

Review Article

Scope and Challenges in the Management of Women-led SMEs

V Basil Hans¹, Lavia Crasta²

¹Research professor, ²Research scholar at Srinivas University in Mangalore, India

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Corresponding Author :

V Basil Hans, Srinivas University in Mangalore, India

E-mail Id:

vhans2011@gmail.com

Orcid Id:

<https://orcid.org/0000-0003-2713-2188>

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A B S T R A C T

Small and medium-sized businesses (SMEs) run by women are becoming more and more important for economic growth, job creation, and social development. These businesses still have a unique set of problems that make it hard for them to do well and stay in business for a long time, even though they have a lot of potential. This article looks at the range and contributions of women-led small and medium-sized enterprises (SMEs) while also critically looking at the many problems they confront when it comes to management and growth. Utilising contemporary literature and empirical data, the study underscores enduring obstacles, including restricted financial access, gender biases within entrepreneurial ecosystems, limited market connections, insufficient managerial training, and pressures related to work–life balance. It also looks at new options that can make businesses more competitive and resilient, such as digitalisation, supporting governmental frameworks, and business networks for women. The paper stresses the importance of focused interventions, inclusive legislation, and capacity-building programmes to help women become better entrepreneurs. The report lays the groundwork for stakeholders to come up with plans that will help women-led small and medium-sized businesses develop and stay in business by talking about both the opportunities and the problems.

Keywords: Women-led SMEs, entrepreneurship, gender hurdles, business management, and economic empowerment

Introduction

The number of women-owned small and medium-sized businesses (MSMEs) in India varies a little per source, but below are some current numbers that are reliable: Women owned 1.84 crore (18.4 million) MSMEs that were registered on the Udyam/Udyam Assist Portal as of July 25, 2024. This is 39% of all registered units.

GKToday says that as of November 30, 2024, there were 2.20 crore (22.07 million) MSMEs held by women. The Economic Survey 2024–25, on the other hand, says that women only own 22% of all MSMEs. This number drops significantly for

larger businesses, with just 12% of small businesses and 7% of medium-sized businesses owned by women.

Depending on where you get your information, there are between 18 and 22 million MSMEs in India that are run by women. Women are very important for long-term growth and development. Their entrepreneurial involvement is necessary for economic and social advancement, and this can only happen if both men and women have the same chances. Small and medium-sized businesses (SMEs) provide a method for many people to start their own businesses, hire people, and help the economy thrive. There

are many women-run small and medium-sized businesses (SMEs) around the world, but there isn't a lot of detailed information about them. Studying these companies and the many situations they are in can help investors make better decisions and give women business owners more influence.

Women-led SMEs are businesses that are at least 51% owned and run by women, have at least one woman on the senior management team, and have at least one woman in a key decision-making position. Women-led small and medium-sized enterprises (SMEs) are not studied as much as women-owned or women-controlled businesses, even though there are several definitions of them. These groups make up nearly half of all jobs and GDP in the world, and they are especially important for people with higher and upper-middle incomes. Women-driven small and medium-sized enterprises (SMEs) usually start out earlier than those led by men. They also tend to start off smaller and expand more slowly. Dealing with the problems that stop women-led small and medium-sized businesses (SMEs) from growing could have a big and quick effect.¹

The scope of SMEs led by women

People often don't give women-led small and medium-sized businesses enough credit for their potential. Women-led small and medium-sized enterprises (SMEs) help the economy grow and reduce poverty. Even though women-led SMEs have a lot of potential and are growing, they still only have a limited market share in several areas. There are women-led small and medium-sized businesses (SMEs) in both developed and developing countries. Across the world, the average number of small and medium-sized businesses (SMEs) owned by women is low. In low-income nations, 29% of small and medium-sized businesses (SMEs) are run by women. In middle-income countries, 36% of SMEs are run by women. In high-income countries, 34% of SMEs are run by women. Women entrepreneurs in small and medium-sized enterprises (SMEs) are also less likely to obtain external finance compared to their male counterparts. So, it's really important to comprehend women-led small and medium-sized businesses in the right way.

There are women-led small and medium-sized businesses (SMEs) in a wide range of industries, types of organisations, and stages of development. Women-led small and medium-sized enterprises (SMEs) that qualify would differ across various geographical regions and revenue brackets. Because of international outreach, it's important to include women-led SMEs that operate in more than one market and across borders. There shouldn't be any focus on tiny businesses because they don't make any money or very little money when they start. So, the only women-led SMEs that would get attention would be those who have gotten outside

funding before the most current round of financing. In developed countries and developing countries, the factors or circumstances that affect women-led SMEs are different. This means that the analysis should look at how funders are distributed and how women-led start-ups are prioritised in different parts of the world and at different stages of the economy.

Getting money

Women-led small and medium-sized enterprises (SMEs) do not have the same access to financing as men-led SMEs.² These companies have a hard time getting money from banks, venture capitalists, or angel investors. Because of this, there are gaps in the supply and demand for financial resources. Women-led small and medium-sized enterprises (SMEs) also have a tougher time getting some types of financing, such as equity and grant funding. Gender also affects the terms of borrowing.

Most of the time, women-led small and medium-sized businesses get money via bank loans, business equity, or trade credit. The biggest source of money is bank loans, which can be as high as \$100,000 on average. There isn't much grant money available in many parts of the developing world. Many lenders don't trust women who want to borrow money. These kinds of thoughts are connected to things like collateral requirements, access to credit history, family commitments, firm maturity, industry options, and diverse investments.

How to Lead and Manage

Most of the limits on women-led small and medium enterprises (SMEs) in terms of location, technology, society, management, finance, and leadership equally apply to men-led SMEs. People frequently think of them as having basic leadership traits like being smart and willing to take risks. A review of contemporary literature—reports, surveys, and papers published between early 2021 and late 2023—indicated variations in decision-making styles, corporate governance, human resource policies, and capacity-building initiatives.

Female investors prefer women-led small and medium-sized enterprises (SMEs) because they have more equity and growth potential than similar male-led SMEs. Male and female investors both like women-led small and medium-sized enterprises (SMEs) equally, and these companies also have trouble getting venture funding. Women-led small and medium-sized enterprises (SMEs) that have policies in place to raise awareness about gender equality, such as freestanding gender equity policies, board-ratio targets, parental-leave policies for men, and offering business ownership to partners, are better able to get outside funding—micro, debt, equity, or a combination of the last two—than men-led SMEs. However, the same

policies are also broadly and unevenly spread throughout larger businesses. This suggests that this kind of avalanche makes SME leaders want to do the same thing, even if there isn't a real need or even if there are problems with coordination. Individual-territorial initiatives and consolidated-transnational programmes are still very important. Women-led SMEs will therefore contribute with specific constructs where they have thrived.³

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Help from policies and institutions

Women-led small and medium-sized enterprises (SMEs) have the same problems as men-led SMEs when it comes to policies, institutions, laws and regulations, and support services. Women entrepreneurs need the right policies to help them with things like getting loans, increasing their skills, growing their businesses, and getting better infrastructure. Both women-led and male-led small and medium-sized businesses (SMEs) often want to hire and keep great staff, boost productivity, and make it easier to get loans. Governments actively adopt laws, programmes, and financial incentives to provide a good environment for small and medium-sized businesses to grow. But although women-led small and medium-sized businesses (SMEs) make important contributions to national economies, jobs, and innovation, the focus on them is typically scattered and limited. Women-led small and medium-sized enterprises (SMEs) need rules and regulations that are easy to understand so that they can run their businesses successfully. People often see formal procedures as a hassle and a limit on their options, which makes them less likely to expand their operations. Many women entrepreneurs don't want to start businesses that will help them grow because they think that things like registering a business, getting a licence, and importing and exporting goods are too complicated and expensive. Also, training, information, and help programmes sometimes don't have a good way to get the word out, so only a tiny number of women-led SMEs benefit.⁵

The National Framework for Women's Entrepreneurship Development, the Gender Equality and Women's Empowerment Policy, and the National Action Plan are all policies that help women-led SMEs. There are usually specific goals, eligibility requirements, and programmes that go along with them, as well as rules and the right places to carry them out. Policies aimed at assisting women-led small and medium-sized enterprises (SMEs) focus on helping them receive loans, learn new skills, and connect with other businesses. The Gender Equality and Women's Empowerment Policy wants to make gender a part of all sector policies, plans, and programmes, while also stressing how important women are to development. Plans are made to help women-led small and medium-sized businesses grow their skills, get more business development services, and use new technologies. There are policies that overlap, such as training, mentorship, and awareness-building initiatives that focus on women and are often repeated. The institutions that are supposed to enforce rules for women-led SMEs don't do a good job of following them, which means that the rules don't always match what they are supposed to do.

Institutions offer business development, mentorship, and consulting services to help women-led small and medium-sized businesses. Business advice services can help with both starting and growing a business. Women-led small and medium-sized businesses (SMEs) tend to reach the growth stage faster than other types of businesses. It's usually easier to get early-stage funding because you can get it from relatives and friends and don't need a lot of money. However, advising services are usually only available and used at the beginning, and after that, they are rarely used. So, consulting services are only useful at the beginning. A lot of rules and regulations are often part of other advisory and mentoring programmes, which makes women-led SMEs less interested. Women entrepreneurs have said that the services they get don't always meet their company needs; instead of being targeted to their needs, the help they get is often general.

Social and Cultural Barriers

Cultural barriers make it harder for women to run small businesses because they put more pressure on women than males, limit women's freedom of action, and make it harder for women to start their own businesses. Society's notion that women are the main carers makes it harder for women-led small and medium-sized businesses to reconcile work and family life. Cultural norms that say men should be the main breadwinners and women should stay away from danger make it harder for women to take risks to start, grow, or come up with new ideas. Stereotyping women as weak based on their gender makes them less likely to take risks and come up with new ideas. Restrictions on movement can make it harder to get to business networks. Cultural pressures for women to start their own businesses might make things harder instead of easier, because women are expected to work in those businesses more than men are.

Social and cultural limitations are prevalent in numerous markets¹ and hence necessitate scrutiny. They can make women less confident and less motivated, and cultural norms that limit women's freedom and discourage them from starting their own businesses are especially strong impediments. To deal with social and cultural barriers, we need to acknowledge that they exist and get everyone in the community involved. Campaigns in the mass media can help people understand the benefits of supporting women-owned businesses and how maths and science can help the economy as a whole. Getting males involved to get their support for giving women entrepreneurs more authority and getting rid of the barriers that hold them back has worked.

Digitalisation and technology

Women-driven small and medium-sized businesses (SMEs) have a harder time getting and using technology

than businesses run by males. They usually fall behind in technological infrastructure in many places, notably emerging countries. There are still big gender inequalities in technical employment and digital skills. Most people don't know much about cybersecurity threats.

These problems make it harder to use and get the most out of new tools, which hurts productivity, limits market access, and stops women-led businesses from getting involved in the digital economy. Women-led small and medium-sized enterprises (SMEs) already make good use of fundamental digital tools like word processing and texting, but they don't know much about more modern tools like cloud computing and remote access. Switching to more advanced technologies could help you be more productive, make more money, and expand your business internationally.⁶

Technology is very important for businesses that want to grow in a way that lasts. Digital entrepreneurship makes things more sustainable, efficient, and inclusive, which in turn boosts job creation and socio-economic growth. But there are obstacles that stop SMEs from widely adopting it. To grow or start businesses that will last, entrepreneurs need important information and help from the government to get a lot of people to use new technology and to build the skills they need to use it completely.⁷

Managing Risk and Being Resilient

Women-led small and medium-sized businesses (SMEs) confront the same kinds of risks, including those connected to money, supplies, markets, and the weather. Managers usually make particular preparations to reduce the impact of each risk. Business continuity methods, such as having different supply chains, marketing channels, and marketplaces in different parts of the world, can lower the risk of a single threat. To deal with unexpected shocks, it's also important to have enough cash on hand. These companies can get help from outside experts and use tools like the World Bank's SME Finance Compact to make themselves more resilient.⁸

Indicators of resilience let you figure out how strong a company is before a crisis happens. These can include things like planning for succession, having a clear corporate vision, having a wide range of customers, having a wide supply chain network, and having cash flow that lasts. Early warning signs show that problems may be coming. Two important signs are changes in how customers pay and how reliable suppliers are.⁹

Measurement and Assessment

Measuring performance and evaluation lets the organisation keep track of how well it is doing compared to its goals, make changes when needed, and check to see if the goals were fulfilled. Performance indicators assist in evaluating developmental trends across political, social, technological,

economic, and cultural contexts as the organisation progresses through several stages.¹⁰

The company's goals will choose which indicators to use. Indicators might measure growth, added value, profit compared to turnover, the development model, the leadership structure, market penetration, and customer happiness. Return on investment (ROE), return on equity (RBV), growth ratio, and inflow proportional foot-to-foot versus turnover ratio are all examples of indicators that can be used to get a broad idea of return. You can also measure performance by finding bottlenecks that make it harder to reach goals.²

Conclusion

Women-led SMEs are a growing focus, but not enough study has been done on them. This work delineates their extent and the substantial obstacles they encounter across various dimensions. Women-led SMEs are businesses where women own at least 51% of the company or have 51% of the power to make decisions. Evidence shows that helping these businesses develop the economy, bring in more entrepreneurs, and create jobs for both men and women.

The International Finance Corporation's estimations of women-led small and medium-sized enterprises (SMEs) in the world and in different areas show that the average is 38 percent. In Europe and Central Asia, the average is 34 per cent, and in South Asia, it is 49 per cent. But there isn't much data available, especially for Latin America and the Caribbean. Regional estimates do not show trends that are unique to each country. The percentage of women-led SMEs tends to go down as the company gets older, although it stays over 30% in all age groups.¹ The challenges that businesses face depend on their industry, the financial level of their country, and how long they've been in business. Women-owned small and medium-sized enterprises (SMEs) generally sell long-lasting goods and equipment together with services that don't offer much value.¹⁰

Better understanding of these groups can help us come up with targeted and effective ways to improve their contributions and deal with ongoing problems. To inform impactful assistance activities on a larger scale, immediate attention is merited to the hurdles impeding the operation and development of women-led SMEs, as well as their patterns and characteristics. To encourage entrepreneurship and make it easier to get jobs, businesses need to be more formal, and people need to invest in skills and technology. It's important to deal with gender inequalities at work and at home. The lack of proper data is still a major problem.

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