

Decoding the financial health of women-owned microbusinesses



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Foreword

In the last decade, the conversation on financial inclusion has started recognising the need for financial Health as an indicator of the well-being of individuals and businesses. This emerges from the learnings that, even as access to finance continues to improve, individuals in the lower-middle socio-economic segments face challenges in sustaining the gains from growth especially in the face of significant life-cycle shocks. This also holds true for businesses, particularly those owned by women who, as we saw during the years of the pandemic, were disproportionately impacted with several having to shut shop.

Unfortunately, there has been little research focused on understanding the financial health of women-owned microbusinesses, or wMBs, in India. We believe that only by understanding, measuring, and keeping their goal as financial health, can organizations who support women entrepreneurs, make their interventions truly sustainable. Economic access for microbusinesses is only one step on the path to economic resilience - there is more to be done to get to the destination.

Supported by JPMorganChase and developed in collaboration with Sa-Dhan, this report - Decoding the Financial Health of Women-owned Microbusinesses – aims to unpack the concept of financial health specifically in the context of wMBs. It does so by starting to look at the drivers that influence the growth and resilience of wMBs and forms a framework to identify a financially healthy wMB. The report is informed by insights from the ground - women entrepreneurs themselves, Enterprise Support Organizations and Financial Institutions.

We hope that this framework spurs wider conversations around designing services and products that truly cater to wMBs becoming robust businesses that are primed to grow and contribute to the well-being of the individual and her family in the long term.

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List of abbreviations

CAPI	Computer-assisted personal interview
ESOs	Enterprise support organizations
FIs	Financial institutions
KIIs	Key informant interviews
MSMEs	Micro, small, and medium enterprises
ULB	Urban local body
wMBs	Women-owned microbusinesses
YoY	Year-on-year
S&E Act	Shops and Establishment Act



Executive summary



Financial inclusion has increased significantly, with 1.2 billion people worldwide gaining access to financial accounts¹. However, this progress does not guarantee true financial stability, particularly for women-owned microbusinesses (wMBs)*. In India alone, there are 13.5–15.7 million women-owned enterprises, representing 20% of all businesses and employing approximately 22 to 27 million people². These businesses, primarily single-person operations, face unique challenges that hinder their resilience and financial health.

The COVID-19 pandemic exacerbated these issues, with over 73% of wMBs reporting severe setbacks and 20% losing all revenue. Additionally, around 67% of micro, small, and medium enterprises (MSMEs) temporarily shut down, with the majority being women-owned³. Addressing these challenges is crucial for fostering economic stability and growth for women entrepreneurs.

The importance of financial health for wMBs

Financial health is the ability to manage finances effectively to meet current needs, withstand shocks, and pursue future goals⁴. Yet, for many wMBs, financial health remains elusive. They often lack safety nets and have volatile incomes. The existing discourse on financial health fails to address their unique challenges.

Our research on “Decoding the financial health of women-owned microbusinesses” highlighted several behaviors and perceptions that influence the financial health of wMBs. 60% of wMBs do not maintain written records for their operations. Among these, 55% believe separate records are unnecessary due to small profit margins or scale, while others find maintaining records too complex. As a result, they struggle to track business performance and assess financial health. Though record-keeping correlates positively with improved loan repayment rates, 51% still struggle to make timely payments.

Moreover, 68% of wMBs do not maintain separate bank accounts for their business as they prioritize simplicity or do not understand the benefits. Even though they recognize the need to modernize, wMBs often lack the tools and knowledge to make their businesses more profitable and attain better financial health.

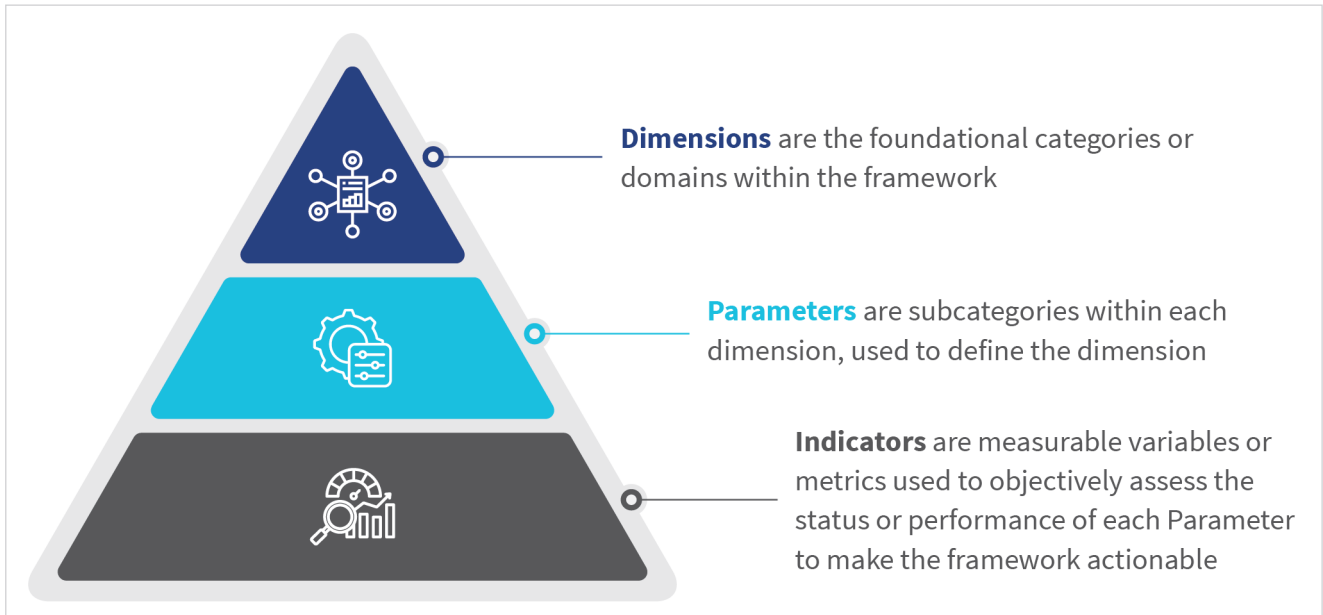
The financial health framework

This report addresses this gap by offering a pioneering framework to assess and improve the financial health of wMBs. The measurement of financial health provides a more nuanced and nonbinary assessment than financial inclusion. It offers the ability to assess the impact of financial advancements on the lives of

*For this study, we define women-owned microbusinesses (wMBs) as those with annual revenues between INR 150,000 (USD 1,787) and INR 900,000 (USD 10,727), employing three individuals. The focus is on wMBs where women are the substantive owners or primary managers.

wMBs. Developed by MSC in collaboration with Sa-Dhan, the framework moves beyond traditional financial inclusion metrics to offer a comprehensive approach that fosters long-term resilience, financial stability, and sustainable growth for wMBs.

This report explores the perceptions of financial health across a diverse range of women entrepreneurs. These insights and expert consultations serve as a foundation for developing the framework, which incorporates these entrepreneurs' behaviors and perceptions to improve their financial well-being.



Three layers of the financial health framework

This framework incorporates insights from women business owners and experts from financial institutions, enterprise support organizations, and public agencies. The framework defines five foundational dimensions, using parameters that positively or negatively impact the wMBs' financial health. Each parameter is measured through indicators that make the framework actionable.

The five dimensions of the financial health framework encapsulate their basic business standing, financial management capabilities, access to finance, business resilience, and future potential. The indicators under each dimension include their characteristics, such as the entrepreneur's income and assets, and external factors, such as access to social networks. Since the financial health of wMBs relates closely to their households, the assessment framework also includes their perspectives on financial health.

The financial health checklist


We have used the five dimensions of this sector-agnostic framework to develop a financial health checklist tailored to wMBs. This checklist is easy to use and helps wMBs assess their own financial health or allows organizations to measure the impact of their support.

While the financial health framework offers guiding principles, the checklist enables the development of curated tools to enhance the resilience, stability, and growth of wMBs, address their unique challenges, and promote long-term sustainability.




We envision three potential tools that can emerge from the financial health checklist:

Tools derived from the financial health checklist






For wMBs: The tool serves as a self-assessment resource that allows wMBs to gauge and improve their own financial health.



For FIs and ESOs: The tools evaluate how products from FIs and ESOs affect the financial health of wMBs. They also help create targeted capacity-building modules to improve financial well-being.

1. **Self-improvement tool:** wMBs can use the self-improvement tool to identify key gaps and areas of improvement in their operations. By pinpointing these gaps, wMBs can focus on the specific areas that need attention and take actionable steps toward improvement. If wMBs use the tool regularly, they can work toward building financially healthy and sustainable operations.
2. **Impact assessment tool:** This tool is designed to monitor the financial health of existing customers over time and evaluate the impact of products and services on the financial well-being of wMBs. It will identify areas that need improvement to help enhance product offerings.
3. **Capacity building tool:** The tool is a capacity-building and training toolkit designed for different archetypes of women entrepreneurs. It focuses on improving their financial health. The tool helps ESOs, FIs, and government bodies address critical areas from the financial health checklist and deliver content modules that meet wMBs’ unique challenges.

For wMBs	For FIs and ESOs	For FIs and ESOs
Self-improvement tool 	Impact assessment tool 	Capacity building tool 
<div style="background-color: #0056b3; color: white; border-radius: 50%; width: 60px; height: 60px; display: flex; align-items: center; justify-content: center; margin: 0 auto 10px auto;">Identify</div> <p>Key gaps in operations</p>	<div style="background-color: #00a6d9; color: white; border-radius: 50%; width: 60px; height: 60px; display: flex; align-items: center; justify-content: center; margin: 0 auto 10px auto;">Monitor</div> <p>Financial health over time</p>	<div style="background-color: #333; color: white; border-radius: 50%; width: 60px; height: 60px; display: flex; align-items: center; justify-content: center; margin: 0 auto 10px auto;">Empower</div> <p>Strengthen their capabilities</p>
<div style="background-color: #0056b3; color: white; border-radius: 50%; width: 60px; height: 60px; display: flex; align-items: center; justify-content: center; margin: 0 auto 10px auto;">Focus</div> <p>Areas that need attention</p>	<div style="background-color: #00a6d9; color: white; border-radius: 50%; width: 60px; height: 60px; display: flex; align-items: center; justify-content: center; margin: 0 auto 10px auto;">Evaluate</div> <p>Impact of product or services</p>	<div style="background-color: #333; color: white; border-radius: 50%; width: 60px; height: 60px; display: flex; align-items: center; justify-content: center; margin: 0 auto 10px auto;">Address</div> <p>Tackle critical financial health challenges</p>
<div style="background-color: #0056b3; color: white; border-radius: 50%; width: 60px; height: 60px; display: flex; align-items: center; justify-content: center; margin: 0 auto 10px auto;">Action</div> <p>Steps for improvement</p>	<div style="background-color: #00a6d9; color: white; border-radius: 50%; width: 60px; height: 60px; display: flex; align-items: center; justify-content: center; margin: 0 auto 10px auto;">Enhance</div> <p>Product offerings</p>	<div style="background-color: #333; color: white; border-radius: 50%; width: 60px; height: 60px; display: flex; align-items: center; justify-content: center; margin: 0 auto 10px auto;">Deliver</div> <p>Provide tailored content modules for wMBs' needs</p>

Potential tools emerging from the financial health checklist

Through focused execution and careful implementation, the framework, checklist, and tools can effectively address the key issues that hinder growth and sustainability for wMBs by placing financial health at the center of support efforts. They will, therefore, significantly improve wMBs’ ability to thrive and achieve their business goals while ensuring a positive and lasting impact on their financial lives.

Context and background



Challenges faced by women-owned microbusinesses (wMBs)

Women entrepreneurs in India face many hurdles that hinder their ability to access finance and grow their businesses. A significant challenge for them is the difficulty in securing credit. Many wMBs lack proper financial documentation or collateral, which is often imperative to obtain loans. Social perceptions of women being more risk-averse and an unconscious bias by financial institutions impede their access to finance⁴. This issue is compounded by the fact that many women do not own property or assets in their names, which leaves them unable to provide collateral for loans. As a result, many women-owned businesses rely heavily on informal credit sources, such as moneylenders, family, and friends. This reliance on informal credit limits the capital available and prevents businesses from growing and scaling effectively.

Another major obstacle for wMBs is the low level of formalization and digitization. A significant proportion of these businesses remain unregistered. The lack of formal registration impacts their operational stability and points of sale. Additionally, the low level of digitization further hampers their operational efficiency. Many wMBs operate in a cash-based system with little record-keeping, which impedes their financial management capabilities.

Challenges faced by wMBs limit their growth, scalability, and competitiveness

- 01

Access to finance

 - wMBs struggle to secure loans due to a lack of financial documentation and collateral, compounded by gender bias.
 - Many wMBs rely on informal credit, which limits their growth capital and scalability.


- 02

Formalization and digitalization

 - Many wMBs remain unregistered, which impacts their operational stability and sales channels.
 - Low level of digitalization, cash-based operations, and poor record-keeping hinder financial management and operational efficiency.


- 03

Social and cultural norms

 - wMBs juggle household responsibilities and business management, which limits their time for business growth and expansion.


- 04

Mobility and safety

 - Safety concerns and societal norms limit women's travel, which hinder their access to markets, suppliers, and networking opportunities.


- 05

Skill development

 - Many wMBs lack confidence and business training, which hinders informed decision-making and growth.
 - Weak financial literacy and technical skills prevent women-led businesses from scaling and competing effectively.


- 06

Market access

 - Home-based businesses, which are often far away from economic hubs, struggle to source materials and reach diverse customers.
 - Inability to purchase in bulk reduces pricing advantages and restricts competitiveness and profitability.



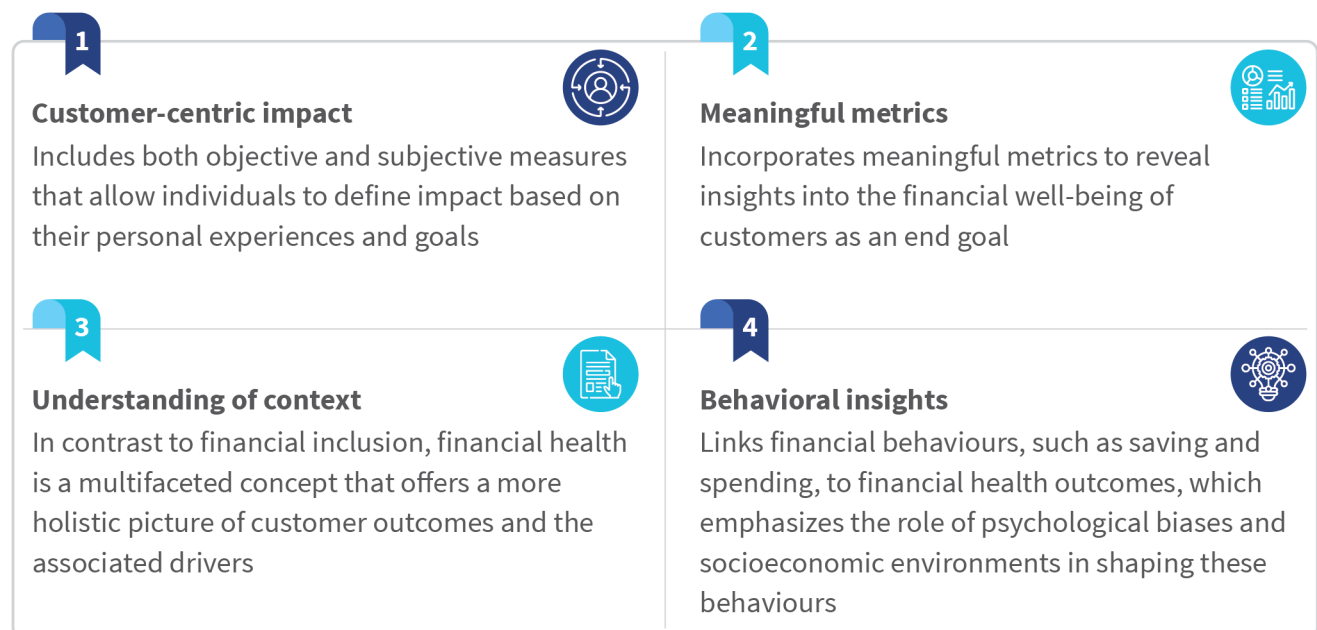
Social and cultural norms further complicate the entrepreneurial journey for women in India. Gendered expectations around caregiving and household duties often delay women's entry into entrepreneurship and reduce the time they can dedicate to their businesses. Many women entrepreneurs bear a double burden as they need to manage both their household and their business, which limits their ability to focus on expanding their operations. Family dynamics also play a crucial role in decision-making since many women continue to depend on male family members for critical business decisions. As a result, the autonomy of women entrepreneurs is frequently compromised, while their businesses remain small and reliant on unpaid family labor.

Women entrepreneurs also face challenges related to the development of an entrepreneurial mindset and the skills needed for business growth. Many women lack confidence in their abilities to run a business, which is exacerbated by limited access to business training and education. These skill gaps, including weak financial literacy and management capabilities, impede their ability to make informed business decisions. Furthermore, the lack of technical skills needed for business operations and growth means that many women-led businesses remain small and unable to scale. In a competitive market, these gaps in education and skills place women at a disadvantage and prevent them from fully using entrepreneurial opportunities.

Lastly, access to markets remains a significant challenge for women-owned businesses. Most women entrepreneurs operate home-based businesses located far away from major economic hubs, which limits their ability to source materials, find suppliers, and reach customers. Without access to formal markets, these businesses struggle to scale and remain confined to local markets, where they face stiff competition and limited customer bases⁵.

Why financial health?

Financial health as an approach offers a way forward. By definition, financial health encompasses four vital aspects of an individual's financial life: Financial security, financial resilience, financial control, and financial freedom. A financially healthy individual can meet current needs, absorb financial shocks, and pursue financial goals. As an approach, financial health focuses on the end consumer and looks at ways to enhance their financial lives through increased resources and access to financial services⁶. The measurement of financial health offers several merits:

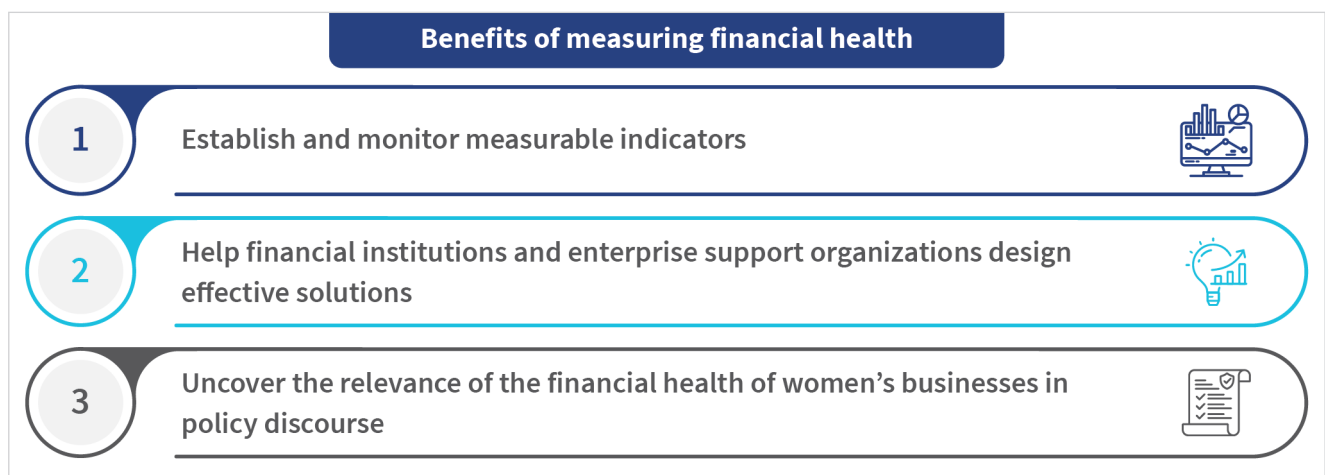


Financial health: broadening the approach

However, the current definitions and measurements of financial health do not comprehensively capture wMBs' needs and challenges. A wMB-centric framework would:

- 1. Build stability and resilience:** A focus on financial health helps wMBs manage both personal and business finances effectively and fosters stability and resilience during economic shocks. wMBs can prepare better for uncertainties if they can identify gaps in cash flow management, access to emergency funds, and insurance coverage.
- 2. Enhance access to formal credit:** If wMBs can assess their financial health, they can present a stronger case to formal financial institutions, which would improve their creditworthiness and ability to secure loans. A clear evaluation of financial management practices and business resilience allows lenders to offer products better suited to wMBs' needs.
- 3. Empower women entrepreneurs:** The measurement of financial health gives women entrepreneurs the knowledge and tools to manage and grow their businesses independently. This helps reduce their reliance on male family members for decision-making and contributes to greater autonomy and agency in their businesses.
- 4. Improve long-term sustainability:** Financial health metrics allow wMBs to identify areas of improvement, such as record-keeping, inventory management, and financial planning. This structured approach can help the business move beyond subsistence-level operations and achieve long-term growth and stability.

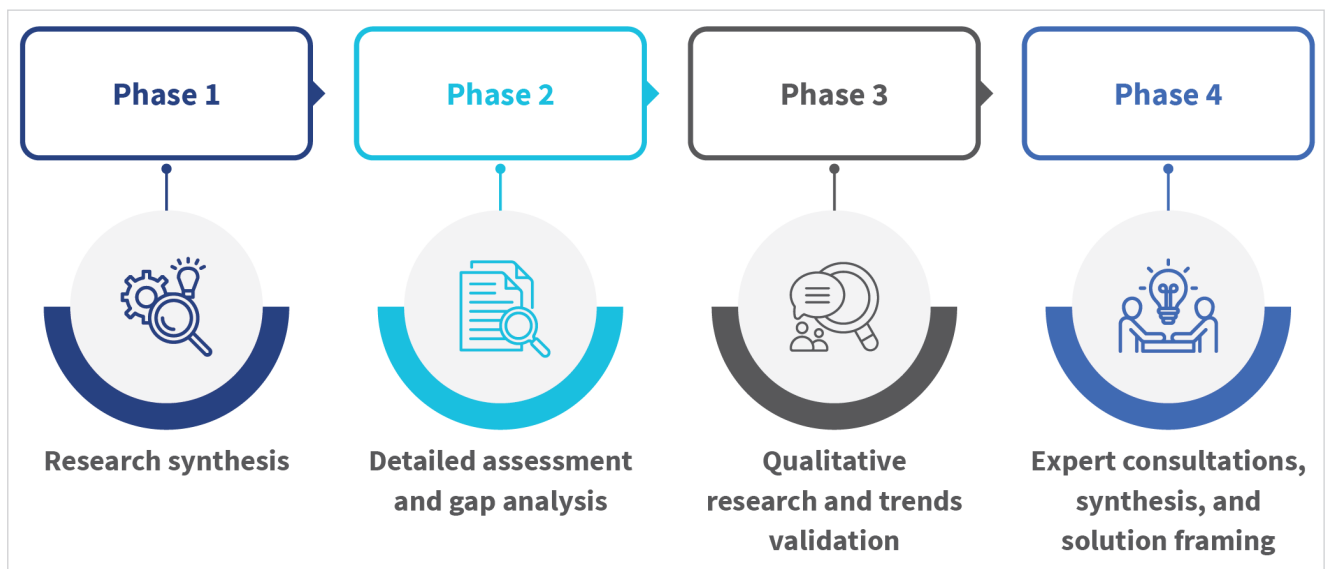
Bridging the gap: The financial health framework for wMBs



The financial health framework developed through this research bridges existing gaps through a tailored approach to assess and monitor the financial health of wMBs. This framework incorporates insights from primary and secondary research and integrates the perspectives of FIs, ESOs, and women entrepreneurs. This framework acts as a guide to building solutions for FIs, ESOs, and wMBs to positively influence their financial health and resilience.

Research methodology





Research methodology

1. Research synthesis:

A comprehensive desk research phase was undertaken, which involved reviews of existing literature, reports, and case studies on wMBs and their financial health. Insights from workshops with FIs and ESOs provided practical perspectives on ecosystem-level challenges and opportunities. Additionally, prior analysis and secondary research helped refine the hypotheses and identify focus areas for further exploration.

2. Detailed assessment and gap analysis:

We conducted quantitative research to test our initial hypotheses and explore focus areas. This research spanned six states in India—Delhi-NCR, Gujarat, Maharashtra, Telangana, Karnataka, and Tamil Nadu. During this phase, we gathered data on the financial health of wMBs through 1,460 computer-assisted personal interviews (CAPI). These interviews provided detailed insights into the women entrepreneurs' business profiles, financial challenges, and operational models. The data analysis revealed key trends and behaviors to form the foundation for further investigation in the qualitative phase.

We conducted key informant interviews (KIIs) with multiple FIs, ESOs, and public departments. These interviews ensured our hypotheses were grounded in practical realities and offered opportunities to adjust and fine-tune the research approach. The insights from sectorial experts, industry leaders, and relevant organizations shaped the qualitative research and allowed us to focus on the most critical areas identified during the quantitative phase.

3. Qualitative research and trends validation:

After the quantitative research, we conducted a two-phase qualitative research process to explore further and validate the trends identified. This phase sought to delve deeper into the behavioral preferences and motivations of wMBs regarding their financial health. We interpreted the quantitative data and sought to understand better the wMBs' specific needs and expectations around financial health solutions.

We conducted in-depth qualitative interviews with 150 wMBs across the six states, which provided detailed insights into their financial decision-making processes, challenges, and motivations. The qualitative research uncovered a deeper understanding of the wMBs' financial behaviors and expectations and ensured the findings could guide practical solutions. In the second phase, we explored how wMBs perceive financial tools and services and identified the most beneficial solutions to validate the key trends from earlier stages. These insights refined our understanding of their financial behaviors and enabled financial institutions and support organizations to develop targeted, actionable solutions to improve wMBs' financial health.

4. Expert consultations, synthesis, and solution framing:

We organized multiple meetings with key stakeholders—financial institutions, entrepreneurship support organizations, and sectorial experts—to validate emerging insights from the research. This collaborative process triangulated data from the quantitative analysis, qualitative interviews, and KIIs to comprehensively understand the wMBs' financial health landscape. The findings were integrated into the financial health framework to ensure it accurately reflected both data-driven insights and field-level perspectives. Expert consultations further refined the framework's use cases and ensured its solutions are actionable and can be implemented effectively to improve wMBs' financial health.





Understanding the universe of wMBs



The study on wMBs across the six Indian states revealed a diverse group of entrepreneurs who engage in a wide range of sectors, primarily trading, manufacturing, and services. The median age of the entrepreneurs ranged from 37 to 40 years. Educational backgrounds varied significantly. While 24.2% of the entrepreneurs had completed senior secondary education, 24.0% held graduate degrees. A notable proportion (12.6%) were college dropouts, and 11.6% had only completed primary education.

In terms of business operations, 35% of the enterprises relied on the entrepreneur's spouse for support, while 34.5% operated without any employees. Digital adoption was high. 83.9% of the entrepreneurs used smartphones exclusively for business and personal activities, while a small fraction (2.3%) relied solely on feature phones. wMBs earned a median monthly revenue of INR 30,000 (USD 357) with 49% of the businesses generating less than INR 28,250 (USD 336) in monthly sales. Despite lower revenue, the service sector had the highest profit margins at 65%, compared to 40% in manufacturing and 30% in trading.



The insights gathered from the research indicate that wMBs in India face significant challenges when they attempt to establish sustainable and autonomous enterprises⁷.

1. **Sustainable:** Nearly half of the wMBs (49%) reported that they would not be able to survive at all in case of a sudden loss of revenue, while an additional 15% indicated that they could only sustain their operations for up to one month.
2. **Autonomous:** Autonomy remains another critical issue for wMBs. About 44.3% of the women entrepreneurs rely on their spouses or other family members to support their businesses, which reflects a significant dependence on external help.
3. **Employment-generating:** A majority of these businesses do not generate employment. Approximately 55% of wMBs do not employ any staff and operate as solo ventures, which limits their contribution to job creation and the broader economy.
4. **Formal:** Formalization is also a key barrier, as 61.5% of wMBs remain unregistered. Fewer than 6% of these businesses have formal registrations, such as a business PAN or Udyam registration, which significantly limits their access to financial services, government support schemes, and market opportunities.

Key deterrents

1. wMBs tend to use their funds as fungible and do not separate their personal and business finances. This leads to challenges when they try to make scheduled payments and maintain proper inventory levels.

60%**wMBs do not maintain written records**

60% of wMBs do not maintain any written records for their operations. Among these, 55% believe that separate records are unnecessary due to their small profit margins or business scale, while others find maintaining written records too complex.

51%**wMBs struggle to pay loan dues or EMIs**

51% of wMBs that do not maintain written financial records reported that they struggled to pay EMIs or loan dues. wMBs that maintain distinct financial records are much less likely to miss scheduled payments. The odds of missing a payment decrease by approximately 38% to 40% for wMBs that keep distinct financial records.

68%**wMBs do not maintain separate bank accounts**

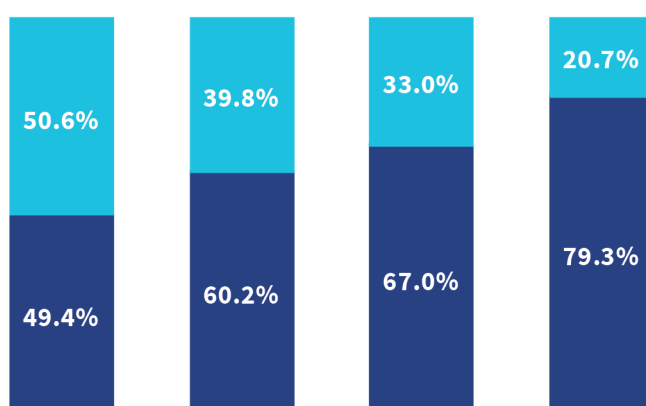
68% of wMBs do not maintain separate accounts for their business. Among these, 86% prioritize the simplicity of operations, while others do not maintain separate accounts because they do not understand the benefits.

69%**wMBs do not avail of formal financial services**

A majority of wMBs have not utilized formal loans recently, which indicates potential barriers to accessing financial services or reliance on informal funding sources. More than 52% of wMBs have not engaged in other financial services for savings or investments.

Challenges faced by wMBs in managing their finances

- wMBs demonstrate low insurance uptake, rely heavily on concentrated customers, and maintain limited emergency funds.

Monthly revenue-wise distribution of wMBs vs how they maintain their emergency funds (INR)

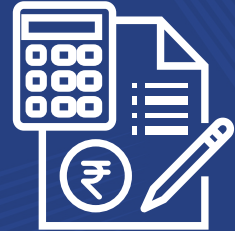
■ I maintain some kind of emergency fund ■ I do not maintain any emergency funds

wMBs' tendency to maintain emergency funds increases with an increase in revenue. The size of the emergency funds also increases with the vintage of the business.

1. 57% of wMBs reported that their businesses **rely heavily on a single or concentrated base of customers**.
2. In case of a **sudden loss of business revenue**, 14.5% of wMBs reported that they cannot survive at all, while 49% can survive only up to a month, and the remaining 36% can survive only up to three months.
3. More than 45% of wMBs do not maintain any emergency funds at all, while most maintain a median emergency fund of INR 5,000 (~USD 60).



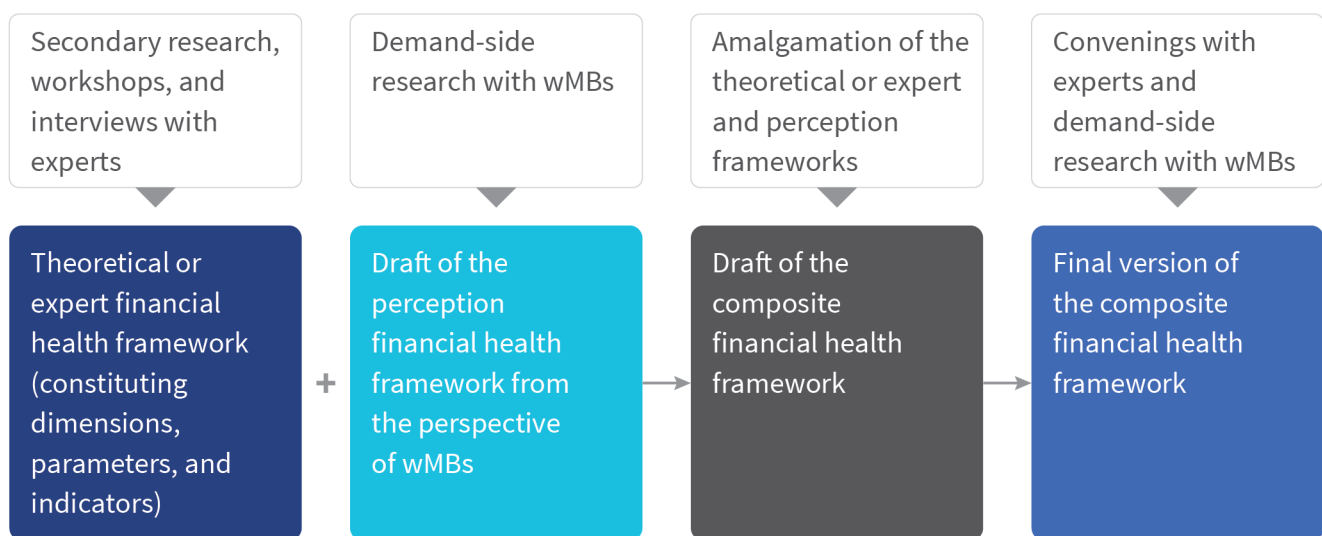
The wMBs' financial health framework



The wMBs' financial health framework is a comprehensive tool to systematically assess and monitor their financial health. It draws from secondary research, expert insights, and primary research with wMBs to capture theoretical perspectives and women entrepreneurs' lived realities. It seeks to uncover wMBs' unique challenges and provide actionable insights to help wMBs sustain and grow their businesses, with a particular emphasis on financial stability and potential for future growth.

The approach to the financial health framework's development

The research followed an iterative refinement approach to develop the financial health framework. Several expert consultations with the FIs and ESOs complemented with on-ground qualitative and quantitative research with wMBs helped refine the framework at each stage of the research process. The infographic below illustrates the broader research approach used to develop the framework.



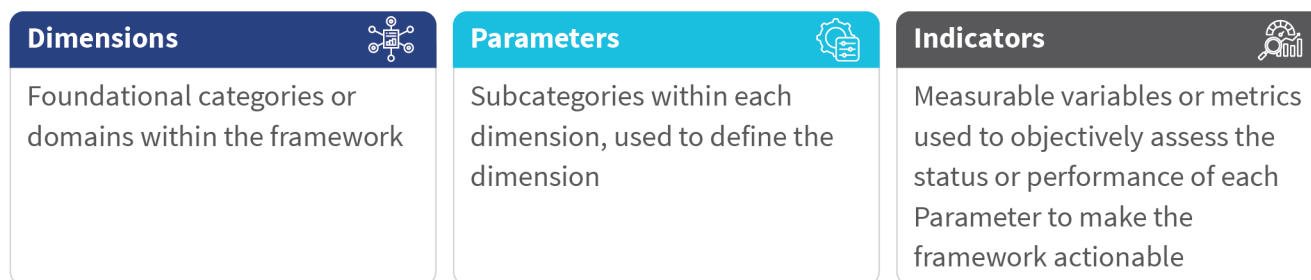
Approach followed for developing the financial health framework

The financial health framework is a composite of the theoretical or expert financial health framework and the perception framework. The theoretical or expert financial health framework is designed in consultation with experts from FIs and ESOs, while the perception framework uses the perspective of wMBs to define their financial health. The resultant composite financial health framework encapsulates the multi-faceted concept of financial health and uses objectively defined parameters and indicators to monitor and assess wMBs' financial health. The approach attempts to encapsulate the multifaceted concept of financial health and define objective parameters and indicators to monitor and assess the financial health of wMBs.

Wireframe of the financial health framework

The wMBs' financial health framework draws inspiration from the existing body of research on financial health. However, what differentiates it is its targeted approach toward the financial health of wMBs.

At its core, the financial health framework is organized into three layers: Dimensions, Parameters, and Indicators. These layers provide a structured approach to understanding and measuring the wMBs' financial health.



Three layers of the financial health framework

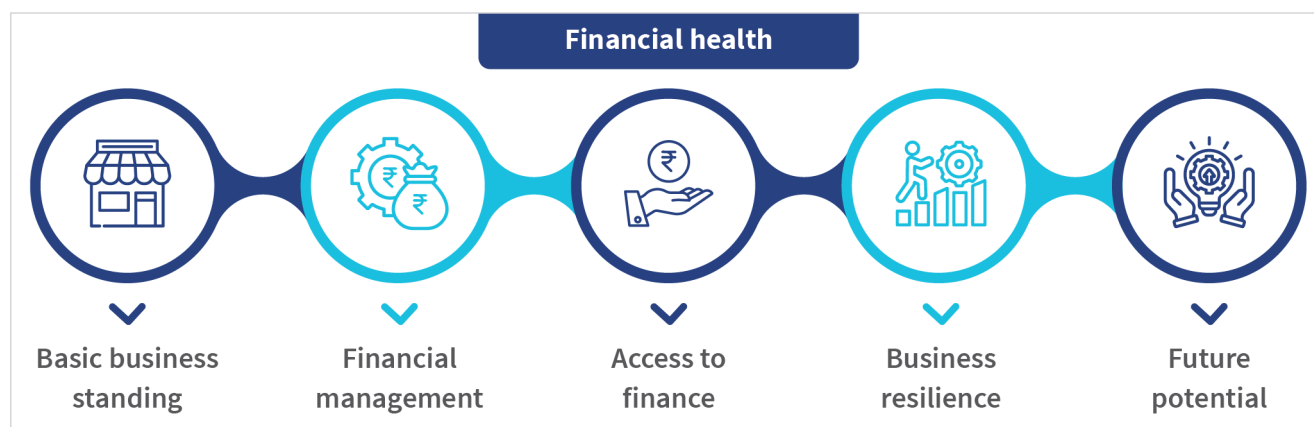
The **Dimensions** provide the broad categories needed to evaluate financial health. Each dimension covers a critical area of a microbusiness's operations and sustainability.

Within each dimension, **Parameters** are established to break down these broad categories into more specific areas for assessment. The parameters refine the understanding of each dimension by focusing on particular operational or financial aspects.

Lastly, **Indicators** are curated for each parameter to provide measurable metrics that make the framework actionable. These indicators are key to assessing financial health and can be used by FIs and ESOs to monitor the progress and needs of wMBs.

Dimensions of the wMBs' financial health framework

The wMBs' financial health framework builds upon the following five foundational dimensions⁸:



The five-dimensional approach to financial health

Dimension 1: Basic business standing

The foundational status of any business plays a critical role to shape its future success potential. This dimension includes the wMB's general financial and operational condition. It assesses the business's ability to meet its current obligations, sustain operations, and generate consistent income.

Dimension 2: Financial management

Effective financial management is critical to ensuring a wMB's sustainability and optimizing the use of available resources. This dimension focuses on the wMB's ability to manage its financial resources effectively. It examines the accuracy and completeness of financial records maintained by wMBs, alongside their ability to budget, manage cash flow, and make informed financial decisions.

Dimension 3: Access to finance

Finance is the bloodline to run any successful and sustainable business. This dimension evaluates the wMB's ability to secure external funding when needed. It considers whether the business has access to formal financial products, such as loans, and evaluates its ability to tap into these resources in a timely, efficient, and affordable manner.

Dimension 4: Business resilience

The ability to withstand and recover from adversity is essential for any business's long-term success. This dimension measures the wMB's capacity to survive and adapt to unexpected challenges or disruptions, such as market changes, economic downturns, or other unforeseen events. It looks at the business's risk management practices and contingency planning to ensure long-term survival and stability.



Dimension 5: Future potential



Understanding a business's future potential helps assess if it is on a trajectory for growth or needs strategic adjustments to unlock new opportunities. This dimension focuses on the wMB's growth prospects. It considers the business's market position, the entrepreneur's vision, and the potential for expansion or innovation.



Parameters and indicators: The building blocks of the financial health framework

The parameters and indicators under each dimension of the wMBs' financial health framework are developed to make the framework more data-driven and actionable for the users to comprehend and use. A combination of curated expert consultations and qualitative and quantitative research with wMBs have helped develop the parameters and indicators under the wMBs' financial health framework.



Dimension 1 – Basic business standing


Parameters 	Indicators 
<p>Sound business management</p> <p>The wMBs' ability to track and manage their day-to-day operations effectively demonstrates smooth business operations and indicates a positive impact on their basic business standing.</p>	<ul style="list-style-type: none"> • Existence of a record-keeping system • Tracked inventory of the product offering • The number of stockouts in the past year • Tracked cash flow cycles • Inventory turnover ratio
<p>YoY growth of business</p> <p>wMBs with positive YoY growth tend to witness sustained operational efficiency.</p>	<ul style="list-style-type: none"> • Growth in the number of employees • Growth in total sales or revenue • Growth in the profit margin

Parameters 	Indicators 
<p>Digitization</p> <p>wMBs that adopt digital tools for daily business operations achieve enhanced reach, adaptability, and operational efficiency, which contributes positively to their basic business standing.</p>	<ul style="list-style-type: none"> • The number of digital tools used for financial and operational management • The proportion of sales made through digital channels • The percentage of business transactions conducted using digital payment tools
<p>Formalization</p> <p>Formalization among wMBs enhances their stability and contributes positively to their basic business standing.</p>	<ul style="list-style-type: none"> • The business's registration status • Level 1 (typical at the startup stage), such as local trade associations, urban local body (ULB) license, Shops and Establishment Act (S&E Act) license, Udyam Assist certificate, or registration number, etc. • Level 2 (typical at the growth stage), such as current account, Udyam registration number, GST number
<p>Relationships with suppliers and customers</p> <p>wMBs' ability to maintain smooth relationships with a diverse base of suppliers and customers contributes positively to their basic business standing.</p>	<ul style="list-style-type: none"> • Number of suppliers • Repeat purchase rate of existing product offering • Average weekly customers or clients served • Customer retention rate
<p>The business owners' experience and exposure</p> <p>wMBs' increased experience and exposure in running the enterprise positively influences their confidence and decision-making abilities to enhance their basic business standing.</p>	<ul style="list-style-type: none"> • Number of years the business has been operational • Business interactions with suppliers conducted independently • Ability to approach FIs independently • Customer interactions managed independently
<p>The business owners' financial literacy levels</p> <p>The financial literacy levels of women business owners largely influence their ability to choose the right financial products and add to their prudence when they make financial decisions, which contributes positively to their basic business standing.</p>	<ul style="list-style-type: none"> • Awareness of financial products, such as savings, insurance, and credit products • Knowledge of these financial products • Usage of these financial products • Ability to choose the right financial products or government schemes
<p>Reliance on external debt</p> <p>wMBs perceive an overreliance on external debt as a deterrent to a business's financial standing, which harms its basic standing.</p>	<ul style="list-style-type: none"> • Own capital vs total capital invested • Percentage of profits reinvested in the business



Parameters 	Indicators 
<p>The business owners' control over the business</p> <p>wMBs generally operate based on collaborative decision-making. However, loss of autonomy significantly impacts the business owner's financial health, diminishes their agency over the business, and hurts their financial health.</p>	<ul style="list-style-type: none"> • Women business owners' ultimate decision-making ability in the business operations and finances • Women business owners' ability to draw profits from the business when required
<p>Contribution to household income</p> <p>wMBs assert significant importance in their contributions to their household income. For most wMBs, it becomes a primary aspiration from the business, which positively contributes to their financial health.</p>	<ul style="list-style-type: none"> • The percentage contributed by the business to the household income • The percentage contributed by the business to the household expenses
<p>Profitability</p> <p>The wMBs' net profitability indicates business sustainability and, hence, a more robust basic business standing. wMBs, profit margins and return on capital strongly impact their agency and confidence</p>	<ul style="list-style-type: none"> • The business's net profit margin • Return on investment; for wMBs, profit margins and return on capital strongly impact their agency and confidence
<p>Access to utilities, such as electricity, water supply, LPG, etc.</p> <p>wMBs' ability to meet the needs for basic utilities ensures uninterrupted operations, which indicates a solid basic business standing.</p>	<ul style="list-style-type: none"> • Payment of utility bills on time • The average cost of monthly utilities vs average monthly revenue



Dimension 2 – Financial management

Parameters 	Indicators 
<p>Separation of personal and business finances</p> <p>A business's ability to maintain financial records determines its capacity to navigate its financial journey and facilitate decision-making. wMBs generally use their money pool as a fungible resource. However, an enterprise's ability to maintain separate finances is the foundation for building its financial management capabilities.</p>	<ul style="list-style-type: none"> • Separately maintained personal and business financial records • Separate bank accounts for personal and business use



Parameters 	Indicators 
<p>Management of cash flow variability</p> <p>Cash flow variability is an inherent aspect of operations for a micro-level business. However, how well an enterprise manages its cash flow variance can decide its sustainability, which indicates sustainable financial management.</p>	<ul style="list-style-type: none"> • The presence of alternative or non-business income sources • The use of non-business income to cover operating costs during periods of low revenue • The use of savings for operating expenses
<p>Debt management</p> <p>wMBs often rely on debt to fund their business operations. A business's ability to strategize its debt requirements and align them well with business operations determines its financial management capabilities.</p>	<ul style="list-style-type: none"> • The alignment of the debt payment schedule with business cash flow cycles • The ratio of interest on debt to the business's income • The proportion of the business's operating income to its total current debt service obligations • The frequency of missed loan dues or EMIs
<p>Timely scheduled payments</p> <p>A wMB's ability to meet its financial obligations on time and in full indicates its financial management capabilities.</p>	<ul style="list-style-type: none"> • The frequency of missed scheduled payments (for utilities or rent)



Dimension 3 – Access to finance

Parameters 	Indicators 
<p>Financial trail and documentation</p> <p>Most wMBs struggle to maintain proper records for business operations and finances, which significantly hinders their ability to access formal credit options. This gap in financial discipline constrains their growth potential and access to finance.</p>	<ul style="list-style-type: none"> • Credit history from formal sources • Credit history from informal sources • The availability of identity documents required to avail of formal credit or government schemes/benefits • The availability of financial statements, such as bank statements and written records
<p>Digital footprints</p> <p>Digital footprints serve as a pivotal tool for wMBs to develop alternative credit scoring methods, which significantly enhances their access to finance.</p>	<ul style="list-style-type: none"> • Online sales volume vs offline sales volume • Digital transactions vs cash-based transactions



Parameters 	Indicators 
<p>Access to capital for working and long-term needs</p> <p>wMBs value self-sufficiency highly, while access to capital significantly boosts their confidence. If a business can obtain credit for business growth and expansion regularly, it attracts better financing options and strengthens its access to finance.</p>	<ul style="list-style-type: none"> • Availed of supplier credit or arrangements for it • Availed of working capital through social networks or arrangements for it • Availed of term loan, working capital overdraft, or cash credit loan facility from financial institutions • Usage of government schemes

Dimension 4 - Business resilience

Parameters 	Indicators 
<p>Understanding of the business's competitive landscape</p> <p>How well wMBs understand the competitive landscape determines their ability to initiate counter actions to navigate the ever-changing market trends and contributes positively to building a resilient enterprise.</p>	<ul style="list-style-type: none"> • Awareness of existing competitors • Understanding of industry or market saturation • Understanding of competitive advantages of their business • Attitude toward dealing with competitors
<p>Diversified customer base</p> <p>wMBs that can diversify the customer base to reduce their overreliance on a concentrated customer base can help build their resilience.</p>	<ul style="list-style-type: none"> • The number of repeat customers and revenue sourced from them • The number of new customers and revenue sourced from them • The use of multiple channels to acquire new customers
<p>Business stability</p> <p>Stability plays a crucial role to determine a business's resilience. wMBs assert a high value on their operational stability and income to manage their expenses. Stability includes a secure point of sales for wMBs, which is often a challenge due to a lack of registration and licensing.</p>	<ul style="list-style-type: none"> • Validity from local authorities to run operations • The variance in monthly revenue and expenses • The average monthly bank balance of the business
<p>Risk protection mechanisms</p> <p>If wMBs can identify potential risks and emergencies and adopt mitigation strategies to navigate through these risks, they can help build a resilient business.</p>	<ul style="list-style-type: none"> • Arrangements to avail of emergency capital through formal or informal sources • The adequacy of the emergency funds or savings pool • The adequacy of insurance coverage

Parameters 	Indicators 
<p>Diversified product base</p> <p>If wMBs diversify the product base and minimize cash flow variations, they can help build a resilient business.</p>	<ul style="list-style-type: none"> • Product mix • Growth in sales from new products • Product diversification to cope with seasonal variations

Dimension 5 – Future potential

Parameters 	Indicators 
<p>Readiness to tackle competition</p> <p>A business's readiness to sustain their business in an emerging competitive environment.</p>	<ul style="list-style-type: none"> • The presence of a competitive pricing strategy • The ability to use new sales channels to enhance the business's reach • The ability to create new products or product lines
<p>Long-term revenue potential</p> <p>A wMB's long-term revenue potential determines its relevance in the long run, so it continues to generate revenue and evolves per the changing market trends.</p>	<ul style="list-style-type: none"> • The business's future relevance • The scale of adoption for upcoming technologies • Repeat purchase rate • Customer retention rate



wMBs' financial health checklist—the foundation use case of the wMBs' financial health framework



Among several use cases, our research suggests a wMBs' financial health checklist will act as a foundation for the underlying applications of the checklist. The checklist shall comprise a priority list of key areas that emerge from the framework and are imperative to define wMBs' financial health.

This checklist helps assess the wMBs' current financial health. It identifies key gaps that impact their financial health to enable organizations to evaluate their offerings and either improve existing products or develop new ones. The checklist includes essential components, such as business standing, financial management, access to finance, business resilience, and future potential. It provides a comprehensive overview of these enterprises' financial stability and growth prospects.

The assessment matrix for the financial health checklist

The wMBs' financial health framework is refined further to develop the wMBs' financial health checklist. The segmentation is based on inputs from FIs and ESOs and reflects their experience and the current state of the ecosystem in which wMBs operate. The wMBs' financial health checklist categorizes the indicators that stem from the wMBs' financial health framework in terms of relevance and feasibility to develop a prioritized list of indicators, useful to monitor and assess the financial health of wMBs.











- **Relevance:** Relevance is used as a criterion to highlight an indicator's relative importance in measuring financial health, informed by the knowledge of FIs and ESOs based on their understanding of the customer segment. For example, our primary research suggests profitability emerges as a more relevant indicator with a stronger impact on the financial health of wMBs than their contribution to household income.
- **Feasibility to capture:** The feasibility to capture each indicator's relevant data points is crucial to ensure the tool does not become burdensome for the organizations using it. The segmentation of indicators by feasibility helps minimize costs, staff efforts, and resources and ensures the tool is easy to implement and use without significant operational strain.

Based on the categorization, the indicators can be classified into four major categories:

- **High relevance and high feasibility:** Indicators in this category are highly relevant for the wMBs. They are also feasible for organizations to capture and act upon. These indicators are prioritized because they address critical needs that can be effectively measured and implemented to provide immediate and impactful benefits.
- **High relevance and low feasibility:** These indicators are crucial for wMBs but pose challenges in terms of feasibility for organizations to capture and implement them.
- **Low relevance and high feasibility:** Indicators in this category are relatively easy for organizations to capture and implement but are less critical to the wMBs' core needs. They offer practical benefits but may not significantly impact the key challenges that wMBs face.
- **Low relevance and low feasibility:** Indicators in this category are both less relevant for wMBs and difficult for organizations to capture and implement. Hence, these indicators typically get deprioritized due to their minimal impact and the significant challenges associated with their implementation.

Priority matrix of indicators for the wMBs' financial health checklist

Relevance 				
 High	 High	 Low	 Low	
Feasibility 				
 High	 Low	 High	 Low	
<ul style="list-style-type: none"> ➤ Existence of a record-keeping system ➤ The female business owner's decision-making ability in business operations, finances, and drawing profits ➤ Level 1 - ULB license, S&E Act license, etc. ➤ Net profit margin ➤ Use of digital tools for the business (payments, processes, and sales) ➤ Average bank balance ➤ Sufficiency of emergency funds or savings pool ➤ Arrangements to avail of working capital through supplier credit or social networks 	<ul style="list-style-type: none"> ➤ Inventory turnover ratio ➤ Return on investment ➤ Growth in profit margin ➤ Growth in total sales or revenue ➤ Average footfall ➤ Customer retention rate, repeat purchase rate ➤ Confidence in approaching customers and suppliers ➤ Confidence in independently approaching FSPs for the business's financial needs ➤ Sufficiency of insurance coverage ➤ The female business owner's credit history from informal sources 	<ul style="list-style-type: none"> ➤ Number of stockouts in the past year ➤ Ability to choose the right financial products or government schemes ➤ Percentage contribution to household income ➤ Own capital vs total capital invested ➤ Percentage of monthly profits reinvested in the business ➤ Use of non-business income to cover operating costs during low-revenue periods ➤ Attitude toward dealing with competitors 	<ul style="list-style-type: none"> ➤ Number of suppliers ➤ Use of government schemes ➤ Online sales volume vs offline sales volume ➤ Digital transactions vs cash-based transactions ➤ Use of multiple channels to acquire new customers ➤ Sufficiency of alternative income sources ➤ Awareness of competitors ➤ Understanding of competitive advantages of their business 	

Relevance 			
 High	 High	 Low	 Low
Feasibility 			
 High	 Low	 High	 Low
<ul style="list-style-type: none"> ➤ Separation of financial records ➤ Use of savings for operating expenses ➤ Alignment of the debt payment schedule with the cash flow ➤ Ratio of interest on debt to the business's income ➤ Frequency of missing loan dues, EMIs, or scheduled payments ➤ Presence of documents and financial statements 	<ul style="list-style-type: none"> ➤ Variance in monthly revenue and expenses ➤ Arrangements to avail of emergency capital through formal or informal sources ➤ Product adaptation or diversification to cope with seasonal variations ➤ Number of repeat customers and revenue from them vs total customers or total sales 	<ul style="list-style-type: none"> ➤ Understanding of the industry or market saturation ➤ Growth in sales from new products ➤ Presence of a competitive pricing strategy ➤ Ability to create new products or product lines ➤ Future relevance of the business 	<ul style="list-style-type: none"> ➤ Utilization of multiple channels for acquiring new customers ➤ Adaptation to recent technologies
Priority 1	Priority 2	Priority 3	Priority 4

The application of the wMBs' financial health checklist



Based on expert consultations, three core thematic applications of the wMBs' financial health checklist emerge:

1.1 Impact assessment tool

The wMBs' financial health checklist can serve as an impact assessment tool for FIs and ESOs. The FIs and ESOs can use the checklist to track the financial health of their existing female customers over time and study the impact of their financial and nonfinancial products and services on their lives. Based on the insights generated from the assessment, the FIs can potentially use this tool to drive upselling and cross-selling opportunities for their existing customer base and offer need-centric products to wMBs.

As the checklist has an iterative design, ESOs and FIs can modify specific indicators to align with their products and services. The checklist enables data-driven analysis to help develop financial products that address the challenges faced by women entrepreneurs and lead to tailored solutions and improved business outcomes.

1.2 Self-improvement tool

The financial health checklist can serve the definitive need of wMBs to assess their financial health status. The tool can be developed and developed to intuitively suggest key strengths and areas of improvement for the financial health of wMBs. The wMBs can use these personalized solutions to enhance their financial well-being.






1.3 Capacity building tool

A curated capacity-building and training toolkit designed for different archetypes of women entrepreneurs, focusing on improving their financial health. It helps ESOs, FIs, and government bodies address key areas from the financial health checklist and deliver content modules that cater to the unique challenges faced by wMBs.







The table below summarizes the what, why, who, and how of the self-improvement, capacity building and impact assessment tools.

Self improvement tool 	
 What?	The self-improvement tool is designed to help WMBs identify key gaps and areas for improvement in their operations. When these gaps are pinpointed, they can focus on the specific areas that need attention and take actionable steps to improve. wMBs can build financially healthy and sustainable operations through the regular use of the tool.
 Why?	This tool identifies areas where wMBs can improve financial health, address barriers to financial inclusion, and use strengths for growth. Businesses can enhance operations, expand financial access, and develop strategies for sustainable growth by understanding these gaps. It is especially useful for ESOs when they scope pilot programs.
 Who?	This tool is valuable for wMBs that seek to evaluate and improve their financial health by understanding the gaps and areas of improvement.
 How?	wMBs can use a structured self-assessment framework to evaluate current practices, identify gaps, and implement tailored recommendations. This will enhance their financial health and resilience.

Impact assessment tool 	
 What?	The impact assessment tool helps monitor the financial health of existing customers over time and evaluate the impact of products and services on wMBs' financial well-being. This tool will identify areas that need improvement and thus help enhance product offerings.
 Why?	The tool enables FIs and ESOs to target and monitor their customers more effectively. This way, they can adopt strategies to upsell and cross-sell financial products as business profiles evolve. Additionally, the tool introduces a social dimension for FIs through its focus on wMBs. It allows them to serve their women-centric portfolios better and promote financial inclusion.
 Who?	This tool tracks existing customers' financial health over time and assesses the impact of products and services on wMBs' financial lives.
 How?	This tool collects and analyzes customer data, tracks financial health metrics, and generates insights for targeted marketing and product recommendations.

Capacity building tool



 What?	<p>A capacity-building and training toolkit designed for different archetypes of women entrepreneurs, focusing on improving their financial health. It helps ESOs, FIs, and government bodies address key areas from the financial health checklist and deliver content modules that meet the unique challenges faced by wMBs.</p>
 Why?	<p>The toolkit addresses the financial challenges of women entrepreneurs by providing targeted training and resources. It enables ESOs, FIs, and government bodies to create customized training based on the financial health checklist, helping build resilient and financially healthy enterprises. Entrepreneurs benefit from modules tailored to their business needs and growth stages.</p>
 Who?	<p>Designed for ESOs, FIs, and government bodies supporting women entrepreneurs, helping them create training programs that address the specific needs of wMBs.</p>
 How?	<p>Based on insights from the financial health checklist, the toolkit provides practical resources, training, and mentorship. Each module is tailored to the specific archetypes of women entrepreneurs, ensuring relevance and effectiveness. The tool can also be customized according to the organization's mode of delivery.</p>

Conclusion

The layered concept of the financial health framework offers a structured approach to define, monitor, and assess the financial well-being of wMBs. FIs and ESOs can use the framework to identify and track critical financial indicators accurately, which can lead them to design more meaningful products and services that respond directly to the needs of these businesses. This comprehensive understanding of financial health will empower stakeholders to offer tailored solutions that resolve immediate financial constraints and help build longer-term resilience for wMBs.

The financial health framework and the financial health checklist are designed to address the primary challenges wMBs face. The financial health framework provides a robust methodology to assess financial stability across essential business dimensions. Meanwhile, the financial health checklist serves as a practical guide to help wMBs track their progress and strengthen the foundations of financial health and well-being.

Through focused execution and careful implementation, the framework and checklist can effectively address the key issues that hinder wMBs' growth and sustainability. As these tools place financial health at the center of support efforts, they will significantly improve wMBs' ability to thrive, achieve their business goals, and ensure a positive and lasting impact on their financial lives.



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