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**NATIONAL INTERDISCIPLINARY CONFERENCE ON INDIA'S  
DEVELOPMENTAL CHALLENGES IN THE 21ST CENTURY**

**On Saturday 24th February 2018**



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**SADHANA EDUCATION SOCIETY'S**

**L.S. RAHEJA COLLEGE OF ARTS & COMMERCE**

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National Interdisciplinary conference on

# “India’s Developmental Challenges in the 21st Century”

24<sup>th</sup> February, 2018

Organised by Sadhana Education Society’s  
L.S Raheja College of Arts & Commerce, Santacruz (W)

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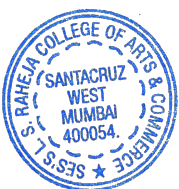
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**Sharayu Prakashan**

B-7/ 501, Vijay Park, Kasar vadavali, Ghodbunder Road, Thane (W) 400615,

Contact: Mob. 7506707761/ 9967357415, [Email-ashtikarecd@gmail.com](mailto:Email-ashtikarecd@gmail.com), /  
[Sharayu1954@gmail.com](mailto:Sharayu1954@gmail.com)/ [www.mngtguru.com](http://www.mngtguru.com)/[www.sharayuparkashan.com](http://www.sharayuparkashan.com)



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## Women Entrepreneurs in the Informal Economy: Overcoming the Barriers

Samya Shinde,  
Assistant Professor,  
Department of Sociology,  
L.S.Raheja College of Arts and Commerce, Mumbai.  
samya.shinde@lsraheja.org

### Abstract

*Growing informalisation of the Indian economy has increased the participation of women workers. However despite rapid economic advances gender segmentation in labour force participation and entrepreneurship defines Indian economy. Women entrepreneurs in the informal economy though self-employed are necessity entrepreneurs rather than opportunity entrepreneurs who engage in small businesses not out of choice but as a survival strategy due to lack of alternative income opportunities. Besides their contribution is unaccounted for and not given due recognition. The paper discusses the constraints and limitations of informal women entrepreneurs and suggests that formalising informal women entrepreneurs and improving entrepreneurship opportunities for them will help them progress from necessity entrepreneurs to opportunity entrepreneurs.*

**Keywords:** informal economy; entrepreneur; gender.

In the last few decades Indian economy through competitive reforms has been growing. However in spite of recent economic advances gender based segmentation and discrimination defines Indian economy where women have not been able to participate effectively. Gender disparities remain deep and persistent in India (World Bank 2012). The UN Gender Inequality Index ranks India 125 out of 159 countries in 2017 and the World Economic Forum ranks India 108 out of 144 countries in its Global Gender Gap Report (World Economic Forum 2017). Women constitute a bulk of the informal sector labour force. Their lack of access to education, training, business skills, poor economic assets, low access to technology and markets exacerbate their participation in the formal economy along with socio-cultural factors that restrict their mobility. Women entrepreneurs contribute substantially to economic growth and provide sustenance to the family but their contribution is largely invisible and unaccounted for either in official records or by the family. It is required that India's development path should improve the gender balance in labour force participation and entrepreneurship.

The word entrepreneur refers to a person who "owns, launches, manages, and assumes the risks of an economic venture" (Greve and Salaff 2003). Women entrepreneurship may be defined as "women achieving economic independency and generates employment opportunities to others by running an enterprise" (Rekhapriyadarshini et al 20: 23). Traditionally entrepreneurship has been looked as male dominated and the entrepreneurial efforts by women have remained largely unnoticed and unappreciated though their contribution is significant. Lack of recognition or attention, however, does not negate the significant contribution women's entrepreneurial efforts have had on wealth creation in economies around the globe (de Bruin, Brush and Welter 2006). Women entrepreneurs are found contributing to the global economy substantially in all countries (Bosma and Harding 2006). Global Entrepreneurship Monitor (GEM) project estimates that women constitute close to 30 percent of total entrepreneurs. The global entrepreneurship monitor report estimates that approximately 163 million women either started new businesses in 74 countries around the world with an estimated 111 million already with established businesses in 2016 ( Global Research Association 2017). Women



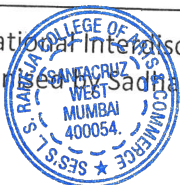
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account for approximately 10% of the total entrepreneurs in India (Barhate 2012). Women entrepreneurs are found in petty trade and commerce; light manufacturing that includes textiles, garments and as beauticians. Women-owned businesses tend to be informal, home-based and concentrated in the areas of small-scale entrepreneurship and traditional sectors, which primarily includes retail and service. Flexibility of operations help women balance the dual responsibility of childcare and engaging in economic activity. While working in a traditional sector requires less experience and lower start-up capital on the negative side these sectors also offer lower returns. Socio-cultural norms restrict mobility of women and therefore there is higher concentration of women informal entrepreneurs.

Female micro and small entrepreneurship has attracted attention of policy makers, businesses, international donors and NGO's in the recent past who recognise the potential of women to contribute to the economic growth. Increase in female labour force is associated with female empowerment. The income women earn help sustain families and also improve the bargaining power of women within the household thus empowering them. (Kabeer 2012). Microenterprises have been seen as having particular advantages for women: e.g. their flexibility and location in or near women's homes, ease of entry and links with the local markets.

In most of the developing countries the informal sector is expanding and women are overrepresented in the informal sector. Women are found participating in the informal sector economy by establishing micro enterprises to earn a living for themselves and sustain their families. Most of the women engaged in informal economy are subjected to insecurities and vulnerabilities such as street vending, self-employed women and home based workers who have to depend on various intermediaries. Women's enterprises are smaller in size in comparison to men and it is more difficult to organise them than male owned enterprises. Women find it difficult to start businesses or sustain them on a large scale due to socio-economic constraints as well as psychological factors that doubt women's capacity. Globalisation has further widened the gap between the opportunities available to women in comparison to men especially in the formal sector and one sees an increase in the participation of women in the informal sector where they are engaged in various petty trades such as hawking and working as home based workers. Women entrepreneurs are found in the informal sector undertaking activities such as papad making, pickle making, embroidery work, agarbati making, handicrafts etc. Women entrepreneurs face many constraints. These include lack of access to productive resources due to lack of access of property and employment opportunities; lack of skill and training opportunities; limited access to innovation and competitiveness enhancing services; limited access to forward and backward linkages and more concentration in low productive work due to lower levels of literacy and formal education and lack of access to markets as well as financial constraints. Lack of access to formal credit and capital during the start-up period for micro and small enterprises is often cited as a major barrier for inclusion of women as entrepreneurs. Formal financial institutions require collateral, is bureaucratic and time consuming that inhibits women from accessing these thus excluding them. Women then rely on informal sources of credit that is easy to access such as moneylenders, credit associations, relatives, subcontractors and suppliers.

Women entrepreneurs in the informal economy are essentially necessity entrepreneurs who take up the entrepreneurial activity due to lack of other job options. They operate mostly in the informal sector and lack legal protection. They are involved in low paid, menial, exploitative work in the absence of alternative means of livelihood (Chen et al. 2004; ILO 2002a). Opportunity



entrepreneurship implies freedom to exploit the opportunities available and usually involves highly educated women and are found in the formal sector.

Studies have been undertaken to explain why entrepreneurs operate in the informal economy across various countries (Chen 2001; Williams 2008; Gurtoo and Williams, 2009; Webb et al, 2009; Gurtoo and Williams, 2011; Williams et al., 2011; Williams et al., 2012; Webb et.al, 2014). In India, women in the informal sector venture opt for micro enterprises because of low investment (Pradeep 2013) and the structure of such enterprises places the entrepreneur in a critical position in the business operation (Capaldo et al., 2004). Reasons why women are necessity entrepreneurs is because of low educational skills, socio cultural factors , exclusion from formal sector employment and networks and lack of capital to start their own venture. The double burden of domestic work also limits their capability. They are unable to access markets and therefore they find it difficult to innovate and create novelty in products to compete in the market that also discriminates against women.

Mechanisms providing women with access to financial services in India can be classified as social programmes; intermediary programmes and parallel programmes. Social programmes are run by commercial banks that provide borrowers with incentive from government such as Integrated Rural Development Programme in India. However these commercial bank schemes have failed to attract poor women borrowers. Intermediary programmes are run by NGO's that link micro businesses to formal banking systems to meet specific needs of the female clients such as Self Employed Women's Association (SEWA) . SEWA opened up its own bank as women found it difficult to deal with elaborate banking procedures and attitudes of the male clerks. These poverty oriented development banks started as intermediary programmes later registering themselves as banks. Parallel programmes offer financial through non-bank institutions such as Working Women's Forum, India. These programmes are supported by donors and have succeeded in reaching women clients.

There are certain strategies that can be adopted to enable women entrepreneurs compete with entrepreneurs in the formal economy who are the opportunity entrepreneurs. In order to sustain business it is necessary to formalise entrepreneurship programmes for informal sector women and help them move from necessity entrepreneurship to opportunity entrepreneurship.

- Entrepreneurship programs should specifically target women. Development programmes aimed specifically towards women would benefit them as economic planning often excludes women both as participant in programme development and as beneficiaries. Association of women entrepreneurs should be supported and gender should be incorporated into entrepreneurship policy (Warnecke 2013: 17).
- Access to finance is often cited as a main constraint to the growth of female-owned enterprises. Microfinance loans can reduce financing gaps for women engaging as necessity entrepreneurs. In order to facilitate opportunity entrepreneurs rather than only microfinance one needs financial literacy and accounting so that loans can be used to their maximum potential. Therefore the requirement should be on the provision of sustainable access to financial services for women such as microfinance which requires support of government, civil society organisations and international donors. Providing women with sustainable access to microfinance as an alternative to formal banking system can help women entrepreneurs by targeting needy borrowers and enhance productivity. Women have become the preferred clients of microfinance institutions, as they tend to be better borrowers.
- Businesses involve complexities. Trade and business guidance should be provided to informal women entrepreneurs.
- Business network of informal women entrepreneurs are the immediate social network of family and friends who may not necessarily have entrepreneurial experience. Networks play an important



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role in helping entrepreneurs gain advice, form partnerships and secure financing. Recent research suggests that the networks used by women entrepreneurs tend to be smaller. Female entrepreneurs in developing countries rarely know other entrepreneurs in comparison to men. Formal business networking groups can help informal female entrepreneurs to develop new challenges and opportunities; discover new contacts and learn new business tools. Networking can also facilitate growth oriented business through innovation and idea sharing

- Community built services; cooperatives can help informal female entrepreneurs such as SEWA in India.
- ICT is a powerful tool to empower female entrepreneurs to move towards formalisation. E-commerce; access to distance learning programmes, use of mobile phones for business; use of mobile money can improve their access to financial services. ICT can be used for record keeping; accessing product; gaining market information thus facilitating business development and management.
- Inclusion of informal entrepreneurs within the global value chains.
- Facilitating ownership of business; improving property and land rights for women; social protection; health care and welfare measures by the state can help women entrepreneurs.

Patriarchal norms; barriers in participating in the formal economy and resource constraints such as lack of education, skills, finance and social networks push women to be workers or entrepreneurs in the informal economy. Policy makers should take steps to improve access for women to physical and human infrastructure; invest in education to encourage entry of women ventures into the formal economy. Inadequate access to resources affects women entrepreneurs more than men, because women often bear a larger share of the time and responsibility for household activities that restrict their time to invest in income generation. Geographical mobility; socio-cultural constraints and psychological factors inhibit women's participation in the labour force. India's future growth can be maximised by effectively utilising its workforce that includes both male and female.

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*S. Pawar*



*Pawar*