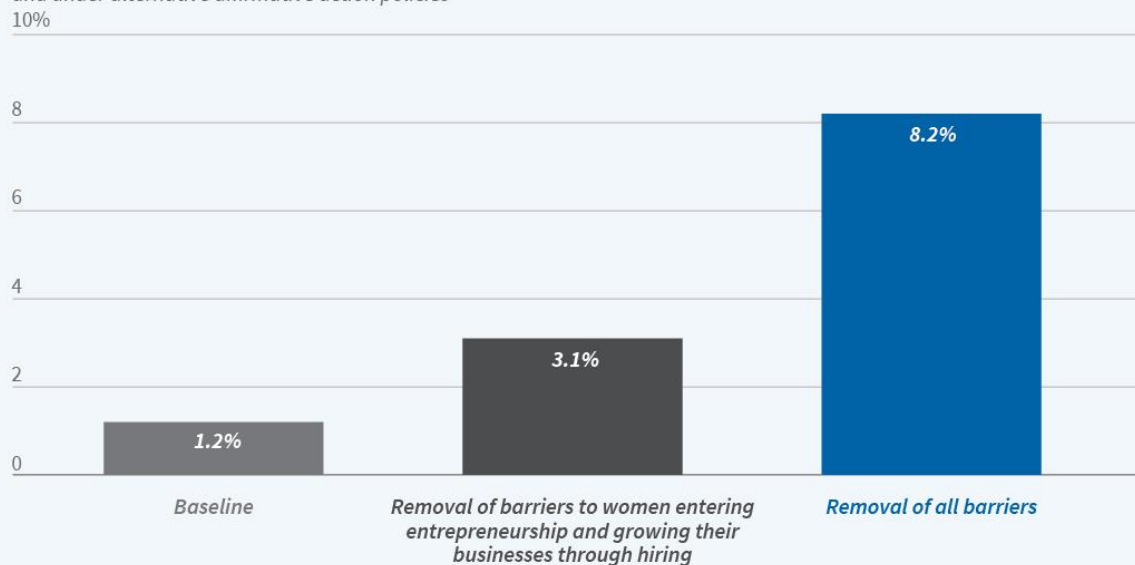


Affirmative Action and Female Entrepreneurship in India

Share of entrepreneurs who are female at baseline and under alternative affirmative action policies



"All barriers" refers to impediments to women being hired, entering entrepreneurship, and participating in the labor force. Source: Researchers' calculations using data from the Economic Census of India for 1998 and 2005

Reducing Gender Bias in India Would Boost Entrepreneurship and Women's Employment

Removing gender-based hurdles to entrepreneurship would increase the number of women entering the Indian workforce, both by starting new businesses and employing women in them, increasing overall productivity and welfare, a new study finds.

In a paper titled the *"The Aggregate Implications of Barriers to Female Entrepreneurship"*, Gaurav Chiplunkar and Pinelopi K. Goldberg estimate the impediments faced by women who seek jobs or launch businesses in India, and then develop and calibrate a model to gauge the consequences of dismantling them.

The researchers note that the female labor force participation rate (FLFPR) in India has stagnated for the past three decades. However, they also observe that female business owners tend to hire more women than men as workers. Therefore, they explore how advancing female entrepreneurship could have broad effects in promoting women's entry into the workforce.

Using data from the 2005 Economic Census, the researchers document several patterns on the gender ownership of Indian businesses. First, of the 41 million establishments in India, around half were small owner-operated enterprises and more than 99 percent

operated in the informal sector. Second, women owned less than 10 percent of establishments in the country and on average, employed fewer workers in them as compared to men. Third, while they were 10 times less likely to own a business in the formal sector, women-owned firms in the formal sector were in fact larger in size than their male counterparts. Lastly, women were much more likely to employ women workers, both in the informal and formal sectors. Over 50-70 percent of workers in women-owned firms (both in the formal and informal sectors) were women, as compared to only around 10-20 percent in male-owned firms.

Through the lens of an economic model of labor force participation and entrepreneurship, the researchers infer that these patterns indicate substantial cost disadvantages faced by women that discourage work outside the home, when entering the workforce, and launching or expanding businesses. The only metric where female entrepreneurs hold an edge is in employing women, perhaps a result of men preferring to have their wives work for women rather than for men.

Finally, they examine the impact of several counterfactual scenarios of equalizing these costs between men and women. They conclude that policies targeting women entrepreneurship can increase FLFPR through two channels: more women become entrepreneurs, and these entrepreneurs hire more women. In equilibrium, women workers would receive higher wages and women owners, higher profits. Aggregate productivity would also rise as the influx of marginally more productive female-owned businesses would force out marginally less productive male-owned ones. Put together, they conclude that demand-side policies can be effective in not only boosting productivity and welfare for women, but also for the economy as a whole.

Citation: Chiplunkar, Gaurav, and Pinelopi Goldberg (2023). "Aggregate Implications of Barriers to Female Entrepreneurship". NBER Working Paper w28486. National Bureau of Economic Research. Graph from National Bureau of Economic Research. See also the NBER summary: <https://www.nber.org/be-20221/reducing-gender-bias-india-would-boost-entrepreneurship>. Gaurav Chiplunkar is an Assistant Professor at the Darden Business School, University of Virginia. Pinelopi (Penny) Koujianou Goldberg is the Elihu Professor of Economics and Global Affairs at Yale and an affiliate of the Yale Economic Growth Center (EGC).