

Rural Women Entrepreneurs: Empowering a New India

Pankhuri Dutt

Over the years, the Government has taken active steps towards improving the literacy rates among women in the rural India. NITI Aayog's Women Entrepreneurship Platform (WEP) is one such digital initiative that aims to reduce the information asymmetry for women entrepreneurs. Launched in 2018, this online platform collaborates with public and private sector organizations and brings information on all women focused schemes, initiatives and programmes in one portal.

According to the Periodic Labour Force Survey, 2018-19, 59.7 percent of women in rural India are self-employed, 11 percent are regular wage or salary earners while 29.3 percent are casual workers. In comparison, 57.4 percent men in rural India are self employed, 14.2 percent are regular wage or salary earners and 28.3 percent are casual workers. While the share of nature of work among men and women in rural areas is not different, there is a huge difference in the type of self-employment between men and women. 84 percent of self-employed men in rural India are own account workers or employers while only 37 percent of women fall in this category. Most self-employed women in rural India (63 percent) work as helpers in household enterprises.

Among states, according to the PLFS survey, Jammu and Kashmir, Mizoram, Himachal Pradesh,

Rajasthan and Arunachal Pradesh had the highest share of self-employed female workers in rural India. In comparison, Chandigarh, Kerala, Bihar and Assam were some states with the lowest share of rural women who were self-employed. While Bihar and Chandigarh had a higher share of rural women who worked as casual labour, Assam and Kerala had more women who had regular wages and salary. States that had a higher share of agriculture gross state value add as a share of the state's GDP, were also associated with a higher share of self-employment that was indicated through a correlation coefficient of 0.30. While the nature of association was intuitive, the small magnitude of the correlation coefficient indicates that this association is not strong. The correlation between a state's per capita income with its share of self-employed women in rural area was found to be -0.25 percent. This means that states that had a



higher share of self-employed women are likely to have a lower per capita income relatively. While the direction of the association is expected given the informality and vulnerability associated with such jobs in the rural areas, the small magnitude of the correlation coefficient implies that this association is not strong. The negative association between the income per capita and self-employed women can also be noticed in the 30-day average wage of self-employed men and women in rural areas.

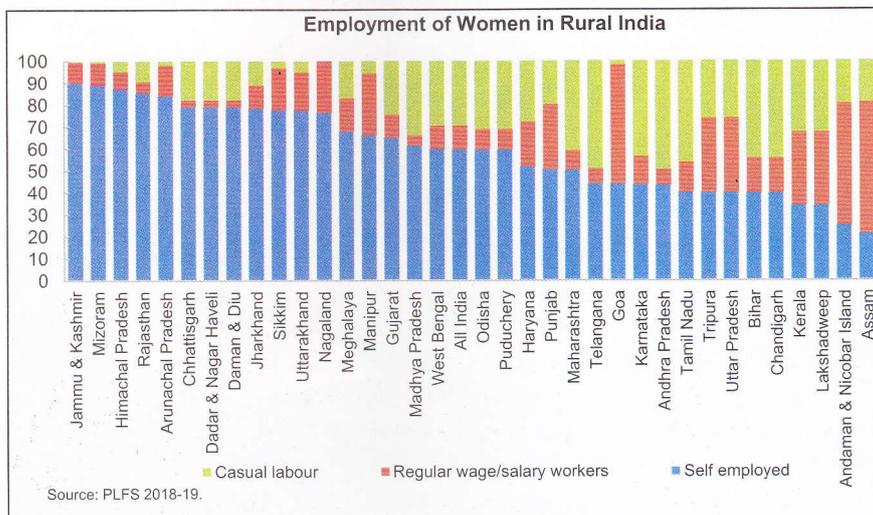
According to the numbers reported in the PLFS 2017-18 survey, self-employed women in rural areas earned the lowest wage among men and women from rural and urban areas. On an average, wages earned by self-employed urban men were 4 times that of self-employed rural women, those of self-employed men in rural areas was 2.5 times that of self-employed women in rural areas, while self-employed women in urban areas earned 1.7 the wages earned by self-employed women in rural areas. Moreover, between July 2017 and June 2018, while the wages earned by men in both rural and urban areas and females in urban areas increased, wages earned by self-employed females in rural area decreased. While men reported gross earnings of approximately Rs. 16,300 in a month in urban areas, women in rural areas reported gross earnings of approximately Rs. 3,900. The inequality in income could be because women, especially in rural areas, are expected to be the primary caregivers for children and older household members. Household chores like cooking, cleaning, and fetching water are also usually the primary responsibility of the women in rural areas.

This is reflected in the number of hours worked in a week by self-employed women in rural areas which is almost 19-21 hours less than urban self-employed males and 10-12 hours less than self-employed rural males. Self-employed women in urban areas worked on a couple of hours more than those in rural areas, indicating that like their rural counterparts, they are also expected to do the larger share of domestic chores.

In addition to the social conditioning where women are expected to be the primary care givers and do majority of the household chores, what are some impediments that limit a woman's participation and efficiency as an entrepreneur? These impediments range from poor education levels to lack of financial support to information asymmetry. Over the years, the government has taken active steps towards improving the literacy rates among women in rural India. Yet, there is a gender gap in the literacy rates of men and women in both urban and rural areas. As per the PLFS report, compared to the India's average literacy rate of 78.1 percent, only 65.7 percent women in rural areas above the age of seven were literate as of 2019. Moreover, improvement in literacy rates of women in rural areas, has not translated into a higher share of participation in the labour force.

Financial inclusion can help improve the economic prospects of female entrepreneurs in rural areas. Research suggests that improving access to banks has a positive impact on the poor and disadvantaged groups, can increase economic activity, and also savings. While conventional banking channels improved access to financial services in rural areas, lack of a universal, government

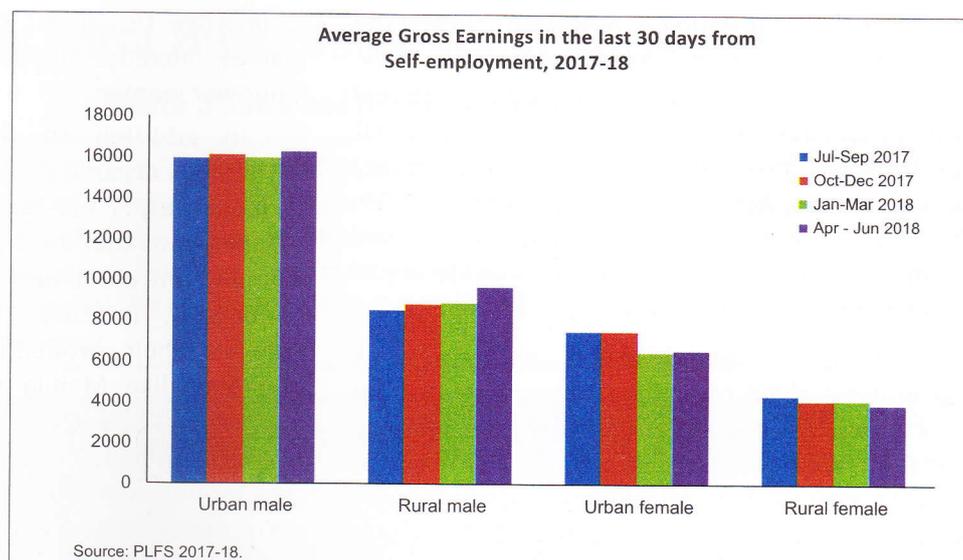
issued identity card and limited financial literacy limited financial inclusion of women. The government of India addressed these issues through a three-pronged approach, popularly known as the JAM Trinity – Jan Dhan Yojana, Aadhar Card and Mobile phones. While Aadhar gave every Indian a unique, 12-digit biometric, government authorised identification number, the Jan Dhan Yojana laid emphasis on the importance of women having their own individual bank



accounts. As on date, there are around 20 crore women who opened bank accounts under the Jan Dhan Yojana who also benefited from the Direct Benefit Transfer scheme of the government during the national lockdown. This not only helped women who wanted the privacy to operate their accounts but also greater autonomy over their finances and savings. This was especially necessary for women with their own

business, as evidence suggests that often microloans intended for women are often used up for their husband's business¹. These two were supplemented by the mobile network connectivity wherein India became a market known for some of the cheapest data rates in the world along with low-cost mobile phones and customised financial applications that could be used on both feature and smart phones. Women could now access bank accounts and conduct financial transactions from the safety of their homes and as per their convenience. Due to persistent efforts by the government and enabling market conditions, between 2014 and 2017, the gender gap in bank account ownership fell from 20 percentage points to 6 percentage points.

While the JAM trinity was instrumental in the proliferation of formal financial services, the government also supported women in rural areas with schemes that encouraged them to start independent ventures. A recent joint-publication from the World Bank, Better Than Cash Alliance, and Women World Bank cites the example of Romita Heisnam from Manipur², who was a loan beneficiary under the Prime Minister's Employment Generation Programme (PMEGP) and bought a powerloom with it to start her own business from her house. She needed the money to run her household along with the flexibility to work from home, and her own venture provided her the means to achieve these two goals. Under the scheme, she received a loan and a subsidy to buy a power loom. She now weaves fabric to sell in local markets and hopes to start a showroom someday. Along with business



skills, she learnt to use the ATM, save money in her bank account, and picked up prudent financial management skills to meet the fixed installment payments. The PMEGP scheme is implemented by the Khadi and Village Industries Commission (KVIC) as the nodal agency at the national level, state Khadi and Village Industries Board at state level, and District Industries Centers (DICs) and banks. The beneficiary gets the subsidy under the scheme through her bank into her account which in turn gets the subsidy from the KVIC. Women in rural fall under the special category of beneficiaries where they are expected to contribute only 5 percent of the project cost and get a subsidy at the rate of 35 percent. The balance amount of the total cost is given to the beneficiary as a loan from her bank.

To address the social issues regarding the financial dependence of the women, especially those in rural areas, the government launched the Sukanya Samridhi Account (Girl Child Prosperity Account) in 2015, which is a savings scheme to encourage parents to build a fund for the education and marriage expenses of their daughters. The scheme has the highest tax exemption, comes with sovereign guarantee, and can be opened at the nearest post office. This was done keeping in mind the reach of the postal services in rural areas. Earlier this year, the Finance Minister had announced provision of collateral free loans up to Rs. 20 lakh for women self-help groups to tackle hardships due to the lockdown. Another government scheme to support female entrepreneurs is Stand-Up India, launched in 2016. The scheme offers loans between Rs.10 lakh to Rs. 1

crore to women for setting up businesses outside the non-farm sector. To strengthen financial literacy, the Reserve Bank of India has also released the National Strategy for Financial Education (NSFE 2020-25) that acknowledges the need to improve financial literacy among women. According to their survey in 2019, they found that only 21 percent of women crossed the minimum threshold score on financial literacy as compared to 29 percent men.

Information asymmetry is another weak link in value chain of women entrepreneurs from rural areas. NITI Aayog's Women Entrepreneurship Platform (WEP) is one such digital initiative that aims to reduce the information asymmetry for women entrepreneurs. This online platform was launched on March 8, 2018. It collaborates with public and private sector organisations and brings information on all women focused schemes, initiatives and programmes in one portal. This scheme uses three pillars—*Iccha Shakti* to motivate inspiring women entrepreneurs to start new business; *Gyan Shakti* to provide knowledge and ecosystem support to foster budding entrepreneurs; and *Karma Shakti* to provide hands-on support in setting up and scaling businesses. In a nutshell, the platform provides information on funding and financial assistance, incubation and acceleration support, entrepreneurship mentorship, community networking and compliance and tax assistance among others. Data from 7000 users of WEP indicates that 90 percent of their registered users are in the ages group between 20 and 49 while almost 40 percent of its registered users are in their 30s. During the COVID-19 lockdown, WEP connected home based women workers with both raw material suppliers and potential buyers to produce and sell more than 1,00,000 masks that ensured a minimum income of Rs. 4,500 for each such worker during the lockdown period³. Currently, the platform is more popular with urban female entrepreneurs than rural ones and is adapting to the needs of rural entrepreneurs. A smaller sample of their data indicates that female entrepreneurs from Tier 3 cities are mostly engaged in agriculture-related businesses. In contrast, most women entrepreneurs from Tier 1 and Tier 2 cities were running education sector enterprises. *Mahila e-haat* is another government initiative for women entrepreneurs and self-help groups for showcasing their products that are made or manufactured by them on an online platform. This is a unique way

to improve the access of rural entrepreneurs to market, increase digital financial inclusion and empower women.

In addition to the several government initiatives discussed above, there are many cooperatives, not-for-profit and for-profit organisations that are trying to connect with rural women entrepreneurs to reduce information asymmetry, increase their market reach and improve their productivity. While government initiatives like *Mahila-e-haat* are essential and important, its reach is not as expansive as those of digital online e-commerce companies. The next step should be to educate and support rural women entrepreneurs to start selling their products directly on channels like Flipkart and Amazon that have a lot of traffic. This not only will support the rural entrepreneurs by giving them access to a much larger market but will also strengthen the call for *AatmaNirbhar India*. Schemes that incentivise businesses (like tax credits or exemption) that source their inputs or products from rural women entrepreneurs will help increase private sector participation that will in turn benefit women entrepreneurs. Research also suggests that women entrepreneurs feel more confident conducting business with female bankers. Currently, women make up only 22 percent of bank employees and 12 percent of microfinance institution employees. Numbers from the PLFS survey indicate clearly that female rural self-employed workers are among the most vulnerable among all entrepreneurs in terms of wages and nature of work. The need of the hour is now to channelise market forces so that they can leverage their true potential.

Footnote

- 1 Bernhardt, Arielle, Erica Field, Rohini Pande, and Natalia Rigol. 2017. "Household Matters: Revisiting the Returns to Capital Among Female Micro-Entrepreneurs." Working Paper 23358, National Bureau of Economic Research, Cambridge, Mass.
- 2 <https://www.gpfi.org/news/advancing-women-s-digital-financial-inclusion-0>
- 3 <https://niti.gov.in/documents/arth-niti>

(The author is Public Policy Consultant, NITI Aayog, Email: pankhuri.dutt@nic.in. Views expressed are personal)