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Sizeable financing gap for women entrepreneurs in India: IFC

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AHMEDABAD: IFC, a member of the World Bank Group, has released a study that finds financial institutions meet only 27% of the financing demand of women-owned micro, small and medium enterprises in India.

The study titled Micro, Small, and Medium Enterprise Finance: Improving Access to Finance for Women-owned Businesses in India, undertaken by IFC in partnership with the government of Japan, estimates that of the total financing demand of $158 billion (Indian rupees 8.68 trillion) for women-owned businesses, formal sources are able to channel only $42 billion (Indian rupees 2.31 trillion). This leaves a significant gap of $116 billion (Indian rupees 6.42 trillion) that financial institutions can meet through products and services tailored for women entrepreneurs.

There are an estimated 3 million women-owned enterprises across industries, representing about 10 percent of all micro, small, and medium enterprises in India and employing over 8 million people. The study notes that there is sound empirical evidence, particularly from developed economies, that women borrowers have stronger repayment history and present greater potential for cross sales compared to male entrepreneurs, making them roughly twice as profitable for banks as a consumer segment.

The study recommends that banks can serve more women by lending to the services sector; about 80 percent of women entrepreneurs run businesses focused on services. Historically, banks have funded manufacturing enterprises, and relied heavily on collaterals to give credit, to the disadvantage of women-owned enterprises. Investing in women relationship managers, advisory desks at bank branches, and non-financial services and training will help promote women entrepreneurs holistically.

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