Business Training for Women in Ahmedabad, India

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Sector(s): Education, Finance, Gender

Fieldwork: Centre for Micro Finance (CMF)

Location: Ahmedabad, India

Sample: 636 women

Target group: Entrepreneurs Women and girls

Outcome of interest: Earnings and income Women's/girls' decision-making Aspirations Gender attitudes and norms

Intervention type: Financial literacy Training Empowerment training

AEA RCT registration number: AEARCTR-0001428

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Partner organization(s): Evidence for Policy Design (EPoD), Self-Employed Women's Association (SEWA)

Despite the efforts of microfinance institutions and other development practitioners, a gender gap in micro-entrepreneurship persists. Researchers offered two days of business training and assistance in identifying a medium-term financial goal to a random sample of women of different castes and religions in India. A random sub-sample of women were invited to attend the training with a friend. Women trained with a friend doubled their demand for loans and expanded their business activity, resulting in higher household income. This impact was stronger among women from religious or caste groups with social norms that restrict female mobility.

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Women in rich and poor countries alike are less likely than men to succeed as entrepreneurs. Previous evidence suggests that this gender gap in performance is not due to simple deficits in business know-how: In many countries, women face social constraints that limit their mobility and interpersonal interactions. An important question for development programs seeking to promote female engagement in the labor force is whether social groupings, such as caste and religion in the Indian context, constrain female entrepreneurship. Another question is whether the low number of successful female entrepreneurs directly contributes to their weaker performance by limiting positive peer effects on business behaviors. Despite recent emphasis on female entrepreneurship, there is little evidence on how to best empower women to overcome these constraints, if present.

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In many parts of India, religious and caste institutions restrict women's behavior. Because the caste system traditionally aims to maintain the "purity" of separate castes, upper-caste women have limited interactions with men outside their marriage, particularly with men of lower castes. Scheduled-caste women in these areas are not necessarily restricted by the same concerns of "caste purity" because of their lower position in the caste hierarchy. As they are more likely to be poor, their households may also be dependent on their engagement in the labor market. For these reasons, scheduled-caste women often have more financial autonomy and decision-making power within the home. Muslim women can face similar restrictions to upper-caste Hindu women, but usually have more freedom to interact with men in their extended families.

The implementing partner in this study, the Self-Employed Women's Association (SEWA) Bank—based in the Indian city of Ahmedabad—offers financial services to 170,000 women who work primarily in the informal sector in home-based occupations such as vegetable vending, construction work, and rag picking. In 2006, the median income of a SEWA client was US$1 per day.

Women sit in a circle around another woman, listening to her.

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Researchers evaluated the effects of a business training program and different levels of peer support on women of different castes and religions. A group of 636 women between the ages of 18-50 was randomly selected from SEWA Bank's female clients. Two-thirds of the sample were then randomly chosen to receive an invitation to participate in a two-day training course, with one third invited to attend with a friend and one third invited to attend alone. The remaining one-third served as a comparison group and did not receive an invitation to participate in the training.

The two-day training course included components on financial literacy (e.g. accounting skills), business skills (e.g. investment strategies), and building aspirations. The aspirations portion of the training included a short video about SEWA clients who used good financial practices to increase their income and raise themselves out of poverty. At the end of the first day of training, women were asked to write down their six-month financial goal, and during the second day, they worked in groups to identify steps to meet that goal.

Women who participated in the study were categorized according to their caste and were assigned an index rating based on five aspects of women's behavior: ability to socialize alone, requirements to cover one's face or wear a veil, ability to speak directly to elders, ability to leave the house or neighborhood alone, and ability to remarry. According to this index, Muslim women faced the most severe restrictions, followed by upper-caste women. Scheduled-caste women faced the least severe restrictions.

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Program take-up: Seventy percent of those invited to the training chose to attend, with similar rates for invitees facing fewer versus more social constraints on their behavior.

Impact on borrowing and savings: Women who received training with a friend were 7 percentage points (117 percent) more likely to take a loan within four months of completing the training than women who received no training, and the loans were more likely to be used for business. There was no significant effect on the number of loans for women who received training alone. While the treatment did not change saving behavior for women who received the treatment either alone or with a friend, neither group cited increased difficulty repaying if they had taken out a loan.

Impact on business activity: Women trained with a friend were more likely to report concrete plans to increase business revenues and more likely to report an expansion in sales than women who received no training. Women who were trained alone were no more likely than women who received no training to report either business plans or sales expansion. Four months later, the training increased hours worked for all women, but only those trained with a friend reported a significant increase in sales. Women trained with a friend were also 4 percentage points (40 percent) less likely to report their occupation as housewife.

Impact on different castes: Treatment effects were concentrated among women constrained by more severe social restrictions. Upper-caste women who received training were more likely to take a loan within four months and to expand sales than upper-caste women who received no training. However, the training did not seem to help Muslim women, who may have been so highly restricted that they could not start businesses at all, or scheduled-caste women, who faced fewer restrictions on social interactions.

Results suggest that inadequate peer support among entrepreneurial women may limit financial inclusion efforts and that programs designed to empower restricted women through business training may be more successful if they harness peer support as part of their program design.

Field, Erica, Seema Jayachandran, and Rohini Pande. 2010. "Do Traditional Institutions Constrain Female Entrepreneurship? A Field Experiment on Business Training in India." American Economic Review: Papers and Proceedings 100(2):1-5. Field, Erica, Seema Jayachandran, Rohini Pande, and Natalia Rigol. "Friends at Work: Can Peer Support Stimulate Female Entrepreneurship?" Working Paper, March 2015.