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Autobiographical Note

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Lina Nearchou-Ellinas, a PhD candidate, earned master's degrees in German, English, and Spanish Language and Literature, and in Management/ Marketing. She taught at the University of Trier, Germany and is currently teaching business and communication courses at Intercollege in Limassol, Cyprus. Her main research area is the role of women in the politico-socioeconomic setting. Lina also runs the *Oleastro* company, the first organic olive oil production, extraction, trading and export company in Cyprus. She has been nominated for the Prize for Women's Creativity in Rural Life – 2003. Lina is the president of the Young Business and Professional Women of Cyprus and board member of the Women's Cooperative Bank of Cyprus.

Women Entrepreneurs in Cyprus: An Emerging Dynamic in Cyprus Economy?

Abstract

This article describes the findings of a nationwide research on female entrepreneurial activity in Cyprus, an area hardly ever researched. On the one hand, it is an attempt towards gaining greater understanding of who the women who develop enterprising activity are (in other words determine what their demographic characteristics are), what their company characteristics (e.g. sector of activity, size etc.) are, as well as what their needs and concerns (e.g. the impact of multiplicity of roles, upgrading of skills or knowledge etc.) are. On the other hand, it is equally important to see how strong women business owners' presence is in the local economy.

Key words: women entrepreneurs, Cyprus, microenterprises

Introduction

The Country

In the past fifty years, Cyprus has gone through conditions of Colonialism, Independence, invasion and semi-occupation of its territory. Fifty years ago, it was considered to be a poor, illiterate third-world country. In the year 2000, the island was included among the leading 16 countries with the highest per capita incomeⁱ and among the 22 countries with the highest human development in the

world¹. Moreover, it is aspiring to become a member of the European Union by the year 2004 and already fulfils the Maastricht criteria. This progress couldn't have possibly been achieved without the contribution and active participation of half of its population, the women of Cyprus.

Female Entrepreneurship

The trend of women's entrepreneurship has been gaining increasing attention around the world. The first signs of the positive impact of enterprise development by women make themselves visible in regard to economic growth and employment creation, as well as in economic, social, and political empowerment. (Mayoux, 2001). Developing women's entrepreneurship means creating employment, which results in reduced unemployment and welfare benefits. The ramifications further include a rise in the taxes and social insurance contributions collected by the state not only from women business owners themselves but also from their employees. In addition, it contributes to the increase of products, services, profits, and exports. On the whole, it results in economic growth. Strengthening women economically is interrelated with enhancing their position in society in general, and their representation in politics within the framework of the model of a full democracy, in particular.

Methodology

This was a pancyprian research, which concerned the total population of 6968 women business owners according to the latest Census of Establishments of the Department of Statistical Services

¹ The Human Development Index measures a country's achievements in terms of life expectancy, educational attainment, and adjusted income (<http://www.google.com/search?q=cyprus+human+development+index+2000>).

(1995)ⁱⁱ. As the data have become somewhat dated, we should bear in mind in our interpretations that they might not necessarily describe the current picture of female entrepreneurship exactly. Nonetheless, they are not expected to have changed significantly.

Of the total population of 6968 women company owners, 373 women entrepreneurs took part in this survey by answering the questionnaire, thus the confidence level is 95% and the margin error is +/- 4.9%. The questionnaire took into account the following parameters: the districts (Nicosia, Limassol, Larnaca, Paphos, free areas of Famagusta), the areas (urban, rural), the age, the education level, and the family status. Before it took on its finalized version, it was pilot-tested on a small number of women (20). Based on the pilot study results, the questionnaire was corrected and took on its final form. The sample was chosen in proportion to the district and area.

The presence of women-owned companies in Cyprus

In 1995, about 58.000 enterprises were registered in the Census of Establishments out of which approximately 7.000 were women owned. In other words, women owned almost 12% of the enterprises in Cyprus. In the same year, 117.000 people were registered as gainfully employed. This means that the percentage of women who were self-employed/ employers was about 6% (Labor Statistics, 1995/6).

What do these numbers mean? To begin with, the number of entrepreneurial women might be even larger. On the one hand, there is of course the possibility that some of the companies actually belong to their husbands and women appear to be the owners only in name. This would be, for instance, the case of civil servants, who are not allowed to own a company in their name. However,

one might as well argue that there are cases of female civil servants setting up companies in their husband's name for the same reason. On the other hand, there is also the possibility that women are very active in their family business, yet they remain invisible, as the company is not registered in their name. In the same category of invisible women business-owners, we could include unregistered home-based microenterprises, who are still, even on a rather small scale, income-generating units.

Compared to other countries similar to Cyprus, as to Malta (a small island also in the process of accession to the EU) or Israel (a neighboring country with a similar human development index), for example, Cyprus data compare favorably. Six per cent of the economically active women in Cyprus own their own company compared to 1.5% in Malta (Spiteri, 2001) and 5.1% in Israel (Galant, 2001).

When comparing Cypriot women business owners to their counterparts in the European Union, however, the result is rather disappointing. While in the EU, women-owned businesses account for 27% (Labor Force Survey, 1997) of privately owned companies, the equivalent percentage in Cyprus is as low as 12%. The discrepancy in developing enterprising activity between Cypriot and American entrepreneurs is even larger, as the latter own 37% of the US companies (St-Onge and Stevenson, 2001).

Women Entrepreneurs' Demographic Characteristics

Who are these women who make the daring decision to compete in the enterprising world? 46% of women entrepreneurs are in the age range of 31-44, which is in accordance with other findings in

the literature (Bush and Hisrich, 1987). Eighty-two per cent are married, compared to only 55% in other surveys (Brush and Hisrich, 1983), with a fertility rate (1.9) comparable to the national average (1.83). One in two (50%) possess only a high school leaving certificate and 34% - half of the findings in other surveys (68%) (Bush and Hisrich, 1983) - have postsecondary education qualifications. The tendency among younger women is to further their education. Women entrepreneurs' performance at the highest level of their education was in 54% of the cases better than average.

Unlike other surveys, which want 50% of women entrepreneurs to be the first-born child in the family (Brush and Hisrich, 1983), the birth order seems to play no significant role. First-born children formed 28%, second-born children 34%, and third-born 20%. The place of birth seems to be irrelevant as to the possibility of later enterprising development as 52% of our respondents were born in a town and 48% in a village. Urban-based women owned companies represent 71% of all women-owned companies in the Census of Establishments. This indicates a clear shift from the rural to the urban areas, which is also reflected in the urbanization tendency of the general population, 70% of which reside in the urban areas according to the latest Census of the Population (Philelephtheros, 15.10.01).

About one in two (52%) women in the sample spent their childhood in average financial conditions, 33% in comfortable ones and 6% in silver-spoon financial conditions, while 8% struggled to make ends meet. Obviously, there is a positive correlation between the financial conditions during childhood and pursuit of tertiary education, as the better the financial conditions women entrepreneurs were brought up in, the higher the percentage of them possessing a university or college degree.

We observe an improvement in the educational level from one generation to the next. While only 12% of women entrepreneurs' mothers had postsecondary education, the percentage almost triples to 34% for women business owners themselves. Most women entrepreneurs with tertiary education (58%) had the financial means to further their education without having to worry about their expenses. Twenty-nine per cent contributed partly but covered less than 50% of the expenses, whereas 13% were accountable for more than half of their education expenses.

The ramifications related to women entrepreneurs' choice of the field of studies need to be carefully examined. If we take the younger group age, for example, which might be indicative to current trends of women's choice still, we will observe that of the 63% of university or college graduates the majority (35%) favor medical and paramedical professions. The second choice is art and design (14%). The percentage of the rest of the fields of studies is rather insignificant: humanities (5%), economics/ business administration (4%) etc. The low interest in business administration and related studies does not come as a surprise as it was recorded in other surveys as well (Vinnicomb and Colwill, 1995). All in all, young educated women's entrepreneurial activity seems to be limited to opening up a pharmacy or an art and design studio.

The results show a rather low self-employment model in the family as 17% of their fathers and 5% of their mothers owned their own business. However, the percentage of self-employment could be much higher when considering that some professions, for example farming/ stock-farming, mechanics etc. (parents' major professional occupations as recorded in this survey) are usually very small family business units in Cyprus.

The Characteristics of Women-Owned Businesses

Although one might have expected women to gather some experience and part of the required starting capital prior to launching their venture, 68% of women business owners in our sample set up their business already in their twenties. In fact, four out of ten women started up their company without any previous experience in their field. Nonetheless, some 43% were part-time employed in their teenage years. Women entrepreneurs in Cyprus are in their vast majority full-time entrepreneurs as nine out of ten invest anything from 41 to over 60 hours per week in their company.

A set of factors relevant in the literature was used to determine the factors that influenced women entrepreneurs' decision to launch a venture. These were mainly the desire to have control and make decisions (56%) and profit (46%). Moreover, one in three women in our sample were inclined to start up a business because of spotting a window of opportunity (36%), one in four because of a suggestion made by a friend/ the husband (26%), and 23% due to unemployment.

Women business owners describe their financial status prior to starting up their own company as average (64%). Six out of ten women faced financial hardship at the initial stage of setting up their enterprise. The majority of these (84%) were able to have access to the necessary capital in the form of a personal loan. The question that arises here how many more women were prevented from capitalizing on their entrepreneurial ideas because they did not possess the required collaterals.

What is interesting to note here is that entrepreneurial activity enabled one in three women in our sample to improve their financial conditions. The percentage of women entrepreneurs who describe

their financial status as average declined from 64% to 52%, while that of women with a comfortable financial status increased from 24% to 40%. Moreover, there was a slight increase from 3% to 5% in the silver-spoon category, while the making-ends-meet category decreased from 8% to 1%. Roughly, the financial conditions improved for one in three women with the opening up of their business in all districts both in the urban and rural areas regardless the educational level, age, or family status.

Women's preferred form of business ownership is the sole proprietorship (85%), a percentage much higher than in other countries as in Britain, for example, where only 59% of women business owners are sole owners (Carter and Anderson, 2001). The preferred launching approach is by far the start-up (90%).

Taking into account that 92.5% of the EU15 (Eurostat, 1997) companies and 94.8% (HRDA, 1998) of Cyprus companies are microenterprises – in other words, they employ less than 10 employees - it is not surprising that 99% of women-owned businesses are microenterprises as well. Hence, women are, in fact, 'microentrepreneurs'. About seven out of ten (69%) of women-owned companies are 'size class zero', that is one-person business units, the entrepreneur herself. This percentage is too high compared to other countries, as the United Kingdom, for example, where self-employment is limited to only 20% (Carter and Anderson, 2001). This means at the same time that one in three women business owners generated employment.

There is strong segmentation in the sector of activity. Eighty-three per cent of women-owned companies are active in just five sectors of activity, which are considered to be mainly traditionally 'feminine': the clothing and shoe industry (28%), the medical and paramedical professions – mainly

as pharmacy owners - (16%), the kiosks and mini markets (15%), the trade of gifts (12%), hairdressers and florists (12%). They exhibit a very introvert market orientation, as 96% do business only in their local community or town.

Women Entrepreneurs' Needs

Women entrepreneurs claim they need further upgrading of their skills/ knowledge in Marketing (37%), Sales (31%), Computers (29%), and Finance (23%), despite the fact that such courses are offered in all districts of the island. In spite of their acknowledging their shortcomings and their need to further upgrade their skills and knowledge, participating in seminars or workshops is not included among their priorities –basically due to their multiplicity of roles- as 64% never attend any seminars or workshops and only 41% of female employers encourage their personnel to do so (only by providing time). The unwillingness or inability for improvement and updating can be hazardous with respect to growth. Women owned businesses don't seem to attract ambitious employees, for women entrepreneurs tend to think 'small'. This 'cautiousness' or risk aversion seems to be closely related to the multiple roles they are asked to perform. This mentality seems to be primarily responsible for limiting women-owned companies to a micro size, doing business only in their own community/ town focused on local clients/ customers only.

While the European Union is struggling for a leading role in the digital economy worldwide and everything seems to have become e-something, 88% of the women in our sample do not use the Internet at all in contrast to the UK, for example, where 37% of women business owners have their own business web site (Carter and Anderson, 2001). The introduction of electronic commerce might seem too distant at this stage for the majority of women-owned enterprises. The design of a web

site, at least, could be their first step in that direction using it as a means to increase awareness around their company's name, increase the communication with their (perspective) clients etc. When considering that Cyprus is leading the field of EU applicant countries alongside Malta and Slovenia in terms of telecommunications and information technology (Deiss, 2002) and that the national average in PC, Internet, and mobile phone penetration is not far from the EU average, it becomes evident that women business owners are lagging behind in this respect.

One in two (52%) women who took part in this survey claim to be hardly informed on the accession consequences on the businesses in Cyprus while 64% are pessimistic about the future of their own company following the island's entry to the European Union. What are mostly feared are increased competition (83%) and increased taxation (32%).

As regards the creation of a program to promote women-owned businesses, the most assistance required is by far in the area of financial support (45%), claim the women participating in this survey. Indeed, other surveys have also indicated that women have less access to business finance (Mayoux, 2001, Mitchell and Weller, 2001). Moreover, more family friendly opening hours were suggested, which contradicts to some extent the argument that owning a business offers more time flexibility (Carter and Anderson, 2001) than being employed. Cypriot women entrepreneurs don't opt for part-time entrepreneurial activity, as they spend on average 50-60 hours per week at work. Finally, counseling/ accesses to information/ furthering education and childcare support were further suggested. However, women entrepreneurs are very encouraging towards women considering developing enterprising activity, as only 6% discourage them from launching a venture.

About half the women in the sample (55%) claim to be content with the support system they enjoy, without which the degree of their ability to continue their entrepreneurial activity is questionable. However, one in three (34%) feel their relationships with significant others are burdened because of their enterprising activities. Finally, the multiplicity of roles - as well as social perceptions, in particular, regarding male-dominated areas – influence women’s involvement in the world of enterprising negatively.

Conclusions

In the analysis of the findings, it becomes clear how significant (the most significant parameter of those tested in the survey: district, area, education, age, and family status) tertiary education can be for female entrepreneurial activity. Women with higher education created more than half (53%) of the enterprises set up within the past two years.

Women with tertiary education credentials indicated differing motivating factors to start up their business unit than the women with lower education. They exhibited the highest concern for control and decision-making, social status, as well as faith and enthusiasm in the product or service that they provide. At the same time, they were the least interested in creating a business as a means of self-employment or for profit.

Women business owners with university or college degrees seek new launching approaches. They recorded the smallest percentage in inheriting the family business and the highest in franchising. What is more, they are the strongest supporters of female entrepreneurial activity as they encourage women considering developing such activity the most.

Alongside women with secondary education, they employ most personnel and have the lowest self-employment record. Nevertheless, strong segmentation in the medical and paramedical professions is observed, as about half the women with higher education had their studies in this field (53%) and are active in this sector only (mostly as pharmacy owners).

Women with postsecondary qualifications are the best-informed and most optimistic pertaining to the future of their company after Cyprus accession to the EU. Although they share the same fears of increased competition and increased taxation after the island's entry to the EU with the other women in the sample, at the same time, they expect the most opportunities for their business, in finding personnel, and for loan prospects.

Women with a tertiary education background and an educational performance of better than average (83%) understand the importance of constantly updating their knowledge and skills the most. Consequently, they participate themselves as well as provide their employees time for participation in seminars and workshops the most. Moreover, they make the largest use of the options provided by the Internet.

They perceive inequalities in opportunities based on gender for professional development, venture launching, and survival and promotion the least. On the contrary, they are the strongest supporters of women's capabilities, while they perceive women's multiplicity of roles and social perceptions as factors that promote gender inequality the least strongly.

University and college degree holders devote the least time in their company, have the most help with the housework and childcare, as well as enjoy the most support from their parents and friends. What is more, they have the lowest fertility rate (1.4) compared to women with primary (3.2) and secondary (2.2) education. Nevertheless, they seem to perceive the most strongly that their entrepreneurial activity burdens their relationships with significant others.

Which factors then constrain women's entrepreneurship, particularly when younger women's high educational level is taken into account? The reasons behind the comparatively low percentage of women business owners with postsecondary education credentials need to be further researched. While in other surveys, 68% (Brush and Hisrich, 1983) of women entrepreneurs are college or university graduates, the percentage in Cyprus is just the half (34%). This percentage is also much lower than the percentage (50.5%) of female high school leavers enrolled in higher education institutions (Statistics of Education 1998/9). Is it the security of the monthly paycheck they prefer or perhaps the attractiveness of the public/banking sector with the steady work hours (7:30am – 2:30pm), high salaries and plethora of fringe benefits, or both? A research on *'How Cypriot Women Capitalize on Their Tertiary Education Qualifications'* would shed some light to this kind of questions.

On the whole, when taking into account that women form almost 40% of the country's labor force, women entrepreneurs' presence in the enterprising world is very low, just 12%. This is probably interrelated to their tendency towards limited vision for growth. Instead, they seem quite content with making a 'decent' profit. The reason behind their reluctance towards a more decisive entrepreneurial activity is predominantly their multiplicity of roles. Reconciliation of family life and entrepreneurial success is high on their priority list.

Other constraints identified were shortcomings in their skills and knowledge, especially regarding information technology but also basic business skills as marketing, sales, and finance. This is not surprising if we consider a pharmacist or an art designer, the most frequently chosen fields of studies by the women in our sample. In their studies they are focused on preparation of medicines, design etc., but they are not at all prepared to open up and run their own business related to their field of studies, i.e. a pharmacy or an art design studio.

The strong segmentation in the traditionally ‘female’ sectors of activity might indicate lack of confidence in entering other sectors. This is probably related to the professional orientation they had at school as well as – to some extent – to social perceptions of what sector is appropriate for a woman to set up a company in or even fewer barriers of entry.

The fact that the vast majority of the women in our sample was in the comfortable financial position to either come up with the requested starting capital or to provide the necessary bank guarantees raises questions as to the entrepreneurial ideas lost because women might not have had the required collaterals.

Suggestions for Further Research

It would be perhaps interesting to carry out a similar research in future in order to compare and contrast the findings. This would provide an insight not only to the new trends of female entrepreneurial activity, but also to whether the numbers of women developing such activity are increasing. Moreover, a research on *‘How Cypriot Women Capitalize on Their Tertiary Education Qualifications’* would enhance our understanding towards whether women view tertiary education

as an investment for the later development of entrepreneurial activity, which factors influence their choice of major etc.

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ⁱⁱ All information and data presented in the present report concern the government-controlled areas.