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Women Investing in Women

A Case for Gender Lens Investing in India

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ABOUT INTELLECAP

Intellecap is a pioneer in providing innovative business solutions that help build and scale profitable and sustainable enterprises dedicated to social and environmental change. Founded in 2002, the Aavishkaar - Intellecap Group now manages assets of over USD 750 million and have directed over USD 1 billion of capital to entrepreneurs working on challenging problems sustainably through equity funds, venture debt vehicle, microfinance lending and investment banking intermediation. Intellecap provides a broad range of consulting, research and investment banking services, to multilateral agencies, development finance institutions, social enterprises, corporations, investors, policy makers and donors. In 2017, Intellecap won the 'Impact Market Builder of the Year Award' from Global Steering Group (GSG) Chicago, a G20 Think tank.

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LIST OF ABBREVIATIONS

Abbreviation	Description
AUM	Assets Under Management
CWE	Catalyst for Women Entrepreneurs
CSR	Corporate Social Responsibility
DFI	Development Finance Institution
DIB	Development Impact Bond
FAO	Food and Agriculture Organization
GSL	Global Steering Group
IFC	International Finance Corporation
IMO	Intermediary Organisation
MFI	Micro Finance Institutions
MSME	Micro, Small and Medium Enterprises
MUDRA	Micro Units Development and Refinance Agency
NBFC	Non-Banking Financial Company
NITI Aayog	National Institution for Transforming India
PEWIN	Private Equity Women Investor Network
SME	Small and Medium Enterprises
VC	Venture Capital
WEP	Women Entrepreneurship Platform
WIN	Women's Investor Network

INTRODUCTION

Global evidence of a strong business case for investing in women and leveraging their potential as entrepreneurs is emerging. The 'Women Investing in Women' movement can play a significant role in addressing the systemic access to finance challenges that women entrepreneurs contend with. The report takes stock of the access to finance challenges experienced by women entrepreneurs in India and the resulting financing gap. It explores the potential of the 'Women Investing in Women' movement to address those challenges and enhance access to finance for women-led start-ups and small businesses. The core objective of the report is to identify a strategic roadmap for strengthening this movement in India to further the adoption of gender lens investing. This report will be a valuable resource for a range of ecosystem stakeholders including regulatory agencies and government policymakers, development agencies, foundations, private sector companies who aim to strengthen the women entrepreneurship ecosystem in India. It is expected to inform policy formulation and intervention design targeted at strengthening gender lens investing in India.

It is worthwhile to highlight that availability of data was a constraint during this research, given that the field of gender lens investing and the 'Women Investing in Women' movement as an approach to further it, are still at their nascent stages globally, more so in India. Most of the global literature in this field is available in the context of developed markets such as United States. The section on strategies in the report is based on Intellecap's analysis of this global literature and our on-going (yet to be published) gender research.

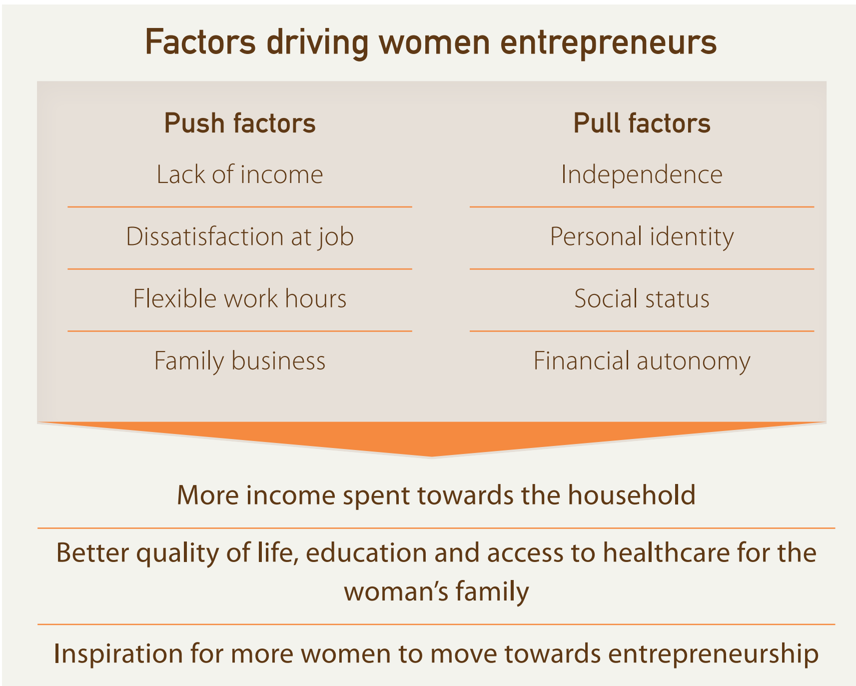
We are grateful to Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ) for supporting this endeavour and enabling us to conduct this study.

WOMEN ENTREPRENEURSHIP IN INDIA

Women entrepreneurship is gaining momentum in India

India currently has more than 8 million women-led businesses that represent 13.76% of the total businesses in the country.[1] Traditionally, men in India have been perceived as more entrepreneurial by nature, and the entrepreneurship ecosystem is structured to support them. However, studies have been increasingly highlighting how promoting entrepreneurial skills among women can foster and promote women empowerment.[2,3] Over the past couple of decades, women entrepreneurship has been on the rise in India driven by improved educational outcomes, targeted interventions by the government and private sector, and other socio-economic factors.

Figure 1: Drivers and Social Outcomes of Women Entrepreneurship



1 All India Report of Sixth Economic Census, Ministry of Statistics and Programme Implementation, September 2016 http://www.mospi.gov.in/all-india-report-sixth-economic-census

2 Role Of Women Entrepreneurship In Promoting Women Empowerment, Stanzin Mantok, International Journal of Management and Applied Science, October 2016 http://www.iraj.in/journal/journal_file/journal_pdf/14-308-148006997748-51.pdf

3 Review Of Literature On Women Entrepreneurs, Norhalimah Idris, Joyce Tan, Journal Of Global Business And Social Entrepreneurship, 2017http://gbse.com.my/v1no3jan17/Paper-40-.pdf

The motivations for women to become entrepreneurs are driven by 'push' factors such as lack of income, dissatisfactions from previous work and need for flexible work schedule, and "pull" factors such as greater independence, desire for establishing personal identity and status.[3] Earnings generated through their businesses give women financial autonomy and empowers them to play greater roles in personal and professional decision making. Moreover, growth of women-led businesses not only establishes women in their own career but also has a ripple effect on inspiring and empowering other women to follow their footsteps.

The increasing recognition of the need to unlock the full potential of women entrepreneurship in India has led to a range of targeted interventions by the public sector. At the central government level, Women Entrepreneurship Platform (WEP), set up under the aegis of the NITI Aayog, serves as an enabling platform for women entrepreneurs. Services such as free credit ratings, mentorship, funding support to women entrepreneurs, apprenticeships and corporate partnerships are provided through the platform. At the state level, many governments have adopted innovative programs or framed their policies to encourage women entrepreneurship. Incubation and acceleration centres supported by allocation of gender focused funding are some of the distinct approaches being adopted. For instance, the Telangana government recently launched WE-Hub, a state led incubator exclusively for start-ups led by women. Similarly, the government of Karnataka in partnership with Catalyst for Women Entrepreneurs (CWE) has launched an incubator and co-working space for women entrepreneurs to provide mentoring and access to finance, markets, enabling technology, information and trade networks to technology-based enterprises led by women. The government of Maharashtra has instituted a special industrial policy for women entrepreneurs.[4] As per the policy, women can avail of financial assistance from INR 1.5 million to INR 10 million in proportion to 15% to 35% of capital investment of the project at a subsidized interest rate of 5%. The policy also includes provisions related to reservation of land for women industrialists and subsidised electricity rates, among other things.

Private sector support for women entrepreneurs has been gaining traction. Not-for-profits, private enterprises and corporates have launched several initiatives to promote women entrepreneurship in India. The urban women-led start-up segment and SMEs are supported by private incubators and accelerators that are mostly concentrated in the leading cities of Bengaluru, Mumbai, Delhi and Pune. These programs often provide incubation, access to finance and business support to the women entrepreneurs. Empower, an initiative by Zone Start Ups, for instance was launched to support women entrepreneurs and has several sector focused tracks such as technology for businesses and renewable energy. Many of these incubators are now working as implementation agencies for the government and CSR programs. Women entrepreneurship interventions in the rural segment are led by not-for-profits who often undertake social interventions for women empowerment in parallel to economic interventions to promote micro-entrepreneurship. Many of these not-for-profits have regional focus and they work across several states in the same region. For instance, grassroots organizations such as Mann Deshi Foundation and Swayam Shikshan Prayog have been

4 Maharashtra government approves policy for women entrepreneurs, Times Of India, December 2017 https://timesofindia.indiatimes.com/business/india-business/maharashtra-govt-approves-policy-for-women-entrepreneurs/articleshow/61936093.cms

promoting rural women entrepreneurship in India for decades and have been recognized for their work on global platforms. In addition to these initiatives, several Indian and international companies and their foundations such as ICICI Bank, Walmart and IKEA have launched their urban or rural focused programs to promote women entrepreneurship in India.

Various subsidized debt schemes have also been launched by the government that are supported by development financial institutions. Budgetary allocations by the central government and a number of state governments have been specifically provisioned to address the access to finance barriers faced by women entrepreneurs. The Central government's Stand-Up India scheme targets women-led start-ups and SMEs, and facilitates bank loans between INR 1 million to 10 million to at least one woman borrower per bank branch for setting up a green-field enterprise.[5] The Pradhan Mantri MUDRA Yojana supports micro and small women-led businesses, and provides loans of up to INR 1 million to micro-entrepreneurs and individuals through branch offices of banks, MFIs, NBFCs, etc. Since 2015, the government has given out 120 million loans worth INR 5.75 trillion under the scheme, with around 74% women beneficiaries. In the 2018-19 budgets, the lending target under the MUDRA Yojana for the year was enhanced to INR 3 trillion to boost credit support for micro-enterprises and to further encourage women entrepreneurship in India.[6] Further, the Rashtriya Mahila Kosh provides micro-credit to women in the informal sector without collateral for loans up to INR 10 million. It primarily provides loans to intermediary organizations which then on-lend to women self help groups.

Further, several states in India such as Rajasthan and Karnataka have launched their Startup funds with dedicated allocations towards women start-ups. The Rajasthan government's Startup fund worth INR 5 billion sets aside about INR 1 billion exclusively for providing loans and equity funding to women led businesses.[7] In Karnataka a fund of INR 100 million for women entrepreneurs of the state has also been announced by the state government.[8]

5 Stand Up India Scheme Features, Government of India https://www.standupmitra.in/Home/SUISchemes

6 PM interacts with MudraYojana beneficiaries across the country through video bridge, Press Information Bureau, May 2018 http://pib.nic.in/newsite/PrintRelease.aspx?relid=179601

7 Rajasthan Government announces framework for Rs 500 crore Startup Fund, Yourstory, 2018 https://yourstory.com/2018/02/rajasthan-govt-startup-fund-framework/

8 Karnataka IT Minister Priyank Kharge Aims To Boost Women Entrepreneurs; Announces $1.4 Mn Fund, Inc 42, March 2017 https://inc42.com/buzz/karnataka-women-entrepreneur-fund/

Access to finance remains an acute challenge for women entrepreneurs in India

Seamless access to finance is a crucial factor for spurring growth in women-led businesses. An International Finance Corporation (IFC) report identifies lack of access to finance as a key factor contributing to significantly lower growth rate of women-led enterprises compared to the average growth rate for SMEs run by men.[9] A 2014 IFC report titled "Improving Access to Finance for Women-owned Businesses in India"[10], estimated the total financing requirement for registered and unregistered women-owned MSMEs in India at USD 158 billion and the total supply of financing at about USD 42 billion, implying an estimated financing gap of USD 116 billion.

It is further interesting to note that despite barriers to growth posed by poor access to finance, there is no evidence to suggest that women-owned enterprises have a higher failure rate than those led by men. Studies have shown that credit constraints directly impact monthly turnover of women entrepreneurs and that relaxation of such constraints can lead to about 6% additional growth in their monthly turnovers, therefore improving business performance of women entrepreneurs.[11]

Figure 2: Building a strong business case for investing in women

From the Grassroots to the C-Suite: Strong business case for investing in women exists across the continuum

Grassroots Entrepreneurs & Farmers	Microfinance Companies	Small & Medium Enterprises (SMEs)	Venture Backed Companies	Fortune 500 Companies - C-Suite
FAO estimates that if women received resources on par with men:	MFIs with more women clients :	Closing the gender credit gap for women-owned SMEs can:	Companies in Silicon Valley run by women when compared to those led by men had:	Companies with 3 or more corporate directors who were women outperformed those with no women director by:
- additional yield could reduce number of undernourished people by 100 million to 150 million (12 to 17%)	- have lower write-offs - have lower credit loss provisions - prove that women have better credit risk profiles	- Can drive global economic growth by enhancing per capita income by an additional 12% by 2030	- 12% higher annual revenues - used an average of one-third less committed capital - had lower failure rates	- 84% on return on sales - 60% on return on invested capital - 46% on return on equity

Source: Women, Wealth & Impact: Investing with a Gender Lens 2.0, Veris Wealth Partners

9 Investing in Women Initiative Literature Review, 2015 https://dfat.gov.au/about-us/business-opportunities/Documents/se-asia-investing-in-women-literature-review.pdf

10 Improving Access to Finance for Women-owned Businesses in India, International Finance Corporation, 2014 https://www.ifc.org/wps/wcm/connect/a17915804336f2c29b1dff384c61d9f7/Womenownedbusiness1.pdf?MOD=AJPERES

11 Performance of Women Entrepreneurs: Does Access to Finance Really Matter?, 2018, http://www.ejbe.org/EJBE2018Vol11No21p023KHALEQUE.pdf

Globally, a business case for investing in women is emerging. Investing in women and achieving gender balance in terms of allocation of financial resources for entrepreneurship makes economic sense. According to a report by Veris Wealth Partners, in the context of MFI female clients exhibit much higher rates of loan repayment and are associated with lower loan write-offs and lower credit-loss provision requirement, therefore posing lesser credit risks for MFIs compared to male clients.[12] A survey of 600 enterprise founders conducted by VC firm First Round, found that enterprises which had a woman founder outperformed their all-male counterparts by 63%.[13] Studies indicate that investors who bring in diversity in the form of both male and female partners are able to bring in a wider variety of perspectives when assessing an investment opportunity.

However, a huge access to finance gap affects women entrepreneurs globally and particularly in India. According to venture capital database PitchBook, despite over 11 million US-based women-owned businesses generating USD1.6 trillion in revenues in 2016, these businesses received only 2% of venture capital funding during the year.[14] Despite women launching 38% of new businesses in the United States, only 2% to 6% of them receive VC funding. Similarly in the context of credit, out of every USD 23 of small business loans deployed in the US, women-owned businesses receive only USD 1.[15] About 80% of 350 female technology start-up entrepreneurs surveyed in the United States by the Kauffman Foundation had depended on personal savings as their primary source of funding their ventures.[16]

A similar phenomenon also holds true for women-led enterprises in developing countries like India. The IFC estimates that 70% of women-owned SMEs in the formal sector in developing countries are either un-served or under-served by financial institutions, implying a huge opportunity to finance and support women entrepreneurs.[17] This implies a financing gap of USD 287 billion for women-owned SMEs in developing countries. Of this financing gap, East Asia and the Pacific account for USD 68 billion.

In the ***Global Women Entrepreneurs Leader Report***, India ranked 29 out of 31 countries on the ease of doing business for women. India's ranking remains low due to unequal inheritance rights and work limitations that restricts them for accessing start-up capital.

12 Women, Wealth & Impact Investing with a Gender Lens 2.0 2015 https://www.veriswp.com/wp-content/uploads/2018/02/CA_Women-Wealth-and-Impact-2.0_2015-03-05.pdf

13 VC Firm First Round: Our Female Founders Outshine The Men, Forbes, July 2015 https://www.forbes.com/sites/alexkonrad/2015/07/29/first-round-female-founders-outperform-the-men/#6d6da22d22f2

14 Women Investing in Women, American Family Insurance, 2016 https://www.amfam.com/resources/articles/your-business/women-investing-in-women

15 Women Investing in Women, Enee Sylvestre-Williams , IG Wealth Management, March 2018 https://www.investorsgroup.com/en/articles/2018/03/women-investing-in-women

16 Female Entrepreneurs are Key to Economic Growth, Kauffman Foundation, November 2014 https://www.kauffman.org/currents/2014/11/womens-entrepreneurship

17 Investing in Women Initiative Literature Review, 2015 https://dfat.gov.au/about-us/business-opportunities/Documents/se-asia-investing-in-women-literature-review.pdf

Figure 3: Gap in Gender Based Capital Allocation[18,19]

The huge gap in gender based capital allocation indicates substantial investment opportunities

US$ 287 billion
Current credit gap faced by women-owned SMEs in developing countries

252%

US$ 114 billion
Current global impact investing assets under management

2%

US$ 2.2 billion
Global investments in women-led businesses assets under management*

*Only includes the investments made in women-led businesses by the gender lens funds – may exclude other funds that did not categorize their investments as gender investments

The majority of women-led enterprises in India are subsistence businesses operating in the informal sector. Around 83% were without hired workers and only about 88% of the total 13.45 million persons employed in women-led establishments were employed in the establishments hiring less than 10 workers-pointing towards an overwhelming concentration of micro and small businesses.[20]

While there are various debt schemes by the government and private sector focused on women entrepreneurs in India, based on Intellecap's analysis these schemes are often misused by businesses with co-ownership of women, usually mother or wife of the promoter, to leverage subsidized schemes.[21]

Interplay of a number of challenges hinders capital access and therefore, scalability of women-led businesses in India. These challenges can be broadly classified into demand side and supply side challenges. Demand side challenges are associated with characteristics and perceptions of women entrepreneurs and how they position themselves to access finance, while the supply side challenges revolve around how investors and financing institutions perceive women-led businesses and what influences their decisions to invest in these businesses. Intellecap's analysis based on anecdotal evidence indicates that the demand side and supply side challenges are correlated forming a vicious cycle which constrains women entrepreneurs' access to capital in India. More data-backed research is however, required to establish these correlations.

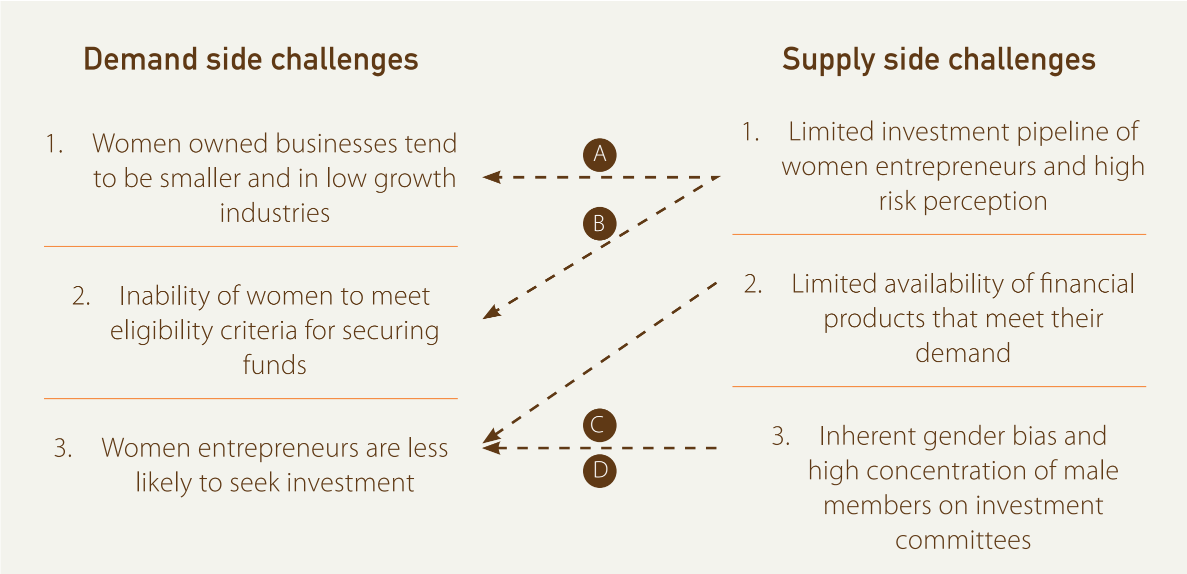
18 Industry News | August 31, 2017
Investing in Women: Closing the Gender Capital Gap in Southeast Asia, Impact Alpha, August 2017 https://impactalpha.com/investing-in-women-closing-the-gender-credit-gap-in-southeast-asia-800997d8f9c6/

19 7 Takeaways from Project Sage 2.0, the Global Scan of Gender Lens Private Equity, VC, and Private Debt Funds, Wharton Social Impact, October 2018 https://www.wharton.upenn.edu/story/7-takeaways-from-project-sage-2-0-the-global-scan-of-gender-lens-private-equity-vc-and-private-debt-funds/

20 All India Report of Sixth Economic Census, Ministry of Statistics and Programme Implementation, September 2016 http://www.mospi.gov.in/all-india-report-sixth-economic-census

21 Intellecap analysis

Figure 4: Access to Finance for Women Entrepreneurs: A Demand - Supply Challenge



A - Most financial products, both debt and equity, have a minimum ticket size and also a broader ticket size range when looking for investment targets. This is primarily because it makes economic sense to lend above a certain minimum threshold given the cost of due-diligence. However, in the case of women-led businesses, this criterion is often unmet given that the majority of women-led businesses in India are micro-enterprises, resulting in a very limited pipeline for existing investors. The size of the women-led businesses is often driven by the sectors they are operating in such as food processing, textiles and handicrafts, and retail, therefore, triggering questions on their risk appetite and scalability. The smaller business sizes are due to a combination of limited incomes and funds, lack of awareness about financing opportunities and avenues and a consequent dependence on family, friends and informal lenders.[22] All of these factors lead to reinforcement of existing social biases of high risk perception of women-led businesses.

B - Women entrepreneurs often don't meet eligibility criteria with respect to securing finance due to lack of collaterals, complicated documentation processes and product mismatches with respect to schemes designed for women entrepreneurs.[23] This further leads to the issue of limited pipeline of women-led businesses for the investors to create a targeted gender lens fund in India.

C & D - Evidence also suggests that women entrepreneurs are less likely to proactively seek investments and in effect, also end up receiving less.[24] Most banks exhibit a gender mix which is heavily tilted in favour of male employees.[23] The gender disparity is even starker in the context of representation of women fund managers in private equity firms. Since most

22 Strengthening Access to Finance for Women-Owned SMEs in Developing Countries, International Finance Corporation, October 2011 https://www.ifc.org/wps/wcm/connect/a4774a004a3f66539f0f9f8969adcc27/G20_Women_Report.pdf?MOD=AJPERES

23 Enhancing Access to Finance for Women Entrepreneurs – What Should Financial Institutions Do?, Next Billion, August 2017 https://nextbillion.net/enhancing-access-to-finance-for-women-entrepreneurs-what-should-financial-institutions-do/

24 Why VCs Aren't Funding Women-led Startups,Wharton, University of Pennsylvania May 2016 http://knowledge.wharton.upenn.edu/article/vcs-arent-funding-women-led-startups/

investors are men, it leads to formations of male networks that women often find difficult to access. Also, venture capital and financial institutions often are guided by relatively negative perceptions and stereotypes about women entrepreneurs as compared to male entrepreneurs. A Harvard Business Review study recorded and analysed how venture capitalists perceive and talk about female and male entrepreneurs, adopting such gendered stereotypes.[25]

The lower likelihood of receiving positive ratings from banks and angel investors, and high degree of gender biases faced during the processes could be one of the factors that leads to subdued aspirations and expectations of women about raising capital for their ventures.[24]

25 We recorded VCs' conversations and analysed how differently they talk about female entrepreneurs HBR, May 2017 https://hbr.org/2017/05/we-recorded-vcs-conversations-and-analyzed-how-differently-they-talk-about-female-entrepreneurs

WOMEN INVESTING IN WOMEN

Why promote 'Women investing in Women'

Does gender influence investment decision making – this question has been under research for decades.[25] The lack of data with respect to early stage ventures in general, often prompts investors to make investment judgements and decisions based on perceptions around attributes like gender. A Wharton Business School article[24] draws attention to the "homophylic principle" which implies that "similarity breeds connection", may be at play in this context. Since the majority of investors are men, they form connections with male entrepreneurs more readily, leading to networks being formed, which women find difficult to access.

Promoting the concept of 'Women Investing in Women' offers a viable solution for addressing some of the structural challenges facing women-led businesses. The concept quite literally points towards the phenomenon of women leveraging the power of their role as investors to invest in women-owned or women-led enterprises. A study published

> **Women as investors as well as successful entrepreneurs can support other women entrepreneurs by mentoring them, sharing their experiences and also investing their personal wealth into their businesses.**
>
> - Heather Wentler, co-founder of the Doyenne Group, a US-based non-profit committed to investing in women entrepreneurs.
>
> (Source: Women Investing in Women, 2016 link)

Mann Deshi Bank: Case Box 1

Mann Deshi Mahila Sahakari Bank was set up in 1997 by Chetna Sinha by pooling in the savings of 1335 women, worth about USD 11,000. It is the first bank run for and by rural women in India.
With focus on supporting women to control their finances and enhance incomes, the bank provides doorstep banking services, micro-enterprise loans and insurance schemes for women.

on Harvard Business Review[26], compared start-ups financed by all-male VCs and those financed by VCs with female partners and found that in case of the former, the number of investment exits were 25% more for male-led start-ups than for female-led start-ups. However, in case of start-ups financed by VCs with female partners, the number of exits was equal among male-led and female-led start-ups.[26] Secondly, venture capital firms having both male and female partners are able to bring wider perspectives to better evaluate or advise female-led start-ups.[26]

The genesis and growth of gender lens investing can be traced to the women investors and thought leaders in various countries. As a mark of the unequivocal acceptance of the economic reality around the vital contribution women can make to the global economy, a movement termed *gender lens investing* has been steadily gaining momentum over the past decade. As per Intellecap's analysis, almost 70% of the gender lens funds investing in women owned businesses were either seeded by women investors and/or raised funds from women as limited partners. Most of these women investors and thought leaders were successful entrepreneurs, established investors and high-net-worth women who leveraged their experience, capital and networks to contribute to furthering the field of gender lens investing.

Women Investing in Women: Case Box 2

Texas Women Ventures (TWV) is one of the earliest investment firms launched to support women entrepreneurs. Started in 2005 by five successful business women, TWV's Mission is to invest in and promote investment in women-led and women-owned companies, provide attractive returns to investors, and support the development of successful women entrepreneurs and investors. Tapping into the women's business community, it provides a place for women to learn about private equity.

The concept of 'Women Investing in Women' is gradually gaining traction with women leaders along the investor-investment advisor-investee continuum, acknowledging the importance of women supporting each other as investors and entrepreneurs. SheEO, founded by Vicki Saunders, is an example of an organization that helps women entrepreneurs in North America and New Zealand access capital from women investors.[15] Other examples of organizations and networking platforms which have established tracks focused on supporting women entrepreneurs include Women 2.0, SpringBoard Enterprises and iFundWomen. In developing economies such as Asia and Africa, funds such as The Lotus Circle, Makeda Fund and SheEO's Radical Generosity program led by women funders are investing in women-led businesses. Mainstream investors such as OPIC 2x, Asian Development Bank, SEAF and Patamar Capital have also entered this space over the last few years.

26 The Gender Gap in Startup Success Disappears When Women Fund Women, July 2016 https://hbr.org/2016/07/research-the-gender-gap-in-startup-success-disappears-when-women-fund-women?utm_campaign=digest&utm_medium=email&utm_source=app

Gender Lens Investing is defined as "the deliberate incorporation of gender factors into investment analysis and decisions (link)" or "a lens that incorporates gender analysis into financial analysis in order to get to better decisions (link)."

Gender lens investing is based on the premise of channelizing the power of finance and investments towards enhancing the participation, status and well-being of women and girls. The gender lens helps in consciously bringing out various indirect and understated gender aspects associated with needs, participation and perceptions of women that could have otherwise been overlooked, and factoring these aspects into business strategy and investment decisions.

The Criterion Institute, a pioneer in driving the gender lens investing agenda, identifies three common goals or strategies that underlie gender lens investing:

- Increasing access to capital for women entrepreneurs,
- Fostering workplace equity,
- Developing products and services that benefit women and girls

Among these three gender lens strategies, *this report focuses on the access to capital for women entrepreneurship strategy*. This gender lens investing strategy focuses on the gender disparities in the availability and allocation of capital and financial resources and channelizing debt or equity capital directly to women-owned and women-led businesses.

While globally over USD 2.2 billion[27] of debt and equity has been deployed with gender lens in women led businesses over the last few years, India has not seen any significant traction in the field. On the global landscape, the adoption of gender lens investing has been fast evolving due to various factors such as adoption of sustainable development goal (SDG 5) that calls for achieving gender equality and female empowerment by 2030[28], evidence of financial value creation through social-economic empowerment of women, and the growth of women entrepreneurship and investors who are leading this investment strategy. Although many investors that adopted gender lens have emerged across the globe in the last five years, majority of them are concentrated in North America.[29] Few gender lens funds such as Saha Fund in India, Angin in Indonesia and Patamar Capital in South East Asia have emerged in the developing countries, but most early adopters of gender lens investing in the country face challenges in raising the capital due to limited investor awareness and well-defined business case.

27 7 Takeaways from Project Sage 2.0, the Global Scan of Gender Lens Private Equity, VC, and Private Debt Funds, Wharton Social Impact, October 2018 https://www.wharton.upenn.edu/story/7-takeaways-from-project-sage-2-0-the-global-scan-of-gender-lens-private-equity-vc-and-private-debt-funds/

28 Sustainable Development Goal 5 https://sustainabledevelopment.un.org/sdg5

29 Intellecap Analysis

STRATEGIES TO CATALYZE GENDER LENS INVESTING IN INDIA

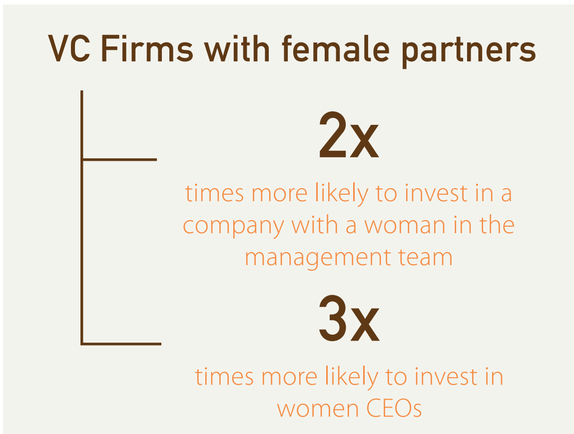
India needs a paradigm shift in its approach to improve access to finance for women – gender align financial services, develop demand driven investment products and build the evidence base for mainstreaming gender lens investing.

Gender align entrepreneurship support and financial services

Globally, gender gap in terms of financial wealth creation and its concentration is gradually narrowing. According to the Boston Consulting Group, between 2010 and 2015, private wealth held by women grew by 50% to reach USD 51 trillion. By 2020 women are expected to hold 32% of the total private wealth and over the coming decades, most of the private wealth that will be transferred is expected to go to women.[30] A recent Credit Suisse Global Wealth Report stated that among major economies, India has one of the highest proportions of female billionaires—18.6%.[31]

Acceleration in private wealth creation and its concentration among women points towards an opportunity to design and promote programs that engage with high net worth women and help them channelize their wealth into investments in women-

Figure 5: VC firms with female partners are more likely to invest in women



Source: Crunchbase Women in Venture Report

30 Women's Wealth is Rising, The Economist, March 2018 https://www.economist.com/graphic-detail/2018/03/08/womens-wealth-is-rising

31 Global Wealth Report 2018, Credit Suisse, Research Institute http://publications.credit-suisse.com/tasks/render/file/index.cfm?fileid=37226D89-C511-95F3-3960988EEA61FB88

owned businesses. Such interventions can play an important role in building the capacity of women as investors. Till now, philanthropies and foundations have dominated as preferred funding channels for women as investors. Enhanced awareness and knowledge can help high net worth women to channelize their private wealth into structured, high return investment opportunities, particularly those associated with women-led enterprises.

1. **Design and deliver targeted mentorship and training for high net worth women to become investors:** Certain investment funds are providing capacity building support to women to become investors who in turn, are expected to invest in women entrepreneurs. Interventions include investing master-classes and support services such as mentoring and access to industry players to build knowledge about investing. For instance, Next Wave Impact and Impact NH Fund are running targeted interventions to build capacity

Women Investing in Women: Case Box 3

Founded in 1997 by a group of like-minded women, ***Springboard Enterprises*** is one of the earliest pioneers in gender lens investing that identified the opportunity presented by high-potential women entrepreneurs and adopted an integrated approach of access to capital, knowledge sharing, developing leadership pipeline and access to network. On this premise, their flagship program Women Funding Women, co-hosted by Dell and the Dell Women's Entrepreneur Network (DWEN), is a notable example of an initiative encouraging women to invest in women-led companies.

of women as angel investors. However, most of these funds are still located in developed countries and there is a need for similar intervention in developing countries as well.

In India, knowledge sharing through master-classes on investing conducted by successful women as well as male investors could be designed and popularised to inspire other women to become investors. Dedicated mentorship that can guide new and potential women investors by sharing experiences, understanding of common problems and tips on evaluating investment avenues will go a long way to overcome barriers that keep women away from investing circles.

2. **Develop and promote investment networks dedicated to existing and potential women investors:** To spur investments by women, structured networking opportunities among new and potential women investors need to be created and promoted. Examples of such women investor networks and platforms include Private Equity Women Investor Network (PEWIN), Women's Investor Network (WIN), Pipeline Angels[32] and 37 Angels. PEWIN is a network of senior women private equity leaders which provides opportunities to women investors to network and empower each other to succeed.[33] Similarly, WIN connects women with an investor community, new programs, educational content, and opportunities to invest.[34]

32 Pipeline Angels http://pipelineangels.com/about-pipeline-angels/
33 PEWIN https://pewin.org/
34 Women's Investor Network http://www.womeninvestornetwork.org/VheOZ/RmWdZ/

37 Angels[35] is a community of women investors which focuses on training early stage investors. India however, currently lacks such dedicated women investor networks and

Women Investing in Women: Case Box 4

Pipeline Angels is a women angel investor networking platform which runs angel investing boot-camps for aspiring women investors and pitching platforms for entrepreneurs who seek funding. The platform was founded by Natalia Oberti Noguera to address "What would women and femmes be able to accomplish if they came from a place of abundance?"
Since its launch in 2011, over 300 members have graduated as angel investors from Pipeline Angels' boot-camps who have gone on to invest over USD 5 million in more than 50 companies through its pitching platform.

platforms. Creation of such networks needs to be promoted for developing the capacity of new as well as potential women investors.

3. **Improve gender diversity in the Indian banking sector:** To facilitate easier access to finance for women entrepreneurs from banks and financial institutions in India, the gender imbalance in the staffing mix within the banking sector needs to be corrected. Having a balanced gender mix among staff, can enable banks to connect better with women entrepreneurs, understand their requirements and design more appropriate gender sensitive banking solutions.[36]

FMO Entrepreneurial Development Bank: Zambia Intervention: Case Box 5

The Female Focus on Financial Inclusion Initiative by FMO brought together women entrepreneurs, commercial bankers and central bankers in Zambia together for a week long program that offered a combination of business support sessions, leadership workshops and one-on-one coaching. At the end of the program, the female entrepreneurs pitched their business ideas, challenges and needs to all the key players in the Zambian financial sector, including the Minister of Finance, the Governor and Deputy Governor of the Central Bank and all the CEOs of the largest Zambian Banks. Having established the business case to invest in women-led businesses, the banks are now exploring the feasibility to launch credit risk guarantee structures dedicated to the women's market.

In 2016, major UK banks signed a charter pledging to tackle gender gap by committing to appoint an executive responsible for gender, diversity and inclusion; set internal targets for gender diversity in senior management; and publish gender statistics annually on their website.[37] These are approaches that the Indian banking system could certainly explore. However, solely focusing on enhancing gender representation in top management of

35 37 Angels http://www.37angels.com/

36 Financial Inclusion of Women in Zambia, Blog FMO Entrepreneurial Development Bank, https://www.fmo.nl/blog-gerbrich-and-jitske-financial-inclusion-of-women-in-zambia

37 Major UK banks sign charter pledging to tackle gender gap, The Guardian, March 2016 https://www.theguardian.com/business/2016/mar/22/major-uk-banks-sign-charter-pledging-tackle-gender-gap

banks will not solve the access to finance challenges that women entrepreneurs contend with. The thrust should be on fostering greater female employee representation across the ranks and roles (such as loan officers) and gender sensitization of all the employees so that they can be motivated to become changemakers based on their interactions with and empathy for women entrepreneurs.

The strategic implications of this would be manifold. These changemakers will inform and guide the banks to design and structure tailored products for women entrepreneurs' business needs like credit risk guarantee structures and soft loans. The banks can deploy female bankers to offer structured mentorship to women entrepreneurs, better understand and address the financial and non-financial support that women entrepreneurs require. They can serve as a channel for banks to collect gender-disaggregated data from their interface with women entrepreneurs which in turn, would further inform effective gender-sensitive product design.

Develop demand driven financing products

In parallel to unlocking capital from potential women investors in India, there is a need to develop effective financing products to spur women-led businesses. While attracting venture capital investments and private equity is critical, these financing avenues are more aligned to the needs of start-ups and high growth businesses. To bring in more broad based changes in the access to capital scenario for women entrepreneurs in India, innovative demand driven financing approaches and products embedded in such approaches need to be developed to channel capital to women-led start-ups and small enterprises.

1. Demand driven financing products: Given the vastness of India as a country and diversity of women-led businesses in terms of sectors, types and sizes, a number of innovative approaches for delivering access to finance solutions can be explored.

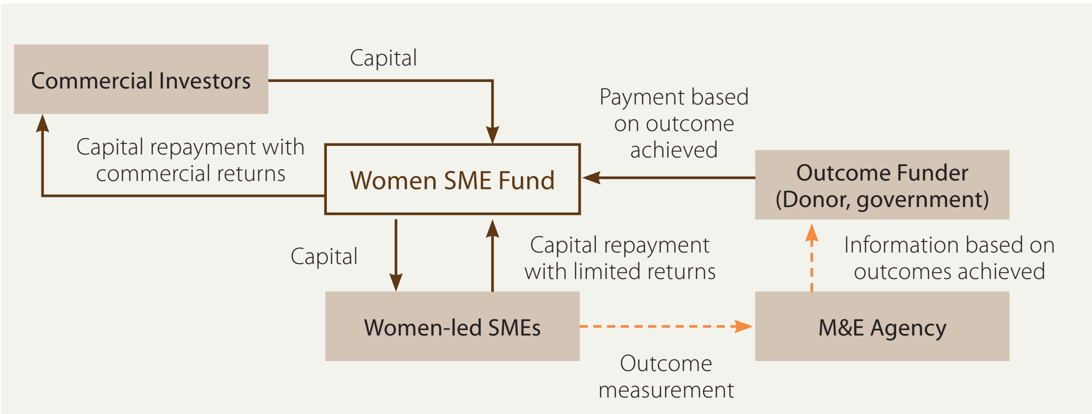
    a. Sector focused financing products and technical assistance: The traditional start-up ecosystem and the various acceleration and incubation programs in India predominantly focus on high growth businesses. In the context of women-led businesses however, there is a need to examine sector and sub-sector specific funding and capacity building requirements to design and deliver a combination of tailored financing products and technical assistance support. Many of the women-led businesses in India for example, operate in sectors such as textile and handicrafts, food processing, beauty and wellness. The nature and size of funding needs and technical assistance requirements for enterprises in these sectors differ significantly compared to those of SMEs in manufacturing sectors. Sector or cluster specific financing products that provide patient capital aligned to the growth rates and pay back periods associated with the underlying business models need to be developed to address this market need.

    b. Blended financing products: Another approach for addressing the access to finance gap for women-led businesses could be to develop 'mezzanine' or 'blended' financing structures that combine different types of capital like debt, equity and grant to offer subsidized capital with muted return expectations. This approach is particularly appropriate for supporting women-led businesses in the highly underserved geographies like North East India or in sectors that have low profit margins.

2. **Innovative structuring of gender financing funds:** Different types of innovative fund structures need to be designed based on the corresponding financing product required to address the needs of women-led businesses in India. These may include guarantee funds, social or development impact bonds, credit enhanced soft loans and blended debt with grant.

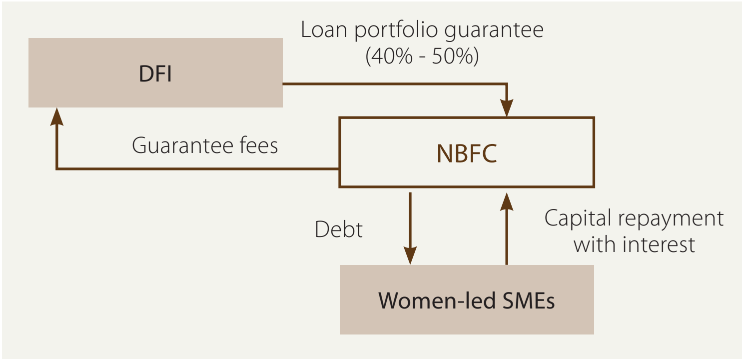
   a. **Development or social impact bonds (DIB):** A development impact bond (DIB) is an effective financing instrument for governments as well as donors such as development finance institutions (DFIs) for supporting women entrepreneurship development in a particular underfunded region, sector or segment. As an innovative financing mechanism, DIBs bring together the public, private and philanthropic sectors and align their interests towards a common set of objectives. It unlocks private capital towards achieving social impact, including augmenting the Indian government's efforts to promote women entrepreneurship. Under the mechanism, commercial investors put in capital in a DIB with commercial return expectations. The DIB on-lends to target women-led business segment as growth capital at low interest rates. The women-led businesses repay the capital with interest to the DIB over the agreed tenure. An independent agency monitors the outcome in terms of scale achieved by the businesses and based on the outcome created, a donor(s) and/or the government makes a payment to the DIB. Using the capital repayment by businesses and the outcome based payments from the donors or government, the DIB repays the commercial investors.

Figure 6: Women Entrepreneurship Development Impact Bond



   b. **Guarantee funds:** A guarantee fund can be a powerful instrument to mobilize debt capital to women-led SMEs. Financial institutions like Non- Banking Financial Institutions (NBFCs) can be encouraged to increase their lending exposure to women-led SMEs by a guarantor. The guarantor could be a development financial institution or a foundation that enables the financial institutions to hedge their associated lending risks. Under this mechanism, an NBFC agrees to provide debt capital to women-led SMEs who undertake to repay the loans with interest over the agreed tenure. A development finance institution (DFI) acts as a guarantor for 40% to 50% of the portfolio of loans disbursed by the NBFC against the eventuality of default by the SMEs. The DFI guarantor can charge the NBFC a certain amount as guarantee fees.

Figure 7: Guarantee Fund Structure



c. **Soft loans to financial institutions:** Debt capital at an affordable interest rates can help women-led SMEs meet their fixed and working capital requirements. Donors like DFIs and foundations or the government can provide soft capital to financing institutions such as NBFCs for on-lending soft loans to women-led SMEs. This mechanism enables the financing institutions broaden their exposure to NBFCs without taking a hit on the margins. Over time, such a product is expected to not only help women-led SMEs grow, but also enable financing institutions become more knowledgeable about financial requirements and creditworthiness of women-led SMEs, and therefore more comfortable to lend to them unilaterally.

d. **Interest rate subvention:** Apart from soft loans, interest rate subvention is another mechanism that can help improve access to affordable debt capital for women-led businesses. Under this mechanism, donors like development finance institutions and foundations or the government can provide an interest rate subvention which reduces the effective interest rates for women-led SMEs for accessing loans from banks and

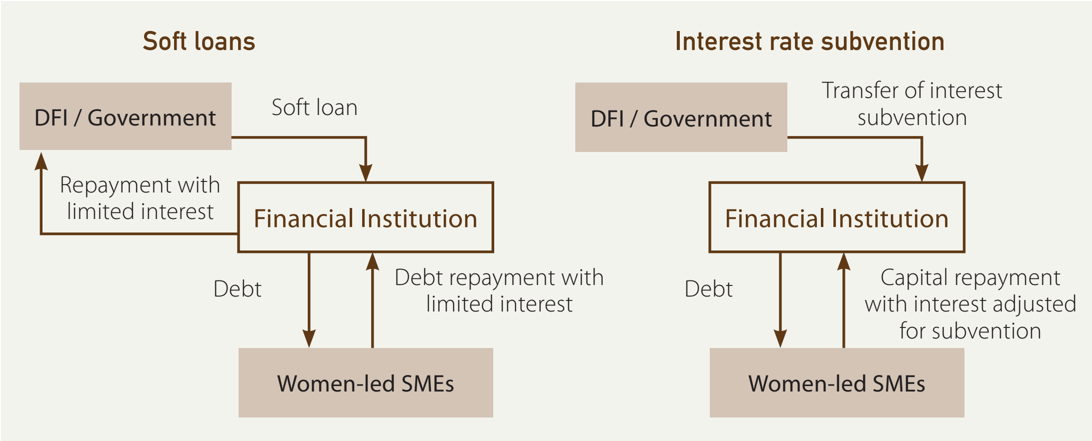
Women Investing in Women: Case Box 6

'Radical Generosity' is a funding model program introduced by SheEO. Aiming to 'radically' transform women-led ventures, Vicki Saunders, head of SheEO, developed the idea as a way to improve on the low levels of funding that women-led ventures receive, and the limited number of female entrepreneurs that have mentors and advisers.

The program calls for applications from women entrepreneurs who submit pitches to receive donated funds as a ***no-interest loan*** for five years. Further, as a part of the competition, the selected business leaders face each other in a 'war room like situation' to negotiate and determine how the money should be divided.

NBFCs. For example, typical loans carrying say a 25% interest rate disbursed by NBFCs to SMEs, if a donor and/or the government provide 10% subvention, then SMEs will need to pay 15% effective interest rate. This instrument can potentially have similar effects as that of soft loans by helping women-led SMEs access much needed capital as well as enhancing the comfort level of financing institutions in lending to them.

Figure 8: Soft loans and interest rates subvention



e. **Diaspora bonds:** Diaspora bond is a financing instrument for governments to raise upfront capital from the migrant diaspora for funding development initiatives and investments. The global diaspora of a country are guided by their patriotism and loyalty for their home country to invest in diaspora bonds and finance the country's economic development. These bonds are therefore, typically offered to expatriates with long-term maturities and low yields. India and Israel have successfully issued of diaspora bonds in the past, with expatriates investing billions of dollars. A specific diaspora bond can be created to promote women entrepreneurship in India. This can for instance, be a 10 year rupee bond (to hedge against exchange rate risks) with a low coupon rate, with one time repayment at the end of the 10 year period. This corpus can be used to provide low-interest loan capital to women-led businesses.

Build evidence base for investing in women entrepreneurs

India ranks very poorly in terms of its women entrepreneurship enabling environment, for example it ranked 48 among the 57 countries evaluated under Mastercard Index of Women Entrepreneurs.[38] Women entrepreneurs in India contend with significant constraints to access knowledge, networks and capital due to socially entrenched gender biases in the entrepreneurship ecosystem. Data-backed research to build evidence on the scale of existing women-led businesses, their performance and growth potential can help uproot deeply ingrained perceptions. Further, creation of an industry body in India to convene development stakeholders to build the field of gender lens investing can help women make inroads in high growth businesses.

1. **Data synthesis and analysis:** Most of the evidence for the business case for investing in women-led businesses, originates from developed countries – which might not be directly applicable to the Indian context. Therefore, to build the similar case in India, investments into longitudinal research on the scale and performance of women-led businesses needs to be conducted.

38 Mastercard Index of Women Entrepreneurs 2018 https://newsroom.mastercard.com/wp-content/uploads/2018/03/MIWE_2018_Final_Report.pdf

On the supply of capital side, lack of investible pipeline is often cited as an example to explain low investments in women-led businesses. As stated in the first chapter of this report, there exists anecdotal evidence on the correlation between various demand side (women-led businesses) and supply side (investors) challenges that require research to examine this vicious cycle and to design interventions to improve access to finance for women-led businesses in India. Further, there is a need to build the datasets of existing investment patterns and investment returns disaggregated by gender to attract gender lens investments in India.

2. Stakeholder mapping and sector building: Mapping the current landscape of gender lens investing in India – including current and potential investors, incubators, experts, enterprises and other stakeholders, and convening dialogues to co-create Gender Lens Investing Network that invests in field building is required. This industry body would be responsible for building knowledge assets, convening stakeholder workshops and conferences and undertaking advocacy efforts for strengthening the women entrepreneurship ecosystem in the country. Knowledge products could be in the form of research publications that plug existing information gaps around topics such as types of support required by women entrepreneurs, possible financing structures, directory and profiles of women-led business models and investor rationale and preferences.

CONCLUSION

Women entrepreneurship in India is gaining traction. A range of targeted interventions by the public sector including subsidized debt schemes supported by development financial institutions, coupled with growing private sector support for unlocking the latent potential of women entrepreneurship are contributing to the momentum. However, lack of access to finance continues to be arguably the biggest challenge for women entrepreneurs in India. Interplay of a number of demand side and supply side challenges accentuates the financing gap.

Strengthening the 'Women Investing in Women' movement in India to drive the gender lens investment strategy can contribute to alleviating some of the challenges that hinder the ability of women-led businesses to seamlessly access capital. For achieving this end, dedicated mentorship support and investor networks need to be developed for new and potential women investors. In parallel, the gender diversity in the Indian banking sector needs to be promoted as a balanced gender mix among staff, can enable banks better connect with women entrepreneurs, understand their requirements and design more appropriate gender sensitive banking solutions. Innovative demand-driven financing products and funding structures need to be explored to align the supply of capital to the needs of existing women-led businesses. Finally, a strong evidence base for mainstreaming gender lens investing needs to be built through data-backed research, stakeholder mapping and establishing an effective industry body for anchoring advocacy and sector building efforts.

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