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An Analysis of Women Entrepreneurship in India

Current Profile, Future Landscape and Recommendations
for Policymakers and Implementing Partners

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EXECUTIVE SUMMARY

A women-owned enterprise is defined as 'an enterprise owned and controlled by a woman having a minimum financial interest of 51 per cent of the capital and giving at least 51 per cent of the employment generated in the enterprise to women'.

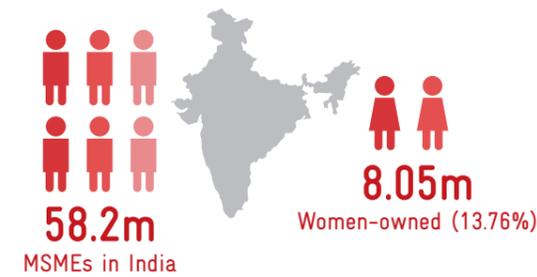
Boosting women's participation in employment and entrepreneurship in India has the potential to grow the country's GDP by \$ 0.7 trillion by 2025 (MGI, 2015) and simultaneously enhance levels of gender equality and women's economic empowerment. This is essential for sustainable economic development and poverty alleviation. Yet, while India's business environment is improving, (World Bank, 2018; OECD, 2017) the overall business environment for women-owned and/or led businesses in India is unsatisfactory. The country has comparatively low levels of women entrepreneurship, in a wider context of a declining female labour force participation rate. Consequently, there is a need to address business environment challenges facing women entrepreneurs. These constraints impact the size, scale and productivity of women's businesses, their level of formality and the sectors that they operate in, with implications for the country's inclusive growth and achievement of the Sustainable Development Goals (SDGs).

Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ) is implementing the project 'Economic Empowerment of Women Entrepreneurs and Start-ups by Women' on behalf of the German Ministry for Economic Cooperation and Development (BMZ) and in partnership with the Indian Ministry of Skill Development and Entrepreneurship (MoSDE), to promote aspiring and existing women entrepreneurs in India. Under the name of 'Her&Now', the project also implements a media campaign to tell the stories of successful women entrepreneurs and to foster a positive mindset change in society. In this framework, GIZ has conducted this study to: establish the current profile of and barriers facing women entrepreneurs; analyse promising sectors and regions across India for women-owned/led businesses; ascertain potential sectors that would generate income and employment for women entrepreneurs; and provide recommendations for policymakers and implementing partner interventions on women entrepreneurship.

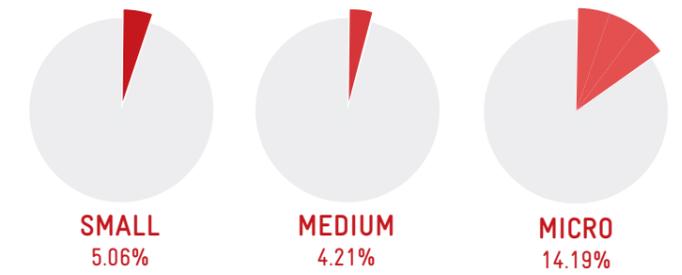
Current Profile of Women Entrepreneurship

Women-owned enterprises are small in number, concentrated in the micro segment or proprietary, and mainly informal. The number varies by data source and not all Micro, Small and Medium Enterprises (MSMEs) registered as women-owned are headed by women. Of the 58.5 million establishments in operation, the majority at almost 90 per cent are owned by proprietors, of which only 15.4 per cent are women. (MOSPI, 2016).

There are urban/rural differences in rates of women entrepreneurship, with more women-owned enterprises based in rural areas. Yet urban-based enterprises are more likely to be registered. This is due to a number of factors including mobility, education and access to technology challenges in particular faced by women.



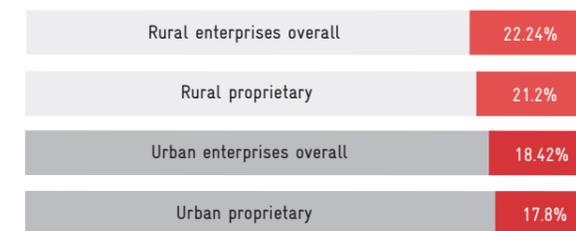
Proportion of women's enterprises of all MSMEs
Source: MOSPI, 2016



Proportion of women's enterprises of all MSMEs by size
Source: MOMSME, 2009

There is a variation in the distribution of women-owned enterprises across India at a state level. This suggests diversity in the enabling environments for women entrepreneurship. The largest share in number of establishments under women entrepreneurship are clustered in the southern states of India suggesting there is a more favourable environment for women entrepreneurship in the south of India.

However, with six out of the top ten states for women-owned proprietary enterprises clustered in Northeast India, the data suggests that Northeast India has a favourable enabling environment for women-owned enterprises to set up, although not scale. For example, Manipur has a rate of 80 per cent compared to female proprietorship at 20 per cent pan-India level (MOSPI, 2018).



Proportion of women-owned enterprises by geography
Source: MOSPI, 2016, 2019



Sector share of female headed proprietary enterprises
Source: MOSPI, 2018

Nationally, the proportion of female owners of proprietary enterprises is highest in the education and manufacturing sectors. These are pertinent sectors if policymakers and implementing partners aim to concentrate on women's economic participation interventions in sectors where women are currently engaged. Within manufacturing, women are concentrated in the handicrafts and handlooms sub-sector but they own less than a quarter of all businesses in the sector.

Women's Labour Force Participation

There are low and falling levels of women labour force participation (27.2 per cent) compared to males, with lower rates in urban areas (ILO, 2017). Current state-level employment trends indicate higher levels of women's workforce participation in Northeast India - six of the top ten states are from the region. There are diverse state-level gender contexts across India with implications for creating an enabling environment for women entrepreneurship.

The Femdex index points to where states stand on gender parity and the highest-ranking states by Femdex score are: Mizoram, Meghalaya, Kerala, Goa and Sikkim. Three of which are Northeastern states of India. (MGI, 2015).

Business Environment Constraints to Women Entrepreneurship

The term ‘business environment’ (BE) refers to the policy, legal, institutional, and regulatory conditions that govern business activities (DCED, 2016). Social norms interact with the BE resulting in different and more severe barriers for women entrepreneurship in the different dimensions of the BE. For example, 70 per cent of women report they would feel unsafe working away from home (Harvard Kennedy, 2016). These barriers are not static and may differ based on the gender context within different parts of India and social groups. These constraints may impact women entrepreneurs in different ways due to women’s heterogeneity as a population.

SOCIAL NORMS	<ul style="list-style-type: none"> • Mobility • Safety and violence against women • Unpaid care responsibilities and time poverty • Family support and social attitudes about women’s economic participation
ACCESS TO FINANCE	<ul style="list-style-type: none"> • Account ownership • Access to seed capital/early stage funding • Access to credit • Collateral requirements of financial institutions • Availability of alternative credit scoring and use of alternative forms of collateral • Awareness of collateral free/credit guarantee schemes • Awareness and application of simplified customer due diligence • The cost of financial services • Financial competence of women entrepreneurs • Investors and bankers gender, attitudes and bias • Investment pitching methodologies
BUSINESS REGISTRATION AND LICENSING	<ul style="list-style-type: none"> • Awareness of digital skills to navigate business registration and licensing
TAX POLICIES AND ADMINISTRATION	<ul style="list-style-type: none"> • Gender-gap in access to technology and digital skills to make tax payments online
LABOUR LAWS AND ADMINISTRATION	<ul style="list-style-type: none"> • Legal differences between women and men • Employer cost of maternity leave
LAND TITLES, REGISTRATION AND ADMINISTRATION	<ul style="list-style-type: none"> • Lower levels of ownership and inheritance of land and property assets to use as collateral
PUBLIC PRIVATE DIALOGUE	<ul style="list-style-type: none"> • Access to mentors and networks through business associations • Female participation in public private dialogue
ACCESS TO MARKET INFORMATION	<ul style="list-style-type: none"> • Gender gap in access to technology and market information • Awareness, time and cost barriers to participation in training schemes and accelerator programmes • Access to corporate value chains • Market linkage programmes targeting women

Table 1: Business environment constraints and related sub-constraints facing Indian women entrepreneurs.

Factors Shaping the Future Landscape of Women Entrepreneurship

The International Monetary Fund (IMF) World Economic Outlook projects economic growth in India to increase from 6.7 per cent in 2017 to 7.4 per cent in 2018 and 7.8 per cent in 2019 (IMF, 2018). Within this context, there are multiple factors that may indicate or shape the future landscape of women entrepreneurship at a state and sector level. An analysis of these factors can inform choices by policymakers and implementing partners of the states and sectors to direct their interventions.

STATE	SECTOR
Future employment requirement State level employment growth rates Development status Gender equality context Government’s geographic economic policy priorities and schemes Ministry’s geographic policy priorities Geographies with existing government economic support schemes	Growth sectors of employment Sector-wise GDP growth Foreign investor sector priorities Government’s economic policy priorities – sectors Partner ministry policy priorities – sectors Corporate procurement sector priorities for women entrepreneurship activities Government of India’s women entrepreneurship policy priorities Sectors with existing governmental support schemes.

Table 2: Influencing factors on the future landscape of women entrepreneurship in India

Recommendations for Policymaker and Implementing Partner Interventions – States and Sectors

It is recommended that the policymakers and implementing partners focus their interventions on the geographies and sectors set out in tables 3 and 4.

GEOGRAPHIC FOCUS OF INTERVENTIONS	RATIONALE
Northeastern Indian states: Assam, Nagaland, Manipur, Mizoram and Meghalaya	<ul style="list-style-type: none"> • Government and MSDE’s geographic priorities • High rate of employment growth in several of the states • High levels of proprietary enterprises and workforce participation rates in the region • Good gender equality context (excluding Assam)
North Indian states: Rajasthan, Himachal Pradesh and Uttar Pradesh	<ul style="list-style-type: none"> • Women’s workforce participation and female labour force participation rates • Level of proprietary establishments • Share of establishments under women entrepreneurship • Future human resource requirement
South Indian states: Kerala, Karnataka, Goa, Maharashtra, Telangana and/or Tamil Nadu	<ul style="list-style-type: none"> • High female workforce participation rate and entrepreneurship • Good rate of gender equality and development context, future human resource requirements

Table 2: Influencing factors on the future landscape of women entrepreneurship in India

SECTOR FOCUS OF INTERVENTIONS	RATIONALE
MANUFACTURING – SPECIFICALLY HANDICRAFTS/TEXTILES	<ul style="list-style-type: none"> • The proportion of female enterprise owners is highest • Women entrepreneurs are more likely to employ other women • Government priority sector • Significant number of women in this sector but disproportionately fewer of them are business owners and many of them are working in producer groups that could be scaled into formal MSMEs • An important future sector of employment for women entrepreneurs
RENEWABLE ENERGY	<ul style="list-style-type: none"> • Perceived high degree of participation of women • Driver for the future Indian economy • Government priority sector • Levels of engagement of women entrepreneurs in the last mile distribution of renewable energy solutions
EDUCATION	<ul style="list-style-type: none"> • Key sector where at a national level, the proportion of female enterprise owners is highest • Sector where women entrepreneurs are more likely to employ other women • Important sector for the Indian economy
INFRASTRUCTURE	<ul style="list-style-type: none"> • Driver for the future Indian economy • Presents social norms related barriers that restrict women’s economic participation and financial inclusion • Opportunity for innovation of gender-sensitive infrastructure
SOCIAL ENTREPRENEURSHIP	<ul style="list-style-type: none"> • Focus that cross-cuts the sector priorities, not least because of it being a priority of MSDE

Table 4: Recommended Sectors and rationale

In the interventions, it is recommended that policymakers and implementing partners:

- Recognise that the profile of the women entrepreneurs will have implications for the type and severity of the BE constraints faced.
- Consult with the target group of women entrepreneurs drawing on human centred design methodology, as an initial first step in its policy development and implementation activities to ascertain how specifically a particular barrier manifests itself with implications for their business.
- Address the social norms barriers related to mobility, women’s safety and unpaid care burden, as these cross-cut all the other barriers within the BE. They are relevant across states and sectors within India. Policymakers and implementing partners have the opportunity to address these through engagement at the micro, meso and macro levels.
- Work with women (and men) entrepreneurs in both the startup and scaling stage that have innovative businesses to address these social norms challenges.

- Account for social norms, challenges and seek to intentionally address them in the design of policy and implementing partner interventions for women entrepreneurs and others in the ecosystem, in particular the timing and methodology of activities including workshops, acknowledging the scale and severity of the barriers may differ depending on their profile.
- Address non-financial barriers related to access to finance in the enabling environment and on both the demand and supply sides for a range of financial product and service types.
- Raise awareness and influence norms related to multiple barriers and enablers to women entrepreneurship at different levels of the business environment, i.e. at a sector level as well as locally and nationally. For example, on the benefits of land and property registration to highlight the advantages in terms of their access to credit to establish and scale their businesses; on the business registration processes - an approach which has been successful by development partners in other geographies.
- Support interventions to increase women’s access to business associations for the sectors of focus of the project, at a state and national level.
- Facilitate women’s public-private dialogue related to the enabling environment for business.

IMPLEMENTING PARTNER INTERVENTIONS

- Conduct research to identify a profile of women entrepreneurs and their business constraints and enablers at a sector and state level based on the identified sectors and geographies for any project.
- Map the value chain for key sectors of focus for any interventions – ideally also at a state level and conduct research to understand women entrepreneurs’ level of participation, role and key barriers and enablers for their entrepreneurship within each stage of the value chain. This can inform more targeted interventions with women entrepreneurs within each sector.
- Establish an initiative to increase women’s participation in existing sector associations in the states of geographic focus, or if necessary set up a women’s chamber for the sector at a state level.
- Engage with the sector specific industry associations for sectors of focus to collect data on the participation of women as entrepreneurs within the sector if unavailable through other sources.

POLICYMAKER INTERVENTIONS

- Consult with civil society and women’s organisations familiar with local gender norms to identify the most appropriate media channels and messaging targeting women and girls as well as men and boys, to influence social norms related to women entrepreneurship.
- Form a coalition of advocacy partners with international, national and state level policy stakeholders to implement advocacy campaigns focused on messages to address existing barriers to women entrepreneurship in general and related to the specific sectors and geographies.
- Convene government ministries and related stakeholders to consult on the policy level constraints facing different profiles of women entrepreneurs.
- Engage with the regulator on specific data points related to women SMEs and data on their financial performance to build the case for investors to invest in women-led enterprises, for example, Non Performing Loan (NPL) data for SMEs by ownership.
- Integrate a focus on women into new state level entrepreneurship policies.
- Develop policy guidance for companies on procuring from women entrepreneurs.

INTRODUCTION AND CONTEXT

Women entrepreneurs in India have the potential to boost the country's economy and simultaneously enhance the level of gender equality and women's economic empowerment – essential for sustainable economic development and poverty alleviation.

This is in the context of the global commitment to achieve gender equality and empower all women and girls set out in UN SDG number five¹ and the UN's Call to Action for Gender Equality and Women's Economic Empowerment.²

India's economic growth is restricted by the current level of women's economic participation, despite the economy growing at an average rate of more than 7 per cent since 2012 and the country's share in global GDP being 3 per cent in 2016.³ The country faces comparatively low level of women entrepreneurship, in a wider context of a declining female labour force participation rate. At the last census of the 26.1 million MSMEs operating in India, only 13.85 per cent of those registered were women-owned.⁴ Moreover, while India's business environment is improving,^{5,6} the overall business environment for women-owned and/or led businesses in India is poor.

International economic institutions are calling for greater participation of women in employment and entrepreneurship to grow India's economy. The McKinsey Global Institute estimates that 68 million more women could be brought into India's workforce by 2025.⁷ In doing so, India could boost its GDP by \$ 0.7 trillion by 2025. The World Bank suggests the country's GDP growth rate would be over 9 per cent if more women participated in the workforce.⁸ Moreover, the IMF has called for India to urgently focus on 'broad-based and true inclusion of women in its economy'. Its research indicates that by raising women's participation in the workforce to the level of men, the Indian economy can be boosted by 27 per cent.^{9,10}

As such, there is a need to address business environment challenges, that are faced by women entrepreneurs. These constraints impact on the size, scale and productivity of women's businesses, their level of formality and the sectors they operate in, as well as have implications for the country's inclusive growth and achievement of the SDGs. In response, at a national level women entrepreneurship has emerged as a government policy priority within the nine-part entrepreneurship strategy in the National Policy on Skills Development.¹¹

In this framework, in August 2018 the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH commenced a 3-year, 4.5 million EUR project 'Economic Empowerment of Women Entrepreneurs and Start-ups by Women', in collaboration with the Indian Ministry of Skill Development and Entrepreneurship (MSDE). The project aims to improve the overall framework conditions for women-led businesses in India. To inform policymaking and implementing partner women entrepreneurship interventions, GIZ has undertaken this study to analyse promising sectors and regions across India for women-owned/led businesses.

Specifically, the study aims to establish the current profile of and barriers facing women entrepreneurs; analyse promising sectors and regions across India for women-owned/led businesses; ascertain sectors with high potential for income and employment generation for women entrepreneurs; and provide recommendations for policymakers and implementing partner interventions on women entrepreneurship.

This study is based on both a literature review and bilateral stakeholder consultation interviews with a range of India-based experts. Data from a number of government and international sources are used to analyse and understand the existing landscape of women-owned and led businesses and future economic trends. Care should be taken using the data presented. The data is not always comparable or timely, with a discrepancy between its collection date and publication. Additionally, in 2018 the Union Cabinet approved a new national definition of MSMEs.¹² It is important to note that a range of definitions and terms are used internationally to refer to women-owned, led or managed businesses. For the purposes of this report, the terms are used interchangeably depending on the data source.

¹ UN, 2015.

² UN, 2016.

³ ADB, 2017.

⁴ MoMSME, 2009.

⁵ World Bank, 2018. The World Bank's flagship Doing Business Report 2018 has commended the country's progress as one of 10 economies that improved the most in the areas measured by Doing Business.

⁶ OECD, 2017.

⁷ MGI, 2015.

⁸ Forbes, 2017.

⁹ Livemint, 2018.

¹⁰ IMF, 2015.

¹¹ Ministry of Skills Development and Entrepreneurship, 2015.

¹² MoMSE 2018.

CURRENT PROFILE AND LANDSCAPE OF WOMEN ENTREPRENEURSHIP AND EMPLOYMENT

The country's definition of women-owned enterprise is 'an enterprise owned and controlled by a woman having a minimum financial interest of 51 per cent of the capital and giving at least 51 per cent of the employment generated in the enterprise to women'.¹³

This chapter sets out the current profile of women employment and entrepreneurship in India with implications for recommended sectors and states for policymaker and implementing partner interventions. Specifically, it presents a background on the definition of MSMEs and women-owned MSMEs, and national data on their size, geographic distribution, and level of formality. In turn, it details the state level distribution of women-owned enterprises, including proprietary enterprises. Thereafter, it explores the sector breakdown of women entrepreneurship pan-India. It places this information in the context of women entrepreneurs' contribution towards employment and their motivations, as well as the female labour force participation rates at a pan India and state level. It concludes with providing recommendations on the sectors and states for focused interventions by policymakers and implementing partners. This overview draws on different data sources. Diverse inferences can be drawn regarding the concentration of women entrepreneurship at a sector and state level depending on the data point analysed, as such no indicator can be considered in isolation.

DEFINING WOMEN-OWNED ENTERPRISES

India defines MSMEs based on annual turnover and has a national definition of women-owned enterprises.

The country's definition of women-owned enterprise is 'an enterprise owned and controlled by a woman having a minimum financial interest of 51 per cent of the capital and giving at least 51 per cent of the employment generated in the enterprise to women'. All implementing partners are recommended to adopt the national definition or else provide an alternative international definition.

MICRO	SMALL	MEDIUM
Annual turnover does not exceed INR 5 crore	Annual turnover is more than INR 5 crore but does not exceed INR 75 crore	Annual turnover is more than INR 75 crore but does not exceed INR 250 crore

Table 1: Definition of MSMEs in India based on annual turnover
Source: MOMSME, 2018.¹⁴

PAN INDIA – WOMEN ENTREPRENEURSHIP PROFILE BY SIZE, GEOGRAPHY AND FORMALITY LEVEL

Women's enterprises are small in number, concentrated in the micro segment and mainly informal. There are significantly fewer women's enterprises than enterprises run by men. The sixth economic census 2013/14 suggest that 13.76 per cent of MSMEs are women-owned, a number of approximately 8.05 million, out of 58.5 million businesses.¹⁵ Of the 58.5 million establishments in operation, the majority at almost 90 per cent are owned by proprietors, of which only 15.4 per cent are owned by female.¹⁶ The World Bank enterprise survey data, an internationally comparative dataset, suggests that 10.7 per cent of MSMEs have female participation in ownership and only 2.8 percent have majority female ownership.¹⁷ There is evidence to suggest that not all MSMEs registered as women-owned are headed by women. In some instances, they may be registered in a women's name as a front for a male owner to access concessional loans and other fiscal benefits.¹⁸ This data suggests that if policymakers and implementing partners are mandated to work with a registered MSME, they must consider the documentation requirements that they will need to establish if the enterprise is formally registered and women-owned/led. Furthermore, it is necessary to consider defining an approach to ascertain if the enterprises are in reality controlled by women.

There are urban/rural differences in rates of women entrepreneurship, with more women-led enterprises based in rural areas.

Currently, there are more female enterprises in rural areas (22.24 per cent of all rural enterprises) compared to urban areas (18.42 per cent of all urban enterprises), according to the MoMSME annual report.¹⁹ As such, there is value for policymaker and implementing partner interventions to not only focus on working with women entrepreneurs in urban areas, but also those in rural areas who perhaps have no other option for employment.

Women-owned enterprises are mainly micro-sized or proprietary.²⁰

The fourth All India Census of MSMEs found that 98 per cent of women-owned enterprises in India were micro enterprises. Women's businesses comprised 14.19 per cent of micro businesses overall, 5.06 per cent of small businesses, and 4.21 per cent of medium businesses.²¹ This indicates that as the size of enterprise increases, women are less likely to own the enterprise. The National Sample Survey (NSS) Round 73 based on data from 2015/16 found that at the all-India level, 19.5 per cent of proprietary enterprises were headed by a female.²² Any policymaker and implementing partner interventions will need to consider: incentives and approaches to support micro level enterprises to scale; for enterprises to explore alternative ownership models beyond proprietary; and the barriers in the enabling environment and associated social norms that restrict women's enterprises to this ownership model and size.

¹³ Nirmala, S. 2014.

¹⁴ MoMSME, 2018.b.

¹⁵ MOSPI, 2016. See pg 105.

¹⁶ MOSPI 2016.

¹⁷ IFC 2014c.

¹⁸ D'Cruz, 2003.

¹⁹ MoMSME, 2018a. MOSPI, 2018. See pg 49.

²⁰ i.e. enterprises owned by a single household.

²¹ MoMSME, 2009.

²² MOSPI, 2018.

The majority of enterprises in the country, including women-owned enterprises, are informal.

The NSS Round 73 based on data from 2015/16 found that 95.98 per cent of unincorporated non-agricultural enterprises were proprietary of which 20.37 per cent of were female owned.²³ Any implementing partners need to consider whether they will work with informal and/or formal enterprises. Given the significant proportion of enterprises are informal, there is scope for implementing partners to explicitly support the process of formalisation for informal women enterprises. This is in a context where enterprise formalisation can confer productivity, safety and social protection benefits for business owners and their informal workers.²⁴

There are differences in rates of registration between rural and urban areas.

Urban-based enterprises are more likely to be registered than rural. The overall proportion of registered enterprises under survey coverage was higher in urban areas (41.4 per cent) compared to in rural areas (20.9 per cent) according to the NSS Survey Round 73 based on data from 2015/16.²⁵ This trend could be due to a number of factors including mobility, education and access to technology challenges in particular faced by women. The data suggests an implementing partner consideration is their willingness to work with informal/unregistered enterprises, regardless of whether rural or urban based and whether they will support enterprises to formalise.

STATE LEVEL DISTRIBUTION OF WOMEN-OWNED ENTERPRISES

There is variation in the distribution of women-owned enterprises across India at a state level, suggesting diversity in the enabling environments for women entrepreneurship.

Overall, the largest share in number of establishments under women entrepreneurship are clustered in the southern states of India, namely: Tamil Nadu (13.51 per cent), Kerala (11.35 per cent), and Andhra Pradesh (10.56 per cent)²⁶ (see Table 4 in annex). This suggests that there is a more favourable environment for women entrepreneurship in the South of India to set up their business.

The top four states with highest distribution of female owned proprietary establishments from both rural and urban areas are Manipur (80 per cent), Arunachal Pradesh (56 per cent) and Meghalaya (54 per cent) and Kerala (51 per cent). Six of the top ten States are from the Northeast of India.²⁷ (see Table 5 in Annex). There is a similar distribution when only the urban proprietary establishments are considered. The top three states with the highest distribution of female owned urban proprietary establishments are: Manipur, Meghalaya, and Nagaland, and overall six of the top ten are clustered in Northeast India (see Table 6 in Annex).

This data suggests that Northeast India has a favourable enabling environment for women-owned enterprises to set up an enterprise, however potentially there are factors that are restricting this entrepreneurship to the micro level and incentivising women to co-own the business with other business partners or adopt other ownership models. There could be a number of reasons explaining these, such as tax incentives for enterprise incorporation or a lack of access to information on the diverse models of business ownership. This may be worth exploring in more detail to understand any policy implications. Support may be required to scale proprietary enterprises as well as to promote information on the advantages and disadvantages of different forms of business ownership.

The data on the state-level distribution of women-owned enterprises suggests that a focus on the Northeastern region may be of value if implementing partners seek to start up new enterprises, given it is favourable for start-ups and there is a clear need for support of enterprises to scale. At the same time, a focus on the southern states could be beneficial given the higher numbers of women's enterprises overall in this region. Moreover, this data suggests that policymakers and implementing partner interventions may seek to focus on different ownership types of women-owned enterprises, in each of the geographies it focuses on because the predominant ownership profile may be different. At the same time, whether the women-owned enterprise is proprietary or has a different ownership model may result in diverse requirements of technical support to be provided by implementing partners. Further, policymakers and their partners should identify and be aware of enabling environment factors at a state level that may incentivise a specific ownership model or size of enterprise.

²³ MoMSME, 2018a and MOSPI, 2018.

²⁴ DCED, 2016.

²⁵ MOSPI, 2018.

²⁶ 6th Economic Census based on 2014 data. See pg 106, table 6.1 for full list.

²⁷ 6th economic census based on 2014 data. From men and women in India 2017. (pg 91)

SECTOR BREAKDOWN OF WOMEN-OWNED ENTERPRISES

Women entrepreneurship is concentrated in education and manufacturing.

At a national level, the proportion of female owners of proprietary enterprises is highest in the education and manufacturing sectors²⁸ (see Table 2 in annex). This suggests that these are pertinent sectors if policymakers and implementing partners aim to concentrate on women's economic participation interventions in sectors where women are currently engaged.

Women are concentrated in the handicrafts and handlooms sub sector but own less than a quarter of all businesses in the sector.

The majority at 96.59 per cent of the total number of handicraft/handloom establishments are owned by proprietors, of which 60 per cent of the proprietary establishments are located in rural areas. Out of the proprietary handicraft/handloom establishments, more than three quarters at 77.74 per cent are owned by males, 21.89 per cent by females and the rest 6,759 (0.37 per cent) by others.²⁹ This may be explained by women's economic activity within the sector being channeled through producer groups rather than proprietary enterprises or MSMEs. In this context, where there is scope to boost women entrepreneurship in a sector they are currently present, policymakers and implementing partners may wish to concentrate on the handloom and handicraft sector.³⁰ Given the current concentration of these women in producer groups, there is an opportunity for policy incentives and interventions to provide support for women to transition from producer groups to establish their own enterprise, as well as to scale existing proprietary or smaller enterprises in the sector.

Women entrepreneurs are more likely to employ other women particularly in the education, financial and insurance sectors and in manufacturing.

The sectors with the largest proportion of employment of women under female owners are: education, skills development, financial and insurance activities, and manufacturing.³¹ (See Table 3 in Annex). As a result, policymakers and implementing partners may wish to consider sectors of focus for the project where women are more likely to be employed by women entrepreneurs.

At a state level, there is variation in the main types of activity undertaken by women proprietary enterprises.

Based on the NSS Round 73, there were state-level differences in the levels of manufacturing, trading and service sector activities undertaken by proprietary enterprises headed by women. This suggests that it is necessary for policymakers and implementing partners to analyse on a state-by-state basis the sector profile of the activities undertaken by women entrepreneurs depending on their scope of interests.

WOMEN ENTREPRENEUR'S CONTRIBUTION TO EMPLOYMENT

Women-owned enterprises contribute to employment and are more likely to employ women, particularly those in the service sector.

Women-owned enterprises provide employment to 13.45 million persons. Average employment per establishment for women-owned establishments was found to be 1.67.³² Therefore, while women entrepreneurs generally employ more women³³, the employment creation is small.

Women entrepreneurs that employ workers operate mainly in the services sector, followed by manufacturing and trade.

Retail trade is the most important sector for both women and men, thereafter nearly half of women entrepreneurs with workers operate in wearing apparel, education, health, and other personal services (beauty treatment, hairdressing, cleaning of textile, household maintenance etc.) sectors, which are perceived to be traditional female sectors.³⁴

Better educated women entrepreneurs are more likely to employ others.

There is some evidence to suggest a strong and significant impact of education on the rate of women entrepreneurs with workers.³⁵ As such, implementing partners may choose to have education requirements for the women participating in their technical support interventions.

²⁸ Sixth Economic census 2014, Ministry of Statistics and Programme Implementation extracted from Ministry of Statistics and Programme Implementation (MOSPI). 2017. Women and Men in India-2017

²⁹ MOSPI, 2016. See pg 100.

³⁰ The 6th Economic Census has more detailed indicators and data related to the manufacturing of handloom and handicraft sector specifically.

³¹ MOSPI, 2017.

³² MOSPI, 2016. See pg 105

³³ World Bank, 2018b.

³⁴ OECD, 2015.

³⁵ OECD, 2015.

WOMEN'S LABOUR FORCE PARTICIPATION

Entrepreneurship is not always a choice, but a necessity.

The number of women entrepreneurs outside of agriculture doubled from 2005-2015, according to OECD analysis. However, this rise in women entrepreneurship is attributed to a lack of other employment opportunities (salaried) for women rather than the demand for entrepreneurship as an explicit employment choice.³⁶ This suggests that many women who become entrepreneurs do so out of necessity rather than aspiration and so implementing partners need to consider the motivations of the women engaged through their project activities.

There are low and falling levels of female labour force participation compared to men's, with lower rates of female participation in urban areas.

The ILO female labour force participation rate (LFPR)³⁷ is 27.2 per cent compared to male 78.8 per cent (ages 15 and older)³⁸ and falling, having dropped from 42.7 per cent in 2004-05.³⁹ More recent data cited by McKinsey's notes that India's female labour force participation rate is just 21 per cent in urban areas and 36 per cent in rural areas, compared with 76 per cent and 81 per cent, for men.⁴⁰ When comparing rural and urban labour-force participation rates, the rate for women is significantly lower than that of men in both urban and rural areas.⁴¹ Census data has revealed that there has been a continuing fall in labour force participation rate of women in both rural and urban areas.⁴²

The trend of declining labour force participation has been explained by a number of interacting factors underpinned by social norms. A reported observation is that as households become richer, there is a preference for women to stop working outside the home.⁴³ The World Bank describes this as 'the income effect'. It further notes that while girls are staying in school longer there is also a decline in participation among older women with high educational attainment due to the lack of part time jobs. In the 2011-12 NSS, three quarters of women cited a preference for part time jobs.⁴⁴ The IMF has also examined this trend in declining labour force participation and they highlight research that on the labour demand side, employment in sectors appropriate for educated women grew less than the supply of educated workers, leading to many women withdrawing from the labour force.⁴⁵

Any engagement with women in urban areas by implementing partners will benefit from taking steps to shift social norms that are contributing to women's declining labour force participation rate. This includes norms related to the acceptability of women working, and the flexibility women require regarding their caring and other household responsibilities.

³⁶ OECD, 2015.

³⁷ The labour force participation rate is a measure of the proportion of a country's working-age population that engages actively in the labour market, either by working or looking for work. It is calculated by expressing the number of persons in the labour force as a percentage of the working-age population. The labour force is the sum of the number of persons employed and the number of persons unemployed.

³⁸ UNDP, 2018.

³⁹ ILO, 2017.

⁴⁰ MGI, 2015.

⁴¹ MGI, 2015.

⁴² MSDE, 2015.

⁴³ The Economist, 2018.

⁴⁴ World Bank, 2018b.

⁴⁵ IMF, 2015.

STATE LEVEL WORKFORCE⁴⁶ AND LABOUR FORCE PARTICIPATION⁴⁷ RATE

Current state level employment trends indicate higher levels of women's workforce participation are clustered in Northeast India.

Based on 2011 data, state-wise workforce participation of women is highest generally in Northeast India compared to other states since six of the top ten states are from the region. Notably Rajasthan is in the top ten, despite the perception that there are prevailing gender norms that may be restrictive of women's economic participation⁴⁸ (see Table 8 in annex).

In recognition that there is diversity in levels of workforce participation between rural and urban areas, it is relevant to consider the state-wise urban workforce participation of females. This highlights higher levels of workforce participation by women from the Northeastern States.⁴⁹ (see Table 9 in annex) A similar concentration of Northeastern states is seen when considering urban female labour force participation (rather than workforce participation).⁵⁰ (see Table 10 in annex)

Currently, almost half of the total employment of both women and men comes from 5 states.⁵¹ Notably the states with the largest employment in India are largely absent from the states with the highest women's workforce. The states with the top rates of female workforce participation are: Himachal Pradesh (44.82 per cent); Nagaland (44.74 per cent); Chhattisgarh (39.7 per cent); Sikkim (39.57 per cent) and Manipur (38.56 per cent).⁵²

The same is true in terms of labour force participation. This suggests that those states with the larger populations and combined male/female employment levels generally provide a less favourable enabling environment for women's employment. Implementing partners may find that their engagement in states that have a more favourable environment for women's labour force participation provides a more enabling gender context for its interventions.

There are diverse state level gender contexts across India with implications for the enabling environment for women entrepreneurship

The gender equality context of different states in India can provide an indication of the existing (and future) enabling environment for women entrepreneurship. A multi-dimensional index can provide a more holistic and comparable picture between Indian states for this purpose. The McKinsey Global Institute Female Empowerment Index (Femdex) for India covers 10 gender equality indicators that are available at the state level. A Femdex score is assigned for each state with 1.00 indicating gender parity. The highest-ranking states by Femdex score are: Mizoram, Meghalaya, Kerala, Goa and Sikkim. Three of which are Northeastern states.⁵³

In summary, at national level women's employment and entrepreneurship has distinct characteristics but there is wide diversity of this profile at a state and sector level. This has implications for policymakers and implementing partner interventions, as the current profile indicates that there is a diversity in the enabling environments for employment and entrepreneurship at a state and sector level.

⁴⁶ The Work Force Participation Rate (WFPR) or Worker Population Ratio (WPR) is defined as the number of persons / person -days employed per thousand persons / person-days. See MOSPI, 2012.

⁴⁷ The labour force or "currently active population" comprises all persons who fulfil the requirements for inclusion among the employed or the unemployed as defined. LFPR is defined as the number of persons / person days in the labour force per 1000 persons / person days. See MOSPI, 2012.

⁴⁸ 2011 census data, office of the registrar general India. MOSPI 2014 report women and men in India chapter 4. Also cited in 2017 version of report. Table 4.1 pg 69.

⁴⁹ 2011 census data, office of the registrar general India. MOSPI 2014 report women and men in India chapter 4. Also cited in 2017 version of report. Table 4.1 pg 69.

⁵⁰ 2011 -12 data, Source: National Sample Survey Office, 68th Round, July 2011 - June 2012 MOSPI 2014 report women and men in India chapter 4. See table 4.7. Also cited in 2017 version of report. Table 4.7 pg 75.

⁵¹ MOSPI, 2016.

⁵² MOSPI, 2017.

⁵³ MGI, 2015.

BUSINESS ENVIRONMENT CONSTRAINTS TO WOMEN ENTREPRENEURSHIP

The term 'business environment' refers to the policy, legal, institutional, and regulatory conditions that govern business activities. There are various levels of the BE within a country i.e. the national, subnational or sectoral level.

This chapter seeks to explore the barriers and social norms facing women entrepreneurs, which contribute to shaping the current profile and in particular, sector landscape of women entrepreneurship pan-India and at a state level. It sets out the Donor Committee for Enterprise Development (DCED) conceptual framework for understanding constraints and enablers within the business environment (BE), as well as an overview of international evidence of the factors that have a direct and specific impact on women-owned and managed enterprises and the employment of women. In turn, it highlights the cross cutting social norms constraints that exist for women entrepreneurs in India related to multiple functions of the BE, as well as those related to specific BE functions.

To understand the BE constraints faced by women entrepreneurs in India, it is important to define the term 'business environment'.

The term BE refers to the policy, legal, institutional, and regulatory conditions that govern business activities.⁵⁴ There are various levels of the BE within a country i.e. the national, subnational or sectoral level. Moreover, the BE is comprised of three components:

- **POLICY AND LEGAL FRAMEWORK**
 - The policies, laws and regulations that affect business;
- **REGULATORY AND ADMINISTRATIVE FRAMEWORK**
 - The ways in which policies, laws and regulations are enforced and managed; and
- **INSTITUTIONAL ARRANGEMENTS**
 - The ways in which government and business represent themselves and communicate with each other e.g. through government agencies, regulatory authorities, and business membership organisations including businesswomen associations, civil society organisations, trade unions, etc.

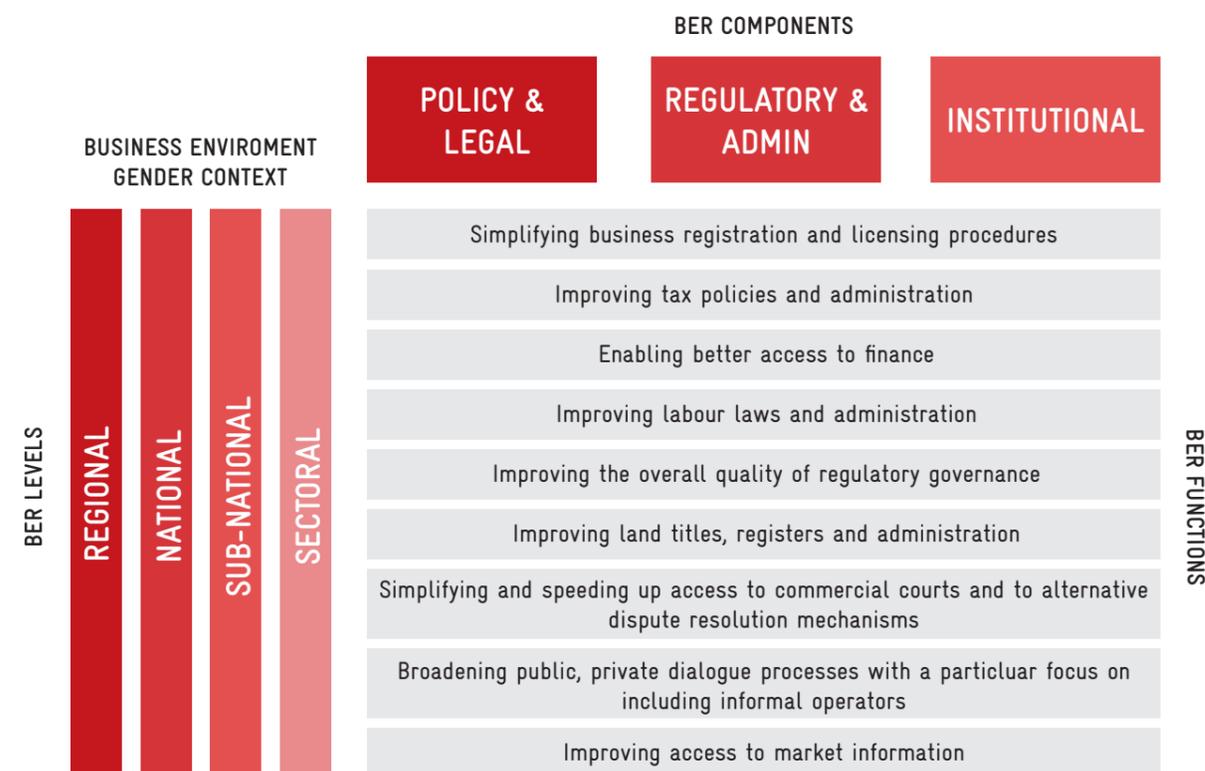


Figure 1: A conceptualisation of the Business Environment⁵⁵

The BE plays important functions in the economy and various factors that influence how these functions operate in practice impact business activity both negatively and positively. The DCED categorises these into nine functions (see figure 1).

Social norms interact with the BE resulting in different and more severe barriers for women entrepreneurship in the different dimensions of BE - these barriers are not static and may differ within different parts of India and social groups.

All MSMEs in India face constraints in the BE that impact their business activities, but women entrepreneurs can face additional gender-specific barriers, e.g. legal barriers related to working hours. They can also face greater vulnerability too and impacts of those constraints shared with MSMEs owned or led by men, e.g. access to capital and business networks, due to cross-cutting socio-cultural norms.⁵⁶ Social norms are socially constructed and differ from place-to-place, including within India. They can also change overtime. Hence, there may be different barriers (and enablers) to women entrepreneurship within one state of India, or among a specific group within a state or the country as a whole.

Barriers to women entrepreneurship can exist at: different levels within the country or at a sector level; within diverse components and related to different functions within the business environment. The severity of these barriers will be dependent on the local context within the country and women's individual characteristics. There is scope for policymakers and implementing partners to influence norms related to women entrepreneurship, through legal, regulatory, administrative and advocacy efforts, as well as to engage on influencing social norms at different levels of the BE, i.e. at a sector level as well as locally and nationally.⁵⁷

⁵⁵ DCED 2016.

⁵⁶ DCED, 2016; DCED, 2017c. OECD, 2015.

⁵⁷ DCED, 2016.

Constraints exist for women entrepreneurs in India related to multiple functions of the business environment, and stages of their enterprise development, with social norms having a cross-cutting influence.⁵⁸

The challenges faced by women entrepreneurs may differ based on the nature of their business, the socio-demographic background of women, and their geographical location.⁵⁹ Moreover, there is evidence to suggest that some of these barriers are more applicable during different stages of their enterprise development.⁶⁰ For instance, some constraints facing women entrepreneurs can be impediments to business development at one or more stages of their business life cycle: assessment, start-up, growth, maturity, and decline.⁶¹ For example, a study of the women entrepreneurship ecosystem in Bangalore found that 57 per cent of the challenges faced were more applicable to women, and that women face gendered risks at the startup phase of their enterprise.⁶² Policymakers and implementing partners have the scope to address a range of BE constraints through their interventions and will benefit from consulting with their target group of women entrepreneurs as an initial first step in any interventions to establish which are the most severe constraints.

Social norms related constraints facing women entrepreneurs (and employees) with implications for their choice, location of business and feasibility for work travel and participation in entrepreneurship schemes, stem from the gender context in India. These include, among others: mobility⁶³, safety and violence against women⁶⁴; unpaid care responsibilities and time poverty⁶⁵; and family support and social attitudes about women's economic participation.⁶⁶

Women entrepreneurs in India face a number of constraints to their entrepreneurship which relate to different functions of the business environment. Multiple of these constraints may be addressed through policy and implementing partner interventions.

THE CONSTRAINTS

INCLUDE:

- **ACCESS TO FINANCE⁶⁷** – These include: account ownership,⁶⁸ access to seed capital/early stage funding⁶⁹, access to credit⁷⁰, collateral requirements of financial institutions⁷¹, low availability of alternative credit scoring and use of alternative forms of collateral, awareness of collateral free/credit guarantee schemes, awareness and application of simplified customer due diligence in line with international standards on Anti Money Laundering/Counter Terrorist Financing (AML/CTF)⁷², the cost of financial services, financial competence, few women investors, investor and banker attitudes and bias, and investment pitching methodologies.
- **BUSINESS REGISTRATION AND LICENSING** – Awareness of digital skills to navigate business registration and licensing process.
- **TAX POLICIES AND ADMINISTRATION** – Specifically the gender gap in access to technology and digital skills to make tax payments online.
- **LABOUR LAWS AND ADMINISTRATION** – The legal differences between women and men which restrict women's economic participation as employees and business owners. See the India profile in Women Business and the Law 2018⁷³; and employer cost of maternity leave.
- **LAND TITLES, REGISTRATION AND ADMINISTRATION** – Lower levels of ownership and inheritance of land and property assets to use as collateral to access finance.
- **BROADENING PUBLIC PRIVATE DIALOGUE** – Access to mentors and networks through business associations and low female participation in public-private dialogue.
- **ACCESS TO MARKET INFORMATION** – Gender gap in access to technology and market information⁷⁴; awareness, time and cost barriers to participation in training schemes and accelerator programmes⁷⁵; access to corporate value chains/philanthropic focus of procurement from women entrepreneurs; and a lack of market linkage programmes targeting women entrepreneurs.

⁵⁸ A number of key constraints facing women entrepreneurs have been identified through the stakeholder consultation for this study, as well as in the literature reviewed. This builds on earlier GIZ research and consultation with women entrepreneurs on their barriers to entrepreneurship. An accelerator programme consultation of senior women leaders stakeholder workshop in 2014; Pre-Summit Workshop Sankalp Unconvention Summit 2014; and the bilateral interviews and literature review for the study Incubate, Invest, Impact – Building and investing in high impact enterprises that empower women and girls.

⁵⁹ Global Alliance for Clean Cookstoves, 2013.

⁶⁰ IFC, 2014b.

⁶¹ IFC, 2014b.

⁶² GIZ et al, 2013.

⁶³ Iahii, 2012; Sugaraj, JM., and Salve, PS. 2014. Government of India, 2011. India Spend, 2016. Harvard Kennedy School, 2016.

⁶⁴ Harvard Kennedy School, 2016. HBR, 2010. Saldanha, A. 2018; Save the Children, 2018. MGI, 2015. D'Cruz, 2003.

⁶⁵ Harvard Kennedy School, 2018. D'Cruz, 2003. Sugaraj, JM., and Salve, PS. 2014. ODI, 2016. The Economist, 2018.

⁶⁶ The Economist, 2018. MGI, 2015. Sinha, P. 2003. D'Cruz, 2003. Sugaraj, JM., and Salve, PS. 2014.

⁶⁷ Financial inclusion is broader than financial access alone. It refers to as individuals and businesses having access to and usage of quality financial services. UNCDF, 2018; DCED, 2017b. IFC, 2014a.

⁶⁸ Demirgüç-Kunt, et al. 2018.

⁶⁹ MOSPI, 2016. See pg 114.

⁷⁰ IFC, 2014a.

⁷¹ Sugaraj, JM., and Salve, PS. 2014. IFC, 2014a.

⁷² World Bank, 2018c. Financial institutions now only require a photograph and fingerprint or signature for individuals to open a restricted bank account if the holder applies within a year for Aadhar, a unique registration number issued by the national ID program.

⁷³ World Bank, 2018c.

⁷⁴ GIZ et al, 2013. Harvard Kennedy School, 2018. GSMA 2018

⁷⁵ GIZ, 2014.

These constraints may impact women entrepreneurs in different ways due to women's heterogeneity as a population.

It is increasingly being acknowledged that women are not a single, homogeneous population. In this context, the barriers to their entrepreneurship as well as risks and opportunities will vary based on their geography, ethnicity, class, community, country, migration or refugee status and life cycle stage.⁷⁶ Furthermore, gender intersects with other characteristics and so any gender discrimination or barriers faced can be compounded by their socioeconomic status, sexual orientation, gender identity, ethnicity, religion, disability, migration status, family responsibilities and age.⁷⁷ This reinforces the need for policymakers and implementing partners to conduct consultations with the women engaged in project activities to ascertain how specifically a particular barrier manifests itself with implications for their business.

There is international evidence on the drivers of women's economic empowerment which can be drawn on by policymakers and implementing partners.

There is a body of literature which highlights the multiple factors that can act as enablers for gender-transformative change to address these barriers to women entrepreneurship. For instance, the United Nations Secretary General's High-Level Panel on Women's Economic Empowerment has set out seven primary drivers of change towards women's economic empowerment and related recommendations to address systemic constraints facing women and persistent gaps in women's economic opportunities.⁷⁸ These drivers can be drawn on in the design of policy and implementing partner interventions.

FACTORS SHAPING THE FUTURE LANDSCAPE OF WOMEN ENTREPRENEURSHIP

The IMF World Economic Outlook projects economic growth in India to increase from 6.7 per cent in 2017 to 7.4 per cent in 2018 and 7.8 per cent in 2019.⁷⁹

In this wider economic context, this chapter analyses factors that may indicate or shape the future landscape of women entrepreneurship at a state and sector level. In turn, this chapter draws on this analysis to identify implications and recommendations to inform the selection of the states and sectors for policymaking and implementing partner interventions, in particular where there is high potential for income and employment generation for female entrepreneurs going forward.

THE FUTURE LANDSCAPE – STATE AND SECTOR LEVEL

There are multiple factors that may influence the future landscape of women entrepreneurship in India at a state level and sector level.

STATE LEVEL

Indicators such as the incremental human resources requirement⁸⁰ and potential incremental female workers⁸¹ can indicate the need for women's economic contribution as employees at a state level. For example, the states with the largest potential incremental female workers are: Andhra Pradesh, Gujarat, Karnataka, Maharashtra, Madhya Pradesh, Tamil Nadu, Telangana, Uttar Pradesh and West Bengal. If policymakers and implementing partners seek to focus on states that have the highest potential for employment generation based on need for human resources, then these states may be worth considering as part of the shortlist for interventions.

State level employment growth rates can indicate the context for job creation at a state level. As per the sixth economic census the states found to have the highest growth rate of employment from men and women combined are: Manipur, Assam and Uttar Pradesh.⁸²

⁷⁶ UN 2017.

⁷⁷ UN 2017.

⁷⁸ UN 2017.

⁷⁹ IMF, 2018.

⁸⁰ MSDE, 2015.

⁸¹ MGI, 2015.

⁸² MOSPI, 2016.

STATE	SECTOR
Future employment requirement	Ministry geographic policy priorities
State level employment growth rates	Geographies with existing government economic support schemes
Development status	Growth sectors of employment
Gender equality context	Sector for GDP growth
Government geographic economic policy priorities and schemes	Foreign investor sector priorities
Ministry geographic policy priorities	Government economic policy priorities – sectors
Geographies with existing government economic support schemes	Partner ministry policy priorities – sectors
	Corporate procurement sector priorities for women entrepreneurship activities
	Government of India's women entrepreneurship policy priorities
	Sectors with existing governmental support schemes.

Table 2: Influencing factors on the future landscape of women entrepreneurship in India

If policymakers and implementing partners seek to focus on states that have the highest potential for employment generation, those states that have experienced the highest recent levels of growth rates (although not the highest number of new jobs in absolute terms), then these states may be worth including on the shortlist.

The development status of states may influence the economic prospects and enabling environment for women entrepreneurs in the near future. There is a need for policymakers and implementing partners to consider whether they will focus on those states with higher or lower developmental status, or alternatively a mixture of both. It is recommended that the factor of the state's development status is not the primary factor for the decision on the states for any interventions. Nevertheless, those states with lower developmental status are likely to inform the government's geographic priorities. Since the government has a strong geographic focus on Northeast of India, it may be worth implementing partners considering Assam and Meghalaya as states with a lower developmental status.

The gender equality context of different states in India can provide an indication of the future enabling environment for women entrepreneurship. For example, the McKinsey Global Institute Femdex can be used to indicate the highest potential enabling environment for women's future entrepreneurship based on the favourability of the gender equality context. It may be of value to consider the gender equality context as a key factor to inform the selection of states for policy and implementing partner interventions: either states that have a favourable gender context for interventions or those with a more challenging context, or alternatively a mixture of both. It may be advisable to opt primarily for those states with more favourable enabling environment in terms of gender equality given that social norms change is usually a slow process.

The level of priority the Government overall places on a specific state or region in its economic plans in its 15-year vision, 7-year strategy and 3-year action agenda is an important dimension to consider. The Government of India's 15-year vision up to FY2031, developed by the country's policy think tank NITI Aayog, targets an 8 per cent annual average economic growth, which it hopes will lead to US\$7.5 trillion in GDP and a poverty rate below 5 per cent.⁸³ To achieve this vision, the Government has formulated a 7-year strategy (up to FY2023) and a 3-year action agenda (FY2017–FY2019).⁸⁴ Within this framework, the Government is targeting action to improve development outcomes in a number of key geographies within the country namely: Northeastern region, coastal areas & islands, North Himalayan states, desert and drought prone states. As part of this economic growth agenda, the Government has a key policy with a geographic focus namely, the Act East Policy, which aims to deepen economic partnerships with Southeast Asia. This means that the Government is actively pushing for greater investments in its Northeastern States. Consequently, there is a strong imperative for implementation partners to undertake interventions in the Northeast region in order to align with the Government's policy priorities. Such a strong government geographic policy focus may result in higher potential for income and employment generation. Nevertheless, this needs to be offset by the fact that the rationale for such a focus will be driven by other factors that may be restricting existing levels of income and employment generation.

The Ministry's geographic policy priorities are another important consideration and geographies with existing Government economic support schemes. For example, the MSDE published its National Policy on Skills Development in 2015 and incorporates a focus on women entrepreneurship within its policy priorities. A key objective of this framework is to promote entrepreneurship amongst women.⁸⁵ The policy has a geographic focus on regionally under-represented areas including large part of eastern and northeastern India in entrepreneurship programmes.⁸⁶ This is likely influenced by the Government's overarching geographic priority on the region. At the same time, states that have specific government support schemes for MSMEs may result in a more favourable enabling environment for women entrepreneurship. As part of this economic growth agenda, the Government has a number of key schemes which take a geographic focus that may also influence the future landscape of women entrepreneurship in the country. Given the government's geographic priorities it is pertinent to note that one such scheme is the Northeast Industrial Development Scheme (NEIDS): an INR 3000 crores by 2020 scheme to encourage MSMEs to set up in the Northeastern region. This may contribute to employment generation for women entrepreneurs in the region. Given the high levels of existing women entrepreneurship in the region at the proprietary level, it is likely to provide incentive for existing MSMEs from outside of the region to scale in the Northeast region.

⁸³ ADB, 2017.

⁸⁴ NITI Aayog, 2018; The Hindustan Times, 2018.

⁸⁵ MSDE, 2015.

⁸⁶ MSDE, 2015.

SECTOR LEVEL

There are multiple factors that may influence the future landscape of women entrepreneurship in India at a sector level. For example, the growth sectors of employment and the growth in contribution of specific sectors to the country's economy can provide an indication of the sectors where future jobs for women and men may be created. Gross Value Added (GVA) growth sectors for 2017/18 suggests a focus on a mixture of the energy, infrastructure and service sectors.⁸⁷

The Government of India's economic priorities and plans may or may not be aligned to other investors views on the country's future economic trends. As such, it is useful to consider the perspectives of international investors on the country's economic outlook. Investors have identified the following sectors as ones driving India's economic growth: infrastructure, financial services, automotive, healthcare and technology.⁸⁸ Given that infrastructure covers transportation and energy, there is some degree of overlap with the Government's sector priorities. As such, policymakers and implementing partners may choose infrastructure and technology as sectors of focus for interventions.

The level of priority the Government overall places on a specific sector is set out in its 15-year economic vision, 7-year strategy and 3-year action agenda. This may include sectors related to growth enablers. The Government has identified a series of growth enablers, which are thematic but relate to specific sectors which may be of importance to the country's economy in the near future.⁸⁹ These are: transport, digital connectivity, energy, science & technology, and innovation & entrepreneurship. Moreover, it has a specific focus on clean technology⁹⁰ and national targets related to increasing its capacity in renewable energy. This suggests a strong imperative for policy makers and implementing partners to consider a focus on the energy (and more broadly infrastructure sector) as a priority for interventions.

Various sectors are prioritised within the Government's vision, strategy and plan. These are: apparel, leather & footwear, electronics, food processing, gems & jewellery, tourism, finance, and real estate. It also has key initiatives that focus on manufacturing in general. These are: Make in India Initiative to boost manufacturing growth and achieve a 25 per cent share of GDP by 2022 by promoting manufacturing in 25 sectors of the economy; and the Skill India Initiative to align skilling efforts with the requirements of 25 key identified sectors of Make in India. Policymakers and implementing partners can consider a focus on these sectors where they overlap with high levels of existing women entrepreneurship.

In 2015, the MSDE published its National Policy on Skills Development which incorporates a focus on women entrepreneurship within its policy priorities. MSDE's policy highlights a focus on social enterprises⁹¹ which suggests that an implementing partner focus on social enterprises as well as mainstream enterprises in its project interventions. Social enterprises are typically focused in sectors that provide essential services related to health, education, water, financial services and energy to the poor.

A driver for future employment and entrepreneurship among women in India is sectors which are subject to a focus by companies on the integration of women entrepreneurs in corporate value chains. Some companies recognise that enhancing women's participation in their wider value chains can enlarge their producer and supplier diversity,⁹² stimulate market competition, better reach women customers and meet policies on supplier diversity. To ensure that there is a pipeline of women-owned businesses from which to procure, many larger companies are running programmes to support the development of women entrepreneurs. Additionally, since 2013 large corporates have been mandated by the Government of India passed to spend at least 2 per cent of their profits every year on corporate social responsibility (CSR).⁹³ Some of these companies are choosing to deploy their CSR funds on initiatives to support women entrepreneurship. As they do, this practice may be a driver for future employment and entrepreneurship among women in India. Policymakers and implementing partners can consider the sector focus of initiatives on responsible procurement through UN's Women's Empowerment Principles project on the theme. These include the handicraft/textile sector, the renewable energy sector (given the Government's commitments in this area) and the IT sector. International initiatives in India supporting women-owned enterprises currently focus on the handicraft and retail sectors.

Government of India's Women Entrepreneurship Policy priorities is a factor to consider in understanding future trends for women entrepreneurship. Since there are no set priorities for women entrepreneurship at a sector level in India, implementing partners are recommended to consider the generic sector priorities the Government has established, as well as sectors with existing governmental support schemes.

In summary, many factors may influence the future landscape of women entrepreneurship in India and indicators related to these factors can provide data that can be used to inform the choice of sectors and states for policymaking and implementing partner interventions. But these factors will need to be considered relative to each other, as well as alongside and overlaid with the current profile of women entrepreneurship and employment as set out in chapter two. It is suggested that the government policy on priority states is the primary factor when considering the choice of states based on the future landscape of women entrepreneurship. At the same time, the favorability of the gender equality context of the states is a key consideration. Implementing partners with short project durations have the option to select those states with more favourable enabling environment in terms of gender equality given that social norms change is usually a slow process. However, they are recommended to also include states with less favourable gender and development context, where they are government geographic priorities. Specifically, it is recommended that the northeastern states are a geographic focus. It is recommended that implementing partners primarily align their sector priorities for interventions with the Government's sector priorities, including the cross cutting growth enablers, which are thematic but relate to specific sectors. Moreover, that they also focus on sectors with high levels of human resource requirements.

⁸⁷ MOFAPP, 2018.

⁸⁸ <https://www.forbes.com/sites/oppenheimerfunds/2017/05/31/india-2020-5-sectors-driving-the-countrys-growth/#e5cc03f2faed>

⁸⁹ NITI Aayog, 2017.

⁹⁰ Cleantech in India not only refers to just generation of Renewable Energy but also covers Water and Waste Water Management, Electronic Waste disposal and Recycling. See: Towards a Cleaner India. The Current State of Cleantech industry in India and Opportunities for Swiss Startups and SMEs. (2015).

⁹¹ MSDE, 2015.

⁹² See the work of Unilever and Coca Cola among other MNCs.

⁹³ MCA, 2016.

POLICYMAKER AND IMPLEMENTING PARTNER RECOMMENDATIONS

Entrepreneurship is not always a choice, but a necessity in a wider context where there are low and falling levels of female labour force participation compared to men, with lower rates of female participation in urban areas.

This paper has set out a current profile of women entrepreneurship in India. It has highlighted that women-owned enterprises are small in number, concentrated in the micro and proprietary segment and mainly informal. Entrepreneurship is not always a choice, but a necessity in a wider context where there are low and falling levels of female labour force participation compared to men, with lower rates of female participation in urban areas. Government data suggests that at a sector level, women entrepreneurship is concentrated in education and manufacturing, and women are concentrated in the handicrafts and handlooms sub sector but own less than a quarter of all businesses in the sector. While at national level women employment and entrepreneurship has distinct characteristic, there is wide diversity of this profile at a state and sector level, with implications for policymaker and implementing partner interventions.

Given the binding constraints to entrepreneurship, this paper has highlighted that it may be preferable for policymakers and implementing partners to target interventions in the states with higher female workforce participation and entrepreneurship as these may provide a more favorable enabling environment for activities. Women entrepreneurs in India face a number of constraints to their entrepreneurship which relate to different functions of the business environment but also crucially cross-cutting social norms. Policymaker and implementing partner interventions have the scope to address multiple barriers to women entrepreneurship that are faced by different types of women entrepreneurs, but in particular, binding social norms related to mobility, women's safety and unpaid care burden, as these cross-cut all the other barriers within the business environment and are relevant across states and sectors within India. While social norms change is unlikely to occur during the course of short-term interventions, it is feasible to support business models that can catalyse change.

Looking forward, the traditional female sectors of textile and clothing, handicrafts and handlooms, and education were identified as sectors for future women entrepreneurship, as well as the less traditional 'female' sectors of (renewable) energy and infrastructure. In terms of states, it was highlighted that the government's geographic priorities are recommended as the key factor in determining the choice of states for implementing partner activities. However, the gender context is still a valuable indicator of future potential of women entrepreneurship.

The current landscape of women entrepreneurship and employment and factors indicating future patterns, can be used as criteria to inform the selection of the sectors and states for implementing partner interventions.

Based on the information gathered for this report, it is recommended that the shortlisted states for policymaker and implementing partner interventions include:

- **The Northeastern states (Assam, Nagaland, Manipur, Mizoram and Meghalaya)** - This is based on the government geographic priorities, the high rate of employment growth in several of the states, the high levels of proprietary enterprises and workforce participation rates in the region, as well as good gender equality context (excluding Assam).
- **The North Indian states (Rajasthan, Himachal Pradesh and Uttar Pradesh)** - This is based on Rajasthan's high level of women's workforce participation, Himachal Pradesh's female labour force participation rate and relatively high level of proprietary establishments, and Uttar Pradesh's percentage share of establishments under women entrepreneurship in the state, as well as future human resource requirement.
- **The South Indian states (Kerala, Karnataka, Goa, Maharashtra, Telangana and Tamil Nadu)** - This is based on the high levels of female workforce participation and entrepreneurship, and good gender equality and development context in these states, as well as future human resource requirements.

It is recommended that policymakers and implementing partners focus on one or more of the following sectors in the shortlisted states, noting that the profile of women entrepreneurs in each sector may be different in general and at a state level in terms of their education levels, geographic locations and business environment constraints and enablers:

- **Manufacturing – specifically handicrafts/textiles:** This is one of the key sectors where at a national level, the proportion of female enterprise owners is highest and these women entrepreneurs are more likely to employ other women. This broad sector is a priority of the government. Within the subsector of handicrafts and textiles, there are significant numbers of women in this sector but disproportionately fewer of them are business owners and many of them are working in producer groups that could be scaled into formal MSMEs. Further, it is seen as an important future sector of employment for women entrepreneurs.
- **Renewable energy:** There is a perceived high degree of participation of women in the renewable energy sector. It serves an important role as a driver for the future Indian economy, as well as being a priority for the Government given its targets for the sector. Notably, while the sector as a whole is not traditionally a large employer of women, there are significant levels of engagement of women entrepreneurs in the last mile distribution of renewable energy solutions in India.
- **Education:** This is one of the key sectors where at a national level, the proportion of female enterprise owners is highest, and these women entrepreneurs are more likely to employ other women. It is also an important sector for the Indian economy in the future.
- **Infrastructure:** This sector will play an important role as a driver for the future Indian economy but can also present social norms related barriers that restrict women's economic participation and financial inclusion. There is the opportunity for policymakers and implementing partners to take an innovative approach to interpret the definition of infrastructure through focusing on businesses in this sector that are seeking to ensure that infrastructure is gender-sensitive.
- **Social entrepreneurship** is not a sector itself but is recommended to be a focus that cross-cuts the sector priorities, not least because of it being a priority of MSDE.

RECOMMENDED POLICY AND IMPLEMENTATION PARTNER ACTIVITIES

In the interventions, it is recommended that policymakers and implementing partners:

- Recognise that the profile of the women entrepreneurs will have implications for the type and severity of the constraints faced.
- Consult with the target group of women entrepreneurs drawing on human-centred design methodology, as an initial first step in its policy development and implementation activities to ascertain how specifically a particular barrier manifests itself with implications for their business.
- Address the social norms barriers related to mobility, women's safety and unpaid care burden, as these cross-cut all the other barriers within BE. They are relevant across states and sectors within India. Policymakers and implementing partners have the opportunity to address these through engagement at the micro, meso and macro levels.
- Work with women (and men) entrepreneurs in both the startup and scaling stage that have innovative businesses to address these social norms challenges.
- Account for social norms challenges and seek to intentionally address them in the design of policy and implementing partner interventions for women entrepreneurs and others in the ecosystem, in particular the timing and methodology of activities including workshops, acknowledging the scale and severity of the barriers may differ depending on their profile.
- Address non-financial barriers related to access to finance in the enabling environment and on both the demand and supply-sides for a range of financial product and service types.
- Raise awareness and influence norms related to multiple barriers and enablers to women entrepreneurship at different levels of the business environment, i.e. at a sector level as well as locally and nationally. For example, on the benefits of land and property registration to highlight the advantages in terms of their access to credit to establish and scale their businesses; on the business registration processes - an approach which has been successful by development partners in other geographies.
- Support interventions to increase women's access to business associations for the sectors of focus of the project, at a state and national level.
- Facilitate women's public-private dialogue related to the enabling environment for business.

IMPLEMENTING PARTNER INTERVENTIONS

- Conduct research to identify profile of women entrepreneurs and their business constraints and enablers at a sector and state level based on the identified sectors and geographies for any project.
- Map the value chain for key sectors of focus for any interventions – ideally also at a state level and conduct research to understand women entrepreneurs' level of participation, role and key barriers and enablers for their entrepreneurship within each stage of the value chain. This can inform more targeted interventions with women entrepreneurs within each sector.
- Establish an initiative to increase women's participation in existing sector associations in the states of geographic focus or if necessary set up a women's chamber for the sector at a state level.
- Engage with the sector specific industry associations for sectors of focus to collect data on the participation of women as entrepreneurs within the sector if unavailable through other sources.

POLICYMAKER INTERVENTIONS

- Consult with civil society and women organisation familiar with local gender norms to identify the most appropriate media channels/messaging targeting women and girls as well as men and boys, to influence social norms related to women entrepreneurship.
- Form a coalition of advocacy partners including international, national and state level policy stakeholders to implement advocacy campaigns focused on messages to address existing barriers to women entrepreneurship in general and related to the specific sectors and geographies. This may include messaging to combat existing discriminatory social norms, barriers to women entrepreneurship and awareness raising. For example, the new and simplified tax regime, as well as the benefits to the women entrepreneurs of paying taxes and formalisation; the business registration processes; and government support schemes and how to access them.
- Convene government ministries and related stakeholders to consult on the policy level constraints facing different profiles of women entrepreneurs.
- Integrate a focus on women into new state level entrepreneurship policies.
- Develop policy guidance for companies on procuring from women entrepreneurs.

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ANNEX

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Table 1: National Women's Employment and Entrepreneurship Data Sources

SECTORS	% FEMALE OWNERS
Education	30%
Manufacturing	25%
Mining and Quarrying	21%
Financial and insurance activities	20%
Real Estate activities	20%
Other services not classified elsewhere	15%
Arts entertainment, sports and amusement and recreation	12%
Human Health and social work activities	11%
Electricity gas steam and air conditioning supply	11%
Accommodation and food service activities	10%

Table 2: Activity wise distribution of proprietary establishments by female owner: 2014

Source: Sixth Economic census 2014, Ministry of Statistics and Programme Implementation extracted from Ministry of Statistics and Programme Implementation (MOSPI), 2017. Women and Men in India-2017

SECTORS	%
Education/Skills development	23%
Financial and insurance activities	21%
Manufacturing	16%
Electricity gas steam and air conditioning supply	15%
Human health and social work activities	12%

Table 3: Proportion of employment of women under female owner by sector
Source: Sixth Economic census 2014, Ministry of Statistics and Programme Implementation extracted from Ministry of Statistics and Programme Implementation (MOSPI), 2017. Women and Men in India-2017. page 94.

STATE	% FEMALE OWNERS
Tamil Nadu	13.51%
Kerala	11.35%
Andhra Pradesh	10.56%
West Bengal	10.33%
Maharashtra	8.25%
Karnataka	6.78%
Gujarat	6.57%
Uttar Pradesh	5.99%
Telangana	4.43%
Odisha	3.1%

Table 4: Percentage share of establishments under women entrepreneurship
Source: Sixth Economic Census based on 2014 data. See page 106, Table 6.1 for full list.

STATE	%
Manipur	80%
Arunachal Pradesh	56%
Meghalaya	54%
Kerala	51%
Nagaland	44%
Himachal Pradesh	42%
Daman and Diu (UT)	41%
Sikkim	41%
Mizoram	39%
Goa	36%

Table 5: Top ten percentage distribution of female proprietary establishments (urban and rural combined)
Source: 6th economic census based on 2014 data. From men and women in India 2017. (pg 91)

STATE	%
Manipur	77%
Meghalaya	57%
Nagaland	56%
Daman and Diu	50%
Telangana	49%
Arunachal Pradesh	48%
Mizoram	45%
Kerala	43%
Lakshadweep	42%
Sikkim	34%

Table 6: Top ten percentage distribution of female owned urban propriety establishments
Source: Sixth economic census based on 2014 data. From men and women in India 2017. (page 91)

STATE	%
Telangana	37.3%
West Bengal	32.7%
Tamil Nadu	26%
Gujarat	24.9%
Andhra Pradesh	24.7%
Karnataka	24.45%
Kerala	20.8%
Jharkhand	19.6%
Maharashtra	16.8%
Punjab	15.3%

Table 7: Top ten percentage distribution of female proprietary establishments by major states only
Source: NSS Round 73 MOSPI, 2018.

STATE	%
Himachal Pradesh	44.82%
Nagaland	44.74%
Chhattisgarh	39.7%
Sikkim	39.57%
Manipur	38.56%
Andhra Pradesh	36.16%
Mizoram	36.16%
Arunachal Pradesh	35.44%
Rajasthan	35.12%
Meghalaya	32.67%

Table 8: State wise workforce participation rate female 2011

Source: 2011 census data, office of the registrar general India. MOSPI 2014 report women and men in India chapter 4. Also cited in 2017 version of report. Table 4.1 page 69.

STATE	%
Manipur	33.2%
Mizoram	31.1%
Nagaland	25.9%
Sikkim	24.8%
Meghalaya	23.6%
Tamil Nadu	21.8%
Goa	21.5%
Arunachal Pradesh	21.3%
Karnataka	20.8%
Himachal Pradesh	19.9%

Table 9: State wise workforce participation rate female urban 2011

Source: 2011 census data, office of the registrar general India. MOSPI 2014 report women and men in India chapter 4. Also cited in 2017 version of report. Table 4.1 page 69.

STATE	%
Sikkim	27.4%
Mizoram	26.7%
Tripura	26%
Chhattisgarh	25.2%
Andaman and Nicobar Islands union territory (UT)	24.8%
Himachal Pradesh	23.6%
Nagaland	22.4%
Kerala	22.2%
Meghalaya	21%
Manipur	20.4%

Table 10: State wise urban female labour force participation

Source: 2011 -12 data, Source: National Sample Survey Office, Round 68, July 2011 - June 2012 MOSPI 2014 report women and men in India chapter 4. See table 4.7. Also cited in 2017 version of report. Table 4.7 page 75.

SECTOR	PROJECTED EMPLOYMENT BY 2020 (MILLION)
Building construction and real estate	76.55%
Retail	55.95%
Transportation and logistics	28.4%
Textile and clothing	21.54%
Handlooms and handicrafts	17.79%
Education and skill development	17.31%
Auto and auto components	14.88%
Beauty and wellness	14.27%
Tourism, hospitality and travel	13.44%

Table 12: Government projections on employment by sector by 2022

Source: National Policy for Skill Development and Entrepreneurship 2015, Ministry of Skill Development and Entrepreneurship page 52-53.

SECTOR	INCREMENTAL HUMAN RESOURCE REQUIREMENT (2013-22) (MILLION)
Building construction and real estate	31.13%
Retail	17.35%
Transportation and logistics	11.65%
Beauty and wellness	10.06%
Furniture and furnishing	7.18%
Tourism, hospitality and travel	6.48%
Textile and clothing	6.31%
Handicrafts and handlooms	6.14%
Domestic help	4.88%

Table 13: Predicted incremental human resource requirement by sector

Source: National policy for skill development and entrepreneurship, 2015, Ministry of Skill Development and Entrepreneurship page 52-53.

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