



Financial Barriers Faced by Women Entrepreneurs in India: Trends and Solutions

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Introduction:

Women entrepreneurship has progressively become central to India's economic development narrative. With rising educational attainment, digital exposure, and policy focus, more women are entering the entrepreneurial ecosystem across micro, small, and high-growth sectors. However, their entrepreneurial journey remains severely constrained by financial barriers. While India hosts over 13.5–15 million women-led enterprises, nearly 80% operate at a micro or informal level, primarily due to restricted access to formal finance.

Financial constraints arise not only from economic factors but also from gender-specific disadvantages such as limited asset ownership, cultural norms restricting formal interaction with banks, and lower digital financial literacy. Although schemes like Mudra, Stand-Up India, Annapurna Yojana, and women-specific SHG credit mechanisms have improved the scenario, gaps remain in credit reach, loan size, repayment flexibility, and financial capacity-building. This study analytically explores these constraints, examines emerging solutions, and provides recommendations for policy and practice.

Objectives of the Study:

1. To identify the major financial challenges faced by women entrepreneurs in India.
2. To examine trends in access to credit for women-led enterprises across formal and informal channels.
3. To review existing government schemes, fintech solutions, and microfinance models supporting women entrepreneurs.
4. To assess the role of digital finance and financial literacy in enabling women's entrepreneurship.
5. To recommend policy and institutional measures to enhance financial inclusion for women entrepreneurs.

Research Gap:

Although several studies address gender and entrepreneurship, four major gaps persist:

1. **Fragmented focus on finance:** Existing research often discusses broad challenges but lacks in-depth analysis of financial barriers and their evolving digital context.
2. **Limited integration of fintech developments:** Few studies examine how digital lending, neobanking, and

fin-literacy platforms affect women entrepreneurs.

3. **Urban-centric analysis:** Rural and semi-urban entrepreneurial financing challenges remain understudied.
4. **Insufficient evaluation of policy outcomes:** Government schemes and SHG-based lending are discussed widely, but empirical evaluation of effectiveness is limited.

This paper attempts to fill these gaps by synthesizing conventional and emerging perspectives on women's entrepreneurial finance.

Methodology:

Research Design: Descriptive and analytical.

Data Sources:

- **Secondary Sources:** Reports from MSME Ministry, SIDBI, RBI, NITI Aayog; CMIE, NSSO, World Bank Gender Data; academic journals; UN Women reports; policy documents.

Data Analysis Techniques: Thematic content analysis, comparative review of credit schemes, policy-gap analysis.

Literature Review:

Financial Barriers in Women Entrepreneurship:

Brush et al. (2006) argue that women entrepreneurs face a "gendered ecosystem" shaped by male-dominated funding norms. Indian studies (Deshpande, 2019; IWWAGE, 2022) highlight collateral constraints, risk aversion among lenders, and limited credit history as key barriers.

Access to Formal and Informal Credit:

World Bank (2021) reports that only 9% of women-owned MSMEs have access to formal credit. Many rely on informal

borrowing, which often results in lower growth and higher vulnerability (Kabeer, 2018).

Role of Microfinance and SHGs:

NABARD's SHG-Bank linkage program has empowered women financially and socially. However, loan sizes remain small with limited scalability.

Impact of Digital Finance:

Fintech solutions like cash-flow-based lending have transformed access. BCG (2022) notes digital lending could unlock \$50 billion credit for women entrepreneurs by 2030.

Government Schemes and Policies:

Evaluations of schemes like Stand-Up India and Mudra show increased credit but persistent issues such as low awareness, documentation barriers, and limited disbursement.

Financial Literacy and Capacity:

OECD (2020) highlights financial literacy as a determinant of business survival. Lower digital and financial fluency restrict formal credit use (RBI, 2021).

Data Summary from Secondary Sources:

MSME Ministry (Government of India):

- India has **63 million MSMEs**, of which **20% are women-led enterprises**.
- Women-led MSMEs contribute **about 3.2% to India's GDP**, significantly below potential.
- Nearly **98% of women-owned businesses** operate in the micro sector.
- Major constraints noted: lack of formal credit, low asset ownership, and limited technology adoption.

SIDBI (Small Industries Development Bank of India):

- Only **10–12%** of formal credit flows to women-led MSMEs.
- Average loan ticket size for women is **30–40% lower** than men.
- SIDBI–Dalberg (2022) estimates a **credit gap of ₹1.37 lakh crore** for women entrepreneurs.
- Cash-flow based lending and digital underwriting can reduce approval time by **up to 60%**.

RBI (Reserve Bank of India):

- Women's share in total credit disbursed by banks is **less than 7%**.
- Over **53% of women borrowers** rely on informal credit sources.
- High rejection rate for first-time women borrowers due to thin credit history.
- Digital lending adoption among women grew by **67% between 2018–2023**, but rural penetration still low.

NITI Aayog:

- India can add **\$770 billion** to GDP by 2025 by bridging gender gaps in entrepreneurship.
- Women's labour force participation is **27%**, but entrepreneurship participation is only **13%**.
- Only **17% of startups** under Startup India are women-led.

CMIE (Centre for Monitoring Indian Economy):

- Female unemployment remains **twice as high** as male unemployment.
- Only **11–12% of women** who express entrepreneurial interest actually start an enterprise.

- Access to capital is cited as the **top barrier by 64%** of aspiring women entrepreneurs.

NSSO (National Sample Survey Office):

- 79% of women-led enterprises** are self-financed.
- Only **2% rely on institutional finance**.
- Women entrepreneurs mostly operate in retail trade, tailoring, food processing, beauty services, and small manufacturing.

World Bank – Gender Data (2021–2023):

- Only **9% of women-owned MSMEs** access formal loans.
- Women in India are **40% less likely** to have a bank account used for business.

Findings and Discussion:

- Collateral Ownership:** Only 20% of women own property, limiting secured loan options.
- Gender-Biased Lending:** Stereotypes create perceived risk around women borrowers.
- Digital Divide:** Lower digital adoption restricts fintech-led opportunities.
- Loan Size Limitations:** Most Mudra loans for women fall under Shishu category (<₹50,000).
- Dependence on Informal Borrowing:** Especially in rural regions.
- Fintech Opportunities:** Cash-flow metrics and alternative scoring help bridge gaps.
- Policy Weaknesses:** Awareness, mentoring, and administrative delays persist.

Recommendations:**Policy:**

- Simplify collateral-free lending norms.
- Strengthen credit guarantee schemes.
- Improve awareness and outreach of schemes.

Banks and Institutions:

- Conduct gender-sensitivity training.
- Use cash-flow-based and psychometric credit assessments.
- Increase loan size eligibility.

Fintech and Digital Inclusion:

- Expand digital literacy programs.
- Develop blended finance models with banks and fintechs.

Ecosystem Development:

- Support women-centric incubators.
- Offer combined mentoring and financial advisory.
- Build peer networks and market access platforms.

Conclusions:

Women entrepreneurs contribute significantly to inclusive economic development. Yet, persistent financial challenges hinder their progress. While digital innovations and policy schemes have improved access, systemic barriers remain. Eliminating gendered biases, strengthening digital literacy, and widening formal finance access are crucial for sustainable women-led entrepreneurship.