


# RBIH Swanari Dialogues: Women Entrepreneurs and Access to Credit

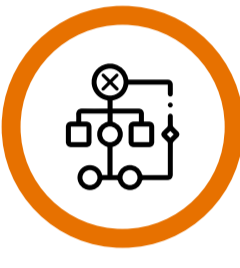


## Introduction


In the ever-evolving landscape of Indian entrepreneurship, women are taking remarkable strides, contributing to both economic growth and societal transformation. However, securing formal credit remains a recurring challenge. In a recent Swanari Dialogue conducted by the Reserve Bank Innovation Hub (RBIH), we engaged with 15 inspiring women entrepreneurs across various industries and stages of growth who shared their candid experiences, insights, and challenges in availing credit from mainstream financial institutions. The discussion unveiled an array of challenges and potential solutions that could be scaled for broader impact.


## The most common challenges identified by women-entrepreneurs


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**Long-drawn Processes:**  
Most participants identified the loan application process for MSME loans as complex, time-consuming, and exhausting. Women expressed that the stringent documentation requirements, multiple visits to banks, and the need to answer the same questions repeatedly often lead to frustration and loss of interest. They would rather utilise this time more productively to acquire more customers.
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**Lack of access to resources:**  
The group agreed that cultural and societal factors restrict their access to assets and property, putting them at a disadvantage compared to their male counterparts. The same factors also limit their capacity to offer collateral while availing loans. Women running service-based businesses face different challenges when it comes to accessing bank loans due to their limited possession of tangible assets that can be utilised as collateral.
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**Frictions in Banking:**  
Participants reported that they are asked by banks to provide collaterals and deposits, despite good transaction and credit histories. For instance, one woman reported being asked by banks to provide a fixed deposit of an equal amount to access an overdraft facility. Notably, most women found it to be exceedingly difficult to access a bank loan without an intermediary agent who possessed strong relationships with bank managers.
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**Unavailability of a centralised marketplace to upload documents:**  
The participants reported having to apply to multiple banks with the hope of getting approval from at least one. However, this means they have to gather all the required documents afresh, complete rigorous application forms, and furnish the same business plan repeatedly. This redundant process significantly amplifies their workload.
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**Inadequate financial confidence:**  
Inadequate financial training from a young age limits women's financial confidence and their capacity to formulate strong business plans or revenue models. This adversely affects their ability to communicate with banks and thereby increasing their reliance on banking intermediaries.
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**Lack of awareness about Government schemes:**  
There are a few debt products and government schemes that are available exclusively for women entrepreneurs in India; however, many women are either unaware or do not know how to access these. Furthermore, women also find it difficult to access MSME grants due to stringent paperwork and legal requirements.
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**Absence of Capital Support during Ideation to Productization Stage:**  
The transition from ideation to productization can be challenging, leading women to deplete their own capital resources. Unfortunately, there are limited capital market products designed to provide financial support to women during this crucial phase of their business development.
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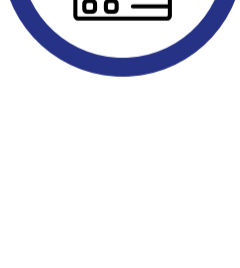
**Gendered Barriers:**  
Participants felt that banks still lack confidence in women entrepreneurs' ability to repay loans on time. Women applicants face many discriminatory practices such as requiring the signature of a male member of the family on loan applications, longer Turnaround Time (TAT), repeated visits to banks, etc.
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**Other Barriers:**  
First-generation female entrepreneurs face difficulties in navigating the process of setting up a business due to lack of prior knowledge and connections.

## Potential Solutions Suggested by Women Entrepreneurs

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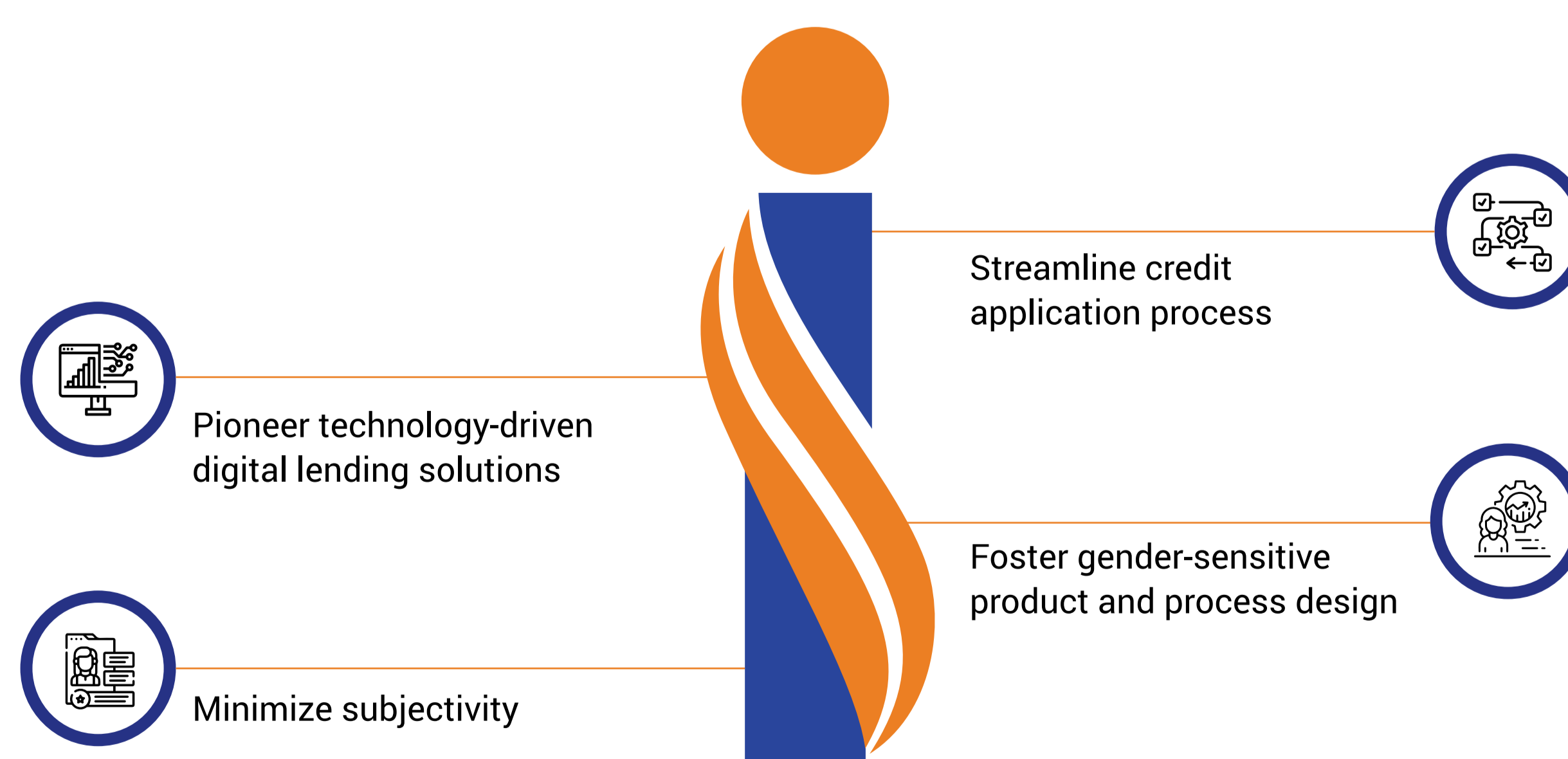
**Centralised marketplace to upload loan documentation:**  
Standardised credit processes across banks and a centralised marketplace to upload all the documents would minimise redundant efforts and make accessing credit much simpler.
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**Organisational Support and Professional Assistance:**  
The National Small Industries Corporation (NSIC) and other similar entities could provide guidance and support to women entrepreneurs on how to navigate the banking system. Additionally, women getting professional assistance in designing their business models and preparing business plans could improve their chances of being considered as a strong business case by banks.
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**IP-Backed Financing:**  
Exploring innovative early stage financing options, such as Intellectual Property (IP) backed financing, could provide alternative avenues for securing funding particularly during productization and ideation stages.
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**Information Desk:**  
Setting up an online information desk that provides prompt and accurate responses to funding-related queries could empower women entrepreneurs in their journey to access credit.

## Empowering Women Entrepreneurs: RBIH's View for Economic Inclusivity



## An RBIH perspective

At RBIH, we believe that there is a necessity to innovate and promote technology led digital lending solutions to solve some of these issues faced by women entrepreneurs. Solutions that reduce the scope for subjectivity while enhancing overall process efficiency of the credit journey will go a long way in opening up access to previously unserved or underserved women. The Swanari Techsprint 2023 is focussing on this very issue to help foster gender intentional product and process design particularly for women nano and micro-entrepreneurs.

The insights from the dialogues underscore the multifaceted nature of the challenge and the potential for meaningful change. By embracing digital transformation, fostering tailored support, and crafting gender-inclusive financial instruments, we can set the stage to empower women with access and opportunities. This, complemented by collaborative efforts – that bring together financial institutions, policymakers, and support organisations – could pave the way for a prosperous entrepreneurial ecosystem, and make India the global model for an inclusive economy.

## Contributors

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