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Expert Speak

Understanding Access to Credit for Women Entrepreneurs in India

Women entrepreneurship in India is witnessing a boom, but the numbers on the investment front fail to reflect this surge. As women entrepreneurs enter the market in record numbers, Deepthi Ravula, CEO of WE Hub, helps us understand the nuances of women's access to credit and how we can help women entrepreneurs overcome the obstacles they face.

In recent years, the flourishing Indian startup ecosystem has witnessed an upward trend in the participation of women entrepreneurs. According to NASSCOM, the percentage of women-led startups in India has increased from 8% in 2014 to 13% in 2019, with 10% of unicorns being led by women along with 20.37% of the MSMEs sector.¹ Despite the growing number of women-led startups and their contribution to the economy, the surge is not reflected in their share of the fundings poured into the startup economy.

Out of all the investments made in the Indian startup sector, a meagre 1.5% was received by women-led enterprises.² Even though women in India are recorded to be almost as keen as men to start their own business ventures,³ their market representation falls significantly behind due to the numerous disparities they face, simply by the virtue of their gender. These challenges can often be attributed to the systemic barriers that exist in the entrepreneurial ecosystem, as well as the gender biases and stereotypes that pervade our society.

To move towards a solution for this issue, it is important to understand the relationship between women and access to credit.

The Financial Credit Landscape in India

Historically, Self-Help Groups (SHGs) and Joint Liability Groups have played a critical role in extending the financial inclusion of women. These institutions provide credit in the absence of access to formal lending systems which fall behind due to lack of physical and digital infrastructural facilities.



The group lending system and the collective liability dissipates the burden of repayment, as the onus falls on the group and not just the individual. It also mitigates the risk for the lenders. The group also acts as a support for the participant

¹(January 12, 2023). Women Entrepreneurship in 2023: A Perspective. <https://shaktipreneurs.org/2023/01/12/women-entrepreneurship-in-2023-a-perspective/#:-text=According%20to%20a%20NASSCOM%20report,23.3%25%20of%20the%20labor%20force>.

²Rekhi, Dia. (June 14, 2022). <https://economictimes.indiatimes.com/tech/startups/only-1-5-of-total-funding-goes-to-indian-startups-with-women-founders/articleshow/92209557.cms?from=mdr>

³Global Entrepreneurship Monitor. Global Entrepreneurship Monitor India Report (2021-22): A National Study on Entrepreneurship. Routledge. https://gemindiaconsortium.org/reports/GEM_INDIA_REPORT_2021-22.pdf

women outside their families and enables financial awareness through peer-to-peer learning.

In India, such initiatives introduced by government schemes and private institutions have been successful in mobilising communities and making women not only financially aware but independent. The success of SHGs incentivised bigger players in the private sector to invest in the establishment and growth of microfinance institutions. For microfinance institutions, lending to women has proven to provide timely repayment on the loans. Apart from this, providing women-led businesses with financial credit can help circle the investments further into the communities, thus multiplying the welfare and empowerment intended by these initiatives. This makes women the favoured candidates for such credit.

As women leading these ventures look to grow beyond sustenance, they become promising candidates for entrepreneurship. They may look to establish independent enterprises and thus, require larger sums of credit. However, the increased risk of the individual female borrower leads to stricter scrutiny, increased paperwork, and higher rate of rejection per application filed. It was reported that in the total bank credit received by individuals in 2017, women's share totalled up to a mere 7%.⁴ From here, the disparity only broadens further. As women reach the venture capitalists, the disparity scales up and women get a meagre share of the funding made available to the startup ecosystem in the country.

Venture Capital Funding

Entrepreneurs face numerous hurdles when it comes to securing funding for their ventures. These problems are influenced by numerous factors like education, collateral availability, infrastructural facilities, investor bias, and intense competition. This bias is further compounded for entrepreneurs from underrepresented communities, who may face additional barriers and discrimination in the entrepreneurial ecosystem, like women entrepreneurs. The lack of education, and social, familial, and financial support can make the funding process either daunting or completely inaccessible and also be detrimental when they pitch in front of the investor.

⁴Chavan, Pallavi. Women's Access to Banking in India: Policy Context, Trends, and Predictors. *Review of Agrarian Studies*, 10(1). http://www.ras.org.in/women_s_access_to_banking_in_india#fig5

Therefore, the existing disparities in the investment sector, and paucity of information and awareness can impact the women entrepreneurs in the following ways:

1. They might not be pitching to the right investors.
2. They may not have conducted an exhaustive market survey defining their consumer base, competition, and price expectations.
3. The investors may discount the woman without considering her education, access to information, and support.

Creating Opportunities for Women

Sitting in the audience, it is easy to say that there are not enough women on the stage. But it is only when you take a peek behind the curtain, you understand not only the issues but also the current progress and the potential of women entrepreneurs in the country.

The rising number of women entrepreneurs and their success has managed to garner the interest of the startup ecosystem in the country.

“ We are now at a stage where enablers like mentors, investors, and the government play a crucial role in the growth of the business ventures.



1. Mentorship: Mentors can guide entrepreneurs to develop a viable business model that attracts investors. Women entrepreneurs would certainly benefit from mentorship programmes, that will enable them to showcase their enterprises in the best way possible. To make women entrepreneurs an attractive investment, mentors can contribute in several ways.



The cut-throat, saturated, and increasingly dynamic startup market, makes it imperative for entrepreneurs to have not just a ‘fool proof’, but a ‘bullet proof’ business model. Mentors can help entrepreneurs navigate and conduct a thorough market survey across sectors and prepare them for any pitfalls they may face in relation to the competition. They can also play the devil’s advocate and help identify the flaws in the product, business model, and strategy beforehand.

Pitching to the wrong investor, at the wrong time can also lead to a discouraging and fruitless experience for the entrepreneurs. Mentors can help entrepreneurs identify the right fit according to the stage at which they are in their business journey.

Furthermore, the mentor can help the entrepreneur see beyond the ‘what’ and ‘who’ and understand the ‘how’ of pitching to the investors. This does not mean following a standard format or style. Rather, the entrepreneurs should showcase their personality and individualism armed with a strong financial mindset to crack the wall of investment.

2. Investors: The premier goal of the financing sector is to maximise their return on investment. As more and more women are successfully scaling their businesses, investors have started to take notice. In recent years, many companies have launched women focused funds to encourage female founders. The Spark Fellowship by Sequioa Capital is one such program that provides financial and training support to women entrepreneurs.



Prioritising gender diversity in their leadership teams and workforce can help investment firms in creating a more welcoming and supportive environment for women entrepreneurs. This can increase diversity and inclusion in their portfolio companies. Thus, kickstarting a positive loop where existing women entrepreneurs further promote women’s access to more opportunities.

Apart from these efforts, investors and investing firms could also provide women entrepreneurs with flexible financing options, such as revenue-based financing, that do not require the same collateral or credit history as traditional loans. This can help women entrepreneurs overcome some of the barriers to traditional financing options and create a more inclusive and diverse business landscape.

3. Government: The government can act as both, an enabler, and an investor. In India, governments at both the centre and state level have shown a keen interest in providing the necessary means to women entrepreneurs. Multiple schemes aimed at easy access to credit for women have been initiated by the government. The intent must be to make sure that no one is left behind.



Government(s) have created dedicated entities to provide women entrepreneurs the support they need at various stages of their journey. The NITI Aayog initiative, Women Empowerment Programme (WEP), an aggregator platform for women entrepreneurs to share information and build a network, and the Women Entrepreneurs Hub (WE Hub), a Telangana government venture and the first of its kind state-led incubator for women entrepreneurs that provides guidance, training, and access to opportunities at all levels of the business journey are two of the leading initiatives in this sector. The government can also help create preferential access mechanisms for women entrepreneurs to showcase their companies and provide them easier access to procurement.

The baton finally rests in the hands of the entrepreneur. Along with the capacity building, mentorship programmes and financial support, it is imperative for women entrepreneurs to keep a learning mindset, whether they are looking to start or scale their venture.

The Changing Landscape

The finance minister of India, Nirmala Sitharaman, expressed that India can be key to overcoming the gender gap in the startup ecosystem of the world.⁵ With the growing female founder network and their contributions to the economic growth

⁵Balakrishnan, Rekha. & Lakshmi, Ayshwaria. (January 16, 2023). How Women Led Startups Can Benefit from Government and Agency Support to Grow and Scale. *Your Story*. <https://yourstory.com/herstory/2023/01/women-led-startups-government-schemes-entrepreneurship>

of the country, investors are beginning to see women-led businesses as promising investments. The credit for this awakening rests entirely with the steadfast and dogged determination of women entrepreneurs, who have been persistent despite the biases and the barriers erected by the social and economic landscape.

Today, I believe, we are no longer hoping for a distant future, but rather stepping towards a near present, where money and profit do not have a gender. The ground is fertile, and women entrepreneurs have sown the seeds of hard work. Now, it is up to the educators and enablers like us to take action and help them find the right opportunities.

***Deepthi Ravula** is the CEO of WE Hub, a Government of Telangana initiative to promote and foster women entrepreneurship. She has done her engineering from Hyderabad and has attended graduate school at CSU, San Diego. Between 2016-18, she was the Joint Director for Electronics (Business and Semiconductor) for the state of Telangana, where she helped in defining various policies and creating investor collaterals in the sector. She was also instrumental in enabling investments through MSMEs and large-scale industries in the state of Telangana.*

Deepthi holds 14 years of experience working at Nokia, San Diego, designing Audio Acoustic Circuits. She has also worked on protocol design at Palm Inc. in Sunnyvale, Atheros in Santa Clara, and Qualcomm and Litepoint (Teradyne) in Sunnyvale.