

Women Entrepreneurs Need More than Capital: What Do Women's Businesses Really Need to Grow and Thrive?

Entrepreneurship, for many, is a viable alternative to employment, especially in contexts where employment opportunities are few and wages and incomes low. The World Bank estimates that Micro, Small and Medium Enterprises (SMEs) contribute approximately 51.5 percent of GDP in high income countries-but only 15.6 percent in low income countries. The smaller "informal" micro-enterprise sector accounts for an average of 47.2 percent of GDP in low income countries, but just 13 percent in high income countries.^{1,2} Interestingly, higher income regions generate more SMEs per 1000 people than do lower income regions (Figure 1).³

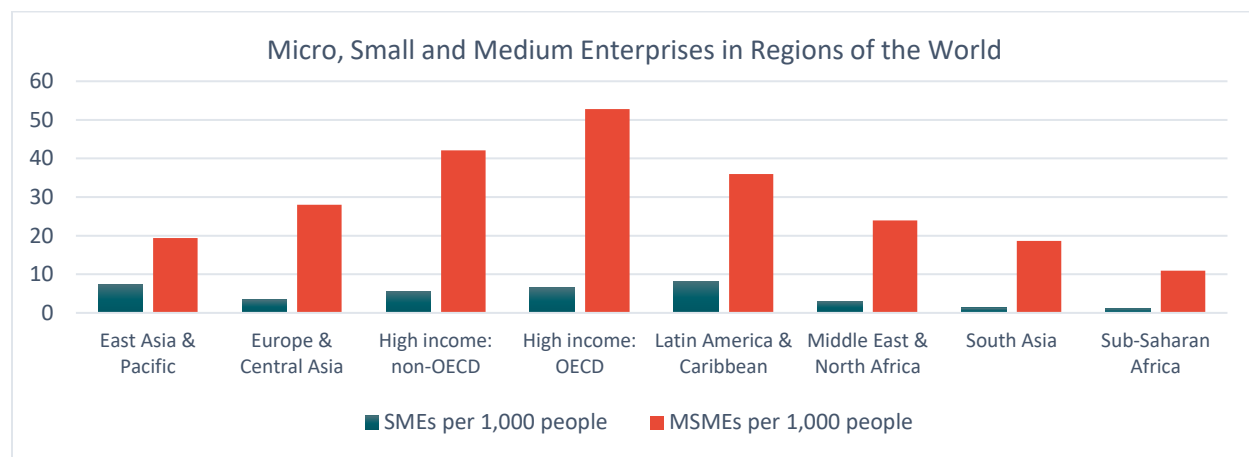


Figure 1 Micro, Small and Medium Enterprises per 1,000 people by region

Source: MSME Country Indicators 2014

The imperative to earn and to generate an income propels many men and women into entrepreneurship in the developing world, where opportunities in the formal labor market are limited, and where working for oneself, or setting up micro and small enterprises, is often the only viable livelihood option. It is not surprising, therefore, that the majority of these enterprises in the developing world are informal⁴ and that owners, managers and workers labor without pensions, social protection and the rights afforded those in the formal economy. These challenges notwithstanding, micro and small enterprises sustain households and families and inject critical resources in local economies worldwide.

Female entrepreneurs play an important role in the entrepreneurial ecosystem, but still lag behind men. Globally, in 2016, an estimated 163 million women were starting or running new businesses in 74 countries. Yet data⁵ on business start-ups or early stage entrepreneurial activity for 2015-2018, reveal that men consistently make up the majority of those in the 16-64 age group engaging in start-up activities. Indeed, women's entrepreneurship activity rates are greater than men's in only a small number of countries around the world, including Madagascar, Philippines, Vietnam and Panama (Figure 3), highlighting how hard it is to be successful as a female entrepreneur in most contexts.

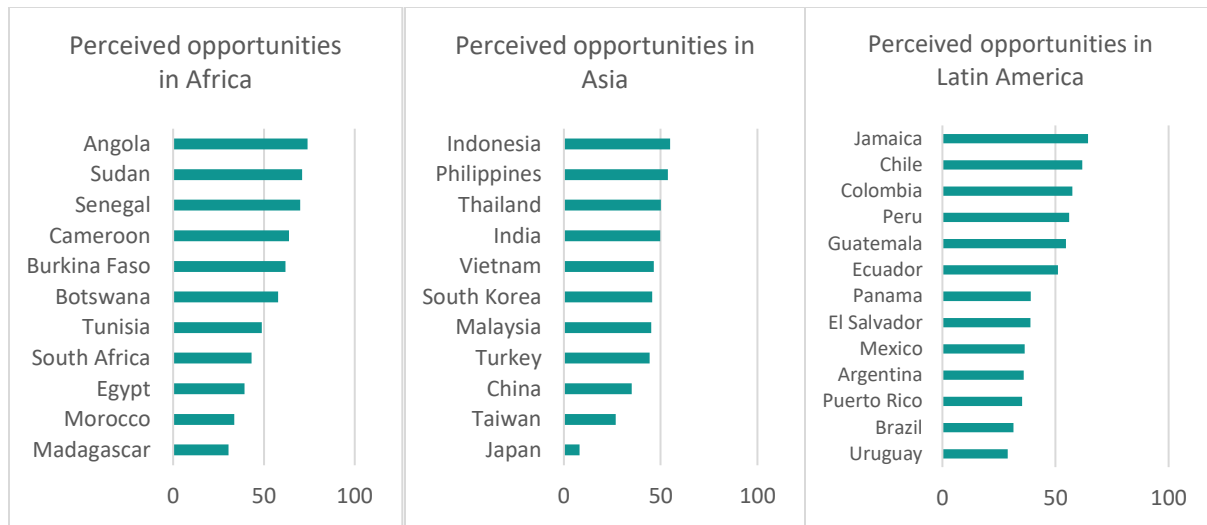


Figure 2. Percentage of the population aged 18-64 who see opportunities to start a business in the area where they live.

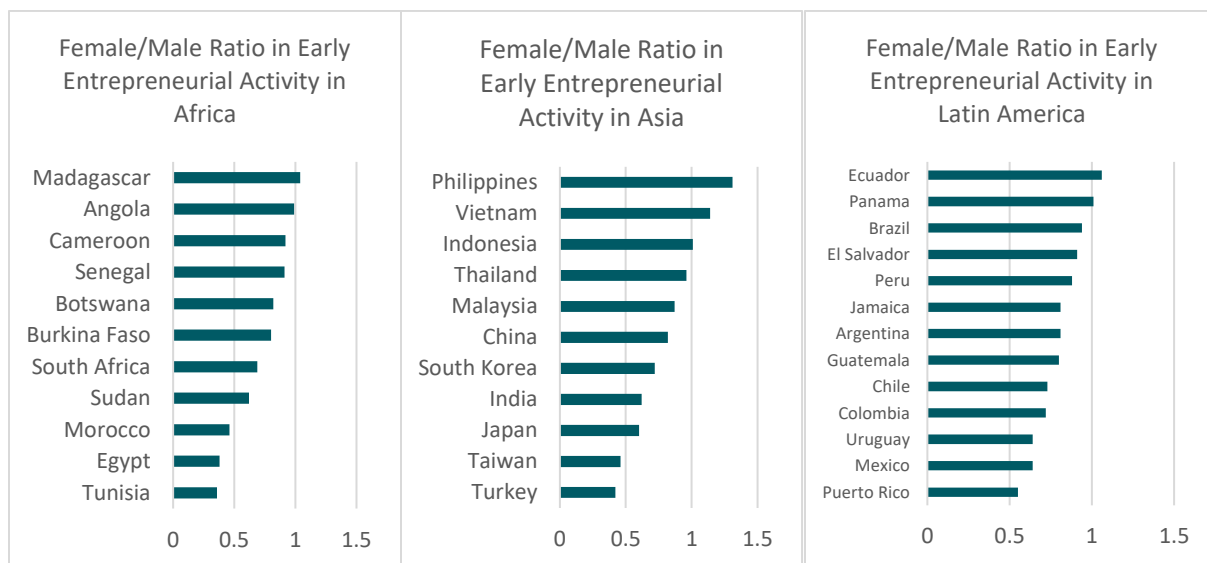


Figure 3. The ratio of female to male entrepreneurs engaged in early stage entrepreneurial activity. This figure demonstrates that only in a few countries do women make up the greater proportion of entrepreneurial start-ups.

Source: *Global Entrepreneurship Monitor 2015-2018*

Women's decisions to engage in paid work are typically made balancing their household and other social responsibilities, such as domestic chores and care.⁶ A woman's decision to become an entrepreneur is particularly sensitive to contextual factors – for instance, if there is a large, comprehensive social safety net, the pull to earn additional income is often lower.⁷ Remittances and male-outmigration can accelerate entrepreneurial activity and encourage female start-ups.⁸ Restrictions on women's freedom of movement or the type of jobs they can hold can lead to more self-employment and entrepreneurship among women. While lack of market access, poor connectivity and inadequate transport dampens both women's and men's entrepreneurial ambitions, it may disproportionately affect women entrepreneurs.⁹ Limited access to financial capital and services, training and business networks also reduce the success of women's entrepreneurial activities and the likelihood that they will be formal enterprises offering formal work.^{10,11,12}

The World Bank Enterprise surveys provide a rich source of data on enterprises and the opportunities and challenges they face growing their businesses and generating employment. Our analysis of data from Kenya, Uganda and Tanzania underscores that women- owned and women-managed enterprises may face different challenges from male- owned and male-managed enterprises.¹³ We use these data to explore whether these challenges include obtaining credit and financial services to help grow their businesses or navigating government agencies to obtain public sector services, register their businesses and pay their taxes. **We find typically that female-owned and female-managed enterprises are smaller and report a lower volume of sales and earnings when compared to their male counterparts. Yet they appear to employ more women and a greater percentage of women.** They may be more dependent on public infrastructure and energy and disproportionately affected by power outages or loss of water and sewerage services. They may have smaller lots of land or less secure land tenure for their businesses. They may also face particular challenges reconciling their paid and unpaid work and resolving care needs. ¹⁴ They are more likely to produce goods and services for domestic consumption and less likely to export their products and services. **They also report more restrictive access to credit and financial services and are more likely to have higher interest rates when using credit.**

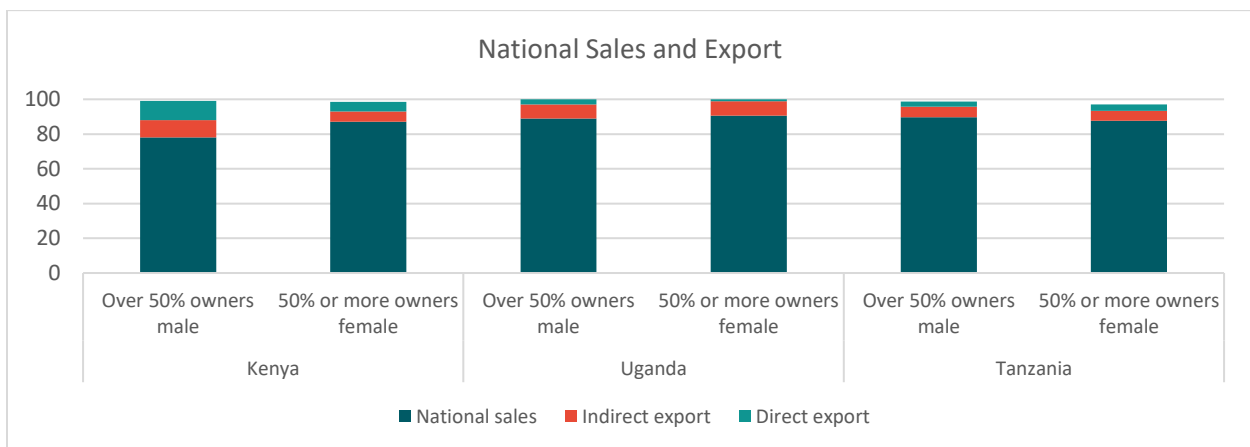


Figure 4. National sales and export by businesses

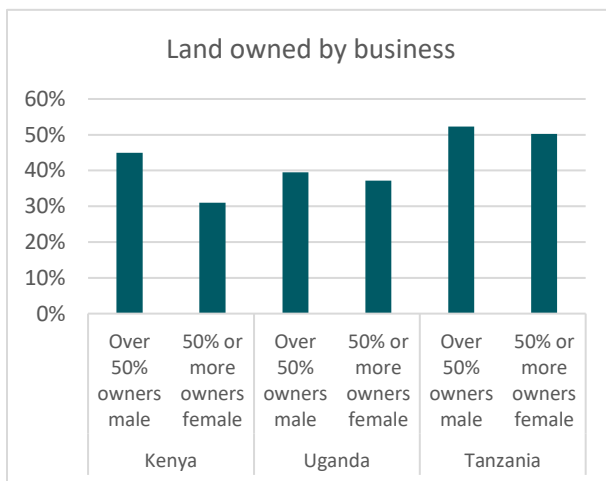


Figure 5. Percentage of land owned by businesses

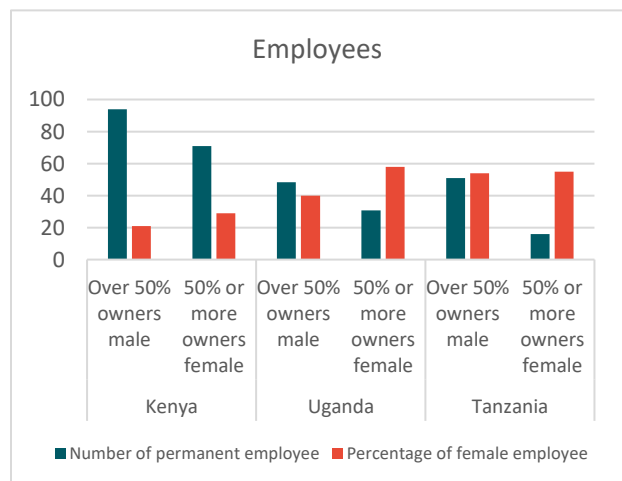


Figure 6. Number of total employees and percentage of female employees at businesses

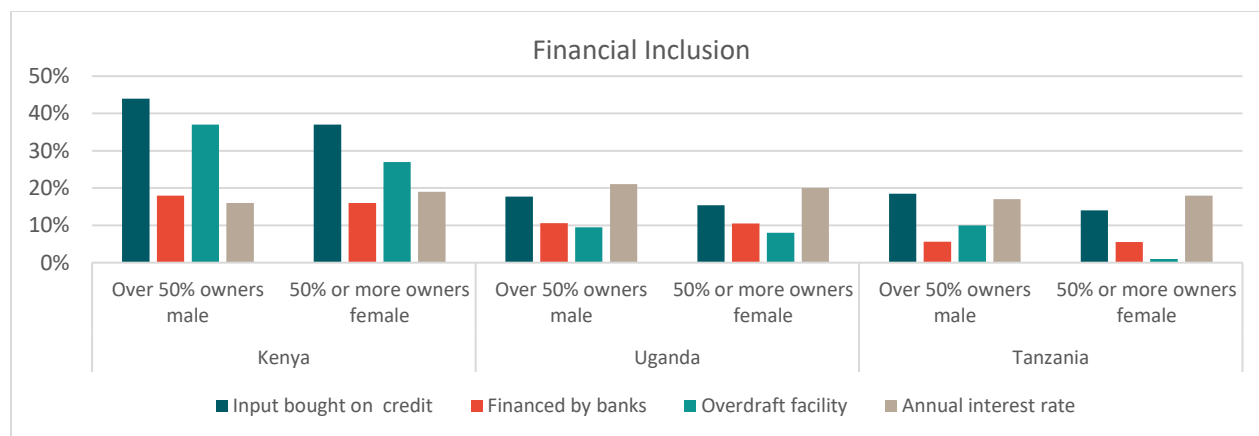


Figure 7 Financial Services used by businesses

Source (figure 4-7): World Enterprises Survey 2013

Governments can implement policies that foster entrepreneurship and cultivate an ecosystem of resources and funding that fosters growth of fledgling businesses. **The entrepreneurial ecosystem includes regulatory frameworks and infrastructure, business networks and associations, forward and backward linkages between firms and enterprises, mentors and advisors, investments in human capital, and in expanding local as well as global markets.**¹⁵

Access to social protection and pensions are also key to ensuring that work in these enterprises generates some of the same benefits that formal employment secures. Yet, in many cases, when the enterprises are informal, workers and owners will not be able to contribute to pensions and social protection. Creating universal social assistance programs and providing parental leave benefits and health care to those working in informal enterprises will be essential to ensuring they have the same rights as formal economy workers (see Box 1).

Box 1. Social Protection for Informal Workers

As WIEGO points out, “extending social protection to informal workers is one way to support the transition from the informal to the formal economy.”

Universal social assistance programs that are non-contributory, such as cash transfers or fully subsidized insurance schemes, can reach informal workers and their households. They are far less exclusive than contributory schemes. WIEGO underscores that governments should prioritize extending universal cash transfers to provide a source of income to informal workers across their life cycle. This is particularly important for poorer informal workers with limited or no contributory capacity.

Since women are disproportionately concentrated in low-paid, informal work, social assistance in the form of universal child grants, maternity benefits and social pensions offer tremendous potential to redress some of the gender inequalities reproduced in the labour market. For instance, a child grant can support women with child care costs when they have young children in their care.

Maternity and paternity benefits and social pensions can provide parents and carers with much-needed income during periods when they cannot work.

Source: Excerpted from WIEGO Briefing Note “Extending Social Protection to Informal Workers,” March 2019.

Simplified tax regimes and targeted support to Small and Medium Sized Enterprises (SMEs) can help them graduate into the formal economy and improve the terms and conditions of employment (see Box 2).

Box 2. The SIMPLES Law in Brazil

THE SIMPLES law that came into effect in Brazil in 2007 successfully enabled SMEs to formalize their businesses and enabled workers and owners to gain access to pensions and social security. Micro and small businesses account for about 67% of all jobs and contribute about 20% of GDP in Brazil. The SIMPLES law created a simplified tax regime for micro and small enterprises that allowed for the unified collection of municipal, state and federal taxes. In addition to unifying all taxes, the rates and the amounts were lower when compared to the payment of all them separately. The taxes were also calculated based on the monthly gross revenue of the company, allowing small and micro businesses to opt in to public taxation gradually. At the same time, the labor inspectorate and the various government agencies worked with the enterprises to help formalize their workforce and offer training, credit and capacity-building to enable the enterprise to grow. The SIMPLES law enabled over 3.4 million SMEs to enter the tax regime, become formal enterprises and formalize their workforce.

Source: Berg, Janine. 2011. "Laws or luck? Understanding rising formality in Brazil in the 2000s", in S. Lee and D. McCann (eds) Regulating for Decent Work: New directions in labour market regulations, Geneva and Basingstoke, ILO and Palgrave Macmillan (<https://thebrazilbusiness.com/article/taxation-regime-simples-nacional>, https://www.cepal.org/ofilac/noticias/paginas/5/50275/Schontag_sesionV.pdf)

Having access to child care is also critical for many small entrepreneurs. Finding solutions for child care can increase the viability of women's businesses and ensure that children are well-cared for (see Box 3).

Box 3. SEWA Care Cooperative

The Self-Employed Women's Association established the Sangini Child Care Cooperative in Ahmedabad in 1986. Currently, SEWA operates 13 centers each caring for 130-400 children.

The Cooperative supports a community and parent-led approach. Members of the local community who are underemployed and keen to gain new skills are offered free training courses to become a Bal Sevika (childcare worker). Decent working conditions for Bal Sevikas are a priority, and all the centers offer a living wage and access to social protection.

Affordability and flexibility have been crucial to the success of the centers. The creches are open at times that match mothers' working hours. For example, in places where mothers are vegetable vendors, the creches open early to help increase working hours and enhance household income. Women may use the centers differently depending on their profession. Street vendors will usually need to leave their children in the center the whole day, while agricultural workers who may work nearer to the center typically come in during the day to breastfeed.

SEWA reports that 64% of working mothers have been able to increase their number of working days due to support from the childcare center. They have reported an increase in their incomes ranging from Rs. 500 to 1,000 (\$8 to \$17) per month, frequently more than doubling their income.

Source: adapted from https://apolitical.co/solution_article/this-indian-womens-union-invented-a-flexible-childcare-model/

Another challenge for women entrepreneurs can be access to identification documents. Government issued identification enables access to a wide range of opportunities, like opening a bank account, enrolling in school, accessing social safety nets, voting and registering a business. Identification, such as a national ID card or birth certificate, is a practical, tangible means to access services and to verify a person's credentials and very existence. Indeed, without a birth certificate a person is essentially stateless and can be denied access and entry to their own county, state and home.

Box 4. Case Study – Microfinance and Identification

Women and children are at particular risk of not having any government issued identification, beginning with a birth certificate. Worldwide, nearly 230 million children under the age of five do not have a birth certificate.¹ The majority of low- to middle-income countries lack adequate systems to register births and existing systems are often disconnected, leading to duplication and inefficiencies.¹ Social norms and gender bias can also play a role in who receives a birth certificate. Low-income households, especially rural ones, do not always have the means, time, or resources necessary to file the proper paperwork to register a birth. At one microfinance bank in northeast India, researchers noticed higher number of male customers listed in a customer database than anticipated. The microfinance bank stated that it served predominately low-income, urban women but the data showed 20-30 per cent of the clients were male. Upon further investigation it became clear that those customers were in fact women, but they were using their husband's, father's, or son's identification documents in order to secure a loan. When asked about this, some of the women stated it was because they did not have their own ID.

Women's lack of access to formal identification documents presents a number of problems for microfinance institutions, particularly in contexts where identity requirements are strict. When a bank does not know who their customer is – is it the women showing up at the group meetings or a man using her to gain access to a loan? – they cannot properly serve either person. More importantly, if a man defaults on the loan it is the woman who is held responsible by the bank. The lack of identity documents can make low-income women particularly vulnerable.

Source: Arnold, Julia. 2012. Women, Mobile Phones and Savings: A Grameen Foundation Case Study. Grameen Foundation.
<https://grameenfoundation.org/resource/women-mobile-phones-and-savings-case-study>

Recommendations

These findings underscore that prominent initiatives like the Women Entrepreneurs Finance Initiative (We-Fi) ¹⁶ through the World Bank and the US Overseas Private Investment Corporation's (OPIC's) 2X Women's initiative¹⁷ may be particularly beneficial in unlocking capital and growing established companies and enterprises. We-Fi, for example, not only provides capital to grow women-owned medium sized and established enterprises but also works with governments to improve aspects of the enabling environment for women owned and women-led enterprises and to change restrictive laws and policies that limit their engagement in markets or undermine their rights to property and assets.¹⁸ Our findings also indicate, however, that a host of additional investments are also required to enrich the entrepreneurial ecosystem and enable smaller enterprises and activities to grow sustainably and generate meaningful and secure employment. These investments include, for example, improving access to universal pensions, health care and training, care for dependents and formalizing employment.

A focus on building and expanding the enabling environment would also strengthen other Women's Economic Empowerment initiatives, such as those proposed under the United States Women's Global Development and Prosperity Initiative (W-GDP) of which OPIC's 2X Initiative is a part.¹⁹ W-GDP seeks to reach 50 million women in the developing world by 2025 through U.S. government financing and technical assistance, developing private-public partnerships and offering an innovative fund to support women's economic empowerment. The enterprise development component of W-GDP emphasizes access to capital, markets, networks and mentorship. Importantly, W-GDP includes a third pillar on strengthening the "enabling environment" for women's economic empowerment, including through policy and legal reforms, and is therefore a key opportunity to address the issues identified in our findings.

Our ongoing research on women's enterprises and entrepreneurial activity highlights the need for parallel investments in growing their businesses and improving the terms and conditions of employment and trade. **Expanding business support programs to include initiatives that enable women entrepreneurs to overcome obstacles to childcare, obtain proper identification documents, access social protection and health care and formalize their businesses and their workers' employment status, can transform drudgery and low productivity work into decent work with the potential to grow a thriving business.** Ensuring that prominent initiatives like We-Fi and WGDP address these dimensions of entrepreneurship will also enable more transformative investments in Women's Economic Empowerment globally.

The field also needs better and more nuanced surveys that ask the right questions and expand the scope of inquiry.²⁰ For example, the World Bank Enterprise Surveys provide a valuable source of data about enterprises and their challenges and opportunities to grow – but they don't explore access to pensions and health care or ask about the quality of the employment and jobs created. Similarly, the Global Entrepreneurship Monitor asks questions about government policies and programs but focuses primarily on education, training, taxes and bureaucracy and not on other investments that can support businesses – such as access to health care and pensions, or care services. **If we are not asking all the questions we miss many of the critical policy and programmatic levers that can support fledgling businesses to grow and thrive and generate decent work for owners and employees alike.**

Endnotes

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