FOCUS NOTE

Diverse Paths: Finance for Women's Nano and Micro Enterprises

May 2025 • **Swati Sawhney, Salome Wanjiku Kimani, and Alexander Giorgios Sotiriou**

CGAP

Acknowledgments

The authors are grateful to David Kruijff of CGAP, who contributed significantly to this Focus Note as a researcher and reviewer. Xavier Faz of CGAP provided significant technical direction and critical input to the team throughout the process.

The authors would like to thank internal CGAP peer reviewers Anaar Kara, Estelle Marie Lahaye, and Camila Quevedo Vega for their time and effort reviewing the research and providing direction. Finally, we are grateful to Jahda Swanborough, Feven Getachew, and Simrin Makhija for communications and editorial support.

As part of the larger research effort, CGAP solicited the guidance of Advisory Councils in each of the research countries: India, Kenya, and Uganda. We would like to thank the councils' members for their invaluable advice and guidance. We would also like to thank the several external peer reviewers that helped sharpen the insights presented in this report.

This Focus Note is the result of extensive primary research conducted on behalf of CGAP, by EDI Global (in Kenya and Uganda) and Grant Thornton (in India). Cenfri led coordination of the overall research and data compilation. A special thank you to Vera Neugebauer, Liebe Burger, Anita Mulipa, and Jeremy Gray—the lead authors from Cenfri who contributed significantly to the content of this Focus Note.

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Contents

List of Figures

Main

Annex

List of Boxes

Main

Annex

List of Tables

Main

Annex

Acronyms

DFI	Development Finance Institution
DOT	Digital Opportunity Trust
FSD	Financial Sector Deepening
FSP	financial services provider
GDP	gross domestic product
GDP PPP	gross domestic product per capita, adjusted for purchasing power parity
GVA	gross value added
IDI	in-depth interview
IFC	International Finance Corporation
INR	Indian rupee
KES	Kenyan shilling
KNBS	Kenya National Bureau of Statistics
MFI	microfinance institution
MNME	male-led nano and micro enterprise
MOSPI	Ministry of Statistics and Programme Implementation (India)
MSME	micro, small, and medium enterprise
NRLM	National Rural Livelihood Mission
NME	nano and micro enterprise
ROSCA	rotating savings and credit association
SHG	self-help group
SME	small and medium enterprise
UGX	Ugandan shilling
UNCDF	United Nations Capital Development Fund
US$	United States dollar
VSLA	village savings and loan association
WNME	women-led nano and micro enterprise
WNE	women-led nano enterprise

Executive Summary

WOMEN-LED NANO AND MICRO enterprises (WNMEs) are a powerful testament to the resilience, creativity, and entrepreneurial spirit of women across the globe. These women-led enterprises not only provide livelihoods and income for families, but also invigorate communities and fuel local economies. Yet, despite their significant contributions, WNMEs often face a complex web of financial and structural barriers—from insufficient start-up capital to limited networking opportunities to a persistent digital divide. By recognizing the vibrant diversity within this sector and acknowledging the distinct needs of different enterprise segments, policymakers, funders, and financial services providers (FSPs) can unlock transformative opportunities for women entrepreneurs.

Successfully supporting WNMEs requires a nuanced understanding of their challenges and the implementation of tailored, high-impact solutions that address their diverse needs. This Focus Note highlights five interconnected challenges faced by WNMEs that have significant implications for their growth, financial outcomes, and sustainability. It also provides potential solutions to address these:

1. **Recognizing WNME Heterogeneity**
   WNMEs vary in size, business models, and risk profiles. A lack of granular data often leads to ineffective policies. Robust segmentation and tailored support are essential for high-impact interventions.
2. **Bridging the Start-up Capital Gap**
   Many WNMEs operate in low-barrier, high-competition sectors due to limited savings and assets at start-up stage. Expanding funding through grants, concessional loans, structured savings programs, and policy reforms can improve access to capital and foster growth.
3. **Enhancing Informal and Semiformal Networks**
   Reliance on informal and semiformal lending networks (e.g., VSLAs, SHGs, chamas[1]) is common, yet these networks face constraints. Strengthening their lending capacity, digitizing record-keeping, and integrating alternative credit assessments can enhance accessibility and financial inclusion.
4. **Going Beyond Credit**
   While credit gaps exist, many WNMEs prioritize business support services over loans. Livelihood-oriented WNMEs can benefit from financial resilience programs and market diversification, whereas growth-oriented enterprises require business development training, mentorship, access to markets, and financial management tools. A phased approach linking credit with training has the potentially to significantly improve outcomes.
5. **Closing the Digital Divide**
   Digitization is crucial for business growth, yet WNMEs, particularly the smallest ones, and those in rural areas, lag in adoption. Expanding access to affordable digital infrastructure, providing digital

1 A "chama" (also spelled "kyama" or "Kiama") refers to an informal cooperative society or micro-savings group where people pool and invest their savings.

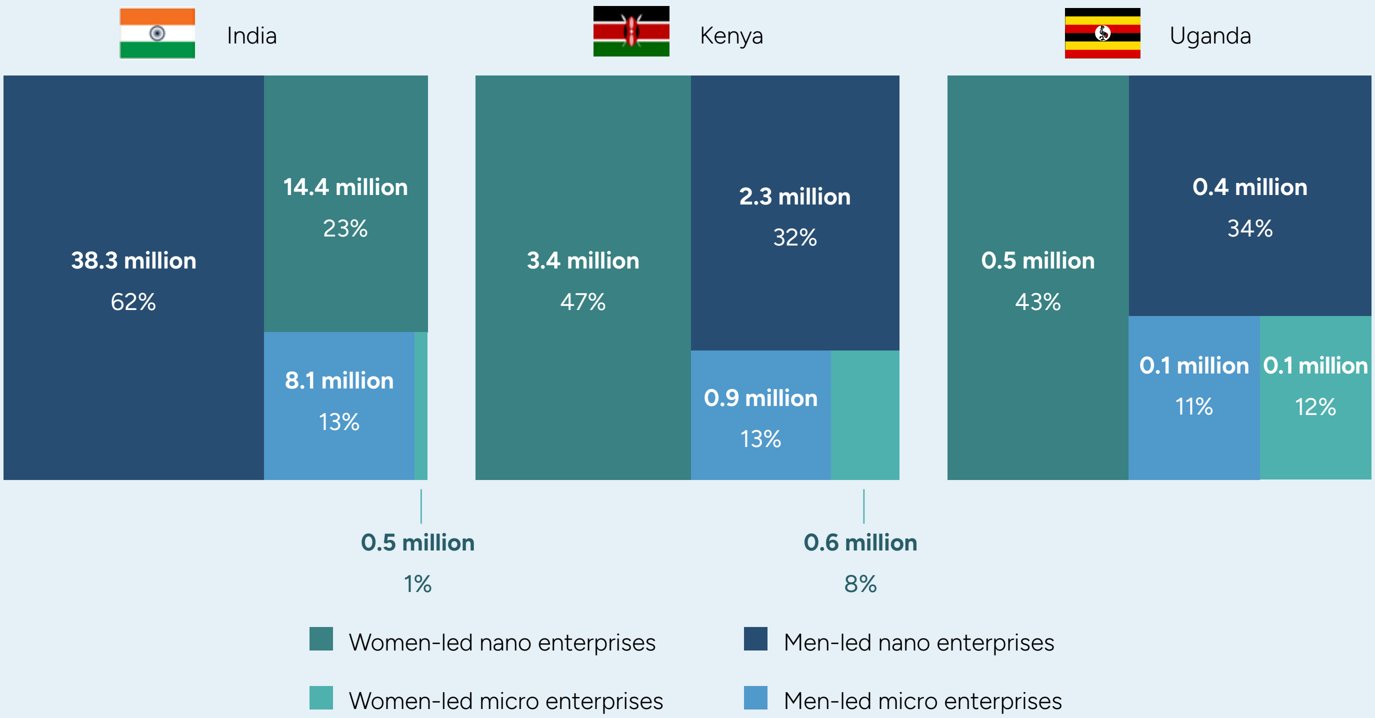
literacy training, and developing user-friendly financial products are key to bridging this gap.

While the above summarize the most prominent challenges faced by WNMEs, there are several other key considerations that emerge. First, there is a clear distinction between *Nano* and *Micro* Enterprises. Nano enterprises—small, own-account businesses—are vital for sustaining livelihoods but remain highly vulnerable to economic shocks and face even more acute challenges in accessing credit. Women-led nano enterprises (WNEs) are a diverse group—varying in growth potential, education, and access to networks—yet across this diversity, they experience consistently greater vulnerability. This underscores the need for nuanced, tailored interventions that account for the different contexts and challenges WNEs face. See Figure 1 for a breakdown of enterprises by type.

In addition, it is essential to distinguish between *livelihood-oriented* and *growth-oriented* enterprises. Expanding the traditional focus, MSME policies must extend beyond growth-oriented enterprises to include livelihood enterprises as well. This is because micro and nano units—although often single-person operations—play a critical role in self-employment and income generation for millions, particularly in informal and rural economies where formal job opportunities are more scarce. Some enterprises may transition between the two categories as they evolve, requiring policies that can adapt to these shifting dynamics.

Finally, in identifying the most underserved enterprises, this paper proposes seven key dimensions—in addition to size—that influence nano and micro enterprises (NME) outcomes: mindset, household role, ability, business sophistication, network access, sector, and location. While these dimensions vary across countries, the findings consistently show that access to networks and level of business sophistication [record keeping] as seen in Figure 2, are the ones that have the most significant impact on access to credit.

FIGURE 1. **Number of enterprises operating, by type (%)**



Source: Author's calculation based on the CGAP nano and micro enterprise survey CGAP 2024; MOSPI 2023; KNBS 2016; Bank of Uganda 2023; IFC 2017; and State Department for Industrialization 2020.

FIGURE 2. **Most underserved WNE segments and their credit gap (US$, %)***

India	Kenya	Uganda
Access to networks Unmet credit demand: 92% [US$ 110 million]	**Not reinvesting in business** Unmet credit demand: 69% [US$ 41 million]	**No access to networks** Unmet credit demand: 82% [US$ 3 million]
Does not keep records Unmet credit demand: 90% [US$ 312 million]	**No access to networks** Unmet credit demand: 68% [US$ 43 million]	**Does not keep records** Unmet credit demand: 55% [US$ 4 million]
Primary education or less Unmet credit demand: 85% [US$ 154 million]	**Non-trade sector** Unmet credit demand: 68% [US$ 11 million]	**Located in urban areas** Unmet credit demand: 53% [US$ 5 million]

Source: Author's calculation based on the CGAP nano and micro enterprise survey CGAP 2024; MOSPI 2023; KNBS 2016; Bank of Uganda 2023; IFC 2017; and State Department for Industrialization 2020.

* Credit market values are calculated by aggregating, over a three-year period, (i) total credit demand, defined as the amount businesses applied for or needed but did not apply for, and (ii) total credit supply, defined as the amount of credit actually received. These totals are then divided by three to estimate average annual credit demand and supply.

Achieving meaningful change for WNMEs requires a coordinated ecosystem approach. Funders, investors, policymakers, and financial service providers must work together to deliver sequenced, responsive, and adaptable interventions that integrate financial and nonfinancial support.

Stakeholders should develop policies, as well as financial and nonfinancial products, that cater to both livelihood- and growth-oriented enterprises. This means investing in gender-disaggregated data, expanding financial literacy programs, and innovating in alternative credit assessments. Strengthening digital infrastructure and targeted capacity-building will also empower women entrepreneurs to increasingly leverage technology for growth.

A thriving WNME sector depends on cross-sector partnerships that align inclusive financial products with broader social protection and economic development efforts. By fostering ecosystem-wide collaboration and tailored interventions, we can create an equitable environment where women-led enterprises drive long-term economic resilience and prosperity.

SECTION 1

WNME finance to support empowerment and resilience

MICRO, SMALL, AND MEDIUM enterprises (MSMEs) are the backbone of the global economy. They comprise 90 percent of businesses worldwide, generating over 50 percent of global employment and contributing up to 40 percent of GDP in emerging markets (World Bank 2019). While small and medium enterprises (SMEs) often have better access to financing and resources, micro enterprises that form the majority of MSMEs and sustain millions of livelihoods, face significant unique financial and operational barriers (World Bank 2019). Treating all MSMEs as a single category fails to acknowledge the unique challenges faced by different segments within this diverse group.

Further, within the micro enterprise category, there is another distinction that is often overlooked: nano enterprises. These are the smallest, most informal businesses, typically run by individuals with minimal or irregular income (e.g., street vendors, barbers), and often without any paid workers. These nano enterprises face even greater challenges and vulnerabilities, yet they remain largely invisible in broader MSME discussions. For the purposes of this report, CGAP

FIGURE 3. **Most common definitions of MSMEs*, by employee size and annual turnover**

MSME Micro, Small & Medium Enterprises	World Bank / IFC	EU
Micro	< 10 workers Annual turnover: < $100,000	< 10 workers Annual turnover: ≤ € 2 mn (US$ 2.2 mn)
	Nano: own-account enterprises with zero paid workers	
Small	10-49 workers Annual turnover: $100,000 - < US$ 3 mn	< 50 workers Annual turnover:≤ € 0 mn (US$ 10.9 mn)
Medium	50-300 workers Annual turnover: $3 mn - $15 mn	< 300 workers Annual turnover: ≤ € 50 mn (US$ 55 mn)

Source : IFC 2024, EU 2022

*Most institutions do not enforce a standardized definition of MSMEs. Instead, they acknowledge that definitions vary by country and are often based on criteria such as number of employees, annual turnover, or total assets.

has adopted the term 'nano enterprise' to highlight this critical segment of the micro business ecosystem (see Box 1). Known by various names globally (e.g., sole proprietorships, own-account enterprises, self-employed) nano enterprises differ from those CGAP calls *micro enterprises* in this report—slightly larger businesses, like small shops, with regularly paid workers and more stable revenue. As Figure 3 shows, most definitions of microenterprises miss the critical distinction between self-employed firms and those with up to nine workers by lumping them together into the same microenterprise category. Drawing a sharp line between firms with and without regularly paid workers captures the unique and often overlooked challenges nano enterprises face. While microfinance institutions (MFIs) have pioneered targeted initiatives to support micro enterprises, their reach often remains limited, leaving the smallest, most informal businesses—such as nano enterprises—without access to the financial support they need to thrive.

Women-led nano and micro enterprises (WNMEs) are underserved and underfunded. WNMEs are defined as those with at least 51 percent female ownership and/or women in key decision-making roles (IFC n.d.). While WNMEs account for 22 percent of micro enterprises globally, their prevalence varies by region and country (Muckerheide 2023). It has been empirically established that women-led enterprises are vital for women's empowerment, economic growth,

BOX 1. **Nano enterprise definition**

A ***nano enterprise*** is the smallest and most vulnerable enterprise type, operated by a single individual without any consistently paid workers. In the context of this report, self-employed* and household enterprises** are also included as part of the nano enterprise definition. It includes any economic activity conducted by an individual outside of traditional employment.*** For the purposes of this report, the defining characteristic of a nano enterprise is the absence of consistently paid workers, with zero paid workers being the cutoff point.

Why use *number of workers* as a cutoff? Number of workers is the most reliable and widely available indicator for size-based differentiation, especially for very small enterprises that often lack accurate financial records (Gray and Dunn, 2020). Globally, it is the size measure most often used by government entities.

Why use *consistently paid* as a cutoff? Using consistently paid workers as a cutoff allows for fluctuations in workforce size over time. It distinguishes formal workers from unpaid or irregular contributors such as family members, who are often involved in nano enterprises. Globally, it is the most used size measure by government entities, and, in wealthier countries, the biggest predictor of firm survival.

Why use *zero consistently paid workers*? Enterprises with no consistently paid workers operate differently as they rely on irregular revenue streams and work structures. They are unlike businesses with paid workers, which require more stable income and systems to effectively manage work responsibilities (Small Firm Diaries 2024).

* The ILO defines self-employed workers as individuals who operate their own businesses or independently engage in an economic activity without an employment contract binding them to a specific employer. They are typically classified under own-account workers, employers, or members of producers' cooperatives (ILO 2015a).

** Household enterprises or household-based enterprise are defined as small, unincorporated, non-farm businesses owned and operated by members of a household, often without a formal organizational structure or separate legal identity. These enterprises are usually informal and can include activities such as retail trade, handicrafts, and small-scale services (ILO 2015b).

*** Traditional employment typically refers to work arrangements where individuals are employed by organizations on a full-time or part-time basis, receiving regular wages or salaries, and often accompanied by benefits such as health insurance and retirement plans (Zunino and Apella 2018).

and household resilience. Yet these WNMEs face distinct challenges, largely driven by restrictive gender norms and structural inequalities. Limited access to finance is a critical barrier as it constrains their ability to invest, expand, and innovate, and weakens their resilience, leaving them more vulnerable to income fluctuations and economic shocks (OECD 2023, EIF 2023). To design targeted interventions that address these barriers and help close the financing gap, it is first crucial to understand the specific business environments, needs, and challenges of these WNMEs. CGAP's research and this report explore the needs and challenges of NMEs, with a specific focus on WNMEs.

Key Insight 1

Understanding the heterogeneity of WNMEs.

Effective support of WNMEs requires tailored solutions rather than a one-size-fits-all approach. Differences in size, business type, and risk profile must be recognized in order to design targeted interventions. However, limited data and research on WNMEs hinders efforts to address their specific needs, leading to misconceptions and ineffective solutions. Robust segmentation is essential for donors, financial services providers (FSPs), and policymakers to identify high-impact opportunities and accordingly tailor support.

To this end, and to deepen understanding of WNMEs, CGAP conducted market segmentation and sizing research across India, Kenya, and Uganda. Kenya and Uganda offered regional comparability while India provided a contrasting perspective. The research—a combination of financial market review and primary data collection—aimed to identify barriers, opportunities, and financial inclusion potential for WNMEs. See Box 2 for a discussion on sampling methodology.

What to expect from this report

This report examines the capital dynamics of WNMEs and presents key findings, highlighting challenges and opportunities in the WNME landscape. It aims to:

- Identify and validate key dimensions for segmenting WNMEs.
- Analyze their borrowing behaviors and unmet credit needs within the broader credit landscape.

Importantly, while the research focused on credit markets, it does not assume credit is universally necessary or beneficial. Instead, it explores the factors shaping credit demand and access, including self-reported credit gaps across segments.

For *donors and policymakers,* the findings offer insights into the motivations, challenges, and support needs of WNMEs to inform targeted financial inclusion strategies. For *FSPs,* the report presents WNMEs as a potential market segment, assessing opportunities and limitations in meeting their financial needs.

Ultimately, it provides actionable insights to enhance policy design, service delivery, and ultimately, WNME resilience.

The research confirms well-known gender-based challenges faced by WNMEs. It also reveals key insights that will shape future approaches to addressing these issues. These key insights are summarized below and highlighted throughout the report.

1. **Heterogeneity of WNMEs.** A lack of granular data on WNMEs leads to misconceptions, making it difficult to design effective policies. These enterprises vary widely in size, business type, and risk profile, requiring robust segmentation to develop targeted, high-impact solutions.
2. **Limited start-up capital.** Limited start-up capital is consistently identified as the biggest constraint for WNMEs, restricting opportunities and pushing these entities into low-margin sectors.

BOX 2. **Sampling methodology for CGAP market sizing and segmentation**

To ensure geographic representation, the CGAP research surveyed 2,040 non-farm enterprises* in India** and 500 each in Kenya and Uganda. While not nationally representative, the sample was carefully constructed to ensure geographic representation across the three countries***.

The sample was intentionally skewed toward WNMEs (70–80 percent) to better capture their unique challenges. It was also balanced across enterprise size: nano enterprises (zero workers, approximately 50 percent), small micro enterprises (1–2 workers, approximately 30 percent), and larger micro enterprises (3–9 workers, approximately 20 percent).

Businesses operating for less than 12 months (six months in India) were excluded to allow for a deeper focus on resilience, stability, and growth among more established enterprises.

Unless otherwise stated, all findings and statistics presented in this report draw from the primary research samples and should be interpreted with the noted limitations in mind. More information on the methodology and lessons from implementation can be found in ***Annex A: Research approach and methodology*** *and the Technical Guide* (Kimani, Sawhney and Sotiriou 2025) *accompanying this report.*

* Farming enterprises were excluded due to their distinct operational dynamics, specialized financing needs, and the extensive existing research and the agricultural sector.

** In India, given the size of the MSME sector, the focus was on meeting the study's objectives and reflecting key characteristics of nano and micro enterprises, rather than constructing a nationally representative sample. National definitions suggest that Own Account Establishments (OAEs—without any paid workers), nano enterprises (with 1–2 paid workers), and micro enterprises (with more than 2 paid workers) comprise approximately 86%, 10%, and 4% of total enterprises in India (MOSPI, 2023), while the study sample includes 50% OAEs, 30% nano, and 20% micro enterprises—intentionally oversampling nano and micro enterprises to ensure sufficient diversity. Women-led enterprises, which represent 23% of India's unincorporated enterprises (MOSPI, 2023), make up 80% of the study's sample, consistent with the research focus on women entrepreneurs. While the national sectoral distribution for women-led enterprises is 65% manufacturing, 20% trading, and 15% other services (MOSPI, 2023), the sample shows a more balanced spread: 35% manufacturing, 37% trading, and 28% other. Credit market size estimates are based on a careful combination of ASUSE 2022–23 data (MOSPI, 2023) and findings from the primary survey.

*** For more information on the geographic sampling methods employed for this research, refer to Appendix 2 of the CGAP Technical Guide accompanying this report (Kimani, Sawhney and Sotiriou 2025).

3. **Reliance on informal and semiformal lending sources.** Women face systemic barriers to accessing formal credit. While informal channels and community-based lending groups such as VSLAs, SHGs, and *chamas*[2] serve as critical financial lifelines, their own structural limitations prevent them from fully meeting members' capital needs.
4. **Credit is not enough and often not desired.** Although large credit gaps exist (70 percent in India, 52 percent in Kenya, 48 percent in Uganda), a significant proportion of WNMEs do not seek credit. Rather, they look for broader nonfinancial support to grow their businesses.
5. **Widening digital divide.** Low digital literacy and access disproportionately impact less-educated, more vulnerable women, especially those in rural areas, widening the digital divide and further exacerbating their financial exclusion.

On a conceptual level, the research underscores the importance of categorizing WNMEs as either *growth-oriented* or *livelihood-oriented***.** Growth-

2 A "chama" (also spelled "kyama" or "Kiama") refers to an informal cooperative society or micro-savings group where people pool and invest their savings.

oriented WNMEs seek expansion and require larger, long-term capital investments and support in scaling, market access, and operational efficiency. Livelihood-oriented WNMEs prioritize stability and financial security, and need stability-focused financial products, risk management tools, and resilience support. Additionally, WNMEs transitioning from livelihood to growth orientation require a blend of interventions to stabilize and prepare for expansion. This nuanced way of approaching enterprise needs ensures that interventions effectively meet the diverse needs of WNMEs, fostering long-term sustainability and growth.

To foster inclusive economic development, MSME policies must look beyond growth enterprises to recognize the value of livelihood enterprises, which, while not geared for large-scale job creation, provide crucial income-generating opportunities for individuals in contexts where formal employment options are few. Additionally, enterprises that seek to transition from livelihood to growth-oriented models require targeted support to overcome structural barriers and scale sustainably.

The remainder of the report is structured as follows:

Section 2. Exploring capital access and credit gaps for WNMEs examines gender disparities in start-up capital and formal credit access, highlighting systemic barriers. This chapter also quantifies the credit gap in India, Kenya, and Uganda.

Section 3. Focusing on the smallest: Defining and segmenting women-led nano enterprises introduces a segmentation framework with eight key dimensions to differentiate nano and micro enterprises. Finally, it examines women-led nano enterprises' (WNEs) informality, financial vulnerability, and unmet credit demand. It also segments WNMEs and identifies the most underserved groups in each country.

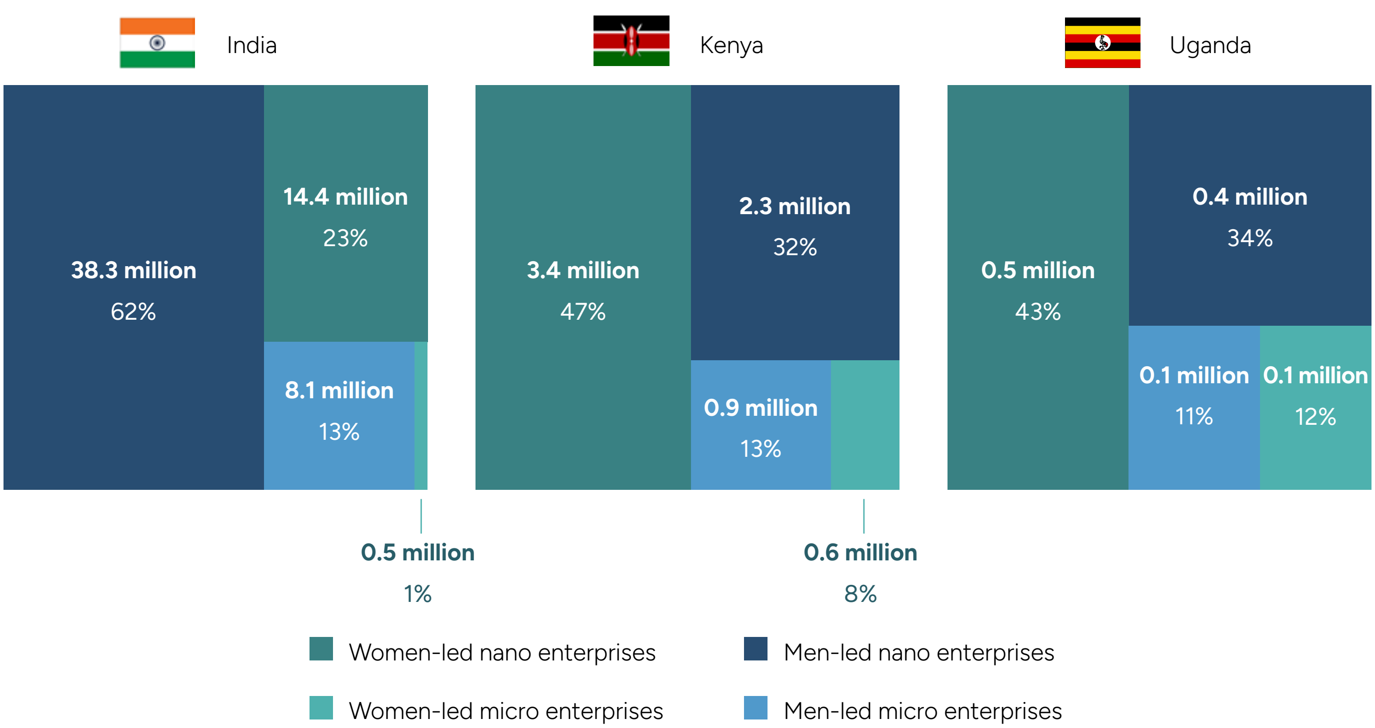
Section 4. The way forward proposes solutions to address WNME financial exclusion, emphasizing segmentation between livelihood- and growth-oriented enterprises. It outlines key takeaways for funders, policymakers, and financial providers.

SECTION 2

Exploring capital access and credit gaps for WNMEs

WNMES ARE VITAL TO THE resilience of families, communities, and economies in India, Kenya, and Uganda. As Figure 4 shows, a large number of WNMEs operate in each of the study countries, with the majority being nano enterprises. These enterprises provide women with financial independence and entrepreneurial skills, which strengthen household stability. At the community level, they serve as a buffer during economic challenges, supporting local economies by creating employment and providing essential goods and services. By diversifying income sources and fostering local innovation, these enterprises help communities better adapt to economic shifts and unforeseen disruptions.

FIGURE 4. **Number of enterprises operating, by type (%)**



Source: Author's calculation based on the CGAP nano and micro enterprise survey CGAP 2024; MOSPI 2023; KNBS 2016; Bank of Uganda 2023; IFC 2017; and State Department for Industrialization 2020.

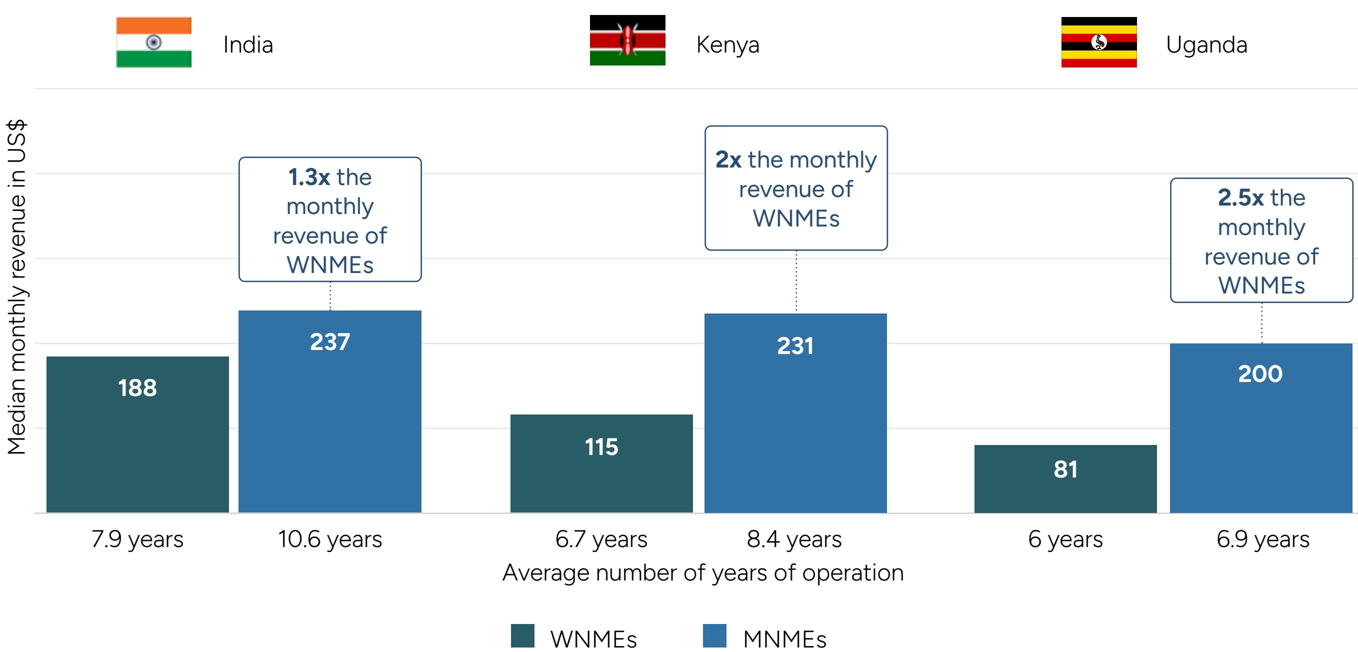
Gender norms significantly influence women's participation in entrepreneurship. While nano enterprises are prevalent across all three countries, women lead a higher proportion of nano enterprises in Kenya and Uganda compared to India. In India, sector composition, labor market participation, and access to credit tend to favor male entrepreneurs, with only 20 percent of India's 63 million MSMEs being women-owned (Mastercard 2022). In contrast, the lack of formal job opportunities in Kenya and Uganda drives more women to informal self-employment. This is reflected in the lower proportion of women-led micro enterprises across all three countries, underscoring persistent barriers such as limited access to capital, socio-cultural norms, and inadequate business support services.

Data indicates that WNMEs generate significantly less revenue than their male-led counterparts. As Figure 5 shows, data from the three focus countries there is a notable revenue gap between WNMEs and MNMEs. In Uganda, for example, the median monthly revenue for WNMEs is UGX 300,000 (US$81), compared to UGX 740,000 (US$200) for MNMEs. This revenue disparity is also reflected in business resilience, with MNMEs typically experiencing longer lifespans compared to WNMEs.

WNMEs often lag behind MNMEs due to critical gender based disparities rooted in capital access. Two factors significantly impact their business outcomes:

1. **Start-up capital.** While WNMEs access similar sources of start-up funding as MNMEs, they typically begin with fewer resources, including savings and assets. This limitation forces them to operate in sectors with lower barriers to entry, resulting in them starting enterprises in highly competitive, less profitable, and more challenging sectors. Additionally, WNMEs are less likely to diversify across sectors, further restricting their ability to save, reinvest, and scale (see Figure 8).

FIGURE 5. **Monthly revenue (median, US$) and age of enterprise for WNMEs and MNMEs***



Source: Author's calculation based on the CGAP nano and micro enterprise survey (CGAP 2024).

* Enterprises in operation for less than 12 months in Kenya and Uganda and 6 months in India excluded from the sample. Thus, the age of enterprise averages is likely higher than the national average. However, the gender disparity accurately reflects market conditions.

2. **Access to formal credit.** WNMEs primarily depend on informal sources of financing (e.g., family, friends) or semiformal channels (e.g., *chamas*, ROSCAs, VSLAs)[3] due to a lack of trust in formal financial institutions, limited awareness of available products, and inability to use household assets as collateral. These funding sources generally provide smaller loan amounts, which are often inadequate to meet working capital needs let alone support business expansion.

Section 2.1 explores these gender-specific divides in more detail. Section 2.2 quantifies the credit market gap for WNMEs and underscores why recognizing the scale of this gap is critical to effectively address their capital needs.

2.1 Gendered capital dynamics

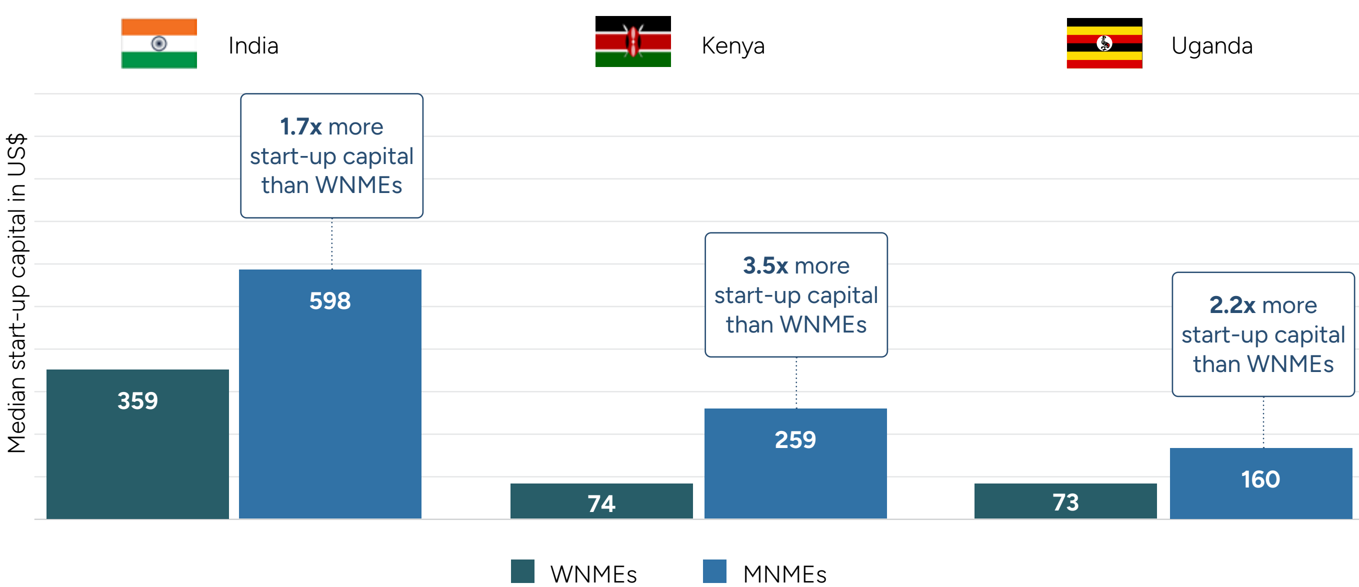
START-UP CAPITAL

Key Insight 2

WNMEs tend to start considerably smaller as they have significantly lower levels of start-up capital than MNMEs.

As shown in Figure 6 , the data across the three focus countries indicates a consistently large start-up capital gap between WNMEs and MNMEs.

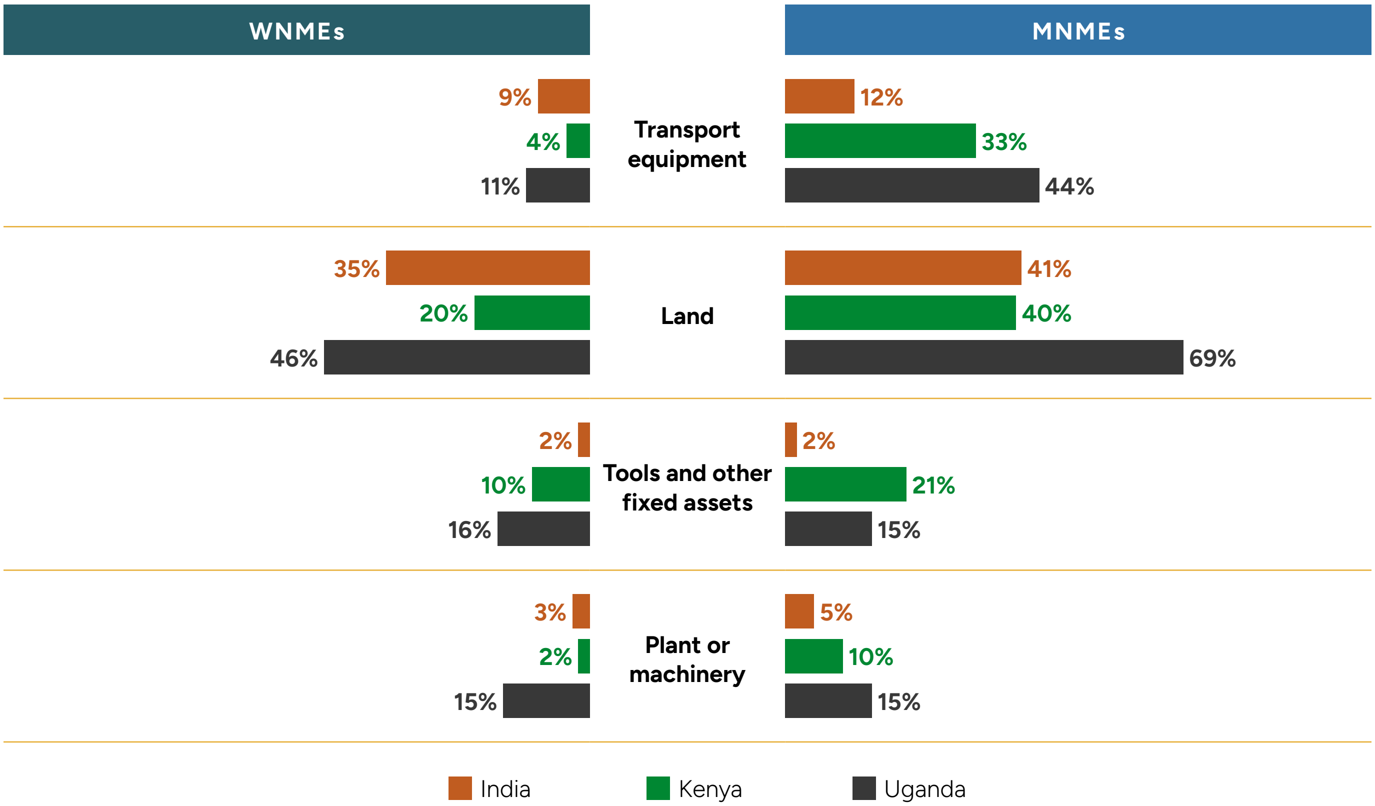
FIGURE 6. **Start-up capital for WNMEs and MNMEs (median, US$)**



Source: Author's calculation based on the CGAP nano and micro enterprise survey (CGAP 2024)

3 To better interpret the findings and highlight nuances between formal and informal credit sources, this report makes use of another category: semiformal credit. Semiformal credit falls between formal and informal credit and refers to credit providers that are not licensed but are institutional in nature (Okurut 2006). For the purposes of this report, this category includes credit accessed through self-help groups, societies, and other savings groups like chamas. These sources are more organized than informal options (e.g., borrowing from family and friends) but lack the formal registration and regulation of institutions like banks. This distinction helps capture the unique role of semiformal credit in supporting women-led enterprises.

FIGURE 7. **Proportion of WNMEs and MNMEs that own assets (%)***



Source: Author's calculation based on the CGAP nano and micro enterprise survey (CGAP 2024)

* Plant or machinery refers to the equipment, tools, and machines a business uses for production, manufacturing, or operational processes.

> *"You know, the businesses here in the rural areas are mostly done according to one's ability [capital]. Like for myself, the shop that I have, I started with very little money—8,000 shillings [KES]. I would have wanted to start something big, but because I did not have the ability [capital], I decided to start small."*
>
> —Woman nano enterprise owner, Manufacturing, Kenya

WNMEs have fewer assets and savings to draw upon for start-up capital. Both WNMEs and MNMEs primarily rely on savings, followed by asset sales and financial support from their social networks. Figure 7, however, reveals that women in India, Kenya, and Uganda own fewer assets than men, particularly high-value assets such as land and transport equipment. This disparity is driven by deeply ingrained social and cultural norms that restrict women's property rights and decision-making authority over such assets (Mahato, Das and Bheemeshwar A 2023, Africa Data Hub 2023, Care Uganda 2016).

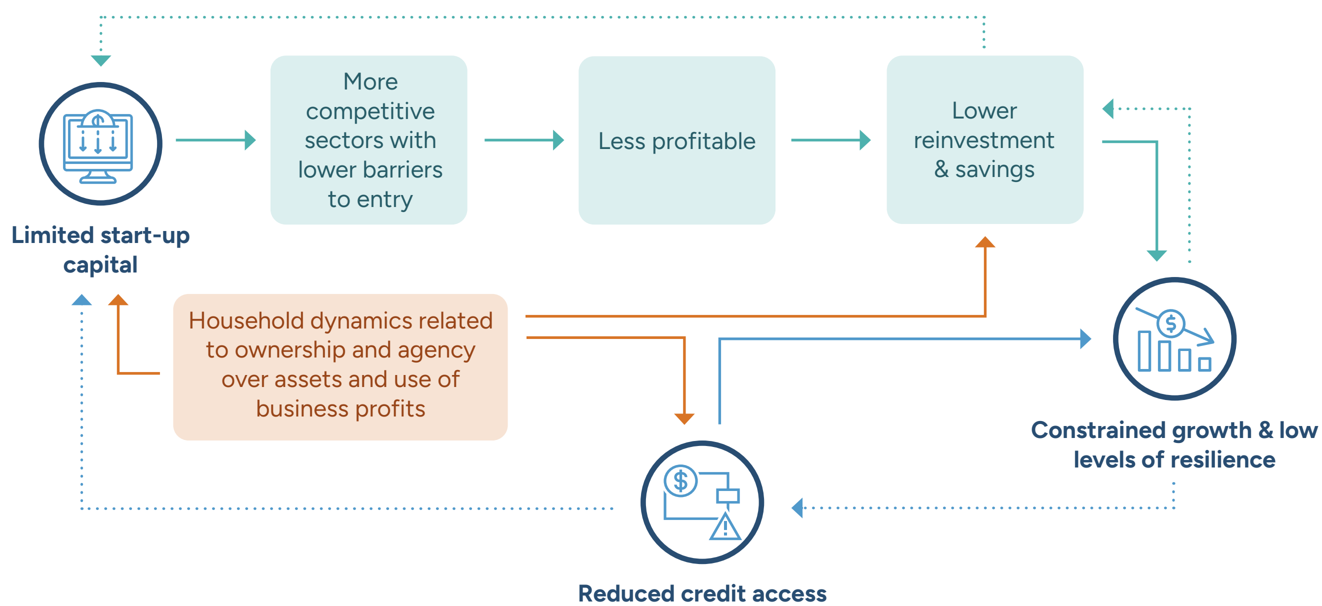
> *"You can get that a man has a business, but at home he also claims ownership of most assets. He has bananas, cows, land. He [would] never sell any of these assets to boost my business, but he can sell to boost his own. So, they are at an advantage."*
>
> —Woman nano enterprise owner, Services, Meru, Kenya

Additionally, women face systemic barriers to saving. Barriers include lower income levels due to labor market discrimination and wage gaps, as well as limited financial autonomy stemming from a reliance on family members' accounts rather than their own (Carranza, Dhakal and Love 2018) (Demirgüç-Kunt and Klapper 2013). These gender norms, which vary across India, Kenya, and Uganda, collectively hinder women from accumulating start-up capital for their businesses. In India, restrictive societal expectations limit women's workforce participation and financial independence. In Kenya, despite women's central role in agriculture, cultural norms restrict land ownership, preventing them from using assets as collateral. Similarly, in Uganda, patriarchal structures confine women to low-income, informal work, further restricting their financial decision-making power and access to credit (Singer, Demirguc-Kunt and Klapper 2013). As shown in Figure 8, these barriers reinforce financial exclusion, preventing women from saving, acquiring assets, or securing formal financing to start their businesses (Koning, Ledgerwood and Singh 2021), ultimately impacting their resilience and ability to grow their enterprise.

Starting small often means staying small. Limited start-up capital compounds the challenges women face, including skills gaps, restrictive social norms, and lack of access to information. This often forces WNMEs into sectors with low barriers to entry, such as mobile retail trade, where competition is intense, and margins are slim. For instance, in Kenya, 75 percent of WNMEs operate in wholesale and retail trade, compared to just 44 percent of MNMEs.

> *"I wanted to start roasting meat for customers but I don't have enough capital to start."*
>
> —Woman micro enterprise owner, Trade, Kisumu, Kenya

FIGURE 8. **Vicious cycle with low start-up capital**



Source: Author's analysis based on the CGAP nano and micro enterprise survey (CGAP 2024)

Limited start-up capital also leads women to engage in lower-value-added activities compared to men. For example, in India's manufacturing sector, MNMEs disproportionately contribute to economic output. While MNMEs represent just 20 percent of enterprises and employment in the sector, they generate 40 percent of its gross value added (GVA). In contrast, WNMEs are primarily involved in lower-profit, lower-value-added activities, which further restricts their ability to save and scale.

> *"Men mainly have big capital, meaning their businesses are big, so you find that their profits are more so they can be able to cater for bills easily."*
>
> —Woman nano enterprise owner, Trade, Meru, Kenya

As a result, WNMEs are less able to build financial resilience. For example, in Kenya, only 36 percent of WNMEs have emergency funds equivalent to one month's revenue, compared to 52 percent of MNMEs. In Uganda, the figure stands at 63 percent for WNMEs and 72 percent for MNMEs.

FORMAL CAPITAL ACCESS

While start-up funds often come from personal savings and assets, external credit is essential for working capital and business expansion, including asset purchases. Many WNMEs rely on borrowing for input purchases (30 percent in India, 44 percent in Kenya, and 46 percent in Uganda) and for business expansion (27 percent in India, 37 percent in Kenya, and 34 percent in Uganda). Women entrepreneurs allocate more of their business earnings to household expenses than men, reducing their ability to reinvest and effectively manage cash flow. When a woman's funds are diverted to household needs or her husband's business, business growth is constrained (Singh 2022). As a result, only 20 percent of WNMEs in Kenya and 13 percent in Uganda reinvest surplus earnings—compared to 35 percent and 26 percent for MNMEs, respectively. In India, however, there are no obvious gendered differences in this regard.

> *"Most responsibilities at home are on us women. We use our business capital to meet household needs, unlike men, who reinvest in their businesses and give them a chance to grow."*
>
> —Woman nano enterprise owner, Trade, Urban Uganda

Key Insight 3

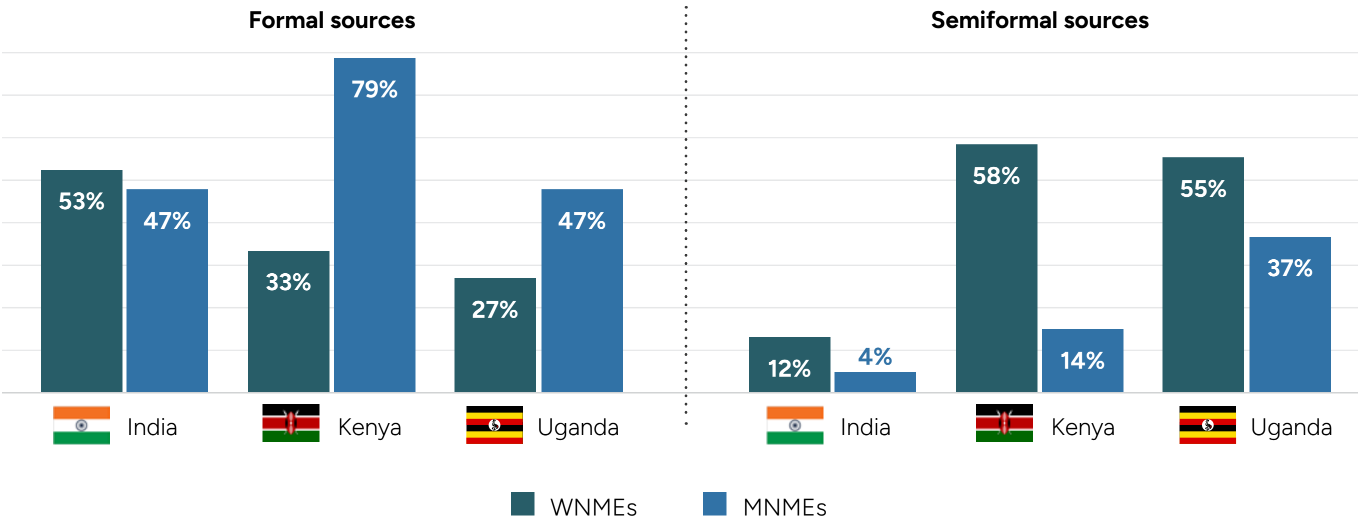
WNMEs are at a disadvantage to access formal credit.

The need for credit is clear from the data: 51 percent of WNMEs in Uganda, 40 percent in Kenya, and 20 percent in India attempted to borrow for their business in the previous three years. As shown in Figure 9, in India, the data suggests that government-supported lending programs and MFIs primarily target women-owned enterprises, and might have had greater success in improving their access to formal credit. However, there is a significant gender gap in formal credit access in Kenya and Uganda. As a result, WNMEs in these countries turn to sources such as savings groups and *chamas*. For the purposes of this report and to demonstrate a separation from truly informal sources (e.g., friends, family, informal moneylenders), "semiformal" sources of finance refers to organized but unregulated networks that provide credit (e.g., chamas, VSLAs, SHGs).

Limited assets and lack of collateral often compel many entrepreneurs to rely on informal financing options. Among WNMEs in Kenya and Uganda that highlighted gender-specific barriers to credit, nearly 60 percent cited collateral requirements as a significant obstacle.

> *"Men have easy access to loans to expand their businesses because they have collateral. Women, on the other hand, often lack such assets, which limits their ability to secure loans necessary for growth."*
>
> —Woman nano enterprise owner, Trade, Rural Uganda

FIGURE 9. **Sources of credit for WNMEs and MNMEs that have borrowed (%)**



Source: Author's calculation based on the CGAP nano and micro enterprise survey (CGAP 2024)

Complex and lengthy loan processes and mistrust deter WNMEs from engaging with formal institutions. This is further reflected in the proportion of WNMEs that needed credit but did not apply for a loan due to factors such as lack of awareness of available options, limited access to suitable credit products, high costs, complex application procedures, or previous negative experiences with credit (see Figure 10). In Kenya and Uganda, WNMEs are consistently more likely than male-led counterparts to forgo applying for credit despite needing it—by a margin of 8 percentage points in both countries. In contrast, in India, WNMEs report a lower overall perceived need for credit, reflecting limited growth aspirations, cultural constraints, and a lower inclination to take on debt.

"The big banks always try to rip you off. They need too many requirements, and the interest rate is really high. I need to manage my business and can't spend so much time filling out forms and then get rejected. Those banks are more for the bigger businesses."

—Woman micro enterprise owner, Micro, Trade, Nairobi, Kenya

"My loan process was delayed for a year by the bank and my application got rejected, citing that I was not suitable for business. The bank officer offered unsolicited advice, suggesting that I should focus more on my studies rather than pursuing business."

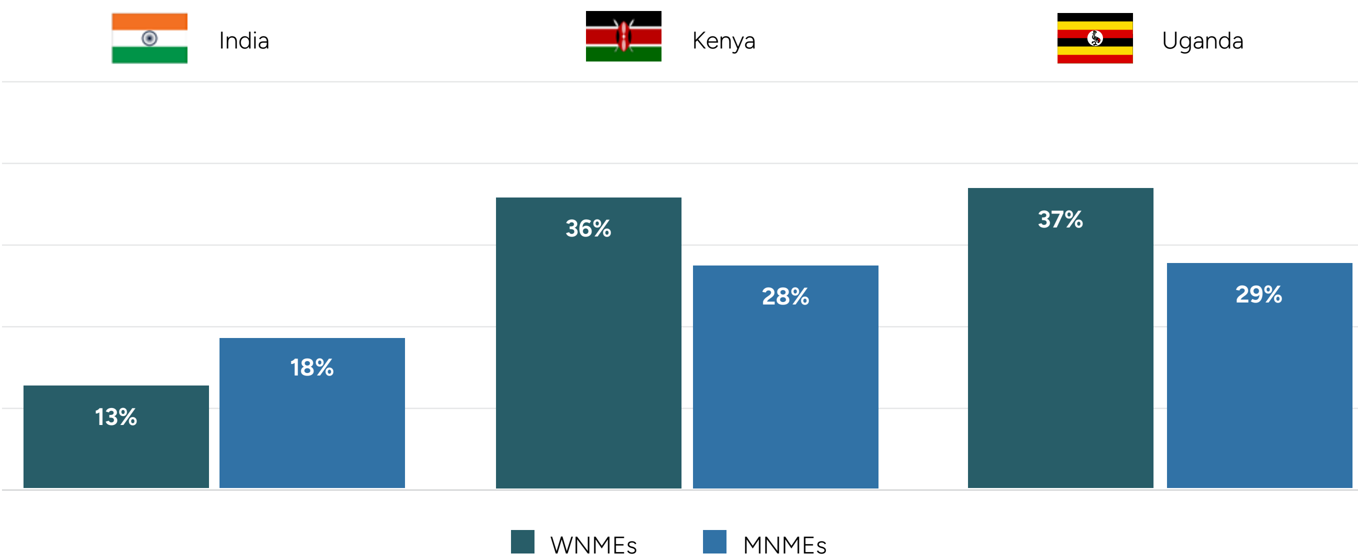
—Woman micro enterprise owner, Manufacturing, Uttar Pradesh, India

Key Insight 3

Semiformal (and informal) loans are more easily accessible, offer flexible terms, and are more trusted by WNMEs.

Compared to formal credit, semiformal sources offer quick access to funds and negotiable repayment terms. These advantages make them essential for managing working capital, maintaining liquidity, and addressing emergency needs during crises.

FIGURE 10. **Proportion of WNMEs and MNMEs that needed credit but did not apply (%)**



Source: Author's calculation based on the CGAP nano and micro enterprise survey (CGAP 2024).

> *"For me, the village people listen to our problems and easily give you the loan compared to the banks. With village people, you can easily bargain for more time."*
> —Woman micro enterprise owner, Trade, Rural Uganda

> *"I prefer taking loans from informal sources, like family or community members, because there's trust, no need for collateral, and no complicated paperwork. Formal sources like banks often humiliate people during repayment and that's not something I want to go through."*
> —Woman micro enterprise owner, Micro, Madya Pradesh, India

However, these informal and semiformal loans are often too small to meet the working capital needs of some businesses and hence even less suitable for growth capital. In Kenya, the median loan size accessed by WNMEs from banks, SACCOs, or MFIs is approximately 2.2 times larger than those from chamas or VSLAs. In Uganda, formal institutional loans are four times larger, while in India, MFI loans are five times larger than those from semi-formal groups and up to 20 times larger than loans obtained from family and friends. Most discussions on financial inclusion focus on supply-side issues, highlighting how formal institutions have traditionally served larger enterprises with greater capital needs. In fact, data indicates that semiformal sources also face several supply-side constraints and capacity limitations which limit the loan sizes they can offer to their borrowers.[4]

The gender gap in formal credit access, combined with the limitations of semiformal sources, restricts growth opportunities for WNMEs. These financial challenges hinder not only their growth but also their survival; 29 percent of WNMEs in Kenya and 39 percent in Uganda reported that insufficient working capital led to previous business failures.

4 To maintain liquidity and equitable access to funds, savings groups typically restrict loan disbursements to a maximum of three times an individual's savings (CARE 2025). Given the generally low level of member contributions, this results in limited loanable capital per borrower. Furthermore, the short loan tenures characteristic of savings groups necessitate smaller loan sizes to mitigate default risk and ensure repayment within the loan cycle (Panetta 2018).

"The SHG loan can be accessed easily but can give smaller amounts only. The MFIs can give easily but charge huge rate of interest. The scheduled banks have lower rate of interest and can give big amount but they require a lot of documents."

—Woman nano enterprise owner, Nano, Uttar Pradesh, India

LACK OF NONFINANCIAL SERVICES: A BARRIER TO GROWTH FOR WNMES

Key Insight 4

Lack of nonfinancial services poses another barrier for WNMEs.

In addition to limited access to start-up capital and credit, WNMEs face a significant gap in nonfinancial services that are also crucial for sustaining and growing their businesses. These services, including business development support, training, mentorship, access to markets, and networking opportunities, are essential enablers for WNMEs to overcome challenges and build long-term business resilience.

Basic business development services are unavailable for WNMEs. Without access to these services, many WNMEs struggle to improve their management practices, develop effective marketing strategies, or understand how to scale their operations (Esim 2001). For instance, training on financial management, supply chain optimization, or financial and digital literacy (Fauzi, Anotni and Suwarni 2020) can make a huge difference in the ability of women entrepreneurs to efficiently run their businesses. Yet many WNMEs lack exposure to such resources, leaving them at a disadvantage compared to their male counterparts. In India, 68 percent of WNMEs reported receiving no formal training, 77 percent in Uganda and 81 percent in Kenya. For women-led enterprises, the benefits of these nonfinancial services can be particularly profound, helping them to overcome systemic barriers that limit their access to finance and markets (IFC and FMO 2020).

"I need guidance about management of funds for proper business planning and avoid making losses ."

—Female, Micro, Trade, Rural Uganda

"I need financial literacy about savings and investments. It can help to minimize the expenditure levels."

—Female, Micro, Services, Rural Uganda

Although market linkages are critical for WNMEs, they struggle to access both suppliers and customers. In India, 65 percent of WNMEs reported needing support to reach customers, compared to 22 percent in Uganda and Kenya. Similarly, many require help accessing suppliers: 25 percent of WNMEs in Kenya, 16 percent in Uganda, and 24 percent in India highlighted this need.

"[...] if there was something like a market day it can boost the businesses. Other places have market days so if they could choose one day of the week to be a market day here, it can attract alot of people."

—Female, Nano, Services, Rural Kenya

Mentorship and networking opportunities are essential enablers of business growth for WNMEs, yet they remain scarce, particularly in regions where women's entrepreneurship is still emerging (Siegrist 2022). Such opportunities offer critical guidance and facilitate access to new markets and partnerships. However, only 25 percent of networked WNMEs in India reported receiving skill development or mentorship through their network, and less than 5 percent of networked WNMEs in Uganda and Kenya reported the same. Without mentorship, WNMEs may lack the strategic capacity, confidence and expertise to make informed business decisions or navigate complex market dynamics.

> *"For me, I would love to have a successful local entrepreneur come and give me some guidance on a regular basis. I know the perfect person. I want to follow her journey into being a successful and wealthy entrepreneur. We are in similar sectors so I think I can benefit a lot from her guidance."*
>
> —Female, Micro, Services, Urban Kenya

When combined with limited financial access, lack of nonfinancial services creates a compounded challenge for WNMEs. Not only are WNMEs often underfunded, they are also underprepared to take advantage of the capital they may receive, hindering their ability to sustain and grow their businesses. Addressing these service gaps is crucial for supporting the full potential of women entrepreneurs and enabling them to thrive in a competitive business landscape.

2.2 Sizing the credit gap for WNMEs

In addition to understanding the specific needs of diverse WNMEs, it is equally important to recognize the scale of current unmet needs. How significant is the credit gap for WNMEs? How many women-led enterprises lack the financial support to maintain stability and to potentially grow and succeed? Without addressing such questions, efforts to improve access to finance may fail to fully tackle the challenge.

A significant credit gap exists across all three study countries, particularly India. Figure 11 illustrates the gap between total credit demand and supply: US$317 million in India, US$101 million in Kenya, and US$16 million in Uganda, leaving 70 percent of WNME credit demand unmet in India, 52 percent in Kenya, and 48 percent in Uganda.

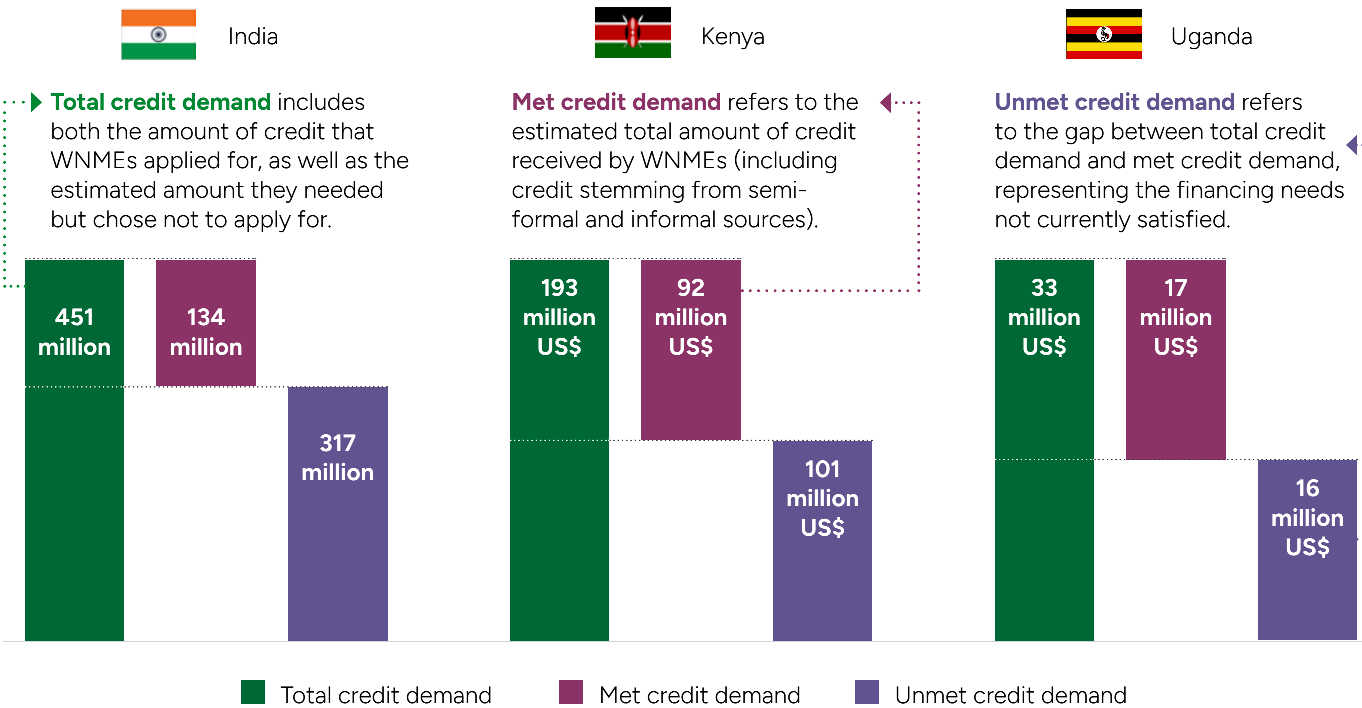
While unmet demand is consistently high, the gender gap varies by country. In Uganda, WNMEs face a higher share of unmet demand than MNMEs (48 percent vs. 36 percent), whereas in Kenya the rates are equal, and in India, unmet demand is higher among MNMEs (78 percent vs. 70 percent for WNMEs).

The data for India and Kenya does not necessarily indicate equal or better access for WNMEs, but rather likely reflects their typically lower credit demand compared to male-led enterprises.

Variations in unmet credit demand between WNMEs and MNMEs across India, Kenya, and Uganda are driven by differences in financial sector development, socio-cultural dynamics, and systemic barriers to access. In India and Kenya, while women face significant gender-related barriers to accessing finance, they also tend to demand less credit due to smaller business sizes, reliance on informal funding sources, and social norms that discourage financial risk-taking. As a result, the data shows equal unmet demand for WNMEs and MNMEs, not because access to finance is equal, but because WNMEs seek less credit in the first place. On the other hand, Uganda has a high rate of female entrepreneurship, but WNMEs encounter greater credit barriers than men. Uganda has the highest proportion of WNMEs (35 percent) stating that it is harder for women than for men to access credit, largely due to lack of awareness of available options, complicated and lengthy documentation processes and due to impolite behavior by bank officials. These trends highlight the intersection of gender and systemic financial constraints, and they vary based on the specific country context.

Many WNMEs do not explicitly express a need for credit. The gap shown in Figure 10 only reflects WNMEs that indicated a need or desire for credit, including those that applied for credit, as well as those that needed credit but did not apply due to factors like lack of awareness, limited access to suitable credit products, high costs, complex processes, or past negative experiences with credit. Despite common assumptions and prevailing data suggesting high credit demand among MSMEs, a significant proportion of WNMEs, actually report no need for credit (see Figure 12). This may stem from three factors:

FIGURE 11. **Size of WNME credit market (US$)***

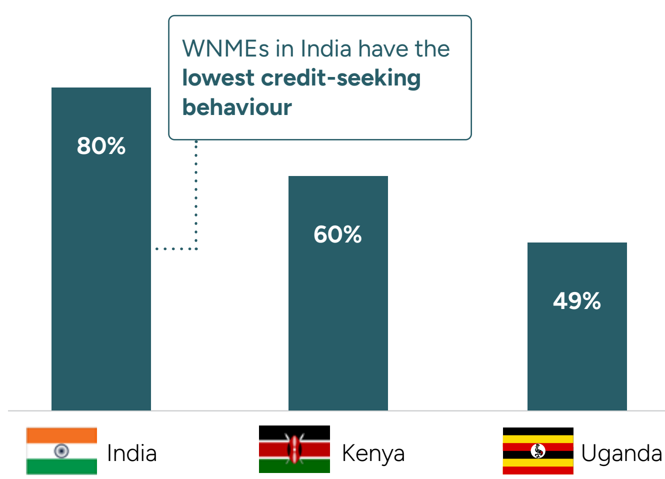


Source: Author's calculation based on the CGAP nano and micro enterprise survey CGAP 2024; MOSPI 2023; KNBS 2016; Bank of Uganda 2023; IFC 2017; and State Department for Industrialization 2020.

* Credit market values are calculated by aggregating, over a three-year period, (i) total credit demand, defined as the amount businesses applied for or needed but did not apply for, and (ii) total credit supply, defined as the amount of credit actually received. These totals are then divided by three to estimate average annual credit demand and supply.

1. **Some WNMEs do not view credit as necessary, instead relying on savings and revenue for growth.** Alternatively, they may be content to maintain their enterprise at its current size and revenue, prioritizing stability over expansion.
2. **Some WNMEs may not recognize the potential benefits of loans or other financial products.** They may also mistrust existing credit options, reflecting a market failure in providing appropriate and valuable products.
3. **Risk aversion to credit often stems from concerns over repayment.** This leads some WNMEs to prefer gradual growth using reinvested profits rather than taking on debt.

FIGURE 12. **Proportion of WNMEs that do not seek credit (%)**



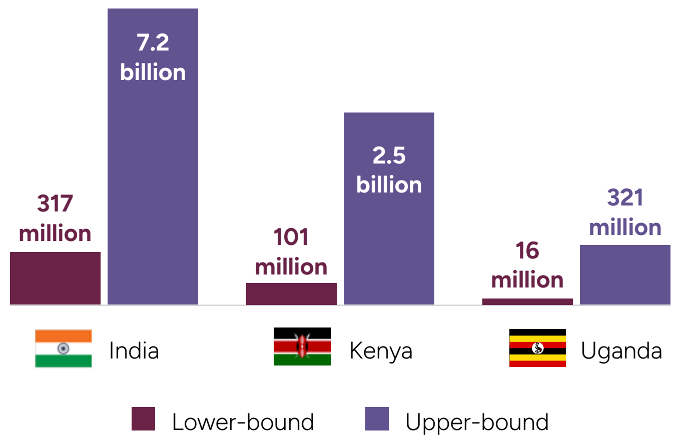
Source: Author's calculation based on the CGAP nano and micro enterprise survey (CGAP 2024)

The expressed demand vs. uptake gap likely represents a lower bound estimate.[5] WNMEs that do not genuinely require credit should be excluded from credit gap estimates, but those that refrain from borrowing due to repayment concerns or lack of awareness about credit benefits should be included. Additionally, businesses often apply for lower loan amounts that they believe they can obtain, potentially underestimating their actual capital needs. Therefore, credit gap estimates should be viewed as conservative, reflecting only WNMEs that either applied for credit or expressed a need for it based on the loan amounts they requested.

> *"We have not taken any loans. Instead, we have solely utilized our own capital for financing. This works well for us since the business doesn't require much funding and we prefer to stay self-reliant in how we manage our finances."*
>
> —Woman nano enterprise owner, Uttar Pradesh, India

Debt-to-revenue estimates suggest larger market potential. An alternative approach to estimating the credit market gap is to assess how much credit an enterprise could ideally leverage based on its size. Using a debt-to-revenue ratio of 25 percent, the total potential credit market gap is estimated at US$ 7.2 billion in India, US$ 2.5 billion in Kenya, and US$ 321 million in Uganda, as shown in Figure 13. In all three countries, a significant discrepancy emerges between this estimate and the previously discussed market sizing. This gap is likely driven by several factors, including many WNMEs not perceiving a need for credit, requesting smaller loan amounts due to low expectations of approval despite greater financial needs, and an insufficient supply of appropriate credit products. Importantly, however, these upper-bound estimates also do not accurately represent the "servable" credit gap. Given current economic and credit market conditions, extending credit to WNMEs that may be unable to effectively utilize debt could lead to unsustainable financial dynamics and an increased risk of over-indebtedness.

FIGURE 13. **Lower and upper bound estimates of unmet credit demand (US$)**



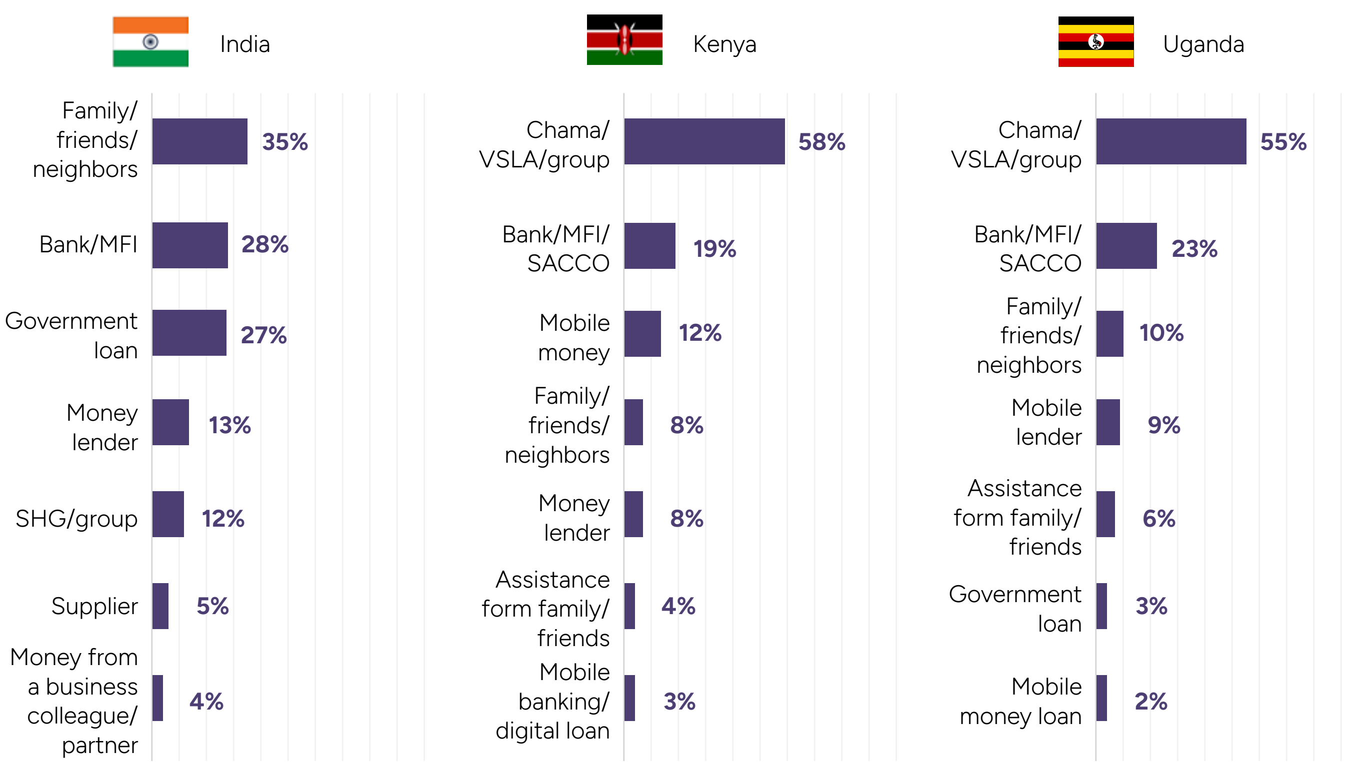
Source: Author's calculation based on the CGAP nano and micro enterprise survey CGAP 2024; MOSPI 2023; KNBS 2016; Bank of Uganda 2023; IFC 2017; and State Department for Industrialization 2020..

Current credit repayment practices highlight the need for responsible finance. In India, 40 percent of WNMEs are borrowing to repay existing loans. In Uganda and Kenya, 20 percent and 23 percent, respectively, are using unsustainable methods like taking on new loans or selling assets to meet their obligations. This underscores the importance of designing credit products and interventions that align with the specific needs and financial capacities of WNMEs, ensuring they can manage their obligations without falling into a cycle of over-indebtedness. Such measures are crucial for building trust in the financial system, promoting stability, and preventing long-term negative consequences (Klapper and Tayag 2022).

5 The upper bound (debt-to-revenue ratio) method is used to evaluate the maximum sustainable debt a business can absorb without jeopardizing its financial stability. In the context of micro enterprises, this method relies on the International Finance Corporation (IFC) benchmark, which suggests that a sustainable debt level should not exceed 25 percent of a business's annual revenue. Please consult Annex A for more details. For general credit market sizing considerations, refer to the Technical Guide accompanying this report (Kimani, Sawhney and Sotiriou 2025).

Informal and semiformal credit sources dominate all three markets. Although the proportions differ somewhat, based on country context, the data clearly indicates that WNMEs primarily continue to access credit through informal and semiformal sources. In Kenya and Uganda, group-based financing from nonregistered institutions is the primary source of WNME loans, while in India, informal sources such as friends and family provide most of the credit for these enterprises (see Figure 14). In India, SHGs and other semiformal groups are mainly used for savings rather than credit, suggesting a gap in the market where such groups may not be willing or able to provide WNMEs with sufficient credit. Additionally, digital credit plays a significant role in Kenya, emerging as an important credit source.

FIGURE 14. **Main sources of credit for WNMEs, per country (%)**



Source: Author's calculation based on the CGAP nano and micro enterprise survey (CGAP 2024).

Summary: Capital access and credit gaps for WNMES

The gender gap in start-up capital and formal credit leads to consistently worse outcomes for WNMEs. Women in India, Kenya, and Uganda start with less capital, forcing them into low-margin sectors and limiting reinvestment. Social norms prioritize household needs over business growth and women face barriers to formal credit, relying on smaller loans from informal sources. A vicious cycle is created where limited capital, restricted credit, and social expectations prevent expansion and reinforce financial exclusion.

Informal and semiformal sources are critical for WNME credit access but fail to meet their needs. Informal and semiformal credit sources play a crucial role in providing WNMEs with financing that formal institutions often cannot offer. VSLAs, SHGs, and *chamas* are widely trusted, offering flexible and accessible financing tailored to women's needs. WNMEs with access to these sources experience a smaller credit gap but small loan sizes limit their ability to meet their entire working capital needs or fund long-term investments. While Kenya and Uganda have strong community-based credit systems, India's reliance on informal sources presents scalability challenges. Bridging informal and formal finance is key to supporting sustainable growth for WNMEs.

There is a need to take a holistic approach to financing the large credit gap. A significant credit gap exists, with unmet demand by WNMEs found to be 70 percent in India, 52 percent in Kenya, and 48 percent in Uganda. However, not all WNMEs actively seek credit, often due to a preference for self-financing, mistrust of financial institutions, or concerns over repayment. Some WNMEs also engage in unsustainable loan repayment practices, such as borrowing to repay existing loans or selling assets. Given these factors, interventions to expand credit access must be carefully designed. Simply increasing credit availability will not ensure sustainable growth. Financial literacy and responsible credit practices are crucial for WNMEs to effectively manage credit without risking over-indebtedness.

SECTION 3

Focusing on the smallest: Defining and segmenting women-led nano enterprises

SEGMENTING WNMEs IS ESSENTIAL FOR understanding their diverse realities and for designing effective, targeted interventions. These enterprises are not homogenous—differences in their motivations, business models, and operating environments shape their needs and challenges, particularly when it comes to accessing start-up capital and credit (as discussed in Section 2).

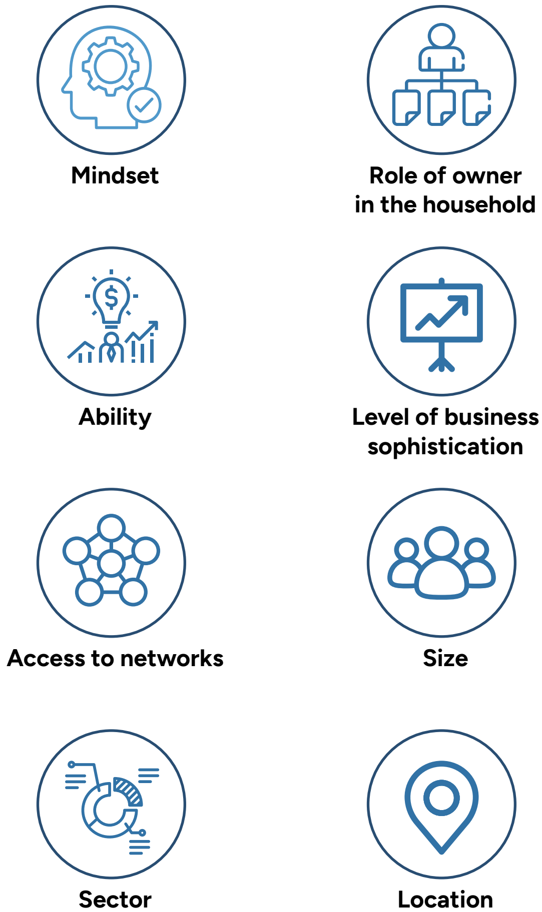
A useful starting point is to distinguish between two broad segments based on the primary aspirations of the enterprise: *livelihood-oriented* and *growth-oriented*.

1. **Livelihood-oriented women-led enterprises prioritize household stability and resilience.** Their main goal is to maintain income flows, manage day-to-day cash needs, and protect against financial shocks. Many of these businesses deliberately avoid credit to prevent the risk of unsustainable debt, yet they have limited access to alternative financial tools. These enterprises are often best supported through government schemes, donor initiatives, and social programs that emphasize security and resilience.
2. **Growth-oriented women-led enterprises, on the other hand, seek to expand.** These enterprises are actively looking for capital to invest in scale and productivity, often requiring larger and longer-term credit solutions. Addressing their financing needs—potentially through blended finance approaches—and tackling structural barriers is critical to unlocking their potential as employment-generating businesses.

Some enterprises exist between these two ends of the spectrum or are in transition. They may have begun with a focus on stability but now aspire to grow. These businesses often face compounded constraints, such as limited access to capital and restrictive market conditions, that prevent them from realizing their growth potential. They require tailored support to help them bridge the gap and shift toward expansion.

While the livelihood–growth spectrum provides a helpful conceptual anchor, real-world segmentation is more complex. Business characteristics, market dynamics, and external constraints (like social norms or caregiving responsibilities) all influence where an enterprise sits on this spectrum—and these can shift over time. For example, some women may prioritize stability not by choice, but due to systemic barriers that limit their ability to grow. Despite these realities, many segmentation efforts still rely heavily on simple criteria such as enterprise size or credit history, which can overlook businesses with strong growth potential but poor access to resources. To offer a more practical and inclusive approach, this section draws on a CGAP

FIGURE 15. **Core segmentation dimensions identified**



Source: Author's analysis based on CGAP Literature Review (CGAP 2024).

(CGAP 2024) literature review, which identifies eight dimensions (Figure 15) that together offer a more nuanced framework for segmenting WNMEs, and more specifically Women-led nano enterprises (WNEs).

Based on eight key dimensions, this segmentation exercise identifies the most underserved segments. It also highlights those in the greatest need of support. These insights are vital for designing effective interventions. Given the predominantly informal nature, particularly of WNEs, many interventions will need to be donor driven.

However, underserved does not necessarily imply a lack of private sector viability. For instance, while financial providers have historically viewed women as high risk, growing evidence challenges that assumption (D' Espallier, Guérin and Mersland 2011). Similar biases likely exist across various segmentation dimensions, emphasizing the need for a more nuanced approach.

The objective of the segmentation is twofold:

- To provide a more nuanced and accurate categorization of nano enterprises by considering a range of dimensions together.
- To offer a deeper understanding of the specific needs, constraints, and contextual realities of different types of nano enterprises to better inform product design and identify the most well-suited providers.

This section of the report shifts focus slightly to hone in more on the women-led nano enterprises or WNEs. Section 3.1 segments WNMEs by size, with nano enterprises identified as a distinct category that requires further attention. Section 3.2 then explores the specific characteristics of WNEs and segments them based on seven additional dimensions related to key business and owner traits. Finally, Section 3.3 focuses on identifying the most underserved segments amongst WNEs.

3.1 Segmenting by size: Need to define nano enterprises as a separate category

Size is the most common differentiator used in MSME segmentation. Number of workers is typically the key indicator, especially for very small enterprises that often lack formal financial records (Gray and Dunn 2020). However, size-based approaches fail to capture the nuances of smaller businesses, particularly within the very broad micro enterprise category.

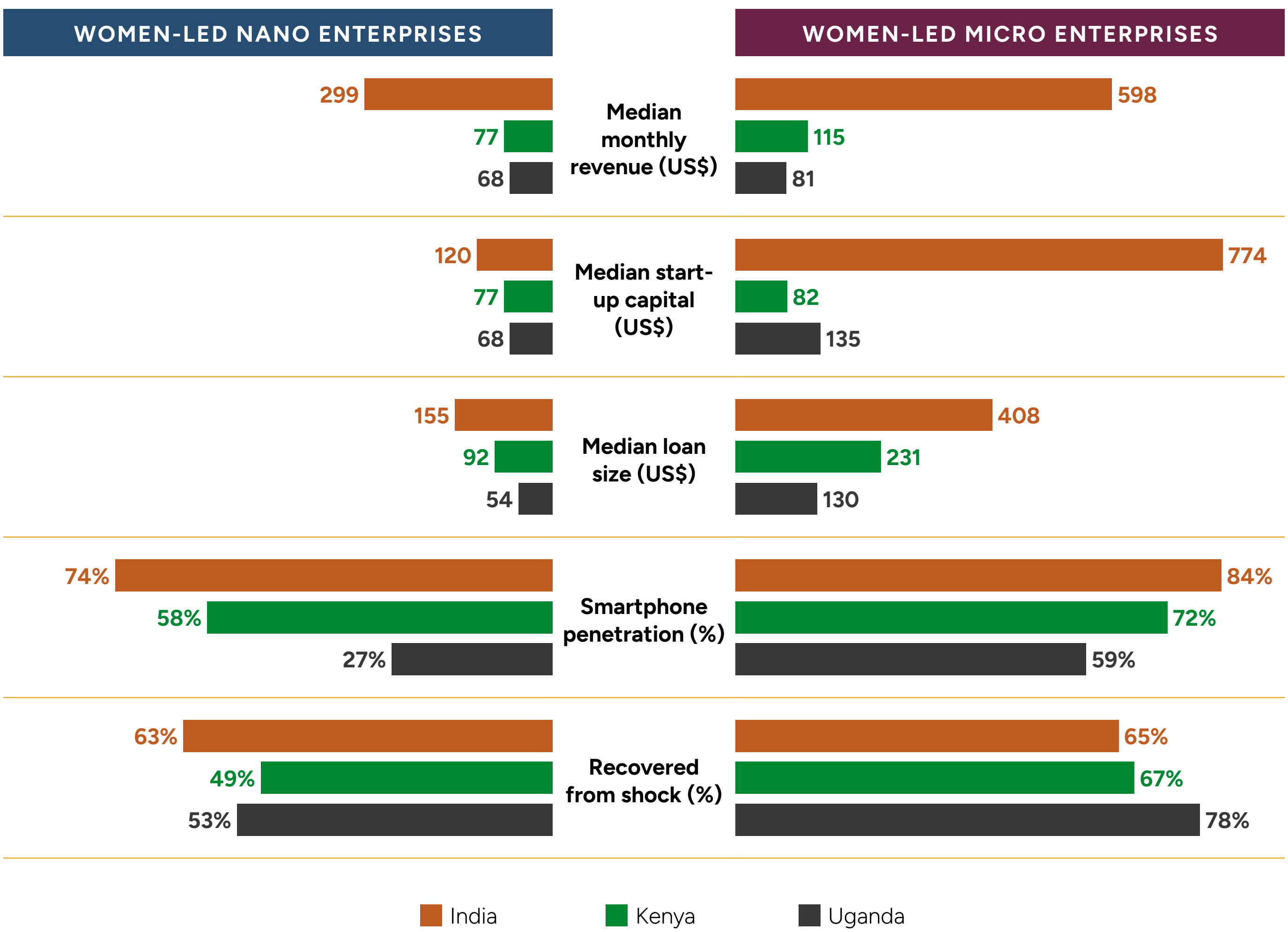
Such oversight often leaves nano enterprises—both smaller and more informal—largely invisible and underserved. This section adopts a more granular segmentation of size, contrasting WMNEs to explore the distinct differences between businesses with zero paid workers and those with some consistently paid workers (refer to Box 1 for the CGAP definition of "nano enterprise").

> *"Larger businesses have greater resources at their disposal and better access to loans, which enables them to take bigger risks and achieve greater growth in the end."*
>
> —Male owned micro enterprise, Bihar, India

As Figures 16 and 17 show, four key differences emerge between WNEs and women-led micro enterprises in the study countries:

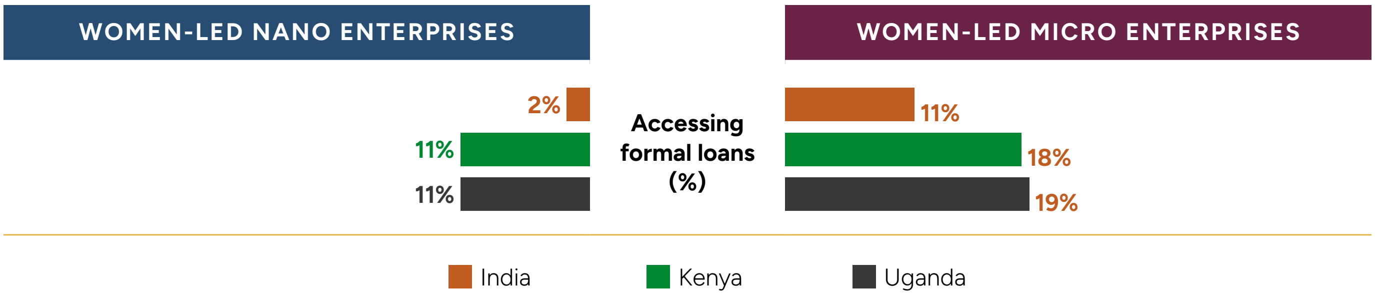
1. **Start-up capital.** Nano enterprises typically have less start-up capital than micro enterprises. The smaller scale of nano operations reduces the need for substantial resources while micro enterprises require larger investments to cover formal worker costs. This difference is particularly notable in India, highlighting the challenge for women-led businesses - that start small and with limited capital - to scale beyond the nano level.
2. **Loan size.** Nano enterprises take smaller loans on average compared to micro enterprises, driven by both demand-side and supply-side factors. The smaller scale and informality of nano enterprises leads them to rely more on informal and semiformal loan sources, which offer smaller amounts. In all three study countries, fewer nano enterprises access loans from formal institutions.
3. **Smartphone penetration.** A noticeable smartphone penetration gap exists between nano and micro enterprises, particularly in Uganda. This

FIGURE 16. **Key differences between women-led nano versus women-led micro enterprises**



Source: Author's calculation based on the CGAP nano and micro enterprise survey (CGAP 2024)

FIGURE 17. **Borrowing behavior of women-led nano versus women-led micro enterprises***



Source: Author's calculation based on the CGAP nano and micro enterprise survey (CGAP 2024); (MOSPI 2023).

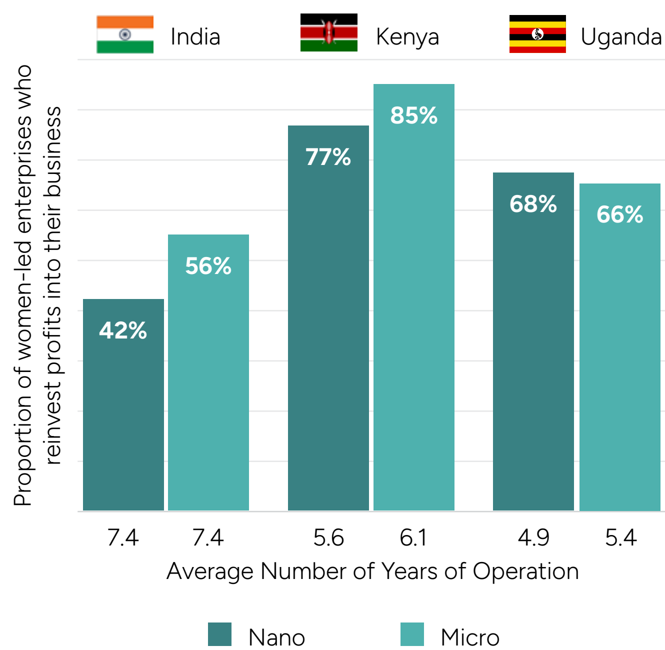
* This figure represents the percentage of enterprises across the entire universe of WNMEs.

limits the ability of nano enterprises to leverage digital tools and interventions, reducing their readiness for digital transformation compared to micro enterprises.

4. **Resilience.** Nano enterprises show lower resilience due to their small scale and limited financial resources, which stifles growth and leaves them less prepared to handle business shocks. Lower shock recovery rates in Kenya and Uganda reflect this.

Starting small, often results in remaining small. As illustrated in Figure 18, women-led nano and micro enterprises exhibit broadly similar growth aspirations. Comparable proportions of entrepreneurs reinvest in their businesses, and the average duration of business operation is likewise consistent across both groups. However, nano enterprises tend to report significantly lower revenue compared to micro enterprises. In India, Kenya, and Uganda, micro enterprises—those employing at least one worker—generate 2.6, 2.5, and 2.4 times more revenue, respectively, than their nano counterparts. This suggests that despite their similar growth ambitions and timelines, nano enterprises face unique challenges that limit their ability to scale. Additionally, the significantly higher start-up capital reported by micro enterprises—on average four to eight years old—underscores the narrow growth pathway from nano to micro. Most enterprises currently classified as micro started with substantially more capital than their nano counterparts at a similar stage.

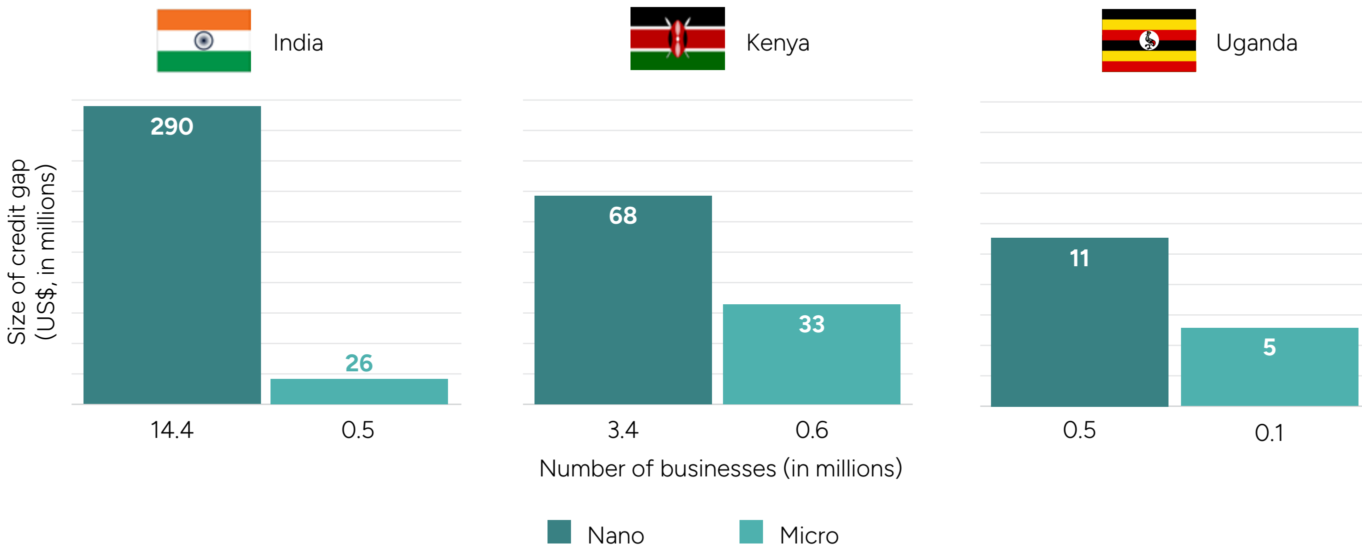
FIGURE 18. **Proportion of women-led nano and micro enterprises that reinvest in their businesses (%) and years in operation (median)**



Source: Author's calculation based on the CGAP nano and micro enterprise survey (CGAP 2024)

The market sizing data provides important insights into the scale of the nano enterprise segment and the extent of its unmet credit needs. As shown in Figure 19, women-led nano enterprises (WNEs) experience a significantly higher credit gap compared to women-led micro enterprises in all three countries. Nano enterprises also make up the majority of WNMEs—comprising 97 percent in India, 83 percent in Kenya, and 78 percent in

FIGURE 19. **Size of credit gap for women-led nano versus micro enterprises (US$, in millions) and total number of enterprises**



Source: Author's calculation based on the CGAP nano and micro enterprise survey CGAP 2024; MOSPI 2023; KNBS 2016; Bank of Uganda 2023; IFC 2017; and State Department for Industrialization 2020.

Uganda. Their prevalence, particularly in lower-income and rural settings, underscores their importance as a source of income generation and household resilience for millions of women.

Despite their scale and contribution to livelihoods, WNEs remain largely excluded from formal financial services. Figures 17 and 18 show that WNEs are significantly less likely than their micro counterparts to access formal loans, and in many contexts, they have shorter operational histories and lower rates of reinvestment. In Uganda, for example, just 27 percent of WNEs report reinvesting in their businesses, compared to 59 percent of women-led micro enterprises.

These patterns point to a segment that is both economically relevant and financially underserved—highlighting the need for more targeted and inclusive financial solutions. The following section examines the diverse profiles within the WNE segment and outlines key factors for donors and FSPs to consider when designing interventions to close the credit gap.

3.2 Beyond size: Segmenting women-led nano enterprises by business owner and business characteristics

While comparing nano and micro enterprises helps reveal broad disparities in access and outcomes, it does not fully capture the underlying factors driving those differences—factors crucial for designing effective interventions. Size alone is an incomplete metric as it overlooks key variations within nano enterprises that influence their growth potential, credit access, and resilience. Rather than assuming that all nano enterprises should scale to micro businesses, this section explores the constraints on their growth and introduces a more nuanced segmentation approach.

Building on existing literature, this study identifies seven core dimensions that can be useful to segment WNEs. Looking beyond size, (as discussed in Section 3.1), these are entrepreneurial ability, mindset, level of business sophistication, role of business owner in the household, access to networks, location and sector (see Table 1). For detailed indicators and the rationale

TABLE 1. **Overview of indicators and dimensions**

Dimension	Rationale for choosing the dimension
Business owner characteristics	
Mindset	The motivations behind starting a business, along with the entrepreneur's growth plans, mindset, and aspirations, significantly shape financial behavior and needs. A business owner's mindset also plays a critical role in securing financial support, utilizing credit effectively, and ensuring long-term sustainability.
Entrepreneurial ability	Entrepreneurial ability encompasses factors such as education, business experience, managerial competence, digital skills, and financial literacy. These elements are essential for accessing financial services, mitigating risks, and ensuring business sustainability. ***This dimension is particularly relevant for women-led enterprises.***
Role of business owner in the household	Family structure, including marital status, head-of-household responsibilities, and dependents, is key to understanding the unique contexts of enterprises. Recognizing these factors allows stakeholders to design tailored, supportive products and programs that align with the time and resources entrepreneurs can dedicate to their businesses, fostering inclusion rather than creating barriers to finance. ***This dimension is particularly relevant for women-led enterprises.***
Business and business owner characteristics	
Access to networks	Access to networks is a key dimension and includes memberships in associations, family or friends as financing sources, and support from sponsors or training programs. These networks enhance credibility, expand financing options, and provide mentorship, market access, and skills development opportunities. For WNMEs, access to informal savings groups or lending circles is also a crucial financial buffer. ***This dimension is particularly relevant for women-led enterprises.***
Business characteristics	
Level of business sophistication	Business sophistication encompasses factors such as registration status, premises type, recordkeeping, permits, technology use, business planning, and market differentiation. These characteristics influence business stability, risk assessment, and creditworthiness.
Sector	The sector in which an enterprise operates affects its access to financial services. Industries vary in risk and opportunity. Technology or service-oriented sectors may have more access to credit than seasonal or volatile industries.
Location	Geographic location (rural, urban, or peri-urban) plays a major role in financial services access. Urban and peri-urban areas benefit from better infrastructure and market access, while rural businesses may face challenges such as limited banking services and underdeveloped markets.
Size	Business size, including employee count, turnover, and profit, is essential for determining financial services access. These metrics help lenders assess financial stability, operational capacity, and repayment potential.

Source: Author's analysis, based on CGAP literature review (CGAP 2024).

behind this framework, refer to the accompanying Technical Guide (Kimani, Sawhney and Sotiriou 2025).

These seven dimensions, along with size, are deeply interconnected. As Figure 20 shows, location shapes the broader ecosystem in which a business operates, defining both opportunities and constraints. Within this context, the business owner plays a central role in decision-making, leveraging personal and professional networks to navigate challenges and pursue growth.

Key business owner characteristics directly influence business attributes, including sector and level of sophistication. These characteristics include the owner's ability, motivation, household responsibilities, and access to networks. Business size emerges as an outcome of the interaction between owner and business characteristics. Please see Annex B for a detailed segmentation framework. Together, these factors shape credit market dynamics, influencing both perceived and actual capital needs. Needs are driven not just by the business itself but also by the broader ecosystem and the owner's ability to access and effectively manage financial resources.

The research suggests that while some dimensions show shared trends across countries, others show singificant divergence. In some cases, notable gender-based comparisons emerge between the larger universe of WNMEs and MNMEs, offering additional insights into the unique challenges and opportunities faced by women entrepreneurs.

DIMENSIONS SHOWING SHARED TRENDS ACROSS COUNTRIES

Three key dimensions—ability, mindset, and business sophistication—consistently show similar trends across the focus countries. This is particularly relevant in relation to capital access, resilience, and device ownership:

- Ability, measured by education level
- Mindset, measured by business reinvestment
- Business sophistication, measured by record-keeping practices

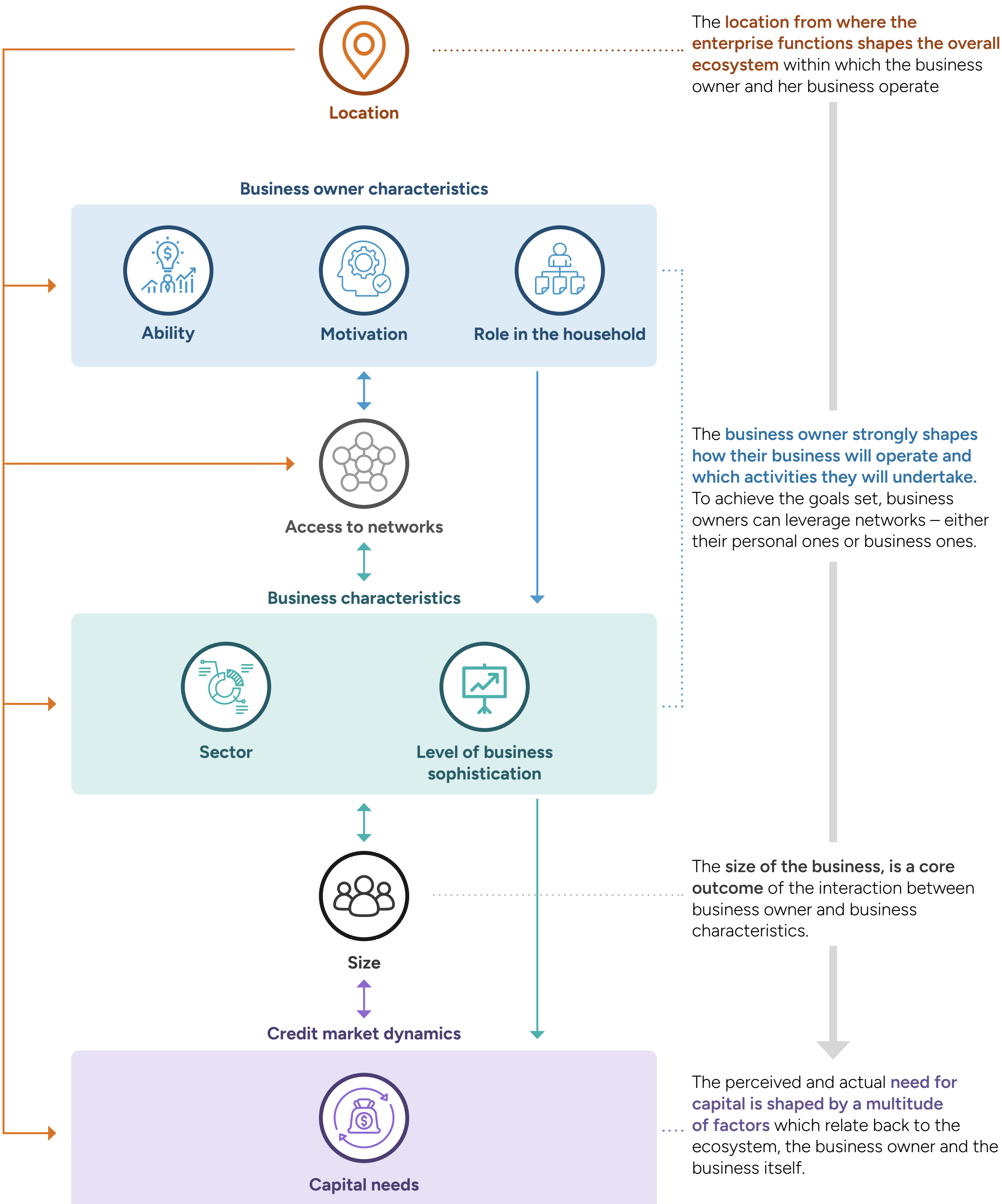
The following sections explore the significance of each dimension in understanding differences among WNEs, with relevant gender comparisons between WNMEs and MNMEs highlighted where applicable.

Ability

Those with lower levels of education face a larger start-up capital gap. Women nano entrepreneurs with lower levels of education tend to start their businesses with less capital across all three study countries (see Figure 21). This disparity may be linked to their socioeconomic status, which limits access to higher-income opportunities and reduces their ability to save. Additionally, a lack of technical skills can restrict entry into more profitable sectors and specialized skills are crucial for building savings and launching stronger businesses. For funders and policymakers, this reinforces the need to invest in skills development while addressing structural barriers to securing start-up capital.

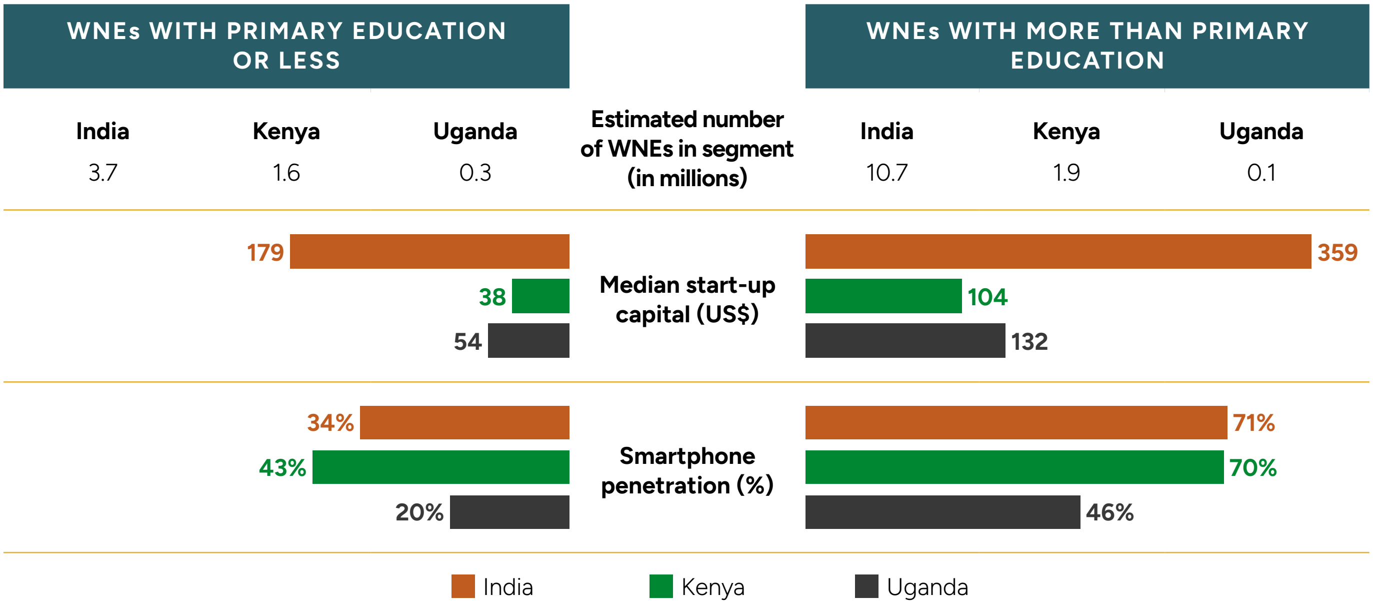
> *"Initially I was a mechanic [a skilled profession] and was employed for two months [for] which I was paid monthly. Later I left work and went and bought malimali [commodities] and paid three months' rent using the salary I had saved."*
>
> —Woman nano enterprise owner, Nano, Trade, Kenya

FIGURE 20. **Interconnected dynamics influencing enterprise growth and credit market interaction**



Source: Author's analysis, based on CGAP literature review (CGAP 2024).

FIGURE 21. **Comparison of WNEs by level of education of enterprise owner**



Source: Author's calculation based on the CGAP nano and micro enterprise survey CGAP 2024; MOSPI 2023; KNBS 2016; Bank of Uganda 2023; IFC 2017; and State Department for Industrialization 2020.

Key Insight 5

Strong linkages exist between education, digital access, and skills and enterprise growth.

Smartphone ownership among WNEs closely aligns with education levels. In fact, those with secondary education are twice as likely to own a device as their less-educated counterparts. This gap shapes how different enterprises engage with financial services. Often led by women with lower levels of education, livelihood-oriented enterprises require high-touch support as they are less likely to access digital credit or mobile banking independently. In contrast, growth-oriented enterprises, whose owners typically have higher levels of education, can leverage digital channels more easily for financing and market access.

As digital finance expands, the education linked divide risks further marginalizing livelihood-oriented WNEs. Further, this can limit their ability to transition into growth-oriented businesses. In addition, a persistent gender gap in digital skills further reinforces these barriers, as Box 3 explores.

Mindset

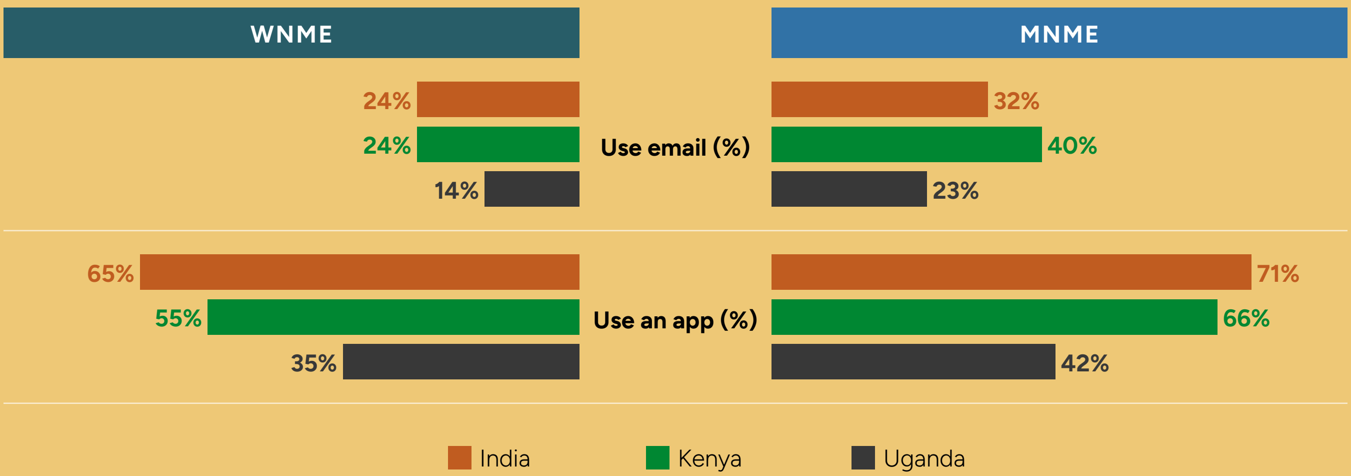
WNEs exhibit distinct borrowing patterns that influence their financial trajectories. As shown in Figure 23, livelihood-oriented WNEs prioritize daily stability, typically operate with lower capital, and often rely on informal lending. This results in lower revenue and limited access to formal credit. They face greater difficulty accessing emergency funds—especially in Uganda—and are less likely to own smartphones, which further restricts their financial and digital inclusion.

In contrast, growth-oriented WNEs tend to start with more capital, operate at a larger scale, and report higher revenue. These entrepreneurs are more willing to take calculated risks, invest in digital tools, and engage with formal financial systems. Their borrowing behavior is often strategic, aimed at expanding operations and increasing returns rather than meeting immediate needs. This orientation positions them for long-term business growth and greater resilience in the face of shocks..

BOX 3. **The gender gap in digital tools usage***

Digital tools are critical for improving the efficiency, visibility, communication, and market access of WNMEs across sectors. Beyond hospitality—where an online presence directly impacts competitiveness—industries such as retail, beauty and personal care, tailoring, and food services increasingly rely on digital platforms for customer engagement, bookings, inventory management, and payments. Yet WNMEs across the sample countries often lag in adopting such tools, limiting their ability to compete, grow, and adapt to market demands. As Figure 22 shows, significant gender gaps exist in the self-reported ability to use email and apps for business, with women consistently reporting lower usage than men. In Kenya, these differences exceed 10 percentage points. Similar trends are observed across other digital platforms, with WNMEs using *social media,* facilitating *online orders,* and utilizing *internet search engines* less than their male counterparts. These disparities highlight the need for targeted interventions to bridge the digital gender divide and empower women-led businesses to fully engage with digital opportunities.

FIGURE 22. **Digital tools usage among WNMEs and MNMEs (%)**



Source: Authors analysis from CGAP nano and micro enterprise survey (CGAP 2024).

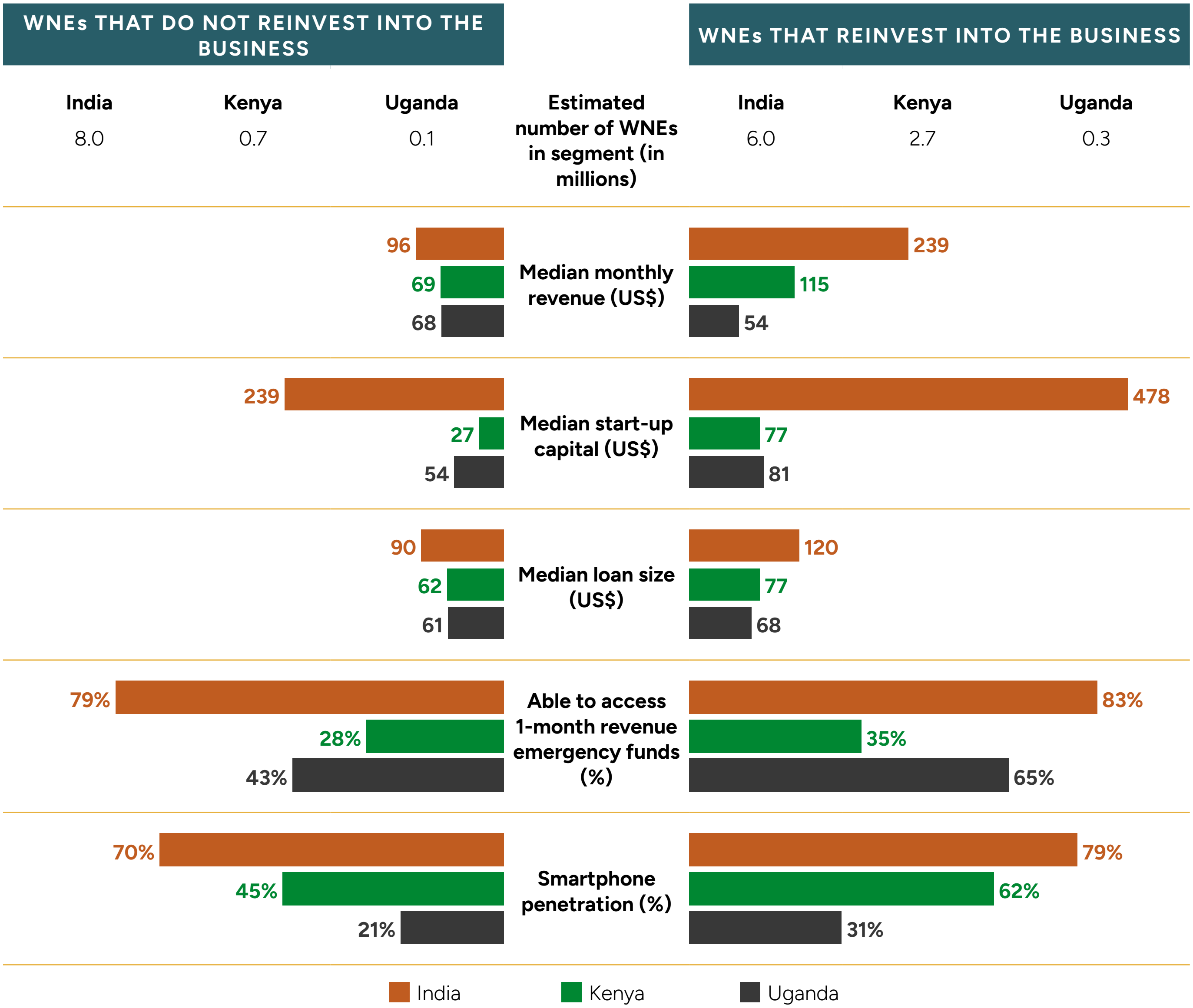
* Apps used included social media platforms such as WhatsApp and Facebook for communicating with clients and suppliers, as well as Facebook, Instagram, and X for business marketing.

Level of business sophistication

Record-keeping is not directly linked to borrowing behavior. As Figure 24 shows, while record-keeping is not directly linked to borrowing behavior, it plays a crucial role in a business's success and growth. Surprisingly, there is no strong correlation between maintaining records and accessing loans. This may be due to three factors: (i) many WNEs obtain credit from informal or semiformal sources that do not require formal records; (ii) formal lenders generally do not target this segment, regardless of record-keeping practices; and (iii) the quality of records, not just their presence, is critical for accessing credit.

Data from the study suggest that record-keeping is closely associated with stronger business performance. Maintaining records is strongly associated with start-up capital across all study countries, as well as with revenue in India and Uganda. This suggests that record-keeping is an indicator of more robust, growth-oriented businesses and supports future access to formal credit. There is a bi-directional

FIGURE 23. **Comparison of WNEs by reinvestment behavior**



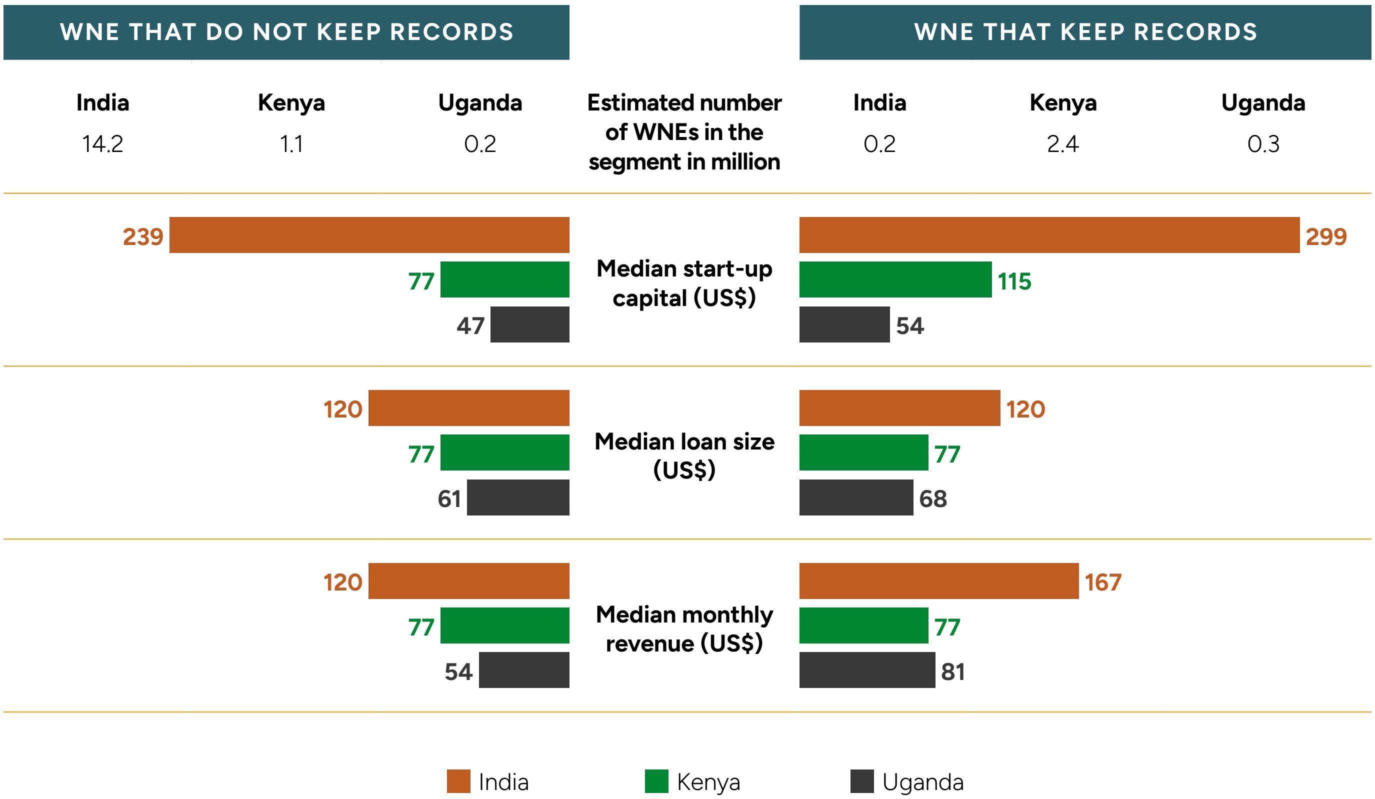
Source: Authors calculation based on CGAP nano and micro enterprise survey (CGAP 2024); (MOSPI 2023); (KNBS 2016); (Bank of Uganda 2023); (IFC 2017) (State Department for Industrialization 2020).

relationship: WNEs with greater growth ambitions and start-up capital are more likely to keep records and the act of maintaining them provides valuable insights that enhance decision-making and operational efficiency.

> *"Tracking sales through record-keeping helps me manage my inventory effectively."*
>
> —Woman nano enterprise owner, Services, Nairobi, Kenya

Maintaining records not only improves business understanding but can also be an indicator of enhanced resilience. WNEs that keep records exhibit higher resilience, as seen in Uganda, where 71 percent of record-keeping WNEs have access to emergency funds equivalent to one month's revenue and 59 percent have recovered from a shock. In comparison, only 35 percent and 42 percent of WNEs without records have similar access and recovery, respectively. This highlights that strengthening record-keeping

FIGURE 24. **Comparison of WNEs by record-keeping practices**



Source: Author's calculations based on CGAP nano and micro enterprise survey (CGAP 2024); (MOSPI 2023); (KNBS 2016); (Bank of Uganda 2023); (IFC 2017) (State Department for Industrialization 2020).

practices can be beneficial for fostering both resilience and growth.

Regardless many WNEs do not perceive the immediate benefits of record keeping. These entrepreneurs need support not only with record-keeping, potentially through digital tools, but also a clear understanding of the value and long-term benefits that come from the systematic tracking of business activities.

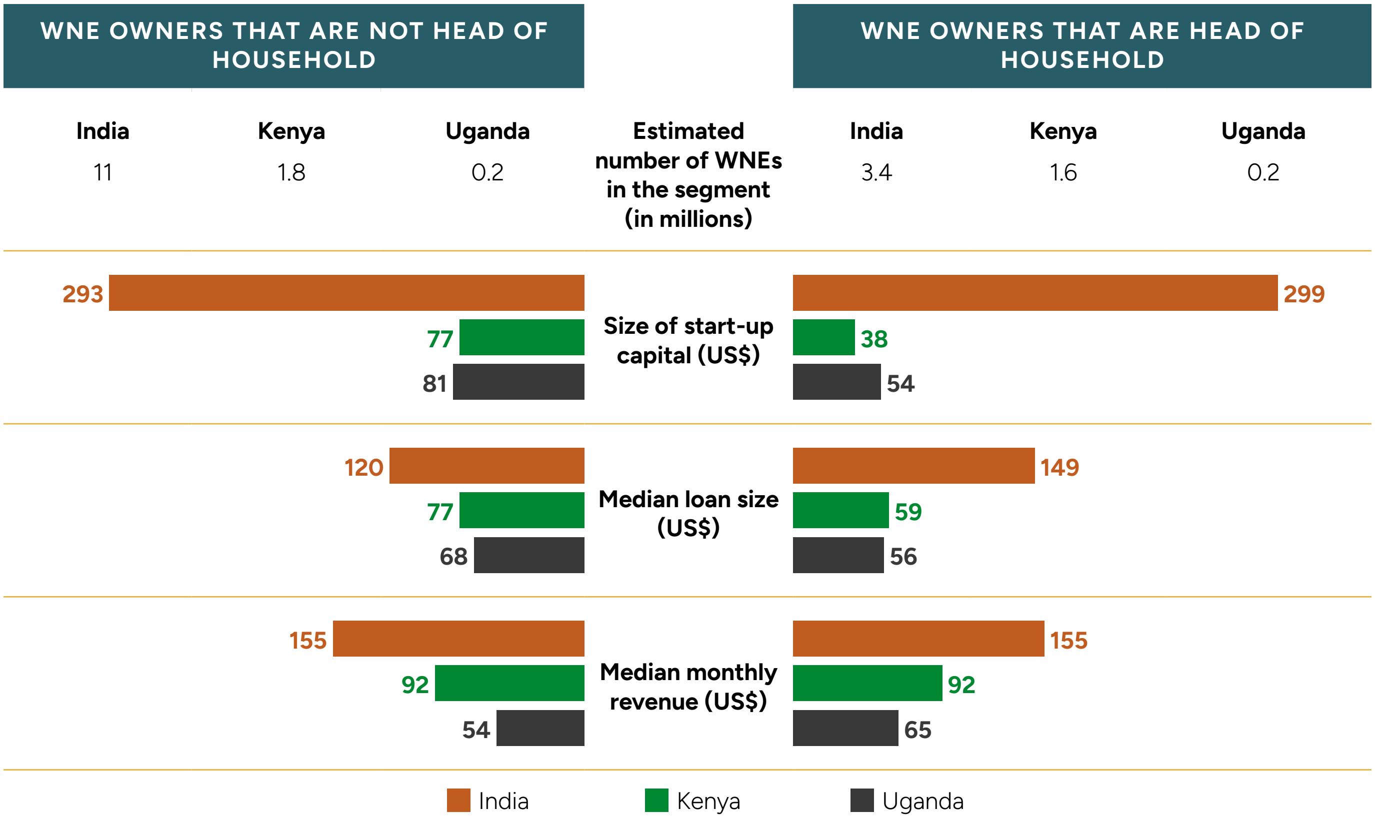
DIMENSIONS WITH DIVERGING DYNAMICS BETWEEN THE FOCUS COUNTRIES

In contrast to the dimensions discussed above, which show consistent trends across the three focus countries, the dimensions noted in this section demonstrate more varied dynamics. The variation suggests that the relationship between these dimensions and factors such as capital access, resilience, and digital access is heavily influenced by country-specific contexts, necessitating a more nuanced analysis of each country's unique trends.

Role in the household

The impact of the role that a women holds in their household on her business varies widely across countries, influenced greatly by local norms and expectations. In India, household headship plays a more prominent role in a WNE's business outcomes compared to Uganda and Kenya. As Figure 25 indicates, in India, women-led nano enterprises (WNEs) headed by household heads have more start-up capital and access larger loans than their peers. The disparity is even more pronounced in rejection rates: 38% of non-household heads face loan rejections, compared to just 25% among household heads—highlighting the influence of household dynamics and gender roles on credit access and business viability. Similar trends emerge for Kenya

FIGURE 25. **Comparison of WNEs by enterprise owner's role in the household**



Source: Author's calculations based on CGAP nano and micro enterprise survey (CGAP 2024); (MOSPI 2023); (KNBS 2016); (Bank of Uganda 2023); (IFC 2017) (State Department for Industrialization 2020).

and Uganda when looking at median loan size, although they are less pronounced. Interestingly, WNEs who are *not* household heads in both countries tend to start larger businesses, with Kenyan WNEs having twice as much start-up capital. This could reflect cultural norms, with men typically seen as household leaders and women heading households potentially struggling to raise larger amounts of capital without the support of a male partner.

Access to networks

The nature of networks significantly varies across countries, and each type of network can have different outcomes for WNEs. In each country, WNEs may belong to various types of networks, including:

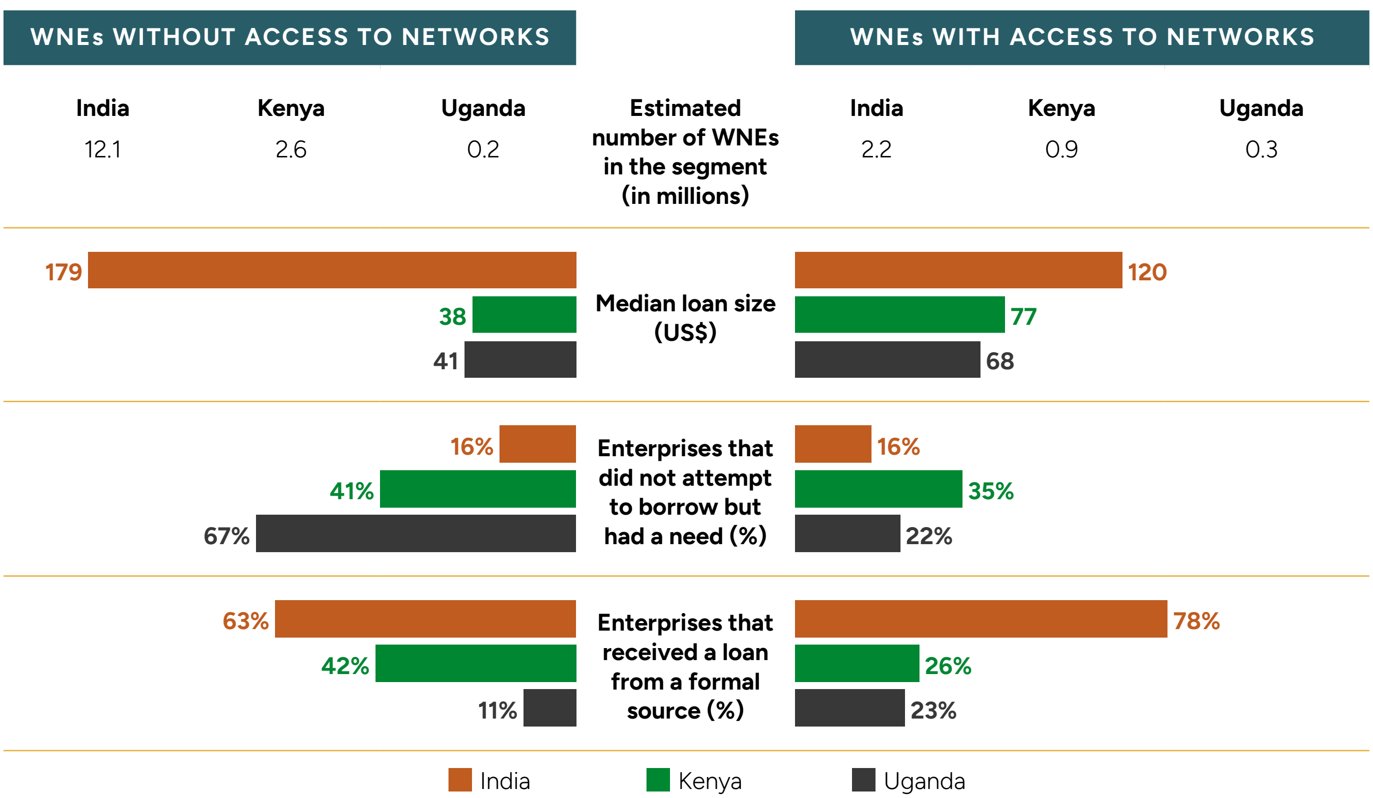
1. **Formal value chain networks.** Structured professional networks that may provide access to suppliers, buyers, or business partners.
2. **Local community-based networks.** Includes groups such as VSLAs, SHGs, or *chamas,* which often provide financial support, advice, and collective action.
3. **Informal societal networks.** Networks that include family, friends, and personal contacts that entrepreneurs rely on for support, capital, and business opportunities.

The networks a WNE participates in can influence its access to resources, market opportunities, and overall business success. It is crucial to understand the predominant types of networks in each country and among different WNE segments. Different networks offer varying degrees of formality, financial support, and business intelligence, and these factors shape the resilience outcomes and growth potential of WNEs.

In Kenya and Uganda, community-based savings and credit groups play a vital role in improving credit access for WNEs. Figure 26 shows that WNEs involved in these networks are significantly more likely to have their credit needs met. In Uganda, this disparity is particularly striking: 67 percent of WNEs not in networks reported being credit-constrained[6], compared to just 22 percent of those within a network. This highlights the importance of these groups in overcoming barriers to credit access. In Uganda and India, WNEs involved in networks tend to borrow more from formal sources. However, in Kenya, only 26 percent of network members borrow formally, compared to 42 percent of those outside networks. This suggests that access to informal lending through networks may substitute for formal borrowing in Kenya.

Women-led businesses tend to be more involved in horizontal rather than vertical networks. Horizontal networks focus more on peer collaboration, while vertical networks emphasize market access and supply chain linkages (see Box 4 for explanation on types of networks). This is important because market access and supply chain connections are essential for growth. The lower level of women's participation in vertical networks limits their access to these crucial resources, putting them at a disadvantage compared to male entrepreneurs.

FIGURE 26. **Comparison of WNEs by their access to networks**



Source: Author's calculations based on CGAP nano and micro enterprise survey (CGAP 2024); (MOSPI 2023); (KNBS 2016); (Bank of Uganda 2023); (IFC 2017) (State Department for Industrialization 2020).

6 This refers to the proportion of WNEs that reported to not have borrowed despite having a need for credit. Reasons behind this are lengthy and complicated application processes, a lack of formal records and apprehension about debt and repayment.

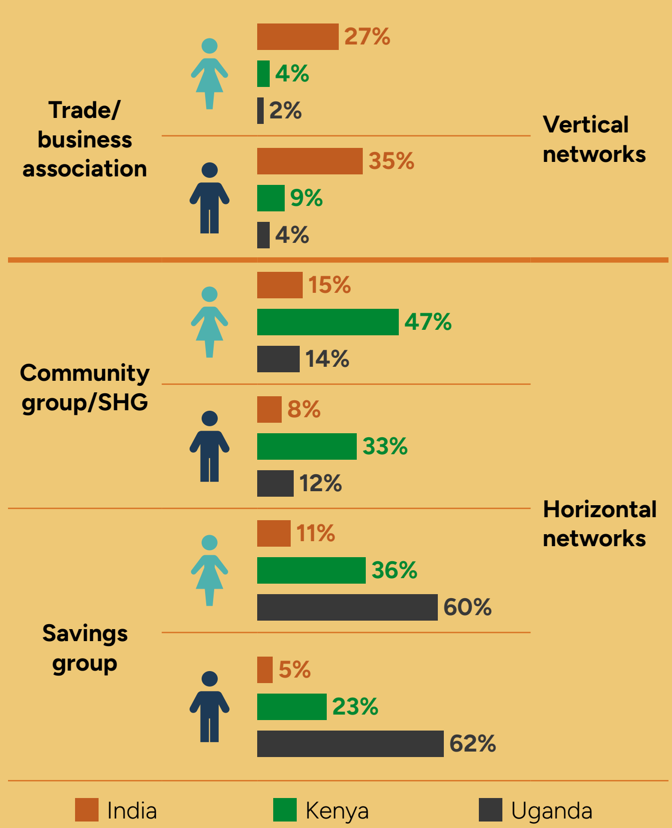
BOX 4. **Horizontal vs. vertical networks and the potential implications for WNMEs**

Networks are vital for the growth and sustainability of WNMEs, providing both vertical and horizontal connections. In the SME literature, vertical networks refer to cooperation among value chain partners while horizontal networks involve collaboration between competitors (Gellynck and Kühne 2010).

For nano enterprises, horizontal networks typically take the form of social groups like VSLAs, *chamas*, and SHGs, providing access to capital, skills, and peer support. In contrast, vertical networks offer direct market access, stronger linkages, and tailored credit products like supply chain financing. WNMEs engaged in vertical networks often have better connections with key stakeholders in their value chains.

Country-level data suggests that Indian NMEs (both male- and female-owned) favor vertical networks, gaining access to trade associations and markets, but missing out on financial opportunities offered by semi-formal channels in horizontal networks. In Kenya, however, NMEs rely more heavily on horizontal networks, which may provide crucial social and financial support through informal lending and peer-based solutions, but may limit their ability to secure larger, formal financing or market opportunities available through vertical networks.

FIGURE 27. **Membership of networks for WNMEs and MNMEs (%)**



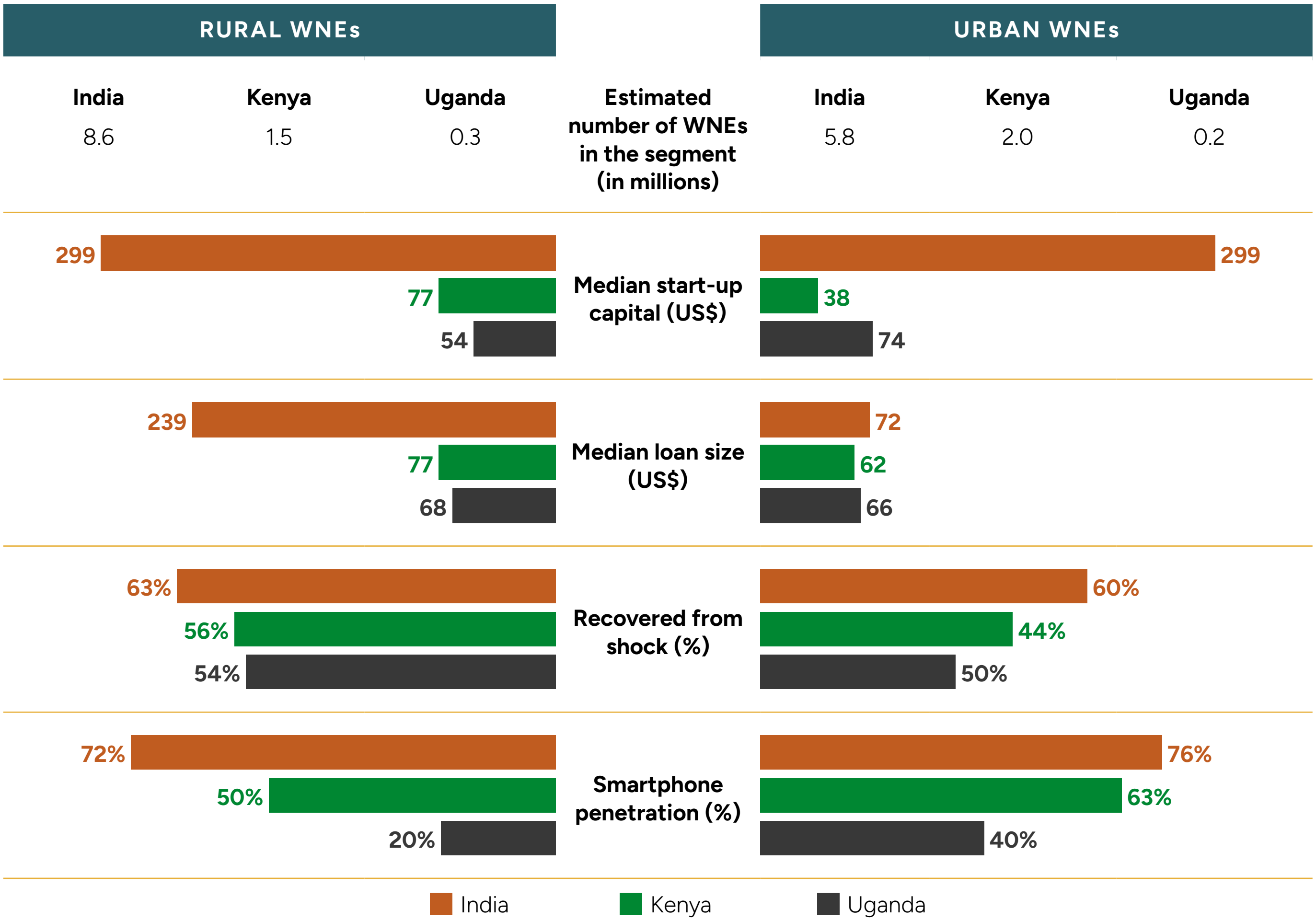
Source: CGAP nano and micro enterprise survey (CGAP 2024).

Location

A clear rural-urban divide emerges in access to credit and start-up capital (see Figure 28). In Uganda, urban WNEs generally have higher start-up capital compared to their rural counterparts. In Kenya, rural WNEs tend to have greater access to both start-up capital and credit. Notably, in India, the median loan size for rural WNEs is over three times that of urban WNEs, likely due to the National Rural Livelihood Mission (NRLM), which provides substantial credit support to female entrepreneurs in rural areas. Additionally, a stark continental divide exists in start-up capital, with Indian WNEs (both rural and urban) accessing significantly higher initial funding compared to those in Kenya and Uganda. This is likely attributed to stronger government-backed financial support for small businesses in India, particularly those owned and led by women.

Resilience among WNEs varies sharply by location, with rural entrepreneurs often faring better than their urban peers. In all three countries, rural WNEs show greater resilience to economic shocks, likely due to diversified income sources such as agriculture; strong community networks; and informal safety nets such as support from urban relatives. In contrast, urban WNEs are more vulnerable to shocks despite their better access to formal financial services. Their vulnerability stems from reliance on a single income source, higher costs of living, and market competition—all highlighting the need for tailored interventions for urban

FIGURE 28. **Comparison of WNEs, rural vs. urban**



Source: Author's calculations based on CGAP nano and micro enterprise survey (CGAP 2024); (MOSPI 2023); (KNBS 2016); (Bank of Uganda 2023); (IFC 2017) (State Department for Industrialization 2020).

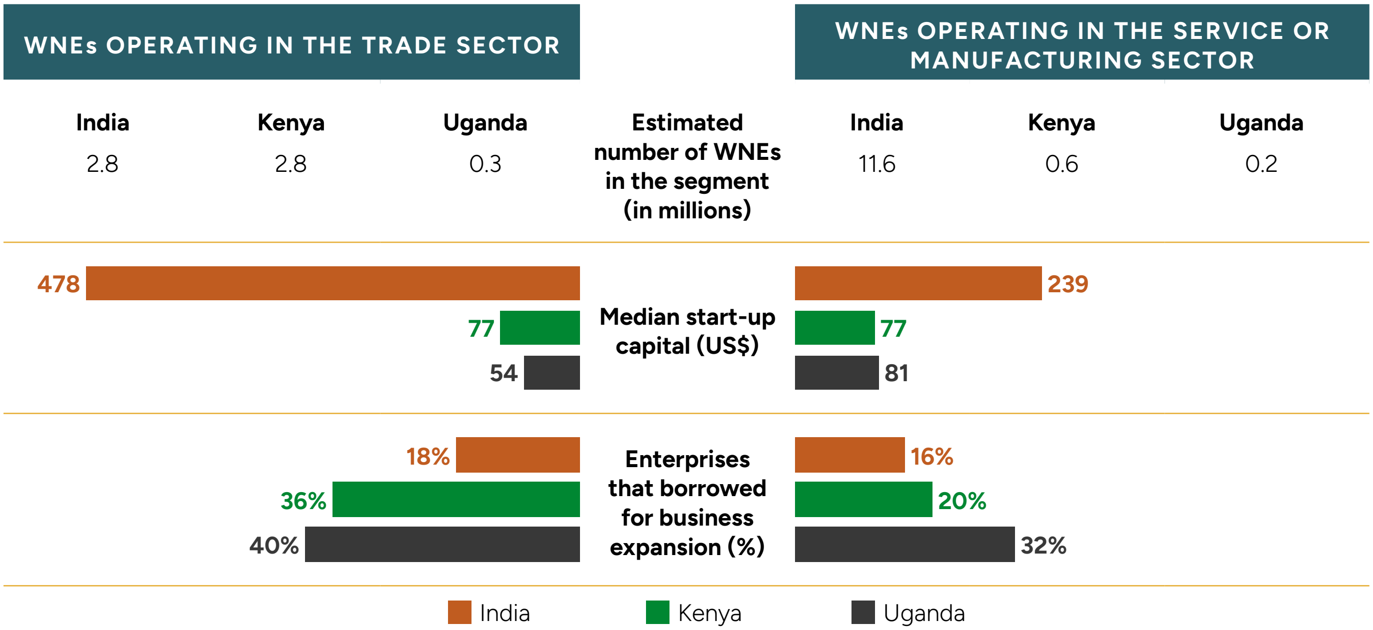
entrepreneurs (e.g., expanded financial safety nets, offers of more flexible credit options).

Rural WNEs in Kenya and Uganda lag behind their urban counterparts in smartphone adoption. This limits their access to digital credit and services. In contrast, India shows more universal smartphone ownership, reducing the rural-urban gap in access to digital services.

Sector

Sectors with low barriers to entry differ by country context. As Figure 29 shows, in Uganda, data on start-up capital indicates that the trade and retail sectors generally have lower barriers to entry. In contrast, India presents a different trend, with services sectors like textiles and apparel (i.e., businesses that can be operated from home) more accessible to female entrepreneurs with limited start-up capital. Additionally, an entrepreneur's location within a country influences the types of businesses they pursue, with location-related dynamics often shaped by sectoral trends.

FIGURE 29. **Comparison of WNEs by sector**



Source: Author's calculations based on CGAP nano and micro enterprise survey (CGAP 2024); (MOSPI 2023); (KNBS 2016); (Bank of Uganda 2023); (IFC 2017) (State Department for Industrialization 2020).

WNEs in the trade sector[7] have a significantly higher demand for credit to fuel business expansion compared to those in other sectors. In Kenya and Uganda, 36 percent and 40 percent of trade-sector WNEs, respectively, borrow primarily to increase inventory or invest in equipment. By contrast, only 20 percent of WNEs in Kenya and 32 percent in Uganda in other sectors seek credit for expansion. The higher demand for credit among trade-sector WNEs, primarily for inventory and equipment, reflects their strong focus on business expansion. However, existing financial products may not adequately cater to these growth-related needs, creating a gap in access to expansion capital. This suggests the need for credit solutions that specifically support scaling efforts, with terms aligned to the trade sector's cash flow cycles and investment requirements.

3.3 Identifying the most underserved segments

Key segmentation dimensions shape the credit gap within each study country context. Examining the size of the credit market can help identify segments with the greatest unmet demand for credit. Figure 30 shows that access to networks, mindset, role in the household, geographic location, sector, and level of business sophistication are the most critical dimensions when identifying which segments are most excluded from credit. However, the specific dynamics of exclusion vary by country context:

- **The Role of Networks:** Enterprises lacking access to networks are among the most underserved in Kenya and Uganda. In contrast, the opposite trend is observed in India, with WNEs that access networks having the highest unmet demand. The data

7 Trade sector includes wholesale and retail trade and the repair and selling of motor vehicles and motorcycles; Services sector includes personal services (i.e., domestic services, beauty services), hospitality & food, transport, educational services, health services and professional services.

FIGURE 30. **Most underserved WNE segments and their credit gap (US$, %)***

India	Kenya	Uganda
Access to networks Unmet credit demand: 92% [US$ 110 million]	**Not reinvesting in business** Unmet credit demand: 69% [US$ 41 million]	**No access to networks** Unmet credit demand: 82% [US$ 3 million]
Does not keep records Unmet credit demand: 90% [US$ 312 million]	**No access to networks** Unmet credit demand: 68% [US$ 43 million]	**Does not keep records** Unmet credit demand: 55% [US$ 4 million]
Primary education or less Unmet credit demand: 85% [US$ 154 million]	**Non-trade sector** Unmet credit demand: 68% [US$ 11 million]	**Located in urban areas** Unmet credit demand: 53% [US$ 5 million]

Source: Author's calculation based on the CGAP nano and micro enterprise survey CGAP 2024; MOSPI 2023; KNBS 2016; Bank of Uganda 2023; IFC 2017; and State Department for Industrialization 2020.

* Credit market values are calculated by aggregating, over a three-year period, (i) total credit demand, defined as the amount businesses applied for or needed but did not apply for, and (ii) total credit supply, defined as the amount of credit actually received. These totals are then divided by three to estimate average annual credit demand and supply.

indicates that this is due to WNEs in India engaging more in business associations (vertical networks) rather than savings and credit groups (horizontal networks). WNEs in all countries need to be made aware of the benefits of different types of networks to support their business needs. Additionally, these networks themselves should receive financial and capacity-building support to expand their reach and sustainably meet the capital needs of a larger number of enterprises.

- **Record keeping:** Lack of record-keeping significantly hinders credit access. In Uganda and India, 55 percent and 90 percent of enterprises without financial records face unmet credit demand, compared to 33 percent and 71 percent among those with records. Non-record-keeping businesses are both less likely to seek credit and less likely to obtain it when they do, due to a lack of verifiable financial information. In fact, 48 percent of Ugandan and 20 percent of Indian WNEs without records did not attempt to borrow, while this drops to 30 percent in Uganda and 13 percent in India among those with records.

Additional country-specific insights further highlight the complexity of credit exclusion:

- In India, lower education levels show a strong correlation with greater credit exclusion. WNEs with limited education often struggle with capital constraints and financial management skills, restricting them to low-value sectors with limited growth potential.
- In Kenya, non-trade sectors experience substantial unmet credit needs. Although enterprises in these sectors tend to be larger, their median loan sizes are less than half that of WNEs operating in the trade sector.
- In Uganda, urban WNEs face a larger credit gap than rural ones. A key challenge is that 47 percent of urban WNEs in need of credit do not apply, citing limited access, unsuitable products, and repayment concerns. To address this, policies and financial initiatives should prioritize urban WNEs, ensuring they have access to tailored credit solutions.

These insights not only underscore the importance of leveraging segmentation to identify the most underserved segments, but also highlight that it is critical to consider country-specific contexts. Targeted credit interventions tailored to these nuances will be essential in bridging financial gaps and fostering inclusive economic growth.

Summary: Definitions and segments of women-led nano enterprises

Recognize nano enterprises as a distinct category. Nano enterprises differ meaningfully from micro enterprises and require more tailored approaches. While both enterprise types play vital roles in supporting livelihoods, WNEs often operate with limited resources, lack steady paid workers, and face greater vulnerability to economic shocks. Unlike micro enterprises that may employ at least one worker and have more opportunities to grow, WNEs typically start small and remain small as they face structural barriers that prevent them from scaling. This points towards the need for tailored financial solutions for the nano credit market, which, due to its large numbers, represents a significant and unique opportunity for targeted interventions.

Differentiate between livelihood-oriented and growth-oriented WNEs. Even within nano enterprises, the needs, goals and challenges of livelihood-oriented and growth-oriented enterprises differ significantly. Livelihood-oriented WNEs often serve as economic lifelines for households but either face constraints that limit growth potential or choose to remain small. On the other hand, growth-oriented WNEs seek to expand and scale. While most MSME interventions focus on businesses with growth potential that want to scale, policies and programs must also cater to the realities of livelihood-oriented enterprises to support their vital role in sustaining households.

The challenge of a growing digital divide is as critical as the credit challenge. While credit gaps are a major barrier to WNME growth, the digital divide presents an equally pressing challenge. WNMEs are falling behind in digital adoption, which risks deepening their exclusion from critical business opportunities. As digitization influences operations, market access, and financial services, digital skills and device access are essential for all businesses. However, disparities in digital access and literacy, particularly among segments with lower levels of education, are prevalent across the study countries. Without targeted intervention, these gaps will further entrench inequalities, limiting WNMEs' access to both credit and the increasingly digital business ecosystem. A dual approach is necessary to address these challenges: simultaneously expanding financial access and bridging the digital divide.

Key factors such as recordkeeping, location, mindset, sector, network access, and education level help identify the most underserved WNE segments. The dynamics vary by country: in Kenya and Uganda, WNEs lacking network access are among the most underserved, while in India, networked WNEs—often part of business associations rather than credit groups—face greater credit gaps. WNEs without financial records in India and Uganda are more underserved compared to those who maintain records. Other barriers include urban location in Uganda, underserved non-trade enterprises in Kenya, and a correlation between low education levels and credit gaps in India. Addressing these disparities requires tailored, context-specific solutions.

SECTION 4

The way forward

WNMES—PARTICULARLY WNES—constitute the majority of nano and micro enterprises in Kenya and Uganda. They also represent a significant share in India. However, as Section 2 highlighted, many WNMEs remain trapped in a cycle where limited access to start-up capital and formal credit hinders growth and resilience, exacerbated by gender disparities. Women often allocate business earnings to household expenses, a challenge particularly acute for those with lower educational attainment. Structural barriers, such as unequal asset ownership, further restrict their ability to provide collateral, reinforcing a cycle of constrained growth.

These gender-based constraints are prevalent across markets but manifest differently depending on local norms. In India, restrictive gender norms significantly limit women's entrepreneurial participation; in Kenya and Uganda, women engage in businesses at higher rates but struggle to scale. Addressing these challenges requires enabling WNMEs to start with greater amounts of capital, access higher-margin sectors, reinvest earnings, build savings, and secure financing for expansion (see Figure 31). Effective interventions must account for gender norms and household dynamics, as these factors shape access to finance and business growth opportunities.

Special attention should be given to WNEs, that are fundamental to sustaining livelihoods and supporting millions of households but are more vulnerable to economic shocks and face greater challenges in accessing formal credit than women-led micro enterprises. Data suggests that WNEs typically start small and remain small, indicating limited opportunities for growth from nano to micro enterprise status. Thus, they are more likely to remain trapped in a vicious cycle.

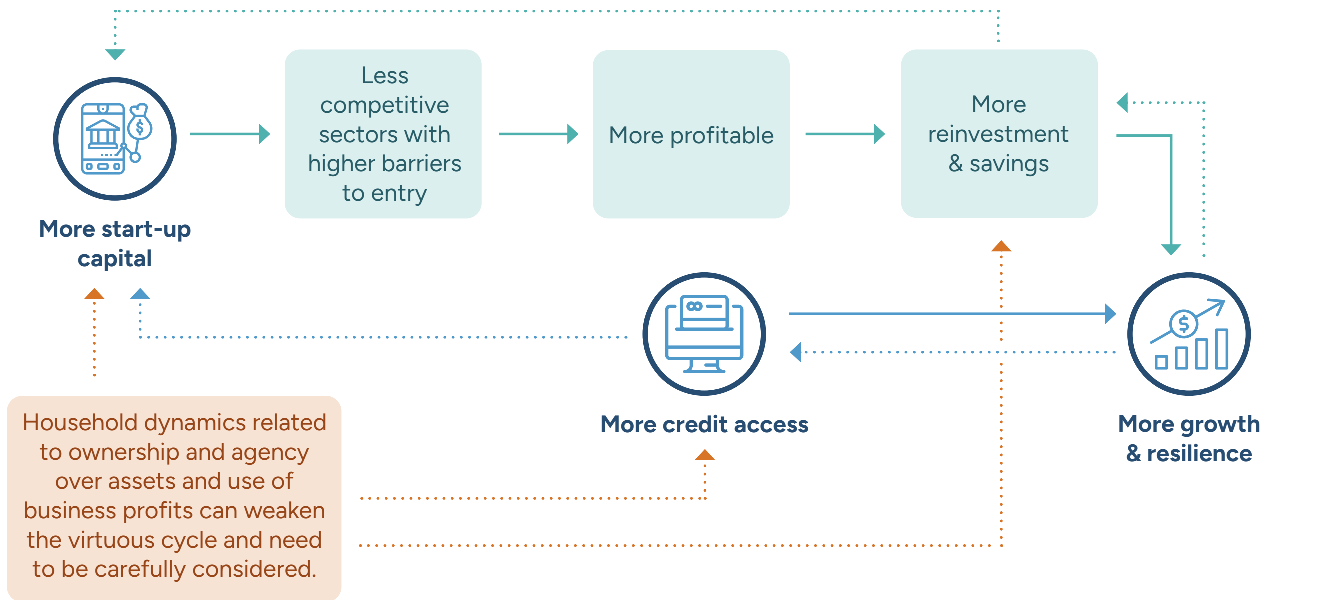
4.1 Bridging Barriers to Build a Resilient Financial Ecosystem for WNMEs

The challenges facing WNMEs are deeply rooted in systemic barriers that limit their access to finance, business support, and growth opportunities. Insights from CGAP's research reveal that one-size-fits-all approaches fail to address the complex realities of these enterprises, particularly regarding their diverse needs, structural constraints, and financial exclusion. The following section examines the five key challenges—heterogeneity, lack of start-up capital, reliance on semiformal finance, persistent credit gaps, and the growing digital divide—offering targeted solutions to build a more inclusive and effective financial ecosystem. Addressing these barriers requires a shift from fragmented interventions toward a coordinated strategy that recognizes the interplay between financial, social, and policy-driven constraints.

Key Insight 1: Heterogeneity of WNMEs

A key challenge in supporting WNMEs is the failure to recognize their heterogeneity in size, sector, and risk

FIGURE 31. **Virtuous cycle of start-up capital growth**



Source: Author's analysis based on the CGAP nano and micro enterprise survey (CGAP 2024)

profiles. Limited data leads funders, governments, FSPs, and business support organizations to apply one-size-fits-all solutions that often miss the mark. Funders struggle to effectively allocate resources, governments design broad policies that overlook diverse needs, and FSPs misprice or misalign financial products. Without robust segmentation, stakeholders, including funders, governments, and FSPs, risk designing ineffective interventions. Robust segmentation is essential to bridge these gaps, allowing stakeholders to develop targeted, high-impact interventions that align with the specific needs and potential of different WNMEs.

The way forward: invest in segmentation to better understand WNMEs

Breaking this cycle demands targeted action from funders, policymakers, and FSPs. The eight segmentation dimensions identified in this report offer critical insights into the interplay between business characteristics, owner attributes, growth potential, and credit demand. However, stakeholders must also conduct their own segmentation research to capture context-specific nuances and accordingly tailor strategies. By aligning interventions with the unique needs of WNMEs, stakeholders can create more inclusive and effective pathways for women entrepreneurs to achieve sustainable growth. The CGAP Technical Guide accompanying this report (Kimani, Sawhney and Sotiriou 2025) serves as a valuable resource for those undertaking this work.

While this report focuses on demand-side dynamics, its findings have clear implications for supply-side stakeholders.

Key Insight 2: Lack of start-up capital

Gender disparities in start-up capital are the most significant constraint facing WNMEs. While much research—including this report—has focused on access to credit, the more fundamental barrier for women entrepreneurs is their limited ability to secure sufficient start-up capital. Across all three countries studied and across different NME subsegments, women consistently receive significantly less initial funding than their male counterparts. This gap restricts entrepreneurial choices, pushing women into low-margin, highly competitive sectors with lower barriers to entry and limited profitability. The start-up capital gap is particularly severe among WNEs that do not reinvest earnings, lack record-keeping practices, or have lower levels of educational attainment. These businesses face heightened financial vulnerability, reducing both their resilience to economic shocks and their ability to transition into growth-oriented enterprises. Addressing this constraint is critical to breaking the cycle of underinvestment and unlocking sustainable economic opportunities for women entrepreneurs.

The way forward: Closing the start-up capital gap

Funders, investors, and policymakers must prioritize closing the start-up capital gap, particularly for the most vulnerable segments identified in this research. Without decisive action, WNMEs will remain trapped in a cycle of financial insecurity and limited growth. While household power dynamics are a known barrier, broader systemic factors must also be addressed (e.g., restrictive financial policies, discriminatory lending practices, lack of tailored financial products).

To bridge the start-up capital gap, funders and policymakers should consider the following strategies:

1. **Expand targeted start-up capital programs**
    - Funders, including development finance institutions (DFIs), impact investors, and donor agencies, should increase direct funding mechanisms, such as grants, concessional loans, and blended finance models designed specifically for WNEs.
    - Government ministries (Finance, Commerce, Gender) and private sector partners (commercial banks, venture capital firms, fintech companies) should support alternative financing models, such as revenue-sharing agreements, equity-based financing, and peer-to-peer lending networks tailored to the needs of women entrepreneurs.
2. **Leverage structured savings and asset-building programs**
    - Central banks and financial regulators should promote and regulate structured savings products that cater to women entrepreneurs.
    - Commercial banks, microfinance institutions (MFIs), and fintech providers should design and offer commitment savings accounts and matched savings schemes to help women accumulate start-up capital over time.
    - Development finance institutions (DFIs) and donor agencies should provide funding and technical assistance for scaling up structured savings programs.
    - NGOs and women's business associations should implement financial literacy initiatives, focusing on record-keeping, reinvestment strategies, and asset accumulation, particularly for livelihood-oriented WNEs.
3. **Enhance financial inclusion through policy reforms**
    - Legislators and government ministries (Finance, Justice, Gender, Commerce) should assess and reform property rights and inheritance laws to expand women's access to collateral, making it easier for them to secure financing.
    - Central banks and financial regulators should enforce gender-equitable lending practices and incentivize financial institutions to develop gender-transformative products and encourage innovation in alternative credit assessment models (e.g., cash flow-based lending, psychometric testing, community guarantee schemes).
    - Multilateral organizations should provide technical expertise, advocacy, and funding to support gender-responsive financial policy reforms.
4. **Foster public-private collaboration for gender-lens investing**
    - Government ministries and investment promotion agencies should partner with financial

institutions[8] and impact investors to create gender-responsive financial products and impact investments, such as low-collateral loans and micro-equity funds.

- Business incubators and accelerators should provide mentorship, seed funding, and technical assistance to improve business viability and scalability for WNEs (see also key insight 4 below about credit plus interventions).
- Corporate foundations and private sector partners should support programs that enhance access to capital and capacity-building for women entrepreneurs.

A deeper and more evidence-based understanding of the gendered and structural barriers limiting women's access to start-up capital is essential. Funders and policymakers must actively invest in research and data collection to refine these interventions, ensuring they align with the diverse realities WNMEs face. By taking bold and targeted action, stakeholders can create a more inclusive entrepreneurial ecosystem that empowers women to build resilient and growth-oriented businesses.

Key Insight 3: Reliance on semiformal finance

The gender gap in access to formal credit exacerbates the financial constraints WNEs already face due to lower start-up capital, limited reinvestment, and restricted asset ownership. This challenge is particularly acute for businesses with the ambition and capacity to grow but that remain excluded from larger loan sizes beyond the start-up phase. For instance, WNEs in the trade sector primarily seek credit for business expansion yet struggle to secure financing from formal lenders.

Community-based lending networks (e.g., VSLAs, *chamas,* SHGs) serve as crucial financial lifelines, providing accessible credit with high levels of trust and flexibility. Women connected to these networks face smaller credit gaps compared to those without such affiliations. However, these mechanisms have structural limitations, particularly in their ability to offer larger, long-term investment capital. Their reach also varies across markets, with India appearing to have comparatively lower penetration than Kenya and Uganda.

The way forward: Supporting and enhancing semiformal lending systems

Rather than solely focusing on integrating WNMEs into formal financial systems, funders, policymakers, and FSPs should prioritize strengthening semiformal credit mechanisms, which are often best suited to the realities of women nano entrepreneurs. However, these networks require targeted support to overcome their own structural constraints, including limitations in data collection, loan size, and financial sustainability.

Various stakeholders in the ecosystem need to come together to:

1. **Enhance capitalization and lending capacity**
    - Funders and investors should support capitalization initiatives that allow VSLAs, SHGs, and *chamas* to increase their lending capacity and offer larger, longer-term loans.
    - FSPs should explore co-financing models, where formal lenders provide supplementary capital while preserving the autonomy and trust-based structures of community networks.

8 To promote responsible finance, it is crucial to align lending practices with principles that ensure transparency, fair treatment, and client protection. This includes designing strategies to improve financial capabilities and informing customers about the implications of debt consolidation on their cash flow and, ultimately, on their financial well-being. The CGAP framework on responsible finance (Duflos and Izaguirre 2024) emphasizes the need for appropriate product design, risk management, and regulatory oversight to prevent over-indebtedness and enhance financial inclusion (Lahaye and Koning 2011). Integrating these principles can help mitigate risks and create a more sustainable credit environment for WNMEs.

2. **Leverage digitization for greater efficiency and transparency**
    - Technology providers and financial institutions should invest in digital infrastructure (e.g., mobile-based tracking, credit management tools) to enhance record-keeping, improve loan monitoring, and expand access to underserved communities.
    - Successful digitization pilots of VSLAs and SHGs in Uganda and India have already demonstrated the potential of technology to strengthen financial inclusion and credit management. These innovations should be further scaled.

3. **Develop alternative credit assessment models**
    - Policymakers should promote regulatory reforms that allow alternative credit scoring based on savings group repayment histories, digital credit records, and group guarantees, reducing reliance on traditional collateral-based lending.
    - Open finance and data-sharing initiatives should be strengthened to enable semiformal lenders to connect with broader financial ecosystems while safeguarding consumer protection and privacy.

4. **Ensure responsible lending and financial education**
    - Credit interventions should be designed with caution, aligning lending practices with responsible finance principles to prevent over-indebtedness among WNMEs.
    - Structured financial literacy programs and peer mentorship initiatives should be integrated within community networks to improve members' understanding of loan repayment, reinvestment strategies, and long-term financial planning.

5. **Build a more cohesive financial ecosystem**
    - Stronger connections between funders, governments, FSPs, fintech innovators, and community-based lenders are essential to ensuring sustainable and scalable semiformal finance solutions.
    - Multi-stakeholder platforms and partnerships should be fostered to facilitate knowledge-sharing, co-design financial solutions, and advocate for policies that bridge the gap between informal and formal finance.

Rather than replacing semiformal lending networks with formal financial solutions, the focus should be on strengthening these trusted mechanisms to better serve WNMEs. By addressing key structural challenges (e.g., limited capitalization, lack of digitization, outdated credit assessment models), these networks can become more effective vehicles for financial inclusion. However, interventions must be carefully designed to preserve the trust and cohesion that make these networks effective. Fostering collaboration among key stakeholders will help create a more integrated financial ecosystem that supports women entrepreneurs at all stages of their business journey.

Key Insight 4: Persistent credit (plus) gaps and needs

The report estimates that 70 percent of WNME credit demand in India, 52 percent in Kenya and 48 percent in Uganda remains unmet. However, while a clear credit gap exists, the research also finds that many WNMEs—particularly livelihood-oriented enterprises—do not actively seek credit. This suggests that credit alone is not a sufficient intervention for improving business outcomes. In some cases, increasing access to loans without complementary support can lead to unsustainable repayment practices, financial distress, and business stagnation rather than growth.

Furthermore, the distinction between livelihood-oriented and growth-oriented WNMEs is critical when considering financial and nonfinancial interventions. Many livelihood-oriented WNMEs do not seek capital for business expansion—not because they lack ambition but because their primary goals are stability, household financial security, and risk mitigation rather than aggressive growth. These businesses require different types of support, beyond debt financing. This includes better financial management, risk-mitigation strategies, and market diversification.

For growth-oriented WNMEs or those at an inflection point in their business journey, access to capital can be transformational—but only if they have the right skills and business structures in place to absorb and effectively use financing. Without these skills, even well-intentioned credit interventions can result in over-indebtedness or misallocation of funds, limiting the long-term sustainability of these enterprises.

The way forward: Strengthening nonfinancial support to enhance financial readiness

Rather than solely focusing on expanding credit access, a sequenced approach is needed—one that first builds the capacity of WNMEs to effectively absorb and utilize finance for sustainable business growth or resilience, depending on goals. Funders, policymakers, and FSPs must recognize that different types of WNMEs require different interventions.

1. **Tailored nonfinancial services based on enterprise type and development stage**
    - For livelihood-oriented WNMEs that prioritize financial resilience rather than growth:
        - Strengthen business stability by providing training on cash flow management, bookkeeping, and inventory tracking to help entrepreneurs more effectively manage finances.
        - Support risk management strategies through savings mobilization, micro-insurance, and financial education to help WNMEs build resilience against economic shocks.
        - Promote market diversification strategies, helping women expand income streams and reduce reliance on a single revenue source.
        - Leverage community-based networks (VSLAs, SHGs, *chamas*) to deliver the skills highlighted above in a trusted environment.
    - For growth-oriented WNMEs or those at the expansion stage:
        - Offer business development training, including scaling strategies, investment planning, and supply chain integration to help growth-oriented WNMES to prepare for structured growth.
        - Support entrepreneurs in developing and refining their financial records so they can demonstrate creditworthiness when they are ready to seek financing.
        - Provide access to technical training and mentorship that connects women with industry experts and experienced entrepreneurs to help navigate scaling challenges.
        - Introduce digital and financial management tools that improve record-keeping, cash flow forecasting, and credit-readiness.

By aligning nonfinancial services with business goals, funders and FSPs can avoid a one-size-fits-all approach and ensure that interventions are relevant, practical, and effective for WNMEs at different stages.

2. **Strengthen access to holistic financial resilience solutions**

For many WNMEs, financial resilience is more important than access to credit. Therefore, complementary financial solutions must be prioritized.

- Expand access to tailored savings and insurance products:
    - Low-deposit savings accounts to help WNMEs build capital and manage cash flow fluctuations.
    - Affordable micro-insurance covering health, inventory loss, and business interruptions.

    - Micro-pension schemes to enhance long-term financial security.

- Leverage community-based networks to integrate financial resilience tools with existing trusted institutions, ensuring that livelihood-oriented WNMEs can access safety nets without unnecessary financial risk.

3. **Rethink credit as part of a broader financial strategy**

For many WNMEs, access to credit should be seen as the final step in a journey rather than the starting point.

- FSPs should adopt a phased approach to credit provision, ensuring that loan products are tailored to business maturity levels and structured with flexible repayment terms.
- Alternative credit assessment models should be expanded, allowing entrepreneurs with strong savings discipline and positive informal credit histories to access larger loans without traditional collateral requirements.
- Credit-linked capacity-building programs should be developed, where access to financing is contingent on participation in financial and business management training.

The research findings underscore that credit alone is not a guarantee for enhancing WNME success. For many livelihood-oriented enterprises, financial stability and resilience are the priority—not debt. For those with growth ambitions, access to credit must be accompanied by the skills, knowledge, and financial structures necessary to effectively absorb financing.

By efficiently sequencing interventions and ensuring WNMEs receive the right support at the right stage, funders, policymakers, and FSPs can create a more inclusive and sustainable financial ecosystem—one that supports both resilience and growth, depending on the needs of the entrepreneur.

Key Insight 5: Growing digital divide

Limited digital adoption among WNMEs poses a significant barrier to their growth, resilience, and access to financial services. As digitization reshapes business operations, enterprises without digital capabilities risk falling further behind. Data from the three study countries highlights stark disparities—both between genders and among women with lower levels of education.

This divide is more pronounced between livelihood-oriented and growth-oriented enterprises. Livelihood-focused WNMEs may not prioritize digital tools, seeing them as secondary to immediate income needs, which limits their competitiveness and vulnerability to external shocks. Growth-oriented WNMEs, however, face greater challenges as digital tools are critical for scaling businesses. Without access to affordable devices, reliable internet, or digital literacy, these enterprises struggle to reach broader markets, efficiently manage operations, or access digital financial services.

Without intervention, these gaps will reinforce existing inequalities, restricting access to markets, financial services, and opportunities for business expansion.

The way forward: A high-tech, high-touch approach

Bridging the digital divide requires a dual strategy that combines technological access with hands-on support to ensure that WNMEs can effectively adopt and leverage digital tools. Key actions include:

1. **Expand access to affordable digital infrastructure**
    - Policymakers should reduce taxes and introduce subsidies for digital devices, particularly in rural areas.
    - Funders can support buy-now-pay-later initiatives in partnership with private sector players, easing affordability barriers.

2. **Enhance digital literacy and adoption**
   - Funders and training providers should scale up hands-on digital skills programs, leveraging community networks and business development organizations.
   - Practical training should focus on integrating digital tools into daily business operations (e.g., inventory tracking, mobile payments, online marketing).

3. **Develop inclusive digital financial products**
   - FSPs must design user-friendly digital financial solutions tailored to WNMEs, ensuring accessibility even for those with minimal digital experience. A *high-tech, high-touch* approach is essential—combining intuitive digital tools with personalized support to enhance adoption.
   - Innovative approaches (e.g., voice-assisted banking, simplified mobile interfaces) can enhance usability for less digitally literate entrepreneurs.

By addressing both infrastructure and capability gaps, these interventions will ensure that digitization enhances financial and business inclusion—empowering WNMEs to compete, grow, and thrive in a tech-driven economy.

4.2 Tailored Interventions for Every Stage: Enabling Stability, Transition, and Growth

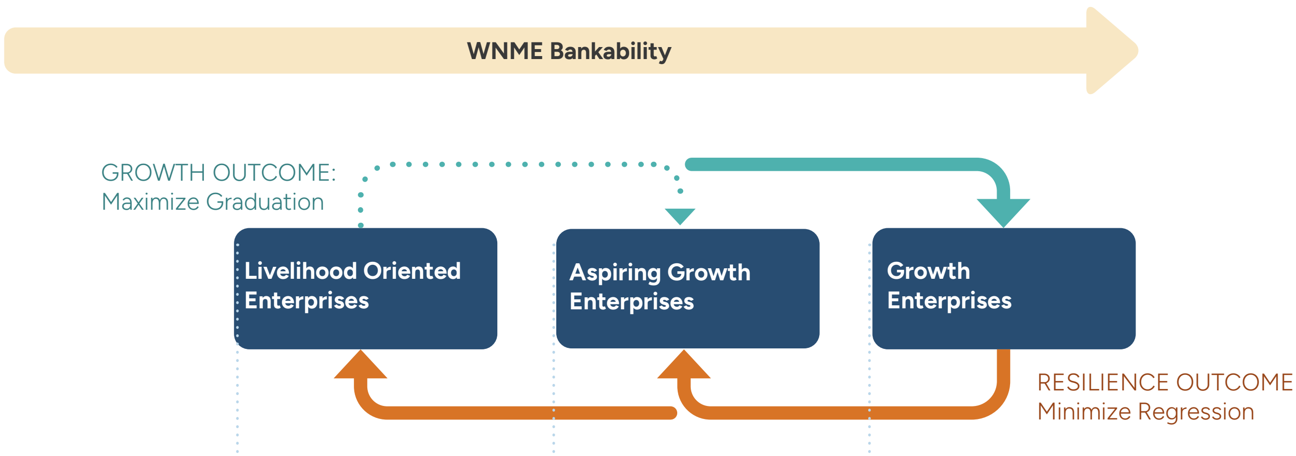
To ensure that tailored interventions translate into meaningful progress, they must directly address the systemic barriers that constrain WNMEs at each stage. The challenges of heterogeneity, lack of start-up capital, reliance on semiformal finance, persistent credit gaps, and the growing digital divide shape the financial and operational realities of these enterprises, limiting their ability to scale. Solutions must not only recognize these constraints but also provide a clear pathway for WNMEs to progress along the spectrum—from stability to growth. While some enterprises are firmly *livelihood-oriented*, prioritizing stability and resilience, others fall into the *aspiring growth* category—enterprises that have the ambition to grow but face structural constraints such as limited access to finance, markets, and business support services. These businesses often operate in a transitional phase, where targeted support can unlock significant potential. At the other end of the spectrum are *growth-oriented enterprises* that are already positioned for scale and expansion, but still require the right combination of financial and nonfinancial support to fully realize their potential.

A one-size-fits-all approach to interventions is ineffective—each segment requires targeted support that aligns with its specific needs, challenges, and aspirations. The right mix of financial and nonfinancial interventions, provider types, and delivery models (high-tech vs. high touch) must be carefully calibrated to maximize the likelihood of graduation to the next stage while minimizing the risk of regression.

The goal of the development community should be twofold: to maximize the growth potential of WNMEs that seek to scale, and to minimize the risk of regression that could threaten the resilience and stability of all enterprises—especially during periods of economic, environmental, or personal shocks. While some WNMEs will advance along the spectrum, many will remain at the livelihood stage by choice, prioritizing stability over growth. These businesses are no less important and require deliberate support tailored to their needs and aspirations. Support mechanisms must be designed to meet enterprises where they are, recognizing both their current realities and their preferred trajectories. While upward movement is more likely among aspiring growth and growth-oriented enterprises, the broader ecosystem must ensure that all segments—especially those with limited growth ambitions—are equipped to thrive and withstand future disruptions.

- Livelihood-oriented WNMEs need stability-focused interventions such as working capital support,

FIGURE 32. **Targeted support for livelihood and growth enterprises**



Finance Providers	Semiformal lenders, Social enterprises, Government grants	Small banks, MF banks, Digital lending platforms, Semi-formal lenders	Commercial banks, Digital lenders, MFIs
Financial Products	Savings mechanisms/ accounts, anti-poverty grants, micro personal insurance, short-term personal micro loans	Working capital/short-term credit, start-up capital and business expansion grants, personal and business micro insurance	Working capital loans, Asset loans, Supplier/ trade finance, Comprehensive insurance solutions
Non-fin. Services	Peer Learning, Business Continuity Solutions, Basic business skills development	Basic BDS, Networking, Financial literacy, Record keeping training, Market expansion training, Access to distribution networks and supplier networks	Access to formal networks, Scaling support, Tech. training, Supply chain integration, Bus. coaching
Digital Approach	High Touch, Low-tech	Hybrid approach; moderate tech integration	High-tech business tools and finance; High-touch strategic business advice

Source: Author's analysis based on CGAP nano and micro enterprise survey (CGAP 2024).

business continuity solutions, and safety nets. Given their limited appetite for credit, alternative financial tools (e.g., savings, grants, insurance) are often more suitable. High-touch engagement, including mentorship, peer learning, and community-driven support, is critical for strengthening their resilience.

- Aspiring growth WNMEs require bridging mechanisms that help them overcome growth barriers. Access to larger, longer-term credit, coupled with business development services, market linkages, and tailored financial education, can enable them to sustainably scale. A hybrid approach that balances high-tech solutions with personalized guidance is key to unlocking their potential.

- Growth-oriented WNMEs need capital-intensive solutions to fuel expansion. This includes access to asset-based lending, equity investments, supply chain integration, and technology-driven efficiencies. High-tech digital solutions (e.g., AI-driven credit assessments, digital payments, automated business management tools) can enhance scalability while strategic partnerships with FSPs and investors can create pathways to formalization and long-term sustainability.

Ensuring a smooth progression—and sustained resilience—across this spectrum requires an ecosystem approach where financial institutions, development partners, and policymakers collaborate to design interventions that are sequenced, responsive, and adaptable. By recognizing the distinct needs of livelihood, transition, and growth enterprises, stakeholders can expand opportunities, reduce vulnerability, and foster sustainable economic participation for women-led businesses.

4.3 Conclusion: Reshaping the financial ecosystem to support WNMEs

Addressing the persistent credit gap for WNMEs requires a fundamental shift in approach—one that moves beyond isolated financial interventions to a more nuanced and systemic strategy. The findings in this report highlight the structural and operational barriers that continue to constrain WNMEs, as well as the critical areas where stakeholders must focus their efforts. Strengthening access to start-up capital, bridging the formal credit gap through innovation, investing in community-based savings and credit networks, enabling digital inclusion, and tailoring support to different enterprise types are all essential components of a more effective and equitable financial ecosystem.

Ultimately, closing this gap is not just about expanding credit—it is about reshaping the financial landscape to meet WNMEs where they are, unlocking their potential, and ensuring they have the tools, resources, and opportunities to thrive. By taking a coordinated, evidence-based, and gender-intentional approach, funders, policymakers, and FSPs can turn today's constraints into a foundation for resilience, growth, and long-term economic transformation for WNMEs.

ANNEX A

Research approach and methodology

THE METHODOLOGY EMPLOYED IN THIS research followed a structured, phased approach to leverage existing insights, refine segmentation dimensions, and conduct a comprehensive market sizing analysis. Figure A1 outlines the methodology used for the exercise—from literature review to segmentation to market sizing.

This annex provides an overview of the research approach, including the sampling and data collection methods, segmentation dimensions, stakeholders consulted, and examples of data collection tools used.

Sampling and data collection approach

The research used a mixed methods approach to comprehensively analyze the behavior, needs, and challenges faced by WNMEs. By integrating both quantitative and qualitative data collection methods, the research aimed to develop a nuanced understanding of the market size, enterprise dynamics, and actionable interventions for WNMEs across selected countries. For more information on best practices for data collection and lessons from the field, refer to the Technical Guide accompanying this report (Kimani, Sawhney and Sotiriou 2025) entitled Gender Smart Market Mapping for Nano and Micro Enterprises: A Practical Guide. The tools employed were as follows:

- **Quantitative survey.** A structured survey was administered to 3,058 male and female business owners across key regions in the three countries: India, Kenya, and Uganda (see breakdown in Table 1 below). This ensured a statistically representative sample for analyzing enterprise characteristics, financial behaviors, and access to interventions. Data collected focused on socio-demographics, operational models, financing gaps, and preferences for financial and nonfinancial support.

FIGURE A1. **Phases of segmentation and market sizing exercise**

PHASE 1
Literature review

Conducted a comprehensive literature review of country-specific datasets and publications, to develop a comprehensive understanding of MSE finance. This produced a list of dimensions by which to segment NMEs.

PHASE 2
Segmentation dimension validation

Refined NME segmentation using light-touch data collection, prioritising key dimensions with qualitative and quantitative insights to improve how NMEs are categorised for better market understanding.

PHASE 3
Market sizing and segment analysis

Utilized surveys and FGDs to analyse WNME segments, identifying their characteristics, credit needs, and market size, supported by stakeholder insights on the availability of financial and nonfinancial services.

- **Qualitative data collection.** FGDs and in-depth interviews (IDIs) were conducted with WNME owners and stakeholders, including financial institutions, NGOs, and government bodies. These tools captured contextual insights into barriers to growth, perceptions of available interventions, and preferences for tailored solutions. The FGDs were conducted across all three countries, with a sample size of 30 enterprises in India and 62 participants in Kenya and Uganda. The sampling included a mix of women-led enterprises in both urban and rural settings.

A detailed literature review was conducted to supplement the findings from the primary data collection exercise. It drew on national surveys, policy papers, and reports by global organizations such as the International Labor Organization, the World Bank, and CGAP. The review also incorporated findings from past studies in India, Kenya, and Uganda to contextualize results and align methodologies. The following section outlines the various components of the methodology undertaken for this research across the three focus countries.

The primary and secondary research built on the findings from CGAP's literature review (CGAP 2024). The objectives of each tool employed are outlined in Table A1 below.

Sample selection

To ensure robust and representative findings, the research employed a systematic sampling approach across India, Kenya, and Uganda, focusing on capturing the diversity of nano and micro enterprises (NMEs). The sample was stratified to include enterprises of varying sizes (e.g., own-account enterprises, enterprises with workers), operational contexts (urban and rural settings), and sectors of activity. A deliberate effort was made to oversample women-owned and women-led enterprises, with a target of 80 percent women

TABLE A1. **Overview of quantitative and qualitative methods used**

Tool	Objectives	Sample size per country
Quantitative tool: Survey	• Capture demographic and operational characteristics (e.g., age, gender, education, business type) • Assess financial and operational challenges (e.g., access to finance, credit needs, infrastructure availability) • Evaluate business performance (e.g., turnover, revenue, growth potential) • Understand intervention preferences (financial and nonfinancial) • Explore aspirations, agency, and business motivations • Identify government support usage and policy awareness	• 2,040 NMEs surveyed in India • 503 NMEs surveyed in Kenya • 500 NMEs surveyed in Uganda
Qualitative tools: IDIs and FDGs	• Examine financial, operational, and societal challenges faced by WNMEs • Explore perceptions of gender-based barriers and societal pressures • Evaluate the effectiveness and impact of existing interventions (e.g., financial and capacity-building support) • Uncover preferences and needs for financial and nonfinancial interventions • Gain insights into trust dynamics and perceptions of different credit sources • Gather stakeholder perspectives on challenges, market trends, and potential support mechanisms	• IDIs: 82 with key stakeholders in India and 15 key stakeholders in both Kenya and Uganda. • FDGs: Sample size of 31 FGDs in India. • FDGs: Four with equal rural-urban split and an additional split between nano and micro enterprises in Kenya and Uganda.

in the sample, to better understand their unique challenges and opportunities.[9]

The sampling framework prioritized regional representation, selecting areas with significant NME activity. This stratified and proportional allocation ensured the inclusion of enterprises with diverse operational and demographic profiles. The resultant sample, outlined in Table A2, highlights the respondent breakdown by gender and size of the business.

Market sizing methodology

The market sizing methodology followed four steps:

STEP 1: ESTIMATING THE NUMBER OF ENTERPRISES PER SEGMENT

The number of enterprises in each segment was estimated using nationally representative data to determine the total number of NMEs in each country, as shown in Table A3. It was then refined with survey data to break down the figures for the segmentation analysis, as needed. In India, more recent and granular data allowed for the use of a representative survey to estimate the number of women-led NMEs and nano enterprises. In contrast, estimates for Kenya and Uganda were based on data from the listing survey.

TABLE A2. **Detailed sampling breakdown**

Country	Respondent profile	Total
India	**Sample breakdown by number of workers**	
	Own account enterprises, with zero workers	1522
	Enterprises with 1–2 workers	298
	Enterprises with 3–9 workers	220
	Sample breakdown by gender	
	Men-led enterprises	456
	Women-led enterprises	1584
	Total sample	**2040**
Kenya	**Sample breakdown by number of workers**	
	Own account enterprises, with zero workers	364
	Enterprises with 1–2 workers	113
	Enterprises with 3–9 workers	26
	Sample breakdown by gender	
	Men-led enterprises	134
	Women-led enterprises	369
	Total sample	**503**
Uganda	**Sample breakdown by number of workers**	
	Own account enterprises, with zero workers	284
	Enterprises with 1–2 workers	163
	Enterprises with 3–9 workers	53
	Sample breakdown by gender	
	Men-led enterprises	122
	Women-led enterprises	378
	Total sample	**500**

Note: The table presents a breakdown of the sample by two categories: the gender of the enterprise leader or owner, and the number of workers. This provides insight into both the gender distribution and the size distribution of enterprises in the sample. Both breakdowns sum to the same total sample size.

9 For more information on the suggested sampling approach, refer to the Technical Guide accompanying this report, "Gender-Smart Market Mapping for Nano and Micro Enterprises: A Practical Guide".

TABLE A3. **Population market sizing**

Data point		India	Kenya	Uganda
1	**Number of MSMEs**	An estimated MSME population of approximately 65.05 million in India, extracted from the Annual Survey of Unincorporated Sector Enterprises (ASUSE) 2022–2023, conducted by the Ministry of Statistics and Programme Implementation (MoSPI) of India.	An estimated MSME population of 7.4 million in Kenya, derived from data collected in 2016 as part of the Kenya National Bureau of Statistics (KNBS) MSME Survey (KNBS 2016).	An estimated MSME population of 1.1 million in Uganda, from data published in 2020 as part of the Government of Uganda's Third National Development Plan (Government of Uganda 2020). Widely used in MSME literature in Uganda.
2	**Number of NMEs**	According to the ASUSE 2022–2023 survey, micro enterprises (0–9 employees) constitute approximately 98.8% of India's MSMEs. Therefore, 98.8% * 65.05 million = 64.6 million	The secondary key data source used is the Sessional Paper No. 5 of 2020, generated by the Ministry of Industrialisation, Trade and Enterprise Development (2020). It presents 98% of MSMEs as "micro" (0–9 employees). Therefore, 98% * 7.4 million = 7.25 million.	According to the IFC Market Bite Uganda report (2021), micro enterprises (0–9 employees) constitute approximately 94% of Uganda's MSMEs. Therefore, 94% * 1.1 million = 1.03 million.
3	**Number of women-owned/ led NMEs (i.e., WNMEs [number + source])**	23% of NMEs are woman-owned/led (as outlined in ASUSE 2022–2023) = 14.87 million.	57% of NMEs are woman-owned/led (as derived from the CGAP nano and micro enterprise survey listing data, 2024) = 4.13 million.	55% of NMEs are women-owned/led (as derived from the CGAP nano and micro enterprise survey listing data, 2024) = 572,710
4	**Number of women-owned/ led nano enterprises (i.e., WNEs)**	97% of WNMEs are nano enterprises (as outlined in ASUSE 2022–2023) = 14.38 million.	83% of WNMEs are nano enterprises (as derived from the CGAP nano and micro enterprise survey listing data, 2024) = 3.44 million.	78% of WNMEs are nano enterprises (as derived from the CGAP nano and micro enterprise survey listing data, 2024) = 447,709
5	**Number of women-owned/ led nano enterprises in segment that reinvest their profits**	Number of women-owned/ led nano * % of sample that is within the segment (CGAP nano and micro enterprise survey, 2024) = 14.38 million * 45% = 6.43 million.	Number of women-owned/led nano * % of sample that is within the segment (CGAP nano and micro enterprise survey, 2024) = 3.4 million * 79% = 2.72 million.	Number of women-owned/ led nano * % of sample that is within the segment (CGAP nano and micro enterprise survey, 2024) = 447,709 * 72% = 322,260

FIGURE A2. **Estimating credit demand by WNME**

TABLE A4. **Credit demand estimates data points, per country***

Data point		India	Kenya	Uganda
1	**Population size**	14,865,003	4,133,640	572,710
2	**Proportion of the population that applied for credit**	20%	40%	51%
3	**Proportion of population that needed credit but did not apply for it**	13%	36%	37%
4	**Median total credit value applied for**	INR 10,000 (US$120)	KES 8,167 (US$63)	UGX 266,667 (US$73)

* The CGAP survey was disaggregated by the type of enterprise (nano and micro) and a sub-group median was used to estimate the credit demand based on survey data collected. While the formula and methodology remains the same, table A4 presents a simplified formula assuming a singular population group.

STEP 2: ESTIMATING CREDIT DEMAND BY WNMES

Credit demand was calculated as the sum of credit needs expressed by those that applied for loans and those that identified a need but did not apply, multiplied by the median total credit value applied for (as outlined in Figure A2).

The median total credit value, along with the proportion of those that applied for loans and those that did not apply but identified a need, is derived from the CGAP nano and micro enterprise survey data, then extrapolated using the number of enterprises calculated in Step 1 (see Table 4 above).

Box 1 outlines an alternative method for estimating demand: debt-to-revenue ratio.

BOX A1. **Demand estimates based on debt-to-revenue ratio**

Debt-to-revenue ratio is used to determine how much debt a business can sustainably absorb based on its revenue generation capacity. Leveraging the IFC benchmark of a debt-to-revenue ratio of 25 percent for micro enterprises, it was calculated using median revenue values stemming from the survey, which were then extrapolated using the number of enterprises calculated in Step 1.

STEP 3: ESTIMATING THE CREDIT SUPPLY

The credit supply was estimated based on the number of enterprises that applied for and received loans, multiplied by the median total credit value disbursed (see Figure A3).

The median total credit value received and the proportion of enterprises that received a loan were based on the survey data, then extrapolated using the number of enterprises calculated in Step 1 (see Table 5).

FIGURE A3. **Estimating credit supply to WNMEs**

Population size × **Proportion that received credit** × **Median total credit value received** = **Credit supply**

TABLE A5. **Credit supply estimates data points, per country**

Data point		India	Kenya	Uganda
1	Population size	14,865,003	4,133,640	572,710
2	Proportion of the population that received credit	13%	38%	51%
3	Median total credit value	INR 10,000 (US$120)	KES 6,667 (US$51)	UGX 233,333 (US$64)

STEP 4: ESTIMATING THE CREDIT GAP

The credit gap is then determined by subtracting supply from the demand calculated in Step 2 (see Figure A4).

FIGURE A4. **Estimating the credit gap for WNMEs**

Credit demand − **Credit supply** = **Credit gap**

Qualitative Methods

This section outlines the in-depth interviews conducted as part of the data collection process, offering a detailed list of the stakeholders consulted during the research phase. It provides transparency into the range of perspectives gathered, showcasing the diversity of voices—from experts to community members—that informed the analysis.

Additionally, the section includes a compilation of sample questions used across various data collection methods, such as interviews and focus groups. These examples illustrate the approach taken to elicit meaningful responses from participants, highlighting the topics explored and the depth of inquiry. By sharing these questions, the section ensures clarity on how the data was gathered and aligned with the study's objectives.

STAKEHOLDERS CONSULTED

Table A6 presents a collation of all the stakeholders consulted during the course of this research. The

TABLE A6. **Outline of stakeholders consulted**

Type of organization	Stakeholders consulted: India	Stakeholders consulted: Kenya	Stakeholders consulted: Uganda
Government agencies	Ministry of Micro, Small and Medium Enterprises (MSMEs)	Micro and Small Enterprise Authority (MSEA)	Ministry of Trade, Industry, and Cooperatives
Non-governmental organizations (NGOs)	SEWA, PRADAN	Technoserve	BRAC Uganda, CARE International
Financial institutions (banks, MFIs)	State Bank of India, NABARD, Bandhan Bank	Equity Bank, Faulu Microfinance, Tala	Centenary Bank, Post Bank Uganda
Enterprise associations	Federation of Indian Chambers of Commerce and Industry (FICCI)	Kenya National Chamber of Commerce and Industry (KNCCI)	Uganda Small Scale Industries Association (USSIA)
Local committees	Panchayat committees	County development committees	District development committees
Self-help groups	SHGs supported by NABARD	Various SHGs facilitated by local NGOs	Women's savings and development groups
Savings groups	Community savings and credit groups	VSLAs	Savings and credit cooperative organizations (SACCOs)
Academic researchers	Researchers from IIM Ahmedabad, Delhi University	Researchers from University of Nairobi	Researchers from Makerere University
Private sector enterprises	Small-scale manufacturers, retail traders	SME-focused private services providers	Local agri-businesses and traders
Development partners	UNDP India, IFC	IFC, FSD Kenya	UNDP Uganda, World Bank
Donor organizations	Gates Foundation, USAID India	USAID Kenya	USAID Uganda, DFID
Insurance companies	LIC, ICICI Prudential	APA Insurance	Jubilee Insurance
Policy think tanks	NITI Aayog, Observer Research Foundation	Institute of Economic Affairs (IEA Kenya)	Economic Policy Research Centre (EPRC)
Women-focused organizations	Women Entrepreneurs Platform by CII	Women Enterprise Fund	Women of Uganda Network (WOUGNET)

study's findings were enriched by their invaluable inputs, spanning perspectives on the unique needs of WNMEs, policy, market trends, challenges, and interventions. The collaborative effort underscores the importance of a multi-stakeholder approach to developing actionable and inclusive recommendations.

SAMPLE QUESTIONS FOR FOCUS GROUP DISCUSSIONS AND IN-DEPTH INTERVIEWS

Table A7 contains some of the sample questions used during focus group discussions and in-depth interviews.

TABLE A7. **Sample Questions from Focus Group Discussions and In-Depth Interviews**

Category	Sample questions
Business initiation and operations	• How did you start your business and what motivated you? • What challenges did you face in starting and formalizing your business? • Who is involved in making business decisions and to what extent are family/friends involved?
Financial needs and accessibility	• What are your primary financing needs (e.g., working capital, expansion)? • Which financial sources have you accessed and why? • What challenges have you faced in accessing formal credit?
Growth and resilience	• Have you attempted to grow your business and what factors supported or hindered this? • What are the key risks or challenges your business faces and how do you address them? • How do gender-related factors impact your business growth?
Support and interventions	• What types of financial and nonfinancial support are available to your business? • What interventions would be most helpful for your business growth? • Are there gender-specific challenges in accessing support?
Perceptions and preferences	• How do you perceive different sources of financial support (e.g., formal vs. informal)? • What are your top preferences for financial and nonfinancial interventions?

SAMPLE QUESTIONS FOR SURVEYS

Table A8 contains some of the sample questions used in the surveys.

TABLE A8. **Sample questions from surveys**

Module	Sample questions
Respondent profile	• What is your age and gender? • What is the highest level of education you have completed? • Are you the main income earner in your household?
Business profile	• What does your business do? • How long has your business been running? • Does your business have any formal registration or license?
Financial behavior	• What are the main ways your business accepts payments? • Do you offer credit or delayed payments to customers? • How do you track your finances?
Enterprise growth	• How has your business grown since you started? • What are the main challenges preventing your business from growing?
Borrowing behavior	• Have you tried to borrow money for your business in the last three years? • What challenges did you face in accessing credit?
Support and interventions	• Have you received any subsidies or support from the government or NGOs? • What types of support would help your business grow?
Resilience and challenges	• What major risks has your business faced in the past three years? • How did you cope with these challenges?

ANNEX B

Segmentation framework

THIS ANNEX PROVIDES DETAILS ON THE segmentation framework developed for WNMEs, focusing on the interconnected dimensions that influence their success, growth, and resilience. In the literature review that informed the more comprehensive research phase, the following business characteristics and business owner characteristics emerged as useful for segmenting WNMEs across India, Kenya, and Uganda, as outlined in the figures A5 and A6 below.

Through further investigation and analysis, the characteristics were refined into eight unique dimensions to better understand WNMEs and their specific needs. The dimensions provide information on location, business owner characteristics, access to networks, sector, sophistication, and size. While the dimensions provide a framework for categorizing WNMEs, they do not fully capture the challenges and opportunities these businesses face, such as access to markets, infrastructure, credit, and support systems. This segmentation framework, however, does helps to better understand the factors that influence WNMEs, enabling more targeted and effective support.

An enterprise's location profoundly influences access to infrastructure, markets, and networks, which are critical for its growth and resilience. Location impacts all other dimensions that comprise an enterprise's success, growth, and resilience. Proximity to urban centers provides access to larger markets, efficient supply chains, and financial services, while enterprises located in rural or remote areas often face infrastructure gaps, limited market reach, and bureaucratic challenges. Additionally, location shapes the sectors in which enterprises can operate, as industry clusters and economic activities tend to concentrate in specific regions, fostering opportunities for collaboration, innovation, and growth. Location also significantly impacts access to credit, as proximity to financial institutions improves financing options while businesses in remote areas may face greater difficulty securing loans due to perceived higher risks and limited market opportunities (Fanta et al. 2017; USAID, 2020). Thus, location is a key determinant of an enterprise's opportunities, innovation potential, and overall success within the broader business ecosystem.

Since the enterprise owner shapes business activities, their characteristics directly impact their capacity to access networks and grow their business.

An enterprise owner's skill level and entrepreneurial ability are crucial drivers for success. Strong business management skills, including strategic decision-making and adaptability, enable entrepreneurs to scale their businesses and gain lenders' trust. Sector-specific expertise (e.g.; inventory management in retail, sourcing ingredients in food services) ensures operational efficiency and competitiveness. Financial literacy is equally critical as it underpins effective cash flow management, budgeting, and debt handling, helping entrepreneurs to secure financing and avoid instability. Digital skills enable business owners to leverage e-commerce, digital payments, and online marketing to access broader markets and streamline operations.

Collectively, these skills equip entrepreneurs to navigate challenges, seize opportunities, and drive their enterprises toward sustainable success.

An entrepreneur's aspirations play a critical role in shaping their business goals and approach to growth. A business owner's motivation for starting a business, along with their drive, determination, and intentions, directly influences their commitment to success and borrowing behavior. This affects how they seek and manage credit, as well as their willingness to take financial risks to expand operations (Namatovu et al. 2012). Understanding these aspirations is essential for designing targeted interventions that align with business owner goals. While the literature often categorizes motivations as either survivalist or growth-oriented, recent studies highlight that many entrepreneurs prioritize stability alongside growth, pursuing gradual, step-by-step expansion to manage risks in volatile environments (FSD Kenya 2024). Motivation is therefore influenced by various other factors, such as role in the household and ability. But it also profounly impacts these factors, highlighting the interconnected nature of business owner characteristics.

An entrepreneur's role in the household influences how they balance family responsibilities, shaping their decision-making and resource allocation. Business owners who are heads of households often have greater authority to decide how business income is used, balancing it with household needs. This autonomy can also extend to leveraging household assets to support business growth. Additionally, household head status may positively influence credit approval decisions as it demonstrates the owner's ability to effectively manage both personal and business finances, which signals reliability and financial responsibility (FinAccess, 2022). In contrast, entrepreneurs with limited decision-making power within the household may struggle to independently allocate resources, which can hinder business operations and growth.

> *"I receive regular orders by phone but I'm unable to accept all of them due to family responsibilities."*
> —Female, Nano, Service, Uttar Pradesh, India

> *"Single parents have difficult in running businesses and managing their households. All kids are expecting the single mother to provide everything.''*
> —Female, Trade, Kisumu, Kenya

Business owner characteristics influence access to networks that provide opportunities for financing, market linkages, and mentorship. Entrepreneurs with strong skills and autonomy can better leverage these networks, driving business growth, innovation, and market integration.

Access to networks is a core determinant of success due to the social and business support these informal and formal networks provide to enterprises. Both formal business-related networks and social networks are included as part of this segmentation. Networks therefore include associations, supply chain structures like cooperatives, informal savings groups, and SHGs. While there are distinct differences between different types of networks, they typically provide financial support, skills development through training and/or mentoring, and offer entrepreneurs valuable resources. These networks are pivotal for accessing credit, coping with shocks, and adopting new technologies or business skills (Namatovu et al. 2012; FSD Uganda 2015). This dimension provides insight into which support systems enterprise owners rely on to sustain and grow their businesses while also identifying gaps in formal financial services provision and structural barriers that limit their potential. Strengthening access to networks allows business owners to better leverage opportunities for growth, resilience, and long-term success.

The characteristics of an enterprise are determined by the interplay of location, access to networks, and characteristics of the business owner. Together, they are the primary determinants of the enterprise's success.

The sector an enterprise operates in is driven by various factors, including location and entrepreneurial ability. Enterprises with limited start-up capital tend to gravitate toward sectors with low barriers to entry (e.g., retail, tailoring, food services) that require minimal initial investment, fewer licensing requirements, and easier market access. While these sectors offer a quick start, they are often characterized by heightened competition, lower profit margins, and limited opportunities for long-term growth. Societal and cultural norms further reinforce participation in certain sectors. Additionally, lenders may perceive some sectors as more stable or promising, influencing access to credit.

Business sophistication, encompassing formalization, record-keeping, and the separation of business and personal finances all play a central role in driving enterprise growth, resilience, and access to credit. Formalization, such as business registration, enhances credibility, allows for accurate credit assessments, and opens pathways to larger loans, investment opportunities, and government support. However, concerns about costs, tax scrutiny, and procedural complexity can act as barriers. Record-keeping, particularly digital adoption, strengthens financial management, improves operational efficiency, and demonstrates creditworthiness, which is crucial for accessing loans and managing risk. Additionally, separating business and personal finances increases transparency and responsible resource management, building trust with financial institutions. Together, these elements influence enterprise size, sector participation, and capital needs, underscoring their vital role in promoting financial inclusion and supporting long-term sustainable growth.

Enterprise size is the outcome of the interplay between business owner characteristics and business characteristics, and significantly impacts the amount of capital needed and the ability to access credit.

Size is a key dimension shaped by start-up capital and growth dynamics, directly impacting an enterprise's ability to access credit. Larger enterprises demonstrate greater financial stability and repayment capacity, making them more attractive to lenders. Enterprise size reflects the interplay between business owner characteristics (e.g., ability, motivation) and business traits (e.g., sector, sophistication).

Capital and credit needs are influenced by the enterprise's location as well as the characteristics of both the business owner and the enterprise itself. A nuanced understanding of these dynamics is essential to fully grasp the complex nature of these needs.

FIGURE A5. **Dimensions based on business characteristics**

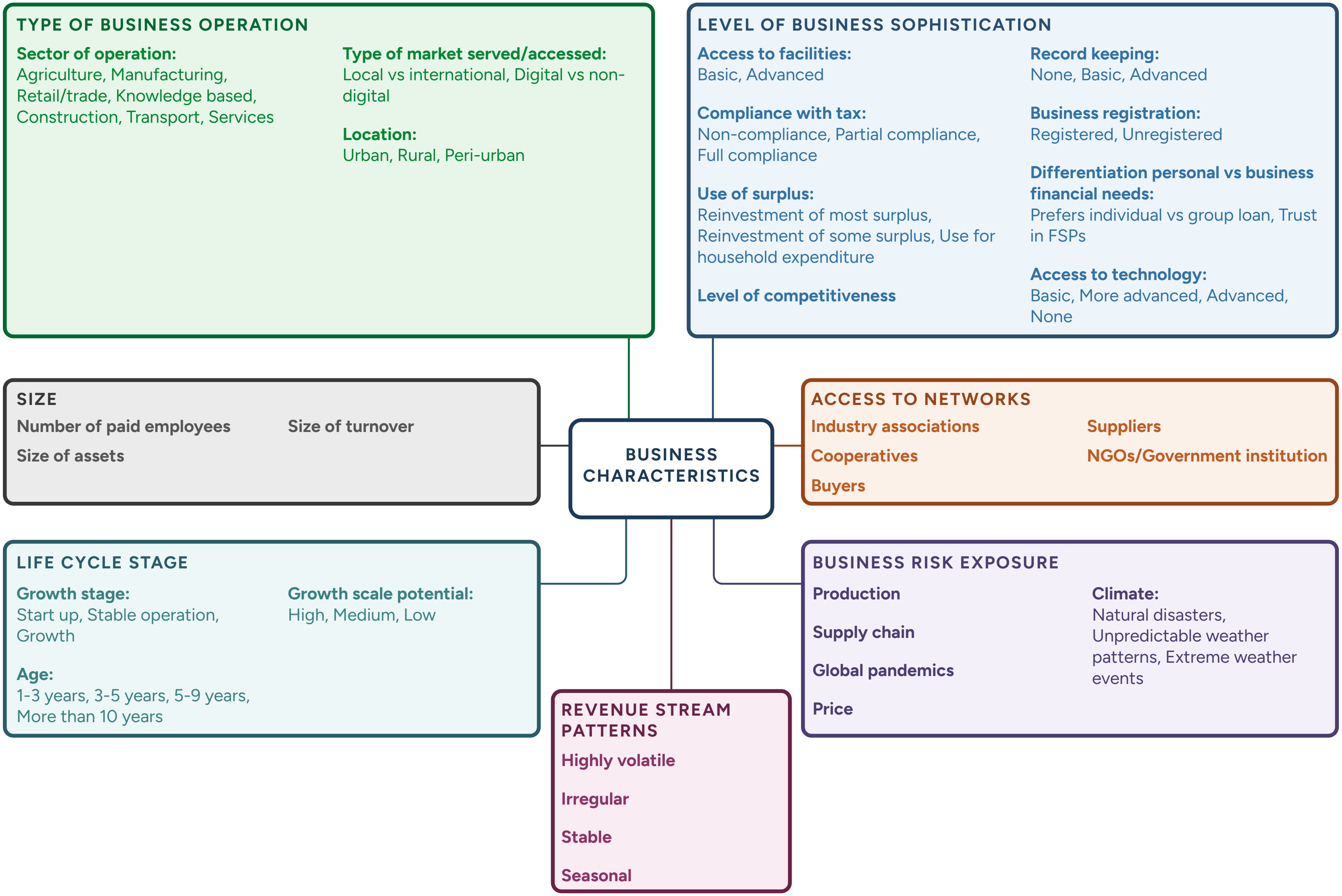


FIGURE A6. **Dimensions based on business owner characteristics**

BUSINESS OWNER CHARACTERISTICS

SOCIO-DEMOGRAPHIC

Head of household

Level of income

Number of children

Age (of business owner):
Youth, Non-youth

Marriage status:
Married, Single, Divorced

Nationality and legal status of business owner:
Temporary residence, National resident, Permanent resident, Refugee status, Asylum seeker, Illegal immigrant

Gender of business owner:
Women owned, Women managed, Man owned and managed

MINDSET

Adaptability

Attitude towards risk:
Neutral, Averse, Seeker

Motivation:
Survival, Growth, Contribution to family income

Attitude towards finance:
Trust in FSPs, Prefers individual vs group loans

ACCESS TO SOCIAL NETWORKS

Informal support groups

Family

Friends

Religious establishments

ABILITY

Level of education

Digital readiness:
Consumer digital skills, Productive digital skills, Developer digital skills

Business management skills

Financial literacy

FINANCIAL MEANS OF THE BUSINESS OWNER

Personal savings

Other income sources

ANNEX C

Additional data from the segment analysis

WNME segment analysis data

Annex C provides supplementary data derived from segment analysis, specifically focusing on the WNME segment. This section includes detailed information that complements the main findings, offering a deeper look into the characteristics, trends, or performance metrics of the WNME segment. The data presented here is intended to enhance understanding and support the conclusions drawn in the focus note.

This annex serves as a resource for those seeking a more comprehensive view of the WNME segment's role within the broader analysis. By isolating this data, Annex C ensures clarity in the focus note while still providing access to critical supporting information for donors and policymakers who require it.

ROLE IN THE HOUSEHOLD

TABLE A9. **WNME segment analysis by role in the household**

	Head of household			Not head of household		
	India	Kenya	Uganda	India	Kenya	Uganda
Enterprises in each segment (%)	26%	50%	55%	74%	50%	45%
Credit demand unmet (%)	60%	56%	44%	69%	46%	45%
Credit demand unmet (US$, million)	114	5.7	9.2	270	36.2	5.3
Median start-up capital (US$)	359	46	54	359	85	81
Median asset size (US$)	10,759	193	763	11,955	154	1,227
Median monthly revenue (US$)	239	123	96	239	116	81
Smartphone penetration (% of segment)	75%	57%	40%	76%	67%	38%
Record-keeping (% of segment)	72%	74%	57%	76%	68%	69%
Enterprises reinvesting in business (%)	45%	76%	65%	47%	80%	74%
Median loan size (US$)	299	77	81	179	77	81

ABILITY

TABLE A10. **WNME segment analysis by ability**

	Primary education or less			Higher than primary education level		
	India	Kenya	Uganda	India	Kenya	Uganda
Enterprises in each segment (%)	22%	44%	35%	78%	56%	65%
Credit demand unmet (%)	85%	62%	43%	58%	69%	42%
Credit demand unmet (US$, million)	138	33.8	7.7	205	150.4	6.5
Median start-up capital (US$)	239	39	54	418	116	135
Median asset size (US$)	8368	147	1124	11955	193	768
Median monthly revenue (US$)	179	83	81	299	154	81
Smartphone penetration (% of segment)	41%	45%	27%	86%	75%	60%
Record-keeping (% of segment)	61%	64%	58%	79%	77%	69%
Enterprises reinvesting in business (%)	34%	75%	67%	50%	81%	73%
Median loan size (US$)	120	154	95	239	40	68

MINDSET

TABLE A11. **WNME segment analysis by mindset**

	Reinvests business profits back into the business			Does not reinvest business profits back into the business		
	India	Kenya	Uganda	India	Kenya	Uganda
Enterprises in each segment (%)	47%	78%	69%	53%	22%	31%
Credit demand unmet (%)	64%	58%	42%	80%	47%	52%
Credit demand unmet (US$, million)	274	111	10.5	173	39.7	4.8
Median start-up capital (US$)	598	77	81	299	39	54
Median asset size (US$)	11,955	193	743	11,955	246	1,559
Median monthly revenue (US$)	359	154	97	179	116	103
Smartphone penetration (% of segment)	80%	68%	36%	72%	57%	41%
Record-keeping (% of segment)	80%	78%	70%	70%	67%	57%
Enterprises reinvesting in business (%)	598	64	68	239	95	51
Median loan size (US$)	523	77	81	120	77	70

ACCESS TO NETWORKS

TABLE A12. **WNME segment analysis by access to networks**

	Is part of a group/network			Is not part of a network/group		
	India	Kenya	Uganda	India	Kenya	Uganda
Enterprises in each segment (%)	14%	74%	74%	86%	26%	26%
Credit demand unmet (%)	92%	57%	34%	60%	66%	70%
Credit demand unmet (US$, million)	93	102	9.1	214	26.7	3.3
Median start-up capital (US$)	418	77	74	359	77	74
Median asset size (US$)	17,633	205	1,538	10,699	135	401
Median monthly revenue (US$)	359	116	90	239	116	81
Smartphone penetration (% of segment)	77%	63%	38%	76%	59%	41%
Record-keeping (% of segment)	89%	69%	63%	72%	78%	60%
Enterprises reinvesting in business (%)	51%	78%	69%	46%	80%	68%
Median loan size (US$)	179	77	81	120	69	54

LEVEL OF BUSINESS SOPHISTICATION

TABLE A13. **WNME segment analysis by level of business sophistication**

	Keeps records			Does not keep records		
	India	Kenya	Uganda	India	Kenya	Uganda
Enterprises in each segment (%)	2%	71%	62%	98%	29%	38%
Credit demand unmet (%)	67%	52%	39%	91%	51%	66%
Credit demand unmet (US$, million)	7.9	75.5	8.8	302	22.4	8.5
Median start-up capital (US$)	418	77	95	239	77	41
Median asset size (US$)	11,955	196	1,485	10,759	146	527
Median monthly revenue (US$)	299	151	108	179	92	76
Smartphone penetration (% of segment)	78%	65%	44%	69%	53%	31%
Record-keeping (% of segment)	50%	81%	73%	38%	71%	61%
Enterprises reinvesting in business (%)	299	62	67	359	51	55
Median loan size (US$)	191	77	81	120	77	78

SECTOR

TABLE A14. **WNME segment analysis by sector**

	Trade			Other sectors		
	India	Kenya	Uganda	India	Kenya	Uganda
Enterprises in each segment (%)	20%	69%	68%	80%	31%	32%
Credit demand unmet (%)	66%	57%	57%	78%	48%	40%
Credit demand unmet (US$, million)	66	80	13.4	465	22.3	4.6
Median start-up capital (US$)	598	62	68	299	116	81
Median asset size (US$)	11,955	193	1,053	11,955	163	905
Median monthly revenue (US$)	299	116	108	239	154	73
Smartphone penetration (% of segment)	77%	61%	32%	75%	65%	51%
Record-keeping (% of segment)	79%	71%	60%	72%	71%	65%
Enterprises reinvesting in business (%)	55%	79%	66%	42%	76%	74%
Median loan size (US$)	149	77	68	261	141	81

LOCATION

TABLE A15. **WNME segment analysis by location**

	Urban and peri-urban			Rural		
	India	Kenya	Uganda	India	Kenya	Uganda
Enterprises in each segment (%)	42%	63%	58%	58%	37%	42%
Credit demand unmet (%)	83%	56%	40%	54%	45%	52%
Credit demand unmet (US$, million)	157	55.3	7.7	246	34	7.3
Median start-up capital (US$)	359	46	68	359	116	76
Median asset size (US$)	11,955	139	329	11,955	309	2,088
Median monthly revenue (US$)	239	116	95	299	117	81
Smartphone penetration (% of segment)	78%	68%	51%	74%	53%	26%
Record-keeping (% of segment)	73%	79%	48%	76%	60%	78%
Enterprises reinvesting in business (%)	47%	80%	60%	46%	75%	80%
Median loan size (US$)	120	77	70	418	77	90

WNE segment analysis data

The WNE Segment analysis data in Annex C offers additional insights into the specific attributes and performance of the WNE segment. This section expands on the primary findings by providing detailed data that highlights key trends, behaviors, or metrics unique to this group, enriching the overall understanding of the WNE segment and role within the broader analysis.

ROLE IN THE HOUSEHOLD

TABLE A16. **WNE Segment analysis by role in the household**

	Head of household			Not head of household		
	India	Kenya	Uganda	India	Kenya	Uganda
Enterprises in each segment (%)	24%	47%	49%	76%	53%	51%
Credit demand unmet (%)	64%	57%	46%	82%	53%	48%
Credit demand unmet (US$, million)	47	46.6	5.1	260	35.7	4.6
Median monthly revenue (US$)	155	92	65	155	92	54
Median start-up capital (US$)	299	38	54	293	77	81
Median loan size (US$)	149	59	56	120	77	68
Smartphone penetration (% of segment)	74%	54%	27%	74%	61%	28%
Received loan from formal source (%)	54%	43%	33%	52%	31%	19%
Business expansion primary reason for loan (%)	15%	33%	33%	17%	39%	42%
Needed loan but no attempt to borrow (%)	14%	30%	36%	13%	37%	45%

NETWORKS

TABLE A17. **WNE Segment analysis by networks**

	Access to networks			No access to networks		
	India	Kenya	Uganda	India	Kenya	Uganda
Enterprises in each segment (%)	16%	25%	67%	84%	75%	33%
Credit demand unmet (%)	92%	53%	25%	59%	68%	82%
Credit demand unmet (US$, million)	109	21.8	3.6	218	42.8	3.0
Median monthly revenue (US$)	179	92	54	239	77	54
Median start-up capital (US$)	359	70	68	478	67	54
Median loan size (US$)	120	77	68	90	38	41
Smartphone penetration (% of segment)	73%	59%	27%	81%	54%	28%
Received loan from formal source (%)	78%	26%	26%	63%	42%	32%
Business expansion primary reason for loan (%)	4%	33%	23%	21%	52%	11%
Needed loan but no attempt to borrow (%)	9%	37%	22%	10%	66%	67%

ABILITY

TABLE A18. **WNE Segment analysis by ability**

	Primary education or less			More than primary education		
	India	Kenya	Uganda	India	Kenya	Uganda
Enterprises in each segment (%)	26%	45%	71%	74%	55%	29%
Credit demand unmet (%)	85%	50%	41%	67%	64%	40%
Credit demand unmet (US$, million)	154	16.0	5.2	180	112.2	5.3
Median monthly revenue (US$)	72	77	66	179	115	54
Median start-up capital (US$)	179	38	54	359	104	132
Median loan size (US$)	120	38	56	179	154	81
Smartphone penetration (% of segment)	34%	43%	20%	71%	70%	46%
Received loan from formal source (%)	67%	38%	25%	45%	35%	30%
Business expansion primary reason for loan (%)	14%	33%	39%	18%	40%	35%
Needed loan but no attempt to borrow (%)	15%	35%	36%	14%	33%	37%

MINDSET

TABLE A19. **WNE Segment analysis by mindset**

	Reinvests into the business			Does not reinvest into the business		
	India	Kenya	Uganda	India	Kenya	Uganda
Enterprises in each segment (%)	45%	79%	72%	55%	21%	28%
Credit demand unmet (%)	72%	52%	36%	81%	38%	40%
Credit demand unmet (US$, million)	245	63.0	5.6	156	40.6	2.0
Median monthly revenue (US$)	239	115	54	96	69	68
Median start-up capital (US$)	478	77	81	239	27	54
Median loan size (US$)	120	77	68	80	62	61
Smartphone penetration (% of segment)	79%	31%	62%	70%	21%	45%
Received loan from formal source (%)	44%	37%	31%	56%	35%	13%
Business expansion primary reason for loan (%)	33%	38%	41%	10%	31%	37%
Needed loan but no attempt to borrow (%)	16%	34%	32%	13%	27%	38%

LOCATION

TABLE A20. **WNE Segment analysis by location**

	Urban			Rural		
	India	Kenya	Uganda	India	Kenya	Uganda
Enterprises in each segment (%)	60%	58%	37%	40%	42%	63%
Credit demand unmet (%)	80%	60%	53%	63%	39%	34%
Credit demand unmet (US$, million)	129	45.6	5.4	169	27.7	3.8
Median monthly revenue (US$)	126	85	54	179	115	54
Median start-up capital (US$)	299	38	74	299	77	54
Median loan size (US$)	72	62	66	239	77	68
Smartphone penetration (% of segment)	76%	63%	39%	72%	72%	20%
Received loan from formal source (%)	49%	42%	34%	55%	55%	24%
Business expansion primary reason for loan (%)	16%	32%	16%	17%	17%	47%
Needed loan but no attempt to borrow (%)	12%	35%	47%	16%	16%	30%

BUSINESS SOPHISTICATION

TABLE A21. **WNE Segment analysis by business sophistication**

	Keeps records			Does not keep records		
	India	Kenya	Uganda	India	Kenya	Uganda
Enterprises in each segment (%)	1%	68%	63%	99%	32%	37%
Credit demand unmet (%)	71%	51%	33%	90%	49%	55%
Credit demand unmet (US$, million)	4.1	48.8	4.6	312	14.1	3.6
Median monthly revenue (US$)	167	115	54	120	77	68
Median start-up capital (US$)	299	77	81	239	77	54
Median loan size (US$)	120	77	68	120	77	61
Smartphone penetration (% of segment)	75%	62%	30%	70%	49%	23%
Received loan from formal source (%)	54%	38%	27%	37%	33%	25%
Business expansion primary reason for loan (%)	16%	38%	47%	26%	33%	12%
Needed loan but no attempt to borrow (%)	13%	32%	30%	20%	38%	48%

SECTOR

TABLE A22. **WNE Segment analysis by sector**

	Trade sector			Non-trade sector		
	India	Kenya	Uganda	India	Kenya	Uganda
Enterprises in each segment (%)	81%	82%	66%	81%	18%	34%
Credit demand unmet (%)	79%	51%	46%	81%	68%	35%
Credit demand unmet (US$, million)	63	7.0	5.7	316	11.1	2.5
Median monthly revenue (US$)	179	92	81	143	115	54
Median start-up capital (US$)	478	77	54	239	77	81
Median loan size (US$)	120	77	54	120	15	81
Smartphone penetration (% of segment)	74%	58%	21%	74%	56%	40%
Received loan from formal source (%)	48%	38%	24%	56%	32%	31%
Business expansion primary reason for loan (%)	18%	36%	45%	16%	20%	32%
Needed loan but no attempt to borrow (%)	13%	36%	39%	14%	21%	31%

ANNEX D

Mapping MSME definitions

THIS ANNEX PROVIDES A comprehensive overview of the various definitions and classifications used for Micro, Small, and Medium Enterprises (MSMEs) across different contexts or regions. The annex aims to clarify the criteria—such as employee count, revenue, or assets—that define MSMEs, offering a comparative framework to understand how these terms are applied in the analysis. It serves as a reference to ensure consistency and transparency in interpreting MSME-related data throughout the report.

TABLE A23. **Comparative Mapping of MSME Definitions**

		World Bank	IFC	EU	India	Kenya	Uganda
Micro	Employee	<10	<10	<10	---	≤10	<4
	Assets	<$100,000	<$100,000	---	---	---	---
	Annual Turnover	<$100,000	<$100,000	≤ € 2 million	₹10 crore	≤ KES 500,000	UGX 10 million
Small	Employee	10–49	10-49	<50	---	≥ 11 ≤ 50	5-49
	Assets	$100,000 to < $3 million	$100,000 to < $3 million	---	---	---	---
	Annual Turnover	$100,000 to < $3 million	$100,000 to < $3 million	≤ € 10 million	₹100 crore	> KES 500,000 to ≤ KES 5,000,000	UGX 10 million–UGX 100 million
Medium	Employee	50–300	50–300	<250	---	≥ 51 ≤ 250	50-100
	Assets	$3 million –$15 million	$3 million –$15 million	---	---	---	---
	Annual Turnover	$3 million–$15 million	$3 million–15 million	≤ € 50 million	₹500 crore	> KES 5,000,000 ≤ KES 100,000,000	UGX 100 million–UGX 360 million

Currency Symbols and Definitions: US$: United States Dollar. ₹ (INR): Indian Rupee. Crore: A unit in the Indian numbering system equal to 10 million (10,000,000). For example, ₹1 crore = ₹10,000,000. €: Euro. KSh: Kenyan Shilling. USh: Ugandan Shilling

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