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National President, Legal Awareness Council

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Room No. 134, North Block
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Sub: Recommendations for upcoming Budget 2021-22

As the National President, Legal Awareness Council, Women Indian Chamber of Commerce of Industry, I am delighted to convey heartfelt gratitude for the unprecedented invite for public comments on the upcoming Budget 2021-22.

India is slated to be worlds' third largest economy by 2030¹ and aims to be a \$5 trillion economy. By 2030, the working population of India would also rise from current 67%² (out of 1.38 billion) to 70% (out of 1.52 billion)³. A well-acknowledged fact that is reflected the government policies and schemes such us Start-up Mission, Skill India, Make in India and now Atma Nirbhar India.

As the country aspires to be self-sufficient for its own needs but also become the supply chain to world, our country and its human capital needs to be future ready both from skilling and entrepreneurship perspective. For both aspects we have to move beyond the perspective of the old crafts, such as carpentry, electric work, metal work, gardening, beautician, pottery making, etc., to focus on machine learning, Internet of Things, Big Data and artificial intelligence arena of Robotics, Electronics, Artificial Intelligence, Space Sciences etc.

Specifically, about entrepreneurship, the inequalities and gender gap persist in business in India, even though it has been established by evidentiary proof that women founded and led businesses perform better than those by their male counterparts. While there has been tremendous focus of the government and even private players of the ecosystem with proliferation of incubators, accelerators, specifically in context of women entrepreneurship, India falls at the 49th rank out of 58 countries⁴. According to Start-up India, only 13.76% of total entrepreneurs in India are women whereas that number actually is only 4% in effective reality⁵.

India has a total of 58.5 million entrepreneurs and 8.05 million of those are women entrepreneurs, which adds up to only 14% women entrepreneurs in Indian business settings. Interestingly, the data also highlights that 79% of women owned businesses are self-financed and are relatively smaller in size and scale.⁶

¹ <https://timesofindia.indiatimes.com/business/india-business/india-to-become-3rd-largest-economy-by-2030-report/articleshow/79972584.cms>

² <https://timesofindia.indiatimes.com/india/nearly-2/3rds-of-indians-are-of-working-age-between-15-and-59/articleshow/76778933.cms>

³ <https://thewire.in/government/india-population-growth-government-report-2036-projections-urban-migration>

⁴ Mastercard's Women Entrepreneurship Index, 2020

⁵ Powering the Economy with Her, Bain and Google Report, 2019

https://www.bain.com/contentassets/dd3604b612d84aa48a0b120f0b589532/report_powering_the_economy_with_her_-_women_entrepreneurship_in-india.pdf

⁶ Budget 2020

We at **National Legal Awareness Council, Women's Indian Chamber of Commerce and Industry** are undertaking a research (primary and secondary) on Opportunities and Challenges for Women Entrepreneurs in India, to engage with the government based on our findings. However, in meanwhile as impending Budget 2021, we are making specifically recommendation regarding creating the right entrepreneurship culture and education for the growth and development of our economy.

Recommendations

Policies reform to ensure women making more proportionate contribution to the national economy.

1. Education and Awareness

Our National Education Policy 2020 is credited to be very progressive as it focuses on making education more experiential, holistic, integrated, inquiry-driven, discovery-oriented, learner-centred, discussion-based, flexible, and, of course, enjoyable, while at the same time preparing the students for “gainful, fulfilling employment.” The approach continues to be employability and not entrepreneurship. Education in the area of entrepreneurship may help people to develop skills and knowledge, which could benefit them for starting, organizing and managing their own enterprises.

We recommend that India should adopt an Indian Entrepreneurship Competencies Framework on the similar lines of the Entrepreneurship Competence Framework, Europe Commission⁷. Entrepreneurship education shall be included at all levels of education system. For instance, starting from primary with the introduction of short stories about successful entrepreneurs especially women entrepreneurs. More focused and nuanced approach should be adopted for secondary, higher secondary and especially in Higher Education to develop entrepreneurial thinking and create awareness about the entire ecosystem for creating entrepreneurs including government schemes and policies etc.

The same approach should be followed with National Cadet Corps and schools and especially the Open and Distance Learning (ODL) Programmes offered by the National Institute of Open Schooling (NIOS) and State Open Schools.

A more systematic approach and a structured co-operation between schools and enterprises in the local communities. Instead of being ad-hoc there should be specifically adopted projects, internships for students to practical entrepreneurial experience as part of experiential learning.

2. Sharply focused nation-wide program for promoting entrepreneurship

A Government campaign similar to Beti Bachao Beti Padhao to **Betiyon ko Badhao** should be launched as multi-ministry (such as Ministry of Skill Development, Ministry of MSME, Ministry of Corporate Affairs and Ministry of Women and Child Development) for effective administration of various aspects of the campaign and impact. If girls are seen to be active contributor to family and the country's economy, Beti Bachao will happen automatically.

The campaign should be accompanied by a sustained Mass Media Advocacy Outreach Campaign to create awareness and visibility so that more and more families can benefit.

Funding of such government campaign could be through various ways –

- (a) funded by the government under the funds set up by the central government for socio economic development and relief and welfare of women (schedule caste, tribes, other backward classes, minorities etc.); and
- (b) under Corporate Social Responsibility (CSR) provision (Section 135) read with Schedule VII, Companies Act, 2013 and such funds should be tax exempted like PM cares funds etc. Government can consider issuing a notification clarifying that such private efforts can be undertaken under the existing Schedule VII of the Companies Act, 2013, as follows:
 - (i) promoting education, including special education and employment enhancing vocation skills

especially among children, women, elderly and the differently abled and livelihood enhancement projects.

- (ii) promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups.

3. **Financial Inclusion of women entrepreneurs**

Funds earmarked for women schemes remain underutilized while women find access to finance lacking. In addition, the loan rejection rates for women-owned SMEs in India were almost double than those owned by men⁶. We recommend a set measure to address the supply side challenges including collateral requirement, evaluating credit worthiness and profitability as well as demand side challenges on addressing knowledge gaps and cultural barriers to entry of women entrepreneurs.

Supply Side Recommendations:

- 3.1 Address limited collateral availability of women entrepreneurs seeking loans arising from lower inheritance and lower savings by providing tailored financial products, including:
 - 3.1.1 Lending with no collateral
 - 3.1.2 Lending with innovative collateral, such as household assets (for example, jewellery)
- 3.2 Address credit worthiness challenges due to lack of credit histories, financial statements or default rates of women given that only 35% of women actively use their bank accounts⁷
 - 3.2.1 Development of **mobile savings promotion programs** to increase women's access to and use of mobile savings accounts. This would be a step along the lines of the micro-ATM and tablet-based doorstep micro-financing option for women entrepreneurs that Syndicate Bank presented last year. This phy-gital model can be promoted across all zilas and parishads by banks/post office etc.
 - 3.2.2 Deploying **new credit scoring models such as those based on psychometric testing**. "New credit scoring models, based on psychometric testing, are being developed and tested by the Multilateral Investment Fund (MIF) (a member of the IDB Group) and Harvard's Entrepreneurial Finance Lab. The new models of financial risk assessment are based on psychometric testing, an automated screening tool that takes into account entrepreneurs' honesty, intelligence and personality, among other personal qualities, to gauge their ability and willingness to repay loans. These models go beyond the traditional methods that focus on collateral and future cash flows to assess financial risk" (Goldman Sachs report)⁸.
 - 3.2.3 **Collection and dissemination of data** on the default rates for female borrowers.

⁶Giving credit where it is due How closing the credit gap for women-owned SMEs can drive global growth February 2014 <https://www.goldmansachs.com/insights/public-policy/gmi-folder/gmi-report-pdf.pdf>

⁷ Powering the Economy with Her, Bain and Google Report, 2019 https://www.bain.com/contentassets/dd3604b612d84aa48a0b120f0b589532/report_powering_the_economy_with_her_-_women_entrepreneurship_in-india.pdf

⁸ Giving credit where it is due How closing the credit gap for women-owned SMEs can drive global growth February 2014 <https://www.goldmansachs.com/insights/public-policy/gmi-folder/gmi-report-pdf.pdf>

3.3 Enabling women led businesses loans to be profitable for banks despite their limited scale of operation by:

3.3.1 Providing loans across a supply chain forming networks of entrepreneurs or loans for bundled services.

3.3.2 Mandating PSU's and other departments to procure at least 10% from enterprises where majority stakeholders are women.

3.4 Other funding sources to be made available:

There are various public (both central and state government) schemes and connected funds for women entrepreneurship. Similarly there are various private incubators, funds and financial platforms focusing on women entrepreneurship. While awareness is an issue, it would be useful if we can create an index of such grant/fund options which can be availed by women entrepreneurs on basis of an objective and scientific rating system.

The government has made CSR contribution to incubators or research and development projects in the field of science, technology, engineering and medicine (funded by the Central Government or State Government or Public Sector Undertaking or any agency of the Central Government or State Government) an approved activity under Schedule VII of Companies Act, 2013. It may be more effective that women specific incubator, accelerators could be created as a separate category to encourage more CSR funds.

Demand Side Recommendations:

3.5 Promoting financial and business knowhow among women given the overall lower rates of literacy making the loan disbursement process simpler and transparent:

3.5.1 **One-stop loan portals** (online, physical) to provide information, guidance and support to access all existing public and private instruments

3.5.2 **Clear point-based system for allocating funds.** Approval process to be simplified. This would ensure that subjectivity is limited and women understand process and criteria for fund allocation.

3.5.3 **DIY calculators** (check your eligibility) on relevant Ministry websites to allow women to judge their application and likelihood of acceptance /funding.

3.5.4 **Templatizing** business proposals/ documents required

3.5.5 **Providing trainings** on credit application process, developing business plan, modes of financing including equity investment

3.5.6 **Private public partnership** to ensure allocation along with **mentoring** to ensure profitable outcomes. This would be on lines of National Skills Mission and Co-origination Scheme for MSMEs.

3.5.7 **Disclosures and corporate governance** required under Companies Act should suffice thereby reducing effort.

3.6 Changing the cultural or perception-based barriers and other prejudices against women owned business and their success

3.6.1 **Awareness of funds earmarked** for women entrepreneurs through educational institutes and professional consulting practices. Recognition of these practices and institutions at national level in promoting entrepreneurship in women through access to finance may urge organizations to participate.

3.6.2 **Showcase success stories** of women entrepreneurs and their journey would encourage women to be more forthcoming.

3.6.3 **Dedicated pitch days for women run by women** to remove biases. These days should be well publicized for the business evaluation being conducted by their friend.

3.6.4 The **Ease 3.0 program** unveiled by the Finance Minister last year has brought many a cheer to the banking consumer in India. For women entrepreneurs a key challenge continues to be access to finance. Visiting multiple offices, being asked if they are doing it alone without male counterparts and lack of basic financial knowledge makes accessing credit difficult for women to start/scale their businesses. We recommend that under the EASE 3.0 program, the government consider having women bankers run credit centre/branch for women entrepreneurs to be educated of the financing options as well as act as single window financing support. Such centres could be called '**Samriddhi**' centres. Such centres would essentially be bank branches, who can carry a dedicated counter for enabling this. Each district necessarily must have at least three such branches (2 public sector, one private sector bank), so that women entrepreneurs are encouraged, educated and supported on their credit needs. These centres in bank branches can be advertised on various media for the support of women entrepreneurs.

3.6.5 Providing one time concessional interest rates with 3% point concession in the first 2 years reducing gradually to 1% by 5 years (can be limited to certain loan amount say upto Rs 5 crore) for women with majority ownership.

3.6.6 Ensuring transparent and comprehensive reporting on implementation of announced financial incentives

4. **Monitoring and assessment of Government policies and schemes**

4.1 One-time Aadhar based registration into the women entrepreneurial ecosystem

For effective implementation of the women entrepreneurship program from education, mentoring, registration under entrepreneurship program, disbursement of funds (grants or loans) and monitoring implementation / execution, should be undertaken as one time registration. In the manner as students are registered in a university or people are registration in public health system, the similar way there could be an Aadhar based registration in the entrepreneurial ecosystem. This will be most effective to track candidates' performance, avoid dropouts and implementation of upskilling and entrepreneurship schemes.

4.2 Monitoring and reporting after establishment of a woman startup as a NSME

Once a women owned startup is incorporated, the same should be tracked as the foreign direct investments are tracked for approval route businesses. In the event of change of woman ownership / majority shareholding in the company, any preference owing to government schemes and policies should be withdrawn. This is to prevent any misuse of such schemes and policies by people who

We would be more than happy to engaged with and assist the government or any advisory committee in this endeavor.

Regards,

Umang

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Founder, ESG Advisory Services

About WICCI

Women's Indian Chamber of Commerce & Industry (WICCI) (www.wicci.in), is India's very first independent All-India National Business Chamber for Women, which seeks to further strengthen women's entrepreneurship and boosts businesses through greater engagement with government, institutions, and global trade. It enables fundamental changes in governmental policies, laws and incentives with a view to robustly encourage and empower women in business, industry and commerce across all sectors.

WICCI is supported by the massive women's global networks of ALL Ladies League (ALL), Women Economic Forum (WEF), and SHEconomy.

ALL (www.aall.in), is a global network of multinational movement of "Sisters Beyond Borders", fostering a worldwide web of women beyond borders, boundaries and bias. It operates via a network of ALL chapters that are circles of self-help, support and sisterhood.

WEF (www.wef.org.in), curates conversations connections, community and collaborations towards our greater influence and impact through our global editions and events that continue to widen out global network and create empowering spaces for women to rejoin and rejoice in peer exchange and networking for our exchange and our "Business Beyond Borders".

SHEconomy (www.sheconomy.in), the world's first E-commerce Platform for Women Entrepreneurs and Business Owners Worldwide for Goods & Services, "Trade Beyond Borders". Driven by the vision of "Everywoman a Businesswoman", it's mission is to empower and enable women entrepreneurs worldwide to "Sell, Scale, Succeed, Serve, Sustain".

WICCI is a premier chamber empowering women entrepreneurs and leaders in all walks of life through advocacy, pro-active representations to government, implementing projects for women via funds allocated by various government agencies and corporates, plus bringing awareness on all issues that concern women in their workplace.

About WICCI- National Legal Awareness Council (NLAC):

One of the WICCI council is Legal Awareness Council. WICCI-NLAC is a collective and collaborative network of women with shared values, beliefs, and passion to create awareness, advocating for change and to make women's voices heard without any fear or retribution. The primary focus is to create a platform to call the relevant stakeholders and initiate discussions around our main objectives to determine our nuanced action plan - whether public advocacy, policy reforms, engagement with other stakeholders including governments, businesses and women themselves.

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