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# Promoting Very Poor Women's Entrepreneurship: Combining Social Security with Training and Micro-credit

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**In India and other South Asian developing economies** there is a high level of under-employment, with large numbers of women who are not engaged in income-earning activities.

One way of absorbing this surplus labour is the adoption of self-employment through entrepreneurial activity: 'replicative entrepreneurs' using local business opportunities such as raising chicken for sale, for instance, or managing a village grocery store. Such self-employment has been promoted in Bangladesh through the micro-credit movement; in India through women's organisations, known as Self-Help Groups (SHGs); and through Micro-Finance Institutions (MFIs) in many developing countries.

A key weakness of the promotion of entrepreneurship based on micro-credit is that it does not reach the poorest people (Kabeer 2012).<sup>1</sup> Micro-credit does not require any material collateral and can provide access to resources; however, the poorest people, who lack other core capabilities such as health and education, may be unable to undertake the risk of any loans whatsoever. Having acute consumption deficiencies, they are not able to invest in assets for self-employment, though some do save for contingencies (Collins et al 2009); or, if provided with assets, they may be forced into distress sale. Can some forms of social security promote entrepreneurship among poor women?

Social security is usually considered as being provided by the State, but it can also be provided through MFIs that specifically target the ultra-poor. The programme run by BRAC, a Bangladeshi non-governmental organisation,<sup>2</sup> starts with food support from the government's programme along with transfers of assets, such as a goat or chickens, and skills training. In India, BASIX and PRADAN<sup>3</sup> both start with savings and insurance, before moving on to credit (Srinivasan 2012). In all these schemes for the ultra-poor, after a few cycles the women go on to take out a loan (or graduate to micro-credit), which is used for entrepreneurial investments such as self-employment.

In BRAC's programmes for the ultra-poor, women's income increased significantly, exceeding the value of donated wheat. Seventy per cent of women remained in the micro-credit programmes even beyond three loan cycles (Matin, Sulaiman and Rabbani 2010).

In India, social security support through the provision of food or insurance has enabled poor women to become entrepreneurs (Sriram n.d.). A study of five MFIs in seven districts of four states found that the incidence of engagement with entrepreneurial investments increased with each cycle (Srinivasan 2013, 105-108).

A study of the SHG that provided financial support during illness (Sriram n.d.) compared women in the first loan cycle with those in the fourth loan cycle and found that the proportion spent on daily consumption fell from 24 per cent to 16 per cent.

A recent large-scale study (with 10,495 participants) across six countries (Ethiopia, Ghana, Honduras, India, Pakistan and Peru) found that a multifaceted programme, including temporary consumption support, asset transfers and training led to lasting progress for very poor people—based largely on income from self-employment, or, in other words, replicative entrepreneurship (Banerjee et al 2015). With the support of some guaranteed income, poor women are able to increase their involvement in entrepreneurial activities.

This points to a policy conclusion: to promote entrepreneurial activity by poor women, along with social security support there should also be some financial help in the form of loans—which is a form of conditional transfer—as well as training. As Banerjee et al. (2015) put it, a multifaceted programme, including social security as temporary support for consumption, can cause lasting progress for very poor people. Loans, by themselves, may not promote entrepreneurship among poor women, while the same happens with social security by itself; but a combination of both, along with training, could work towards promoting the entrepreneurship of self-employed poor women.

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## Notes:

1. Kabeer, Naila. "Women's Economic Empowerment and Inclusive Growth: Labour Markets and Enterprise Development." *SIG Working Paper*, 2012/11. Ottawa: International Development Research Centre, and London: UK Department for International Development, 2012.
2. BRAC is one of the pioneers of micro-credit in Bangladesh, and now operates in a number of countries.
3. BASIX is the brand name of a group of not-for-profit companies engaged in promoting rural livelihoods, while PRADAN is a voluntary organisation that promotes SHGs as part of its rural development programme.

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