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Can Female Entrepreneurship Programmes Support Social and Solidarity Economy? Insights from China and India

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This is part of a series of think pieces by scholars and practitioners working on a broad range of issues within the field of Social and Solidarity Economy. The series is being published in conjunction with the UNRISD conference "Potential and Limits of Social and Solidarity Economy". The conference took place on 6-8 May 2013 in collaboration with the International Labour Organization and the UN Non-Governmental Liaison Service.

Increases in overall female entrepreneurship do not guarantee improvements in women's socioeconomic status; much depends on whether the entrepreneurship is based on opportunity or necessity. In countries like China and India, women tend to be necessity entrepreneurs in the informal sector, with lower income and little potential for career advancement. While these countries have devoted significant resources toward programmes aiming to increase female entrepreneurship, not all of these programmes support opportunity entrepreneurship. An even larger question is whether these programmes support or challenge Social and Solidarity Economy (SSE). In addition to solidarity microfinance schemes around the world, Self-Employed Women's Association (SEWA) programmes in India show that entrepreneurship programmes can support individual development while also fostering community solidarity and democratization of the economy.

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Introduction

As countries worldwide aim for economic recovery, entrepreneurship has taken centre stage as a way to stimulate innovation and growth. Policy makers have been particularly attracted to the idea of encouraging female entrepreneurship, given the underutilization of female human capital in most countries.

Increases in female entrepreneurial activity rates are generally heralded as progress for women's rights and their standard of living. However, women in many developing countries—including newly industrialized countries like China and India—often engage in informal sector entrepreneurship. According to Global Entrepreneurship Monitor data, women are more likely than men to engage in necessity-based entrepreneurship in these countries. This means that women often become entrepreneurs due to the absence of other opportunities, not because they are capitalizing on a perceived opportunity; necessity-based entrepreneurs are likely to have less education, less managerial training, less capital and fewer formal business networking opportunities, which affects overall income and propensity for expansion (Hernandez et al. 2012).

The gender gap in opportunity entrepreneurship limits women's ability to financially sustain their livelihoods and those of their families, particularly given women's weaker access to formal sector jobs and their heavy unpaid work responsibilities. It is difficult to work towards social and environmental improvement benefiting the wider community if one is only surviving at a basic sustenance level. This also limits women's ability to gain recognition for their work in the public domain and to make their voices heard. While this in and of itself hinders the Social and Solidarity Economy, a related concern lies in the methods utilized to increase female entrepreneurship. Do these programmes providing new employment options for women support or challenge SSE?

Cultivating opportunity or facilitating necessity?

While necessity entrepreneurship may be better than unemployment, from a human development perspective this is not sufficient. If we would like to cultivate human freedom, a purely quantitative increase in female entrepreneurship cannot be our policy goal. We need to press for an increase in opportunity-based entrepreneurship. As more countries worldwide prioritize female entrepreneurship in their strategic plans, do their policies and programmes facilitate necessity or opportunity entrepreneurship?

In China and India, the vast majority of female entrepreneurship programmes are supported by the government and/or NGOs. Often, the government plays the role of financier while NGOs actually operate the programmes, which range from disseminating information and communications technologies to subsidizing loans, providing credit and offering skills training. China also has two incubators to assist female entrepreneurs, one in Tianjin founded in 2000 and a new one in Qingdao established in 2012.

The current portfolio of female entrepreneurship programmes in China and India has a major flaw: it is largely geared toward highly educated, middle-to-upper income women with prior (often significant) business experience. This small minority, often already engaged in opportunity entrepreneurship, benefits from a broad swathe of training programmes, loans and marketing funds. In rural areas, however—which contain a majority of the population—programmes tend to revolve around microfinance access or cell phone provision.

Yet provision of credit or technology alone does not facilitate opportunity entrepreneurship. It is all too easy to end up in a microfinance dependency cycle. Without the tools and skills to achieve upward mobility, entrepreneurs cannot maximize their potential. Microfinance programmes should combine funding with basic literacy education, financial literacy training or accounting support; technology access should be accompanied by training on how to "use technology to share information, mentor or collaborate with others on business matters" (Malhotra, Kanesathasan and Patel 2012, p. 4). Many other skills, such as leadership, administration and management, are important but we must recognize the cultural barriers dissuading many women, particularly in rural areas, from undertaking such activities. Because of this, counselling and support services are necessary to help underrepresented groups (Kesh 2011).

Female entrepreneurship programmes: a challenge for SSE?

While it is important to understand the heterogeneity of entrepreneurship and how it affects programme efficacy, an overarching issue here is the relationship between female entrepreneurship programmes and Social and Solidarity Economy. As mentioned above, many of these programmes tend to focus on upper-class, highly-educated women living in urban areas—a very small minority of women in China and India. This exclusive approach weakens Social and Solidarity Economy and the role women can play in enabling SSE. This is particularly problematic given the paternalistic foundation underlying much public policy in these countries. Furthermore, while these programmes do aim to facilitate forms of production and exchange that satisfy human needs, not all encourage collectivity and participatory decision making; some seem to channel women toward the detached, individualistic persona of "economic man".

The proliferation of microfinance is a good example. Microfinance has helped millions of women escape poverty, but has it created a better sense of community? On the one hand, the rotating savings and credit association model of microfinance functions well if the microfinance group members trust one another and the group dynamics are such that social pressure to pay back one's loan is successful. By increasing individual interdependence—that is, the risk to others if someone does not pay back her loan—this model usually leads to careful selection of group members and a more tightly knit group. But this approach can also backfire, as occurred for example in Andhra Pradesh, India in 2010, where loan officers coerced group members into harassing non-paying members, leading to a number of suicides.

On the other hand, microfinance creates a parallel (and less powerful) community alongside formal bank finance. Furthermore, microfinance in China is tightly regulated by the government and faces serious organizational bottlenecks which limit its ability to support female entrepreneurship (Sun 2003). While microfinance helps some women gain credit who would otherwise not be able to get it, is this at the cost of institutionalizing formal finance as the exclusive realm of those with collateral? Would it not be better to expand the community of formal finance to include a more diverse clientele? A related concern is that states may use microfinance as an excuse not to provide essential social services; according to this view, if access to credit can help people meet their own basic needs, the state need not intervene (Laville 2010). In terms of the government's role in supporting social welfare for its citizens, this is the beginning of a slippery slope.

Furthermore, tension exists in the "popular economy between technical efficiency and the dynamics of solidarity" (Laville 2010, pp. 9-10). The increased privatization of (for-profit) microfinance has improved the financial sustainability of its business model at the cost of no longer serving the poorest of the poor. Women in particular are more likely to be left out of the microfinance net as this trend continues.

Another issue is that if microfinance is successful and individual women are able to scale up their businesses, they have done this within the confines of a profit-driven economic system where the individual ranks first and the community ranks a distant second. When considering the output itself, its social utility to the community is not as important as the individual entrepreneur's ability to sell the product (Laville 2010). What aspect of entrepreneurial activity cultivates democratic governance or a participatory approach to decision making? What aspect forges cooperative and horizontal relations instead of competitive and hierarchical relations between the entrepreneur and her community? If the entrepreneurial ethic is largely based on individualism and we are encouraging this way of thinking, this may create challenges for the Social and Solidarity Economy. It is a challenge for proponents of microfinance to consider how to cultivate individual capabilities in such a way that community and support mechanisms are developed as well.

How can microfinance support SSE?

Concern about the mainstreaming of microfinance does not suggest that we should maintain a status quo where millions of women lack access to financial resources. The issue is rather the tenuous (and changing) link between microfinance and SSE. To address this issue, some financial institutions have created a new form of microfinance called solidarity microfinance.

As Laville (2010) explains, solidarity microfinance institutions grant loans without collateral, but they only loan to collectives or to activities with a specified ecological or social purpose. By virtue of being worker-owned and operated, collectives support the democratization of the economy. Budding social entrepreneurs, often without savings but with an innovative idea for tackling a pressing social problem (for example related to health, education, the environment or unemployment) in a sustainable and scalable way, may find solidarity microfinance a viable credit source. Often, solidarity microfinance institutions provide supplementary services such as insurance or guarantees to the entrepreneurs along with the loan; this way, the microfinance institutions are more invested in the companies' success. At this point in time, solidarity microfinance is nascent and is most active in Europe, but there is room for it to grow in other regions, including Asia.

Another alternative approach can be found in the Self-Employed Women's Association (SEWA) in India. As Folkerth and Warnecke (2012) discuss, SEWA has been able to create a sense of community and support mechanisms reaching across class, ethnic and religious lines. SEWA has accomplished this using a three-step process:

- focusing on women as a group, based on shared experiences rather than differences;

- emphasizing self-reliance and community-building, enabling communities to develop locally-run sustainable programmes that best fit their needs, rather than relying on external funding; and

- approaching needs holistically, providing a variety of services and benefits through partnerships with other organizations, governments and businesses.

SEWA has not only provided microfinance and microcredit but also developed a variety of cooperatives, social security, health care and child care programmes linking members together in many aspects of everyday life. SEWA also promotes community-building at the national and international levels, working to create networks linking together domestic groups sharing similar occupations, such as domestic work or street vending. This allows informal workers to gain more power at the legislative level, which is particularly important given that SEWA presses for government recognition, protection and benefits while at the same time providing community-led services for its members.

Solidarity microfinance illustrates the possibility of explicitly linking loans to broader community development goals, structurally reshaping the way microfinance assists entrepreneurs. SEWA's example shows that it is possible for small, community-level SSE-friendly entrepreneurship programmes to be successfully scaled up to the national level. Both approaches require strategic planning and the willingness to change direction when endeavours are not successful at reaching the broader goals of SSE. Now that countries such as China and India are putting even more resources into cultivating future female entrepreneurs, the challenge is to think creatively about how entrepreneurship programmes can be designed to support individual development while also supporting community solidarity.

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