



Building an Ecosystem for Gender-Responsive and Climate-Resilient MSMEs in India

CHALLENGES AND STRATEGIES TO EMPOWER WOMEN ENTREPRENEURS AND WORKERS

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BACKGROUND

On March 30, 2023, WRI India hosted a webinar on “Building an Ecosystem for Gender-Responsive and Climate-Resilient MSMEs in India” to examine the current gaps and the need for addressing women’s issues in the ongoing low-carbon transition, to ensure a fair evolution within the micro, small, and medium enterprises (MSMEs) sector. The webinar brought together policymakers, academics, researchers, trade union representatives, and practitioners.

As India accelerates its journey toward a low-carbon and environmentally sustainable economy, an equitable approach to this transition is needed to maximize social and economic opportunities for climate action and to ensure that no one is left behind (ILO 2022). However, unless gender-transformative measures are integrated within an equitable transition approach, women will not benefit equally and may be even more vulnerable to the negative impacts of the transition. This session explored the following themes:

- Gendered workspaces and labor market segmentation for women in MSMEs in India.
- Social norms and gender barriers to women’s inclusion and entrepreneurship in the MSME sector.
- Limitations in access to productive resources, such as institutional credit and seed capital, ownership of assets, and transfer of technical knowledge, information, and skills.
- Role of legal and policy-level support for women entrepreneurs and workers in MSMEs.

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GENDERED LANDSCAPE OF MSMEs AND CLIMATE CHANGE

After agriculture, MSME is the principal sector in which the female labor force in India is employed. Approximately 20.37 percent of MSMEs in the country are currently owned and operated by women. Of the women-owned businesses, 20.44 percent are micro-scale enterprises in rural locations and over 95 percent of women-owned MSMEs employ fewer than six workers (MicroSave 2022).

Overall, the Global Entrepreneurship Monitor found that total early-stage entrepreneurial activity rates for Indian women were meager, a proportion that is often higher in other comparable developing countries (MicroSave 2022). Women entrepreneurs are predominantly in service sector enterprises, and these are mainly own-account enterprises. Of the 45 percent women-led enterprises engaged in manufacturing, only 3.09 percent contribute to the total industrial output and provide employment to approximately 10 percent of the country's workers (IFC 2019).

Despite several policies at the national and sub-national levels aimed at increasing women's representation in the Indian labor force, women constitute only 24 percent of the total MSME workforce (National Sample Survey 2016). Increasing the proportion of women in this sector is essential to harness equitable economic gains and facilitate social transformation at scale, especially in the face of external challenges such as climate change. MicroSave (2022) indicated that 95.6 percent of women-led MSMEs are informal in nature. This denies them timely access to reliable credit sources, further exacerbating their financial vulnerability to external shocks.

BOX 1 | Building climate-resilient MSMEs

Climate-Resilient Employees for a Sustainable Tomorrow (CREST) is a five-year initiative of the Ares Charitable Foundation that seeks to ensure the twin goals of equality and economic opportunities for often marginalized groups, such as women workers in the MSME sector, in the ongoing economic and energy transitions. Reskilling workers for accessing green jobs, training, engaging with entrepreneurs, and improving access to knowledge, resources, and opportunities are some of the ways in which the initiative envisages supporting people for a just and equitable transition.

Source: Ares Charitable Foundation 2022.

Currently, there is limited evidence on how climate change affects women in the MSME sector. This webinar was conducted as part of the ongoing research under the Climate-Resilient Employees for a Sustainable Tomorrow (CREST) initiative, supported by the Ares Charitable Foundation. CREST aims to accelerate equality of economic opportunity globally to tackle and become resilient in the face of climate change impacts. As newer jobs emerge as a result of strategies to counter climate change, there is an urgent need to strategically reskill individuals already in employment so that they can adopt, adapt, and apply best practices in ensuring sustainability. Engaging with MSMEs is key to linking employees and small business owners to the ongoing changes toward sustainability. Traditionally, female entrepreneurs and workers

have been invisible in traditional fossil fuel-dependent sectors, such as automobile manufacturing and mining. Ensuring that historically excluded groups can be a part of and benefit from these ongoing transitions is at the heart of the CREST collaboration.

RECOMMENDATIONS AND SOLUTIONS FOR GENDER-RESPONSIVE MSMEs IN INDIA

Building upon the discussions initiated in the inaugural webinar hosted by WRI India on "Gendered Pathways to Just Transition for MSMEs in India," this webinar provides an opportunity to discuss the experiences and insights from the MSME sector. The focus is to explore strategies to support female entrepreneurs and workers in adapting to energy transitions and to strengthen their resilience to climate

change. In a broader context, it identifies barriers hindering the scaling of businesses led by female entrepreneurs and women's participation in MSMEs. It seeks ways to encourage women to actively engage in the MSME ecosystem, drawing insights from the panelists' experiences.

This section delves into the key insights and recommendations provided by the webinar panelists. These insights combine vision, collective purpose, and guidance from government, private sector, and civil society actors to ensure that women in the MSME sector are supported in the context of climate change and low-carbon transition. The overarching goal is to equip them with the necessary capacities—the key skills required for green jobs, climate finance, and essential technologies—thereby disrupting the traditional occupational segregation of women in the sector and transitioning to a sustainable and just economy.

Drawing lessons from previous transitions

The relatively lower rate of women's laborforce participation in India is often attributed to the disproportionate burden of household and care responsibilities, lack of employment opportunities, rising educational enrollment among younger women, rising household incomes, under-reporting of women's work, and lack of access to productive resources, such as technology, training, and finance (Chaudhary and Verick 2014).

Women are also more susceptible to economic fluctuations and other shocks that affect the MSME sector. For instance, the COVID-19 pandemic resulted in the closure of over 3,000 women-led MSMEs (Soni 2023). As women-led businesses continue to recover from the pandemic-induced shocks, there is an emerging need to adopt cleaner energy technologies, digitalization, and other transitions in the value chain. As these transitions necessitate newer and more specialized skills, they further compound the existing challenges that women in MSMEs currently face.

Introducing new skills and training for women in green jobs

Women in Indian MSMEs have been confined to low-paying, low-skilled jobs. The ongoing transitions present them with an opportunity to realign their skill sets and adjust to the evolving nature of work.

Digital proficiency is one of the most important skills that women need to acquire to keep pace with the ongoing transitions. This will enable them to enter traditionally male-dominated sectors that rely heavily on digital technologies, such as healthcare services, automobiles, and more advanced roles within the textiles sector. However, a significant digital divide persists in terms of internet usage and access to digital infrastructure, hindering women's entrepreneurial ventures. According to the India Inequality Report 2022: Digital Divide (Oxfam India 2022), India has one of the widest gender gaps in digital technologies among the Asia-Pacific countries, with a 40.4 percent difference in internet usage between men and women. Only about one-third of all internet users in India are women. They are 15 percent less likely to own a mobile phone, and 33 percent less likely to use mobile internet services than men. Training female entrepreneurs and workers in basic and advanced digital skills will enable them to access data, conduct digital transactions, enhance their competency to participate in industries related to information, communications and technology (ICT), and learn from online sharing platforms to scale up their businesses.

Women are more inclined to embrace technologies and mechanisms that offer cost and energy savings, leading to increased cash flows. It is imperative to develop suitable business cases and models to promote the adoption of renewable technologies, such as solar energy and biogas. There is, therefore, a need to make such innovations accessible to female entrepreneurs through training and research provisions. It is crucial to educate women about the long-term implications of climate change for their businesses and highlight the potential opportunities arising from the adoption of clean energy and climate-resilient practices. Additionally, on-the-job training programs should be designed to develop relevant skill sets among female workers. These programs should include modules on financial management, digital and

information technology, leadership, and management. This approach will not only support female workers in making informed choices when selecting from various career paths but also contribute to their professional development and decision-making capabilities.

Ensuring decent and dignified workplaces for women

Business sustainability involves striking a balance between social, economic, and environmental considerations. From a gender perspective, this implies providing conducive and safe working conditions, access to resources, training, and capacity building for female workers. To ensure comprehensive support for women across different life stages, including marriage and motherhood, there is a need for innovative and flexible mechanisms that facilitate and encourage an effective return to work.

BOX 2 | ILO decent work agenda

In the framework of International Labour Organization (ILO), decent work “involves opportunities for work that is productive and delivers a fair income, security in the workplace and social protection for all, better prospects for personal development and social integration, freedom for people to express their concerns, organize, and participate in the decisions that affect their lives and equality of opportunity and treatment for all women and men.”

Source: ILO

Women frequently perform multiple roles. Even after entering the workforce, they continue to bear the burden of domestic and care work. The emergence of new opportunities, such as home-based entrepreneurial opportunities, especially during the COVID-19 pandemic, has allowed women the flexibility to manage multiple roles. Within organizations, creating women-centric associations or groups can serve as a valuable approach. This can empower women to collectively articulate their concerns, explore various business nuances, and enhance communication within the workplace.

CASE STUDY

Scaling women employment in textiles through the creation of a decent workplace: Pratibha Syntex Limited

Pratibha Syntex Limited is an interesting case study on how creating a decent and dignified workplace for women can help increase their participation in the textile industry. Pratibha Syntex is a sustainability-oriented, vertically integrated manufacturer of knitted textile products, operating since 1997 in Madhya Pradesh, India. It connects over 25,000 farmers, 6,500 employees, and apparel brands from over 20 countries across their value chain. With almost three decades of experience, they produce over 60 million pieces of clothing annually, including inner wear, thermal wear, and sleepwear. Apart from manufacturing cotton, fibers, fabrics, and apparel, the organization is also engaged in social initiatives to generate employment for rural women. In the past decade, the company has made significant progress in increasing its female workforce from a mere two workers to more than 2,500. It envisions increasing this to 8,000 women workers over the next three years.

Traditionally, rural women have had significant apprehensions about working in remote locations due to factors, such as cultural norms associated with the purdah system, risks to safety, and abuse, sexual harassment and other forms of gender-based violence. The company undertook several initiatives to encourage rural women to join the workforce in groups. They also created women-focused groups such as Club Shakti within the units, to motivate women, build networks to discuss issues and concerns relating to workspace and conditions, and provide balanced ways of communicating with senior staff at the workplace. In addition, the company is also involved in empowering women and young girls at the grassroots level by raising their financial literacy, building their capacity to use the internet, and enabling them to use technology to conduct financial transactions where they previously relied on male members of their families to do so on their behalf.

Establishing institutional support

Women workers and entrepreneurs may find themselves in the minority as they strive to enter roles and sectors traditionally dominated by men. Ensuring that women are not left behind during the low-carbon transition and placing them at the forefront of climate adaptation and resilience require comprehensive support at all levels. Creating opportunities for women requires innovative strategies and policies that effectively address social, cultural, and economic biases.

The formation of networks of female workers that provide mutual support and training for new and multiple roles is vital. Even as women enter sectors such as aviation, engineering, and construction, they require targeted support and skills for technical roles where they are currently underrepresented. A study of the solar rooftop sector in India found that women constituted only 11 percent of the total workforce, significantly below the global average of 32 percent for the renewable energy sector. This percentage further declined for field-based roles such as operations and maintenance (CEEW and IEA 2019). Therefore, women need encouragement and support to improve their skills through formal degrees, such as engineering, which can improve their representation in these fields. Employers can be pivotal in facilitating women's entry-level roles during the upskilling process by investing in their education and ensuring subsequent placements. Organizations that have experimented with such models of investing in women's education and skills have observed higher retention levels among female employees.

CASE STUDY

Scaling up community-level power to empower women: JEEViKA, Bihar

Bihar's State Rural Livelihoods Mission, also known as JEEViKA, is the state's flagship program. JEEViKA aims to facilitate sustainable self-employment opportunities for the rural poor through the establishment of efficient and effective grassroots institutions, thereby enhancing access to financial and public services. By organizing the rural poor into self-help groups (SHGs), ensuring financial inclusion through bank linkage, providing placement-linked skill development opportunities, and empowering women farmers, the program promotes livelihood diversification.

JEEViKA has a statewide mandate to mobilize rural women into a variety of community institutions, including affinity-based SHGs, village organizations composed of several SHGs, commodity-specific producer groups, and higher federations. Between 2008 and 2020, the project has worked with more than 12 million rural women, organized into 1.03 million SHGs, to include them in economic activities by giving them access to finance and markets, and improving their health and nutrition practices (World Bank 2020).

During the COVID-19 pandemic, women's groups under the National Rural Livelihood Mission, the national program modeled on JEEViKA, were among the first to respond, making more than 168 million face masks, running over 122,600 community kitchens, and facilitating the delivery of 2.3 billion US\$ in financial assistance to more than 206 million women.

Groups of women known as JEEViKA didis are transforming the workspace for women and leading initiatives in various areas of development. Some of them have transitioned to solar entrepreneurs, promoting clean, affordable, and reliable energy access. To support solar energy, JEEViKA didis are given the technical training and skills to make, market, and repair solar lighting systems.

Improving gender-responsive financing for MSMEs

Access to credit is a primary barrier for women in MSMEs. Improving access to formal and affordable financial services can serve as a catalyst in supporting women during the transition to clean energy and climate change. The financial inclusion of women can lead to social and economic empowerment by improving access to a range of financial products, including savings, credit, insurance, and payment services, and by building financial awareness.

Most women-owned MSMEs operate as unregistered enterprises and continue to face issues in accessing formal financing to meet their business requirements. The credit needs of women entrepreneurs remain largely unmet owing to social, economic, cultural, and legal factors, with 70.37 percent of the financial demands of women-owned MSMEs remaining unfulfilled (IFC 2019). Data from the 73rd round of the National Sample Survey (2016) show that female entrepreneurs tend to receive smaller loans, almost 50 percent less than the loan amounts made available to their male counterparts (Rao 2022). This is corroborated by Agarwala et al. (2022), who found that most female microloan borrowers under government schemes use microloans to operate smaller businesses with lower borrowings.

CASE STUDY

Women's cooperative fund for self-help groups: Rajasthan's Mahila Nidhi

Ensuring credit for women entrepreneurs can be difficult due to women lacking collateral in their own names. Rajasthan's Mahila Nidhi scheme, launched in 2022, sought to provide easy-access loans to support women SHGs in fostering entrepreneurship, scaling businesses, increasing the income of poor and marginal women, and facilitating women's social and economic progress through skill development. The program aims to provide individual loan products for entrepreneurs backed by SHGs, and affiliation to SHGs supplements women entrepreneurs' need for collateral support.

The scheme aims to facilitate approval of loans up to 40,000 Indian rupees within 48 hours, and above 40,000 Indian rupees within 15 days of the request. At present, there are 0.27 million women SHGs across Rajasthan, covering over 3 million households. In 2022–23, the aim was to create another 50,000 SHGs, adding another 0.6 million households. A total of 3.6 million families in the state are set to benefit from the Mahila Nidhi scheme in a phased manner. Such SHG-based models of collective lending can support women in accessing loans, especially because critical assets, such as land or immovable property, are rarely in women's names.

Women's property rights are traditionally limited in several Asian and African countries, leading to a lack of credit history and collateral security for women. This limitation hinders access to traditional banking systems and makes securing formal loans for business expansion challenging. Moreover, the decision to take a loan is generally a joint consultative decision at the household level, which suggests the existence of normative and cultural barriers. These factors, coupled with the lack of business networks, prevent women from making independent financial decisions.

There is a need for strong mentorship and handholding frameworks to ensure women's financial inclusion. This involves enhancing financial literacy, increasing awareness of financial schemes, and fostering digital proficiency to utilize modern means of conducting financial transactions, such as mobile banking and unified payments interfaces. Currently, the financial needs of most women-led enterprises in the informal sector are predominantly addressed by microfinance institutions, cooperative banks, nonbank financial companies, and other local banks, along with more informal sources of credit. However, such resources are often insufficient for business expansion and growth.

WAY FORWARD

- Women's ability to contribute to and benefit from low-carbon transitions depends on multiple factors, such as access to knowledge and education, financial support and credit, professional networks, and the management of traditional social and cultural barriers that limit their participation. Male entrepreneurs and workers dominate the MSME sector. Improving women's opportunities to engage in the sector requires improving access to formal education and skilling; enhancing access to formal credit and lending for expansion of production; engaging and changing the mindsets of employers, coworkers, and family members; and robust network building.
- There are several decentralized models in India, within both the government and the private sectors, that demonstrate the process and value of engaging with women entrepreneurs and workers.
- Improving access to finance and institutional support, along with an enabling environment in which women are provided with support and handholding, is critical to improving women's representation and participation in green jobs.

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