

Bridging Working Capital for Women Collective Enterprises

A Policy Brief

There is an [INR 1.37 trillion](#) (USD 16.67 billion) unmet finance need for women-owned Micro, Small and Medium Enterprises (wMSMEs) in India, as per a recent study by the International Finance Corporation. The same study also finds that [43%](#) of women entrepreneurs, as compared to 26% men, cited an inability to access credit as a reason to discontinue their businesses.

Amongst wMSMEs, women's cooperatives and collective enterprises face particularly unique challenges in accessing the working capital they need to sustain and grow their businesses. At the same time, national programmes such as the Deendayal Antyodaya Yojana - National Rural Livelihoods Mission (DAY-NRLM), and cooperative bodies such as the Ministry of Cooperation, National Cooperative Union of India (NCUI) and the National Cooperative Development Cooperation (NCDC) are promoting women's representation and participation in collective enterprises, producer groups, and cooperatives. Systems and institutions that enable financing of these enterprises beyond the initial years of seed funding in the form of effective 'patient'¹ capital is thus required.

Institutions that act as 'Bridge Institutions' or BIs are emerging as key facilitators to access working capital, and other essential services for Women's Collective Enterprises (WCEs) through their early-stage and growth phases. This policy brief draws on discussions from a webinar titled '***Bridging Working Capital for Women's Collective Enterprises***' on the 12th of July 2024, wherein challenges and strategies in this domain were shared by experts from a Women's Collective Enterprise, and four Bridge Institutions including government, civil society and private institutions. It also cites findings of a joint [study](#) by Microsave Consulting and SEWA Cooperative Federation that assessed the demand and supply challenges of the working capital ecosystem.

The brief aims to answer these four key questions:

1. What challenges do Women's Collective Enterprises (WCEs) face while accessing working capital?
2. What are the strategies adopted by various Bridge Institutions (BI) to facilitate access to timely, 'patient' working capital, including private capital for women's collective enterprises?
3. What are the key enablers across BI models?
4. What recommendations can help take these learnings to scale and help create an enabling policy and regulatory environment?

¹ Long-term investments where the investors are willing to tie up their capital for an extended period.

I. Challenges faced by WCEs

Society for North East Handmade Paper Development (SNEHPAD), Assam

Representative: Prakash Thakur, Secretary

- (i) **Cumbersome processes and documentation requirements:** Long forms to be filled, different forms at different banks, and complex documentation required by traditional Financial Service Providers were cited as deterrents.
- (ii) **Limited funds with the SHG groups** to support all women members, and need for **collaterals and guarantors** for credit.
- (iii) **Stringent requirements** related to revenue and profit among formal credit institutions; informal sector collectives are unable to make profits in the initial few years.
- (iv) Perception amongst financing institutions of informal workers' collectives, particularly artisan collectives as unprofitable, and lacking professional management.

Our own [study](#) also found that collateral and guarantees were the biggest barrier for lack of access to credit for WCEs; only 17% of WCEs were keen and able to easily access formal credit, and 80% were dependent on non-traditional sources of funding, such as philanthropic grants. More than 75% of the WCEs also reported that they could not afford long-term loans from traditional banks or Non-Banking Financial Companies (NBFCs). 80% of financing institutions did not consider artisan collectives a profitable segment.

II. Effective Strategies of Bridge Institutions

1. DAY-NRLM, Ministry of Rural Development

Indian Government's flagship poverty alleviation and livelihoods programme

Representative: Charanjit Singh, Additional Secretary- DAY-NRLM

- (i) **Working with banks (particularly nationalised banks), and the Indian Banks' Association to develop products in line with demands of women's collectives**
 - **Simple, standard template for loan applications:** For example, for the 'Swayam Siddha' Programme launched in collaboration with the State Bank of India, 30 types of enterprises in which women invest were shortlisted, and a standardised template for women to easily apply for loans was developed. Instructions have been shared across bank branches to sanction loans in this format.
 - **Giving targets to banks for loan-provision to women entrepreneurs:** A target of reaching 12 lakh women entrepreneurs/ enterprises was given for this year (2024-25), which has been further distributed amongst bank branches.

- **Incentives for banks to provide loans to WCEs and women-run enterprises:** Set up of a women enterprise acceleration fund to provide support for upto Rs 1.5 lakhs per enterprise through the banks. Importantly, this is supplemented with an interest subvention of 2% , and a reimbursement of the credit guarantee fee to encourage banks to provide loans to WCEs.
- (ii) **Presence of cadre for support in the community:** The department has trained around 3500 'Vitta Sakhis' who are based at the village level, to help SHG members with services such as bank linkage, filling forms and support for taking loans. Such ground-level resources can complement the efforts of BIs to reach the last mile. However, building capacities of these *sakhis* to provide appropriate timely information and continued hand-holding support of SHG-run enterprises remains a challenge.

2. *Friends of Women's World Bank, Ahmedabad, Gujarat*

A civil society organisation supporting women's direct access to financial services

Representative: Neha Kansara, Chief Operating Officer

- (i) **Long-term tailored loan products** for each collective based on an internal credit assessment of collectives on various key parameters, and determines its credit capacity.
- (ii) **Provision of flexible, collateral free loans and grants** to women's enterprises which can be in the form of credit or blended finance
- (iii) **Training for business development:** A standalone credit product is not enough. An understanding of their business model, and finances is needed for enterprises to grow and become profitable. Professional support is also provided by placing human resource cadres to support operations, market linkage and support to access larger commercial players such as banks.

3. *'Range De', Hyderabad, Telangana*

An RBI regulated NBFC; peer to peer lending platform focused on providing timely and affordable credit to unbanked communities.

Representative: Mrinalini Shastry, Vice President, Impact Partnerships

- (i) **Providing peer-to-peer credit:** Mobilises private capital by offering individuals the chance to contribute towards individual and collective enterprises associated with 'impact partners' or organisations working with entrepreneurs and enterprises on the ground. The challenge however lies in leveraging their social capital and reach in the community to ensure access to credit.
- (ii) **Assessing credit-worthiness based on credibility of an impact partner:** The approach to assessing risk is different; the credibility of impact partner organisations is a means

of understanding and under-writing the risk. The impact partners are on-boarded after proper due diligence.

4. Sammunati, Chennai, Tamil Nadu

India's largest Agri-enterprise, an open agriculture network offering Agri-commerce and Agri-finance services to farmers' collectives and producer groups

Representative: Poorna Pushkala, Group Head, Corporate Strategy

- (i) Following a value chain approach to support timely financial access** by plugging in working capital across the value chain so that finance is available to collectives at the right time. These are instant pre-approved loans of INR 5 lakhs given to women Food Producer Organisations within 5-7 working days if they are registered, without much paperwork.

- (ii) Capacity-building support:** In addition to provision of soft loans, the focus is on building capacities for collective enterprises in strengthening their member base and the role of boards and CEOs. They also provide training in confidence building for negotiation, strengthening literacy, understanding finance and interest rates, and helping WCEs draw up business plans.

III. Key enablers in the BI model:

Based on these insights, these key features of BIs emerge -

- They either **fund WCEs directly or enable funding** through support in the loan application process and **hand-holding** for one to three years. Niche Bridge Institutions (BI) provide tailored loan products, harbour deep industry knowledge, and lead support with market linkages.

- They support WCEs to **navigate verification processes** with financial service providers, particularly in cases where the WCEs lack business expertise. They also build the capacities of WCEs in fund management and business operations.

- BIs can play a catalytic role beyond financing by empowering collective enterprises from inception to more mature stages of the business, and providing **sustained support across value chains**.

- They can act as **collective guarantors**. This is a convenient way for WCEs to access the formal credit system, as Bridge Institutions act as a guarantor to prevent any defaults. This is especially helpful when the funder is not the BI but a bank or other NBFCs.

- Bridge financing also **de-risks the balance sheets** of WCEs through the provision of soft loans or **longer repayment periods**.
- Through continued engagements with policy and communities, BIs also create an enabling environment by sensitising the government and the private sector and developing helpful tools and frameworks to assess needs and capacities of WCEs.

IV. Recommendations

- **Recognition and investment** in Bridge Institutions to support credit gaps.
- **Support beyond credit:** Collective enterprises do not need ‘credit-only’ support. In addition to finances, they require capacity-building support in designing and developing business plans, strengthening their boards, and support with growing their businesses and related services etc. BIs can play an important role in enabling this support to the WCEs.
- **Minimal documentation requirements:** to enable the WCEs to apply easily for loans without much external support from the bridge institutions.
- **Loan products specific to the needs of WCEs:** An 8 ‘P’ framework considering ‘Product, Price, Process, Place, promotion, People, Physical Evidence, and Positioning’ for designing products is suggested.



Annexures:

- **Speakers in the webinar (in alphabetical order)**
 - Charanjit Singh, Additional Secretary- DAY-NRLM, Ministry of Rural Development, Government of India
 - Mrinalini Shastri, Vice President, Impact Partnerships, Rang De, Hyderabad, Telangana
 - Neha Kansara, Chief Operating Office, Friends of Women World Bank, Ahmedabad, Gujarat
 - Poorna Pushkala, Group Head, Corporate Strategy
 - Prakash Thakur, Secretary, SNEHPAD, Assam
 - Ved Arya, Founder Director, The Buddha Institute (moderator)

- A recording of the webinar can be found [here](#).
- A film highlighting perspectives from the demand and supply side of the working capital ecosystem can be found [here](#).