

INDIA'S INVISIBLE ENGINES:

Understanding and Supporting Women-led Nano and Micro Enterprises



Acknowledgements

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SECTION 1:

Purpose and approach of the study

Outlines the objective of the study and the process followed to achieve the objectives



Women-led nano and micro-enterprises (WNMEs) support livelihoods and local economies but face persistent barriers in accessing capital

India is home to 62 million nano and micro enterprises¹ (NMEs), which contribute 30% of the country's GDP² and provide employment to over 96 million people. Of these, 86% are nano enterprises²—the smallest enterprises within the micro enterprise landscape.

Women-led³ nano and micro enterprises (WNMEs) make up around a quarter of all NMEs⁴. They play a critical role not only in sustaining their own households—typically supporting 4–5 family members¹—but also in contributing to local economies and communities. Yet, they continue to face persistent and significant barriers, including limited access to credit, insufficient startup capital, and low levels of digital literacy—factors that hinder their growth and sustainability⁵.

▼ Access to capital is a key driver of growth and resilience for WNMEs. Meeting their capital needs is therefore essential. However, a significant knowledge gap remains—limiting our understanding of their specific challenges, financial and non-financial needs, existing sources of capital, and effective pathways to unlock their growth potential. This gap makes it difficult to design solutions that effectively address the credit constraints faced by WNMEs.

Note: All values are rounded throughout this deck.

1 CGAP nano and micro enterprise survey 2024, with a sample size of 1,584 WNMEs. [Nano](#) enterprises are defined for this study as enterprises without any consistently paid workers (see more details on [page 31](#)).

2 The Economic Times, [2024](#), MoSPI ([2023](#)).

3 WNMEs, or women-led enterprises are defined as those with at least 51 percent ownership by women ([IFC, n.d.](#)).

4 Government of India: Ministry of MSMEs ([2025](#)).

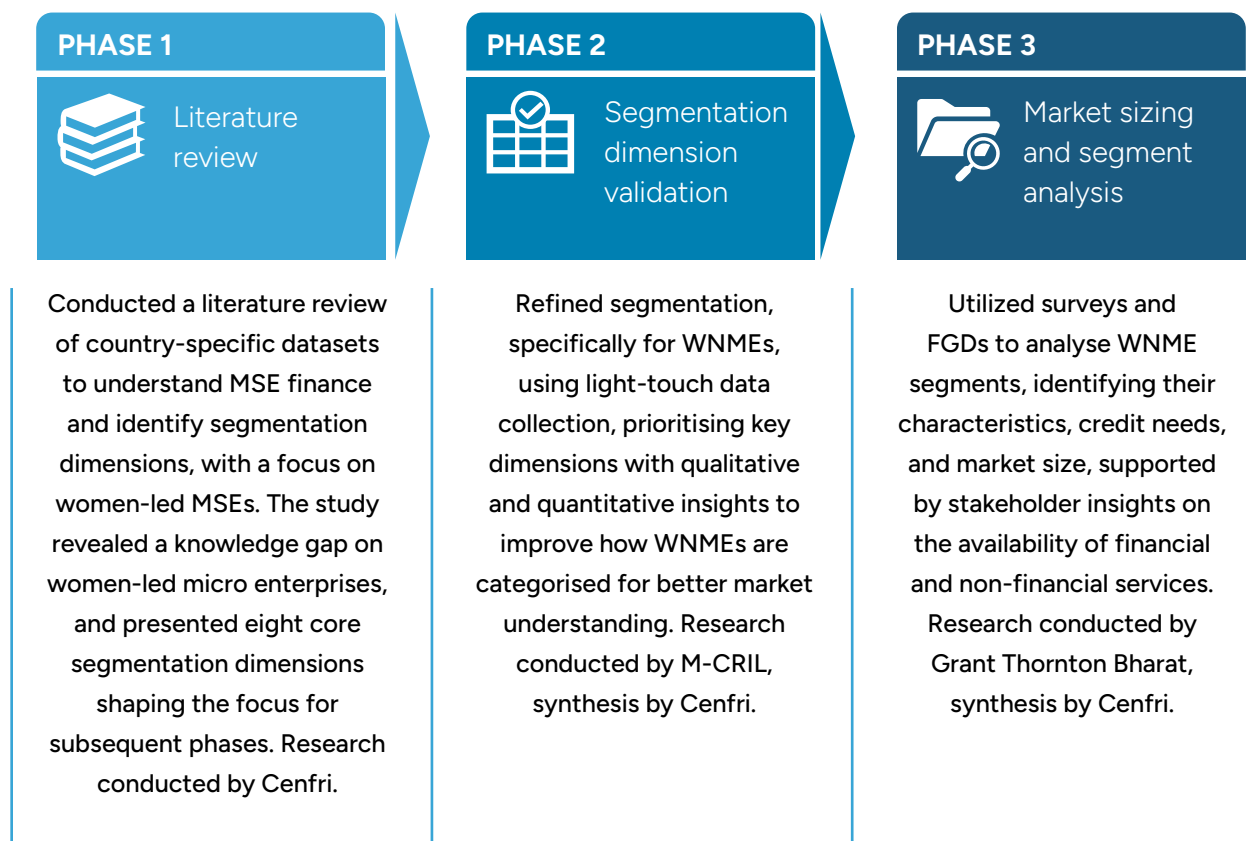
5 IAEME ([2020](#)).

CGAP Project objectives and approach: Understand the credit market dynamics and distinct realities of WNMEs

To address the challenges facing NMEs, especially women-led, the CGAP project aimed to:

- Understand WNMEs' diverse needs through segmentation by size, sector, and other characteristics.
- Identify financial and non-financial barriers impacting women-led enterprises.
- Provide solutions to close credit gaps and strengthen resilience for WNMEs.

Figure 1: Phases of segmentation and market sizing exercise



i Want to explore further? You can access the 2024 literature review and browse the data library for India, Kenya and Uganda [here](#).

¹ For more information on the methodology employed in this study, refer to the [Annex](#).

Sampling: Focus on women-led and nano enterprises

Table 1: Sample characteristics by state, gender, location, size, and sector

Strata	Level	Actual Sample
State	Assam	355
	Bihar	301
	Uttar Pradesh	342
	Madhya Pradesh	346
	Kerala	314
	Telangana	382
Gender ownership	Man-owned	456
	Woman-owned	1584
Location	Urban	948
	Rural	1092
Size	Nano	1522
	Micro	518
Sector ¹	Trade	764
	Services	711
	Manufacturing	565
Total	All	2040

Sample and study limitations:

- The sample was stratified to include enterprises of varying sizes, operational contexts and sectors of activity.
- The sample was intentionally skewed towards women-led nano and micro enterprises to better understand their unique challenges and needs.
- The study focuses on businesses operating for more than 6 months, limiting its ability to capture challenges faced by enterprises that fail early, but allowing for a deeper analysis of resilience, operational stability, and growth.
- A focus was placed on non-farm enterprises as farming enterprises usually have distinct operational dynamics, and specialized financing needs, and are often a core focus of existing research and programs targeting the agricultural sector.²

Classification of nano enterprises:

- For this report, nano enterprises are classified as own-account enterprises with no workers while micro enterprises are classified as having 1–9 workers. This is discussed further [here](#).

¹ Sector categories are based on the International Classification for Standards (ICS) by the International Organization for Standardization ([ISO, 2015](#))

² India's unorganized non-farm sector contributed approximately 6 percent to the country's Gross Domestic Product (GDP) during that period. In comparison, agriculture accounted for about 15 percent of the GDP in the same fiscal year MoSPI ([2023](#)).

i For more information on the sampling methodology, refer to the Technical Guide accompanying this report

Core sampling characteristics

The sample for this study was designed to capture key demographic and business characteristics of the WNMEs surveyed. The data below illustrates the diversity of the sample. These sample characteristics provide contextual information about the respondents and are critical for understanding the WNME constraints and tailoring interventions to support their growth and resilience.

Figure 2: Education level of WNME's

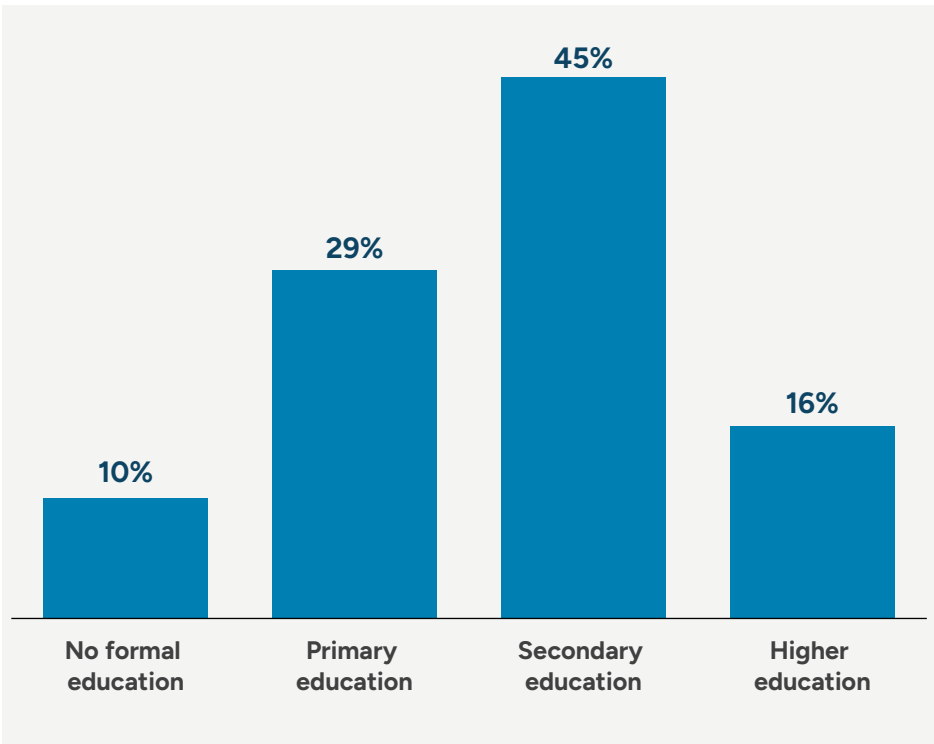


Table 2: Key demographic and operational characteristics of WNME's

CHARACTERISTIC	PROPORTION OF SAMPLE
Proportion of WNMEs operating from home	42 percent
Proportion being head of household	26 percent
Median household size	5
Proportion being registered / having a permit	33 percent
Proportion being part of a SHG	15 percent
Proportion of WNMEs where the business income generates more than 50% of the household income	51 percent

i Unless otherwise specified, the data, findings, and insights presented throughout this report are derived from the CGAP Nano and Micro Enterprise Survey (2024), as well as key informant interviews (KIIs) and focus group discussions (FGDs) conducted in India. Where applicable, these findings have been validated and enriched using publicly available data sources, which are duly referenced.

SECTION 2:

Capital access and credit gaps among WNMEs in India

Illustrates the main gendered differences and findings on women entrepreneurs' borrowing behavior and credit needs



SECTION 2.1

The capital landscape of women-led nano and micro enterprises in India

About 60 million NMEs operate in India, 15 million of which are WNMEs

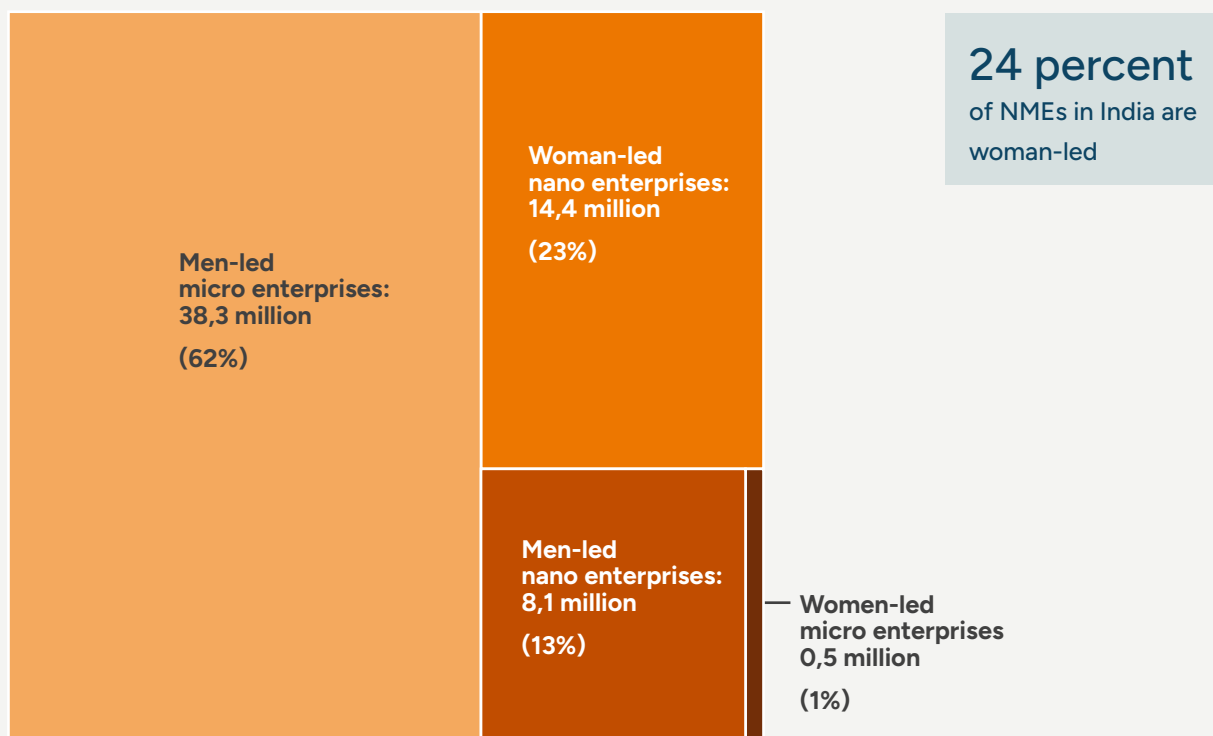
Women-led nano and micro enterprises (WNMEs) constitute less than a quarter of all NMEs in India, as gender norms continue to significantly restrict women's entrepreneurial participation.

Compared to their male counterparts, WNMEs lag in financial outcomes such as monthly revenue, and their growth potential remains limited.

Structural barriers—including restricted access to financial services and collateral, and deeply rooted gender norms—undermine their capacity to scale and thrive. Many WNMEs rely on informal networks for their capital needs, which are often insufficient to support sustained growth. In addition, mobility restrictions and caregiving responsibilities reduce their market reach and participation in support programs.

Addressing these gendered barriers is essential to unlocking the full potential of India's entrepreneurial ecosystem.

Figure 3: Number of enterprises operating, by type



Sources: CGAP nano and micro enterprise survey, 2024, sample size: 2055 NMEs & ASUSE 2022-23.

Note Figure 3: Market sizing estimates are based on CGAP nano and micro enterprise survey 2024 data extrapolated using ASUSE 2022-23. For more information on the methodology, refer to the [Annex](#).

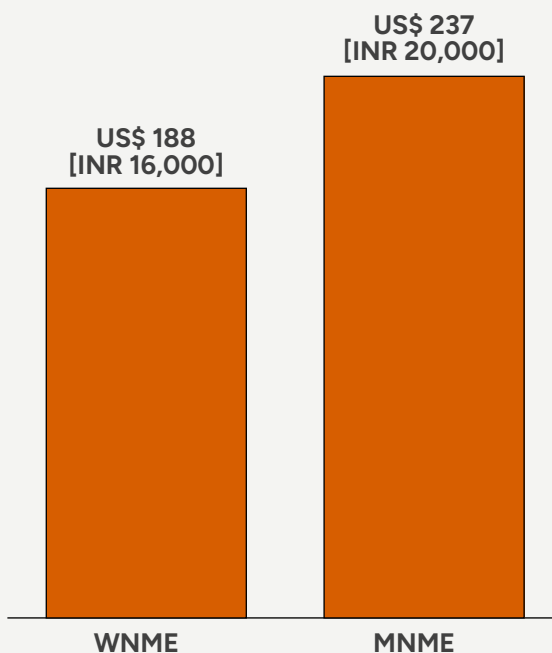
Note: Exchange rate: 1 US\$ = INR 83.65; The exchange rate has been arrived at by averaging monthly exchange rate for the year 2024. This exchange rate has been used throughout this deck.

Despite similar time in operation, WNMEs earn less revenue and profit than male-led enterprises

On average, male-led nano and micro enterprises (MNMEs) in the sample have been in operation slightly longer (7 years) than women-led NMEs (WNMEs), which average 5 years. However, the gender gap in earnings points to deeper structural barriers faced by WNMEs—including limited access to startup capital, weaker capacity to reinvest profits, and lower participation in growth-enabling networks—issues that are explored further in this section.

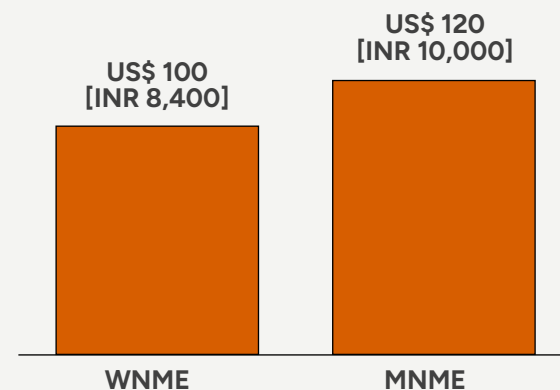
This revenue disparity is also reflected in business resilience, with MNMEs typically exhibiting longer lifespans compared to WNMEs, explored further in [Section 3.2](#).

Figure 4: Median monthly revenue



1.3x the median monthly revenue of WNME's

Figure 5: Median monthly profit



1.3x the median monthly profit of WNME's

Source: CGAP nano and micro enterprise survey, 2024, sample size: 2055 NMEs & ASUSE 2022-23.

Note Figure 4: Exchange rate: 1 US\$ = INR 83.65; The exchange rate has been arrived at by averaging monthly exchange rate for the year 2024. This exchange rate has been used throughout this deck.

For WNMEs, limited startup capital means limited choice

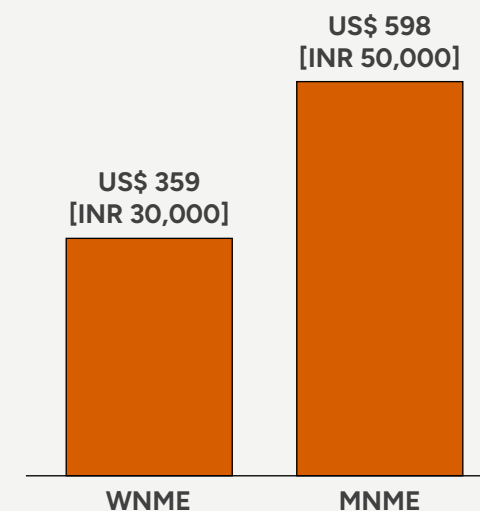
WNMEs predominantly rely on personal savings to fund startup costs and tend to have lower levels of startup capital than their male counterparts. However, systemic barriers to saving—such as limited access to formal financial services, lower income due to wage gaps and labor market discrimination, reduced decision-making power within households, and gaps in digital and financial literacy — constrain their ability to accumulate and leverage savings.

These challenges — discussed in detail later in this report — are compounded by gender disparities in asset ownership. WNMEs are significantly less likely than MNMEs to own high-value assets, limiting their ability to leverage such assets for startup funding or as collateral. (see [here](#))

This lack of startup capital often pushes WNMEs into highly competitive sectors¹ with low barriers to entry, where profit margins are thin, and growth opportunities are constrained. As a result, most WNMEs are engaged in low-value activities in the manufacturing sector that do not require specialised equipment or machinery. These dynamics feed into a cycle of low investment, limited growth, and weak business resilience, explored further [here](#).

Gendered gap in startup capital

Figure 6: Median startup capital for WNMEs and MNMEs



1.7x more startup capital than WNME's

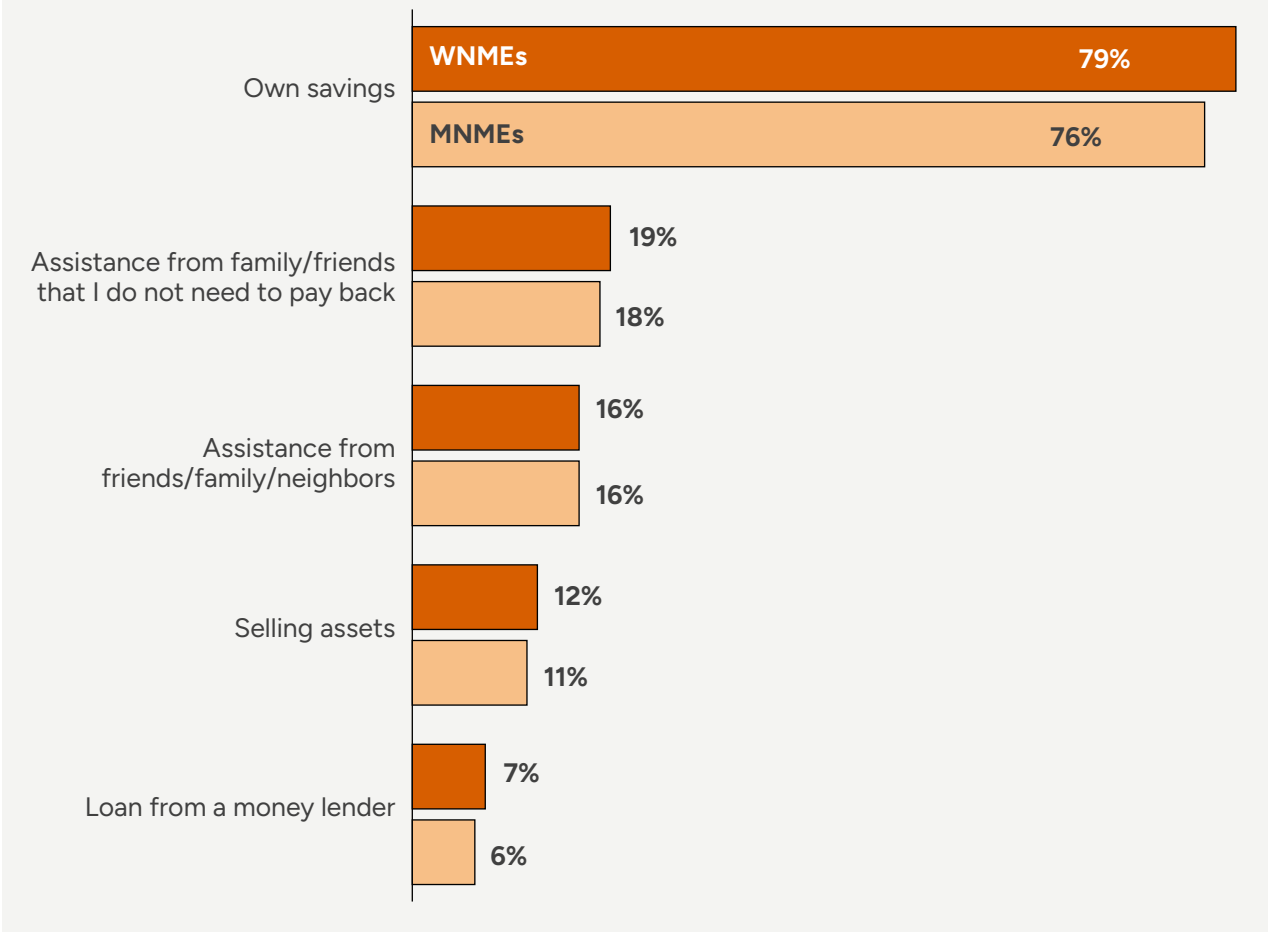
Source: CGAP nano and micro enterprise survey, 2024, sample size: 2055 NMEs; CGAP FGDs 2024

¹ India has three prominent sectors, namely manufacturing, trade and services. Manufacturing refers to activities involving the transformation of materials into new products, such as food processing, textile production (Central Statistical Organisation, [2008](#))

Note Figure 6: This means that men-owned manufacturing enterprises are engaged in higher-value-added activities, such as machinery production, specialized fabrication, and high-end textiles, which generate more revenue per worker.

For WNMEs, limited startup capital means limited choice, continued

Figure 7: Top 5 sources of startup capital among NMEs



Source: CGAP nano and micro enterprise survey, 2024, sample size: 2055 NMEs; CGAP FGDs 2024

“My stitching business began with support from family and personal savings for initial costs.”

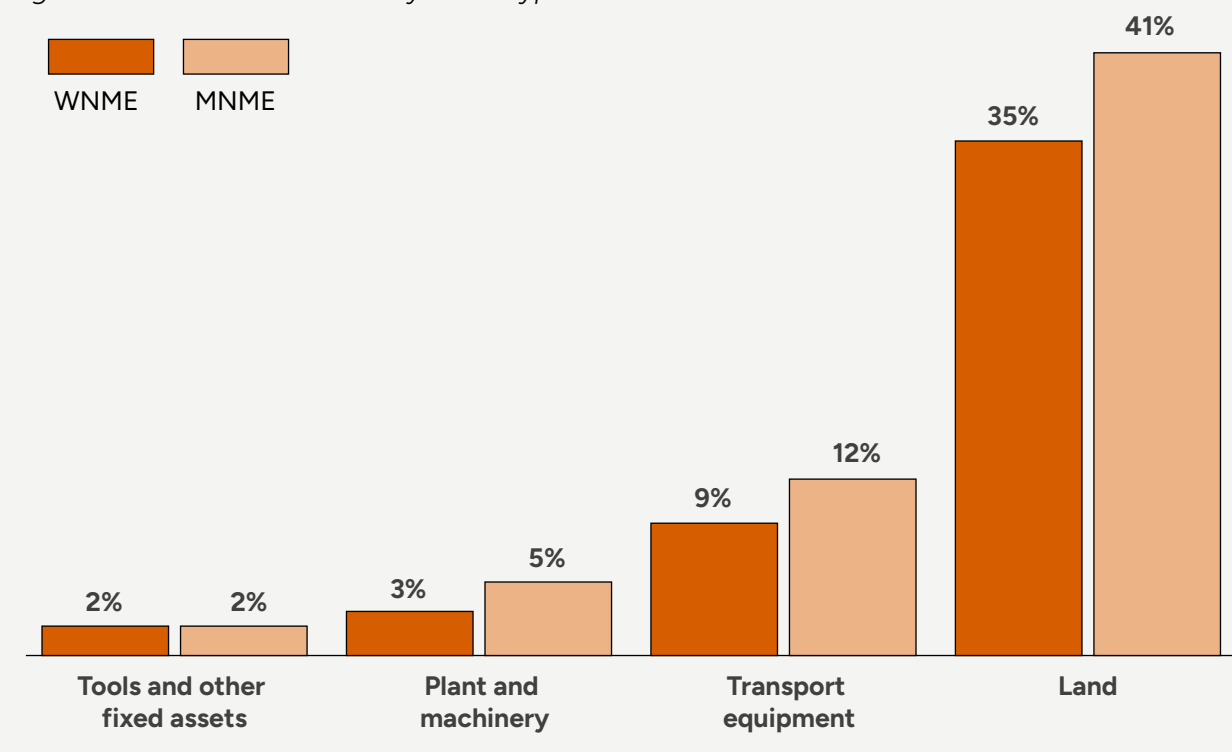
— Female, Nano, Bihar

Lower startup capital is also often driven by a lack of asset ownership by women

WNMEs in India have lower asset ownership¹ levels than their male counterparts particularly higher value assets like plant and machinery, buildings, transport and equipment and land. This disparity contributes to a lower median asset value (US\$ 299 for WNMEs vs. US\$ 2,020 for MNMEs),² limiting the collateral they can offer and the capital available at startup.

While government schemes such as Pradhan Mantri Awas Yojana – Gramin (PMAY-G) aim to promote women's asset ownership, this does not always translate into increased decision-making power over how those assets are used for enterprise purposes. Even when women hold legal ownership, prevailing social norms and intra-household dynamics often restrict their ability to leverage these assets for credit or business investment.

Figure 8: Gender distribution by asset type



Source: CGAP nano and micro enterprise survey, 2024, sample size: 2055 NMEs

¹ Asset ownership figures refer to current asset value. The survey question were i) Which of these do you own and ii) Can you tell me how much they are worth?

² This refers to INR 25,000 for WNMEs and INR 169,000 for MNMEs and is derived from CGAP nano and micro enterprise survey, 2024, sample size: 2055 NMEs

“Documents such as income tax returns, land ownership papers and credit scores are available with men which helps them secure big loans.”

— Female, Micro, Bihar

Household power dynamics limit the capital WNMEs can access or reinvest

Household dynamics, including the roles and responsibilities of women within the household, significantly contribute to the startup capital gap faced by WNMEs. These dynamics affect women's time availability, decision-making power, and access to resources needed to critical resources needed to initiate and sustain entrepreneurial activities.

These influence restrict WNMEs' ability to leverage assets (including what is required to start a business), secure credit, and employ workers, reflecting broader systemic barriers in financial inclusion and equitable access

HOW HOUSEHOLD DYNAMICS AFFECT WNMES:

1. Control over decision-making within households

While WNMEs reinvest profits at rates comparable to male-owned enterprises (47 percent vs. 50 percent), only 26 percent of female owners are household heads, compared to 74 percent of male owners. This disparity in household authority can restrict women's autonomy in making financial decisions related to their business.

2. Household responsibilities

Women disproportionately bear the burden of unpaid care and domestic work. Two-thirds (66 percent) of female enterprise owners report handling all household chores on their own, compared to just 34 percent of male owners..

This dual role limits the time and energy women can invest in business operations and growth. Nearly half (47 percent) of female entrepreneurs cited the burden of household responsibilities as a major challenge, directly affecting their ability to grow their businesses. Notably, taking over household duties was the second most common reason cited for having to close a business in the past.

"When I started the business, I was 12th pass, I studied part time to understand the "aquafeed business" and grew it into a INR10 million yearly turnover business. However, I could not grow it further due to the family responsibilities."

— WNME, Micro, Telangana

Despite capital constraints, most WNMEs still avoid borrowing

A significant majority—80 percent—of women-led nano and micro enterprises (WNMEs) in India did not attempt to borrow capital, whether formal or informal, in the past three years. This mirrors the behavior of male-led nano and micro enterprises (MNMEs), 81 percent of which also refrained from borrowing. This trend is particularly pronounced in states like Bihar and Telangana, where over 90 percent of women-led nano enterprises (WNEs) reported not seeking credit.

The primary reason cited by most WNMEs was a perceived lack of need. Many of these enterprises operate at a subsistence level, focused on meeting daily household needs rather than pursuing business growth. Additionally, risk aversion—driven by concerns about repayment and a preference for financial stability over debt—further discourages borrowing. Notably, both male- and female-led enterprises reported similar reasons for avoiding credit.

Figure 9: Reasons respondents did not borrow capital

DEMAND-SIDE BARRIERS

No need for borrowing money 79%

SUPPLY-SIDE BARRIERS

Too expensive 12%

Process too difficult 10%

Don't have anyone from whom I may borrow 9%

Other 5%

Source: CGAP nano and micro enterprise survey, 2024; CGAP FGDs 2024

Note Figure 9: n=1315 WNMEs

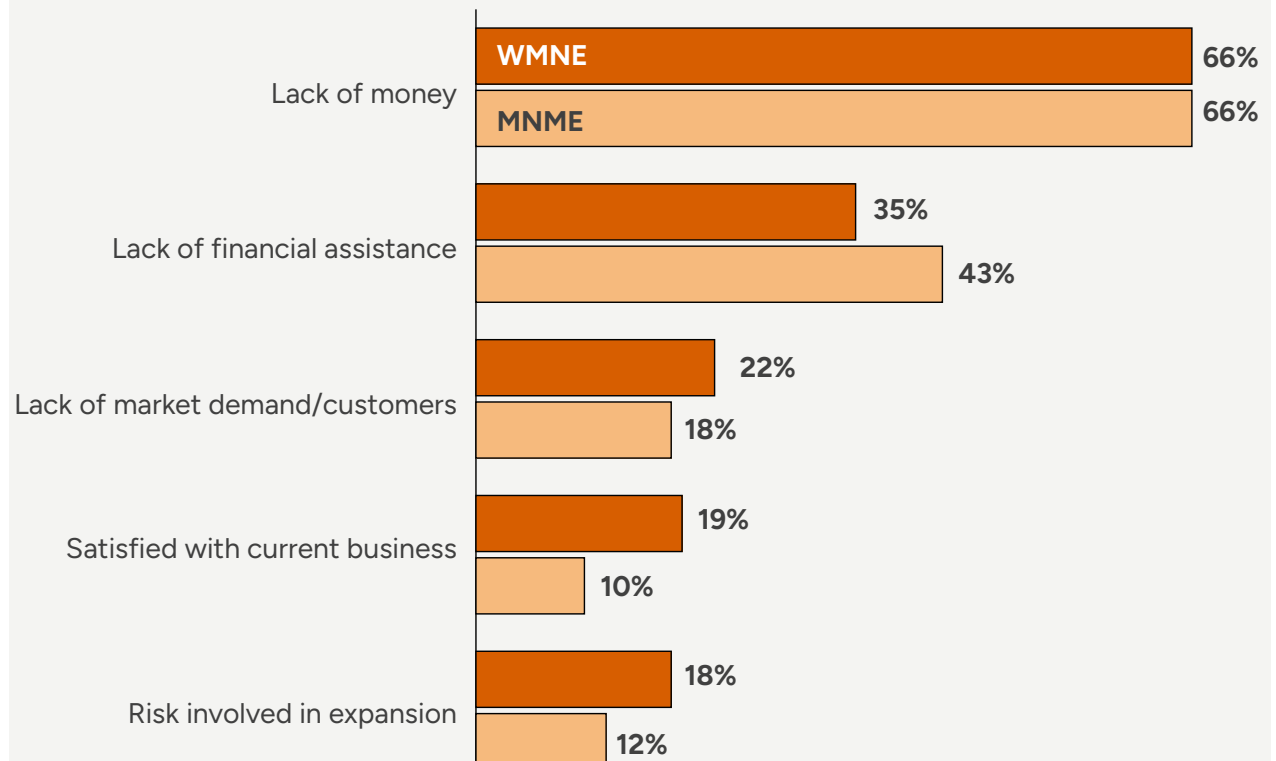
“Due to high interest options and liability to pay installments regularly without missing at any cost I try not to take loans unless it is very important.”

— Female, Nano, Bihar

Barriers to growth go beyond credit access

Low reinvestment levels among WNMEs—combined with limited access to capital and a lack of familiarity with credit—are key reasons these enterprises struggle to grow. Without the means or confidence to borrow and reinvest, many remain stuck in survival mode, unable to expand operations or build long-term resilience. This is further compounded by a greater reluctance to pursue growth among WNMEs compared to their male counterparts. Many women entrepreneurs report being satisfied with the current size of their business or cite the risks involved in expansion as a deterrent—highlighting a mindset likely shaped by both structural and gender barriers and personal risk aversion.

Figure 10: Reasons cited by NMEs for not growing

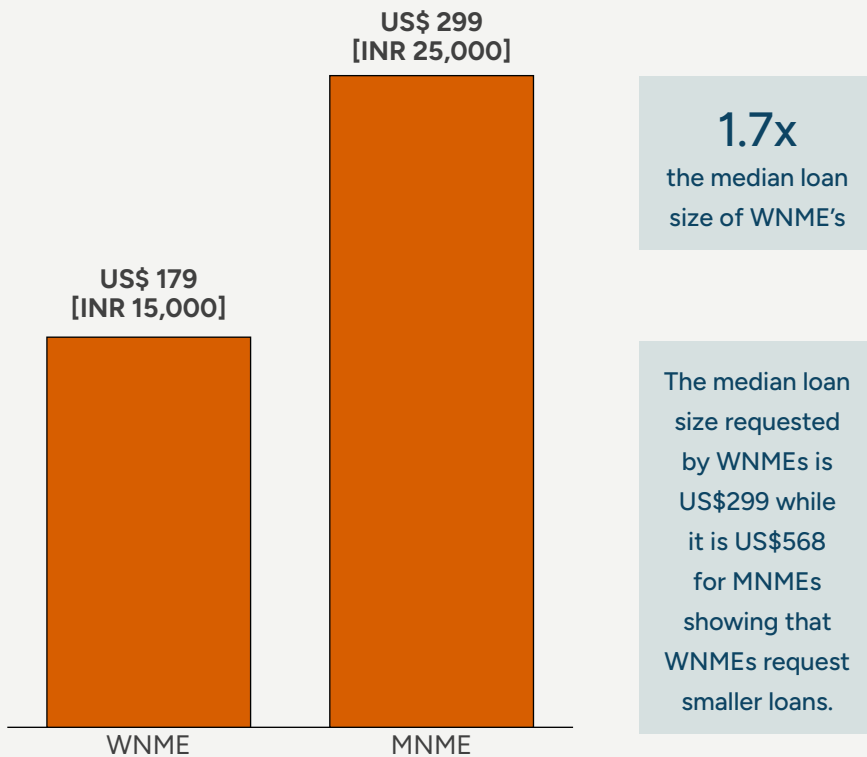


Source: CGAP nano and micro enterprise survey, 2024; CGAP FGDs 2024

Note Figure 10: Percentage values sum to more than 100 percent as respondents were given the option to select multiple replies. Also only considered enterprises that showed stagnation. 24 percent of NMEs stated that they were stagnant and 6 percent stated that they were declining.

Even when they access credit, WNMEs receive smaller loans

Figure 11: Median loan size received



"I started my tent business with personal savings, serving only our local area. However, I couldn't expand further because I lacked additional funds and my family was hesitant to take a loan, fearing we might be unable to repay it."

— Female, micro, MP

Source: CGAP nano and micro enterprise survey, 2024; CGAP FGDs 2024

Note Figure 11: n=82 WNMEs & 86 MNMEs

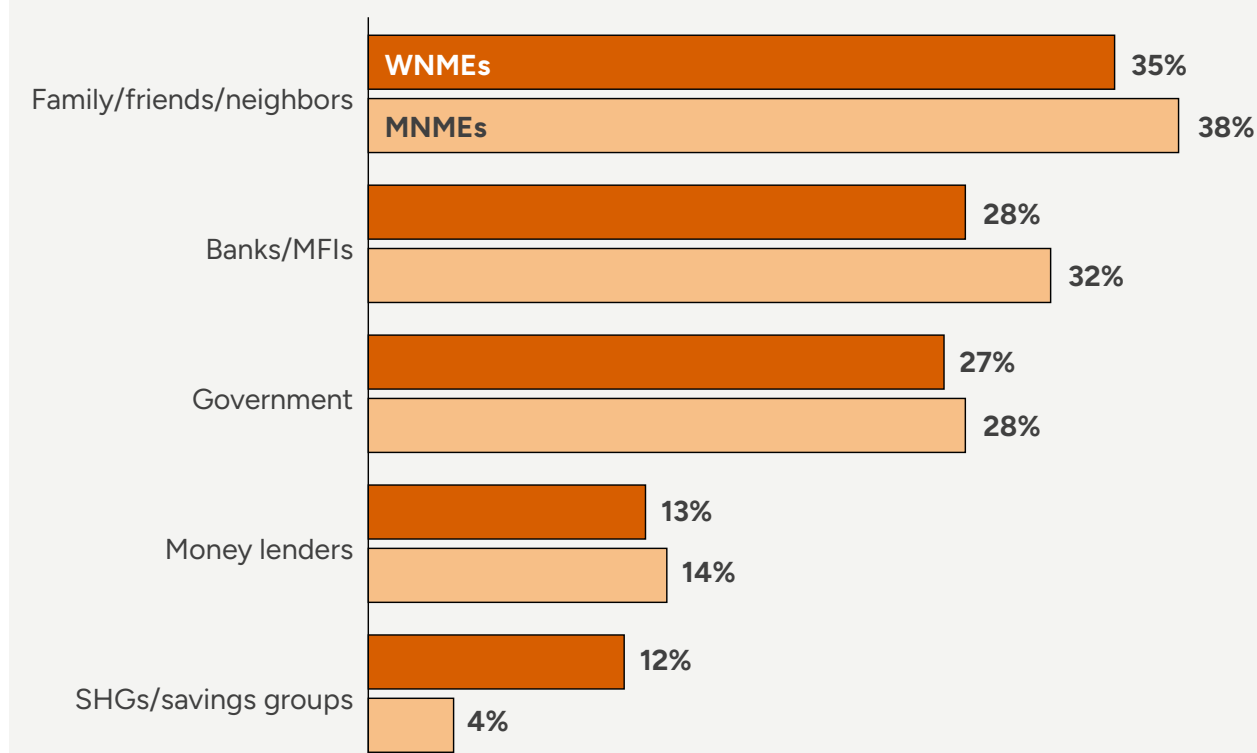
When WNMEs borrow, they rely more on informal sources

WNMEs in India primarily rely on informal credit sources such as friends and family—similar to their male counterparts—with one key difference: women have noticeably greater access to credit through self-help groups (SHGs) and savings groups. These informal channels often serve as vital financial lifelines, helping women entrepreneurs manage liquidity, restock inventory, and sustain operations in line with their business cycles.

However, while informal loans are more accessible and trusted—thanks to fewer requirements and greater flexibility—they are also significantly smaller in size. The average informal loan is just INR 10,000 (US\$ 120), compared to INR 50,000 (US\$ 598) from banks. Loans from microfinance institutions (MFIs) are five times larger than those from semi-formal groups, and up to 20 times larger than loans from family and friends. This reliance on small, informal loans limits the ability of WNMEs to make larger investments or scale their businesses meaningfully.

Reliance on informal and government credit sources

Figure 12: Top five credit sources of NMEs



Source: CGAP nano and micro enterprise survey, 2024; CGAP FGDs 2024

Note Figure 12: n=83 WNMEs and 86 MNMEs

Informal credit fills the gaps—but government support is helping build the bridge

“I prefer taking loans from informal sources, like family or community members, because there’s trust, no need for collateral, and no complicated paperwork. Formal sources like banks often humiliate people during repayment, and that’s not something I want to go through.”

— Female, Micro, Madhya Pradesh

“I approached several banks (around 13-14), but most either offered very small loans, asked for collateral, or denied the loan due to my previous involvement as a guarantor for my husband’s business, which had closed and resulted in a default, affecting my CIBIL [Credit Information Bureau (India) Limited] score.”

— Female, Micro, Uttar Pradesh

“The SHG loan can be accessed easily but can give smaller amounts only. The MFIs can give easily but charge huge rate of interest. The scheduled banks have lower rate of interest and can give big amount, but they require a lot of documents.”

—Female, Nano, Uttar Pradesh, India

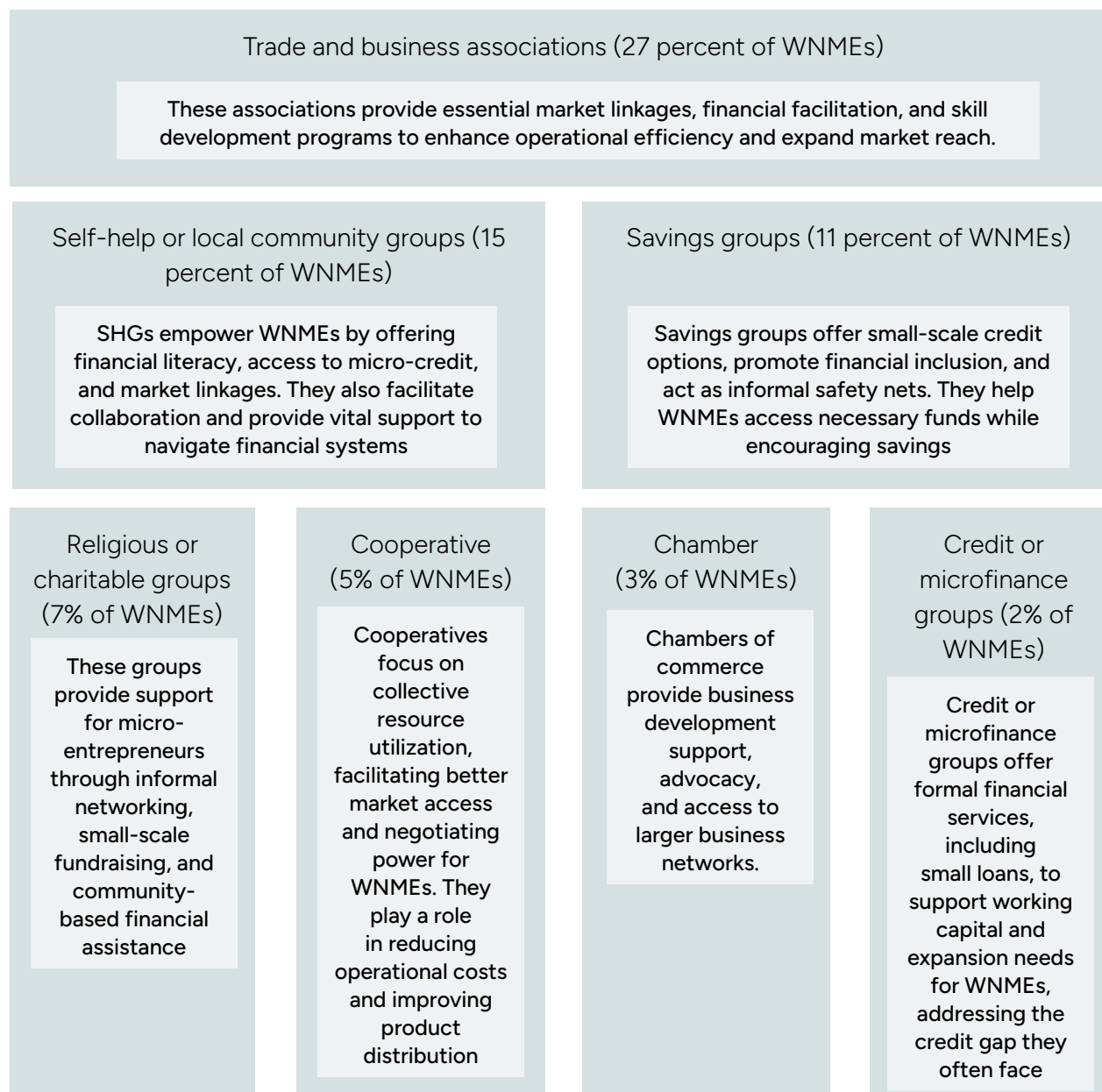
▼ The Government of India has taken a proactive role in supporting women-led businesses through flagship initiatives such as the *National Rural Livelihood Mission (NRLM)*, the *Pradhan Mantri Mudra Yojana (PMMY)*, and the *Stand-Up India Scheme*. These programs aim to bridge the credit gap by offering collateral-free loans, lowering entry barriers, and fostering entrepreneurship among women. Although these loans are typically disbursed through intermediaries like self-help groups (SHGs) or banks, WNMEs widely recognize them as government-backed support. This perception reinforces trust in the programs and highlights the importance of public sector involvement in expanding financial access for women entrepreneurs.

Networks help WNMEs reach markets—but not credit

Networks can be a vital source of finance. In India, however, only 28 percent of NMEs engage with other business owners. Women-led enterprises are particularly underrepresented, often excluded due to social barriers and limited awareness of available platforms.

Among those NMEs that do engage, most participate in trade and business associations—vertical networks that provide direct market access and linkages. However, these offer fewer opportunities for credit access compared to horizontal networks such as savings groups or MFI collectives.

Figure 13: Membership of networks for WNMEs and MNMEs



Source: CGAP nano and micro enterprise survey 2024, with a sample size of 1,603 WNMEs.

MEET ARYA: A real-life example of the impact that networks can have on credit access for WNMEs

Aarya¹, a weaver from Telangana, faced financial constraints due to limited household income and lack of access to formal credit. Without assets or collateral, she was unable to secure traditional bank loans.

Her financial position changed when she joined the Adarsha Self-Help Group (SHG) in 2014. Through the SHG, she received weaving training and access to micro-loans, enabling her to invest in bulk yarn purchases and improve her business operations. The low-cost, collateral-free loans allowed her to expand production and gradually increase sales.

As a registered weaver and member of the local weaver's association, she also benefited from government support programs, receiving financial assistance that supplemented her business earnings. Today, she earns INR 700-800 (US\$ 8-10) per day, which supports her household expenses and children's education.

Aarya's experience highlights how micro-loans, asset investment, and institutional support can help women entrepreneurs grow their businesses despite financial barriers. She continues to work towards further expansion, leveraging SHG networks and financial resources to sustain growth.



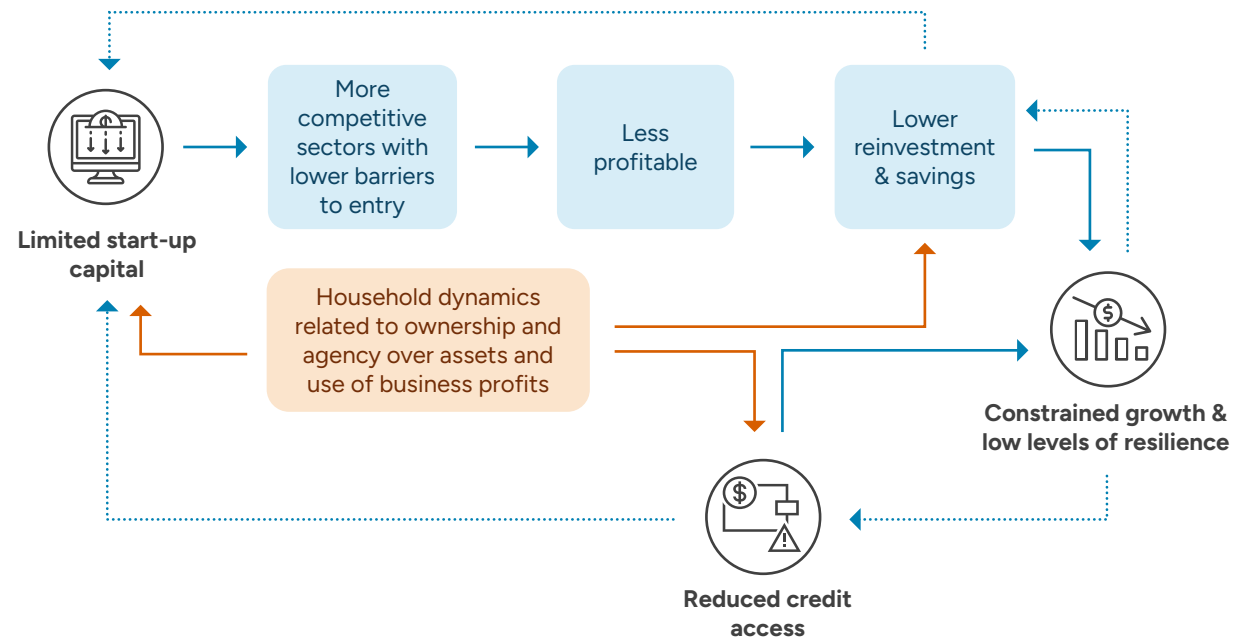
Note: Names have been changed to protect the respondents' anonymity; the image is not the respondent

Photo: Sirsendu Gayen

Lack of capital is trapping WNMEs in a vicious cycle

- Gender divides in startup capital and formal credit access create a cycle that constrains the growth and resilience of WNMEs in India.
- With limited startup capital, women are often confined to highly competitive, low-margin sectors, which restrict profitability and reduce opportunities for reinvestment.
- Those who do access credit primarily rely on informal loans. While these offer quick access and help cushion financial shocks—enhancing short-term resilience—they are typically small in size.
- As a result, informal credit rarely supports long-term growth. Combined with household responsibilities and gendered dynamics, these financial constraints limit WNMEs' ability to scale and fully contribute to India's economic development.

Figure 14: Vicious cycle with low startup capital



Source: Author's analysis based on the CGAP nano and micro enterprise survey (CGAP 2024)

Note: Low barriers to entry refers to there being few obstacles or difficulties preventing new businesses from entering a particular market, making it relatively easy for new competitors to start operations, often leading to higher competition within that market. Sectors with generally low barriers to entry are the service industry and retail trade (Adapted from CFI, n.d)

SECTION 2.2

Size of the credit gap and its implications

Indian WNMEs still face a large credit gap

Current credit gap estimates are conservative, capturing only stated or applied-for credit needs. A broader estimate—based on a 25 percent debt-to-revenue ratio—suggests a potential gap of US\$ 7.2 billion, highlighting significant untapped demand. However, this upper-bound estimate should be interpreted with caution, as not all enterprises are in a position to safely absorb additional debt without risking over-indebtedness.

“My loan process was delayed for a year by the bank and my application got rejected, citing that I was not suitable for business. The bank officer offered unsolicited advice, suggesting that I should focus more on my studies rather than pursuing business.”

—Woman micro enterprise owner, manufacturing, Uttar Pradesh, India]

Figure 15: Size of WNME credit market

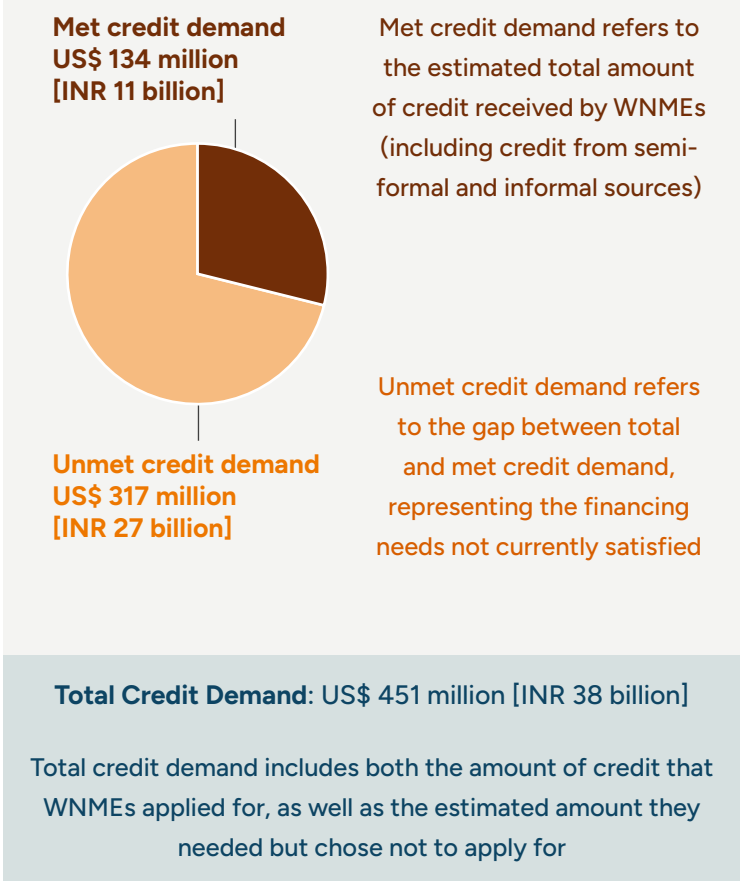
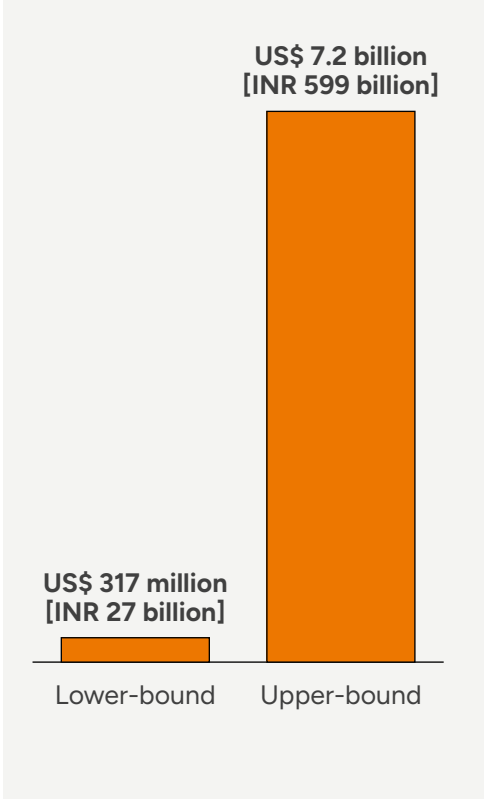


Figure 16: WNME credit gap (lower vs. upper bound)



Source: CGAP nano and micro enterprise survey, 2024, sample size: 2055 NMEs & ASUSE 2022-23; CGAP KIIs with FSPs 2024; CGAP FGDs 2024, Union Bank of India (n.d.). For more information on this methodology, refer to [Annex](#).

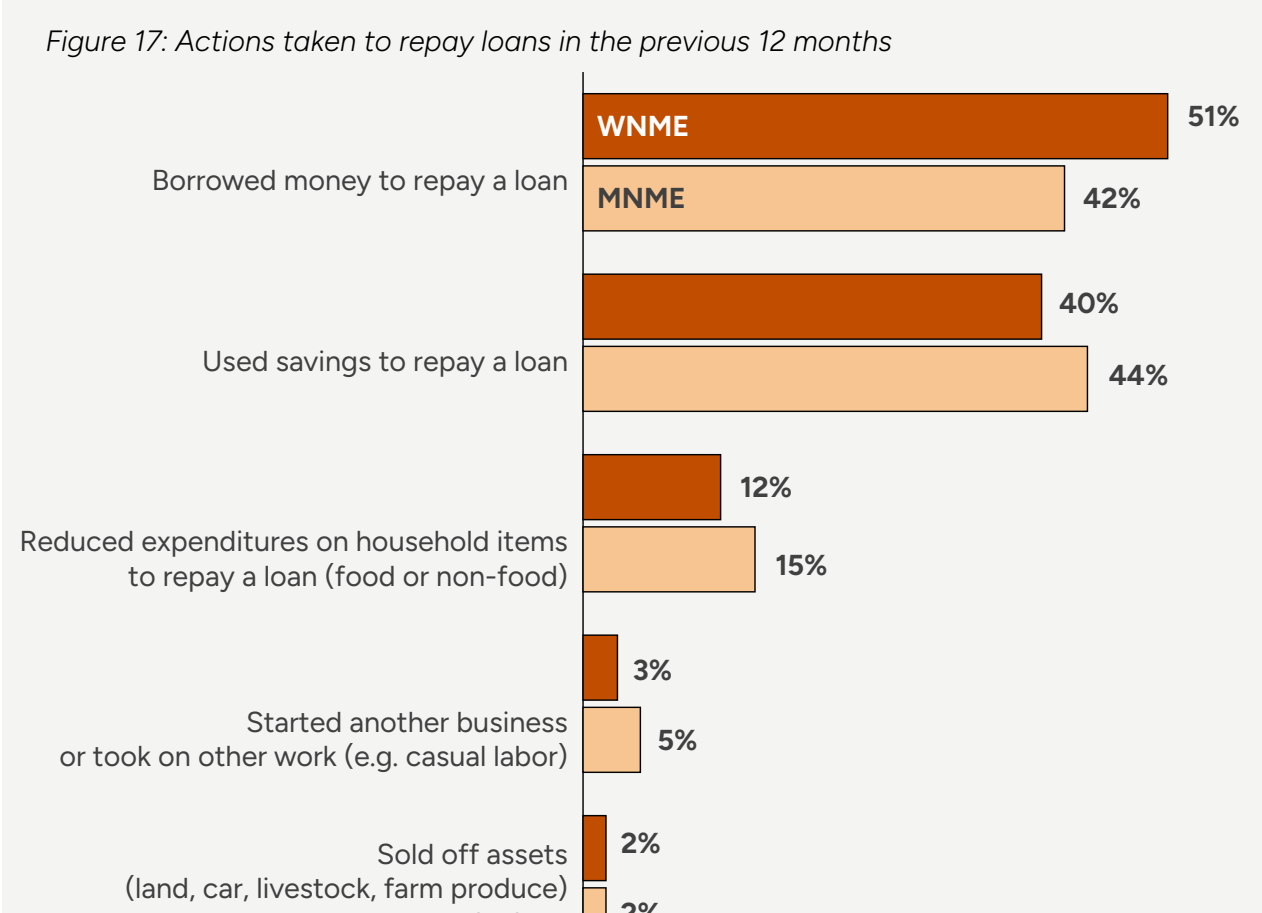
Note Figure 15: Credit market values are calculated by aggregating, over three-years, (i) total credit demand, defined as the amount businesses applied for or needed but did not apply for, and (ii) total credit supply, defined as the amount of credit received. These totals are then divided by three to estimate the average annual credit demand and supply

Signs of over-Indebtedness among borrowers suggest a need for more responsible credit practices

Many WNMEs rely on unsustainable strategies—such as borrowing from informal lenders or rotating debt—to repay existing loans. These patterns signal financial stress and highlight gaps in product suitability and risk assessment.

Over-indebtedness, even among borrowers with strong repayment records, suggests that current approaches to credit may not be adequately aligned with borrower capacity or business cycles.

A responsible finance approach requires that financial products be delivered fairly, transparently, and in tune with clients’ financial realities, ensuring that borrowers do not take on more debt than they can reasonably manage.



Source: CGAP nano and micro enterprise survey, 2024

Note Figure 17: n=83 WNMEs and 86 MNMEs

To foster sustainable growth, responsible credit must be coupled with non-financial support for WNMEs

Expanding access to loans without complementary support can lead to unsustainable repayment practices, financial distress, and business stagnation rather than growth. This underscores the need to go beyond credit and address the broader capacity-building needs of WNMEs. Non-credit interventions are critical to build the capacity of these enterprises to effectively absorb and utilize finance for sustainable business growth or resilience. Only 32% of WNMEs received any formal business training and only 7% received support from government, NGOs or other stakeholders.

Figure 18: Most prominent support needs

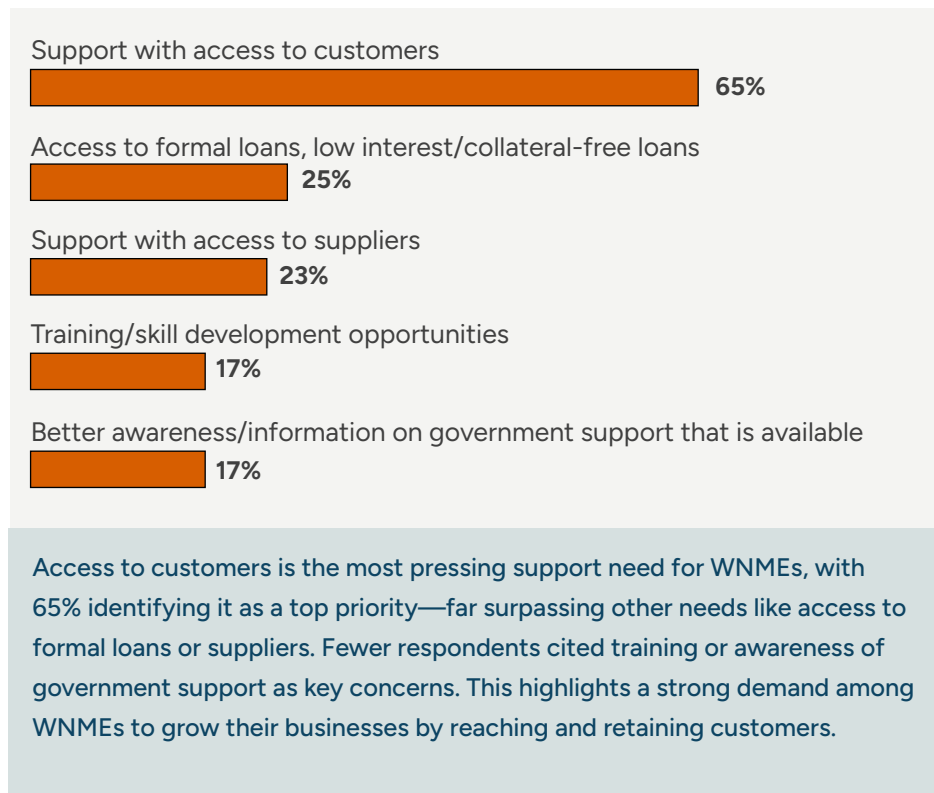
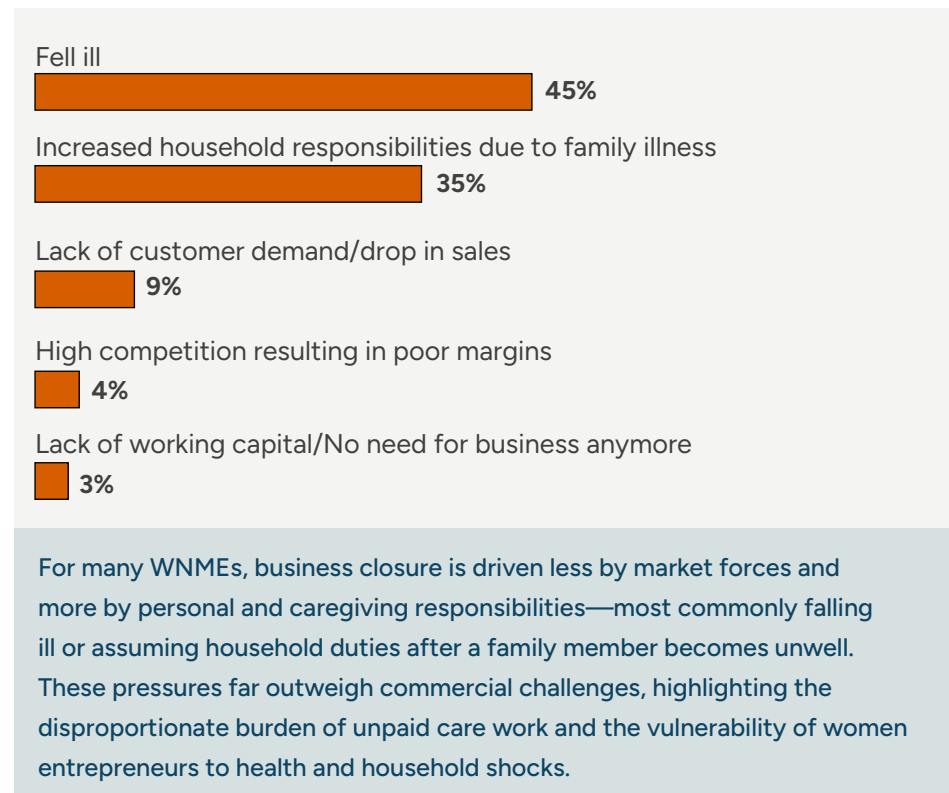


Figure 19: Most prominent reasons for business closure



SECTION 3: Focusing on the smallest: Defining and segmenting women-led nano enterprises

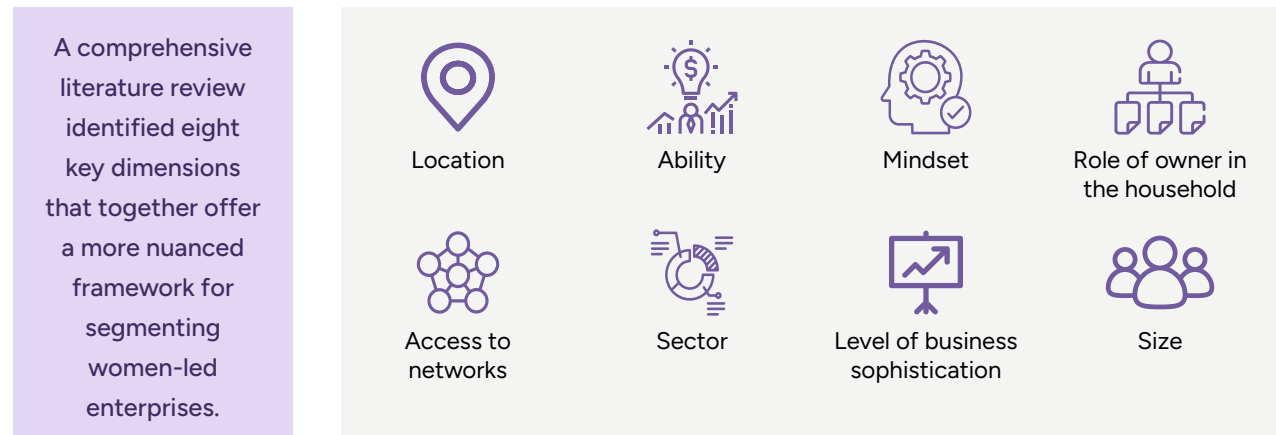
Presents the findings from
comparing women-led nano
with micro enterprises and of
different segments of women-
led nano enterprises



Segmenting women-led enterprises is essential for understanding their diverse realities and for designing effective, targeted & sustainable interventions

While women-led enterprises face gender-specific barriers, as outlined in [Section 2](#), they are far from homogenous. Their motivations, business models, and operating environments vary widely—shaping distinct needs and challenges, particularly in accessing startup capital and credit. Segmentation offers a valuable lens to better understand nano and micro enterprises by grouping them according to shared characteristics such as size, sector, and entrepreneurial mindset. This approach reveals unique obstacles and untapped potential, enabling stakeholders to design more targeted strategies, improve market understanding, and deliver more effective, tailored interventions.

Figure 20: Core segmentation dimensions identified



Source: Author's analysis based on CGAP Literature Review (CGAP 2024).

Based on eight key dimensions, this segmentation exercise highlights the differences in need, realities and current access across different types of entrepreneurs and enterprises. These insights are vital for designing specific, tailored and effective interventions.

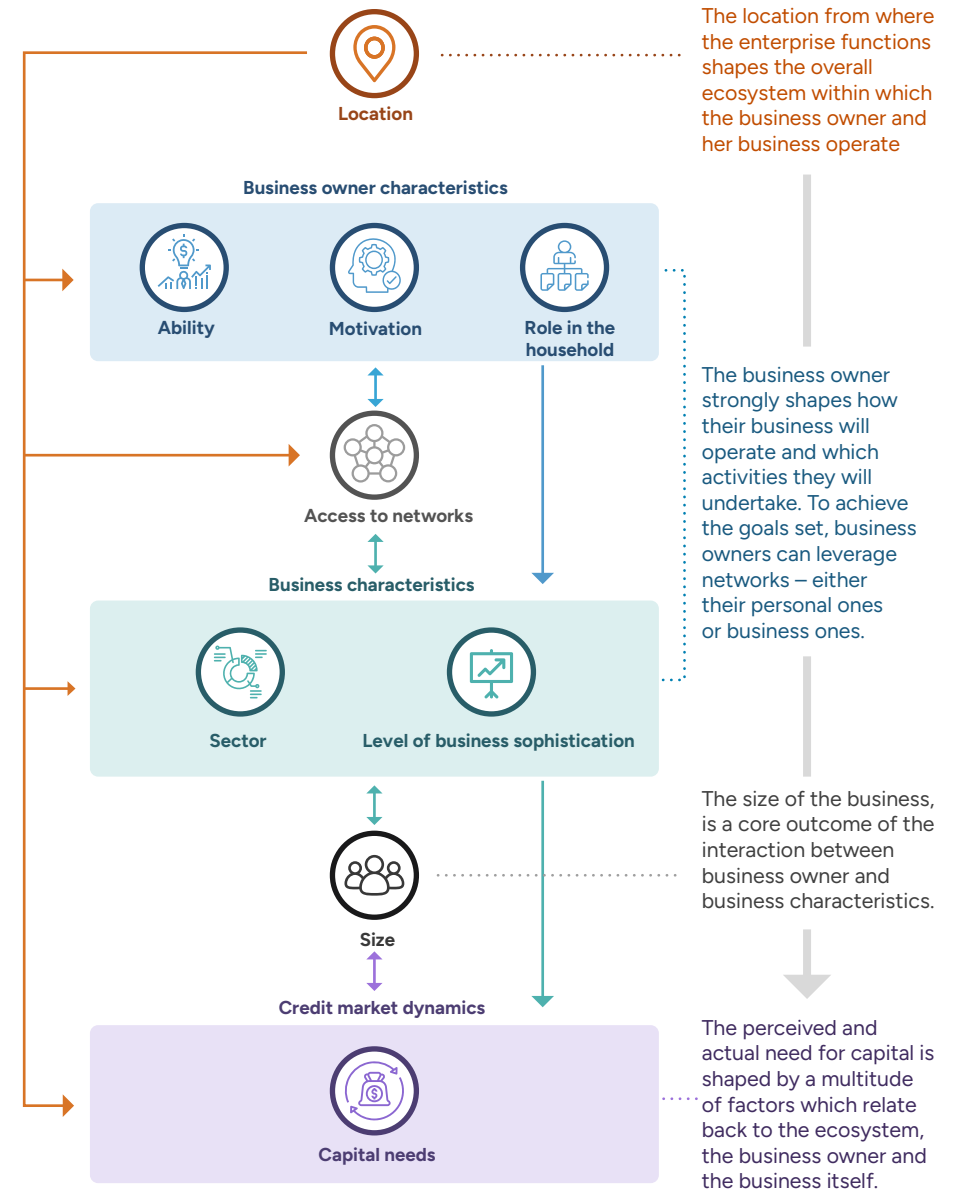
Understanding the diverse realities of WNMEs

These eight dimensions are deeply interconnected, shaping the realities of WNMEs in complex ways. As illustrated in Figure 21, location defines the broader ecosystem in which a business operates—framing both opportunities and constraints. Within this context, the business owner plays a central role, making key decisions and drawing on personal and professional networks to navigate challenges and pursue growth.

The owner's characteristics—such as ability, motivation, household responsibilities, and access to networks—directly influence business attributes, including sector and level of sophistication. Business size, in turn, emerges as an outcome of the interaction between owner and business characteristics.

These factors collectively shape credit market dynamics, influencing both perceived and actual capital needs. Importantly, financial needs are not driven solely by the business itself, but also by the broader ecosystem and the owner's capacity to access and manage financial resources effectively.

Figure 21: Interconnected dynamics influencing enterprise growth and credit market interaction



Source: Author's analysis, based on CGAP literature review (CGAP 2024).

SECTION 3.1

Segmenting by size: Distinguishing nano from micro enterprises

Segmenting by size reveals a need to define nano enterprises separately

Women-led nano enterprises are often grouped together with micro-enterprises, making the category overly broad—especially given that 99% of enterprises in India fall under the micro classification. Existing segmentation methods fail to capture the distinct characteristics and challenges of nano enterprises, such as high levels of informality, lack of financial records, and heightened vulnerability. As a result, these enterprises are frequently overlooked in policy and program design. Defining nano enterprises as a separate category is therefore essential for more accurate segmentation, better-targeted support, and more inclusive policy development (see [this page](#) for a discussion of existing definitions).

A cutoff of zero consistently paid workers is proposed for nano enterprises as it effectively captures their unique characteristics, including being operated by a single individual without formal workers.

- **Why number of workers as cutoff?** The number of workers is the most reliable and often most available indicator for size-based differentiation (over and above turnover and assets), especially for very small enterprises that often lack accurate financial records. It currently is already the most commonly used size-based indicator by government entities around the world.
- **Why consistently paid?** Consistently paid workers are used as the cutoff due to fluctuations in workers over time and because many nano enterprises have workers, who are often just unpaid.
- **Why use zero consistently paid as the cut-off?** Enterprises with no consistently paid workers operate differently, as they rely on irregular revenue streams and informal structures, unlike those with workers who require stable income and formalised work-sharing systems ([Small Firms Diaries, 2024](#)).

For the purposes of this project and sampling, nano enterprises are enterprises with no consistently paid workers.

“The current definition of micro enterprises is too broad.”

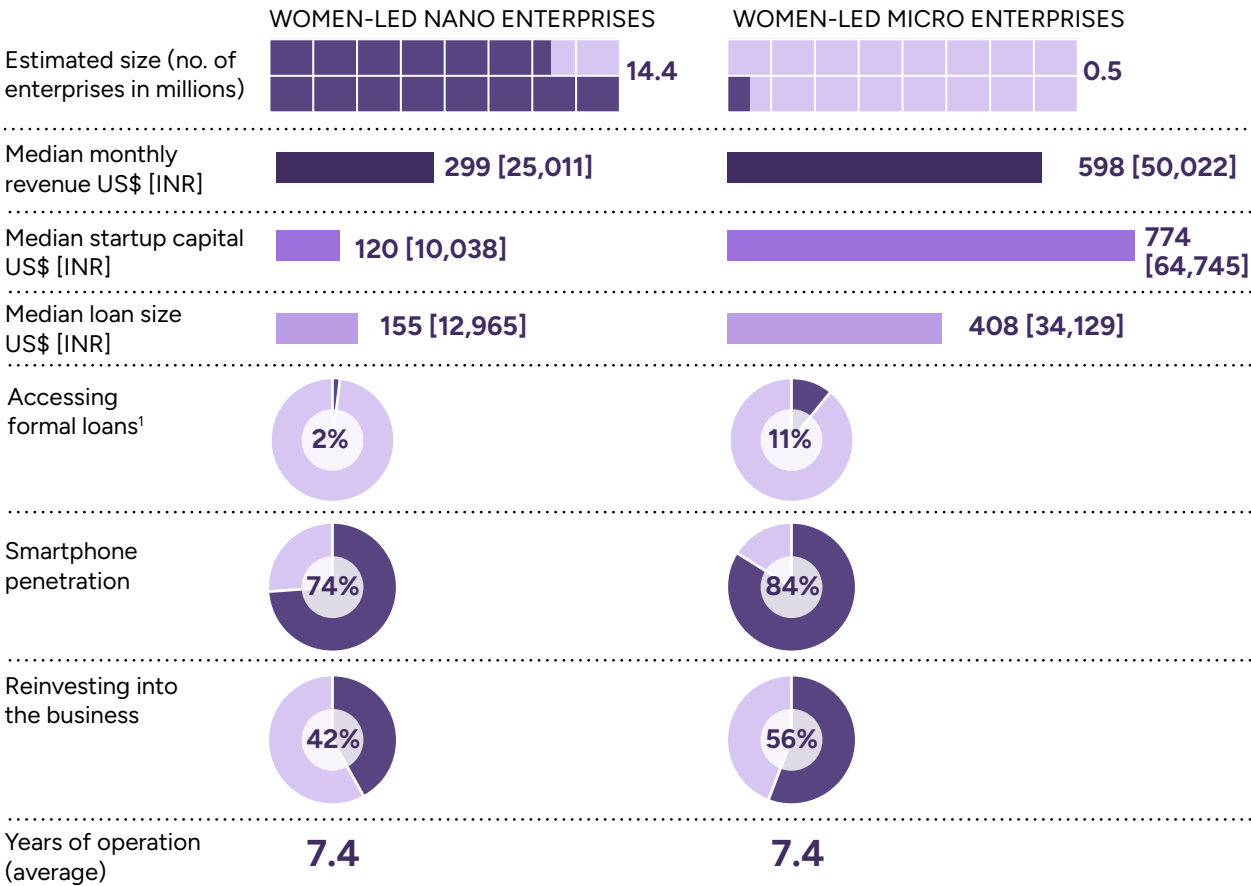
— CGAP KIIs 2024

Despite similar growth ambitions, women-led nano enterprises start smaller—and stay small

Women-led nano enterprises (WNEs) face persistent barriers to growth, even when they exhibit traits typically associated with business advancement. Their reinvestment patterns, business longevity, and aspirations for growth often mirror those of women-led micro enterprises (WMEs), yet WNEs remain smaller in scale and less profitable.

This disparity reflects more than just differences in size—it points to systemic constraints such as limited startup capital, minimal access to formal finance, and structural barriers like restricted mobility and market access. As a result, many WNEs become trapped in low-growth cycles, unable to fully realize their potential despite clear indicators of entrepreneurial intent and resilience.

Figure 22: Key differences between women-led nano versus women-led micro enterprises



Source: Market sizing estimates are based on CGAP nano and micro enterprise survey 2024 data extrapolated using ASUSE Survey, [MoSPI 2023](#). Segment characteristics data stems from the CGAP nano and micro enterprise survey 2024, with a sample size of 1,603 WNMEs.

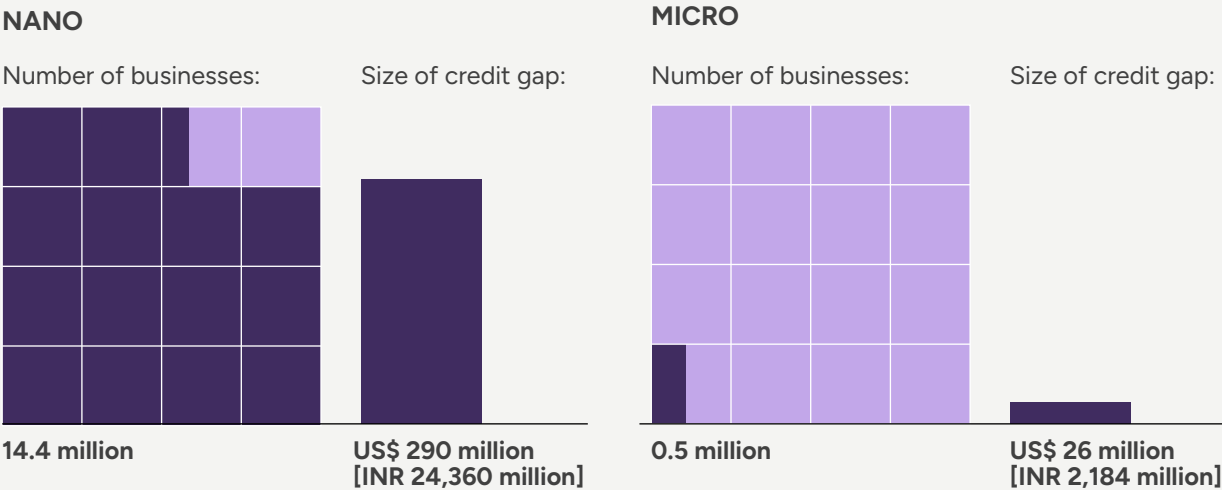
¹ ASUSE data

Women-led nano enterprises face a larger credit gap than micro enterprises in absolute and relative terms

Given that 97% of WNMEs in India are nano enterprises, it follows that they account for the vast majority of the overall credit gap in this segment (97%). Their dominance in the enterprise landscape—particularly in rural and lower-income settings—makes their financial exclusion a critical issue, not just for enterprise development but for broader goals of income security and household resilience.

In relative terms, women-led nano enterprises (WNEs) also face a higher unmet credit need: 14% report unmet demand, compared to 10% of women-led micro enterprises. This underscores the urgency of designing financial solutions that are tailored to the realities of the smallest, most vulnerable businesses.

Figure 23: Size of credit gap for women-led nano versus micro enterprises and total number of enterprises



Source: Market sizing estimates are based on CGAP nano and micro enterprise survey 2024 data extrapolated using ASUSE Survey, [MoSPI 2023](#)

“Nano enterprises do not fit the lending requirements of the institutions [...]”

SECTION 3.2

Beyond size: Segmenting women-led nano enterprises by business and business owner characteristics

Recognizing the distinct profiles of women-led nano enterprises

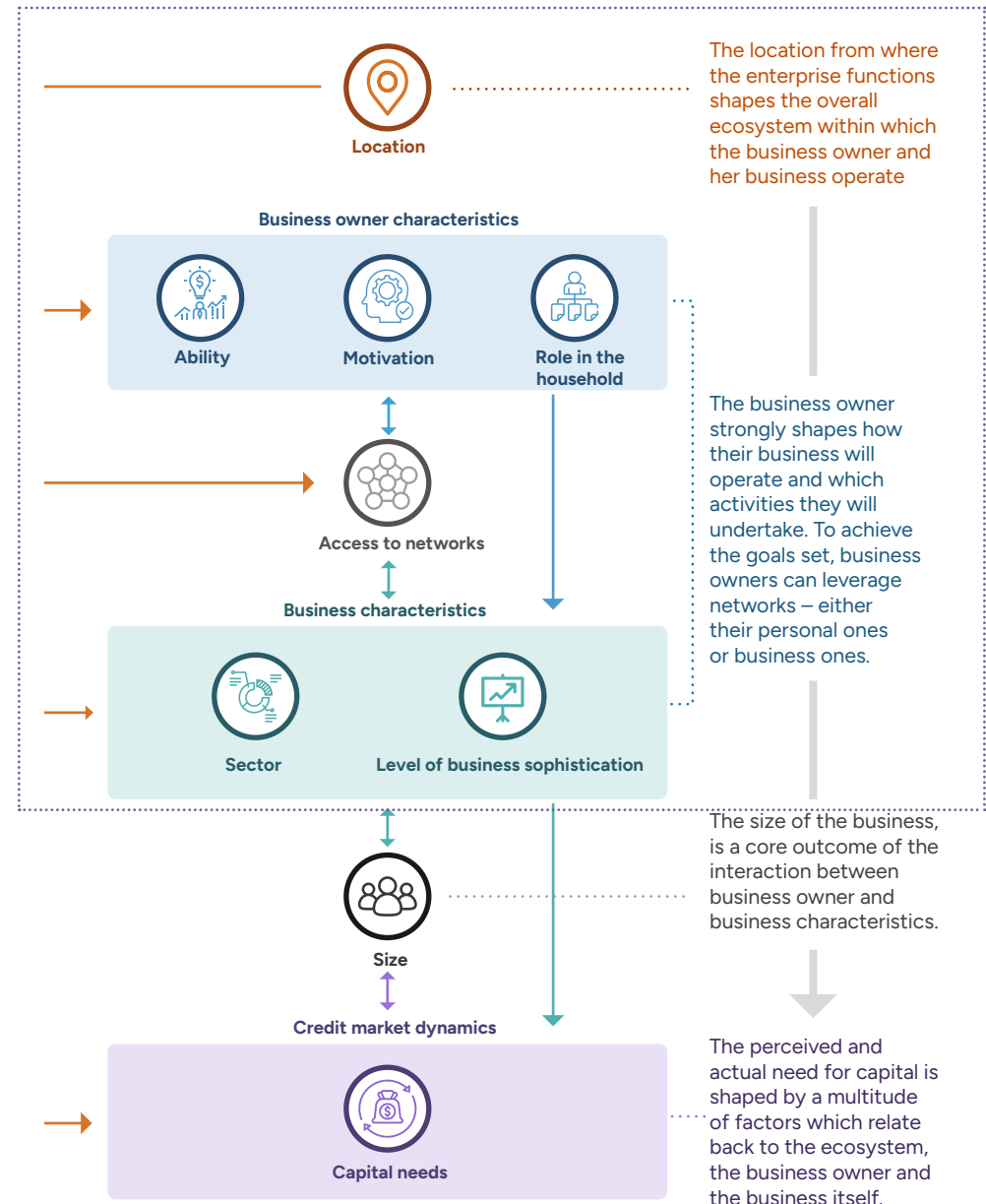
This section focuses on women-led nano enterprises (WNEs)—the smallest and most vulnerable segment of the enterprise landscape—whose needs are often misunderstood and underserved. Rather than treating WNEs as a monolithic group, it explores the key dimensions that shape their diverse challenges and requirements.

While comparisons between nano and micro enterprises can help identify those in need of support, they often obscure the underlying dynamics that drive these differences. Factors such as geographic location, the characteristics of the enterprise owner, and access to networks significantly influence enterprise growth and size—topics discussed in the previous section.

These same factors also affect how enterprises interact with credit markets, shaping their demand for credit, access to financial services, and specific credit needs. A deeper understanding of these dimensions provides more nuanced insights into the barriers WNEs face and highlights critical areas for targeted support to enhance their growth and resilience.

This section delves into seven key dimensions to unpack how each uniquely influences the trajectory of women-led nano enterprises.

Figure 24: Interconnected dynamics influencing enterprise growth and credit market interaction



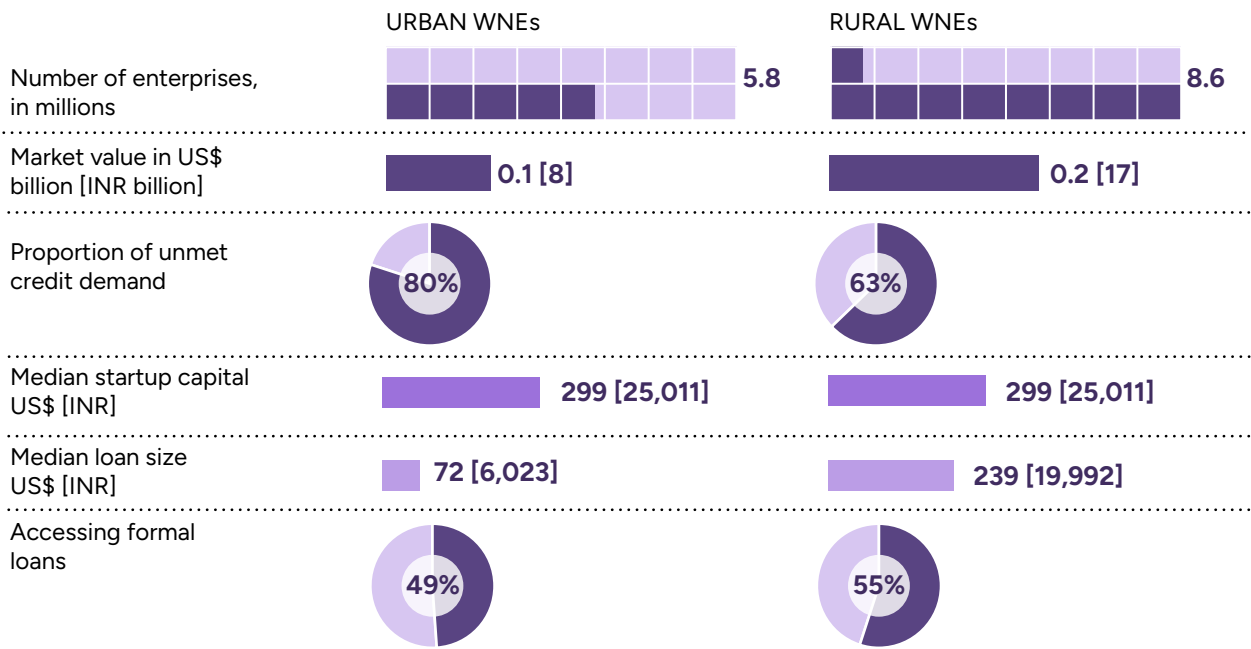
Location (urban vs. rural): Rural WNEs access substantially more credit than urban ones

Although access to startup capital is comparable, urban women-led nano enterprises (WNEs) tend to receive significantly smaller median loan sizes and have lower access to formal credit compared to their rural counterparts. This disparity is largely driven by targeted support programs for rural enterprises. Initiatives such as the National Rural Livelihood Mission (NRLM) have played a pivotal role in enhancing credit access for rural WNEs. (Read more about credit providers [here](#).)

As a result, a substantially higher proportion of credit needs among urban WNEs remain unmet.

In addition to the rural–urban divide, inter-state differences also significantly influence enterprise outcomes such as resilience and revenue—topics explored in the following section.

Figure 25: WNE segment analysis by location



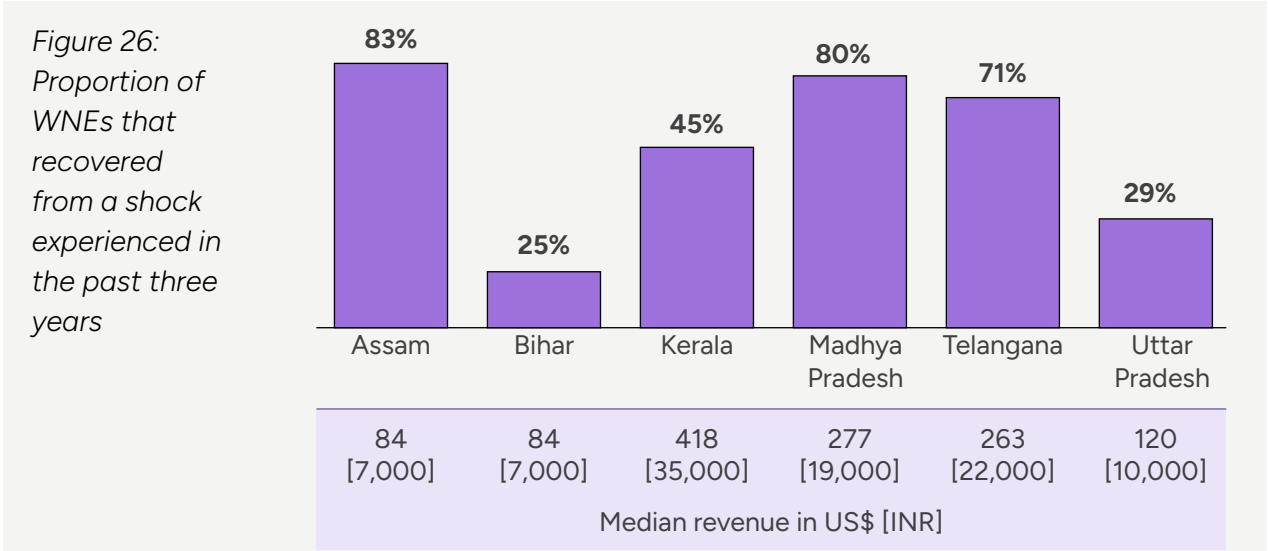
Source: Market sizing estimates are based on CGAP nano and micro enterprise survey 2024 data extrapolated using ASUS Survey, MoSPI 2023. Segment characteristics data stems from the CGAP nano and micro enterprise survey 2024, with a sample size of 803 WNEs.

Note: The median revenue of WNEs in the enterprise survey sample that received loans in rural areas is higher than that of urban WNEs. Consequently, the loan sizes for rural WNEs are also larger. The market values are based on segment population estimates and median loan sizes. Thus, the aggregated estimates vary between segmentation dimensions.

Location (state-level): Differences in WNE resilience are evident across states

“Women in Bihar are usually less aware and less informed, so they get missed easily and often by government schemes.”

— A Women’s association in Bihar



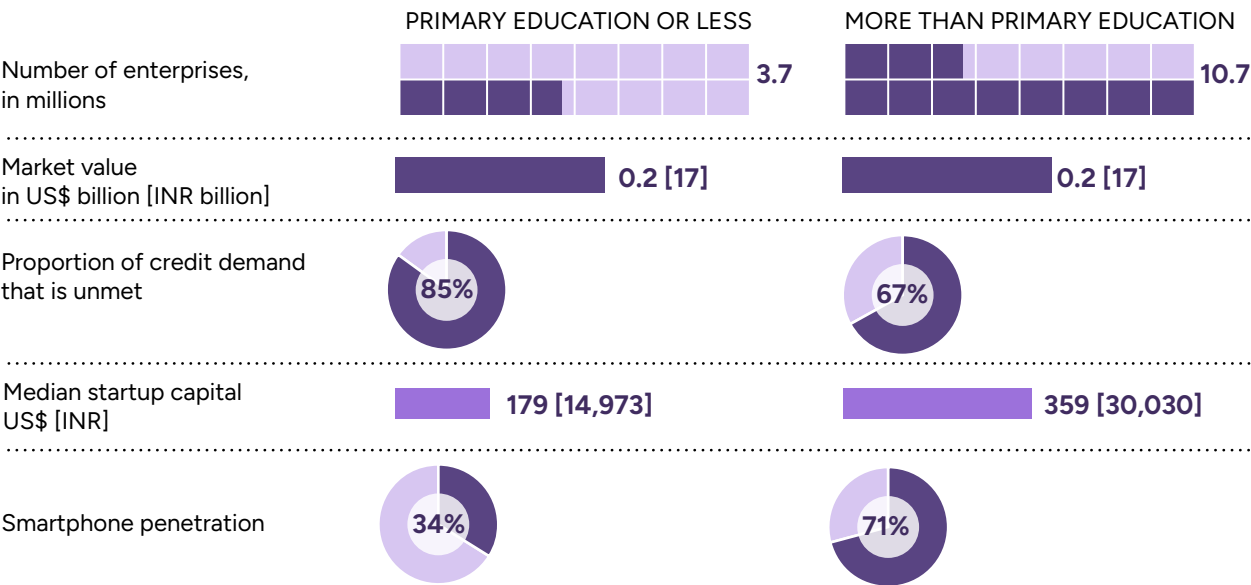
Source: CGAP nano and micro enterprise survey 2024, with a sample size of 1,603 WNEs.

Recovery rates from shocks: Women-led nano enterprises (WNEs) in Bihar and Uttar Pradesh exhibit alarmingly low recovery rates from economic and social shocks, especially when compared to their counterparts in Assam, Madhya Pradesh, and Telangana. These disparities are driven by systemic challenges, including limited government support and restricted access to affordable credit—issues cited by 58% of WNEs in Bihar. These findings underscore the urgent need for targeted, location-specific interventions to strengthen resilience in the most affected regions.

Type of shocks experienced: The nature of shocks also varies significantly across states. In Bihar and Uttar Pradesh, WNEs primarily report demand-side shocks, such as sudden drops in customer demand. In contrast, health-related shocks are more prominent in Assam, where 31% of WNEs identified the illness of the enterprise owner as the most severe disruption. The impact of COVID-19 also differed widely: only 2% of WNEs in Bihar cited lockdowns as their primary shock, compared to 40% in Telangana—reflecting the variation in state-level containment measures. Additionally, WNEs in Bihar face heightened exposure to protests and natural disasters, further compounding their vulnerability.

Ability: What education means for WNEs to start bigger and go digital

Figure 27: WNE segment analysis by ability



Source: CGAP nano and micro enterprise survey 2024; ASUSE 2022-23; MOSPI [2023](#).

WNEs with lower levels of education tend to start with significantly smaller amounts of capital, which confines them to lower-value activities and limits their ability to scale. With limited capital and skills, these entrepreneurs often remain in low-return sectors, making it harder to save, reinvest, and grow. On top of that, a significant credit gap persists for this segment.

Low smartphone ownership among less-educated WNEs further compounds the challenge, restricting their access to digital credit, e-commerce platforms, and broader

markets—effectively sidelining them from the digital economy. In contrast, WNEs with higher education levels are better positioned to adopt digital tools like mobile banking and digital loan products, giving them a head start in accessing new opportunities.

“I have not been educated well, so wherever training is available I go for it and try to learn something new which gives my enterprise connections and benefits.”

—Female, Micro, Food processing, Assam

1 The market values are based on segment population estimates and median loan sizes. Thus, the aggregated estimates vary between segmentation dimensions;

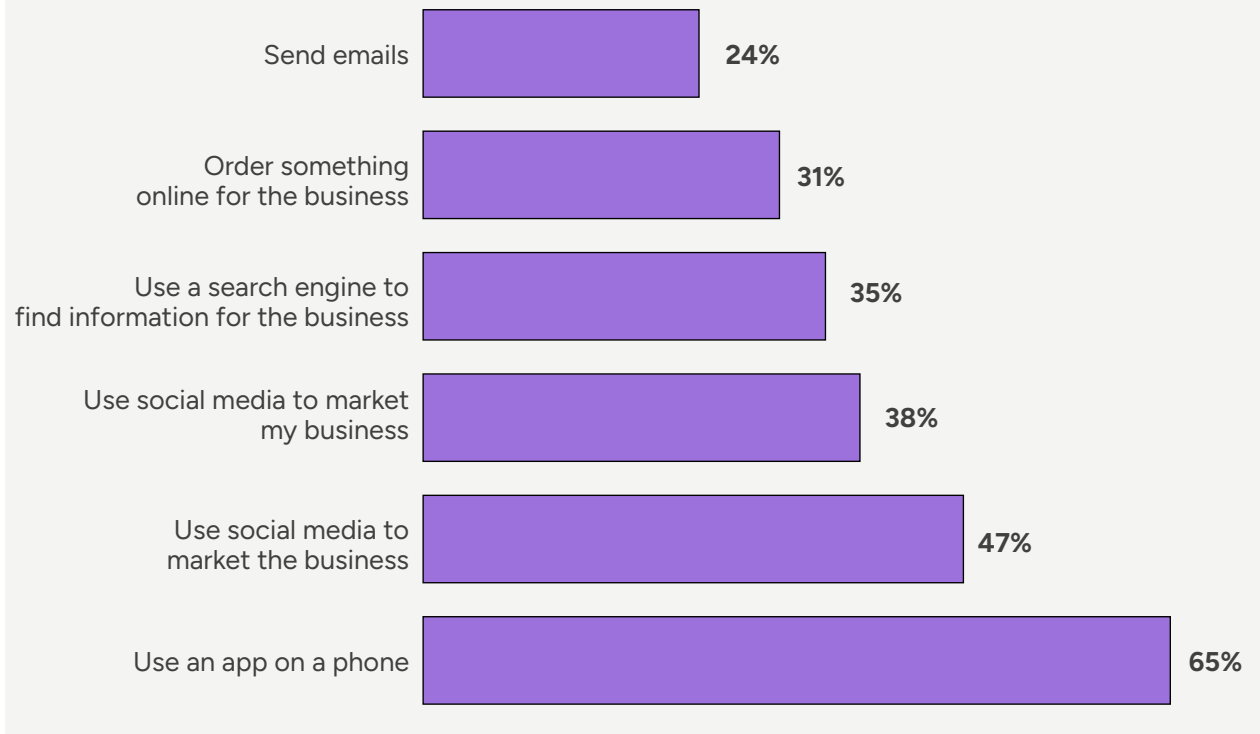
Note: The relationship between low education levels and low startup capital may arise from their limited capacity to engage in higher-income activities, which hinders their ability to save money for startup capital. It could also reflect how a lack of technical skills and disadvantaged socio-economic backgrounds prevent these entrepreneurs from entering higher-skilled sectors, thus limiting their ability to run their businesses successfully.

Ability: significant gaps exist in digital adoption

WNEs in India show moderate levels of digital adoption, but their use of more advanced digital tools—such as sending emails, ordering stock online, or conducting online research—remains limited. These tools could significantly enhance enterprise growth, yet they are underutilized.

Most WNEs rely on smartphones for digital engagement, with 62% owning one. However, limited internet usage and minimal adoption of devices like computers or tablets restrict their ability to fully tap into digital opportunities. In states like Assam and Bihar, many still depend on basic phones, underscoring persistent challenges in digital access. This lack of advanced digital adoption hampers their ability to participate in digital commerce—even at a small scale—ultimately limiting their growth potential.

Figure 28: WNEs' ability to use digital tools



Source: CGAP nano and micro enterprise survey, 2024; n=803 WNEs

Note: Similar patterns are observed by gender in terms of digital tools especially as it relates to mobile phone usage, as 80 percent of women compared to 90 percent of men in a recent national sample survey use mobile phones Waghmare, (2025)

Around 70 percent of women enterprise owners in India have not received any formal training—including in digital literacy—which further deepens the digital divide. While many programs aim to build entrepreneurial skills, they often overlook the importance of technology adoption, leaving a critical gap in enabling women entrepreneurs to fully participate in the digital economy.

MEET NEHA:

A real life example of how social support systems can help women with lower education levels to operate successful businesses

Neha, from an agricultural family in Tekari block, Gaya, had her education halted after 8th grade due to societal norms. With her husband's income as a JCB driver proving insufficient, she sought to improve their financial stability. Leveraging her father's connections in Surat's garment industry, she started a readymade garment shop.

Lacking formal education, Neha relied on family networks and loans from women's cooperatives and MFIs to grow her business. From an initial US\$ 239 [INR 19,996] investment, she gradually reinvested US\$

4,782 [INR 399,926], turning it into a thriving enterprise. Today, her shop earns US\$ 359 [INR 30,032] per month, securing better educational opportunities for her children.

Her journey highlights the challenges WNMEs with limited education face, including restricted financial access and reliance on personal networks. However, through perseverance and strategic investments, Neha overcame barriers, proving that women entrepreneurs can achieve economic independence with the right support.



Note: Names have been changed to protect the respondents' anonymity; the image is not the respondent

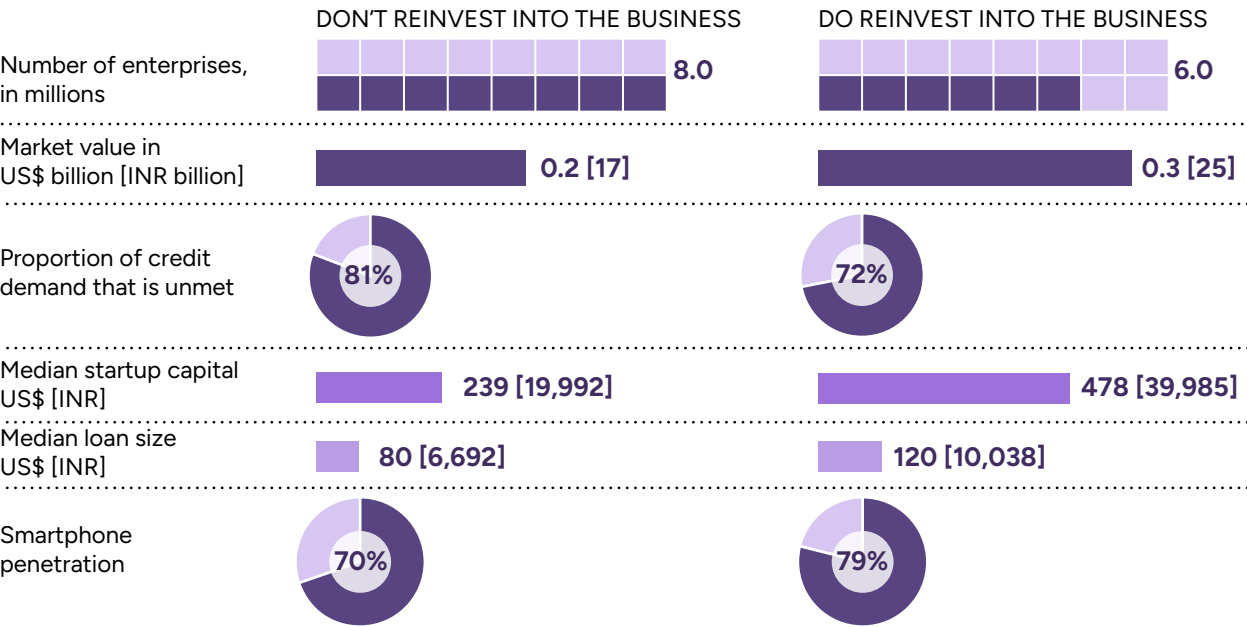
Photo: Amitava Chandra

Mindset: WNEs who reinvest gain better access to capital and credit

“[...]My motivation was to create something that would generate jobs for others, not just focus on securing employment for myself. I also believed that owning a business would provide better opportunities to achieve financial independence than a traditional job.

— Female, Micro, UP

Figure 29: WNE segment analysis by mindset



Source: CGAP nano and micro enterprise survey 2024 data extrapolated using ASUS Survey, MoSPI 2023. The market values are based on segment population estimates and median loan sizes. Thus, the aggregated estimates vary between segmentation dimensions. Segment characteristics data stems from the CGAP nano and micro enterprise survey 2024, with a sample size of 803 WNEs. Quote from CGAP FGDs 2024.

As illustrated in the [vicious cycle diagram](#), WNEs that reinvest profits into their businesses typically start with higher levels of startup capital. This initial advantage enables them to access greater borrowing opportunities and expand more effectively over time.

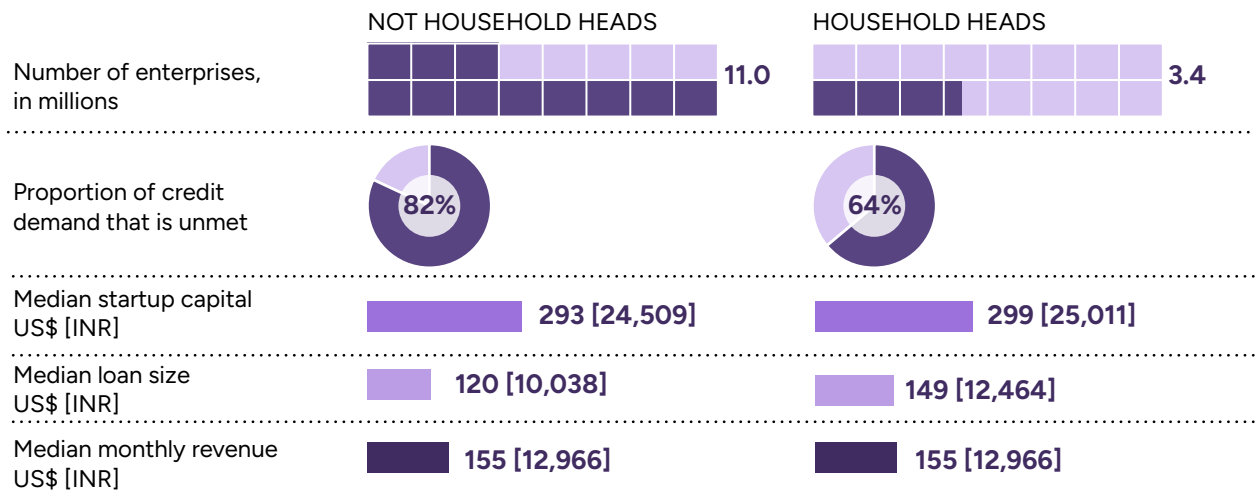
Growth-oriented WNEs also tend to show a stronger demand for credit, emphasizing the need for financing solutions tailored to their expansion goals. Notably, their credit needs are more often met through formal financial

channels, highlighting the importance of accessible and structured financing options.

In contrast, WNEs that do not reinvest face more severe credit shortages, which limit their ability to grow. With lower startup capital and reduced access to formal credit, these enterprises often remain confined to a livelihood-oriented model. Additionally, less growth-oriented WNEs are less likely to own a smartphone, further restricting their access to digital tools and financial services.

**Role in the household:
Household headship gives WNEs with more decision making power and better business growth prospects**

Figure 30: WNE segment analysis by role in the household



Source: CGAP nano and micro enterprise survey 2024 data extrapolated using ASUSE Survey, MoSPI [2023](#).
Note: Segment characteristics data stems from the CGAP nano and micro enterprise survey 2024, with a sample size of 803 WNEs. The market values are based on segment population estimates and median loan sizes. Thus, the aggregated estimates vary between segmentation dimensions.

WNEs who are household heads tend to start with slightly higher levels of startup capital, access larger loan sizes, and face a significantly smaller credit gap compared to those who are not household heads. This advantage likely stems from greater control over household decision-making, which can influence their ability to use assets as collateral, decide how income is allocated, and determine how much business income is saved or reinvested.

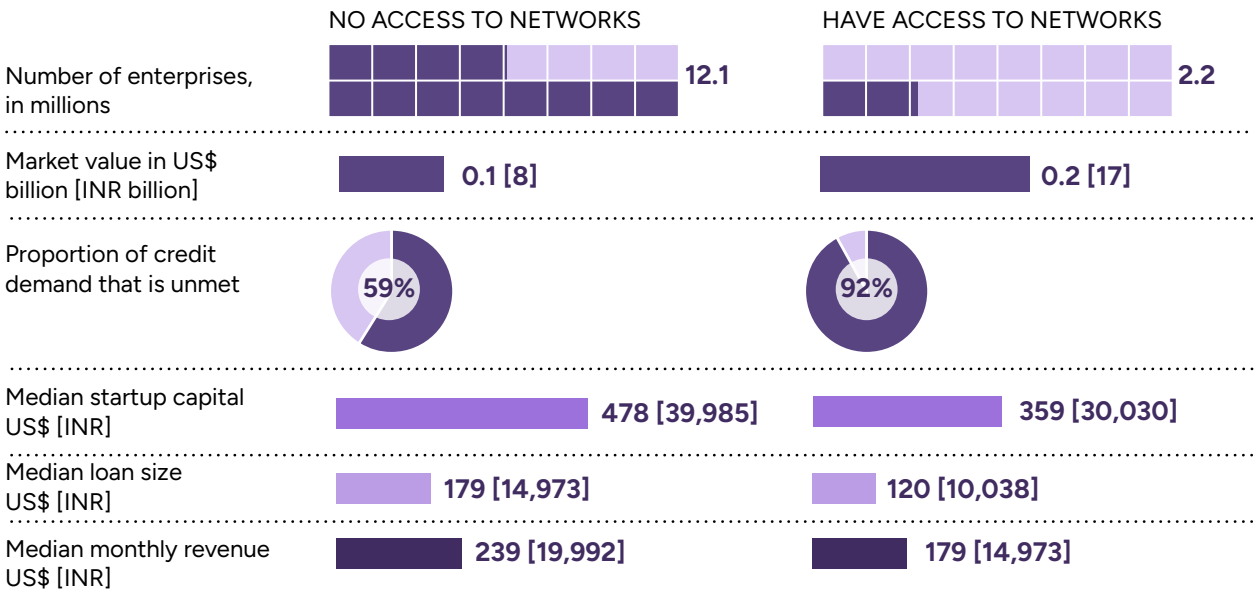
Household dynamics and gender expectations play a clear role in shaping financial outcomes. For instance, 38% of non-household heads report loan rejections, compared to just 25% among household heads—highlighting how intra-household power can directly impact credit access and business viability.

Access to networks: Engaging with horizontal networks leads to a larger credit gap

Data suggests that smaller WNEs are more likely to join networks. Interestingly, while women in networks tend to access loans more frequently from formal sources than those outside of networks, they typically start with less startup capital and receive smaller loan sizes.

Overall, networked WNEs remain particularly credit constrained. This is largely because most participate in horizontal networks—peer-based groups that offer emotional support and savings mechanisms, but rarely facilitate access to credit. In contrast, vertical networks, which connect women to institutions or market actors and are more likely to enable credit access, are less commonly accessed.

Figure 31: WNE segment analysis by networks

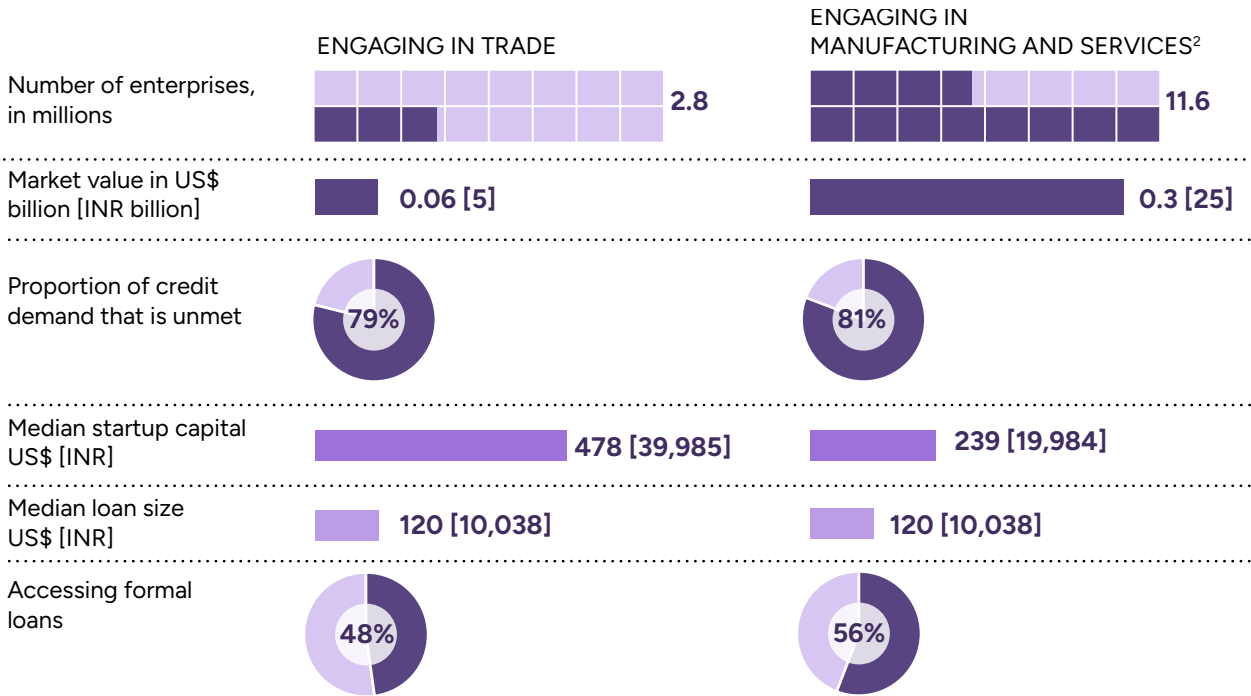


Source: CGAP nano and micro enterprise survey 2024 data extrapolated using ASUSE Survey, MoSPI 2023.

Note: Segment characteristics data stems from the CGAP nano and micro enterprise survey 2024, with a sample size of 803 WNEs. The market values are based on segment population estimates and median loan sizes. Thus, the aggregated estimates vary between segmentation dimensions.

Sector: Startup capital influences WNEs’ sector choices, and in turn their potential for growth and expansion

Figure 32: WNE segment analysis by sector



Source: CGAP nano and micro enterprise survey 2024 data extrapolated using ASUSE Survey, MoSPI 2023. Segment characteristics data stems from the CGAP nano and micro enterprise survey 2024, with a sample size of 803 WNEs. The market values are based on segment population estimates and median loan sizes. Thus, the aggregated estimates vary between segmentation dimensions.

WNEs are predominantly concentrated in sectors that align with traditional gender roles and rely on existing or easily acquired skills. These include activities such as stitching apparel, food processing, baking, and personal care—sectors that typically involve lower perceived risks, minimal capital requirements, and the flexibility to operate from home.

In manufacturing and services, many WNEs engage in low-barrier, home-based activities like basket weaving, which require little startup

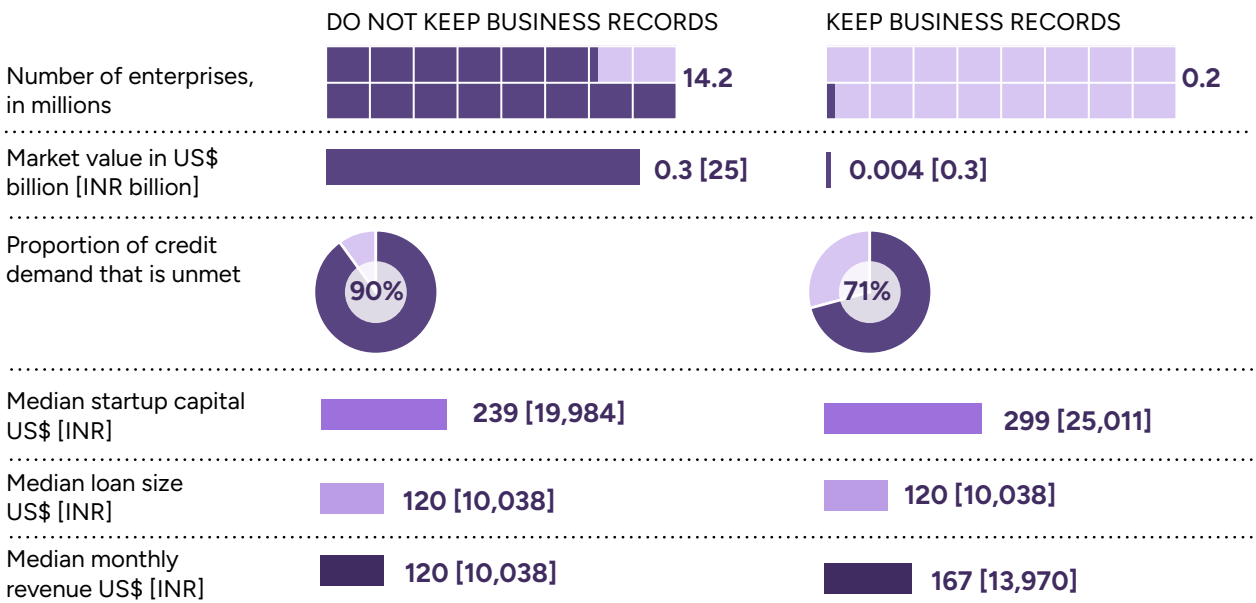
capital. While these enterprises may be somewhat more likely to access formal credit than those in trade, they still face significant challenges in securing adequate financing for growth.

Interestingly, WNEs in trade tend to start with more capital than those in manufacturing and services. However, they are less likely to access formal credit, highlighting a disconnect between initial investment and ongoing financial inclusion.

Note: India has three prominent sectors, namely manufacturing, trade and services. Manufacturing refers to activities involving the transformation of materials into new products, such as food processing, and textile production. Trade encompasses wholesale and retail trade, including selling of goods in large quantities (wholesale), direct-to-consumer sales (retail), and repair services for motor vehicles and motorcycles. Services include transportation and storage, education, healthcare, financial services, real estate, accommodation and food services, and arts and entertainment (Central Statistical Organisation, 2008). ² Due to sample size constraints, manufacturing and services were not split up further.

Level of business sophistication: WNEs without records face a larger unmet credit demand

Figure 33: WNE segment analysis by business sophistication



Source: CGAP nano and micro enterprise survey 2024 data extrapolated using ASUS Survey, MoSPI [2023](#).

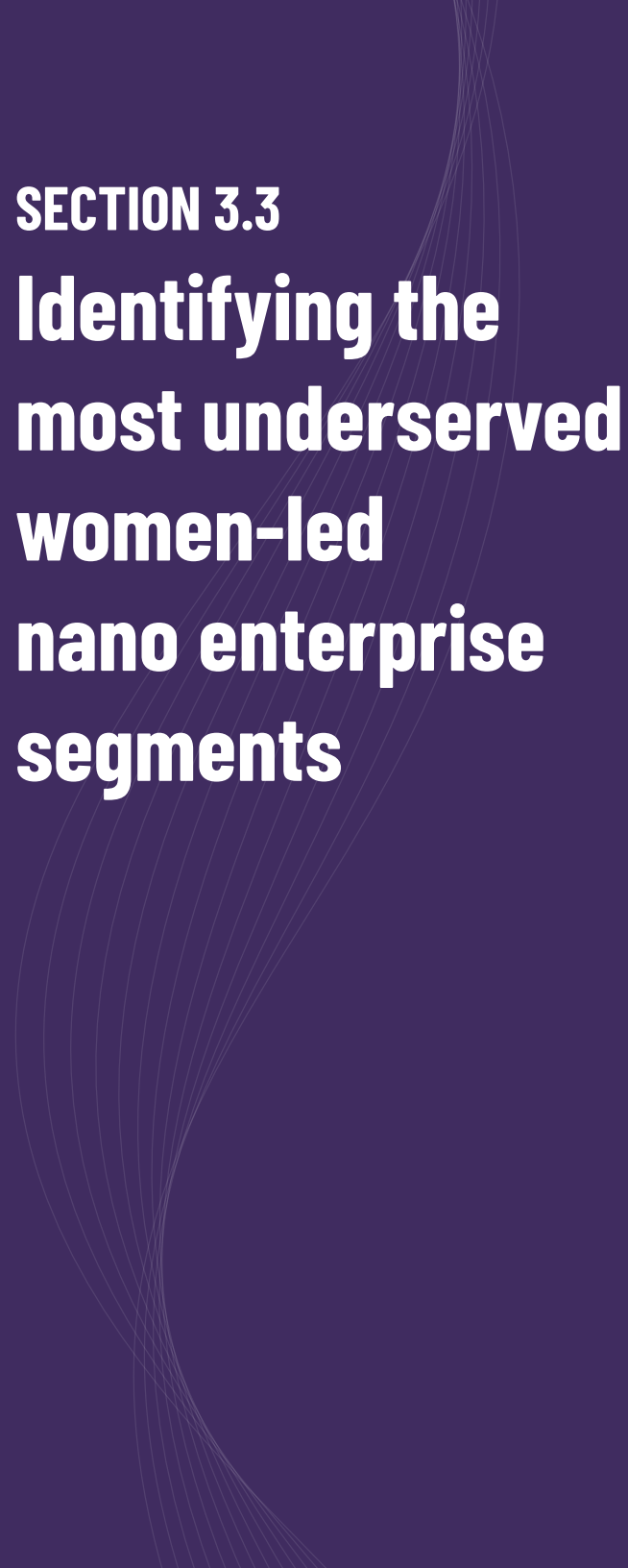
Most WNEs do not maintain business records, making it difficult to track finances and qualify for formal credit. As a result, they face significantly higher levels of unmet credit demand compared to those who do keep records.

In contrast, WNEs who maintain records tend to start with more capital and generate higher revenues. Their financial discipline positions them as strong candidates for larger, structured loans with more favorable terms.

This lack of financial documentation also limits their access to startup capital, results in smaller loan sizes, and contributes to lower monthly revenues—ultimately undermining business stability.

Note: The market values are based on segment population estimates and median loan sizes. Thus, the aggregated estimates vary between segmentation dimensions.

Segment characteristics data stems from the CGAP nano and micro enterprise survey 2024, with a sample size of 803 WNEs.



SECTION 3.3

Identifying the most underserved women-led nano enterprise segments

Who are the most underserved WNE segments in India?

Figure 34: Most underserved WNE segments and their credit gap

	MEMBER OF A NETWORK		DOES NOT KEEP RECORDS		PRIMARY EDUCATION OR LESS	
	92 percent of credit demand is unmet for 10 million WNEs		90 percent of credit demand is unmet for 13 million WNEs		85 percent of credit demand is unmet for 12 million WNEs	
	In India, there appears to be a strong correlation between limited credit access and WNEs joining networks. This suggests that partnering with such networks can be a strategic way to reach the most financially underserved WNEs.		Entrepreneurs who do not keep records tend to have significantly lower revenues and weaker access to capital. Without proper financial documentation, they struggle to track their income and expenses, access formal credit, and build long-term resilience. Simple, user-friendly record-keeping tools or support through trusted intermediaries can help bridge this gap and improve their financial visibility.		Entrepreneurs with lower levels of education often face challenges in accessing both startup capital and ongoing credit. This is likely linked to lower financial literacy, limited digital access—such as not owning smartphones—and a higher tendency to operate from home, all of which make them harder to reach through conventional channels. Targeted outreach through community-based intermediaries, simplified financial tools, and in-person support can help bridge these gaps and improve their inclusion.	
Revenue	US\$ 179 [14,973] median monthly revenue		US\$ 120 [10,038] median monthly revenue		US\$ 72 [6,023] median monthly revenue	
Credit and capital dynamics	US\$ 120 [10,038] median loan size	US\$ 359 [30,030] startup capital	US\$ 120 [10,038] median loan size	US\$ 239 [19,992] startup capital	US\$ 120 [10,038] median loan size	US\$ 179 [14,973] startup capital
	US\$ 109 million [9,118 million] credit gap	69 percent saves for business expansion	US\$ 312 million [26,099 million] credit gap	38 percent saves for business expansion	US\$ 154 million [12,882 million] credit gap	44 percent saves for business expansion
Touchpoints	73 percent use smartphones	29 percent operating from home	70 percent use smartphones	42 percent operating from home	34 percent use smartphones	49 percent operating from home

Source: Market sizing estimates are based on CGAP nano and micro enterprise survey 2024 data extrapolated using ASUS Survey, MoSPI [2023](#). Segment characteristics data stems from the CGAP nano and micro enterprise survey 2024, with a sample size of 803 WNEs.

Note: Values in brackets are INR. Exchange rate: 1 US\$ = INR 83.65; The exchange rate has been arrived at by averaging monthly exchange rate for the year 2024.

SECTION 4:
Enterprise
pathways in
focus: Insights
from growth
intent and
entrepreneurial
capacity

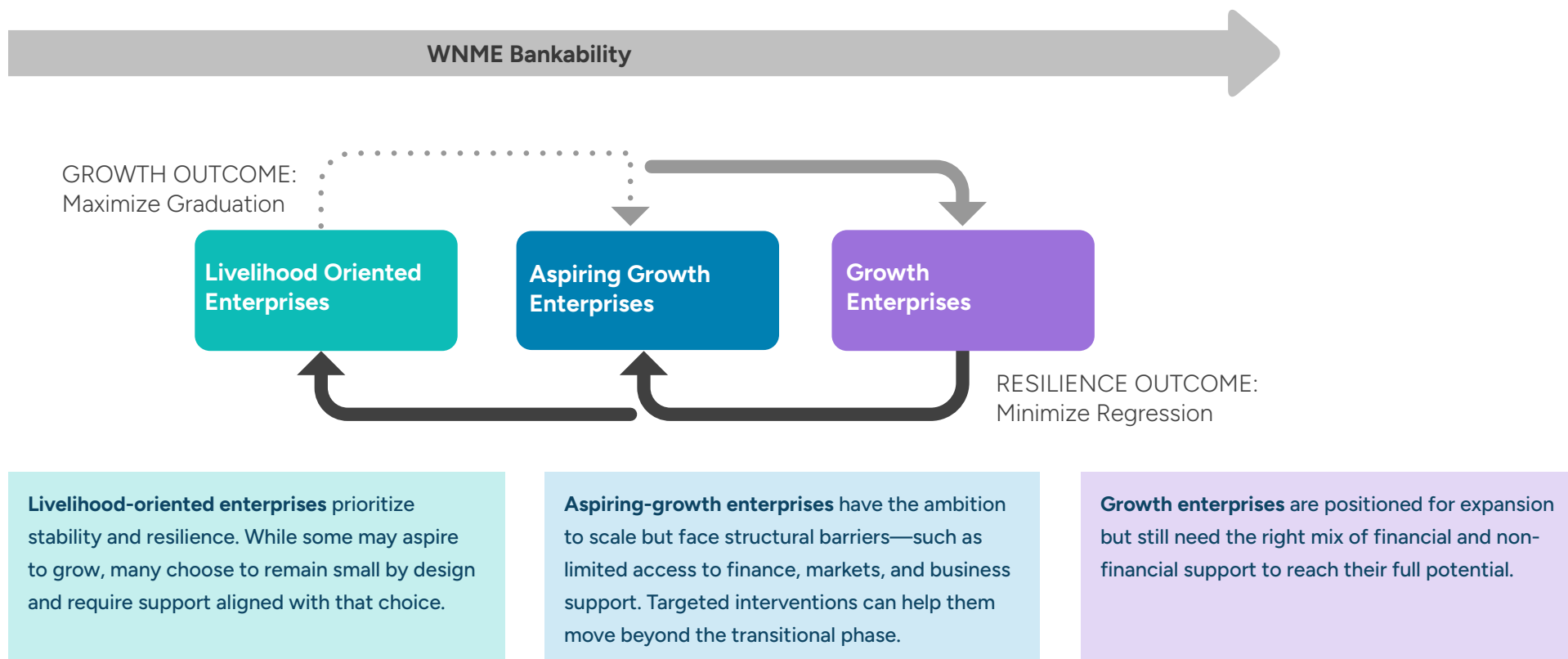
Presents the findings from clustering women entrepreneurs according to their ability and orientation towards growth



Tailoring sustainable credit: A segmentation approach based on growth orientation and ability

Segmenting across all eight dimensions is often impractical for designing targeted interventions. Therefore, building on the previous analysis, this section consolidates the most significant variables to form three distinct clusters. The clustering methodology is explained in detail on the following page.

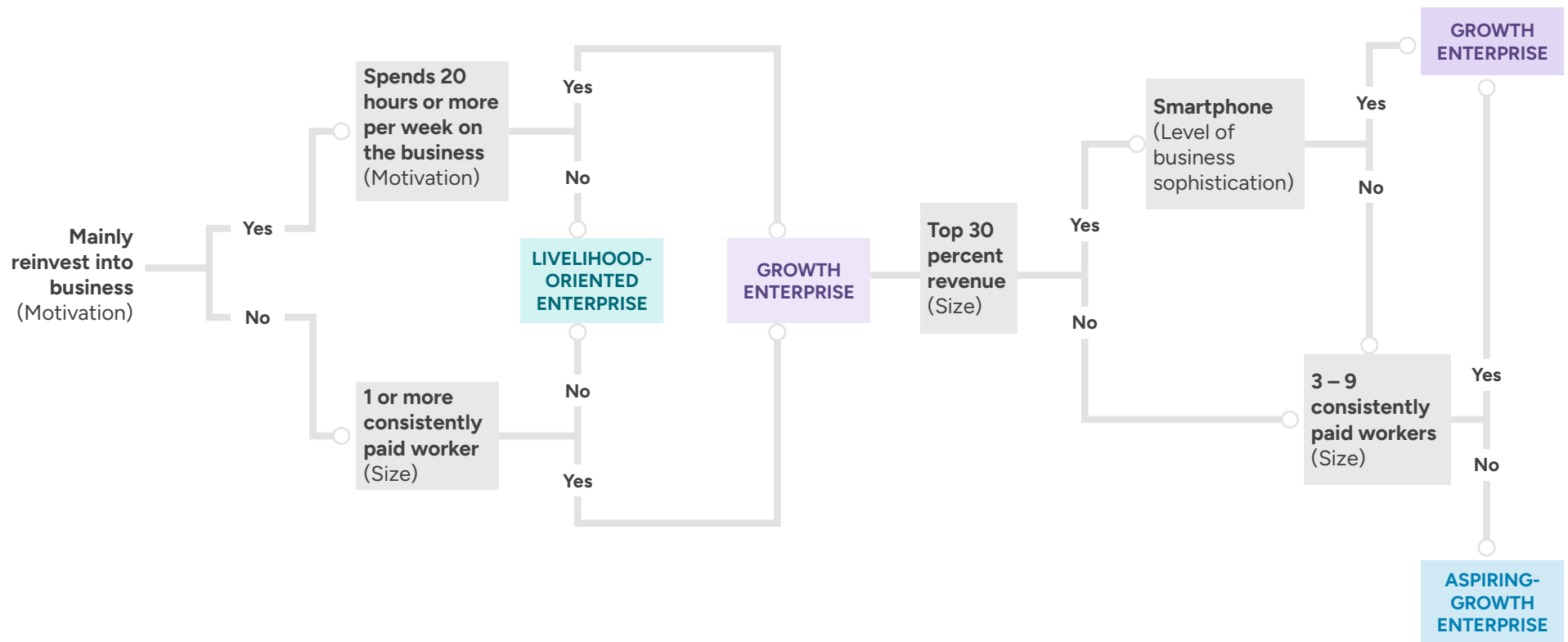
Figure 35: Targeted support for livelihood and growth enterprises



The clustering of WNMEs into these three segments considers significant distinguishing variables

Segmentation logic: We leveraged the existing segmentation framework to identify the most meaningful combination of dimensions and indicators.

Figure 36: Segmentation framework for WNME's based on motivation, size, and business sophistication



Most women-led enterprises are focused on sustaining their livelihood, rather than growing their business

Cluster analysis by size reveals that most women nano micro enterprises (WNMEs) in India are livelihood-oriented and exclusively nano in scale. These enterprises typically prioritize household stability, rely on informal savings, avoid credit, and rarely employ paid workers. Aspiring-Growth Enterprises demonstrate stronger growth intent but, as they are also mostly nano, require targeted support to overcome capital and capacity constraints. Although fewer in number, Growth Enterprises tend to be more formalized and employ more staff, indicating greater readiness for advanced financial services and market engagement.

Note Figure 37: (N= 1,536)

Figure 37: Segmentation split in India for WNME's

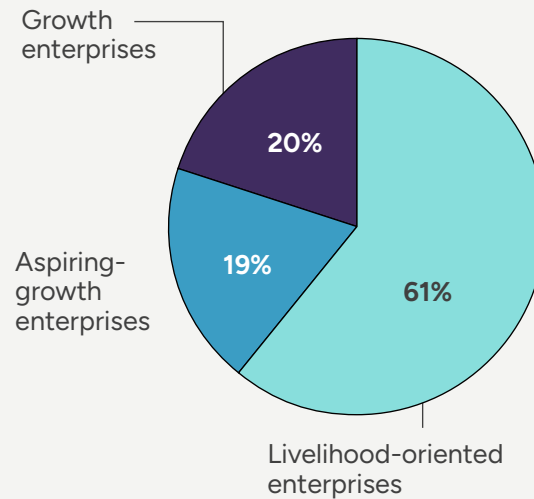
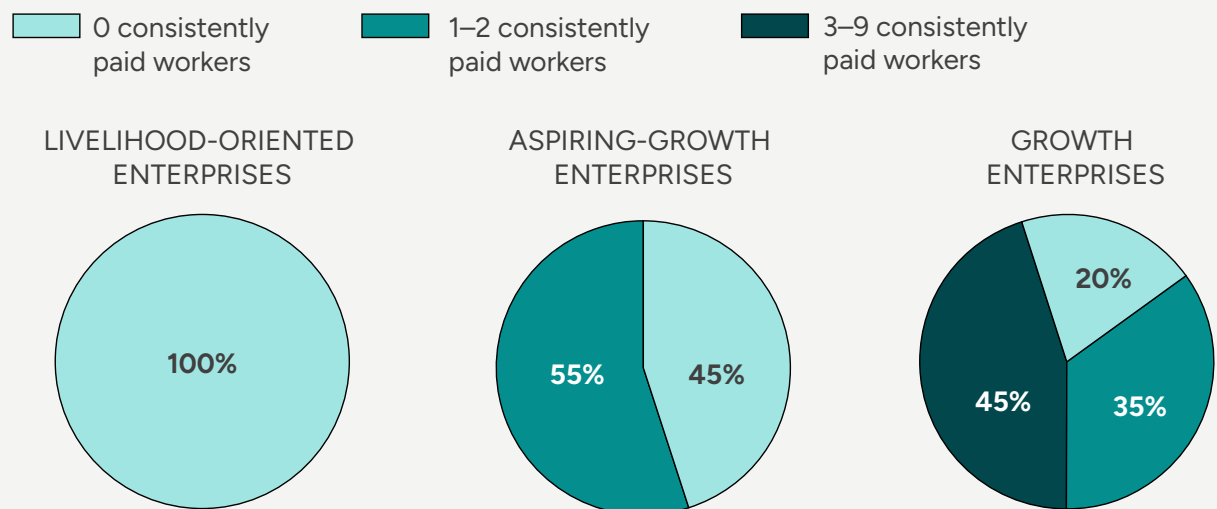
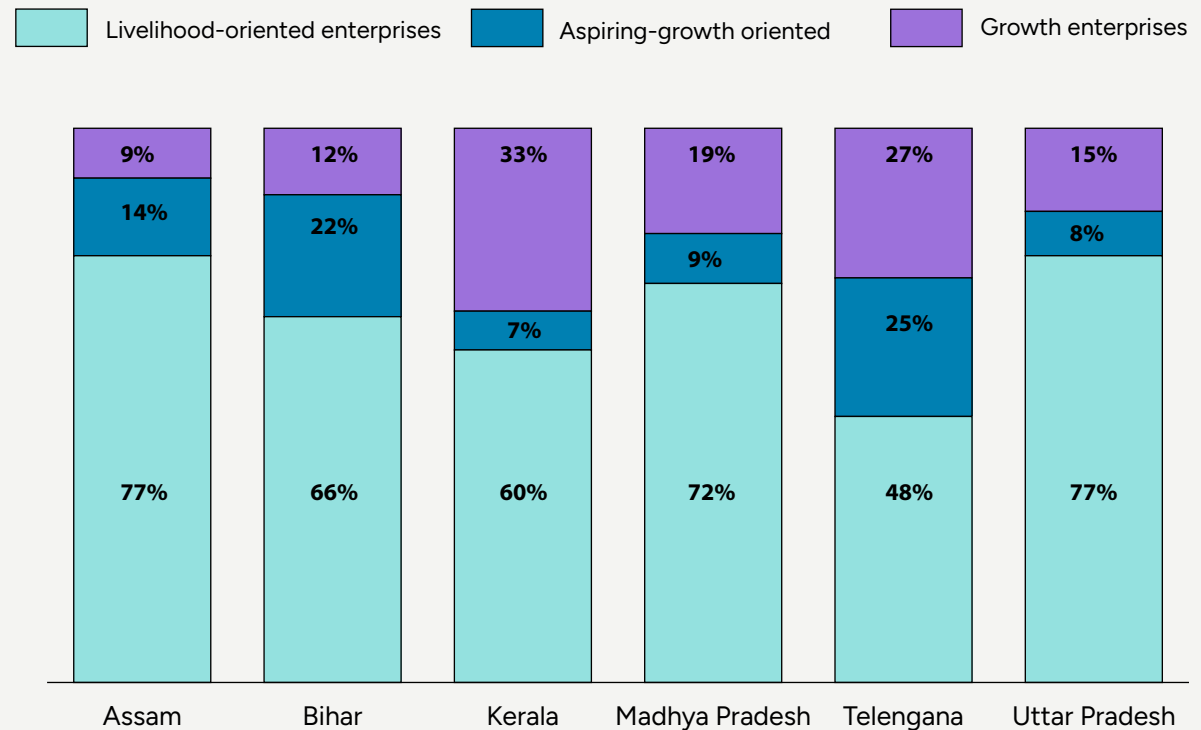


Figure 38: Proportion of consistently paid workers per segment



The distribution of WNME segments varies by state, reflecting differences in opportunity, infrastructure, and market integration

Figure 39: Distribution of each WNME segment per state



Livelihood-oriented enterprises dominate across states but are least prevalent in Telangana and Kerala, where aspiring and growth-oriented enterprises are more concentrated. Telangana and Kerala have GDP per capita incomes two to six times higher than those in other states, alongside relatively greater digital tool usage and higher literacy levels.

This suggests that enabling environments—such as improved market access, public support programs, and digital infrastructure—can help women-led businesses transition from subsistence to growth.

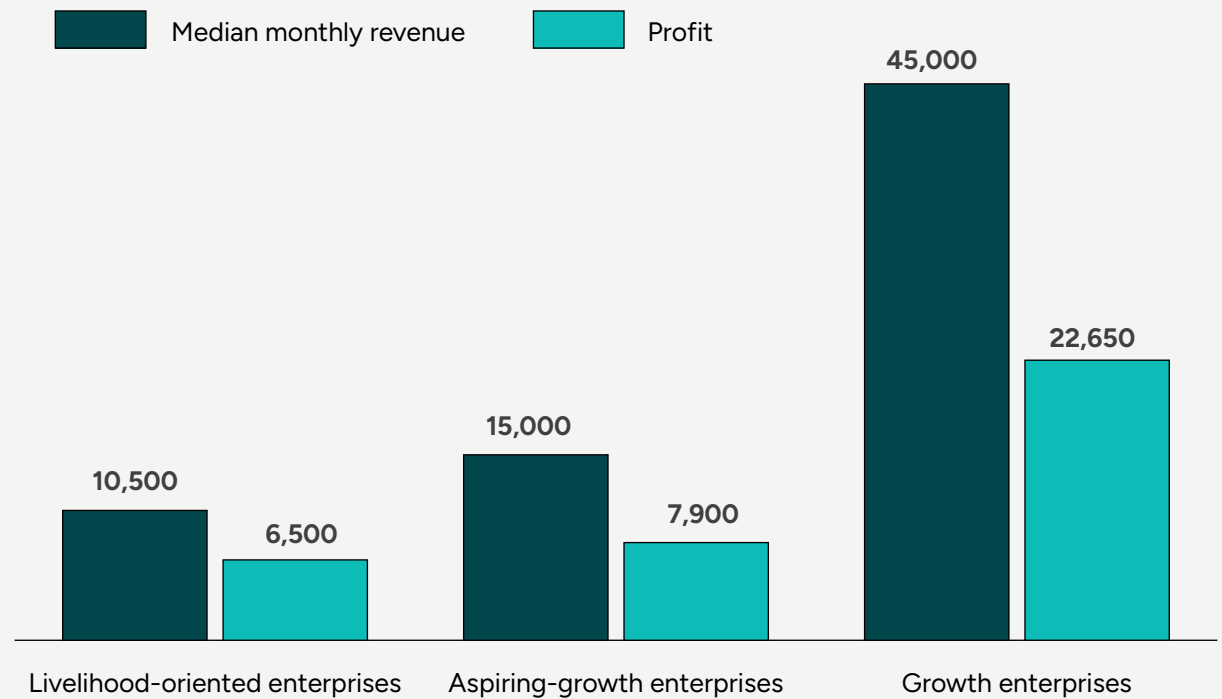
These state-level differences underscore the need for geographically tailored interventions to unlock the potential of WNMEs, especially in states with stronger enterprise ecosystems.

Growth-oriented enterprises seem to have made significant progress in overcoming financial barriers, though many still encounter limitations

Revenue and profit levels are similar between livelihood-oriented and aspiring growth enterprises, suggesting that many aspiring businesses, despite their intent to grow, remain constrained by external and structural barriers.

In contrast, the markedly higher figures for growth enterprises indicate they have crossed key thresholds in size and capacity, enabling them to overcome these constraints and scale more successfully.

Figure 40: Monthly revenue and profit per segment in INR



“Initially, we did not get loans from the bank despite our efforts. We used grants from some of the social organisations and sold family property to fund our business. Once we became more established, the bank reached out to offer loans, but by then, we didn’t need the financial assistance.”

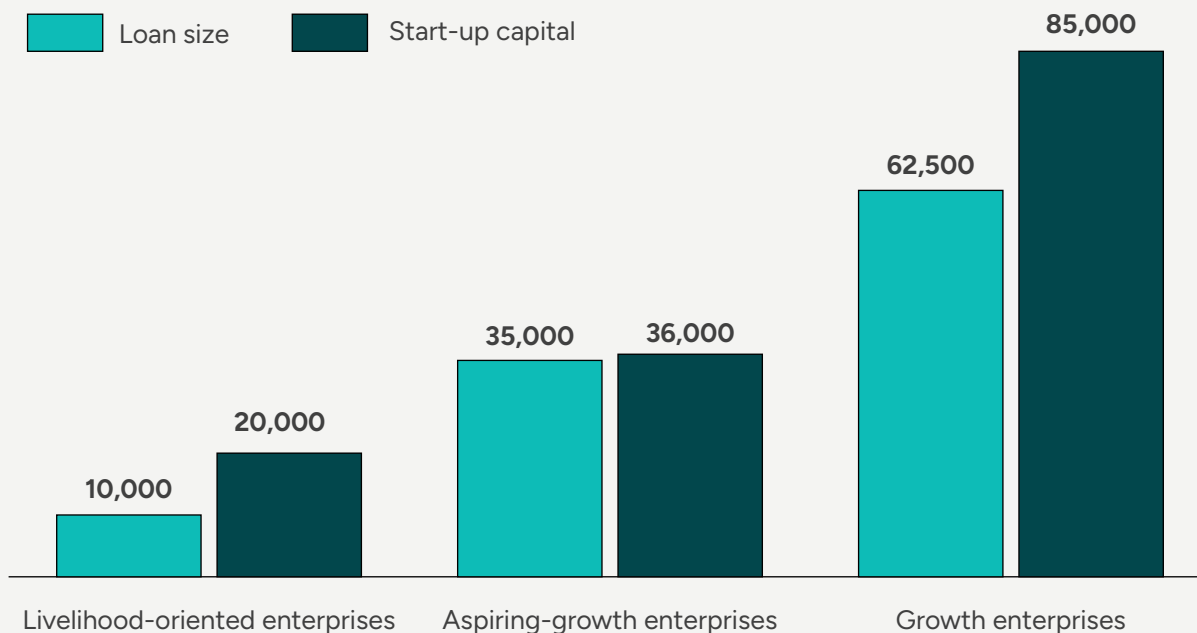
— Female, Micro, Manufacturing, UP

Access to startup capital and loan size remain key barriers to scaling

Data on startup capital and loan sizes show that Growth Enterprises have surpassed a critical scale threshold, supported by significantly higher capital access. In contrast, Aspiring Growth Enterprises are still in a transitional phase. Although they receive nearly twice the startup capital and three times the loan size of Livelihood-Oriented Enterprises, they continue to face persistent financing gaps and structural barriers that limit their growth potential.

This “startup capital effect” underscores how early access to larger capital can drive enterprise growth, while those starting with smaller amounts risk stagnation without targeted support—such as affordable financing, formalization pathways, and tailored capacity-building.

Figure 41: Median startup capital and loan size in INR



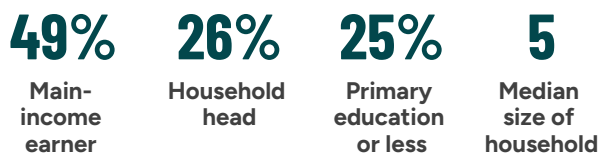
“I approached several banks (around 13–14), but most either offered very small loans, asked for collateral, or denied the loan due to my previous involvement as a guarantor for my husband’s business, which had closed and resulted in a default, affecting my CIBIL score.”

— Female, Micro, UP

9.9 Million Livelihood Oriented Enterprises

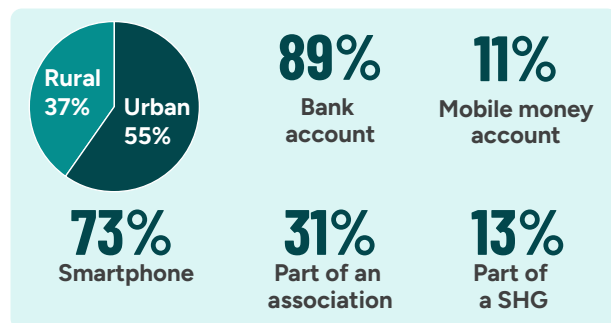
A stable, self-sustaining microbusiness focused on consistent income rather than growth. These businesses span sectors such as trade, manufacturing, and services, and typically operate informally. Few assets are owned, and while they don't employ others, they maintain steady profits and prioritize financial resilience.

BUSINESS OWNER CHARACTERISTICS



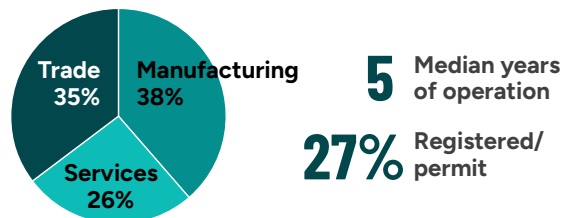
TOUCH POINTS

Frequent users of mobile money and smartphones, with many holding bank accounts. Often connected through savings groups or associations, especially in urban areas.



BUSINESS CHARACTERISTICS

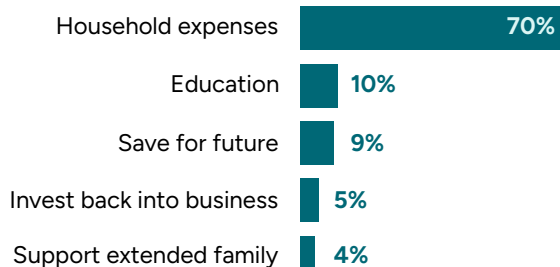
Business profile



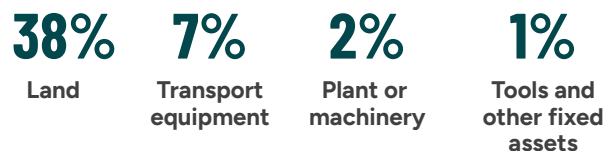
Business performance



Main business income use

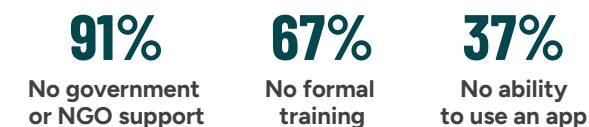


Asset ownership

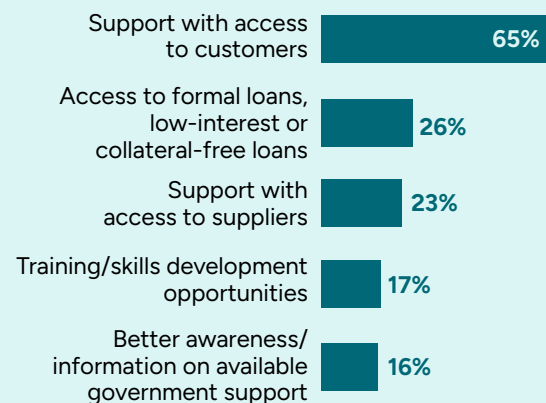


NON-FINANCIAL NEEDS

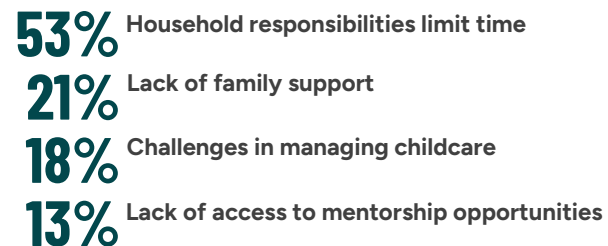
Entrepreneurs operate with limited access to training, support, and key business networks. Many struggle to reach customers or secure financing. Women face additional pressures from household responsibilities, childcare, and a lack of mentorship. These women also remain disconnected from and unaware of government or NGO support programmes.



Top support needs



Gender-related challenges



9.9 Million Livelihood Oriented Enterprises, continued

BORROWING BEHAVIOR AND CAPITAL NEEDS

This segment rarely borrows, largely due to a lack of need. When borrowing does occur, it is primarily for inputs or rent and typically sourced from family or government schemes. A few are managing repayments using new debt, but cases of severe over-indebtedness are limited.

20,000

Median start-up capital

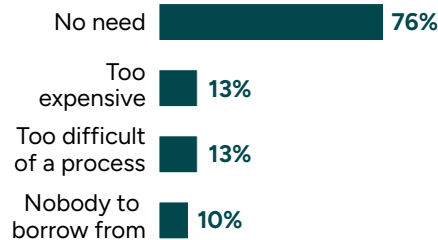
13,000

Median credit amount

77%

Didn't attempt to borrow

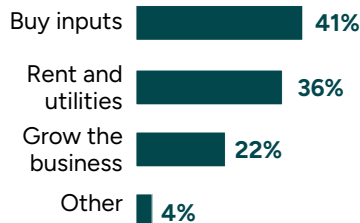
Reasons for not borrowing



23%

Did attempt to borrow

Purpose of borrowing



Sources of borrowing

37%

Loan from friends, family, or neighbors

33%

Government grants or support

16%

Loan from a bank

12%

Loan from a money lender

Over indebtedness

47%

Borrowed money to repay a loan

7%

Debt-to-revenue ratio is larger than 25%

RESILIENCE NEEDS

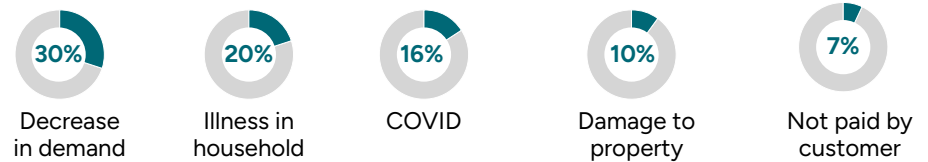
The least resilient segment, highly vulnerable to shocks such as illness and drops in demand. They have minimal coping capacity and limited access to insurance protection.

Current state of resilience

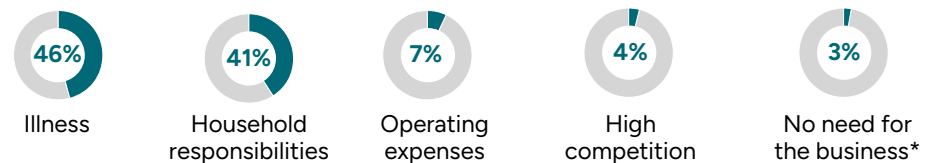
61% Recovered from their main shock in the past 3 years

81% Can access 1 month revenue as emergency funds

Most prominent risks



Most prominent reasons for business closure



*Also, lack of workspace, lack of social support

Coping mechanisms

82% Did nothing to cope with their main risk

20% Business owners who have an insurance product

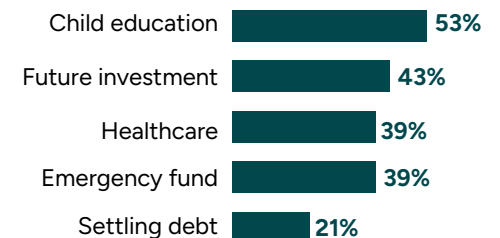
SAVINGS

Most save from their business income, driven by a mix of short- and long-term needs. Priorities include children's education, future investment, and healthcare.

74%

Save business income

Most prominent reasons for saving



Hidden in plain sight: Home-based livelihood enterprises

Many livelihood-oriented enterprises operate quietly from home, making them largely invisible to policymakers and formal data systems. These “hidden” enterprises are essential to household survival—especially for women and low-income families—but often go unrecognized due to their informal and domestic nature.

Of all home-based enterprises, 78% fall within the livelihood-oriented cluster, revealing the home as a key site for subsistence-driven work. Simultaneously, 48% of all livelihood-oriented enterprises are home-based, showing a strong overlap between household and economic activity.

They are especially concentrated in manufacturing, with 53% of home-based livelihood enterprises in this sector—compared to just 27% of non-home-based ones. Common activities include custom tailoring, bidi manufacturing, and weaving—low-capital, labor-intensive trades rooted in local skills and traditions.

Though small and often invisible, these enterprises are vital economic lifelines. Supporting them requires tailored policies that acknowledge the constraints of home-based, informal, and often gendered work.

“The women who work out of their homes have additional childcare burden, health issues, etc. that reduces their productivity and ability to run the business. They need social security”

— NGO working with women entrepreneurs in informal economy

Key constraints experienced by home-based enterprises

LOW LEVELS OF RESILIENCE

- Only 57 percent (vs 67 percent for non-home-based) have recovered from shocks in the past 3 years
- 17 percent (vs 20 percent) couldn't access emergency funds when needed.

LOW ACCESS TO CAPITAL:

- Median startup capital: 15,000 INR (vs 40,000 INR)
- Median loan size: 7,500 INR (vs 13,750 INR)

LOW LEVELS OF FORMALITY:

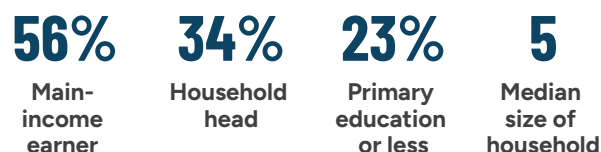
- 85 percent (vs 63 percent) are unregistered

Home-based livelihood enterprises have lower resilience and access to capital. Tailored, gender-responsive support — financial and non-financial — is essential to address their unique needs. Given their concentration in this sector, a focus should be put on supporting home-based manufacturing enterprises.

2.1 Million Aspiring-Growth Enterprises

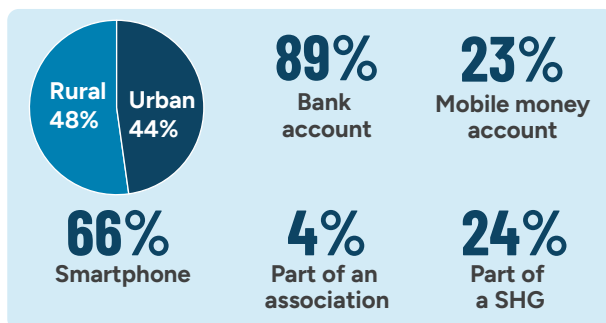
Businesses that reinvest profits to expand operations and aspire to grow. Although they aim to grow, many resemble livelihood-oriented enterprises due to constraints like limited capital, loans, and skills. They are relatively formal and established, often operate outside the home, and keep financial records. Income is reinvested, but household needs remain essential. With modest assets, they scale gradually across sectors.

BUSINESS OWNER CHARACTERISTICS



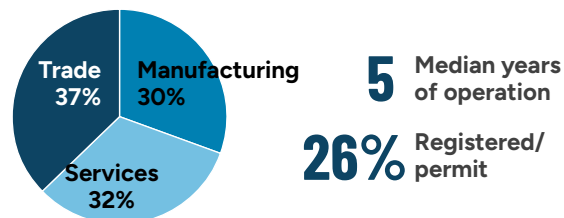
TOUCH POINTS

Widespread bank account ownership and moderate mobile money use make them relatively more straightforward to reach. Rural presence is slightly higher than urban. Many belong to SHGs, but few are engaged in formal associations.



BUSINESS CHARACTERISTICS

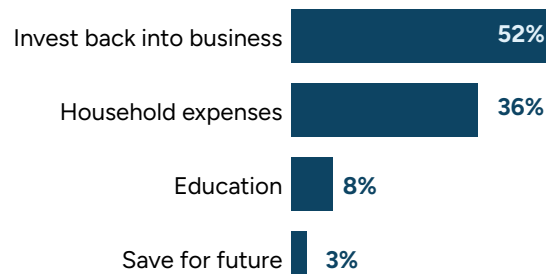
Business profile



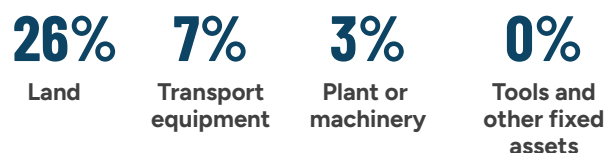
Business performance



Main business income use



Asset ownership

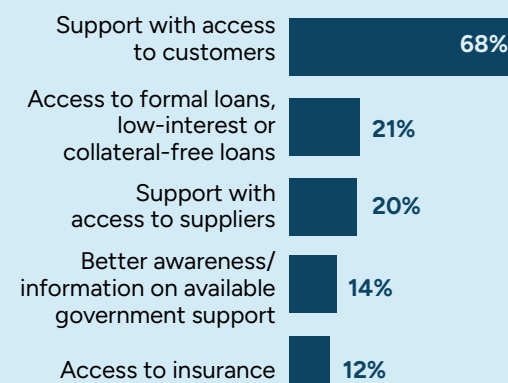


NON-FINANCIAL NEEDS

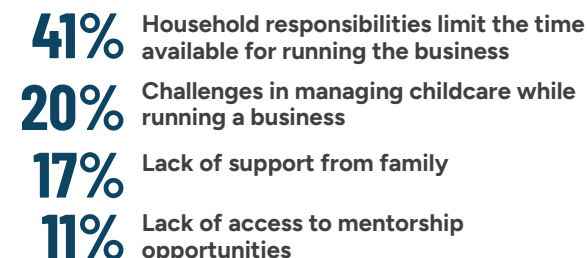
Most entrepreneurs operate without formal training or government support and often struggle with digital tools. Their key needs include better access to customers, affordable credit, and clearer government information. Women, in particular, face added challenges such as balancing household duties, managing childcare, and lacking family or mentorship support.



Top support needs



Gender-related challenges



2.1 Million Aspiring-Growth Enterprises, continued

BORROWING BEHAVIOR AND CAPITAL NEEDS

Most did not borrow, mainly due to a perceived lack of need. Those who did, borrowed to buy inputs or grow their business, often turning to family, MFIs, or informal groups. Some face repayment pressure, but high over-indebtedness is uncommon.

36,000

Median start-up capital

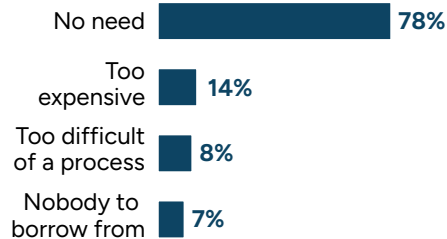
50,000

Median credit amount

89%

Didn't attempt to borrow

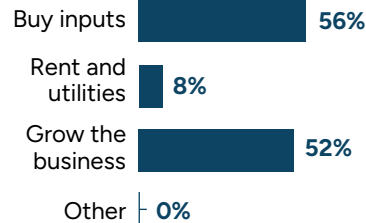
Reasons for not borrowing



11%

Did attempt to borrow

Purpose of borrowing



Sources of borrowing

36%

Loan from friends, family, or neighbors

28%

Loan from an MFI

28%

Loan from a society /informal group /self-help group/ savings group

16%

Loan from a bank

Over indebtedness

16%

Borrowed money to repay a loan

13%

Debt-to-revenue ratio is larger than 25%

RESILIENCE NEEDS

Moderately resilient, these entrepreneurs can recover from shocks and access emergency funds, but remain vulnerable to health risks, theft, and demand drops. Insurance is scarce, and coping strategies are limited despite higher savings.

Current state of resilience

70%

Recovered from their main shock in the past 3 years

86%

Can access 1 month revenue as emergency funds

Most prominent risks



Decrease in demand



COVID



Illness in household



Damage to property



Not paid by customer

Most prominent reasons for business closure



Illness



Household responsibilities



Operating expenses



Debt



Lack of family support

Coping mechanisms

84%

Did nothing to cope with their main risk

21%

Business owners who have an insurance product

SAVINGS

Active saving rates reflect growth ambitions. Funds are mainly earmarked for children's education and future investment, with notable attention to emergencies and debt repayment.

81%

Save business income

Most prominent reasons for saving

Child education **55%**

Future investment **52%**

Healthcare **42%**

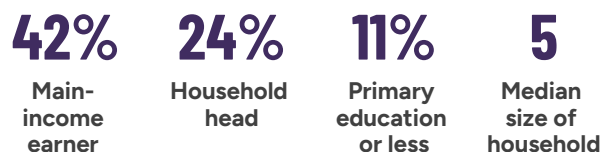
Emergency fund **40%**

Settling debt **31%**

2.8 Million Growth Enterprises

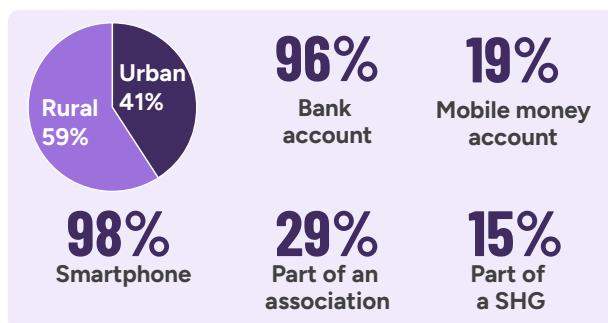
A growth-focused business, that reinvests in expansion and employs others. These enterprises are digitally connected, keep records, and the majority have a permit or are registered. They are common in trade and services, especially in peri-urban and rural areas. However, many still face challenges with training, mentorship, and family support.

BUSINESS OWNER CHARACTERISTICS



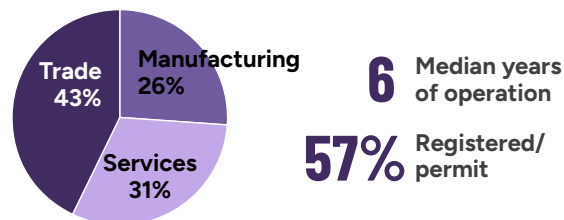
TOUCH POINTS

Despite being mostly rural, this segment is highly accessible digitally, with strong smartphone and bank usage, low mobile money reliance, and active involvement in savings groups.



BUSINESS CHARACTERISTICS

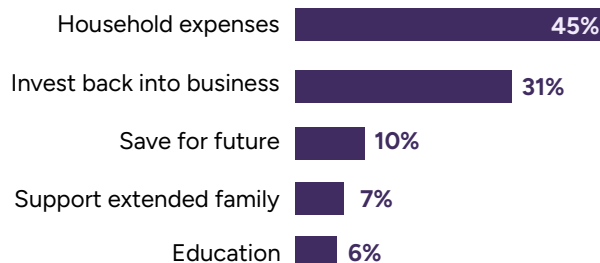
Business profile



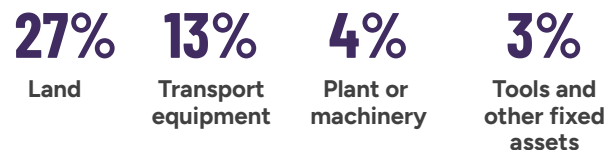
Business performance



Main business income use

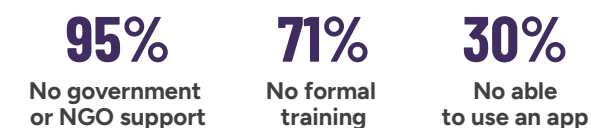


Asset ownership

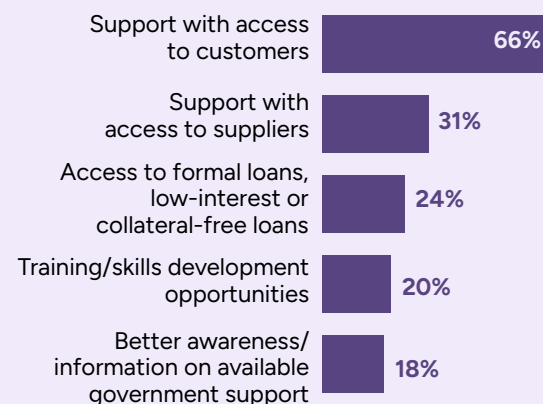


NON-FINANCIAL NEEDS

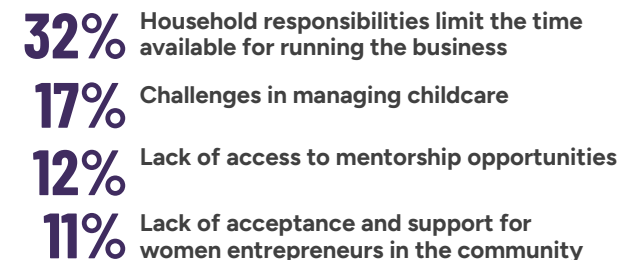
Limited formal support and training, but relatively strong digital access. Key gaps include customer and supplier linkages, credit, and skill development. For women, social constraints — especially limited mentorship and community acceptance — add to the burden of household responsibilities.



Top support needs



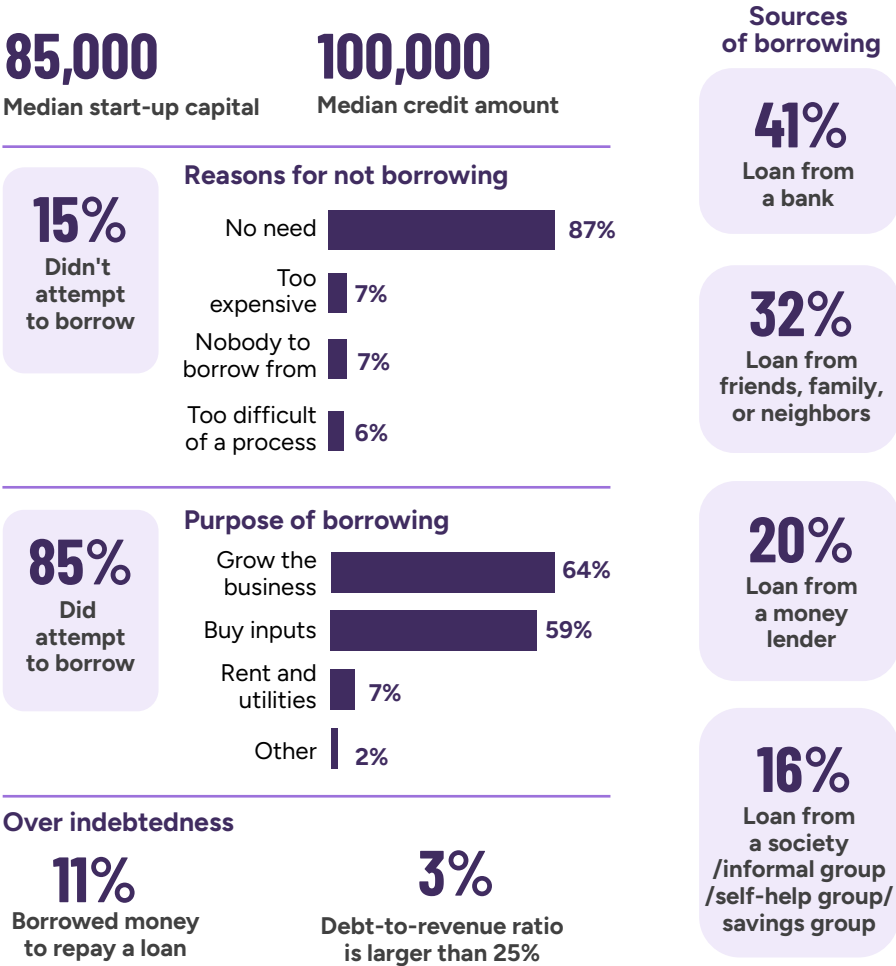
Gender-related challenges



2.8 Million Growth Enterprises, continued

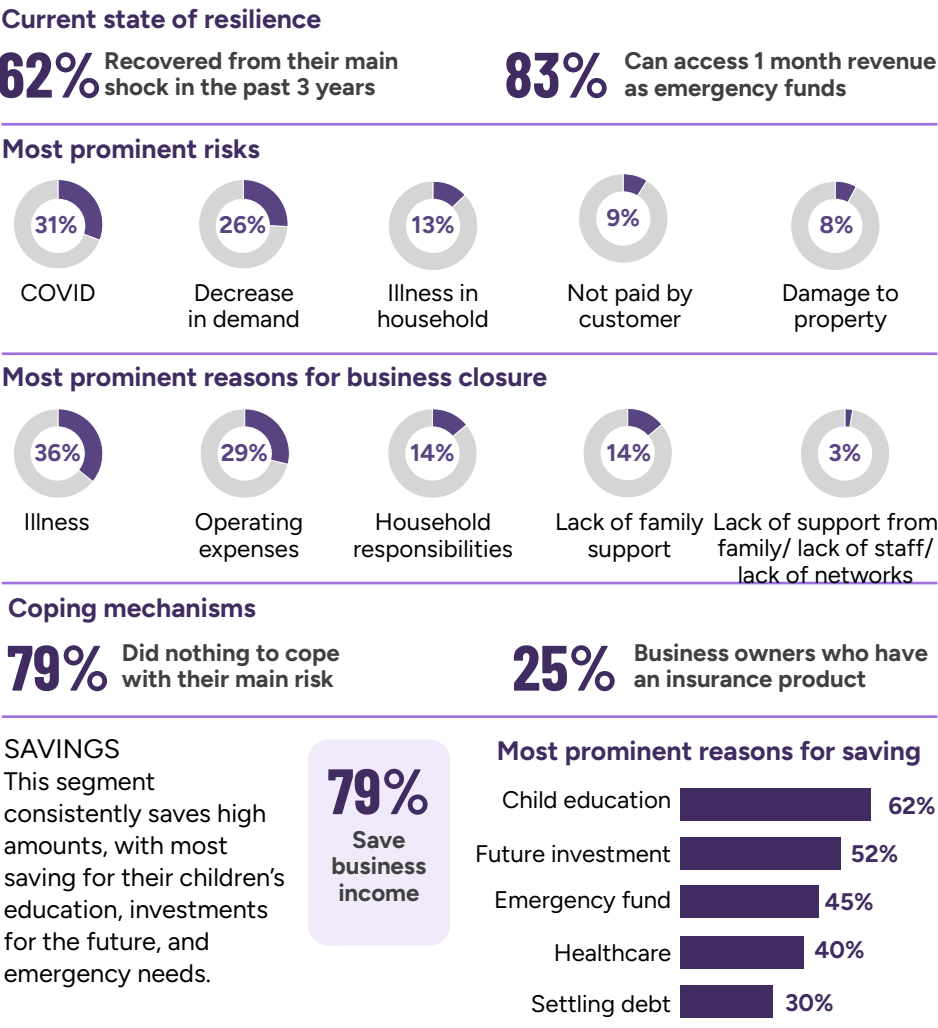
BORROWING BEHAVIOR AND CAPITAL NEEDS

This segment borrows the most, primarily to grow their business or buy inputs. Credit is commonly accessed through banks, family networks, and moneylenders. Most did not face borrowing barriers, as those who didn't borrow typically cited a lack of need. Over-indebtedness appears limited, with few borrowing to repay existing loans or holding high debt relative to revenue



RESILIENCE NEEDS

A relatively resilient segment with strong recovery and emergency savings, but still vulnerable to illness, expenses, and demand shifts. Most still lack insurance or effective coping mechanisms, although these rates are better than other segments.



SECTION 5:

The way forward

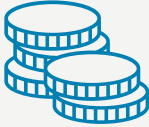
Summarizes the main challenges faced by WNMEs and identifies actionable interventions to overcome them



Bridging gaps to build a resilient financial ecosystem for WNMEs

WNMEs in India face systemic barriers that limit their access to finance, business support, and growth opportunities ([see Section 2](#)).

CGAP’s research highlights that one-size-fits-all approaches overlook the diverse needs and structural constraints of these enterprises, leading to persistent financial exclusion ([see Sections 3](#) and [4](#)).

KEY EMERGING CHALLENGES:				
Heterogeneity	Lack of startup capital	Reliance on informal finance	Persistent credit gaps	Growing digital divide
				

While all five challenges affect WNMEs across the board, the extent to which they are affected by them and most importantly, how best to overcome them, varies between different segments of WNMEs.

This section recaps the five key challenges and outlines the way forward for each.

Recap of Challenge Area 1: Heterogeneity of WNMEs



Women-led enterprises in India are highly diverse, as detailed in [Sections 3](#) and [4](#) of the study. However, the financial sector often treats them as a homogeneous group. Segmentation analysis reveals that WNMEs differ significantly across key dimensions such as size, reinvestment behaviour, education level, and access to networks — highlighting the need for more tailored financial solutions. For instance, nano enterprises typically start and stay small due to limited startup capital and the inability to meet standard lending requirements. Most operate in trade and services, making them more likely to seek credit — but also more likely to be underserved.

Without more granular data and targeted approaches, interventions risk being misaligned. Livelihood-oriented enterprises prioritise stability, while growth-oriented ones aim for expansion. Aspiring Growth Enterprises aspire to grow but face significant contextual constraints. Across all segments, women entrepreneurs encounter standardised financial and non-financial offerings that do not reflect their distinct business maturity, income usage patterns, or resilience levels. Tailored solutions should be explored for all WNMEs.

“Many nano enterprises are graduating from the microfinance segment but struggling to get higher ticket size loans as they do not have the required documentation or credit history to show.”

— An NBFC

Challenge area 1: Heterogeneity of WNMEs – the way forward



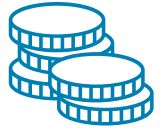
To better meet the diverse needs of WNMEs, stakeholders should adopt a segmentation approach grounded in behavioral and contextual data. The clustering framework in Section 4 of this country report and the guidance note on gender-smart market mapping offer a practical resource on segmentation.

Donors and policymakers can play a critical role in enabling segmentation efforts:

- Integrate business owner characteristics (e.g., education, mindset, household role) into government-run enterprise surveys such as ASUSE to better understand drivers of behavior and resilience.
- Facilitate data linkages between financial services providers (FSPs), mobile network operators (MNOs), digital platforms, and government sources (e.g., procurement data) to uncover patterns in usage, creditworthiness, and growth trajectories.
- Strengthen the capacity of FSPs to adopt data-driven segmentation by demonstrating the business case and supporting implementation through industry-wide trainings or targeted technical assistance.

Recap of Challenge Area 2:

Lack of startup capital



As outlined in [Sections 2](#) and [4](#), WNMEs in India face a significant gap in startup capital, roughly 1.7x less than that of their male counterparts and this is one of the primary constraints limiting Aspiring-Growth Enterprises from transitioning to Growth Enterprises. This lack of startup capital limits their ability to launch or grow businesses, pushing them into low-margin, low-barrier sectors (e.g., trade, tailoring), reducing long-term growth potential and affecting their long-term resilience.

As outlined in [Section 2](#), structural barriers — including unequal asset ownership, low financial autonomy, and discriminatory social norms — limit women's ability to save, access collateral, or apply for formal credit. Across all segments, lack of startup capital reinforces financial exclusion and limits long-term economic empowerment. WNEs with lower educational levels especially face challenges in accessing startup capital. Without tailored interventions WNMEs will remain trapped in low-growth, informal trajectories.

Challenge area 2: Lack of startup capital – the way forward

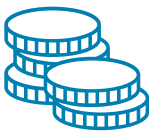


Table 3: Priority interventions and potential key partners

INTERVENTION DESCRIPTION	POTENTIAL IMPLEMENTATION PARTNERS
Expand targeted startup capital programs tailored by segment and sector (e.g. grants or equipment subsidies for home-based or manufacturing enterprises, modeled after Mahila Coir Yojana, WE Hub, or Tamil Nadu’s Magalir Thittam scheme).	Ministry of MSME, State Rural Livelihood Missions (SRLMs), State entrepreneurship hubs (e.g. WE Hub, Kerala’s Kudumbashree), District Industries Centres
Blend seed grants with matched savings and mentoring to enable first-time entrepreneurs (especially the ultra-poor) to launch and sustain livelihoods—drawing on BRAC’s Graduation model .	State Rural Livelihood Missions, Ministry of Rural Development, NGOs (e.g. PRADAN, SEWA), philanthropic funderss
Introduce goal-based savings products tailored for startup capital and link them to formal bank or MFI accounts and use behavioral nudges like SMS reminders to encourage saving.	Banks, MFIs, India Post Payments Bank, fintechs, State Livelihood Missions

To unlock the growth potential of Aspiring-Growth Enterprises, more emphasis must be placed on improving access to startup capital, which remains one of the most critical yet overlooked financial needs. Current capital structures often prioritize working capital or business expansion, while the foundational need for startup capital receives insufficient attention.

For many women, startup capital comes from personal savings—typically built through informal income-generating activities. This makes it especially difficult for women with limited prior earnings or unstable employment to accumulate the capital needed to start or formalize a business. Over the long term, improving women’s access to stable income-generating opportunities is key to enabling them to save and invest in their businesses.

Partnering with existing programs like the Prime Minister’s Employment Generation Program can support this.

However, given the time it takes for such systemic improvements to materialize, the table below outlines short- to medium-term interventions that can help immediately bridge the startup capital gap for women entrepreneurs.



Recap of Challenge Area 3: Reliance on informal finance

The gender gap in access to larger loans exacerbates the financial constraints WNMEs already face due to lower startup capital, limited reinvestment, and restricted asset ownership. Social networks serve as crucial financial lifelines, providing accessible credit with high levels of trust and flexibility. However, these mechanisms have structural limitations, particularly in their ability to offer larger, long-term investment capital with MFI loan sizes being 20 times larger than loans from social networks. As a result, informal credit is often not well-suited for enterprise growth.

The segmentation of WNMEs based on their growth ambition and ability in section 4 offers critical insights into how to address this challenge sustainably. Formal credit is likely not suitable for all types of WNMEs and pushing larger, more formal loans on WNMEs that neither have the capacity nor the ambition to grow can detabliize these enterprises by causing over-indebtedness. The following nuances emerge regarding the suitability of different types of credit across the three clusters:

Livelihood-oriented WNMEs rely primarily on loans from their social networks or government-administered programs. They are at high levels of indebtedness. Loans are primarily used for rent, utilities and inputs. Loans through semi-formal sources such as SHGs and chit funds should be strengthened. However, the focus for this segment should lie on strengthening their resilience through other financial and non-financial services.

Aspiring-Growth Enterprises rely on a mixture of loans from their social networks, MFIs and semi-formal groups used for input purchases or business growth. While some face structural barriers like high costs to credit access, many are reluctant to borrow overall, highlighting the need for non-financial service support to unlock business growth for this segment.

Growth Enterprises rely primarily on formal loans, but a significant proportion also rely on moneylenders, highlighting gaps in formal credit supply. These businesses are often registered in some form and are well positioned for larger loans and asset finance.

Recap of Challenge Area 3: Reliance on informal finance, continued



Building on the segmentation of WNMEs based on their growth ambition and ability in [Section 4](#), the table below maps the alignment between different types of credit providers and each WNME segment. It highlights which semi-formal or formal providers are well-suited—or poorly suited—to meet each segment’s distinct credit needs and capacities, and which gaps exist.

Table 4: Alignment of financial providers with WNMEs’ evolving credit needs

	LIVELIHOOD-ORIENTED ENTERPRISES	ASPIRING-GROWTH ENTERPRISES	GROWTH ENTERPRISES
Chit funds	✓ Offers group-based access to small loans which is easily accessible, suits urgent, small needs.	Not well-aligned	Not well-aligned
SHGs	✗ Limited in reach and having a business plan is often a requirement which some of these enterprises struggle to meet. Regulatory oversight limited, risk of fraud and mismanagement.	Not well-aligned	Not well-aligned
NBFC - MFIs	Not well-aligned	✓ Strong reach within the aspiring growth enterprise segment, less so in the growth enterprise segment. ✗ Loan sizes can be insufficient for growth, and high interest rates create repayment pressure.	
Public sector banks	Not well-aligned	Not well-aligned	✓ Can fund with higher loan amounts if collateral is available and provides access to full suite of banking products.
Commercial banks	Not well-aligned	Not well-aligned	✗ Underwriting conservative; slow disbursement, low risk appetite.
Differentiated banks	Not well-aligned	✓ Flexibility in documentation, moderate loan sizes and interest rates. ✗ Limited reach among Aspiring Growth Enterprises	
Cooperative banks	✓ Embedded in local communities, with easily accessible capital. ✗ Inconsistent governance processes	Not well-aligned	Not well-aligned
Fintechs	✓ Provides fast, tech-enabled and unsecured credit, digital payment solutions, and financial management tools. Provides also trade-based financing. ✗ Limited reach throughout all segments despite high smartphone penetration. Limited non-credit related offering. High interest rates.		



Challenge area 3: Reliance on informal finance – the way forward

While FSPs have opportunities to address the gaps identified earlier, many are limited by short-term performance pressures and a cautious approach to innovation. This is where donors and governments play a crucial role by:

- lowering the costs and risks involved in piloting new products and reaching underserved markets, and
- creating incentive structures that encourage FSPs to focus on long-term, inclusive innovation.

The table below presents recommendations on how different types of providers can be supported to better meet the specific needs of women-led nano and micro enterprises (WNMEs).

Table 5a: Tailored recommendations for financial providers by enterprise type

LIVELIHOOD-ORIENTED ENTERPRISES

Chit funds	✓ Offers group-based access to small loans which is easily accessible, suits urgent, small needs.	✓ Explore ways of enforcing better governance standards and protection from mismanagement.
SHGs	✗ Limited in reach and having a business plan is often a requirement which some of these enterprises struggle to meet. Regulatory oversight limited, risk of fraud and mismanagement.	✓ Support initiatives that unlock the forming of more groups by providing seed capital, financial training, and mentorship. ✓ Expand and digitize Chit fund and SHG infrastructure: Support digital recordkeeping, app-based saving/borrowing functions, and training for new groups.
Cooperative banks	✓ Embedded in local communities, with easily accessible capital. ✗ Inconsistent governance processes	✓ Strengthen core banking systems.
Fintechs	✓ Provides fast, tech-enabled and unsecured credit, digital payment solutions, and financial management tools. Provides also trade-based financing. ✗ Limited reach throughout all segments despite high smartphone penetration. Limited non-credit related offering. High interest rates.	✓ Promote development of adequate mobile health insurance and goal-based savings products.

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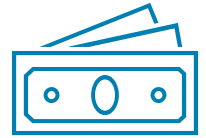
Challenge area 3: Reliance on informal finance – the way forward, continued

Table 5b: Tailored recommendations for financial providers by enterprise type

ASPIRING-GROWTH ENTERPRISES AND GROWTH ENTERPRISES

NBFC - MFIs	✓ Strong reach within the aspiring growth enterprise segment, less so in the growth enterprise segment. ✗ Loan sizes can be insufficient for growth, and high interest rates create repayment pressure.	Both Aspiring-Growth and Growth Enterprises ✓ Co-fund existing outreach activities to reduce operational costs and explore additional ways to lower screening and other related expenses. ✓ Support MFIs to pilot mobile-based top-up loans, and bundle with basic business skills training. ✓ Encourage digitized MFI back-end systems to improve turnaround time.
Public sector banks	✓ Can fund with higher loan amounts if collateral is available and provides access to full suite of banking products.	Growth Enterprises only ✓ Collaborate to design and promote working capital loans, asset financing, and credit lines that use alternative data and risk mitigation tools (such as partial guarantees). ✓ Expand embedded finance in supply chains, logistics, and digital commerce ecosystems.
Commercial banks	✗ Underwriting conservative; slow disbursement, low risk appetite.	
Differentiated banks	✓ Flexibility in documentation, moderate loan sizes and interest rates. ✗ Limited reach among Aspiring Growth Enterprises	Aspiring-Growth Enterprises ✓ Co-design blended finance options to serve aspirational women entrepreneurs. Pilot growth-linked credit lines. Growth Enterprises ✓ Support local cluster financing (e.g., handlooms, dairy).
Fintechs	✓ Provides fast, tech-enabled and unsecured credit, digital payment solutions, and financial management tools. Provides also trade-based financing. ✗ Limited reach throughout all segments despite high smartphone penetration. Limited non-credit related offering. High interest rates.	Aspiring-Growth Enterprises ✓ Build API-based partnerships with SHGs/NGOs for last-mile delivery. De-risk early lending with guarantee funds. Growth Enterprises ✓ Expand embedded finance in supply chains, logistics, and digital commerce ecosystems.

Recap of Challenge Area 4: Persistent credit (plus) gaps



This study estimates that 77 percent of WNME credit demand in India remains unmet. However, while a clear credit gap exists, the research also finds that 80 percent of WNMEs do not actively seek credit. This suggests that credit alone is insufficient to improve business outcomes. In some cases, increasing access to loans without complementary support can lead to unsustainable repayment practices, financial distress, and business stagnation rather than growth.

90 percent of the credit demand of WNEs without financial records remains unmet, compared to a lower 71 percent among those that maintain records. This gap is likely driven by the inability of non-record-keeping businesses to access finance, which also discourages them from seeking credit in the first place.

Savings and insurance have a critical role to play in enabling resilience. However, distinct gaps emerge per segment:

Livelihood-oriented WNMEs

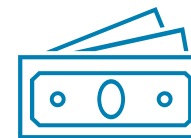
rely heavily on informal household savings, which are often small and used for immediate needs like children's education and healthcare. These enterprises lack access to structured savings mechanisms and microinsurance and remain financially vulnerable.

Aspiring growth enterprises

show stronger intent to save and invest in their businesses but still face barriers accessing formal savings and insurance tools. Many save informally and struggle to build capital buffers due to inconsistent income or limited financial products suited to their stage of growth.

Growth-oriented WNMEs

tend to save for business growth or debt repayment but remain largely excluded more structured formal financial products and services to support growth and expansion. Insurance coverage is low across all segments, only about 20 percent are insured, leaving many women vulnerable to financial shocks due to limited awareness, affordability, and unsuitable products.



Challenge area 4: Persistent credit (plus) gaps – the way forward

This calls for interventions outside of credit to build the capacity of WNMEs to effectively absorb and utilize finance for sustainable business growth or resilience. Tailoring these interventions to the focus of the enterprise on stability vs. growth & in line with their current growth status, is critical. While financial solutions can be implemented by FSPs, as noted in Challenge Area 3, donors and governments have a pivotal role in enabling and incentivizing innovation. In contrast, non-financial interventions fall primarily within the remit of donors and governments, who can collaborate with the identified partners to deliver targeted support.

	LIVELIHOOD ENTERPRISES	ASPIRING-GROWTH ENTERPRISES	GROWTH ENTERPRISES
FINANCIAL	Chit funds and SHGs to explore opportunities for microinsurance, especially health-focused microinsurance.	MFIs to enable goal-based savings products and mobile-linked micro insurance.	Insurers and banks to enable bundled business protection — property, equipment, interruption, and disaster coverage and goal-based investment tools for equipment or education
NON-FINANCIAL	Promote financial resilience: Offer simple, practical training on budgeting, income smoothing, recordkeeping, and emergency planning. Training content should be simple, locally relevant, and action-oriented. Support women's time and care needs: Provide flexible training and pilot childcare solutions to address competing household responsibilities. Improve program awareness: Strengthen communication to improve understanding and uptake of existing support schemes.	Deliver targeted business development training: Include modules on customer engagement, inventory, and cash flow to scale operations and manage finances. Provide mentorship and product development support: Provide business planning guidance and skills for value addition, packaging, and branding. Tailor support for local sectors like food processing, tailoring, and crafts. Build market and ecosystem linkages: Facilitate access to markets, platforms, bulk buyers, and suppliers. Support mobility and equipment through leasing, and enable participation in the One District One Product (ODOP) initiative and SHG-linked procurement.	Advance business sophistication: Develop and promote tools for enterprise-level recordkeeping, workforce management, and business planning. This can expand to include the setup of digital storefronts and advanced branding. Build formal networks: Link WNMEs with suppliers, policymakers, and support services; promote engagement on regulatory and infrastructure issues. Promote workforce development and peer exchange: Train entrepreneurs on staff recruitment, delegation, and team management. Establish peer learning platforms for experience-sharing and collaboration.
CORE PARTNERS FOR COLLABORATION	Community associations, SHGs, Government institutions	SHGs, MFIs	Business associations, SHGs, existing industry clusters

Recap of Challenge Area 5: Growing digital divide



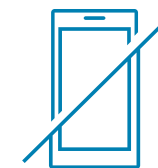
The digital divide, as outlined in [Section 3](#), significantly limits the ability of women-led nano and micro enterprises (WNMEs) to access financial services, connect with markets, and grow their businesses. Many WNMEs lack access to smartphones, reliable internet, and the digital literacy needed to navigate online platforms. As digitization increasingly reshapes how businesses operate—through digital payments, e-commerce, online marketing, and app-based financial tools—enterprises without digital capabilities face growing exclusion. Without targeted support to bridge this gap, WNMEs risk falling even further behind, missing out on productivity gains, broader customer reach, and access to tailored financial products that are increasingly delivered through digital channels.

While 62 percent of WNMEs in India report owning smartphones, usage is typically limited to basic functions. Advanced applications — such as email, online marketplaces digital inventory tools, or social media marketing — are not widely used.

Smartphone access is also heavily shaped by education levels, with only 35 percent of women without secondary education owning one, further marginalizing them in the digital economy.

Compounding this gap, over 68 percent of WNMEs have never received digital or financial literacy training, underscoring the urgent need for targeted awareness-raising and skill-building interventions.

Challenge area 5: Growing digital divide – the way forward



The digital divide is not just about access—it's about meaningful usage. As highlighted, many WNMEs own smartphones but lack the skills, tools, and confidence to use them for business purposes. Low education levels and limited exposure to digital or financial literacy further widen this gap. Addressing these barriers requires a layered approach—from basic digital awareness to enabling advanced digital applications for enterprise growth.



INTERVENTION DESCRIPTION	IMPLEMENTATION PARTNERS		
Raise awareness on digital tools through community-based training: Conduct local training sessions focused on building basic digital literacy using mobile phones, digital wallets, USSD, WhatsApp, and other everyday apps. Trainings should be delivered with women trainers or peer leaders, and emphasize relatable use cases. Mobile vans (e.g., Barefoot College in India) or village-based digital champions can enhance reach and trust.	Government-led rural development programs (e.g., NRLM) and donor initiatives, working through local SHG networks and other community structures	✓	✓
Expand existing public-private partnerships with telecom providers to bundle smartphones at discounted rates with curated apps (e.g., learning apps, digital wallets, agri-market platforms) pre-installed. Consider offering devices on installment plans, co-funded by government or donor subsidy.	Donors to support existing initiatives like the Bharat Phone or Reliance Jio	✓	✓
Train enterprises on digital customer engagement and marketing: Provide targeted workshops on setting up WhatsApp Business catalogs, using Facebook or Instagram to market products, and managing customer queries digitally and combine this training with photography, branding, and storytelling skills. Peer-led demos and local success stories can boost uptake and confidence.	NGOs (e.g., SEWA, Digital Empowerment Foundation) in cooperation with social media companies	✓	✓
Promote enterprise-level digital tools for management and market access: Enable growing microenterprises to adopt digital tools for workforce management, digital storefronts, payment acceptance, and basic analytics. Provide bundled software-as-a-service tools tailored to low-literacy users, or integrate into existing marketplace platforms. Support should include onboarding, back-end tech support, and access to working capital.	MSME Ministry in partnership with tech companies and initiatives like GlobalLinker, Amazon Saheli	✓	✓
Address connectivity-related infrastructure barriers : Expand affordable mobile broadband and device access in underserved regions through national connectivity programs or universal service funds. Public Wi-Fi hubs, community device-sharing models, and offline-capable applications can help bridge the last-mile gap.	Department of Telecommunications (DoT) in cooperation with BharatNet, telecom operators, and donors	✓	✓

Outside of these challenge areas, system level interventions are needed

Table 6: Targeted interventions to address financial access barriers for WNMEs

CHALLENGE				INTERVENTION DESCRIPTION	IMPLEMENTATION PARTNERS
Limited rural outreach and uneven last-mile presence				Invest in shared agent infrastructure and outreach tech for rural and underserved zones; support convergence via rural FinTech hubs	Banks, MFIs, FinTechs, SIDBI, NABARD, State Rural Livelihood Missions
Strict documentation and KYC requirements exclude informal WNMEs				Pilot light-KYC models (e.g. SHG attestation, utility bills); advocate for RBI/FIU to create a 'nano enterprise' category; Fund a national multi-stakeholder convergence platform to align KYC, subsidy, credit scoring and outreach norms	RBI, DFS, UIDAI, SHG federations, MUDRA, banks, MFIs
Lack of disaggregated and credible data on nano/micro enterprises				Support ongoing initiatives that work on an aggregated credit market for MSMEs in India to support the development of a unified microenterprise registry and mandate gender/NME disaggregation in financial reporting	Ministry of MSME, SIDBI, RBI, private credit bureaus, Unified Lending Interface, Trade Receivables Discounting System, OCEN
Limited product innovation for irregular income profiles of WNMEs				Support co-design and testing of milestone-based loans, embedded finance pilots, and event-based repayment models	FinTechs, Innovation Labs, MUDRA, SIDBI, banks, MFIs
Gendered barriers to KYC, training and digital engagement				Bundle childcare, mentorship and SHG-based onboarding with FSP offerings.	Ministry of Women & Child Dev, SHG networks, MFIs, NGOs
Limited digital access and trust among women entrepreneurs.				Offer hands-on digital training bundled with basic tools (e.g. mobile money, e-commerce) and expand gender-inclusive digital platforms and peer-learning forums for advocacy and shared learning	ALEAP e-commerce onboarding and MAWE's digital youth hubs and other similar initiatives
Low trust and high perceived risk by lenders				Support public-private guarantee funds for high-risk segments; enable co-lending between MFIs and PSBs	Credit Guarantee Trust for Micro and Small Enterprises (CGTMSE), SIDBI, banks, MFIs
Fragmented regulation and weak oversight of unregistered lenders				Create a regulatory sandbox cohort for nano-credit providers; increase oversight of NBFCs and digital-only lenders	RBI, Ministry of Finance, State regulators



Livelihood enterprises



Aspiring-growth enterprises



Growth enterprises

ANNEXES:

**Supply side
mapping and
methodology**

A series of thin, white, wavy lines that originate from the top left and curve downwards and to the right, creating a sense of movement and flow. They are set against a dark grey background.

ANNEX 1:

Supply side mapping

Supply side research used for this report

As part of the data collection process, interviews were conducted with a range of supply-side stakeholders—including government agencies, financial institutions, and service providers—to understand their operational challenges and their perspectives on the barriers faced by women-led nano and micro enterprises (WNMEs). These insights helped illuminate demand-side needs from the viewpoint of those who engage directly with these entrepreneurs.

The interviews were complemented by desk research on existing initiatives and financial products aimed at supporting WNMEs. The primary goal of this analysis was to identify supply-side gaps and challenges to inform the recommendations presented in Section 5, ensuring that proposed interventions are aligned with operational realities and do not duplicate existing efforts.

Given the limited sample size, insights from the supply-side interviews were used primarily to contextualize and strengthen the demand-side analysis.

Supply side mapping: Credit providers

Table 7: Stakeholders consulted – credit providers

Stakeholder group		Core providers	Licensing	Loan size ¹	Interest rate per annum	Loan repayment period	Types of loans offered	Other financial products offered	Non-financial services offered
Universal banks	Public Sector Banks	Punjab National Bank (PNB), Union Bank of India, State Bank of India (SBI)	RBI-licensed public/private sector banks	INR 50,000 to INR 250 000	~10.5% – 12.4%	3 to 5 years	Mudra, PM SVANidhi, SHG loans, working capital, MSME loans	Savings, digital banking, subsidies	SHG training, RSETI-based training, financial literacy
	Private Sector Banks	Federal Bank, HDFC Bank, ICICI Bank, Axis Bank, Bandhan Bank	RBI-licensed private sector banks	Up to INR 500 000 (average loan size for microfinance is INR 45,7362)	Not specified	Up to 60 months	MSME loans (primarily MUDRA)	Savings, digital banking, insurance	Loan melas, outreach via DIC
Differentiated banks	Regional Rural Banks	Assam Grameen Vikas Bank , Baroda UP Grameen Bank, Chaitanya Godavari Grameen Bank	RBI-licensed regional rural banks	Up to INR 500 000 (loans to SHGs can be up to INR 1.4 mn) ⁴	~10.5% – 12.4%	Up to 60 months	Mudra, PMEGP, PMFME, SHG loans	Savings accounts	SHG Mitra outreach, financial literacy camps
	Small Finance Banks (SFBs)	Utkarsh, Ujjiva, Jana, AU, Unity, Equitas ,	RBI-licensed small finance banks	INR 75,000 to INR 2.2 mn (average loan size for microfinance is INR 48,6872)	~12% – 25%	Few months to 15 years	MSME loans, operational loans, JLGs, women-focused credit	Digital banking, insurance, current accounts	Field-level training, documentation support, financial literacy
Cooperative bank		Cosmos Co-operative Bank, SEWA Bank, Kerala Bank	Cooperative bank under state licensing	Up to INR 500 000	Not specified	60 to 120 months	SUVIDHA MSME loans	Limited, mostly credit products	Kudumbashree outreach, loan melas
Fintechs		Kaleidofin, Idifi, Zest Money, Neo Growth, Kinara Capital	Operates via NBFC and partner institutions	INR 75 000 – 200 000 (average for personal loans is INR 9,225) ³	Not explicitly stated (typically fintech-linked rates)	Up to 30 months	Tailored credit, goal-linked loans	Goal-based savings, insurance	Product-linked training, embedded in service delivery
NBFC (non-MFI)		Bajaj Finance, Piramal Finance, Aditya Birla Finance, Hero FinCorp, Fullerton India	RBI-licensed as NBFC	Average loan size for microfinance loans is INR 53,418 ²	~12–24%	6 to 48 months	Working capital loans, business loans, equipment finance	Insurance, EMI cards, credit line apps	App onboarding, digital documentation, financial literacy content
NBFC - MFI		CreditAccess Grameen Ltd., Satin Creditcare, Spandana, Fusion, Pahal, Midland, Arohan	RBI-licensed as NBFC	Average loan size is INR 42,640	~22% – 25%	Up to 36 months	Working capital loans, enterprise development loans, top-up loans	Digital payments, credit life insurance, health insurance	Group empowerment/SHG training, financial literacy, digital literacy training
SHGs		Banks are the primary providers, entry points into sector can also be NABARD, ENABLE Network, NRLM	Cooperative/ federation, PM Mudra partners	SHG group loan average is 3.8 mn ¹ and median loan size for semi-formal group loans for micro enterprises is INR 20 000 ⁴	Median interest rate is 7% for semi-formal group loans for micro enterprises ⁴	Median is 24 months for semi-formal group loans for micro enterprises ⁴	Cooperative and Mudra loans, informal loans	Savings and facilitates access to microinsurance and formal banking services	Financial literacy, governance training, compliance, market access, childcare
Chit funds		All India Association for Chit Funds and local associations like Karnataka Chitsters Association & All Kerala Kuri Foremen's Association	State-licensed and regulated under the Chit Funds Act, 1982		~12% – 14%		Informal business loans, revolving fund-based credit	Common pool saving	Minimal formal services; often peer- or community-supported

Supply side mapping: Associations

Table 8: Stakeholders consulted – associations

Stakeholder group	Description	Examples of success/learnings	Intervention suggestions	Future plans	Other financial products offered	Non-financial services offered
TAAPIA	A state-level association supporting women-led micro and small enterprises in the apparel and textile sector. It provides training, peer networks, and advocacy to improve access to markets and finance for rural and semi-urban women entrepreneurs.	Group-based support boosts women's confidence; branding and marketing improve access	Branding support, digitization training, financial inclusion for women	Expand branding programs, launch localized digital training, improve access to working capital, foster peer networks	Advocacy with banks, facilitation of credit access	• Training (bookkeeping, compliance, digitization) • Market access, business incubation • Branding • Digital skills • Mentorship • Awareness drives • Policy advocacy
BMUS	A grassroots women's business association in Bihar that offers foundational support such as awareness, compliance assistance, and market access. BMUS is especially effective in early-stage engagement, helping women transition from informal to formal enterprise activity.	Initial-stage support (training and awareness) is especially well received. Confidence-building helps women take the first step into entrepreneurship	Market linkages, awareness drives, stall space, financial literacy, simplified compliance support	Establish a permanent physical office; expand training and business development services	Facilitates bank linkages and helps with registrations/licenses	• Training • Compliance support • Market access • Awareness events
MAWE	A prominent association focused on building digital capacity, entrepreneurship skills, and market access for women in Madhya Pradesh. It has a strong focus on youth, tech-enabled support, and advocating for ecosystem-wide changes to support women-led businesses.	Women who attend workshops and events show higher use of digital tools and stronger market access; youth and tech-savvy women most responsive	App-based finance tools, branding support, co-working hubs, day-care access, compliance coaching	Build digital platform for sector-specific support, quality control, and mentorship; advocate for state-backed co-working and market hubs	Linkages to banks, SHGs, and MFIs; advocacy with policymakers and banks	• Workshops • Exhibitions • Mentorship • Branding • Compliance help • Digital training
MPSSIO	An industry body that advocates for micro and small enterprises in Madhya Pradesh. It works to ensure that women-led enterprises (WNMEs) benefit from public support schemes like MUDRA, and promotes convergence of stakeholders to strengthen financial and market access.	WNMEs have gained access to microcredit facilities and subsidies through schemes such as MUDRA etc.	Financial literacy and entrepreneurial education should be introduced at the school level.	Focus on financial literacy and market access. The organization also seeks to enhance collaboration with stakeholders to drive convergence	Information and consultancy services, promoting awareness of government schemes	• Training and skill development
ALEAP	One of the oldest and most structured women's business associations in India. It manages industrial parks, provides access to common facility centres (CFCs), and supports members through branding, financial inclusion, and e-commerce enablement initiatives.	The Common Facility Centre (CFC) within the enterprise park is a resource that is accessible and utilized by members	Branding and marketing assistance, financial inclusion programs, training in digitization and the utilization of e-commerce platforms	Improve branding and marketing support, develop localized digital training programs, and strengthen collaborations with financial institutions to enhance access to working capital.	Not mentioned	• Raise awareness • Establishing connections for government schemes • Skills development programs

Supply side mapping: Government institutions

Table 9: Stakeholders consulted – government institutions

Stakeholder group	Core providers	Description	Examples of success/learnings	Intervention suggestions	Future plans	Other financial products offered	Non-financial services offered
KVIC	KVIC, Lucknow KVIC	Promotes traditional khadi and village industries by supporting self-employment and artisan-based enterprises through schemes like SFURTI and PMEGP across multiple districts.	Sewing machine and pottery wheel interventions and Women-led clusters like Janki Devi Institution; issues in training seriousness; OTJ training more effective.	Doorstep training, price standardization, exhibition access and improve packaging, weaving, engage youth in marketing/QA/design; infrastructure for women workers.	Broaden khadi engagement to women; increase outreach and promote Khadi denim, enhance women's role in operations and design, refine micro-enterprise definition.	PMEGP financial support and ISEC credit scheme, social security enrolment, MMDA financial support.	Training, product development, access to exhibitions and EDP programs, exposure visits, product design consulting.
NABARD	NABARD, Deoria & Kushinagar NABARD	Provides financial and developmental support to rural areas, focusing on credit access and capacity building for Nano and Women Nano-Micro Enterprises (NMEs and WNMEs).	Shark Tank-like event connecting start-ups with investors and SHG-Bank Linkage, tribal orchard schemes, FPO marketing support.	Programs from school-level to build entrepreneurship pipeline, market access, skill-building, credit literacy, sustained engagement.	Promote women entrepreneurship through FPOs and student programs and promote women entrepreneurship through FPOs and student programs	Schemes promoting women board participation and entrepreneurship, SHG-Bank Linkage Program, tribal schemes, livelihood capital support.	Scholarships and business education support, training (MEDP, LDP), SHG exhibitions, marketing support, awareness building.
Department of industries and DICs	Department of Industries (Assam), DIC East Champaran, DIC Muzaffarpur, DIC Kozhikode, DIC Thrissur, etc.	Drives state-level industrial development by implementing MSME and state-specific schemes, facilitating enterprise registration, skill development, technical training, and market access for nano and micro entrepreneurs.	Localized mentorship (Tejaswani) helped register 1,500 women; trust and confidence were key challenges. PMEGP and IIPA saw strong uptake. 66,000 individuals benefited in 1.5 years. Successes include banana fiber and millet-based enterprises, especially where training was tied to finance.	Use local language training, build trust, strengthen bank ties, expand digital access, and offer tailored, hands-on mentorship. Focus on sustainability, timely loans, mindset change, and stronger outreach	Scale rural programs like Tejaswani, promote local incubation and exhibitions, align training with market needs, support sustainable, differentiated products, and expand women-centric digital and design skills.	Include PMEGP, PM Swanidhi, CM Swarojgar Yojana, IIPA support, bank-NGO linkages, interest subvention, and SHG credit support.	Offer training, legal help, market access, documentation, incubation, confidence-building, and exposure through fairs and ODOP.
SRLM	SRLM (Assam), Kudumbashree, SRLM (Madhya Pradesh), Kanpur SRLM, Kushinagar SRLM	Empowers rural women by organising them into Self-Help Groups (SHGs), offering financial services, livelihood programs, and entrepreneurship support to promote sustainable micro-enterprises.	Models like ESDP and Didi Ki Rasoi enabled 31,000 enterprises and 60 crore in loans. SHGs gained visibility through state procurement, exhibitions, and market-linked ventures like the Cochin airport café.	Promote women-specific schemes, local training, digital marketing, and fair exhibition access. Improve packaging, enable microfinance, and create enterprise zones with support infrastructure.	Expand rural outreach, strengthen digital tools, deepen SRLM financing roles, improve product quality, and invest in storage and processing to boost SHG incomes.	Offer bank linkages, zero-collateral loans, MUDRA, credit camps, insurance, and DPR support through SHGs.	Provide digital literacy, EDP/GOT training, market access, bulk procurement links, handholding, and SHG exhibition support.
MSME	MSME DFO (Assam), MSME DFO (Bihar), Kanpur MSME	Implement MSME schemes like SFURTI and ESDP at the grassroots level, providing training, digital skills, trade expo participation, and direct support for entrepreneurs through outreach and scheme facilitation.	ESDP successful across Assam, strong M&E, improved financial access in Patna, training certificates used to secure loans.	Set targets (30% women), improve exhibition infrastructure, use radio, focus on mentorship, business planning skills, profile building, awareness drives, handholding.	Focus on backward districts and gender-based inclusion, expand awareness and simplify application processes, targeted outreach in peri-urban areas.	Credit through SFURTI, ESDP, partner NGOs, PM Vishwakarma scheme, collateral-free credit, PMEGP, Vishwakarma, MUDRA links.	Training, exhibitions, infrastructure, awareness programs, handholding, certifications, loan assistance, fair participation

Sources: Key Informant Interviews

Key challenges faced by supply side stakeholders in serving WNMEs

Table 10: Supply side challenges in serving WNMEs

Type of challenge	Supply-side challenge	Stakeholder type
Characteristics of micro enterprises	Informality, weak financial literacy, household/business fund confusion	Financial Institutions, Associations
	Seasonal income, lack of business orientation, volatility	Financial Institutions only
	Proxy entrepreneurship (women fronting loans, men controlling operations)	Financial Institutions, Government, Associations
	Free welfare schemes reduce participation incentives in economic activities	Government
Gender norms and related challenges	Women-led enterprises limited by cultural norms, weak market exposure, and lack of interest	Associations, Government
	Women lack formal documentation or business premises, proxy registration issues	Associations, Financial Institutions
	Family and childcare constraints may prevent women from regularly participating in trainings, market activities, and follow-up processes.	Associations, Government
	Marital status and male-dominated registration structures lead to absence of valid business KYC for women	Financial Institutions, Government
	No sex/NME disaggregated data for better product targeting	Financial Institutions, Government
Distribution	Limited rural outreach, agent-dependence, uneven field presence	Financial Institutions, Associations
	Passive outreach models (branches, peer-referrals), low awareness in rural areas	Financial Institutions, Associations
	Inadequate mobile infrastructure, lack of last-mile delivery	Government, Financial Institutions
	Uneven digitisation, poor follow-up from outreach models	Financial Institutions only
	Limited awareness of products and services	Financial Institutions, Government, Associations
	Digital exclusion and mistrust of financial tech	Financial Institutions, Government
Lack of non-financial support services	Lack of mentorship, childcare/family constraints, and weak support ecosystems	Associations, Financial Institutions
	Training quality and follow-up problems (low engagement, misuse of ID docs, etc.)	Government
Regulation and supervision	Strict documentation (KYC, CIBIL), collateral requirements exclude informal / NME clients	Financial Institutions, Government
	Lack of tailored supervision or classification for nano/WNMEs	Financial Institutions, Government, Associations

A series of thin, white, wavy lines that originate from the top left and curve downwards and to the right, creating a sense of movement and flow. They are set against a dark grey background.

ANNEX 2:

**Methodology
and additional
case studies**

Sampling: Focus on women-led and nano enterprises

Table 11: Sample characteristics by state, gender, location, size, and sector

Strata	Level	Actual Sample
State	Assam	355
	Bihar	301
	Uttar Pradesh	342
	Madhya Pradesh	346
	Kerala	314
	Telangana	382
Gender ownership	Man-owned	456
	Woman-owned	1584
Location	Urban	948
	Rural	1092
Size	Nano	1522
	Micro	518
Sector ¹	Trade	764
	Services	711
	Manufacturing	565
Total	All	2040

Sample and study limitations:

- The sample was stratified to include enterprises of varying sizes, operational contexts and sectors of activity.
- The sample was intentionally skewed towards women-led nano and micro enterprises to better understand their unique challenges and needs.
- The study focuses on businesses operating for more than 6 months, limiting its ability to capture challenges faced by enterprises that fail early, but allowing for a deeper analysis of resilience, operational stability, and growth.
- A focus was placed on non-farm enterprises as farming enterprises usually have distinct operational dynamics, and specialized financing needs, and are often a core focus of existing research and programs targeting the agricultural sector.²

Classification of nano enterprises:

- For this report, nano enterprises are classified as own-account enterprises with no workers while micro enterprises are classified as having 1–9 workers. This is discussed further [here](#).

¹ Sector categories are based on the International Classification for Standards (ICS) by the International Organization for Standardization ([ISO, 2015](#))

² India's unorganized non-farm sector contributed approximately 6 percent to the country's Gross Domestic Product (GDP) during that period. In comparison, agriculture accounted for about 15 percent of the GDP in the same fiscal year MoSPI ([2023](#)).

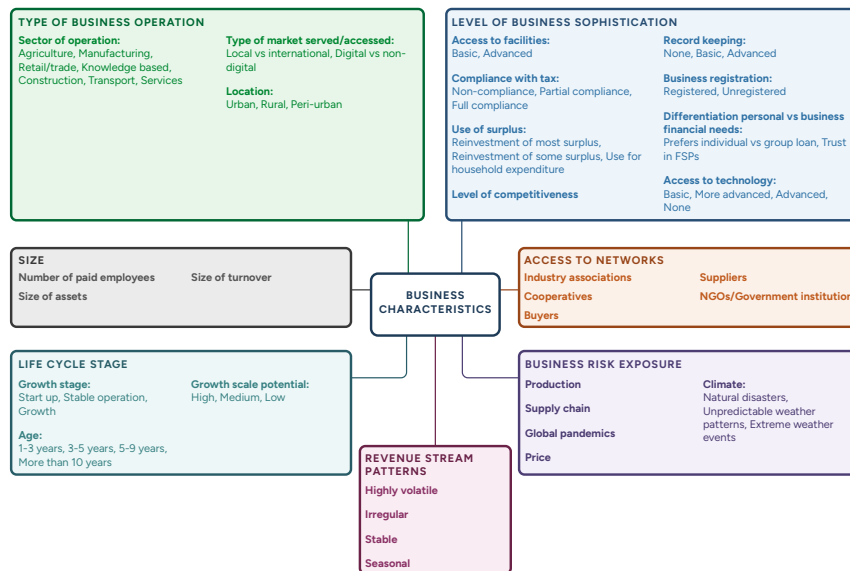
i For more information on the sampling methodology, refer to the Technical Guide accompanying this report

How did we segment WNEs?

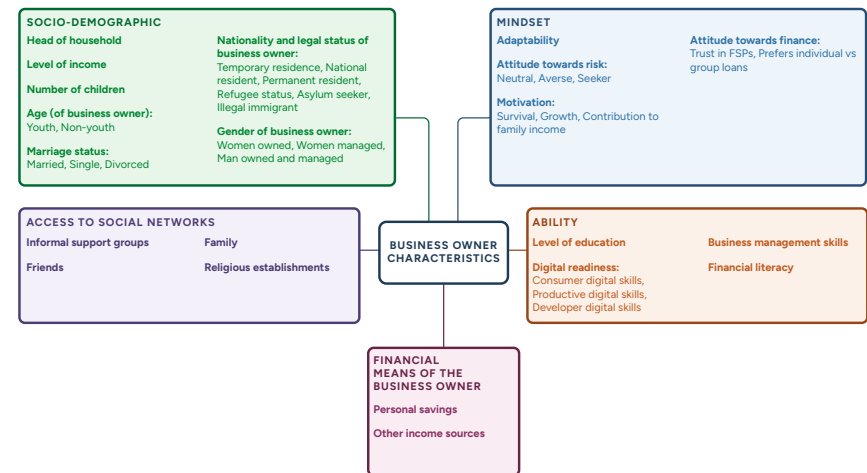
This study drew on the literature review that preceded it, to determine the most appropriate dimensions (and indicators) for segmentation. This review outlined the following business- and business owner characteristics.

Through further refinement, the literature review identified eight core dimensions that could be used to understand WNMEs and their specific needs better. These dimensions include location, business owner characteristics, access to networks, sector, sophistication, and size. Together, they capture the diverse challenges and opportunities WNMEs face, such as access to markets, infrastructure, credit, and support systems.

Figure 42: Process map of segmenting WNE's



1. Develop a set of indicators to test each dimension and develop a questionnaire for nano enterprises based on these indicators
2. Assess which indicators are most useful to capture the essence per dimension
3. Assess the value of dimensions, based on the indicators – answering which are useful for segmenting WNME in India, and which are not?
4. Develop segments and personas based on the most dominant groups of WNME in India



How did we segment WNEs?

Table 12: Overview of indicators and dimensions

DIMENSION	DESCRIPTION OF THE DIMENSION	INDICATOR USED
Business owner characteristics		
Mindset	The reason for starting a business, along with growth plans and aspirations, shapes financial behavior, credit utilization, and business sustainability.	Reinvestment into the business
Entrepreneurial ability	Entrepreneurial ability encompasses factors such as education, business experience, managerial competence, digital skills, and financial literacy, which are key to accessing financial services, managing risks, and ensuring business growth.	Level of education
Business and business owner characteristics		
Access to networks	Networks, such as associations or semi-formal groups, provide mentorship, financial support, and market access, acting as crucial financial buffers for WNMEs.	Type of networks
Business characteristics		
Level of business sophistication	Aspects like record-keeping, registration status, and online market access determine a business's stability and ability to access credit.	Recordkeeping
Sector	The industry in which a business operates affects access to finance, with some sectors being more volatile or seasonal than others.	Detailed economic activity
Location	Geographic location impacts access to financial services, with urban and semi-urban areas offering better opportunities compared to rural markets.	Urban-rural distinction

For more information on the dimensions and the rationale for choosing them, refer to the Technical Guide accompanying this report

This study complements existing definitions for enterprises in India

An official definition exists for micro enterprises in India.

The Government of India defines micro enterprises with those up to INR 25 million (US\$ 292,731) invested or up to INR 100 million (US\$ 1,170,788) in annual turnover¹

Nano enterprises are not a distinct category in the official size definition of enterprises by the Government of India, meaning they are included within the category of microenterprises. This may lead to their unique needs and challenges being overlooked.

Towards a global definition.

Although no formal definition exists for nano enterprises, this study drew on the literature review that preceded it, the literature and industry have developed several working definitions, often relying on turnover as a metric. LEAD at Krea University, for example, identifies nano enterprises as a distinct subset within India's MSME sector, categorizing them as firms with an annual turnover of less than INR 1 million (US\$ 11,956), characterized by their hyperlocal focus and operations.

Informal definitions of nano enterprises include those businesses with less than INR 1 crore in annual turnover, employing an average of 1.5 to 2 individuals.

However, given the challenges of accurately reporting turnover, this study takes an alternative approach by defining enterprises based on the number of consistently paid workers rather than financial metrics. This ensures a more globally consistent classification, particularly for the smallest enterprises, allowing for a more precise understanding of these businesses in a broader, international context.

¹Source: Government of India ([2006](#)), Government of India ([2015](#)), Government of India ([2018](#)), Government of India ([2025](#)); PYNR ([2024](#))

What are the outcomes of the segmentation exercise?

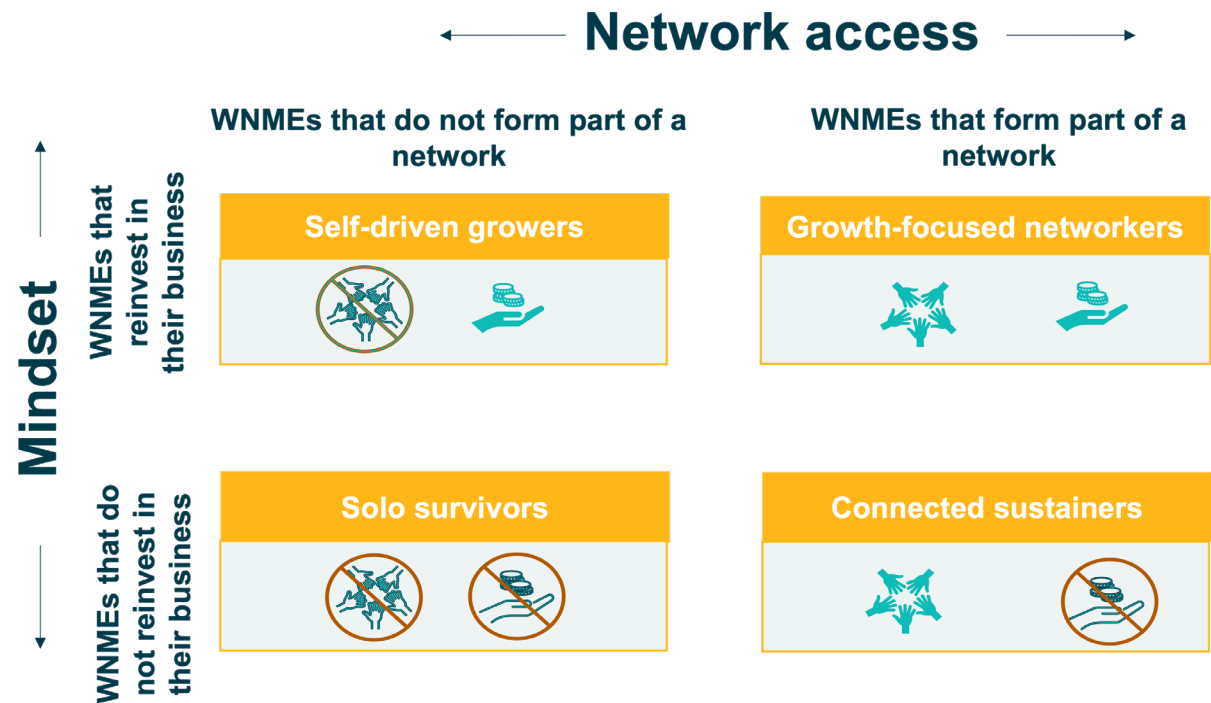
The insights from the segmentation dimension analysis identified distinct market categories or “segments,” based on the most prominent factors influencing WNMEs. These segments provide a framework for tailoring support to the specific needs of different groups. An illustrative example is provided below.

Deciding on the most prominent dimensions to build segments – an illustrative example:

Network access is a critical dimension shaping WNMEs’ credit access, support, and opportunities for growth and resilience.

Mindset is key to understanding WNMEs’ reinvestment, growth potential, and resilience, reflecting whether they view their business as a growth venture or for sustenance.

Figure 43: Illustrative example of the most prominent dimension to build segments



For more information on the process of moving from dimensions to segments, refer to the Technical Guide accompanying this report

How did we size the market?

After conducting the segmentation exercise, the next step is to size the credit market, based on the segments developed under the segmentation exercise. The market sizing methodology followed four steps:

Step 1: Estimating the number of enterprises per segment

The number of enterprises in each segment was estimated using nationally representative data to determine the total number of NMEs in each country. For India, recent and detailed survey data provided accurate estimates of women-led NMEs and nano enterprises.

Table 13: Population market sizing

DATA POINT	SOURCE USED
1 Number of MSMEs: 65.05million	ASUSE 2022-23
2 Number of NMEs: micro enterprises [0-9 workers] constitute approximately 98.8 percent of India's MSMEs. Therefore, 98.8 percent * 65.05mn = 64.6 million	ASUSE 2022-23
3 Number of women-led NMEs i.e. WNMEs: 23 percent of NMEs are woman-owned (as outlined in ASUSE 2022-2023) = 14,865,000	ASUSE 2022-23
4 Number of women-led nano enterprises i.e. WNEs: 97 percent of WNMEs are nano enterprises (as outlined in ASUSE 2022-2023) = 14,381,000	ASUSE 2022-23
5 Number of women-led nano enterprises in segment that reinvest their profits: Number of women-led nano * percent of sample that is within the segment (CGAP nano and micro enterprise survey 2024) = 14.38 million * 45 percent = 6,430,000	Survey results

Step 2: Estimating the credit demand by WNMEs

The credit demand was calculated as the sum of credit needs expressed by those who applied for loans and those who identified a need but did not apply, multiplied by the median loan size applied for, as outlined in the figure below.

Figure 44: Estimating credit demand by WNME



Alternate method: Debt-to-revenue method

This ratio is used to determine how much debt a business can sustainably absorb based on its revenue generation capacity. Leveraging the IFC benchmark of a debt-to-revenue ratio of 25% for micro enterprises, this was calculated using the median revenue values stemming from the survey which were then extrapolated using the number of enterprises calculated in Step 1.

Population size: **14,865,003**

Proportion of the population that applied for credit: **20 percent**

Proportion of the population that did not apply for, but needed credit: **13 percent**

Median total credit value applied for in local currency [values in US\$]: **INR 10,000 [US\$ 120]**

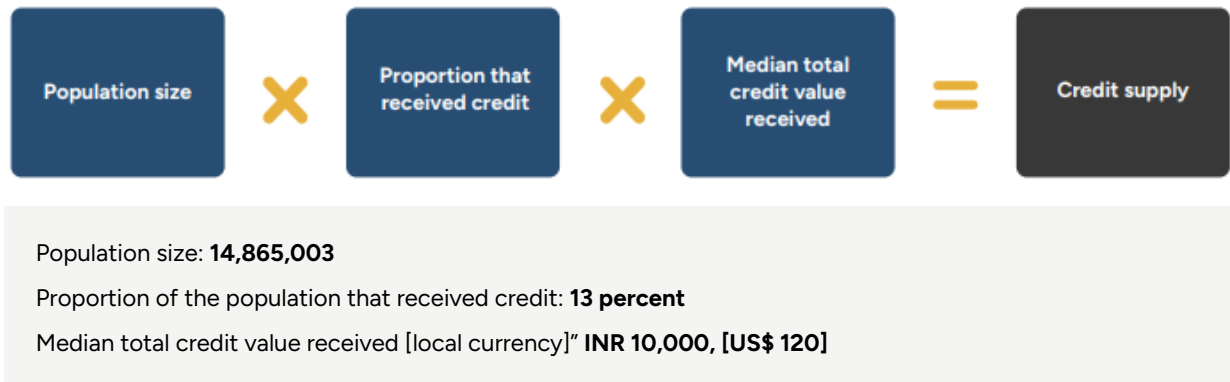
How did we size the market?

Step 3: Estimating the credit supply by WNMEs

The supply was estimated based on the number of enterprises that applied for and received loans, multiplied by the median loan size disbursed as outlined in the figure below.

The median loan size received and the proportion of enterprises that received a loan were based on the survey data and then extrapolated using the number of enterprises calculated in Step 1 as shown below.

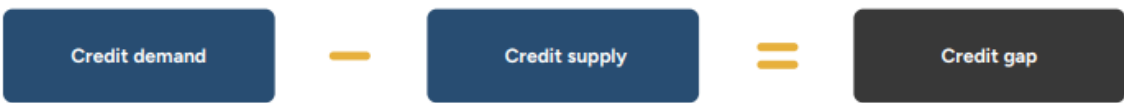
Figure 45: Estimating credit supply to WNME's



Step 4: Estimating the credit gap

The credit gap is then determined by subtracting the supply calculated in Step 3 from the demand calculated in Step 2, as illustrated in the figure below.

Figure 46: Estimating the credit gap for WNME's



Case studies: various networks and stakeholders are already working towards developing tailored solutions to meet WNME needs

Case study: Strengthening networks for WNMEs through TAAPIA

In Sonitpur, Assam, the Tezpur Agro and Allied Processors of Industry Association (TAAPIA) was established to support local entrepreneurs, especially women, in building sustainable livelihoods. Guided by the District Industry and Commerce Centre (DICC), TAAPIA united 166 rural producers to transform crops like paddy, mustard, and garlic into marketable products. The association provided essential training in accounting, business management, and banking, enabling members to access loans and reduce reliance on cash-only transactions.

TAAPIA also launched Krishika, a platform to market products statewide, ensuring fair prices and timely payments.. Despite challenges, TAAPIA fosters resilience and collaboration, empowering women to achieve financial independence and stability. This initiative highlights the transformative power of community-driven networks in supporting rural women entrepreneurs and strengthening local economies, as outlined on [page 43](#).

Case study: Driving digitalization and financial inclusion through JEEVIKA

JEEVIKA, under the National Rural Livelihoods Mission (NRLM), is revolutionizing rural women's enterprises through digital integration. By adopting LokOS, a Community-Based Organization Management Information System (CBO-MIS), JEEVIKA has streamlined SHG operations across 534 blocks, enhancing transparency and efficiency. Over 4,100 personnel have been trained to manage SHG profiles and transactions using this system, demonstrating how digital tools can transform grassroots organizations.

Additionally, JEEVIKA's Alternate Banking initiatives empower women entrepreneurs, known as "Bank Sakhis" or "Banker Didis," to operate Customer Service Points (CSPs). These CSPs bring essential financial services like savings, loans, and insurance directly to rural communities, reducing barriers to access and fostering digital transactions. In the past fiscal year, 4,958 CSPs facilitated transactions worth INR 30,154 million, driving economic growth and empowering women as financial leaders. JEEVIKA exemplifies the

transformative potential of digitalization and financial inclusion in rural India, as outlined in [page 36](#).

Under startup Village Entrepreneurship Programme (SVEP), collaboration between SHG federations and Community Resource Persons for Enterprise Promotion (CRP-Eps) empowers rural entrepreneurs by leveraging institutional platforms under the NRLM. This initiative focuses on capacity building, financial inclusion, and enterprise development. This system aims to enable rural communities to transition from subsistence livelihoods to sustainable, market-driven entrepreneurship. (Government of India: Ministry of Rural Development, [2017](#))



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