

**65th THE INDIAN SOCIETY OF LABOUR ECONOMICS
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9-11 JANUARY 2025 | INSTITUTE FOR SOCIAL AND ECONOMIC CHANGE, BENGALURU

Understanding the Needs of Self-Employed Women in India

Insights from the IWWAGE and Institute for Human
Development's Panel at the 65th ISLE Conference

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India's female labour force participation has seen an upward trend in recent years, with the female labour force participation rate (FLFPR) rising from 23 per cent in 2017-18 to 41.7 per cent in 2023-24. A deeper analysis shows that the share of rural women working as self-employed unpaid household workers and own-account workers have driven these figures upwards. A segregation of the total self-employed female workforce reveals that less than 1 per cent are employers. The remaining self-employed workforce includes 30 per cent own-account workers and 37 per cent unpaid household workers. Despite the critical role of self-employment in women's workforce participation, systemic challenges persist. A survey reveals that 65 per cent of urban self-employed women in India have not accessed business loans, with 39 per cent relying on personal savings to fund their enterprises, which highlights significant barriers in obtaining financial support.¹

Additionally, traditional notions of entrepreneurship prioritise scalability and innovation over necessity-driven enterprises, and often overlook the potential and contributions of small-scale enterprises.

Women-led micro-enterprises contribute a 30 per cent share in gross value to India's MSME sector, with a 50 per cent contribution to exports. Therefore, despite minimal investments and support, women-led MSMEs demonstrate significant potential to expand if they are provided with the required and tailored sectoral support. Thus, the diverse segments of women entrepreneurs often face homogenisation, leading to policies that fail to address their unique needs and challenges.²

In this context, the Institute for What Works to Advance Gender Equality (IWWAGE) and the Institute of Human Development (IHD), organised a panel discussion on 'Self-employment and Women's Entrepreneurship in India: Gaps in Quality and Inclusivity', at the 65th Indian Society of Labour Economics conference in early January 2025. Some of the emerging insights and actionable policy recommendations from the panel have been summarised below:

¹DBS Bank India, CRISIL, & Shome, S. (2021). Women and Finance: Years in India. In Women and Finance: Years in India (pp. 2-37). <https://www.dbs.com/women-and-finance/assets/images/pdf/DBSper cent20Bankper cent20India CRISIL Womenper cent20andper cent20Financeper cent20reportper cent20per cent203.pdf>

²Financial Express. (2024). SME beyond otherisation of women entrepreneurs: Need for recognising diversity in segments. <https://www.financialexpress.com/business/sme-beyond-otherisation-of-women-entrepreneurs-need-for-recognising-diversity-in-segments-3675841>

Women's entrepreneurship faces distinct gendered challenges, as unpaid work and domestic responsibilities significantly constrain their ability to scale up and expand their economic activities. This also tends to contribute to a persistent gender gap in the quality and outcomes of work, as most women are relegated to the periphery of entrepreneurship, earning little to no income from their contributions to household enterprises.³ Hence, since most of these activities are carried out from home and intertwined with household responsibilities, they must be understood not only in terms of economic contribution but within the broader framework of social reproduction.

These challenges are exacerbated for rural women compared to their urban counterparts. 73 per cent of rural women are engaged as self-employed workers, as opposed to 42 per cent in urban areas. Additionally, their vulnerability is caused due to social constraints, lower educational attainment and limited access to job markets. This is also reflected in the fact that 43.2 per cent of rural women work as helpers in household enterprises (these individuals are engaged in economic activities but do not receive any direct remuneration or compensation). Most of these women take up agriculture and allied activities, for which they are neither paid nor recognised as workers. For urban women, self-employment work includes running small-scale enterprises like beauty services, tailoring, etc., which are predominantly home-based and single-person enterprises with limited potential for growth and productivity as compared to larger businesses. Overall, women's self-employment in India is precarious, irrespective of their geography, characterised by stagnating incomes and uncertain, fragile, and low-paying job opportunities.⁴

The existing challenges within households are exacerbated by systemic barriers to accessing credit, with many women-led enterprises already burdened either by microfinance loans due to high interest rates or excluded due to poor credit scores and lack of collateral/ ownership of limited assets (often less than Rs 20,000).

In the absence of robust financial mechanisms for women entrepreneurs, there is a risk of managing revenue gaps during downtime in sectors such as manufacturing, textiles, and leather, especially for most women, as they do not own any other collateral. Even in sectors such as beauty and wellness, tailoring, and recycling, where microfinance has enabled access to credit, there are unintended consequences such as over-leveraging of loans taken in their names but often used for non-productive purposes, thereby not adding value to their economic activities.

Inadequate market linkages, minimal capital investment, and insufficient legal support further severely limit their ability to secure financial support, perpetuating cycles of economic vulnerability. These systemic challenges are deeply intertwined with traditional notions of entrepreneurship. Global rankings also often prioritise scalability and innovation, paying little attention to necessity-driven enterprises that play a significant role in women's economic participation. The Global Entrepreneurship Monitor⁵ (GEM) ranks India 24th among 49 countries for early-stage entrepreneurial activity, while the Mastercard Index of Women Entrepreneurs⁶ ranks India poorly (57th out of 65 countries).

To bridge these existing gaps, digital platforms and financial inclusion initiatives have shown some potential. However, challenges such as digital literacy, inequitable access to resources, and the absence of social security measures persist. Moreover, as clerical and routine jobs are an important source of female employment, the effects of AI are highly gendered in nature.⁷ Therefore, without targeted support, women are at risk of further exclusion in emerging digital and AI-driven economies.

Additionally, India's policy environment, characterised by overlapping mandates across multiple ministries, presents challenges in achieving cohesive action to support women entrepreneurs.⁸ While well-intentioned, existing policies often fall short of addressing the specific needs of small-scale and informal enterprises, which form a significant portion of women-led businesses.

³Ferrant, G., Pesando, L.M. and Nowacka, K., 2014. Unpaid Care Work: The missing link in the analysis of gender gaps in labour outcomes. Boulogne Billancourt: OECD Development Center.

⁴Afridi (2025) The Landscape of Self-employment in India: Trends, Constraints and Policy Prescriptions. The Indian Journal of Labor Economics, Volume 68.

Jayati Ghosh (2025) What Does Self-Employment Mean for Women in India?. The India Forum <https://www.theindiaforum.in/economy/what-does-self-employment-mean-women-india>

⁵GEM defines the entrepreneurial context of a particular economy in terms of 13 different characteristics, labelled the Entrepreneurship Framework Conditions (EFCs)

⁶Mastercard Index Women Entrepreneurs (MIWE) uses 12 indicators and 27 sub-indicators to create three "Components": women's advancement outcomes; knowledge assets and financial access; entrepreneurial supporting conditions.

⁷ILO (2023) Generative AI and jobs: A global analysis of potential effects on job quantity and quality https://www.ilo.org/sites/default/files/2024-07/WP96_web.pdf

⁸Niti Aayog (2022) Decoding government support to women entrepreneurs in India <https://www.niti.gov.in/sites/default/files/2023-03/Decoding-Government-Support-to-Women-Entrepreneurs-in-India.pdf>

Recent government initiatives aimed at formalising unregistered enterprises to enhance their visibility to policymakers and financial institutions are a step in the right direction. However, these efforts may inadvertently create barriers for women-owned enterprises, particularly those lacking adequate market access and institutional safeguards. For example, the complex and demanding compliance requirements, particularly around taxation, act as a significant barrier, discouraging many women from even partially formalising their businesses.

This reluctance prevents them from accessing potential benefits such as interest subvention schemes and expanded market opportunities. Thus, a more nuanced approach, tailored to the unique challenges faced by women entrepreneurs, could help ensure that formalisation efforts are inclusive and equitable. Thus, these insights underscore the necessity for focused discussions and policy interventions to enhance the quality and inclusivity of women's self-employment in India.

Addressing financial access, recognising the diversity among women entrepreneurs, and

improving the quality of employment are essential steps towards empowering women in the workforce.

The following are some of the actionable policy and programmatic insights emerging from the panel discussion:

- **Facilitate the transition from low-productivity to high-value employment for rural women:** Design and implement targeted skill development and vocational training initiatives tailored to the specific needs of rural women, focusing on equipping them with technical, entrepreneurial, and digital skills to support a transition from low-productivity agricultural work to higher-value non-farm sectors such as manufacturing, services, and the care economy. Complement training initiatives with job placement services, mentorship programs, and market linkages to ensure sustainable employment opportunities and economic growth.



- **Empowering Women Entrepreneurs through Education, Visibility, and Mentorship:** Promote early exposure to entrepreneurship by integrating entrepreneurial courses and training in undergraduate education, equipping young women with the skills and confidence to consider entrepreneurship as a viable career path. Strengthen entrepreneurial journeys through structured mentorship programmes delivered via platforms such as FICCI women's groups and community-based networks. Enhance the visibility and support for women entrepreneurs—including helpers and own-account workers—by integrating them into policy frameworks to ensure improved access to financial, technical, and social support systems.
- **Strengthen women-led micro-enterprises:** Develop targeted policies to enhance the productivity, scalability, and sustainability of women-led micro-enterprises through improved credit access, capacity-building initiatives, and the creation of supportive ecosystems such as accessible credit and tailored financial products, affordable digital infrastructure, and mentorship networks.
- **Promote collective service models:** Encourage the formation of women-led cooperatives and other collective models that provide social and economic benefits to women entrepreneurs and workers.
- **Develop gender-responsive financial systems:** Develop flexible loan products with lower interest rates and targeted credit access programmes to effectively address the financial needs of women entrepreneurs.
- **Innovate financial instruments for women entrepreneurs:** Introduce tailored financial products, such as nano-equity and credit guarantees, to address the specific needs of women entrepreneurs at various levels and minimise the risk of marginalisation in increasingly digital and AI-driven economies.
- **Leverage digital platforms for market integration:** Use digital platforms to integrate women entrepreneurs into supply chains and marketplaces, while addressing barriers such as digital literacy and uptake, and ensuring equitable access to technology.
- **Recognise and reduce the care burden:** Implement programmes and policies to support household caregiving, such as accessible childcare services, that enable women to engage more actively in entrepreneurship or higher-income employment.
- **Encourage male participation in caregiving:** Promote policies and incentives that encourage men to take on caregiving responsibilities, including economic support for men in caregiving roles, to reduce and redistribute the burden on women and create opportunities for their economic participation.
- **Simplify compliance and taxation frameworks for easy access:** Develop streamlined and accessible compliance and taxation processes to reduce administrative burdens on women entrepreneurs. Introduce simplified registration processes and tax incentives tailored for small and semi-formal enterprises. Encourage semi-formalisation by creating a phased approach to formalisation, supported by financial literacy programs and access to affordable credit.

This brief is prepared by Prakriti Sharma and Vidhi, and reviewed by Radha Chellappa, Aditi Vyas and Bidisha Mondal. It is based on the insights that emerged from the panel organised by Institute for What Works to Advance Gender Equality (IWWAGE) and Institute for Human Development (IHD) on “Self-Employment and Women’s Entrepreneurship in India: Gaps in Quality and Inclusivity” at the 65th Annual Conference of the Indian Society of Labour Economics at Bengaluru, Karnataka on 10 January 2025.

Speakers: Aditi Vyas (M), Farzana Afridi, Gayathri Vasudevan, Jeemol Unni, Ravi Srivastava, Yamini Atmavilas.



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