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Extended Abstract

Accessibility of credit to women-owned enterprises: A literature review

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Abstract

In South Asian and Southeast Asian countries, Micro, Small and Medium Enterprises (MSME) sector plays a significant role in income generation, unemployment reduction and in reducing inequality. The purpose of the study is to review the prevailing literature on the credit access of women-owned MSMEs. This study reviews credit and its importance in women-owned firms, whether the gender of the entrepreneur matter in accessing credit, how debt financing influence the performance of women-owned firms, the impacts of credit on women-empowerment and the government support schemes for women-owned firms. The study reviewed papers on three main themes; Credit access and performance, Gender and credit access and Credit access and women empowerment.

Keywords: Micro and small enterprises, women enterprises, credit access.

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Extended Abstract

Introduction

MSMEs act as a source of both income-generating and source of employment in developing countries. The growth and sustainability of MSMEs mainly depend on access to external financing and financial stability. However, micro and small enterprises often face a lack of access to finance from formal institutions. Financial constraints are considered the most critical problem for MSMEs in underdeveloped countries.

In the South-East Asian economy, 97% of their enterprises belong to MSMEs, and on average, 41% of the GDP arises from the MSME sector. In Bangladesh, 25% of their GDP contribution comes from the MSME sector, and also, 24 million people are employed in this sector. In India, the MSME sector contributes 40% of the overall export and 30% of the GDP. In addition, 110 million people are employed in the MSME sector. Women-owned MSMEs play a vital role in the socio-economic development of India. It helps in job creation, generating income for the household women, and attaining better living standards. Access to credit is the crucial problem women face in their businesses (Chirwa, 2008, Shoma 2019). Like other firms, women-owned firms also need proper credit access, which is necessary to start and develop their enterprises. Financial access is one of the critical aspects of every enterprise, but unfortunately, financial constraints exist because of different factors. This paper focuses on the role of gender in credit access from external sources. This paper attempts to review the South Asian and South-East Asian studies related to the credit access of women-owned enterprises.

Method

A systematic approach was used to conduct the review of literature. The keywords used to search from the databases are credit access and performance of women-owned enterprises, credit for MSMEs, women enterprises and credit and microcredit for small enterprises. Three databases *viz.*, Web of Science, JSTOR, and EBSCO were used to access the relevant articles. Empirical studies, conducted in South Asian and South-East Asian countries, published in English from the year 2000

onwards were considered for review. The study employs the PRISMA framework methodology in accumulating the enduring literature and reviewed 35 papers published in journals.

Credit access and firm performance

MSMEs enable the opportunity to nurture the entrepreneurial skills of both rural and urban women. Better financial assistance will encourage the enterprises to improve their functioning and thereby achieve a sound financial position. The women who lead micro-enterprises have witnessed a massive improvement in their performance after getting credit from institutions (Zhu et al., 2018). Microfinance and access to credit are considered revolutions in entrepreneurial growth. It provides female-led organizations with a chance to uplift their entrepreneurial skills and generate better profit from their business (Kantor, 2005). The high amount of capital helps the enterprises to sustain in the business environment, and the microfinance access of women enterprises influence the investment activity (Mor et al., 2020). The female-led enterprises witnessed better improvement in their performance when they got credit from financial institutions (Mahmood & Rosli, 2013, Bhattacharya & Londhe, 2014). But Atmadja et al., 2016 found contradictory evidence that financial capital has a negative relationship with firm performance.

Gender and credit access

Literature evidence shows that gender plays a vital role in availing credit (Niethammer et al., 2007, Modi et al. 2014, Das & XiaoFeng 2017, Shoma 2019, Chaudhuri et al., 2020, Ho&Dao, 2020). Women-led micro-enterprises face difficulties to raise adequate funds from an external source and thereby affect the expansion process. Chaudhuri et al. (2020) studied Indian MSMEs and concluded that women-led enterprises face more difficulties accessing credit than their male counterparts. Gender discrimination is prevailing in the loan process, and it negatively affects the growth of women-owned enterprises. Other studies (Niethammer et al., 2007, Modi et al. 2014, Das & XiaoFeng, 2017) also found a similar result that the Women-owned firms were less likely to get a loan from credit institutions compared to male-owned firms. In contrast, Pham & Talavera 2018 observed that women entrepreneurs have a higher probability of getting a loan than male-owned firms. In addition, the women entrepreneurs were charged lower interest rates than male entrepreneurs.

Credit access and women empowerment

The microfinance mechanism concentrated more on poor, vulnerable, marginalized and socially backward people and aimed for gender balance in all socio-economic activities. The entrepreneurial activities help women to generate their income, and that made women entrepreneurs self-reliant and confident. The microfinance scheme has been introduced as a tool for poverty alleviation and increasing women's income (Dutta, A., & Banerjee, S. 2018). Nilakantan et al. 2013 studied how microfinance programs help women empowerment in the Indian context. They identified two contradictory pieces of evidence that microfinance positively influences women empowerment in terms of child-related decisions. On the other hand, it has a negative effect on the economic dimensions of empowerment. Microcredit acts as a powerful tool for enhancing income and protecting households from crisis risk (Garikipati 2008).

Results and Conclusion

This paper reveals a comprehensive review of the studies on credit access to women-owned enterprises. The review shows mixed results on the gender factor. One set of studies found that women-owned firms were less likely to get credit from financial institutions than male-owned firms. Other studies support the evidence that there is no gender discrimination in credit access. Literature evidence shows access to credit for a woman-owner improves social status, economic well-being and helps in alleviating poverty. In addition, the use of external finance by MSMEs has a positive relationship with growth and sustainability. The overall evidence support that getting credit from an institution would result in a clear improvement in the firm's financial performance.

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