Empowering Economies: The Rise and Impact of Women Entrepreneurship

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Abstract-Women entrepreneurship has emerged as a powerful catalyst for economic development and gender equality worldwide. This paper explores the evolution, challenges, and opportunities associated with women entrepreneurs. Drawing from global case studies and statistical data, the paper discusses the socio-economic impact of women-owned businesses, policy frameworks, financial inclusion, and cultural dynamics. The research highlights strategies to foster inclusive entrepreneurship ecosystems and emphasizes the importance of education, technology, and policy reform.

Keywords: Women entrepreneurship, financial inclusion, economic development, challenges

1. INTRODUCTION

Entrepreneurship is central to economic development, job creation, and innovation. In recent decades, the global business landscape has witnessed an increasing participation of women in entrepreneurial activities. Women entrepreneurship is no longer a marginal phenomenon; it has become a vital component of national economic growth strategies (Brush et al., 2006). Despite this progress, women entrepreneurs still face structural and socio-cultural barriers. This paper seeks to analyze the scope, trends, challenges, and opportunities for women in entrepreneurship & financial inclusion, while providing policy and practical recommendations. Women entrepreneurs in India increasingly contributed to the country's socio-economic development, fueled by rising education levels, supportive government policies, and increased access to credit and technology. Although challenges persisted, including gender bias, limited access to capital, and societal norms, and their impact on employment generation, GDP contribution, and innovation was significant. Women-led enterprises were instrumental in generating employment, especially in rural and semi-urban areas. According to the 6th Economic Census (2013-14), about 14% of the total entrepreneurship in India was driven by women, managing over 8 million enterprises, and employing nearly 13.5 million people (Ministry of Statistics and Programme Implementation, 2016). Women entrepreneurs become active consumers of financial services. They open bank accounts, apply for loans, and use e-bank and savings products. Their interaction with banks and microfinance institutions (MFIs) promotes formal financial engagement. As a result, more financial products are tailored to women's needs. Women entrepreneurship significantly contributes to financial inclusion by enabling access to credit, promoting savings behavior, and integrating women and their communities into the formal economy. However, unlocking its full potential requires addressing barriers such as financial illiteracy, gender norms, and digital exclusion. Holistic policies that integrate gender-sensitive finance, digital tools, capacity-building, and market access can help women entrepreneurs become catalysts of inclusive economic development.

2. HISTORICAL PERSPECTIVE OF FINANCIAL INCLUSION IN INDIA (1947–PRESENT)

Financial inclusion refers to the process of ensuring access to appropriate financial products and services at affordable cost, particularly to vulnerable groups such as weaker sections and low-income groups

2.1 Post-Independence Phase (1947–1969): Foundation of Institutional Banking

When India gained independence in 1947, its banking infrastructure was severely underdeveloped and urban-centric. Most Indians, especially in rural areas, had no access to formal financial services. The majority relied on informal sources like moneylenders, landlords, or indigenous bankers for credit, often at exorbitant interest rates. Institutional banking was viewed as an elitist service, primarily serving the colonial economy and urban business elites. Recognizing that an inclusive financial system was essential for planned economic development, the government and the Reserve Bank of India (RBI) began laying the foundation for a regulated, accessible, and development-oriented banking sector.

Key Steps:

- Setting up of RBI (1935, nationalized in 1949): Central regulatory authority to oversee banking operations.
- Formation of State Bank of India (SBI) in 1955: Merged with Imperial Bank to expand banking to rural India.
- Co-operative Banks: Strengthened to serve agriculture and rural credit

2.2 Nationalization Era (1969–1990): Expanding Reach

By the late 1960s, the Indian banking sector was under criticism for catering primarily to the urban elite and industrial houses. Despite independence and early banking reforms, only 22% of India's population had access to banking services, and rural credit was dominated by moneylenders. A substantial portion of the population, especially farmers, small businesses, and women, remained outside the formal financial system.The government recognized that inclusive growth required inclusive finance, and that commercial banks should play a key role in national development. This led to the nationalization of major commercial banks, shifting their focus from profit to social welfare.

Key Initiatives:

- Lead Bank Scheme (1969): Each district assigned to a bank for financial planning and development.
- Regional Rural Banks (RRBs) established (1975): To serve unbanked rural areas.
- Bank Branch Expansion: Branches in rural/semi-urban areas increased significantly — from ~8,000 (1969) to over 35,000 (1990).
- Priority Sector Lending (PSL): Banks mandated to allocate a portion of loans to agriculture, small industries, and weaker sections.

2.3 Post-Liberalization Phase (1991–2005): Financial Reforms

By 1990, India faced a severe balance of payments crisis, with dwindling foreign exchange reserves, high fiscal deficit, and sluggish economic growth. The financial sector — especially banking — was central to these reforms. The objective was to modernize, liberalize, and strengthen financial institutions, improve their efficiency, and make them globally competitive, while gradually moving towards a more inclusive financial system.

Key Initiatives:

- Kisan Credit Card (1998): For timely and short-term credit to farmers.
- Self-Help Group–Bank Linkage Programme (SHG–BLP): Introduced by NABARD in the early 1990s, expanded in 2000s to include women-led SHGs.

2.4 Inclusive Growth Focus (2005–2014): Policy-Driven Financial Inclusion

The period between 2005 and 2014 marked a strategic policy shift, where financial inclusion became an explicit goal of central banks, the government, and financial institutions. The aim was to integrate the excluded — particularly the poor, women, small farmers, and informal workers — into the formal financial system. RBI and government focused explicitly on "Financial Inclusion" as a policy goal.

Key Initiatives:

- RBI urged banks to open "No-Frills Accounts" (now called Basic Savings Bank Deposit Accounts - BSBDA)in 2005.
- Business Correspondent (BC) Model (2006): Allowed banks to use agents in remote areas.
- Financial Literacy and Credit Counselling Centres (FLCCs) established to promote awareness.
- All districts were assigned to banks for opening accounts under Swabhimaan Scheme (2011).

- Unique Identification (Aadhaar): Launched in 2009, it later became a critical tool for identity verification in banking

3. WOMEN ENTREPRENEURSHIP: A CATALYST FOR FINANCIAL INCLUSION

Women entrepreneurship is increasingly recognized as a powerful engine for economic growth, poverty reduction, and social inclusion. In developing countries like India, it holds the transformative potential not only to empower women economically but also to drive financial inclusion — the process of ensuring access to affordable financial services to the underserved. By starting and operating businesses, women engage with formal financial systems, generate employment, and promote financial literacy within communities. This section explores how women entrepreneurship serves as a catalyst for financial inclusion,

3.1 Enhancing Access to Financial Services

Women entrepreneurs, particularly those in rural India, often initiate enterprises through microfinance, self-help groups (SHGs), and cooperative models. These enterprises establish a direct link between women and formal financial institutions.. According to NABARD (2015), over 7.4 million SHGs were linked with banks under the SHG-Bank Linkage Programme (SBLP) by 2016, covering more than 86 million households—most of them led by women. Entrepreneurial activities by women encouraged both demand and supply of financial services. As women opened bank accounts for business transactions and accessed credit, they pulled family members and community stakeholders into the formal economy, fostering a culture of savings and responsible borrowing.

3.2 Role of Microfinance Institutions (MFIs)

Microfinance played a pivotal role during this period in supporting women entrepreneurs. MFIs such as SKS Microfinance, Bandhan (which later became a bank), and Ujjivan provided small loans to women-led businesses without collateral. The success of these ventures proved that women are reliable borrowers. As per NABARD (2016) reports show repayment rates exceeding 95% for women borrowers.These loans enabled women to run tailoring units, dairy farms, food processing businesses, and small retail outlets. The financial footprint created by these activities led to credit histories and banking relationships that improved long-term financial inclusion.

3.3 Employment Generation and Economic Independence

According to the 6th Economic Census (2013-14), women comprised about 14% of total entrepreneurs in India, running 8.05 million establishments and employing around 13.5 million people. These businesses were largely micro or small-scale but contributed significantly to local employment, especially in sectors such as textiles, food processing, and handicrafts. By generating employment, women entrepreneurs indirectly promoted financial inclusion. Employees of women-led enterprises, often from the same community or underserved groups, also became part of the formal economy through wage payments into bank accounts, provident fund enrollments, and insurance access.

3.4 Promoting Digital and Technological Inclusion

During the period (2014–2017), government initiatives like Digital India (2015) and Jan Dhan Yojana (2014) were launched to digitize banking and promote access. Women entrepreneurs were early adopters of mobile-based platforms such as Paytm, BHIM, and e-wallets to expand their businesses. The launch of Mahila E-Haat in 2016, a government-run online marketing platform, and enabled women entrepreneurs to showcase and sell their products digitally. This helped integrate rural women entrepreneurs into the digital economy and promoted their use of digital banking services, contributing to a broader culture of financial inclusion.

3.5 Social Empowerment and Community Role Modeling

Women entrepreneurs often reinvest earnings in their households and communities—improving education, health, and nutrition. Their financial empowerment changes household attitudes toward banking and credit. As role models, they influence other women to step into formal economic roles. Research by Sharma and Gounder (2012) shows that when women gain control over income, families are more likely to engage in formal savings and access banking services. Women entrepreneurs thus become conduits for community-level inclusion, not just individual beneficiaries.

4. CHALLENGES OF WOMEN ENTREPRENEURSHIP IN INDIA FOR FINANCIAL INCLUSION

Women entrepreneurs play a vital role in expanding financial inclusion in India. However, during the 2010–2017 period, various structural, institutional, and socio-cultural challenges limited their potential. Despite supportive government schemes and microfinance models, women entrepreneurs continued to face unique hurdles that restricted their participation in the formal financial system and their ability to act as agents of inclusion.

4.1 Limited Access to Credit and Collateral

One of the most significant barriers was the lack of access to formal credit due to absence of collateral, such as land or property. Since property in India is largely owned by men, women often found it difficult to meet the eligibility criteria for bank loans. IFC (2014) highlighted that nearly 70% of women-owned businesses in India had limited or no access to institutional finance, relying instead on informal credit or microfinance.

4.2 Low Financial Literacy and Awareness

Many women entrepreneurs, especially in rural and semi-urban areas, lacked the knowledge to manage finances, read loan documents, or understand interest rates, insurance, and digital tools. According to NABARD (2016), financial literacy rates among rural women entrepreneurs remained low, limiting their ability to make informed financial decisions. This lack of knowledge also resulted in dependency on middlemen or family members, reducing women's financial autonomy and increasing the risk of exploitation.

4.3 Social and Cultural Constraints

Gender norms and patriarchal mindsets restricted women's mobility, autonomy, and exposure to markets or training opportunities. Many women were expected to prioritize domestic duties over business. FICCI (2014) noted that cultural resistance to women working outside the home was a key constraint in expanding women's enterprises, particularly in conservative rural regions. Women who started businesses were often not taken seriously by male-dominated business ecosystems and struggled to establish supplier or customer networks.

4.4 Informality and Small Scale of Businesses

Most women-led enterprises during this period were informal and unregistered, operating in the micro or subsistence sector (e.g., tailoring, food stalls, handicrafts), which limited their access to government schemes or bank financing. The 6th Economic Census (2013-14) revealed that around 79% of women-owned businesses operated without hired workers and were home-based, which hindered growth potential and formal financial linkages. The absence of PAN, GST, or business licenses disqualified them from availing credit under formal schemes like MUDRA or Stand-Up India.

4.5 Digital Divide and Technological Barriers

The digital literacy gap between men and women was another barrier to financial inclusion through entrepreneurship. Women lagged behind in mobile phone ownership, internet access, and usage of digital platforms like UPI or mobile banking. According to a GSMA (2015) report, women in India were 36% less likely to own a mobile phone than men and less likely to use mobile internet, which impacted their ability to leverage digital financial tools.

Lack of digital familiarity restricted their participation in online marketplaces like Mahila E-Haat or access to financial services through mobile apps.

4.6 Gender Bias in Financial Institutions

Despite RBI guidelines promoting gender-neutral lending, implicit gender biases often influenced credit decisions. Research by Deshpande and Sharma (2013) found that bank officers perceived male clients as more creditworthy, even when women had similar or better repayment records through SHGs or MFIs. Women had to over-explain their business plans, and many reported uncomfortable interactions during bank visits.

4.7 Lack of Training and Skill Development

While entrepreneurship schemes existed, few were tailored to the specific needs of women. Vocational and managerial training remained inaccessible or irrelevant for many women, especially in rural areas.Ministry of Skill Development and Entrepreneurship (MSDE) reported that less than 30% of beneficiaries of formal skill programs were women during this period.Entrepreneurship development programs (EDPs) often lacked childcare support, flexible schedules, or rural outreach, excluding potential women entrepreneurs.

4.8 Inadequate Implementation of Support Schemes

Despite the launch of several government schemes between 2010 and 2017, ground-level implementation often fell short due to bureaucratic inefficiency, lack of coordination, and poor targeting. Schemes like Stand-Up India (2016) aimed at giving loans of ₹10 lakh and above, but uptake was minimal due to strict eligibility norms and lack of awareness among women.

5. CONCLUSION

Between 2010 and 2017, women entrepreneurship in India held great promise for advancing financial inclusion. However, systemic challenges related to gender inequality, limited financial and digital literacy, weak institutional support, and socio-cultural barriers hindered women's ability to act as true financial inclusion agents.

Removing these barriers requires holistic and gender-sensitive policies, stronger outreach of digital tools and credit schemes, localized training programs, and sensitization of financial institutions. Only when women are empowered with knowledge, capital, and market access can they fully participate in and drive inclusive financial growth.

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