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Breaking the Funding Glass Ceiling: Investigating Financial Exclusion of Female Entrepreneurs in India

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Abstract

This research examines the persistent financial exclusion of female entrepreneurs in India, identifying the structural, institutional, and sociocultural barriers that constrain their access to formal sources of capital. Although the number of women-led enterprises has grown significantly across diverse sectors- including technology, agriculture, healthcare, and education- systemic inequities in funding access continue to undermine their potential for expansion and sustainability. The study finds that key determinants such as age, level of education, stage of enterprise development, and geographical location profoundly influence the likelihood of securing formal finance. Entrepreneurs who are younger, less formally educated, at early venture stages, or operating in rural regions experience the highest levels of exclusion. These challenges are compounded by restrictive collateral requirements, inconsistent documentation practices, and gendered biases embedded in lending protocols. Consequently, a substantial proportion of women entrepreneurs remain reliant on informal financing networks, driven by accessibility, distrust of formal institutions, and previous experiences of rejection. While some government schemes have yielded positive outcomes, gaps in awareness, inconsistent outreach, and perceived inefficiencies limit their impact. Gender-specific constraints- such as intrusive personal questioning and implicit bias during credit evaluation- further reinforce the "funding glass ceiling" that characterizes women's entrepreneurial journeys in India. The study underscores the necessity of integrated interventions, including gender-responsive lending frameworks, targeted financial literacy programs, and enhanced policy communication strategies. Addressing these barriers comprehensively is essential for cultivating an inclusive financial ecosystem, advancing women's economic empowerment, and contributing to India's broader agenda of sustainable and equitable growth.

Keywords: *Financial Exclusion; Women Entrepreneurs; Gender-Responsive Finance; Informal Funding; Financial Literacy; Inclusive Policy*

1. Introduction

Women entrepreneurship in India has emerged as a vital force in driving socio-economic development. Yet, female entrepreneurs continue to face significant barriers in accessing financial resources, a phenomenon often referred to as the "funding glass ceiling." This systemic obstacle restricts their ability to start, sustain, or scale their ventures, perpetuating gender disparities in the entrepreneurial ecosystem. Despite government initiatives like the Pradhan Mantri Jan Dhan Yojana and schemes aimed at promoting women-led businesses, financial exclusion remains a critical challenge, rooted in socio-cultural biases, limited access to collateral, and institutional gender discrimination (Shah, 2022). This research investigates the multifaceted dimensions of financial exclusion faced by female entrepreneurs in India, aiming to uncover the underlying causes, assess the impact of existing interventions, and propose strategies to bridge the funding gap. By exploring this issue, the study seeks to contribute to gender-inclusive economic growth and the empowerment of women in India's rapidly evolving entrepreneurial landscape.

Women entrepreneurs in India face significant challenges in accessing financial capital, which hampers their entrepreneurial potential and economic participation. Despite growing recognition of women's contribution to the economy, gender disparities in funding access persist across both formal and informal financial institutions. According to a report by IFC (2017), the financing gap for women-owned small and medium enterprises in India is estimated at $160 billion. Socio-cultural norms, lack of collateral, credit history, and gender biases among financial institutions contribute to this exclusion (Chakravarty & Sanyal, 2017). With India's growing push for inclusive growth and entrepreneurship-led development, understanding the systemic barriers that perpetuate financial exclusion for women entrepreneurs becomes crucial. This study investigates the funding challenges faced by female entrepreneurs in India, aiming to uncover the underlying structures that sustain the "funding glass ceiling."

Financial exclusion refers to the process whereby individuals or groups are denied access to essential financial services in a convenient, affordable, and timely manner (Kempson et al., 2004). In the context of female entrepreneurship, financial exclusion includes restricted access to credit, venture capital, angel investment, and government schemes due to gender-based discrimination, structural inequities, or informational asymmetries (World Bank, 2022). The "funding glass ceiling" metaphor specifically captures the invisible yet persistent barrier that prevents women from securing equal funding opportunities as men, regardless of their qualifications, business viability, or innovation potential (Brush et al., 2018). Financial exclusion, in the context of this study, refers to the limited or restricted access to formal financial services—such as credit, loans, venture capital, and banking products—experienced by female entrepreneurs due to systemic, cultural, or institutional barriers. This exclusion manifests in the form of higher rejection rates for loan applications, reluctance from investors to fund women-led businesses, and a lack of financial literacy or awareness of available schemes (Brush et al., 2006). The "funding glass ceiling" specifically denotes the invisible yet pervasive barriers that prevent women from securing equitable financial resources compared to their male counterparts, often stemming from gender stereotypes, lack of property ownership, and biased perceptions of risk and scalability (Shah, 2022). For female entrepreneurs in India, this exclusion is compounded by socio-cultural factors, such as limited mobility and patriarchal norms, which further restrict their engagement with financial institutions (Sharma, 2022).

1.1 Importance and Justification

Addressing financial exclusion among female entrepreneurs is essential for achieving inclusive economic development, reducing gender inequality, and boosting national productivity. Studies have shown that women reinvest a higher portion of their income into their families and communities compared to men, thereby generating broader social and economic benefits (OECD, 2021). Enhancing women's access to finance can significantly expand the entrepreneurial ecosystem, promote job creation, and foster innovation in underrepresented sectors. Moreover, empowering women financially contributes to achieving several Sustainable Development Goals (SDGs), especially SDG 5 (Gender Equality) and SDG 8 (Decent Work and Economic Growth) (UN Women, 2023). The investigation of financial exclusion among female entrepreneurs in India is of paramount importance due to its implications for economic growth, gender equality, and social empowerment. Women-owned businesses contribute significantly to job creation, innovation, and poverty alleviation, yet their potential remains underutilized due to restricted access to finance (World Bank, 2025). According to a report by Innoven Capital, only 12% of companies that received funding in India in 2019 had at least one female founder, highlighting a stark funding gap (The Office Pass, 2023). Addressing this gap is critical not only for empowering women but also for achieving broader sustainable development goals, as financial inclusion is recognized as a key enabler of gender equality (World Bank, 2025). Furthermore, studies indicate that companies with greater gender diversity financially outperform their competitors, underscoring the economic benefits of inclusive financing (Hunt et al., 2018). This research is justified by the need to dismantle systemic barriers, enhance women's access to financial networks, and promote policies that foster equitable entrepreneurial opportunities in India.

The need to explore financial exclusion among Indian female entrepreneurs is justified by the persistent underrepresentation of women in enterprise ownership and their limited access to capital, despite numerous policy interventions. Existing funding models and financial frameworks often overlook the gender-specific constraints faced by women, resulting in policy gaps and ineffective program implementation (Deshpande & Sharma, 2021). This study is timely and policy-relevant, as it aligns with India's digital finance push, women-led development agendas, and startup ecosystem growth. By identifying institutional, socio-cultural, and policy-level bottlenecks, the research can inform more inclusive financial strategies and funding mechanisms.

1.2 Research Gap

Despite the growing body of literature on women entrepreneurship, there remains a significant research gap in comprehensively understanding the specific mechanisms driving financial exclusion among female entrepreneurs in India. Existing studies often focus on general barriers, such as socio-cultural constraints or lack of education, but few delve into the interplay of institutional biases, financial literacy, and the effectiveness of government-led financial inclusion schemes (Rani & Sundaram, 2023). For instance, while community-based financing models like Ajo in Nigeria have been explored for their impact on women entrepreneurs (Simba & Ogundana, 2023), similar studies in the Indian context are scarce. Moreover, there is a lack of disaggregated data examining how regional, sectoral, and socio-economic differences influence access to finance for women in India (Mohanty, 2021). The role of digital financial services and fintech in addressing these barriers also remains underexplored, despite their potential to transform the financial landscape (Financial Innovation, 2025). This study aims to fill these gaps by providing a nuanced analysis of financial exclusion specific to Indian female entrepreneurs.

While previous studies have explored general barriers to women's entrepreneurship in India, few have focused specifically on the multidimensional nature of financial exclusion and the diverse experiences of women across regions, sectors, and social backgrounds. Existing research often treats women as a uniform group, overlooking intersectional factors like caste, geography, and education (Jain & Ghosh, 2020). This study addresses these gaps by investigating the institutional, socio-cultural, and policy-related barriers to financial access, examining the impact of exclusion on enterprise growth, and analyzing how informal networks, digital financial services, and gender-sensitive policies can support female entrepreneurs in overcoming funding constraints. The study's three primary objectives are:

- *To examine the socio-demographic and institutional factors contributing to financial exclusion among female entrepreneurs,*
- *To assess the role and limitations of formal and informal funding mechanisms in entrepreneurial development, and*
- *To evaluate the awareness, accessibility, and perceived effectiveness of government financial schemes targeted at women entrepreneurs.*

2. *Review of Related Literature*

2.1 Gender Disparities in Entrepreneurial Finance

Despite the increasing number of women entering the entrepreneurial space, gender-based financial exclusion remains a significant barrier to business growth. Research shows that women entrepreneurs are systematically less likely to receive external financing, including venture capital and bank loans, compared to their male counterparts. This exclusion is not solely based on creditworthiness but is often rooted in gender stereotypes and risk perceptions (Brush et al., 2006). In the Indian context, financial institutions frequently regard women-led businesses as high-risk ventures, irrespective of their viability, thereby reinforcing a self-perpetuating cycle of underfunding and limited scalability (Panda, 2018).

2.2 Structural Barriers in Financial Institutions

Institutional frameworks in India tend to mirror societal gender norms, creating structural barriers that hinder women's access to finance. Women entrepreneurs often face challenges such as a lack of collateral, poor credit history, and limited access to financial literacy, all of which restrict their eligibility for formal credit (Mishra & Kiran, 2021). Moreover, traditional banking systems rarely accommodate the flexible or informal business models typically adopted by female entrepreneurs, further widening the gap between supply and demand of capital in this demographic (World Bank, 2020).

2.3 Role of Socio-Cultural Norms and Informal Finance

Socio-cultural expectations play a pivotal role in shaping women's financial behavior and access. In India, gendered expectations around domestic roles and risk aversion limit women's autonomy in financial decision-making. As a result, many female entrepreneurs resort to informal sources of finance such as family savings or self-help groups (SHGs), which, although useful, cannot support large-scale business expansion (Chakraborty, 2019). This informal dependence often reflects a lack of trust or inclusion in the formal financial sector, further exacerbating the funding gap.

2.4 Policy Initiatives and Financial Inclusion Gaps

While policy frameworks such as Stand-Up India and the Pradhan Mantri MUDRA Yojana have attempted to bridge the financing gap, their reach and effectiveness remain limited. Studies indicate that bureaucratic hurdles, low awareness, and insufficient hand-holding support have resulted in suboptimal outcomes for many women entrepreneurs (Nair & Raveendran, 2022). The gap between policy intent and implementation highlights the need for more gender-responsive financial inclusion strategies that move beyond tokenism to address systemic inequalities.

2.5 Impact of Financial Exclusion on Business Sustainability

Financial exclusion significantly limits the sustainability and growth of women-led enterprises. Without adequate funding, female entrepreneurs often operate in low-capital, low-risk sectors such as tailoring, food processing, and retail, with limited potential for innovation or scalability (Kumar & Kalyani, 2020). This underinvestment leads to a cyclical disadvantage where the lack of visibility and economic output from women-owned businesses further diminishes investor interest, entrenching the funding glass ceiling.

3. Methodology

3.1 Theoretical Framework

The theoretical framework of the study "Breaking the Funding Glass Ceiling: Investigating Financial Exclusion of Female Entrepreneurs in India" draws on Institutional Theory and Gendered Social Capital Theory to elucidate the persistent barriers female entrepreneurs face in accessing financial capital. Institutional Theory asserts that financial institutions are embedded within systems of formal rules, norms, and shared understandings that often reproduce gendered hierarchies (Scott, 2008). These systems tend to reflect historically male-dominated perspectives, thereby marginalizing women through biased risk assessments, exclusionary loan policies, and a lack of gender-sensitive financial products. Concurrently, Gendered Social Capital Theory emphasizes how women are disadvantaged by limited access to powerful social and professional networks that men more readily navigate (Greene et al., 2001; Brush et al., 2006). These networks often serve as critical channels for gaining mentorship, financial referrals, and investor trust, resources less accessible to women due to entrenched patriarchal norms. In the Indian socio-cultural context, these institutional and relational disadvantages are further intensified. Deep-rooted gender stereotypes and familial expectations often constrain women's mobility, autonomy, and perceived credibility as business owners, leading to prejudicial assumptions of low creditworthiness by financial institutions (Chakravarty et al., 2017). This occurs despite data showing that women often exhibit repayment rates equal to or better than those of men. By integrating these two theoretical lenses, the framework offers a comprehensive understanding of how formal institutional structures and informal gendered norms jointly construct the "funding glass ceiling," impeding women's access to capital and ultimately limiting their entrepreneurial advancement in India.

3.2 Research Design

This study investigates the persistent financial exclusion of female entrepreneurs in India, with a particular focus on the National Capital Region (NCR). Despite the expansion of India's entrepreneurial ecosystem, women-led businesses face notable challenges in accessing finance due to gender biases, institutional barriers, and socio-economic limitations. The research aims to explore the nature, extent, and underlying causes of these exclusions across diverse sectors within NCR, thereby contributing to inclusive policy frameworks and gender-sensitive financial strategies. Employing a mixed-method approach, the study integrates both descriptive and exploratory research designs. Quantitative data were collected through structured questionnaires targeting aspects such as access to finance, funding challenges, and institutional interactions, while qualitative insights were drawn from semi-structured interviews that explored deeper personal and systemic experiences. A purposive sampling strategy was used to select 93 female entrepreneurs, ensuring they met specific inclusion criteria: female gender, above 18 years of age, at least one year of entrepreneurial experience, and residence within NCR. The sample represented a wide spectrum of industries, including retail, services, manufacturing, and informal sectors, allowing for rich contextual understanding. Data collection involved a combination of in-person and online methods for both questionnaires and interviews. Responses were thoroughly edited for accuracy, and coding was conducted manually and through software to analyze both quantitative and qualitative data. SPSS was used for descriptive statistics, cross-tabulations, and inferential tests such as chi-square and regression, while thematic coding was applied to interview data to extract recurring patterns related to financial exclusion and gendered institutional practices.

4. Results

4.1 Sample Characteristics

The demographic profile of the respondents, as presented in Table 1, offers insights into the age, education, business industry, business stage, and location distribution of the sample. The age distribution reveals that a majority of respondents are young entrepreneurs, with 31.2% aged 18–25 years, followed closely by 29.0% in the 26–35 age group, while 25.8% fall within 36–45 years, and only 14.0% are aged 46–55 years. In terms of educational qualifications, most respondents have completed secondary education (36.6%), followed by 22.6% holding undergraduate degrees. Notably, 15.1% have no formal education, while 12.9% each have attained postgraduate degrees or professional certifications. Regarding industry engagement, the respondents primarily operate within the Technology & IT sector (19.4%), followed by Agriculture & Allied (15.1%), Education & Training (14.0%), Health & Wellness (12.9%), and Food & Beverage (11.8%). Smaller proportions are involved in Fashion & Lifestyle (10.8%), Retail & Wholesale (8.6%), Other industries (4.3%), and Manufacturing (3.2%). The majority are in the early/startup stage of business (53.8%), with 19.4% still at the idea stage, 16.1% in the expansion phase, and 10.8% at the growth stage. Geographically, 41.9% of the businesses are located in urban areas, 34.4% in rural regions, and 23.7% in semi-urban zones. This distribution indicates a diverse sample across demographic and business variables, emphasizing the inclusive nature of the study.

Table 1: Sample Profile of Respondents

Characteristics	Description	N	%
Age Categories	Up to 18 -25 Years	29	31.2
	26-35 Years	27	29.0
	36-45 Years	24	25.8
	46-55 Years	13	14.0
Education Qualification	No formal education	14	15.1
	Secondary (10th/12th)	34	36.6
	Undergraduate Degree	21	22.6
	Postgraduate Degree	12	12.9
	Professional Certification (e.g., CA, CS, ITI, etc.)	12	12.9
Primary Industry of Business Operations	Agriculture & Allied	14	15.1
	Health & Wellness	12	12.9
	Food & Beverage	11	11.8
	Fashion & Lifestyle	10	10.8
	Technology & IT	18	19.4
	Education & Training	13	14.0
	Manufacturing	3	3.2
	Retail & Wholesale	8	8.6
	Other	4	4.3
Current Stage of Business	Idea Stage (yet to launch)	18	19.4
	Early Stage/Startup (0–2 years)	50	53.8
	Growth Stage (3–5 years)	10	10.8
	Expansion/Scale Stage (5+ years)	15	16.1
Business Location	Urban	39	41.9
	Semi Urban	22	23.7
	Rural	32	34.4

Source: Author-Compiled

4.2 Business Challenges Faced in Securing Initial/Start-Up Capital

The multiple response analysis of business challenges reveals several key constraints experienced by entrepreneurs and presented in the bar diagram. Among the respondents, the most frequently reported issue was the lack of collateral or security, cited by 66.7% of cases, representing 23.2% of the total responses. This was closely followed by rejection by formal lenders (60.2% of cases; 21.0% of responses), highlighting a significant barrier to accessing formal financial institutions. Inadequate documentation was reported by 51.6% of the participants, accounting for 18.0% of total responses, suggesting procedural hurdles in the credit acquisition process. Additionally, the absence of formal credit history (32.3%) and limited financial literacy (31.2%) were notable impediments, reflecting deeper structural and informational gaps that constrain financial inclusion and entrepreneurial sustainability. Interestingly, 45.2% of respondents also indicated "other" challenges, underscoring the multifaceted nature of the barriers faced. Overall, the cumulative response percentage of 287.1% indicates that many individuals face multiple, overlapping challenges in their business endeavors, requiring comprehensive and multi-pronged policy interventions.

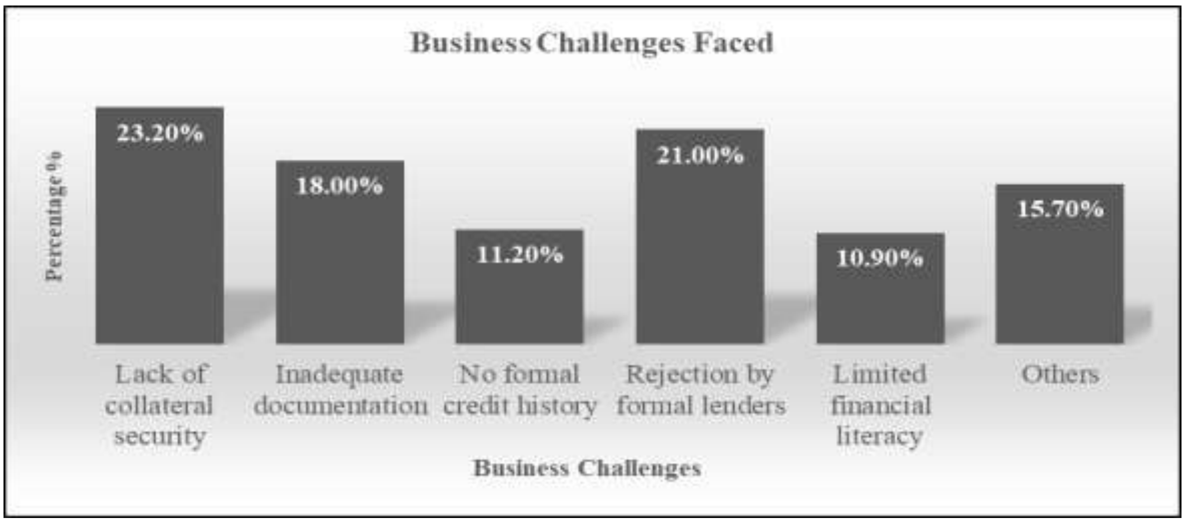

Figure 1: Business Challenges Faced (N= 267)

4.3 Customer Ratings of Formal Funding Sources

The descriptive statistics for customer ratings on the availability of formal funding sources, as presented in Table 2, indicate generally moderate perceptions of accessibility. Among the respondents (N = 93), venture capital received the highest mean score of 3.94 (SD = 1.05), suggesting a relatively favorable view of its availability. This was followed by NBFCs (Mean = 3.85, SD = 1.08) and Banks (Mean = 3.67, SD = 1.12). Although the mean values hover around the mid-point of the Likert scale, the standard deviations suggest some variability in responses, indicating that access to formal funding may be perceived inconsistently across different respondent groups. These results point toward a need to streamline and expand formal funding channels to improve equitable access and address perceived gaps in financial support for business expansion.

Table 2: Customer Rating on availability of formal funding sources: Descriptive Statistics (*N=93*)

	N	Mean	Std. Deviation	Variance
Banks	93	3.6667	1.11641	1.246
NBFCs	93	3.8495	1.08293	1.173
Venture capital	93	3.9355	1.05095	1.104
Valid N (listwise)	93			

4.4 Gender Bias in Formal Lending/Investment

The data presented in the bar diagram highlights the perception of gender bias in accessing institutional capital among respondents. A significant proportion, totaling 73.1%, either agreed (39.8%) or strongly agreed (33.3%) that gender bias exists in formal lending and investment practices, suggesting a widespread perception of inequality in institutional financing mechanisms. In contrast, only a small fraction of participants disagreed (10.8%) or strongly disagreed (2.2%) with the existence of such bias, indicating that denial of gender bias is relatively uncommon. Meanwhile, 14.0% of respondents remained neutral, neither agreeing nor disagreeing. These findings underscore a notable concern regarding the fairness and inclusivity of institutional capital access, with a clear majority perceiving systemic gender-based disparities in formal financial environments.

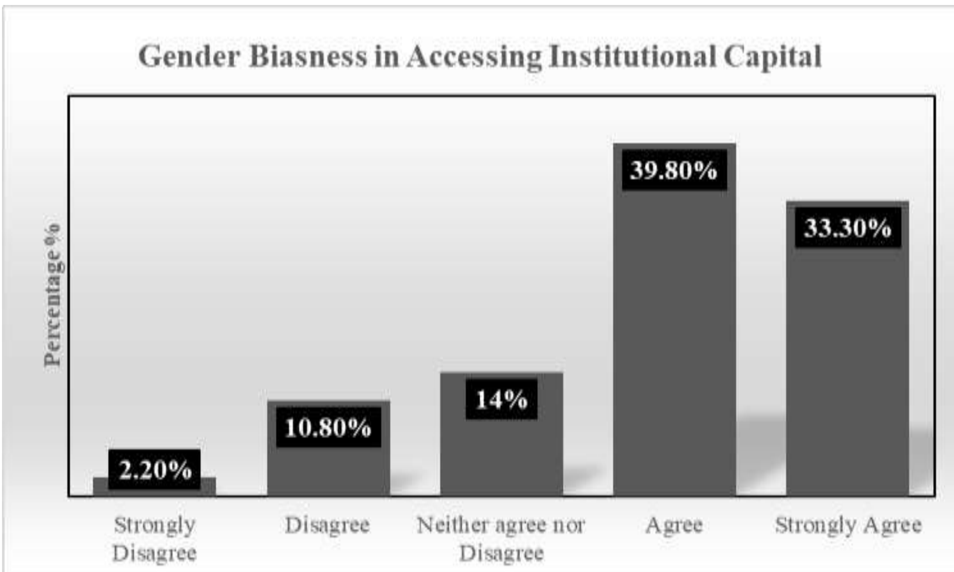

Figure 2: Gender Biasness in Accessing Institutional Capital (N=93)

4.5 Whether a financial institution asked personal or gender-related questions during funding

The information whether financial institution asked personal or gender-related questions during funding or investor meetings (e.g., about family, marriage, emotional capacity) as presented in the pie chart, reveals that a significant proportion of respondents (54.8%) reported being asked personal or gender-related questions- such as those concerning family status, marriage, or emotional capacity- by financial institutions during funding or investor meetings. In contrast, 45.2% indicated they did not face such inquiries. These findings suggest that gender bias or intrusive personal questioning may still be prevalent in financial decision-making environments, potentially reflecting discriminatory practices or assumptions about women’s emotional resilience or familial obligations. This trend underscores the need for more equitable and professional funding environments that focus on business competence rather than personal or gendered attributes.

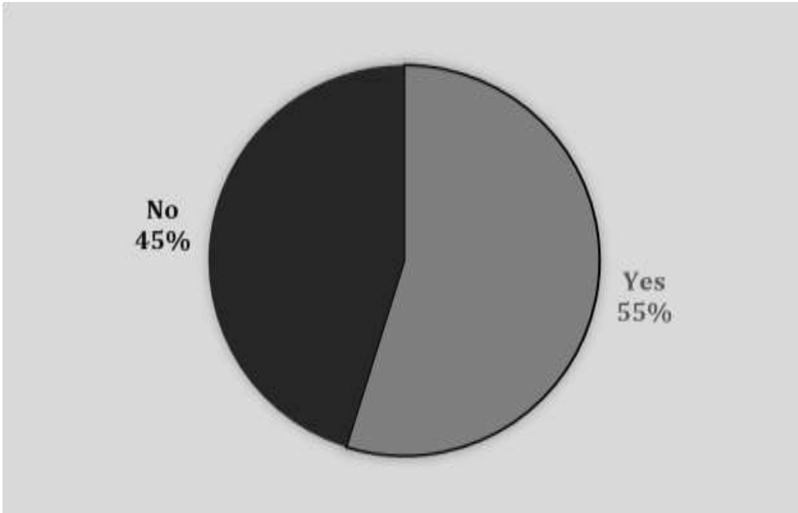

Figure 3: Whether financial institutions asked personal or gender-related questions during funding or investor meetings (e.g., about family, marriage, emotional capacity) N= 93 (Approximate values)

4.6 Whether to Use Informal Funding Sources for Your Business

Further, an attempt was made to determine whether women prefer to use informal funding sources for their business. As shown in the pie chart, the vast majority of respondents (79.6%) reported utilizing informal funding sources- such as personal savings, family loans, or support from friends- for their businesses. Only 20.4% relied solely on formal financial avenues. This heavy reliance on informal finance may point to restricted access to institutional credit, especially among entrepreneurs who may be marginalized by formal banking procedures. The data emphasizes the continuing relevance of informal networks in entrepreneurial finance and highlights the barriers that still exist within formal financial systems, particularly for those who might be underrepresented or disadvantaged, such as women entrepreneurs.

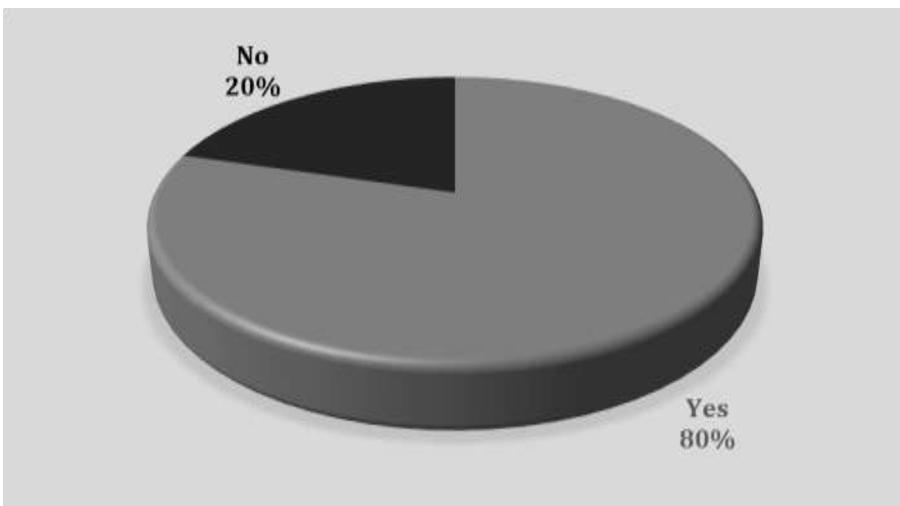

Figure 4: Whether used informal funding sources for your business (N=93) (Approximate values)

4.7 Reasons for Using Informal Funding Sources for Business

Looking at the various reasons reveals why entrepreneurs opt for informal funding sources for their businesses. The data, as presented in Table 3, reveal that the most common reason is easier access, cited by 61 respondents, representing 61% of the cases. This is followed by a lack of trust in banks or formal financial institutions (51%), and past rejections from formal lenders (45%), indicating that negative experiences or perceived inaccessibility of formal funding channels drive entrepreneurs toward informal alternatives. Additionally, fewer eligibility requirements and faster processing were each identified by 31% of respondents, highlighting the appeal of reduced bureaucratic hurdles and quicker fund disbursement. Lastly, 26% of respondents selected other unspecified reasons. These findings underscore the perceived convenience and accessibility of informal financing, especially for individuals who may be excluded from or discouraged by formal financial systems.

Table 3: Reasons for using informal funding sources for business

S. No.	Informal funding sources	Responses		Per cent of cases
		N	Percent	
A	Easier access	61	24.9%	66.3%
B	Fewer eligibility requirements	31	12.7%	33.7%
C	Faster processing	31	12.7%	33.7%
D	Lack of trust in banks/institutions	51	20.8%	55.4%
E	Past rejections from formal lenders	45	18.4%	48.9%
F	Others	26	10.6%	28.3%
	Total	245	100.0%	266.3%

4.8 Individual Awareness about Government Schemes Supporting Women Entrepreneurs

The People's awareness about government schemes supporting women entrepreneurs is vital for the success of entrepreneurship among women. In this context, the data revealed that awareness about government schemes among respondents is nearly evenly split, with 49.5% of participants indicating awareness and 50.5% lacking knowledge of such initiatives. This suggests a significant gap in communication and outreach strategies employed by government bodies, as nearly half of the target population remains uninformed about schemes specifically designed to empower women entrepreneurs. Such a lack of awareness may hinder the utilization and effectiveness of supportive policies, underscoring the need for enhanced dissemination efforts, targeted awareness campaigns, and community-based engagement to increase visibility and access to these programs.

4.9 Utilization of Government or Public-Sector Financial Schemes

As inferred from data, a slightly higher proportion of women entrepreneurs (58.1%) reported having benefited from government or public-sector financial schemes, while 41.9% did not. This finding implies a moderate level of engagement with formal financial support systems among women entrepreneurs. While the majority have accessed these benefits, the substantial minority that remains underserved suggests potential procedural bottlenecks, eligibility constraints, or inadequate awareness that limit full participation. These insights highlight the need for simplifying access procedures and improving outreach mechanisms to bridge the gap and expand the impact of financial interventions for women-led enterprises.

4.10 Perception of Overall Effectiveness of Government Initiatives

According to the graph, perceptions of the overall effectiveness of government initiatives are mixed, with 39.8% of respondents viewing them as "very effective" and 12.9% as "effective to some extent." However, 19.4% remain neutral, and a combined 27.9% perceive them as either "ineffective" or "completely ineffective." This distribution suggests that while a significant segment of women entrepreneurs recognize the positive influence of these initiatives, nearly half remain unconvinced or disillusioned with their impact. The presence of skepticism and neutral responses underscores a possible disconnect between policy intent and on-ground implementation. Strengthening feedback loops, tailoring programs to contextual needs, and ensuring transparent monitoring could enhance perceived and actual effectiveness.

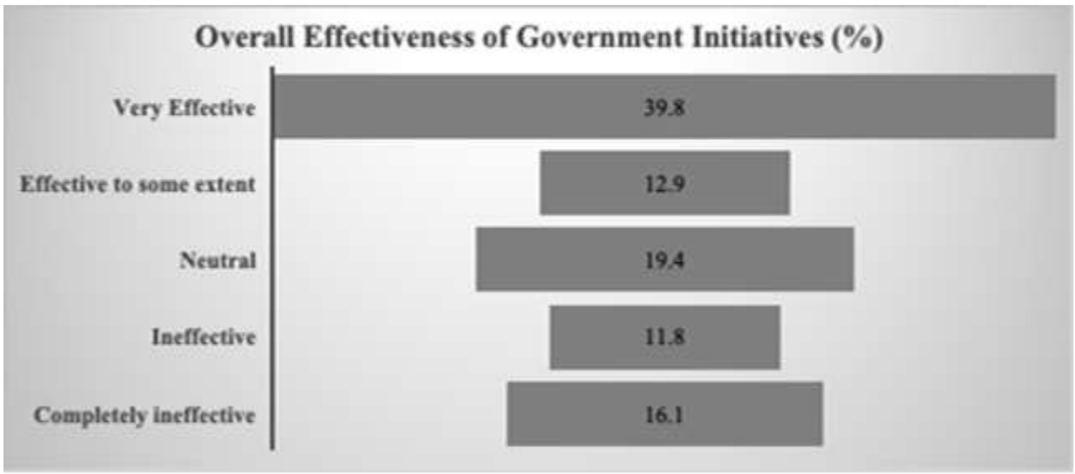

Figure 5: Overall effectiveness of government initiatives in supporting women entrepreneurs (N=93)

4.11 Challenges in Accessing Capital for Business

The information about the single biggest challenge faced in accessing capital for business by women, as presented in Table 4, highlights key challenges in accessing business capital, with the top barriers being insufficient financial knowledge (29.0%) and the perception that banks treat financial inclusion as an obligation rather than a business opportunity (26.9%). Reluctance of financial institutions (12.9%) and dealing with unprofitable customers with irregular income (11.8%) are also cited. These findings underscore structural and informational barriers that hinder women’s access to credit. The prominence of financial illiteracy suggests an urgent need for financial education and advisory services tailored to women entrepreneurs. Furthermore, shifting institutional attitudes and improving risk assessment models may encourage financial inclusion that is both sustainable and gender sensitive.

Table 4: The Single biggest challenge faced in accessing capital for business

S.no.	Description	Frequency	Percent
A	Reluctance of financial institutions to serve small value	12	12.9
B	Unprofitable customers with irregular income.	11	11.8
C	Banks perceive inclusion as an obligation rather than a business opportunity.	25	26.9
D	Insufficient financial knowledge,	27	29.0
E	a lack of adaptive technologies,	5	5.4
F	Communication Barriers	4	4.3
G	Elevated rates of poverty and unemployment account	9	9.7
	Total	93	100.0

4.12 Means of Enhancing Women's Access to Entrepreneurship Funding

The information about means of Enhancing Women's Access to Entrepreneurship Funding depicted that 54.8% of respondents believe that there are viable means to enhance women's access to entrepreneurial funding, while 25.8% expressed skepticism, and 19.4% were uncertain. This reflects a general optimism among the majority regarding the potential for improving financial accessibility, likely grounded in awareness of evolving policy frameworks, digital financial tools, and inclusive banking practices. However, the significant proportion of negative or uncertain responses highlights the need for clearer articulation of available resources and stronger institutional support. Policy interventions must focus on capacity building, mentorship, and ecosystem development to actualize this perceived potential and overcome lingering doubts.

5. Discussion

The findings of this study reveal a complex interplay of structural, socio-economic, and gender-based barriers contributing to the financial exclusion of female entrepreneurs in India, particularly in the early stages of their entrepreneurial journeys. One of the central themes emerging from the analysis is that younger women are more vulnerable to financial exclusion, aligning with prior research that suggests youth often lack financial history and institutional trust, impeding their access to credit (Demirgüç-Kunt et al., 2022). Furthermore, educational attainment significantly influences financial access, as women with lower levels of education are more likely to be excluded, reinforcing conclusions drawn by Bruhn and Love (2014), who emphasized the role of education in improving financial behaviors and access.

The diversity in business sectors among female entrepreneurs, particularly in Technology, Agriculture, Education, and Wellness, reflects a shift from traditionally female-dominated sectors and suggests a broadening entrepreneurial landscape. However, the underrepresentation in manufacturing may mirror findings by Brixiová et al. (2020), who argued that women face disproportionately higher entry barriers in capital-intensive industries. Most enterprises are in their nascent or early stages, suggesting heightened vulnerability and need for targeted early-stage funding, which corroborates Manolova et al. (2006), who argue that early-stage women-led ventures face steeper capital constraints due to perceived risk profiles.

Geographical diversity also plays a crucial role, with significant entrepreneurial activity occurring outside urban centers. This aligns with Chatterjee et al. (2021), who underscore that rural women face added layers of exclusion due to infrastructural deficits and social norms. Notably, over two-thirds of respondents reported challenges in securing startup capital, consistent with prior literature that identifies capital acquisition as a major obstacle for women (Coleman, 2000; Marlow & Patton, 2005). These challenges are compounded by a lack of collateral, credit history, and documentation—barriers extensively documented in the works of Aterido et al. (2013) and IFC (2020), which describe institutional rigidity as a deterrent for women entrepreneurs seeking formal finance.

The high reliance on informal financing reflects persistent distrust in formal institutions and a preference for faster, less bureaucratic funding mechanisms. This finding is consistent with prior studies (Allen et al., 2012; Klapper & Parker, 2011), which note that women often resort to informal sources due to procedural burdens and previous rejections. Moreover, gender bias in financial interactions remains a glaring concern, with many respondents reporting discriminatory questioning and perceived unfairness in lending decisions. This supports the arguments of authors such as Brush et al. (2006) and Orser et al. (2006), who found systemic gender stereotyping within financial institutions to be a global phenomenon that affects credit access.

Awareness and utilization of government schemes present a mixed picture. While a moderate number of respondents have benefited from such initiatives, many remain unaware or disillusioned with their effectiveness, highlighting gaps in outreach and implementation. This parallels findings by Datta and Gailey (2012), who argue that well-intentioned programs often fail at the execution level due to limited grassroots engagement and lack of adaptive design. The perception that banks treat financial inclusion as a compliance obligation rather than a developmental priority adds to the challenge, suggesting the need to recalibrate institutional attitudes, as advocated by Sarma (2008) and Ghosh (2013).

Importantly, a majority of respondents expressed optimism about improving women's access to entrepreneurial finance, indicating the latent potential of reforms. However, skepticism persists, particularly among those with negative prior experiences or limited financial knowledge. This emphasizes the importance of holistic interventions that combine financial literacy, mentorship, ecosystem development, and inclusive financial products. As highlighted by recent studies (UNESCAP, 2020; OECD, 2021), closing the gender financing gap requires more than funding—it demands institutional reform, cultural change, and persistent policy advocacy.

6. Implications of the Study

This study contributes significantly to the theoretical understanding of financial exclusion, particularly within the framework of gender and entrepreneurship in a developing economy. It extends the discourse on structural and systemic barriers that impede women's access to formal financial systems, thereby reinforcing intersectionality theory, which highlights how overlapping social categorizations such as gender, age, education, and geography create complex layers of disadvantage. The findings validate resource-based and institutional theories by showcasing how limited access to capital, coupled with educational and informational deficits, constrains entrepreneurial capacity. The study also supports behavioral finance theories, illustrating how trust, perceived risk, and past experiences shape women entrepreneurs' funding preferences—particularly their reliance on informal sources. Moreover, the data highlights the influence of perceived gender bias and discriminatory practices in formal lending, aligning with feminist economic perspectives that critique the gendered nature of financial systems. These insights provide a foundation for future models examining the gender-finance relationship in entrepreneurial ecosystems, particularly in emerging markets like India.

From a practical standpoint, the study underscores the urgent need for multifaceted policy reforms and institutional restructuring to support women entrepreneurs in India. Financial institutions must reassess their lending frameworks, focusing on gender-sensitive practices, streamlined documentation, and inclusive risk assessment models. The prevalent use of informal financing mechanisms calls for expanding and tailoring formal financial products that are accessible, transparent, and responsive to women's unique needs. The disproportionate exclusion of younger, less-educated women from formal credit highlights the importance of implementing widespread financial literacy campaigns and mentorship programs. Government agencies should intensify outreach regarding support schemes and simplify application processes to enhance access and utilization. Additionally, startup and early-stage enterprises—where most women-led businesses are concentrated—require targeted incubators, credit guarantees, and venture capital access. Addressing geographical disparities by supporting rural and semi-urban entrepreneurs through localized interventions and digital finance infrastructure is also vital for inclusive development.

7. Conclusion

The study reveals that financial exclusion among female entrepreneurs in India is a multidimensional phenomenon influenced by demographic, institutional, and socio-cultural factors. Younger women, those with lower educational attainment, and those operating early-stage or rural businesses are particularly vulnerable to systemic exclusion from formal financial services. Gender bias, lack of collateral, insufficient documentation, and limited financial literacy emerge as dominant barriers. While a significant number of women are aware of and benefit from government schemes, the effectiveness and reach of these initiatives remain inconsistent. The reliance on informal funding highlights both the resilience and resourcefulness of women entrepreneurs, as well as the deficiencies in formal financial ecosystems. Addressing these challenges requires coordinated efforts from financial institutions, policymakers, and community organizations to foster an inclusive, equitable, and gender-sensitive entrepreneurial landscape in India.

The study has several limitations that must be acknowledged. First, the sample size and geographical distribution may limit the generalizability of findings across all Indian states and entrepreneurial ecosystems. The research relies on self-reported data, which may introduce response bias or underreporting of certain experiences, particularly concerning sensitive issues like gender discrimination. Additionally, the study focuses primarily on female entrepreneurs without a comparative male cohort, limiting its ability to contrast gender-specific financial challenges directly. The cross-sectional design restricts causal inferences, and the qualitative aspects of financial exclusion- such as emotional impacts or long-term business consequences- remain underexplored.

Future research should adopt a longitudinal approach to assess how financial exclusion evolves across different stages of business growth and economic cycles. Comparative studies across genders, regions, and industry sectors would provide deeper insights into contextual variations in access to finance. There is also scope to explore the role of digital finance and fintech innovations in bridging the funding gap for women entrepreneurs. Furthermore, qualitative investigations into lender attitudes, decision-making processes, and cultural biases in financial institutions could enrich the understanding of institutional discrimination. Evaluating the long-term outcomes of women-focused government schemes and their influence on business sustainability would also offer practical policy guidance. Lastly, interdisciplinary approaches integrating behavioral economics, sociology, and gender studies could provide a more holistic understanding of financial exclusion in entrepreneurial contexts.

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