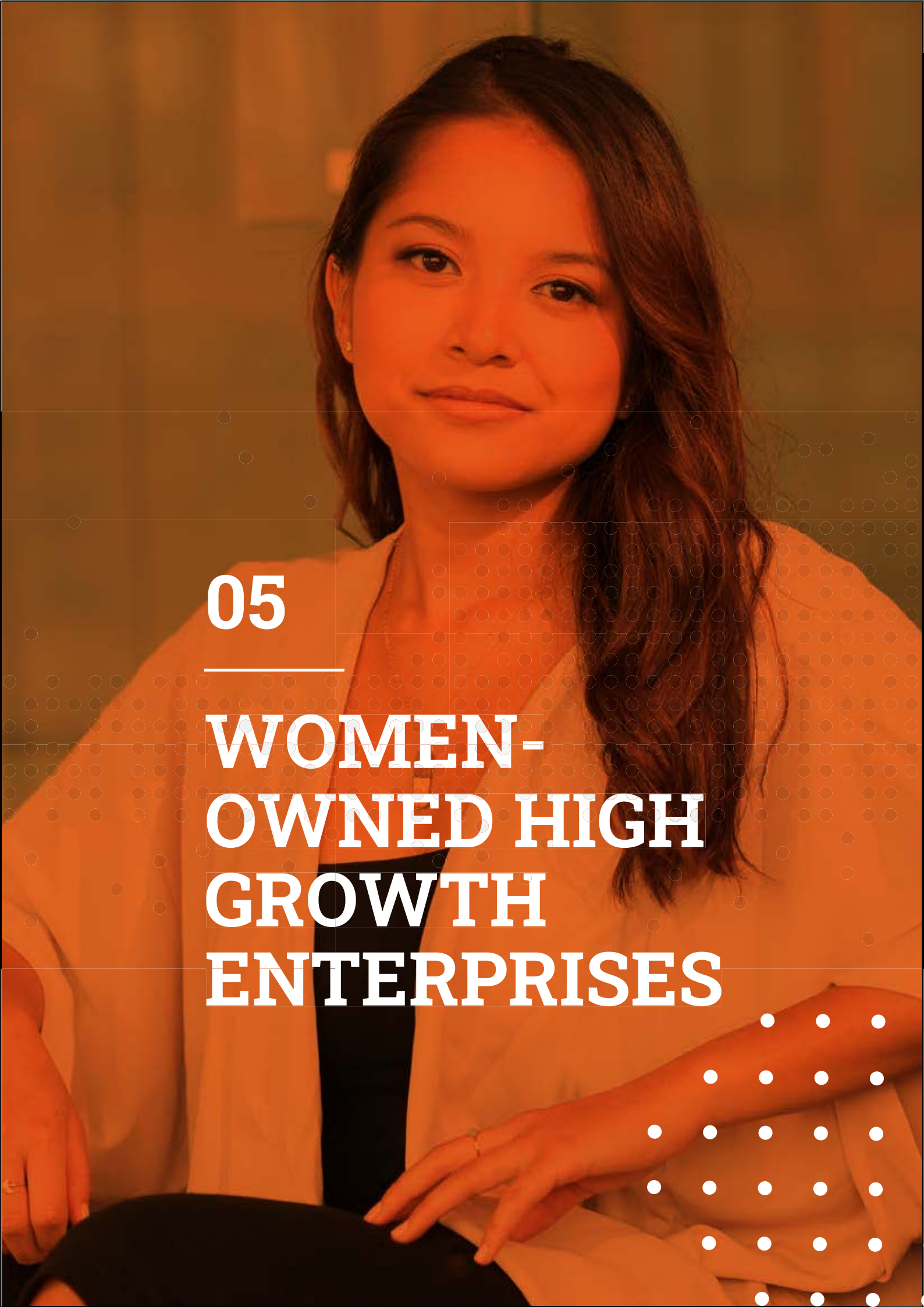
RWANDA: SDGCAFRICA

The SDG Centre for Africa (SDGCA), an organization that works towards the achievement of SDGs in Africa, implemented women entrepreneurship trainings in Rwanda in 2018. It is a comprehensive 4-day training course for 50 women along with case studies from real life women entrepreneurs.

The SDGCA, in partnership with government institutions, identified high potential women entrepreneurs for the training, conducted a baseline survey on their businesses to determine existing business processes and the challenges hindering growth and scale. A post training impact assessment is also envisaged after 2 years of the course.

This was followed by mentorship on business training for 9 months-1 year for the select women to graduate and earn a certificate as mentors, and support 50 additional women through similar trainings.[92]

[89] 'Growth-Oriented Women Entrepreneurs (GOWE)-Kenya Program', Evaluation summary, ILO
[90] 'Enterprising Girls Making a Difference: Young Women in Enterprise', TechnoServe, 2013
[91] Intellecap's interactions with WEConnect International India and Asia Pacific team
[92] 'SDGCAfrica selects Rwanda to implement Women Entrepreneurship and Business Agenda', FundsforNGOs, Nov 2018



05

WOMEN-OWNED HIGH GROWTH ENTERPRISES

05

WOMEN-OWNED HIGH GROWTH ENTERPRISES

The study defines high growth enterprises as early stage, formally registered businesses, with high growth potential. These enterprises typically leverage technology and deploy disruptive business models to capture large addressable markets through innovative products and services. Similar to "start-ups", these for-profit businesses are started with a view to build unique, differentiated solutions that solve critical market gaps affecting a large demographic of people. More than 60% of the high growth enterprises interviewed as part of the study are innovative business models that combine profit with a social motive. High growth enterprises by nature, venture into sectors/ areas that are risky and more challenging than the traditional business spaces.[93]

These enterprises not only provide income generation avenues for the entrepreneurs, but also employ a large number of women. They empower women by providing them a platform to apply their technical skills and many of them offer women the much needed flexibility they need in terms of work locations and working hours. However, women-owned high growth enterprises often struggle to raise capital from traditional investors/ lenders, especially when the operate in emerging sectors that traditional lenders do not serve.[94] Research shows that only 7% of all private equity and venture capital funding goes to women-owned high growth start-ups across emerging markets[95], and even then they are more likely to receive funding in the seed round, rather than the follow-on rounds. Women-entrepreneurs are also constrained by the lack of social capital in the form of social networks. Research suggests that stronger and wider networks are correlated with reduced gender gaps in business sustainability and greater access to different sources of capital.[96]

Developing countries including India, Indonesia, Kenya and Rwanda have several women-owned high growth enterprises with innovative solutions cutting across sectors such as clean cooking solutions, water harvesting technologies, online training community for women riders/ drivers, video-based restaurant menus, online lending and farmer to market linkage platforms, among others.

The study suggests that women entrepreneurs leading high growth enterprises in emerging economies can be divided into either of the following categories:

1. **The Explorer**

   These women entrepreneurs pursue their passions to start a full-time business by identifying a niche market need. Explorers typically seek to provide a highly differentiated product/ service offering that aligns their area of interest with a current market need. They are usually agile and disruptive, and utilize innovative distribution models, technological applications, digital marketing, etc. to improve market outreach and provide targeted services to their customers. As per the survey, the sectors represented by the explorer include agriculture, clean energy and consumer goods markets.

> "The local municipal body had put a complete ban on use of plastic bags. We decided to tap into the opportunity and started making paper bags.
>
> -High growth enterprise from India

[93]'Women-led tech startups on the rise in Africa', Finbarr Toesland, How We Made it in Africa, Feb 2019
[94]'Why Do Banks Say No to Business Startup Loans?', Jean Murray, The Balance Small Business, Sep 2018
[95]'Moving toward gender balance in private equity and venture capital', IFC, RockCreek and Oliver Wyman, 2019
[96]'The Trillion-Dollar Opportunity in Supporting Female Entrepreneurs', Harvard Business Review, Oct 2019

2. **The Innovator**

These are women entrepreneurs who have leveraged technology to design products that can potentially address critical development challenges in developing countries such as water scarcity, women's safety, waste management, sustainable infrastructure, etc. They aspire to create a better socio-economic environment by offering these unique solutions. Across the sectors surveyed as part of the study, the innovator is seen to be typically involved in water, health and sanitation, financial services, energy, and healthcare sectors, among others.

Most of these entrepreneurs are technically qualified, but face challenges in commercializing and scaling their solutions. They could potentially benefit from strategic support across business functions including marketing, distribution, fundraising (including pitch development, investor showcase etc.), talent acquisition and performance management.

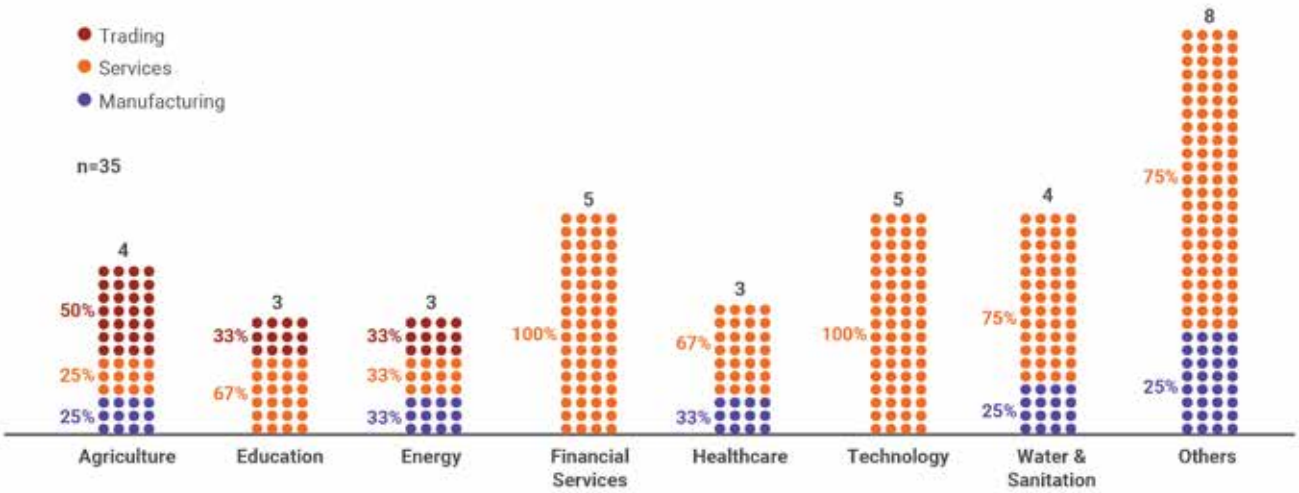
5.1. Enterprise Profile

Sector Focus

Many of the women-owned high growth enterprises surveyed, operate in the financial services, technology, and agricultural sectors, and offer highly differentiated products. As denoted in figure 28 below, about 15% of the high growth enterprises operate in the financial services space, followed by 15% in the technology sector and 11% each in the agriculture and water & sanitation sectors. This is given the increasing demand for digital financial inclusion and the growing government support for the sector, especially in developing markets. Most of the financial services enterprises either directly provide lending or offer services which could help individuals/ small businesses access credit. For instance, a fintech platform in India helps create individual credit profiles from social data for underserved people to enable access to credit. Similarly, an Indonesian platform aimed at closing the gender gap, runs capacity building programs for women entrepreneurs, and funds women-owned startups through angel and seed investment.

Across the four countries, most of the high growth enterprises run service-oriented businesses, while some of the agricultural enterprises engage in trading. According to the study, a large majority of high growth enterprises represent financial services, healthcare, sanitation and education sectors in India; agricultural sector in Kenya and Rwanda; and consumer services and technology sectors in Indonesia.

Figure 28: Type of business activity undertaken by high growth enterprises by sector of operations

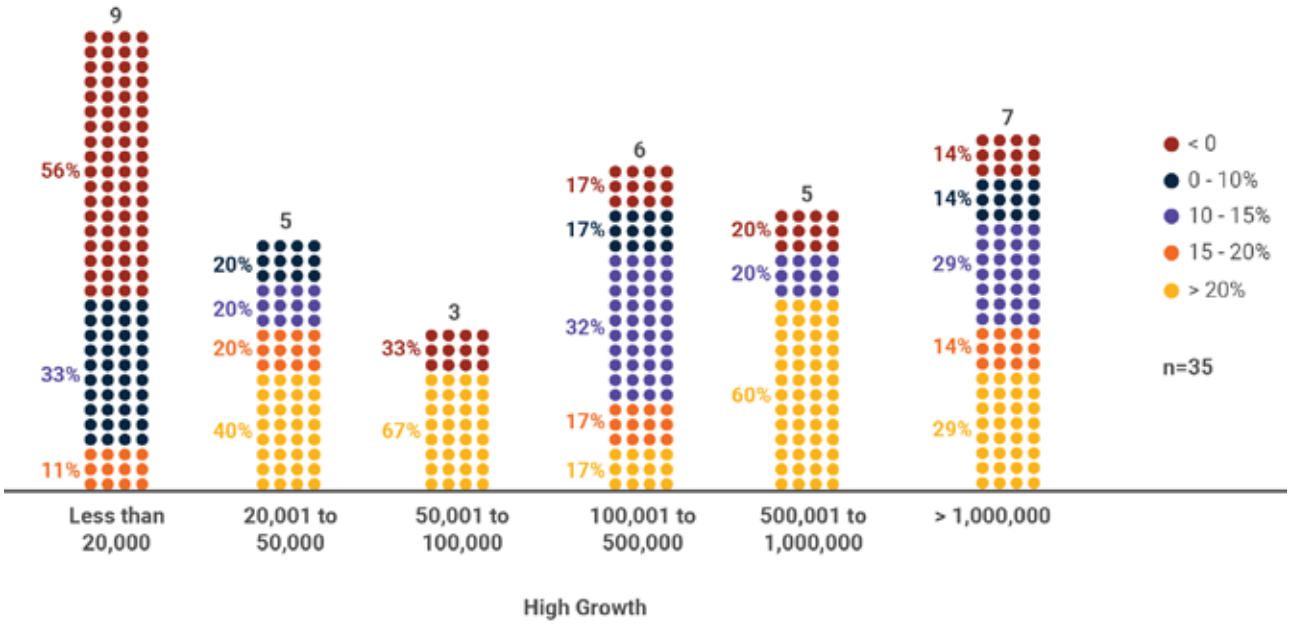


Note: Other sectors include fashion & beauty, food & beverage, industrial products, consumer services, tourism and training & development.

Scale and Profitability

Many high growth enterprises interviewed during the study, are at early stages of business and some are yet to break even. Being in very early stages of business operations, around 26% of these enterprises reported annual revenues below USD20,000 and 23% reported revenues between USD20,000 and USD100,000. About 20% of the enterprises that clocked more than USD 1 million in revenues, have been in business for a longer period of time (~over 2 years). In terms of profitability, 26% of the enterprises had not broken even, 46% had margins up to 20%, and 28% had margins over 20%. Relatively low profit margins in this segment can be attributed to heavy investments in R&D for new product development in the early phases, design and deployment of expensive technology platforms with significant app development and web hosting costs, and high talent acquisition costs. For instance, a financial technology enterprise in India creating credit profiles for the unbanked population, with more than 10 million registered users is still looking to breakeven, due to the high transaction costs associated with its operations, along with technology infrastructure, user profiling and business development costs. A potential solution for managing the high talent cost for these enterprises has been to offer internship opportunities to graduate students from Ivy League and internationally accredited institutions, who bring in the much-needed technical skills in exchange for academic credit points and experience of working in emerging markets.

Figure 29: Profitability for high growth enterprises by revenue segments



High growth enterprises deploy targeted business development and customer acquisition strategies, through dedicated teams and consultants along with social media managers. These enterprises are seen to hire dedicated business development executives to reach out to potential clients, especially when undertaking B2B distribution models. They also devise innovative methods to drive customer engagement often through customized online platforms and communities. Most high growth enterprises interviewed were already deploying targeted marketing practices, and technology to increase recognition of their products and services in the market.

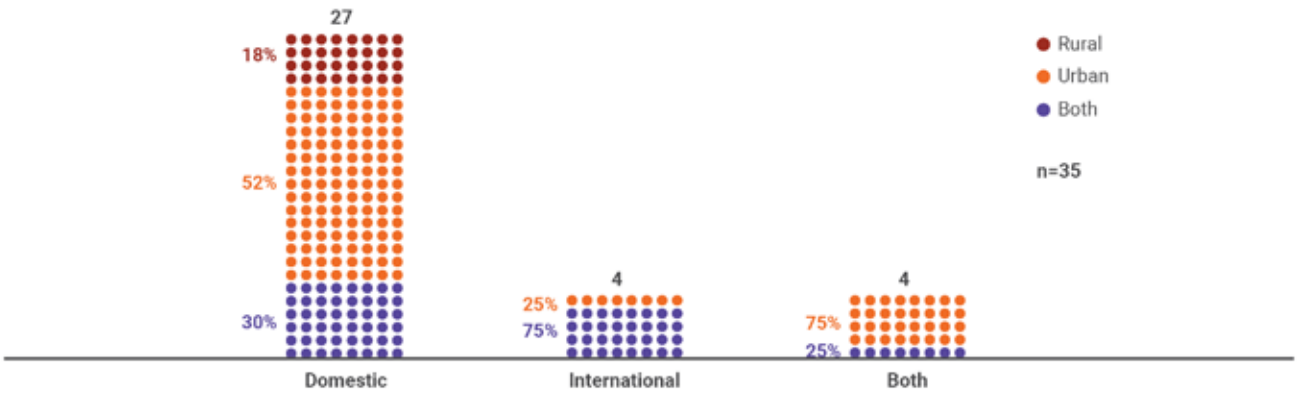
However, since most of these enterprises offer differentiated/ products and services, their customer base is fairly niche and small, which impacts their scale and profitability. This is in contrast to steady state and sustenance enterprises which offer solutions that have an expressed or latent market demand, along with pre-existing markets resulting in faster uptake.

Markets Served

Most of the high growth enterprises serve urban customers in larger domestic and international markets. This is because most of the high growth enterprises deploy online engagement and sales models which provide them access to a global customer base. High growth enterprises serving only domestic markets serve customers across the country, rather than being limited to their local markets. For instance, a manufacturer and service provider for bio toilets in India has facilities across the country in corporate offices, public markets, large scale events/ conferences, as well as in some rural municipalities.

These enterprises are set-up with the intent to scale, typically into urban and international markets where product/ service demand is high. Across the four countries, only a few high growth enterprises serve rural customers since access to their products and services is often dependent on smartphone penetration and internet connectivity and usage patterns, which are higher in urban areas. Products such as online food delivery platforms or online shopping are also more popular with urban customers given their lifestyles, with paucity of time being a major factor driving the uptake of these products. This combined with the limited awareness and understanding of such products/ services, further inhibits demand generation in rural areas. Enterprises such as those providing water treatment solutions in Rwanda, or doing direct lending to farmers in Kenya find an instant uptake in rural areas, but businesses such as an online publishing platform in Indonesia works largely in urban areas given the higher internet penetration and usage.

Figure 30: Markets and target customer segments served by high growth enterprises



Employment Trends

More than 60% of the enterprises in the high growth segment have workforces with over 50% women. These enterprises are small in terms of the number of employees, with over half of them having fewer than 10 employees. Since these are formal businesses, all employees in high growth enterprises are registered, as compared to sustenance enterprises which largely operate with an informal workforce. Apart from the food & beverage and fashion & beauty sectors that traditionally employ more women in the three enterprise segments, high growth enterprises are also seen to employ more women in the consumerservices, energy and healthcare sectors. There are also a significant number of enterprises with more than 40 full-time employees, a result of their business model requiring direct interface with customers and stakeholders on a regular basis. For instance, a technology business in Kenya with an online platform providing agricultural-inputs on credit to farmers requires interactions with farmers at various stages and has more than 30 dedicated employees for this job function. Many of these enterprises also hire consultants on secondment, or hire interns from reputed universities, to reduce their hiring costs, which is a major source of expense for many of them.

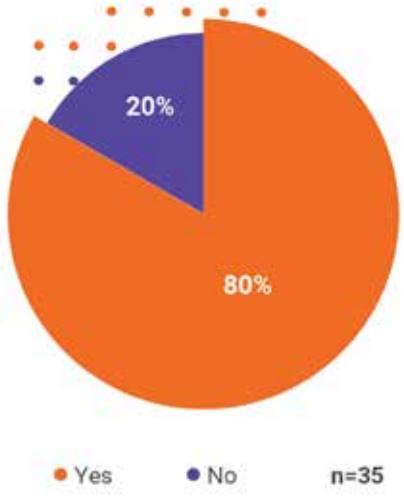
Business Process Innovation

Most high growth enterprises automate their services to scale, often leveraging online platforms. The uniqueness of their solutions and business models often gives them a competitive edge over more established players in similar sectors. In comparison, most sustenance and a few steady state enterprises face high competition from large market players, as their products/services are similar to those existing in the market. For instance, an online book publishing platform in Indonesia has made it easier for new authors to e-publish their books and even share it in print with the interested audience. Similarly, an Indian enterprise helping people learn to speak English through regional languages, has designed an app to reach a larger target audience across a diverse set of markets.

Intent to Raise Capital

Almost 23% of the high growth enterprises interviewed had never raised external capital and about 20% indicated that they are not seeking to raise capital in the near future. Similar to the sustenance and steady state enterprises, many women entrepreneurs in the high growth segment started businesses with their personal savings, highlighting the challenges women face in accessing finance. However, several high growth enterprises also highlighted the need to test their products/solutions, refine their business models and strengthen their financials before approaching investors and lenders for fund raising. Women entrepreneurs, however, expressed that there existed lack of avenues for them to approach equity investors and that they have access to little or no mentorship.

Figure 31: Intent to raise capital by high growth enterprises



5.2. Customer Engagement & Distribution Models

Online Channels

Women-owned high growth enterprises are primarily using online channels to reach target markets. Almost half of the high growth enterprises undertake distribution through online channels. The reason for online distribution being the most prevalent are the continuously rising internet and mobile penetration levels, which have created an online community and customer base for most of these new age, and hi-tech products and services.

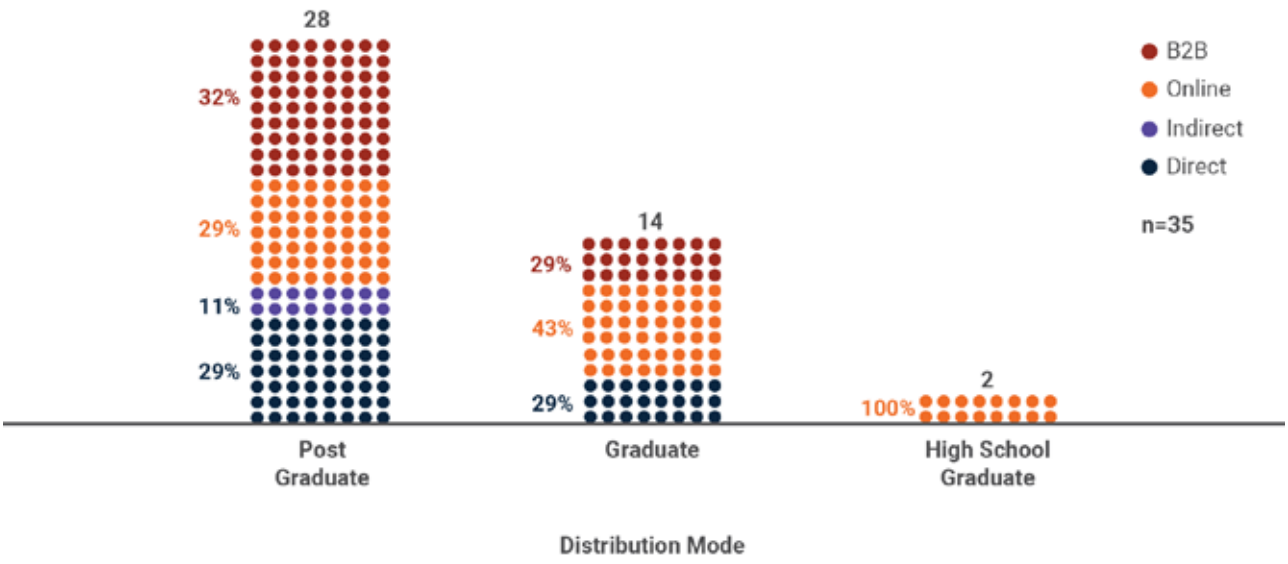
However, as opposed to steady state or sustenance businesses, online channels for high growth enterprises do not comprise online retailers or social media. In fact, for most high growth enterprises development of a specialized, innovative platform to offer their core service or connect customers is the key. For instance, a Kenyan high growth enterprise, which runs an online platform, connects sellers of agricultural implements and tools to farmers and other buyers. Similarly, a mental health service provider in Indonesia provides consultation to people through its website and online app to reach customers across urban, rural and remote areas, while also maintaining client privacy.

B2B Sales

Almost 40% of the high growth enterprises engage in B2B sales. This is because most of these enterprises provide technology-based products which are often expensive for individuals to buy in developing countries. Therefore, high growth enterprises focus on serving business customers who have a higher purchasing power and/or can also order bulk volumes at regular intervals. For instance, an enterprise providing bio toilets in India caters only to government or corporate clients, because it is an expensive facility for residential customers. Some of these enterprises also engage in market aggregation activities, which make other businesses (including those in the sustenance and steady state segments) natural target partners and

customers for them. For example, an online aggregation platform in Rwanda sources fresh fruits and vegetables directly from farmers, a large number being women, and sells it to supermarkets, restaurants, and hotels, rather than individual customers given their larger order quantity which helps in quicker inventory turnover. Such an aggregation platform could help provide livelihood opportunities for women, by sourcing products from small women-owned businesses. Channelizing capital into such businesses will help them scale and support more businesses in their value chain, thus providing them income generation opportunities. These businesses can therefore, serve as potential investment avenues to channel capital into small women-owned businesses, which may otherwise struggle to attract investments from impact and gender lens focused investors, due to their limited scale.

Figure 32: Prevalent modes of distribution for high growth enterprises by entrepreneur's education level



Direct Distribution

Direct distribution is primarily used by high growth enterprises whose products/ services require customer training/ knowledge transfer. Direct distribution of products and services is the third most prevalent mode of distribution for high growth enterprises, used by 35% of these businesses. For instance, a clean cooking solutions enterprise in India, sells clean cook stoves to rural women who need to be trained on product usage and maintenance. As a result, direct selling and interaction proves to be more reliable for the enterprise.

This channel is mostly used by enterprises that have recently started their operations or are fine-tuning their offering before rolling it out to the larger market. An enterprise in Kenya offering a solution that harvests drinking water from atmospheric moisture currently uses the direct channel, to disseminate knowledge about the product and develop a viable market for it.

Indirect Distribution

Indirect distribution is the least preferred channel, adopted by only 8% of the high growth enterprises interviewed. Enterprises based in geographically vast countries such as India and Indonesia often use this distribution channel to expand their customer base. For instance, a neonatal health product enterprise and a solar products provider in India use indirect distribution to be able to reach rural and urban markets across the country.

However, the indirect distribution mode is only minimally used by high growth enterprises in order to have greater control over their value chains to maintain high quality standards. The amount of knowledge transfer required to drive adoption and usage of these products is pretty high in most cases, which often demands direct interaction with customers.

5.3. Need for Finance

Working capital was highlighted as a critical financing need by most high growth enterprises, similar to sustenance and steady state businesses. Almost 32% of the high growth enterprises interviewed quoted working capital as the primary capital need to meet expenses such as recruitment and hiring, business development or for in-house technology infrastructure management. For example, a healthcare and diagnostics company in India has been operating on equity funds, but needs working capital to be able to tie-up with a larger number of distributors and hire business development staff to sell its neonatal healthcare product to hospitals and private practitioners. However, with limited access to capital sources and unavailability of suitable financing instruments, most of these enterprises are forced to rely on personal funds or equity capital (typically meant for long-term business expansion) to fund operating expenses.

More than 50% of the high growth enterprises interviewed, were also looking to raise equity funding given the nature of their businesses. For instance, an Indonesia-based enterprise providing access to support services for women entrepreneurs through an online platform indicated the need for equity funding to retain business service providers and industry mentors for the long term, alongside promoting women entrepreneurship through curated trainings, workshops and seed funding.

> I have not faced gender bias directly, but financiers have an assumption that I am supported by my husband in the business and that is why it has scaled this far.
>
> - Packaging box manufacturer in India

Figure 33: Current financing needs of women high growth enterprises

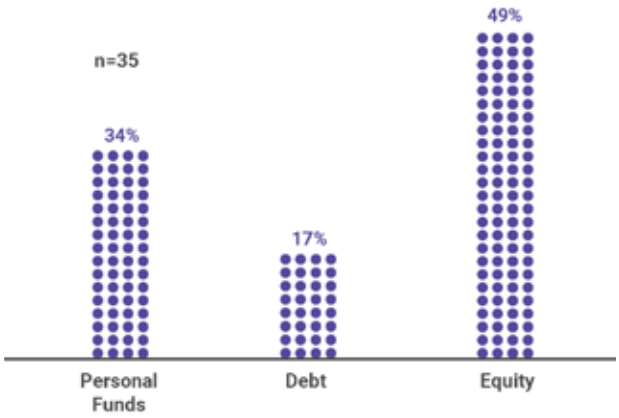
5.4. Barriers to Accessing Finance

High growth enterprises have the maximum exposure and highest probability to raise finance from both impact and commercial investors, across the three segments. 50% of these enterprises were able to raise equity and 30% reported borrowing funds from friends and family to start business operations. Since most high growth enterprises had longer product and market development cycles, equity was considered a more suitable source of financing. Equity eliminates the risk of monthly repayment cycles for businesses that may still be enhancing their offering or identifying target customer segments. Repayment is generally generally put off by investors until the enterprise attains financial viability. Most high growth enterprises that raised equity also reported having networks with the investor community either through support programs they were part of, or through their previous professional experience. A company in Kenya that provides smallholder farmers with quality agricultural inputs on credit, raised equity in order to develop a healthy customer portfolio. As it offers credit to farmers, monthly EMIs to banks would have adversely impacted its cash flows, had it raised debt.

> In order to build credibility with investors, we may need to move away from impact investors and start fundraising from commercial VC's as well.
> - Woman entrepreneur in Kenya

Despite its advantages, a few women entrepreneurs were unwilling to raise equity due to the risk of losing control and compromising on their vision and objectives to meet investor requirements. Additionally, almost 71% of high growth enterprises that applied for debt were denied loans. The reasons for this are explored further in the supply and demand side challenges presented below.

Figure 34: Type of finance available to/ accessed by women high growth enterprises



1. Supply-Side Challenges

- **Limited access to debt capital:** About 49% of the high growth enterprises interviewed required debt, primarily working capital. However, of those who applied for loans, only 29% were able to access debt. The latter represented mostly traditional sectors such as agriculture, food & beverage and fashion & beauty. The inability to attract debt was largely driven by the lack of collateral and the low risk appetite of financial lenders to serve high growth and high risk sectors represented by this segment. The fact that many of these enterprises were not profitable in the early stage of their businesses would have also been a deterrent to credit access.

- **Unconscious gender bias from investment committees and banks:** Based on the survey, around 33% of the high growth women enterprises reported facing gender bias from male investment committees, due to which they have not been able to access external capital for business growth. Many entrepreneurs expressed reluctance in approaching investors and also anticipated rejection, based on their previous interactions with them.

- **Rigorous and expensive due diligence requirements of gender lens investors:** While a significant number of high growth enterprises have interacted with gender lens investors, only one of the enterprises had raised equity from these investors. This was mainly owing to the rigorous due diligence process and data requirements that often necessitate dedicated monitoring and evaluation (M&E) resources and teams which are costly for many of these enterprises.

> My company provides free sanitary towels and knowledge sessions on Sexual and Reproductive Health rights (SRHR), but that has never been evaluated by gender lens investors. Most of them only focus on the number of women being employed.
> - Agri produce trader in Rwanda

Supply side challenges demonstrate the need for alternative debt instruments for enterprises that do not wish to raise equity fearing dilution of control, need bridge financing and/or are struggling to raise debt. Instruments like convertible notes, venture debt and peer to peer lending/debt-based crowdfunding could be a few alternatives to conventional debt financing for women owned startups in this segment. However, these products come with their own set of risks. **Convertible note**[97] helps the entrepreneur retain control over her

[97]Convertible note is a loan typically provided by equity investors (mostly seed investors), which converts to equity in subsequent equity fundraising rounds. It can be issued at a lower cost than traditional bonds, and serves as a good bridge financing option to service short term working capital needs of companies.

company for longer and allows startups to delay the valuation of business to a later stage, giving them time to strengthen their financials. However, with convertible notes, startups run the risk of bankruptcy in the event that future equity rounds do not occur. **Venture debt**[98] is less costly than equity and typically tied to accounts receivable, equipment, or rights to purchase equity in case of a default.[99] It is beneficial for companies that do not have a positive cash flow or lack immovable collateral, and are useful when companies want to accelerate growth without increasing dilution. **Peer to peer lending platforms** connect a large pool of borrowers and lenders offering unsecured loans. They often provide more competitive interest rates, flexible terms, and a faster online application process, but can also pose serious repayment risks despite underwriting processes.

Accelerators also play an important role in connecting startups to investors offering early stage finance and in many cases, make direct investments in startups themselves. A study by the Global Accelerator Learning Initiative (GALI), based on the assessment of 52 accelerators globally, shows that the average flow of incremental funds into ventures participating in accelerator programs was significantly higher than the average capital flow into rejected ventures.[100] **Angel investors** extending equity capital to early stage entrepreneurs, with many focusing primarily on women, present another attractive fundraising avenue for women-entrepreneurs in the high growth segment.

Given multiple instances of reported gender bias by high growth enterprises, gender sensitivity trainings for investors lending to this segment are critical. Limited partners (Pension funds, endowment funds, HNIs etc.) investing in General Partners (PEs, VCs) are well positioned to leverage their influence to drive gender sensitivity trainings to increase the number of women, both as recipients and allocators of capital.

All the initiatives mentioned above are explained in more detail in Section 6 on Recommendations.

Figure 35: Challenges that limit capital flow to women-owned high growth enterprises

[98]Venture debt is a senior debt, typically extended by investors to VC backed firms.
[99]'Debt vs. Equity Financing: Pros And Cons For Entrepreneurs', Alejandro Cremades, Forbes, Aug 2018
[100]'Accelerating the Flow of Funds into Early-Stage Ventures: An Initial Look at Program Differences and Design Choices', ANDE, The Aspen Institute, May 2018

2. Demand-Side Challenges

- **Nascency of products and services offered by high growth enterprises:** Most products and services offered by enterprises in the high growth segment are disruptive in nature. As a result, these businesses may not be immediately understood or taken up for consideration by traditional investors and financiers. Some of these products include tactile graphics for blind children to help them learn complex science and maths concepts in India; a technology that harvests drinking water from the atmosphere in Kenya; an online food booking and ordering app which aims to minimize food wastage in restaurants in Indonesia, among others.

- **Lack of collateral required to access loans:** Of the entrepreneurs who had applied for loans, 30% reported lack of collateral as the main reason for loan rejection.

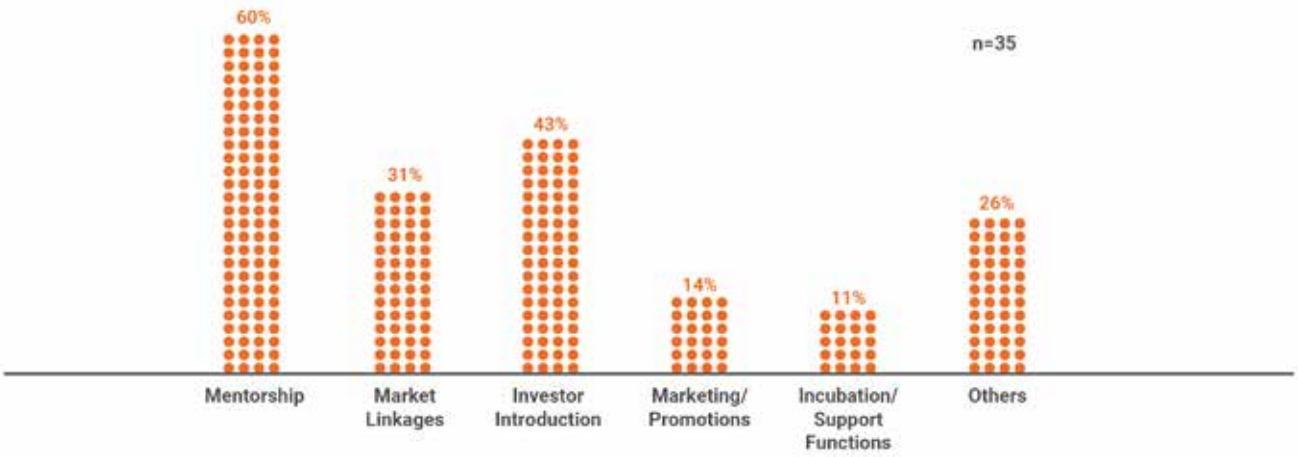
- **Lack of awareness about government schemes and gender lens investing:** Despite the fact that there is a large community of gender lens investors catering to women-owned enterprises globally, over half of the entrepreneurs in the high growth segment had never heard of gender lens investing as a concept. Among those who were aware of the term, only a third had interacted with gender lens investors. Additionally, 58% of the high growth enterprises were not aware of the financial products and schemes offered by the government to promote women-led start-ups in the country.

Proof of concept funding through dedicated funds, can be relevant for high growth enterprises to raise investor confidence in the feasibility of their solutions. These funds can be used by early stage enterprises to conduct pilots for testing the product design, assessing user acceptance and choosing appropriate business models. The funding can be provided by both government or private sector led innovation centres and funds. There is also a need to drive awareness about - (a) alternative financing instruments other than the traditional debt and equity options; b) government financing schemes; c) funding support provided to women by incubators and accelerators, and; d) role of gender lens investors in facilitating access to finance for women entrepreneurs in this segment.

5.5. Existing Ecosystem Enablers and Initiatives

With increasing women entrepreneurship activity rates across developing countries and women venturing into non-traditional, high growth potential business sectors, various private and government led programs and schemes have been introduced to provide financial and non-financial support to women-owned high growth enterprises. Despite this, about 51% of the high growth enterprises surveyed had either not received or accessed non-financial support services, and expressed the need for mentorship and networking to expand their operations. 60% of them required mentoring and 43% said they would benefit from introductions to potential investors. With over a third highlighting gender bias by male investment committees, many women entrepreneurs in this segment are reluctant to approach investors directly. This challenge was also articulated by a survey at the SheWorx100 Summit, where over 94% of the women entrepreneurs said they faced challenges while fundraising such as not being taken as seriously as their male counterparts and encountering dismissive behavior.[101]

Figure 36: Business support areas critical for high growth enterprises



Note: Most high growth enterprises stated the need for multiple support services

[101] '94 Per-cent of Female Founders Experience Bias in Fundraising: Can It Be Fixed?', xed Global, Deb 2018

The study also highlights the need for customized financial products for different stages of the enterprise life cycle of women-owned high growth enterprises in developing countries. Even though more than 70% of the high growth enterprises had accessed equity funding, either through angel investors, VC/ PE or impact investors, research shows that most start-ups face challenges especially during the evaluation stage.

The following section highlights a few existing financial and non-financial initiatives by different stakeholders in the four countries to help enhance capital flow to women-owned high growth enterprises in emerging markets.

a) Financial Institutions

INDIA: VENTURE CAPITAL FUND FOR WOMEN

SAHA Fund was the first women-focused venture capital fund launched in India in 2015. It invests not only in women entrepreneurs, but also in companies that have women leaders and those providing critical goods and services for women consumers. The fund primarily targets tech-based enterprises.

The fund started with a corpus of INR 100 Cr (~USD15.12 million), and has invested in 14 enterprises till date, with two successful exits.[102]

INDONESIA: ANGEL INVESTMENT NETWORK (ANGIN) WOMEN'S FUND

ANGIN is a network founded by women business leaders, which provides networking and mentoring support to women entrepreneurs. It set-up a seed fund for women-owned early stage start-ups in 2014. The fund provides pre-seed and seed funding between USD25,000-150,000, as well as monthly mentoring sessions, access to knowledge base and networks.

Since its inception, the Women's Fund has invested in five enterprises and trained over 50 women entrepreneurs.

KENYA: YOUNG WOMEN IN CREATIVE ENTERPRISE FUND

HEVA Fund launched the Young Women in Creative Enterprise Fund in Feb 2019 with the aim to develop competitiveness of women in the creative industry. It offers a loan facility of up to KES 1 million (~USD9,940), with tenure of 18 months. HEVA Fund also offers technical assistance support to selected women entrepreneurs.[103]

It aims at supporting working capital needs of women to help them increase their production capacities, launch new product lines, invest in new technologies and expand their distribution networks in East Africa.

RWANDA/ KENYA: NEW FACES, NEW VOICES

New Faces, New Voices', is a Pan-African advocacy group that focuses on expanding the role and influence of women in the financial sector. The network is active in Kenya and Rwanda.

In Rwanda, the initiative launched the Rugori Fund in 2017, for women investors as well as women entrepreneurs in business. It offers a private equity and short term investment fund for women investors looking to invest in women entrepreneurs. The Fund also supports women entrepreneurs to develop skills and capacity.[104]

In Kenya, the network partnered with Equileap to conduct a gender diversity audit of the Nairobi Securities Exchange.

[102] Pitchbook and 'Saha Fund: A peek at the VC fund for Her by Her', Techseen, March 2017
[103] 'HEVA Fund is inviting creatives to apply for funding', Robert Malit, HerBusiness, Jan 2019
[104] 'Access to finance: Women to set up investment fund', The New Times, March 2017

b) **Government**

INDONESIA: CAPACITY BUILDING FOR WOMEN

The city of Bandung Indonesia, in partnership with the Institut Teknologi Bandung (ITB), has developed a programme to identify and curate businesses ranging from homeware to fashion. Further, the Indonesian Business Women's Association (IWAPI) and Women's Small Business Network (ASSPUK) both provide important vehicles through which women entrepreneurs engage with government counterparts and strengthen their capacity.

KENYA: WOMEN ENTERPRISE FUND

The government of Kenya through the Women Enterprise Fund in Kenya offers credit to women entrepreneurs, along with providing market linkages to sell the goods and services produced by them. The Uwezo Fund offers capital (ranging from KES 50,000-500,000 i.e. USD500-5000) and mentorship to entrepreneurs to attain gender equality and help eradicate poverty.

Through the provision of loans and business training and partnerships with private sector players, over 557,000 Kenyan women have been impacted.[105]

INDIA: NITI AYOG'S WOMEN ENTREPRENEURSHIP PLATFORM

The Government of India launched the Women Entrepreneurship Platform (WEP) to increase the number of women startups in India. The government has also been organizing startup fests targeted at women entrepreneurs, bringing together all the startup ecosystem stakeholders on a single platform.

WEP has more than 30 partners from various industries and sectors. Through various roadshows, incubation and mentorship programs, the program has on boarded over 3,000 women entrepreneurs, including entrepreneurs in rural areas.

RWANDA: ACCESS TO MARKET INFORMATION

Rwanda Development Board was launched in 2009 to provide market information to potential entrepreneurs and help them through the steps of taking their products or businesses to market. The aim was to address the issue of access to local and international markets, which was identified as one of the biggest obstacles for women trying to start their own businesses.

Other programs focus on reducing domestic responsibilities, to give women an opportunity to focus on entrepreneurial skills. The government also aims to raise the number of women in the technology sector, with targeted strategies to address the gender gap.

[105]Uwezo Fund Facebook page

c) Incubators and Accelerators

INDONESIA: IMPACT ACCELERATOR PROGRAM

Patamar and Kinara Capital partnered to launch the Impact Accelerator in 2017, as part of Investing in Women initiative. It supports early stage entrepreneurs across business functions such as human resource management, corporate governance, product development, financial management, marketing, business strategy, access to new markets, and alternative business financing.[106]

It selects one batch every year, comprising 12 businesses in the workshop; the top 4 of which receive up to USD 25,000 each. So, far 3 batches of women entrepreneurs have been supported.

KENYA: WOMEN IN TECH INCUBATOR

Standard Chartered Bank started a 'Women in Tech' Incubator program in Kenya in partnership with iBizAfrica of Strathmore University. The incubator provides training, mentoring and seed funding to female-led start-ups. These startups are also provided membership to the Kenya Women In Technology fellowship program and alumni network.

It selects 10 enterprises in each cohort who undertake a 12-week incubation program. The top 5 winners are offered a seed funding of USD 10,000, along with 9-month ongoing business support to scale. Till date 2 cohorts have been supported by the incubator, and the third is under incubation.[107]

RWANDA: SHE LEADS AFRICA

She Leads Africa, one of the first accelerators for women-led start-ups has been actively providing access to relevant online content and conducting pan-African events for women entrepreneurs in Rwanda.

The network has over 300,000 women entrepreneurs from Africa.

INDIA: EMPOWER ACCELERATOR

EmpoWer in India is a focused 6-week accelerator program for women-led tech businesses and provides exposure through mentorship opportunities, industry connects, peer networking and investor showcase events.[108]

Over the past 3 years, 65 women entrepreneurs have been a part of 4 cohorts, and 1 bootcamp.

[106]'Patamar Capital and Kinara Indonesia launches an impact accelerator program for women-led businesses', Patamar Capital, July 2017
[107]Women in Tech website
[108]empoWer (Zone Startups) website

d) Other Stakeholders

INDONESIA: GLOBAL ENTREPRENEURSHIP PROGRAM	INDIA: WALMART WOMEN ENTREPRENEURSHIP DEVELOPMENT PROGRAM	KENYA/ RWANDA: INVEST2IMPACT AFRICA
The Mastercard Center for Inclusive Growth and Commonwealth Bank in Indonesia are working together to help scale women start-ups by way of skills-building program. There is also the Global Entrepreneurship Program Indonesia (GEPI), which provides training and co-working space for more than 40 small start-ups.[109]	In 2016, Walmart launched a unique program on Women Entrepreneurship Development Program (WEDP) in India to build a pipeline of robust businesses for the industry at large. In partnership with Vrutti and WEConnect International, the first edition of WEDP was started with 32 selected WOBs in the first batch. In its second edition, 61 women owned businesses underwent training to enhance professional and soft skills to help strengthen their businesses.[110]	Graca Machel Trust, FinDev Canada, CDC Group plc of the United Kingdom, Proparco of France, Overseas Private Investment Corporation (OPIC) and the Mastercard Foundation recently launched the Invest2Impact competition aimed at providing women entrepreneurs in East Africa with targeted investment funds and more opportunities to expand their businesses. Through the program, 100 women have been selected from East Africa, to receive investment, market linkages and business development support.

[109] 'GEPI helps Indonesia's startups change the nation', The Jakarta Post, Oct 2015
[110] 'Women Entrepreneurship Development Program', Walmart website

06

RECOMMENDATIONS TO IMPROVE ACCESS TO FINANCE FOR WOMEN-OWNED ENTERPRISES

06

RECOMMENDATIONS TO IMPROVE ACCESS TO FINANCE FOR WOMEN-OWNED ENTERPRISES

This section explores various financial and non-financial interventions that can potentially improve financial access for women entrepreneurs in emerging markets. It further studies the relevance of these solutions to each of the three enterprise segments analyzed in the study i.e. sustenance, steady state and the high growth. It also presents successful global models that have directly or indirectly contributed towards expanding financial services to women entrepreneurs. Table 3 below provides a summary of the proposed interventions and their importance for each of the segments

Table 3: Recommendations to improve financial access for women entrepreneurs

	Recommendations	Relevance to Each Segment		
		Sustenance	Steady State	High Growth
	FINANCIAL INTERVENTIONS			
1.	**De-risk banks that lend to micro and small women-owned businesses**	●	●	●
2.	**Explore alternatives to collateral-based lending**	●	●	●
3.	**Design/adopt appropriate financial instruments to address financial needs of women entrepreneurs**			
i)	**Asset-based finance**			
	Leasing	●	●	●
	Revolving credit	●	●	●
	Reverse factoring	●	●	●
	Purchase order finance	●	●	●
ii)	**Debt instruments**			
	Women-entrepreneur focused bonds	●	●	●
	Peer to Peer lending	●	●	●
	Convertible notes	●	●	●
	Venture debt	●	●	●
iii)	**Equity instruments**			
	Women entrepreneur-focused business angels	●	●	●
3.	**Explore alternate credit assessment frameworks for women entrepreneurs**	●	●	●

● *High relevance* ● *Medium relevance* ● *Low relevance*

	Recommendations	Relevance to Each Segment		
		Sustenance	Steady State	High Growth
	NON-FINANCIAL INTERVENTIONS			
1.	**Engage male family members to drive women's economic and social empowerment**	●	●	●
2.	**Offer banking products and services that provide women entrepreneurs greater control over their finances**	●	●	●
3.	**Organize gender sensitivity trainings for FIs and investors**	●	●	●
4.	**Provide capacity building support to women entrepreneurs**			
i)	**Mentorship**			
	Train the mentor/Train the trainer programs	●	●	●
	Virtual mentoring platforms	●	●	●
	Incubation and accelerator programs	●	●	●
ii)	**Networking and knowledge platforms**			
	Business associations	●	●	●
	MFIs, local banks, NGOs and SHGs	●	●	●
	Incubation and accelerator programs	●	●	●
iii)	**Trainings**			
	Financial literacy	●	●	●
	Digital literacy	●	●	●
	Basic business management skills	●	●	●
	Life skills training	●	●	●
	Business advisory services	●	●	●
	Financing and capital raising advisory	●	●	●
5.	**Institutionalize recording and monitoring of gender-disaggregated data by FIs**	●	●	●

● *High relevance* ● *Medium relevance* ● *Low relevance*

6.1. Financial Interventions

1. De-Risk Financial Institutions' Lending to Micro and Small Women Entrepreneurs

De-risking the financial institutions lending to women-owned enterprises is important to encourage future lending to this segment. A mechanism that provides risk cover to institutions lending to the sustenance and steady state enterprises can help alleviate their apprehensions around the commercial risks posed by these segments. Over time, this could improve the institutions' confidence in lending to women entrepreneurs, even without a risk cover. This can be achieved through blended finance instruments such as Risk Sharing Facilities (RSF). IFC defines RSF as a bilateral loss-sharing agreement between a Development Financial Institution (DFI)/Financial Institution (FI) and the originator of assets, mostly a bank, in which the DFI/FI reimburses the originator for a portion of the principal losses incurred on a portfolio of eligible loans[111]. Many DFIs such as IFC, The European Bank for Reconstruction and Development (EBRD), African Development Bank (AfDB) etc. deploy RSFs that provide partial credit guarantees or first loss coverage to banks lending to women-owned SMEs.

In 2014 IFC, in partnership with Goldman Sachs, founded "the Women Entrepreneurs Opportunity Facility (WEOF)", a global finance facility for women-owned enterprises in developing countries. In the RSFs under WEOF, WEOF funds either provide coverage for the first portion of losses ("first loss") or provide a rebate on the RSF fee based on achievement of specific performance targets linked to women SMEs. Until June 2019, the facility had invested USD 1.45 billion in 53 FIs lending to women-owned SMEs across 33 countries in the emerging markets. USD 471 million of this amount was raised from external investors. 52,902 women SMEs have benefited from this facility till date[112]. A similar initiative has been adopted by AfDB under its "Affirmative Finance Action for Women in Africa (AFAWA) program", a pan-African initiative to bridge a financing gap of USD42 billion faced by women in Africa. AfDB provides a USD 300 million risk-sharing instrument to unlock USD 3 billion in credit for women businesses in Africa[113].

2. Explore Alternatives to Collateral-Based Lending

Lack of collateral was observed as an overarching challenge in accessing finance, across all the segments. FIs can address this problem in multiple ways by a) deploying collateral free loans based on the scale of these businesses, b) facilitating women to build collaterals and, c) exploring alternatives to traditionally accepted immovable collaterals. The following examples explore different ways in which these objectives have been achieved globally.

- **Collateral free loans for women:** Many FIs have experimented with collateral free/unsecured loans to women-owned MSMEs, in recognition of their inability to access collateral despite other strong credentials for accessing loans. For e.g. As part of the Women Empowerment initiative, the BLC Bank in Lebanon, in partnership IFC, designed a collateral-free credit product for women for loans up to USD 20,000, and for businesses that have been in existence for at least two years. The collateral free loan product, along with other services like online banking platform for women (BLC Cloud), sourcing from women entrepreneurs for bank's procurement needs, staff trainings on gender intelligence and various mentoring and networking opportunities for women, enabled the bank to increase the number of women SME borrowers by 82% between 2011 and 2015. The women SME outstanding loans portfolio increased by 121% during the same period.[114]

- **Facilitating development of collateral for women-owned businesses:** FIs can also consider supporting women through loans to purchase land or any other fixed asset, which can later be used as collateral for a business loan. The DCFU Bank under its Women in Business Program in Uganda offers 'land loans' to women with which they can purchase property, later using it as collateral to access business loans. Loans worth more than USD 20 million have been disbursed to women under the program, along with business management and financial literacy trainings.[115]

[111] IFC & Goldman Sachs 10,000 Women: Investing in Women's Business Growth the Women Entrepreneurs Opportunity Facility, Progress Report 2019
[112] 'IFC & Goldman Sachs 10,000 Women: Investing in Women's Business Growth', The Women Entrepreneurs Opportunity Facility, Progress Report 2019, IFC, Goldman Sachs
[113] 'What does AFAWA do?', African Development Bank website
[114] 'Gender Smart Business Solutions - Case Study: Banking on Women Entrepreneurs pays dividends at BLC Bank', IFC
[115] 'Improving Access to Finance for Women-owned Businesses in India', IFC, 2014

- **Alternatives to traditionally accepted collateral:** Various movable assets such as gold, purchase contracts/agreements with reputable companies, saving balance, warehouse receipts etc. can serve as alternatives to traditionally accepted collateral by banks.

  - **Gold:** Gold could be used as collateral against loans in countries where investment in gold is high. Garanti Bank in Turkey developed a gold secured loan in 2013, which allows women to use gold as collateral. The bank designed this product with the knowledge that collection of gold is a cultural habit in Turkey and it can serve as an alternative source of collateral for women. As of 2013, the bank had more than 140,213 women enrolled with outstanding loans over USD 900 million.[116]

  - **Purchase contracts:** A few banks also accept purchase contracts as collateral to facilitate credit access for women. Exim Bank in Tanzania, for instance, allows women entrepreneurs running midsize firms to use contracts with reputable companies as collateral for their loans, which have an average size of USD160,000.[117]

  - **Saving balances as guarantee:** SELFINA, a micro lease company in Tanzania partnered with Exim bank to encourage its women clients to open "Tumaini (Savings) Account" with the commercial bank[118]. The customers could access both personal loans and business (SME) loans under this program using saving balances in women's Tumaini accounts as a guarantee[119].

  - **Warehouse receipts:** FIs can also extend loans to customers against warehouse receipts. This is particularly relevant for women entrepreneurs in the agriculture value chains. Enterprises or farmers receive a receipt from a certified warehouse where they store their products. The receipt can be used as collateral to access loans from third-party FIs against the goods stored in an independently managed warehouse. Many banks globally accept warehouse receipts as collateral to lend against storage of agriculture produce and commodities.

3. Design and/or Adopt Appropriate Financial Instruments to Address the Financial Needs of Women Entrepreneurs

All the women enterprise segments in the study unanimously articulated the need for low cost working capital finance to meet their day to day operating costs. High growth women enterprises also underscored the limited availability of growth equity, in addition to working capital, for their ventures. Capital needs of women entrepreneurs can be addressed through a wide range of financial products and instruments, some of which are described in Table 4 below.

Table 4: Indicative list of financial instruments for women entrepreneurs

ASSET-BASED FINANCE	DEBT INSTRUMENTS	EQUITY INSTRUMENTS
• Leasing • Revolving credit • Reverse factoring • Purchase order financing	• Gender bonds • Peer to Peer lending/ crowdfunding • Convertible notes • Venture debt	• Women-focused business angel investors

[116]Garanti Bank SA: Combining SME Banking Excellence with a Proposition for Women Entrepreneurs in Turkey', IFC, Garanti, March 2014
[117]'Improving Access to Finance for Women owned Businesses in India', MicroSave, IFC, 2014
[118]'Strengthening Access to Finance for Women-Owned SMEs in Developing Countries, Global Partnership for Financial Inclusion (GPFI) and IFC, October 2011
[119]'Strategies for Women's Financial Inclusion in the Commonwealth', The Commonwealth, 2015

i) Asset Based Finance:

Through asset-based finance, women entrepreneurs can obtain funding based on the value of assets, such as accounts receivables, inventory, equipment & machinery and real estate, rather than based on their own credit worthiness[120]. It can be a useful way to promote lending to small scale firms especially in the sustenance and steady state enterprise segments that often lack credit history. A few examples of asset based finance that can help women enterprises meet their short-term working capital needs include leasing, revolving credit, reverse factoring and purchase order financing.

- **Leasing:** A lease is an agreement whereby the owner of an asset (lessor) provides a customer (lessee) with the right to use the asset for a specified period of time, in exchange for a series of payments.[121] The lessor owns the asset legally throughout the contract term, and may or may not transfer ownership to the lessee at the end of the contract.[122]

  Unlike traditional bank financing, a lease contract requires limited security deposit, therefore financing a larger portion of the capital cost of equipment, freeing up cash for working capital needs.[123] Another advantage of leasing is that it relies on the ability of a firm to generate cash flows from its operations to service the lease payment, rather than on the borrower's credit history or ability to pledge collateral. All of the above factors make leasing a suitable financing instrument for women entrepreneurs across segments. It can enable women to acquire productive assets such as sewing machines, livestock, cooking devices etc. to start and scale their businesses.

  For instance, Sero Lease and Finance Ltd. (SELFINA) provides micro-lease finance to women entrepreneurs in Tanzania since 2002, with a focus on widows and young girls. Women are provided funds to start various kinds of businesses including baking, tailoring, farming, irrigation, agriculture/ produce, food vending/catering, and livestock keeping. SELFINA offers two types of products: a) a financial lease whereby a customer pays monthly instalments (typically for 10 months) to acquire the asset, and; b) Sales and leaseback where a customer, who obtained the equipment on prior lease with SELFINA, can sell it back to the company. Customers can then pay monthly instalments to acquire the asset back, while simultaneously using it for the course of business. This frees up the working capital required for raw material procurement or wage payments. Since 2002, SELFINA has financed 27,000 women, creating 150,000 jobs, impacting 250,000 people and revolving over USD 17 million.[124]

- **Revolving credit:** Traders and manufacturers who deal with short selling cycles do not often have enough liquidity to pay their suppliers for large orders, until they recover payments from their buyers. This was observed in case of the steady state segment in the study. Sustenance enterprises, on the other hand, had less continuity in their businesses due to which they used up the income generated from earlier orders for critical household expenses, leaving them with low liquidity to service orders in the future. A revolving loan is a financing measure used for the growth and expansion of small businesses. It is a self-replenishing pool that utilizes interest and principal payments on previous loans to issue new ones.[125] A revolving credit facility can be particularly useful for sustenance and steady state enterprises, as it can provide them the necessary liquidity and working capital for their operations at lower interest cost.

  For instance, Capital Float, an NBFC in India has designed one such flexible, collateral free, rolling loan product called 'Pay Later' which allows SMEs, mainly small retailers, to make multiple drawdowns from a predefined credit facility of up to INR 25 lakhs, depending upon the credit requirement. Interest is charged only on the amount utilized by the borrower[126] (along with a processing fee of 2%), and the balance is restored upon repayment. This brings down the interest cost for the borrower who would otherwise have to borrow multiple times from an FI, and pay interest on the entire loan amount each time she borrows. The platform has also reduced the total processing time to 3 days from the 8-12 weeks required by most FIs.[127] Between April 2016 to January 2017, Capital float disbursed loans worth INR 1,000 crore (USD140 million) to over 7,000 customers, mostly SMEs, 35% of which were provided under Capital Float's "Pay Later" and "Merchant Cash Advance" products.[128] During this period, it recorded NPAs of less than 1%.

[120]New Approaches to SME and Entrepreneurship Financing: Broadening the Range of Instruments, OECD, 2015
[121]International Accounting Standard for Leasing (IAS 17)
[122]New Approaches to SME and Entrepreneurship Financing: Broadening the Range of Instruments, OECD, 2015
[123]'Leasing to Support Small Businesses and Microenterprises', Gallardo J. (1997), World Bank Policy Research Working Paper 1857, Washington D.C.
[124]SELFINA website
[125]'Revolving Loan Funds & Development Finance: Overview', Council of Development Finance Agencies (CDFA) website
[126]To be eligible, the borrower must be in business for at least 2 years and is required to provide documents such as 3-month transaction data with a supplier, KYC proofs, financial statements for the last 2 years, and bank statements for the last 6 months.
[127]Capital Float website
[128]'SME lender Capital Float disburses loans worth Rs 1,000 crore', Money Control, Feb 2017

- **Reverse Factoring:** Unlike traditional factoring, a reverse factoring product is a "buyer-centric model" of accounts receivable finance. Reverse factoring allows a supplier to finance its receivables via a process started by the buyer/the ordering party, with an aim to help their suppliers receive favourable financial terms. The supplier can get the outstanding value of their invoices paid early, while the buyer can delay the actual payment of the invoices (which are paid to the bank) thus increasing cash flow.[129] The factor (i.e. the bank/FI) purchasing the receivable takes on the credit risk linked to the buyer's ability to pay. Reverse factoring programs are seen to be more efficient when offered through an online platform that connects financiers, buyers and MSME suppliers. Reverse factoring reduces the borrowing and transaction costs for MSMEs by offering working capital at favourable rates and provides instant liquidity. It is particularly relevant for women entrepreneurs who are exporters, distributors, traders and manufacturers.

  One example of such a mechanism is Mexico-based Nafin Bank's Cadenas Productivas (productive chains) Program in Mexico. Under this program, the bank links SMEs with large credit-worthy buyers in productive value chains, thereby reducing the risk of non-payment as well as the cost of assessing accounts receivable risk of these buyers. Working with larger players allows it to provide factoring services "without recourse", allowing small firms to increase their cash holdings and improve their balance sheets. Participating SMEs have to register with NAFIN and are required to have an account with their buyer's bank. Following a factoring transaction, funds are transferred directly to the supplier's bank account and buyer repays the bank (the factor) directly. The factor collects the loan amount from the buyer after 30 to 90 days[130]. Nafin requires all factoring services to be offered without collateral or service fees; however they are being offered at market interest rates since 2004.[131] NAFIN's electronic platform provides 98% of its factoring services online, reducing labour costs and improving security.

- **Purchase order financing (POF):** POF is a financing solution for enterprises that don't have the liquidity to order inventory to service a customer order. In such a case, the purchase order financing company pays the enterprise's supplier to manufacture and deliver goods to the customer. The customer pays the financing company, which deducts a fee before crediting the enterprise. This solution can be useful for women entrepreneurs who are distributors, wholesalers, resellers and exporters. A substantial number of women-owned steady state enterprises are in the trading business and can benefit from POF. However the interest rates and fees are typically higher for POF than other forms of asset-based finance, because the financier assumes the risk of non-payment by customer, as well as the risk of non-delivery by the supplier.

ii) Debt Instruments

Various instruments such as gender bonds, peer to peer lending, convertible notes and venture debt are attracting significant attention globally. Gender bond is an emerging vehicle that addresses gender inequality by mobilizing low cost financing for women entrepreneurs.

Peer to Peer lending is also gaining momentum globally, presenting a viable financing alternative for women entrepreneurs who struggle to raise funds through commercial banks. Based on data from P2P Finance Association (P2PFA), the cumulative lending through P2P platforms globally, at the end of 2018 stood at GBP 15.3 billion, growing dramatically from GBP 49 million in 2012.[132] A few examples of these instruments are provided below:

- **Gender bonds:** Gender bonds typically have a blended capital structure, that uses catalytic capital from both public and philanthropic sources markets, and helps lower the cost of borrowing for women enterprises. Globally gender bonds have been used to finance women owned enterprises, or foster women's leadership within organizations.[133]

  Singapore-based Impact Investment Exchange's (IIX) Women's Livelihood Bond (WLB1) is an innovative development finance instrument that mobilizes private sector capital by pooling loans to two MFIs and a social enterprise, into a public debt security. The WLB has a blended capital structure, mitigating risk through a USD 500,000 first loss tranche by IIX (in the form of a subordinated loan to the issuer to protect senior investors from potential losses) and a partial guarantee of 50% of the loan principal from USAID. The bond also received an early-stage design grant from the Rockefeller Foundation and additional support from Japan Research Institute.

[129]'Concept Paper on Trade Receivables and Credit Exchange for Financing of Micro, Small and Medium Enterprises', RBI website
[130]SME finance guiding note, Guideline Note No.36, Alliance for Financial Inclusion, August 2019
[131]'Concept Paper on Trade Receivables and Credit Exchange for Financing of Micro, Small and Medium Enterprises', RBI website
[132]'P2PFA Performance data', Funding Circle
[133]'The Growing Power of Gender Lens Investment', Financial Alliance for Women, Oct 2019

WLB has a couponrate of 5.65% paid semi-annually to bondholders, and tenure of 4 years. The loans are unsecured, at an average lending rate of 8.15%, to be paid quarterly by the borrowers. WLB has created sustainable livelihoods for 385,000 women in Southeast Asia by channelling USD 8 million of private capital to these women. The capital raised through the bond allows women to fund income-generating assets to transition from subsistence to sustainable livelihoods. IIX also plans to issue WLB2 in 3-4 tranches, which will unlock an additional USD 100 million capital for one million women in South and Southeast Asia.[134] This also led to women's improved resilience to economic and environmental shocks through access to healthcare services, better standard of living, improved social support, lower rate of violence, among others.[135]

In February 2019, SIDBI, World Bank and UN Women launched their version of "Women's Livelihoods Bond" with an aim to address the 'missing middle' gap in the Indian credit market, to help rural women entrepreneurs access higher range of finance (INR 50,000-500,000) at competitive interest rates. The bond will be unsecured and unlisted, with a coupon rate of 3% and tenure of 5 years. It will enable women entrepreneurs in agriculture, food processing, services, and manufacturing sectors to borrow INR 1-1.5 lakh at 13% or less; almost half the rates charged by MFIs. The bonds will be backed by a corpus fund that will be mobilized through CSR contributions and grant support from UK's Department for International Development (DFID), allowing women entrepreneurs to access credit at much lower rates.[136]

Similar gender focused bonds have also been issued in Turkey and Thailand as well. IFC invested USD 75 million in the gender bond issue by the Garanti bank in Turkey in 2018. It has a six year maturity and is expected to triple the number of loans to Garanti bank's women-owned small businesses over 5 years.[137] The Bank of Ayudhya in Thailand also plans to issue its Women Entrepreneur Bond to IFC and DEG (Deutsche Investitions und Entwicklungsgesellschaft), with expected subscriptions of up to USD 150 million and USD 70 million, respectively.[138] The bond will help expand credit lines to women-owned SMEs in Thailand.[139]

- **Peer to Peer (P2P) lending:** P2P lending is a form of crowd funding used to raise funds through an online marketplace that connects borrowers and lenders, to provide unsecured loans. The interest rates are set by the platform or by mutual agreement between the borrower and the lender. The borrowers pay an origination fee i.e. a percentage of the loan amount raised by them or a flat rate fee, and the lenders pay an administrative fee and an additional fee for any other service opted by them (such as legal advice etc.).[140] The platform offers services such as collection of loan repayments and preliminary credit assessment of the borrowers. It makes profits from the arrangement fee charged for these services, instead of the spread between deposit and lending rates.

By eliminating the need for collateral and providing access to a large lender base, P2P lending can serve as an attractive alternative source of debt for women entrepreneurs in emerging markets. Signalling is another critical function of a P2P model. A large number of lenders supporting an enterprise on a P2P platform, suggests that there is a potential market for the company's products and services, which could help the enterprise attract more funding in the future. This can be of particular relevance to women-entrepreneurs who have difficulty tapping into global networks and markets for their products.

While there are a growing number of debt-based crowd funding platforms, there are few that target smaller enterprises. One such platform is Kiva.org an international non-profit organization that allows individuals to lend as little as USD25 to entrepreneurs working in low income regions. In October 2019, Kiva reported that lenders on its platform had funded more than USD 1 billion in interest-free microloans to female entrepreneurs globally. Till date the organization has facilitated loans for 2.7 million women in 94 countries, with more than 80% loans approved for women.[141] Over 70% of the female borrowers on Kiva.org operate businesses in food production/sales, general stores, clothing, cosmetics, restaurants, agriculture, and crafts,[142] which are very similar to the sectors serviced by sustenance and steady state enterprises in our study. Many P2P lending platforms in India are also reporting an increase

[134]'Case Study: Women's Livelihood Bond (WLB)', IIX, Feb 2018
[135]'IIX Social Sustainability Bonds: Changing Finance, Financing change', Rockefeller Foundation and IIX, 2017
[136]'World Bank Signs Agreement to Launch New Social Impact Bond', Feb 2019
[137]'IFC Invests in First Emerging Market Gender Bond by Garanti Bank with Support from Goldman Sachs 10,000 Women, to Boost Loans to Turkey's Women Entrepreneurs', IFC, June 2018
[138]'IFC and DEG Agree to Subscribe to Asia Pacific's First Private-Sector Women Entrepreneurs Bonds to be Issued by Bank of Ayudhya', Krungsri, Aug 2019
[139]Both of these initiatives are supported by the Women Entrepreneurs Opportunity Facility, a joint initiative of IFC and Goldman Sachs 10,000 Women to expand access to capital for women entrepreneurs globally.
[140]'Consultation Paper on Peer to Peer Lending', RBI website
[141] 'Kiva Deploys $1 Billion in Loans to Female Entrepreneurs Around the World', Business Wire, Oct 2019
[142]'Crowdfunding as a Capital Source for Women Entrepreneurs: Case Study of Kiva, a Non-profit Lending Crowdfunding Platform', A2F Consulting and National Women's Business Council, March 2018 [143]'Women from small towns queue up for P2P loans', Pallavi Arun Verma, The Economic Times, Feb 2019

in the number of women applicants for unsecured loans on their portals, anticipating a steady rise in women borrowers going forward.[143] Understanding the growing relevance of this segment, Faircent.com, a P2P lending platform in India, launched a women-centric loan product "Aspiring Women" that enables lenders on its platform to invest in women borrowers exclusively. In 2018, loan facilitation to women through the platform increased by over 64% over 2017.[144] While these loans might include both personal and business loans, this trend demonstrates increased participation by women on P2P lending platforms.

Despite various benefits, P2P lending is fraught with various risks if it goes unregulated. This was observed in China, where unregulated P2P lending led to a rise in fraudulent platforms and multiple instances of default exacerbated by poor investor safeguards. Many governments globally are putting in adequate safeguards in place to protect lenders and borrowers against the risks posed by P2P lending platforms.

- **Convertible notes:** Convertible note is a loan typically offered by seed investors to startup ups. This loan converts into equity usually at the closing of a future equity investment round. The convertible note investors typically receive shares at a discounted share price as a reward for their early investment[145]. The instrument allows seed stage companies to defer negotiations on valuation until the subsequent round of financing, have greater control over the company due to delayed dilution of common stock, and issue debt at lower interest rates than traditional bond offerings. According to the study, only two enterprises in the high growth segment in Kenya have raised funds through convertible notes. These include a mobile learning management platform designed to improve performance of primary school students and a firm providing quality agricultural inputs to farmers on credit.

- **Venture debt:** Venture debt is another form of debt financing typically provided to VC-backed companies. Interest rates are fixed for the loan tenor, and principle and interest repayments are made on a monthly basis. Venture loans cater to high growth startups that do not necessarily have a positive cash flow or collateral in the form of hard assets. These loans are generally taken alongside an equity financing round, and play an important role in reducing equity dilution[146]. They help startups extend the time between different fundraising rounds, finance specific projects or opportunities or even finance purchase of equipment/inventory.

iii) Equity Instruments:

Women- owned enterprises attract only 7% of total PE/VC funding in emerging markets. Women who do receive funding in emerging markets, are more likely to receive it in the early funding rounds during the incubation stage, rather than later rounds during the growth and buyout stages.[147] Lack of equity for business expansion, was also cited as a growth barrier by many high growth enterprises in our study. The current challenges in accessing equity capital through PE/VC funding, merit the exploration of other equity instruments that can potentially serve women-owned high growth enterprises in developing countries. Some alternatives to traditional models are provided below:

- **Women entrepreneur-focused business angels:** Business angels (BAs) are usually high net worth individuals who invest directly in start-ups, in return for stock in the companies.[148] According to a study by OECD, BAs are generally former entrepreneurs and are actively involved in the start-up they support, providing it strategic and operational guidance, as well as relevant networks. Angel investing has been recognized as a powerful source of financing forhigh growth enterprises. They are mostly involved in the early stages of the business, unlike venture capitalists that are increasingly focusing on later stage investment.

Globally there are many business angel funds dedicated towards supporting women owned businesses. The Angel Investor Network in Indonesia, launched the Women Angel Fund in 2013, under the "Global Entrepreneurship Program", targeting women owned technology start-ups and providing funds, networks, mentorship and consulting services to these businesses.[149] By offering seed or pre-seed funding ranging from USD25,000 to USD150,000, along with monthly mentoring, the fund has invested in five companies and trained over 50 women entrepreneurs since its

[144]'What makes NBFC-P2P sector a better choice for raising funds for an MSME these days?', FairCent, Apr 2019
[145]'What Are Convertible Notes and How Can They Help My Startup?', LegalVision, Aug 2015
[146]Innoven Capital definition
[147]'Moving towards gender balance in private equity and venture capital', Oliver Wyman, RockCreek, IFC, 2019
[148]New Approaches to SME and Entrepreneurship Financing: Broadening the Range of Instruments, OECD, 2015
[149]'Gender toolkit: Micro, Small and Medium-sized enterprise finance and development', ADB, 2014

inception.[150] The Lebanese Women Angel Fund (LWAF) is a group of women angel investors who invest in early stage ventures by women entrepreneurs in the country. In addition to networking and mentoring, LWAF also helps women access follow up funding. Similar business angel funds can be mobilized in emerging markets in Asia and Africa for high growth women-owned enterprises, which have limited avenues for equity funding.

There are other equity instruments such as "equity based crowd funding" platforms which allow start-ups to raise funds by offering equity in their businesses to investors online. However, these have gained limited traction in developing countries and are also deemed illegal in many countries like India, Nigeria, etc.

4. Explore Alternative Credit Assessment Frameworks for Women Enterprises

Women entrepreneurs especially in the sustenance and steady state segments, lack formal credit history, and therefore do not qualify for loans under conventional credit scoring models.

Globally, many Fintech companies are evaluating the use of alternative data to lower the cost of assessment and foster financial inclusion. This data ranges from psychometric factors to mobile, social media and internet usage data among other variables. These scoring models can help serve women entrepreneurs who may not have a formal credit history yet have a high intent to repay.

One such digital credit scoring mechanism has been developed by CredoLab Singapore. It uses AI-based analysis to identify most predictive behavioural patterns from mobile data and converts it into a credit score. The company reports 16 million credit scoring application downloads, a 20% increase in bank customer approvals, 15% reduction in non-performing loans, and a 22% fall in fraud rate.[151] Another similar framework is being undertaken by CreditVidya in India, which merges smartphone data (such as SMS on utility bill payments, online transactions, location, etc.)[152] with traditional credit bureau reports through the use of AI-based algorithms to assess an applicant's credit risk profile. It serves customers with no or limited credit history, and also helps reduce default rate by re-evaluating existing customers of its FI clients. The organization claims 33% lower delinquencies and 15% higher loan approval rate through its underwriting service to over 40 lenders in India.[153]

Further, several organizations have started using psychometric data to assess credit worthiness of potential borrowers. Assessments may capture various traits of borrowers such as locus of control, financial impulsivity, conscientiousness, integrity, self-confidence, among others. One example is LenddoEFL which uses psychometric variables along with metadata such as time taken by an applicant to answer a question compared to their average response time, number of times the applicant switched responses[154], etc. for evaluations. Using this approach, the organization has enabled over 50 financial institutions to run 12 million assessments across 20+ countries, disbursing over USD 2.5 billion in credit.[155]

Some organizations also customize credit scoring methods based on the loan size, with more relaxed measures for smaller loans. For example, the CARD SME Bank in Philippines developed a credit scoring model based on segmentation by loan size for women clients graduating from microfinance services. For small to mid-size loans, the model assesses non-financial parameters such as age, successor, health and management of the business. In the case of large loan sizes, the evaluations also comprise financial metrics like cash flow, inventory and revenue. Based on the credit scoring, it offers short-term loans to rural women, which vary according to the season and women's cash flow patterns. Women may avail loans in the form of a term loan or a revolving credit line based on their life stage including education loan, health loan, mobile phone loan, etc.[156]

[150]'Emerging Lessons on Women's entrepreneurship in Asia and the Pacific: Case studies from Asian Development Bank and The Asia Foundation', Oct 2018
[151]'Our Partners – CredoLab', CIMB Bank website
[152]'CVSCORE: Reimagining credit for the underserved', CreditVidya
[153]CreditVidya website
[154]'Blog | The LenddoEFL Assessment Part 2: Measuring how people answer questions with metadata', Jonathan Winkle, Sep 2018
[155]LendoEFL LinkedIn page
[156]'Global best practices in banking for women-led SMEs', Women's World Banking & European Bank for Reconstruction and Development (EBRD), 2014

6.2. Non-Financial Interventions

1. Engage Male Family Members to Drive Women's Economic and Social Empowerment[157]

Despite the growing momentum of women-owned businesses globally, women entrepreneurs continue to face discrimination that prevents them from exploiting their full potential. Women entrepreneurs across different segments in the study reported lack of support from male family members in exploring new business avenues and financing opportunities. According to a study by the Gender Innovation Lab in Uganda, fathers and husbands can play a pivotal role in enabling women businesses to cross over to male-dominated sectors. These crossover enterprises outperform women-owned businesses in the traditional sectors, both in terms of profits and size (number of employees). Most of these enterprises reported starting their business because of an opportunity provided by their husbands or fathers by way of monetary support or introductions to their networks in male-dominated industries. Engaging male members in WED activities is therefore critical to increase awareness about their role in improving household income by supporting women entrepreneurs in the family through relevant information, capital and networks, and also by contributing in day-to-day household activities. A few engagement methods proposed by the International Labour Organization (ILO) in this regard are presented below.

- **Invite male family members to business trainings targeting women entrepreneurs:** This will help male members gain more confidence in women's ability to run their own business, appreciate the economic benefits of these businesses, and understand how they can support the women in scaling their ventures. For instance, an MFI in northern Vietnam invited husbands of its female clients to attend a 9-month business training program. Not only did this lead to an increase in sales and profits for these businesses and growth in the number of start-ups in the community, but it also reduced domestic friction, giving women greater control over household decisions.

- **Offer focused trainings for male members, challenging established gender norms:** One of the major reasons cited by most women entrepreneurs in the sustenance and steady state segments for restricting the scale of business was paucity of time due to caregiving and household responsibilities. Focused gender trainings can help sensitize male members to get more involved in care work to support women's economic participation. For example, CARE Rwanda, a Village Savings and Loans intervention in Rwanda in 2012 delivered a training program for men on business skills and health & well-being. The impact evaluation of the training, which included workshops on household activities, decision making and negotiations between men and women, showed a positive change in the patterns of sharing care work.

- **Identify male gender champions in communities:** Building the capacity of community-level gender champions to facilitate male support for women entrepreneurs can also contribute to sustainability of women-owned businesses. These champions can be men who are influential key opinion leaders in their communities.

2. Offer Banking Products and Services that Provide Women Entrepreneurs Greater Control over their Finances

A large number of women entrepreneurs in the sustenance and steady state segments stated that they didn't have control over their finances and had to seek permission from male members of the family to invest their savings in their own businesses. It is therefore important to offer women entrepreneurs banking products and services that can help them keep their savings secure. An example of this are the smart cards provided to women entrepreneurs by MannDeshi Bank, a rural women's cooperative bank in India. The bank introduced smart cards as a safe instrument for women to accumulate their savings, to prevent the risk of confiscation or siphoning of funds for other activities. As a result, the bank benefitted through higher savings and improved repayments. The smart cards enabled women to save as per their convenience, helping them secure larger loans against their savings[158].

Offering women entrepreneurs legal recourse through sound legal advice, is equally pertinent to securing their savings. In the Democratic Republic of Congo, Rawbank for instance, offers a legal advice desk "RawConseil" to facilitate business registration by informal women entrepreneurs. Overtime the demand for this service has expanded

[157]'Engaging men in women's economic empowerment and entrepreneurship development interventions: An ILO-WED issue brief', ILO
[158]'Strengthening Access to Finance for Women-Owned SMEs in Developing Countries', IFC, Oct 2011

with many women seeking legal counsel on family property rights[159]. The service equips women entrepreneurs to better manage issues such as getting permission from their spouses to register a business or open a bank account.[160]

3. Organize Gender Sensitivity Trainings for Both Private and Public FIs

Around one-fourth of the entrepreneurs in steady state and high growth segments, and some in the sustenance segment reported instances of gender bias by the staff of the FIs they approached for finance. These FIs included both banks and investors. While financial institutions might be driven by various commercial reasons for rejecting capital requests, there is a need to better acknowledge and address these perceptions, and also evaluate the economic impact of losing high potential women customers/investees as a result of perceived gender bias.

FIs can organize gender sensitivity trainings for both managerial and administrative staff across all levels. Such trainings are known to improve financial access to women, as demonstrated by IFC's "Gender Intelligence Training Program" developed for the Habib Bank in Pakistan, to address the underrepresentation of women customers in the bank's portfolio and lack of women employees in the bank's operations. The training led to a measureable increase in positive gender awareness at the bank and resulted in an increase in the number of women-owned deposit accounts by 6.7%, while the volume of deposits from women owned accounts increased by 10%.[161]

These trainings must be aimed at counterbalancing stereotypes such as "women not being a commercially viable segment" or "women not taking their businesses as seriously as men" etc. through on-ground data and global best practices. The trainings should communicate the market opportunity presented by women owned-enterprises and potential benefits and returns from tapping into this segment, especially to the senior management. It should discuss gender related behavioural differences and communication styles that must be considered while evaluating women-owned enterprises and lending to them across different segments.

4. Build Capacity of Women Entrepreneurs through Strategic Mentorship, Focused Trainings, and Networking Opportunities

i) Mentorship:

Mentorship was highlighted as the most critical non-financial need by all the segments in the study. However, mentoring approaches should be customized according to the needs of different entrepreneurial segments.

Sustenance and steady state women-owned enterprises that often face mobility restrictions can be better served through "train the mentor/train the trainer" programs within their communities. For example, UNDP, in collaboration with IKEA Foundation and Deshpande Foundation, launched a mentorship and business development program – 'Biz Sakhis on Wheels' for rural women entrepreneurs in India in 2019. The program selects and trains[162] women entrepreneurs from the community to become mentors, called 'Biz Sakhis' (or business friends). The Biz Sakhis then conduct 25-day training workshops for women entrepreneurs to:

a) improve their business readiness;
b) support development of business plan prototype;
c) ensure application of relevant business skills (such as knowledge of customers, positioning with respect to competitors, product pricing, financial skills including record keeping, cash flow management, break-even analysis, etc.); and
d) help in evaluation of strengths and weaknesses.[163]

The Swayam Shikshan Prayog (SSP) based in India, has also been working on providing skills training to rural women entrepreneurs to become entrepreneurs. As of 2019, the program has supported more than 1250 women entrepreneurs, reporting a 33% income growth annually, and impacting over 250,000 households across the country.

Online mentoring platforms can also serve as a powerful tool to provide women entrepreneurs access to a global network of mentors at limited cost. However, gender gap in technology access might hinder wide use of such platforms by sustenance and steady state enterprises. For example, the UK-based Cherie Blair Foundation for Women runs the "Mentoring Women in Business Program"; an online platform that connects women entrepreneurs in emerging markets to mentors globally. Women work one-on-one with a dedicated mentor over 12 months, through tools such as Skype or Google Hangouts. The

[159]'Commitment to a Lady's First WIN: Banking Innovation in the Democratic Republic of Congo', Vivian Awiti Owuor, IFC, Oct 2011
[160]'Improving Access to Finance for Women-owned Businesses in India', IFC, 2014
[161]'Banking on Women: Gender Intelligence for Banks—Moving the Needle on Gender Equality', IFC, May 2017
[162]Women entrepreneurs are selected from the same community as the trainees and should have completed secondary education. Biz Sakhis are trained by district-business coordinators over five months to become mentors.
[163]Certificate course curriculum and training manual for Biz-Sakhis, NIRDPR, UNDP, NIESDUB, IKEA Foundation

mentor devotes two hours every month to work on an action plan designed for the mentee's business development needs, and the mentor's own learning objectives. The program has a 'relationship support' team that provides regular support to each mentee and mentor, and monitors their progress during the year. In addition to providing valuable networks, the program offers various resources such as videos, articles and monthly webinars on business topics by experts and industry leaders. Between 2010 and 2016, the program supported over 2,000 women entrepreneurs in 90 developing countries, recruiting and training over 2000 mentors in 45 countries[164].

Incubation and accelerator programs offer mentoring support through a network of mentors and are especially relevant for high growth enterprises. However, early stage enterprises in the sustenance segment can also benefit from incubation platforms that are tailored to their needs. For example, the Italian Association Women for Development's (AIDOS's) incubator model targets both existing women entrepreneurs and those looking to start a venture, with a focus on micro and small enterprises.[165]

Often referred to as an incubator without walls, it allows women entrepreneurs to operate from their homes. It offers an integrated package of Business Development Services (BDS) which includes services such as marketing assistance, product design and development, access to finance, support in creating market linkages, business management and technical skills training etc. with a focus on business counselling, coaching and mentoring. AIDOS also provides training to the local partners, trainers, counsellors, coaches and mentors. In Syria, AIDOS, established a Village Business Incubator (VBI), in partnership with the Fund for Integrated Rural Development of Syria, creating 117 new businesses and training 215 women in handicrafts, food processing and agro farming skills. In Jordan, AIDOS partnered with the Noor al Hussein Foundation to form the Women Business Development Incubator (WBDI), training around 745 women and establishing 114 women- owned enterprises.[166]

ii) Networking and Knowledge Sharing

Access to appropriate networks to meet potential financiers and investors, was the second most required support service by entrepreneurs across all the segments in the study, after mentorship. Research also indicates that women who are able to access support from professional networks have higher initial capital, and access to new business opportunities[167].

Business associations dedicated to women entrepreneurs at a national level with local chapters can be a critical source of financial, marketing, legal and general business information for its members. Such associations can convene exchange forums and marketing opportunities such as trade fairs and exhibitions at local, national and international levels, giving women entrepreneurs much needed visibility and access to relevant partners and investors. They can also curate entrepreneurship development programs offering critical business advice to women entrepreneurs.

For example, the Network of African Business Women (NABW), started by the Garca Machel Trust, provides a platform for women entrepreneurs to turn their ideas into high growth enterprises by offering professional support. It has 10 country chapters across Africa, with about 2000 members in Uganda and more than 250,000 members in Kenya since launch in 2011. It supports agribusiness, manufacturing, services, textiles, crafts, trade, tourism, mining and construction enterprises.[168] It also offers a one year Entrepreneurship development program called "Women Creating Wealth" aimed at helping women detect business opportunities, improve operational efficiency, enhance quality of services offered by them, and improve decision making by accessing multiple information sources internally and externally.

In addition to business associations, MFIs, local banks, NGOs and Self-help groups can also play a pivotal role in developing countries by providing women entrepreneurs more affordable business networking services. For example, in India, events like the annual Mann Deshi Mahotsav offer a unique networking opportunity to rural women entrepreneurs that are part of the Mann Deshi Foundation. The 4-day events sees participation from more than 100 women entrepreneurs, and serves as an invaluable platform to connect with large number of customers as well as potential distributors for their products.

High growth enterprises, in particular, can benefit from networking opportunities offered by various incubation and accelerator programs globally. Business incubators and accelerators strengthen the

[164]'Empowering Women, Broadening Horizons: An Independent Evaluation of the Mentoring Women in Business Programme', Cherie Blair Foundation for Women, Bank of America, Qualcomm, 2016
[165]The incubator does not provide a physical work space, leaving female entrepreneurs free to operate from their homes. This allows women to run a business successfully, despite mobility restrictions owing to household responsibilities.
[166]'Female Entrepreneurship: Program Guidelines and Case Studies', World Bank
[167]'Networks, Start-Up Capital and Women's Entrepreneurial Performance in Africa', Institute of Labor Economics, March 2019
[168]Network of African Business Women (NABW), Graca Machel Trust website

entrepreneurial ecosystem by helping seed, support and scale business ideas. They do this by offering work spaces, regular mentorship, technical assistance, and networking opportunities with potential investors, customers, and suppliers. Recent studies have found that entrepreneurs who participate in a top performing accelerator perform better than those that did not participate in an accelerator in areas such as raising capital, exiting by acquisition, and acquiring customers.[169] Incubation and accelerator programs can help reduce the risk that women entrepreneurs associate with the process of starting their own business. This reduction in risk is particularly important for women entrepreneurs, in overcoming cultural barriers to becoming entrepreneurs.[170]

iii) Trainings for Women Entrepreneurs

- **Training for sustenance and steady state enterprises[171]:**
  - **Financial literacy:** Financial literacy trainings are most relevant for sustenance enterprises which tend to overestimate profits by omitting various expenses in their calculation, and don't often maintain formal books of accounts. Financial literacy training modules should be able to serve the following objectives:

    a) Help entrepreneurs understand how to set financial goals, prepare a financial plan, and maintain financial discipline by tracking income and expenses and preparing a budget.

    b) Enable them to understand and identify investment opportunities, insurance concepts, and the process of capital formation.

    c) Educate them on the different types of costs involved in their business by elaborating on the concepts of fixed and variable costs

    d) Help them understand the concept of break-even and relating various costing concepts with production planning, in order to calculate profits more accurately.

    These trainings should be interactive to drive greater participation, and ideally use case studies and group discussions to enhance learning outcomes.

  - **Digital literacy:** This training is relevant for sustenance, and to some extent, steady state enterprises, few of whom use online channels to market their products. The main objective of the training is to create awareness about the various digital and social media channels that can be leveraged by entrepreneurs to market their products and services. The trainings must elaborate on how different social media platforms such as Facebook, YouTube, WhatsApp, Instagram etc. can be used for marketing. For women who have never used a smartphone, it should also cover basic concepts around smartphone usage, online searching, sending messages etc.

  - **Basic business management skills:** To begin with, business management training should help the entrepreneurs understand the type of business (wholesale, retail, manufacturing, services etc.) they are in, who their key stakeholders are (competitors, suppliers, customers, financial institutions, key opinion leaders etc.) and how they should evaluate a business idea. It should enable entrepreneurs to estimate financing needs (e.g. investment in land, equipment, working capital, etc.), and help them prepare annual cash flow statements, separating business accounts from personal accounts. It must also acquaint them with different sources of finance at their disposal and the process for accessing these sources (such as government schemes, MFI loans, bank loans etc.).

  - **Life skills trainings:** Lack of autonomy, limited decision making power and inability to access and use their income on their own terms can adversely impact the health and well-being of women entrepreneurs. It is therefore, important that business trainings also focus on psychological empowerment[172] of women entrepreneurs. Improved problem solving skills, assertiveness skills, access to community support, self-awareness, emotional regulation, leadership skills, negotiation skills are among various skills that can help empower women and improve their general well-being.

- **Trainings for high growth enterprises:**
  Most entrepreneurs in the high growth segment are

[169]Hallen, Benjamin, Cunningham, Christopher, and Cohen, Susan. "Do Accelerators Accelerate? A Study of Venture Accelerators as a Path to Success?" Academy of Management Proceedings. 2014; Winston-Smith, S., Hannigan, T., "Swinging for the Fences: How do Top Accelerators Impact the Trajectories of New Ventures." Temple University. 2015.

[170]Katkhuda, Salwa. Oasis 500. Online interview. 31 July 2012.

[171]The training ojectives have been adapted from the "Certificate course curriculum and training manual for Biz-Sakhis, NIRDPR, UNDP, NIESDUB, IKEA Foundation"

[172]Psychological empowerment has been defined as "an individual's cognitive state characterized by a sense of perceived control, competence, and goal internalization. Source: Psyhchological Empowerment and Development , Oladipo, S.E. PhD Dept. of Counselling Psychology, Tai Solarin University of Education, Ijagun, Ogun State

well educated and do not require basic financial and digital literacy trainings. However, during the interviews, many of them stated the need for strategic business advisory and capital raising support especially on aspects such as financial modeling and preparation of effective investment pitches. They also expressed the need for more sector-specific trainings.

Training support for high growth enterprises can therefore be divided into business advisory support, and financial strategy and capital raising support as shown in Table 5 below. While these services are most relevant for high growth enterprises, the other two segments can also benefit from them.

Table 5: Training needs of high growth enterprises

AREAS OF SUPPORT	EXAMPLES
FINANCIAL STRATEGY AND CAPITAL RAISING SUPPORT	
Financial Strategy and Capital Raising Support	• Advice on effective capital raising approaches • Advice on preparing investor materials such an investor-ready pitches, financial models, investor memoranda etc. • Review of term sheets • Help with investor outreach and networking • Understanding foreign exchange risk management and local tax regulations • Assist with identifying local and international sources of capital etc.
BUSINESS ADVISORY SERVICES	
Market Analysis	Advise on the marketing strategy including: • Market research • Competitor analysis • Market segmentation • Policy and regulatory framework • Stakeholder engagement/partnership models etc.
Supply Chain/ Operations	Advise on operations strategy including: • Supply chain analysis • Supplier evaluation and selection • Local custom processes and logistics etc.
Technology and IP	Support on the technology and IP strategy including: • Technology roadmap designing • Intellectual property strategy • Local licensing requirements • Suitability of the technology for local markets • Review of competing technologies etc.
Business Strategy and Planning	Advice on overall organizational strategy: • Development of business plan • Analysis of business models • Market entry strategy • Organizational structure • Human performance management etc.

5. Institutionalize Recording and Monitoring of Gender-Disaggregated Data by FIs

Financial institutions can better articulate the business case for investing in women-owned enterprises if they capture and monitor gender-disaggregated data regularly. This will help them monitor the financial performance of individual women-owned enterprises and also track the profitability of the segment as a whole. Analysis of this data will allow banks to create performance benchmarks for each enterprise segment, and also appreciate the financial needs of these businesses, helping them offer and/or design more focused loan products. Gender disaggregated data from global banks indicates that NPLs are typically 30-50% lower among women-owned enterprises, and women-owned MSMEs in particular present a higher potential for cross selling. Research also suggests that women entrepreneurs access two to three times more products from the same FI compared to their male counterparts.[173]

Globally, some FIs have incorporated measurement of gender disaggregated data, and relevant gender-based indicators into their processes. For instance, the BLC Bank launched its "We Initiative program" in 2012, with a focus on women-owned SMEs. The bank started measuring gender disaggregated data from the very beginning of the program, which enabled the bank to identify both high potential and underserved segments with women-owned businesses in their portfolio. It also helped quantify the contribution of women-owned businesses to the bank's bottom line. "We Initiative" generated an IRR of more than 30% on a conservative growth scenario, with strong Returns on Assets (ROA). The data also helped BLC Bank discover that women's NPLs were lower than that of men across all segments such as retail, small business, medium business and large business[174].

Similarly, Women's World Banking USA identified gender-based financial and social performance indicators to enable FIs to monitor their own performance in servicing women clients, and create a business case for lending to women-owned enterprises over time. Resulting from this, WWB recommended a set of five indicators to track and enhance gender performance:
(i) average loan size per women borrower;
(ii) percentage of new women borrowers;
(iii) women borrower retention rate;
(iv) women's portfolio at risk, and;
(v) women staff retention rates.[175]

[173]Global best practices in banking for women-led SMEs, October 2014, Women's World Banking and European Bank of Reconstruction and Development
[174]'Measuring Women's Financial Inclusion: The value of sex-disaggregated data', Global Banking Alliance for Women (GBA) in partnership with Data2X and the Multilateral Investment Fund (MIF) of the Inter-American Development Bank (IDB)
[175]'Global Best Practices in Banking Women-Led SMEs', Women's World Banking, 2014

07

GENDER LENS INVESTING TOOLKIT

07

GENDER LENS INVESTING TOOLKIT

It is evident that there is a certain degree of systemic bias towards women-owned businesses as them being riskier to lend to or invest in. The total credit gap for women-owned businesses globally stands at USD 285 billion; the gap in Sub-Saharan Africa alone is estimated at USD 42 billion[177] and that in India stands at USD 158 billion for women-owned MSMEs.[178] This financing gap provides an opportunity for investors who are looking to provide financial products and services that channel capital to women and girls, and also for other stakeholders to design interventions that improve the quality of life of women in general.

Recently, there has been increased investor interest in women-focused investing across fixed income and public equities in the developed markets. This has led to a proliferation of new and innovative investment options for women at the local, national as well as the global level.[179] For instance, Advance Global Capital redesigned factoring – a form of working capital finance raised by selling invoices to third party, specifically for underserved, underfunded women entrepreneurs, wherein the lender pays the invoice and the business increases its working capital to expand further. Similarly, the newly launched Women Entrepreneurs Finance Initiative (We-Fi) aims to mobilize more than USD1 billion to help women start and grow their businesses, along with facilitating access to finance, markets, and networks.[180]

Also, the realization that equal participation of women in business leads to better returns has sparked investor interest in incorporating gender lens as one of the key metrics for evaluation of investment targets. Even donors have started to integrate impact metrics focusing on women beneficiaries to ensure effective utilization of funds, while ensuring that impact creation on women is the primary investment objective and not just one of the many outcomes of the investment. Women are thus, assuming a greater significance in determining the economic prosperity of emerging nations, which in turn has resulted in more evolved metrics for measuring the social and business impact from gender equality/ empowerment.

With growing interest in GLI and the number of stakeholders that are involved in this field, it is important to create guidance mechanisms that help investors and lenders in preparing themselves to be able to more effectively serve women entrepreneurs. For instance, the Gender Lens Investing toolkit developed by the Criterion Institute[181] guides investors in designing an investment strategy which takes into account the risks and opportunities potentially presented by gender dynamics in a standard investment cycle. Through a series of indicative questions, the tool provides a framework for investors to integrate a gender lens in their existing as well as future investment processes. It provides questions to guide investors in incorporating gender in the areas of development of an investment thesis, process, organizational practices, fundraising etc. The tool is aimed at various stakeholders, including foundations, women-focused funds and investors, across asset classes to create gender lens investing strategies. The SPRING Accelerator's Investor toolkit[182] has a focus on girls and young women; and guides support to gender enabling enterprises. The tool outlines the challenges faced by girls and women, along with the opportunities for investing in businesses that solve some of those challenges. The toolkit also guides investors on driving gender impact in their existing portfolio, along with identifying more businesses that impact women. The tool is relevant across all stages of the investment cycle - identification of potential opportunities, recognition of critical areas of intervention, planning of Human Centered Design, and investment implementation to create measurable impact on women and girls. It evaluates each parameter to assess the degree to which it is 'girl-specific' or 'girl-focused'. Additionally, the toolkit provides relevant examples and case studies to act as a guide to invest in such businesses.

[177] AFDB A2F report
[178] Micro, small and medium enterprise finance, improving access to finance for women-owned businesses in India, 2014
[179] 'Women, Wealth & Impact: Investing with a Gender Lens 2.0', Veris Wealth Partners, March 2015
[180] 'To build a brighter fu9ture, invest in women and girls', The World Bank, Jim Yong Kim, Aug 2018
[181] 'Designing a gender lens investing action plan: A Tool for Investment', Criterion Institute
[182] 'Investor toolkit with a focus on girls and young women', SPRING Accelerator, 2018

The UNCDF's Gender Self-assessment toolkit[183], developed with support from DFAT (Australian Aid), helps financiers review their existing gender approach. This tool is aimed at financial institutions to - assess their organization in order to boost institutional practices and policies; appraise their evaluation process for women clients; and assess suitability of their financial products, to undertake targeted outreach to potential women clients through gender-aware products and services. The tool comprises of 4 parts under which key gender metrics are evaluated:
(i) organization profile;
(ii) products/ services for women;
(iii) women's workforce participation and leadership and;
(iv) gender disaggregated data collection.
This tool thus, aims to guide financial institutions to make their sourcing and product development strategies more gender-inclusive. Developed by the UN Global Compact, the Women's Empowerment Principles Gender Gap Analysis Tool[184] helps organizations identify their strengths, existing gaps and opportunities to advance their performance on underlying gender equality metrics. The tool provides a set of questions/ parameters to help companies understand how to better integrate gender within their organization by setting goals and targets, benchmarking against peers and leveraging global gender equality resources. The 18 questions suggested by the tool evaluate women's empowerment on themes such as leadership, workplace, marketplace and community in the workplace. The tool is built on the UN standards and global benchmarks. The Women's World Banking Gender Performance Initiative[185] identifies gender performance indicators (tested in markets such as Latin America, Columbia, Uganda, and India) that help financial institutions assess their gender inclusiveness towards women clients and staff. The financial and social performance indicators outlined in the tool make a business case for serving women, and improving gender performance of financial institutions. The framework groups the indicators into 3 broad areas:
1) Client focus (outreach to women, understanding of their needs, product diversity, client satisfaction, etc.),
2) Institutional focus (gender diversity at work, staff promotion and retention by gender), and
3) Outcomes (economic improvement, family well-being, etc.).
The tool also provides direction for FIs to use gender disaggregated data.

7.1. Toolkit for Financial Institutions

Building on the existing guidance documents, a framework of questions that helps financial institutions become more aware of their level of preparedness for targeting women entrepreneurs is outlined below. This toolkit aims to guide financial institutions on factors that will improve their level of awareness about GLI, develop intent, and reorient operational aspects to ultimately channel more capital with a gender lens.

Table 6: Suggested framework of the Gender Lens Investing toolkit

GLI AWARENESS & INTENT RELATED		
What existing data and resources have you accessed to understand the landscape of women entrepreneurship in your geographies/sectors of operation?	What existing data and resources have you accessed to understand the impact of women's entrepreneurship on their economic and social empowerment?	What existing data and resources have you accessed to quantify the business opportunity from targeting women entrepreneurs?
What existing data and resources have you accessed to understand the unique and differentiated needs of women entrepreneurs?	What existing data and resources have you accessed to understand the repayment behavior of women entrepreneurs?	Do you currently maintain sex-disaggregated data about your portfolio?
Do you have a stated goal to target women entrepreneurs?	Does your marketing and communications material sufficiently articulate this goal? (if applicable)	What partnerships do you have in place that support this goal?

[183]'Gender Self-Assessment Toolkit for Financial Service Providers', Australian Aid, Aug 2019
[184]'Women's Empowerment Principles Gender Gap Analysis Tool', United Nations Global Compact, 2017
[185]'Gender Performance Indicators 2.0: How well are we serving women?', Women's World Banking, 2015

GLI AWARENESS & INTENT RELATED (contd.)

- Do you have explicit agreements with your partners (sourcing/due-diligence/funding/risk-sharing/guarantees) to further this goal?
- Have you conducted a gender audit of your company?
- Do you provide gender related training within your company?

RISK RELATED

- How do you segment women entrepreneurs?
- Do you have unique and differentiated metrics that you use to create the risk profile of women entrepreneurs?
- What are the factors that impact the perception of risk for women entrepreneurs?
- How can these factors be assessed for being data-driven vs. stemming from bias or lack of awareness?
- What processes can be established to strengthen the data and/or address the bias that impacts the perception of risk when serving women entrepreneurs?
- Do you have a gender disaggregated budget allocation for lending/ investing?
- Does the capital used to target women entrepreneurs need to be drawn from specific sources?
- What sources of capital can be used to target women entrepreneurs?
- Have you explored partnerships with sources of capital that have a mandate to target women entrepreneurs? Are you aware of such sources?

OPERATIONS RELATED

- Have you conducted any market research to identify sectors/geographies/stages of women entrepreneurship activity and their needs?
- How many women are there in your sales / lead-originating / sourcing teams?
- Do you provide gender-sensitization training to your sales / lead-originating / sourcing teams?
- Do you have any gender-related targets for your sales / lead-originating / sourcing teams?
- Does your due-diligence process factor in gender-related aspects during document collection, data capture etc.?
- Do you use any financial technology that allows you to better assess women entrepreneurs?
- What gender-related considerations have you included when designing products and services?
- Is your staff trained on gender biases and gender mainstreaming to enable them to develop offerings with a gender lens?
- Do you have any women involved in the design and development of various financial products & services?

OPERATIONS RELATED (contd.)

- Do you currently offer unsecured loans?
- Are you aware of all existing Government schemes that support women entrepreneurs? Are your offerings aligned to them?
- Do you have any customized structures for women entrepreneurs? Do you think they are needed?
- Do you map the types of movable and immovable assets possessed by women?
- Are there existing financing instruments that offer financing based on alternative asset classes?
- Do you provide flexibility in the product offering - such as ticket sizes, loan tenures, documentation requirements and interest rates?
- Do you review and conduct product-market fit assessments for your credit assessment and financial instrument products for women entrepreneurs?
- Do you analyze rejected applications to understand reasons for rejection, especially for women entrepreneurs?
- Have you assessed the change in number and share of women clients over the years? And the reasons for the change?
- Do you seek feedback from applicants regarding adequacy, affordability and accessibility of the loan products?

VALUE ADDED SERVICES RELATED

- What non-financial support do you provide to women entrepreneurs?
- What partnerships have you explored to provide such support?
- Do you mandate partners who provide non-financial support to have a gender-focus?
- How do you identify women entrepreneurs that you support?
- Do you measure the impact of your non-financial support programs to women entrepreneurs?
- Have you conducted market research to identify needs for non-financial support for women entrepreneurs?
- Do you include male family members of potential women investees in the investment process to bridge social biases? What kind of support or trainings are the male members offered?

POST DISBURSAL RELATED

How can you ensure that capital provided to women entrepreneurs is effectively being used by them and it fulfills their business needs?

Do you measure the percentage growth in business revenue/ profitability for women entrepreneurs as a result of capital deployment?

Do you have gender specific parameters for impact assessment of women entrepreneurs?

How can experience and learnings of existing women clients be leveraged to enable other women entrepreneurs to access finance?