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Paper

**Regulatory Impediments to Enterprise Development: Mobilizing Women's
Economic Potential**

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Introduction

Small and medium enterprises (SMEs) and entrepreneurship are important parts of any national economy. Since the mid-1980s, governments have increasingly recognized the importance of SMEs and entrepreneurship development. It is now widely recognized that a facilitative / enabling policy and the appropriate regulatory environment is crucial to the development of small and medium enterprises. However, policies aimed at supporting SME and entrepreneurship development tend to be gender neutral. Women's economic potential may thus remain under-utilised with attendant macro-economic consequences.

SME and Gender

Women play a central role in employment promotion and economic growth (ILO 2007). The promotion of women's entrepreneurship is an important activity to stimulate economic growth, increase women's income and their quality of life (OECD, 2006; A. Izyumov; I. Razumnova, 2000; R.T. Bliss, N. L. Garratt, 2001). Entrepreneurship has thus the potential to alleviate female poverty (a key problem in some UNECE¹ countries) and, by extension, to alleviate gender inequalities. However, women represent still only a minority of all entrepreneurial and SME owners. Women's business is mainly concentrated in the areas of small-scale entrepreneurship which primarily includes retail and service.

Besides the usual gender problems in the area of employment where women are usually situated in low-paid jobs, they are also discriminated against in terms of career advancement. Holding household and business responsibilities may be limited for women. Other barriers may include *inter alia* the country's economic conditions, the prevalence of gender-blind legislation, a weak institutional mechanism for promoting women, limited access to resources, lack of entrepreneurial education and training, lack of business networking among women, etc. Reducing women's barriers to market access, improving their position within the value chain and enhancing their productivity is likely to benefit local, national and regional economies as well as households (OECD, 2006).

The type of entrepreneurial activity varies significantly across countries in the UNECE region, but countries with similar levels of per capita GDP tend to exhibit more similar entrepreneurial environments. According to the Global Entrepreneurship Monitor Report on Women and Entrepreneurship regardless of country, men are more likely to be involved in entrepreneurial activity than women.² Examination of entrepreneurial behavior across the globe yields a clear picture of a gender gap in venture creation and ownership activity. The entrepreneurial gender gap exhibits varying dimension and characteristics, a significant gender gap exists for both early stage entrepreneurial

¹ United Nations Economic Commission for Europe (UNECE), Women's Self Employment and Entrepreneurship in the ECE Region, Regional Symposium on Mainstreaming Gender into Economic Policies, 28-30 January, 2004, UNECE Secretariat, Geneva, 2004.

² The Global Entrepreneurship Monitor (GEM) 2006 Report on Women and Entrepreneurship, Babson College, and London Business School, 2007

participation and established business ownership, and this gender gap is greatest in the high-income country group, regardless of type of activity.

Data on the subject of women and entrepreneurship may be sourced from the Global Entrepreneurship Monitor³ and UNECE⁴. The Global Entrepreneurship Monitor is based on a global sample of 40 countries and is divided into high and low income countries. Its findings suggest that irrespective of gender, entrepreneurial activity is significantly higher in the low/middle-income group than in the high-income group of countries. Low/middle-income countries demonstrate the highest rate of female early stage entrepreneurial activity while high-income countries exhibited the lowest. Irrespective of country, men are more likely to be involved in entrepreneurial activity than women. In none of the countries participating in GEM 2006 are women more active in starting a business than men, except for the Philippines where the rate of female early stage entrepreneurship is significantly higher than the male rate. The UNECE's research focuses on women's entrepreneurship in Eastern Europe and CIS countries from official data in its database. In countries for which there are data, men start their own businesses twice as often as women⁵. In most countries, regions and sectors, the majority of business owners/managers are male (between 65% and 75%).

However, there is increasing evidence that more and more women are becoming interested in small business ownership and/or actually starting up in business. In addition, rates of self employment among women are increasing in several EU countries. Although there are no official statistics relating businesses to the gender of their owner/manager, there is evidence to suggest there has been significant increase in female entrepreneurship (GEM, 2007).

There are different ways of measuring the impact of women's entrepreneurship on the economy: at individual levels (number of self employed) or at the firm level (number of firms owned by women entrepreneurs) (Key et al, 2003; OECD, 2003; UNECE 2000; Chun, 2000; ILO, 2003). Overall, the data shows that women entrepreneurs across all types of countries and economies have an important impact on the economy through creating jobs for themselves and for others. The same data shows that women are still represented as a minority of those who started new business, are self-employed or manage an SME type of a business (OECD, 2003; UNECE 2000; Chun, 2000; ILO, 2003; GEM, 2007).

Much has been discussed and written about the need for entrepreneurial development as an important force for the successful transition from planned to market economies (Johnson and Loveman, 1995; Zahra et al., 2000), but entrepreneurship as an possible economic activity is still not well recognised and poorly supported (Hitt et al., 2000;

³ The Global Entrepreneurship Monitor (GEM) 2006 Report on Women and Entrepreneurship, Babson College, and London Business School, 2007; UNECE Statistic Office, 2003.

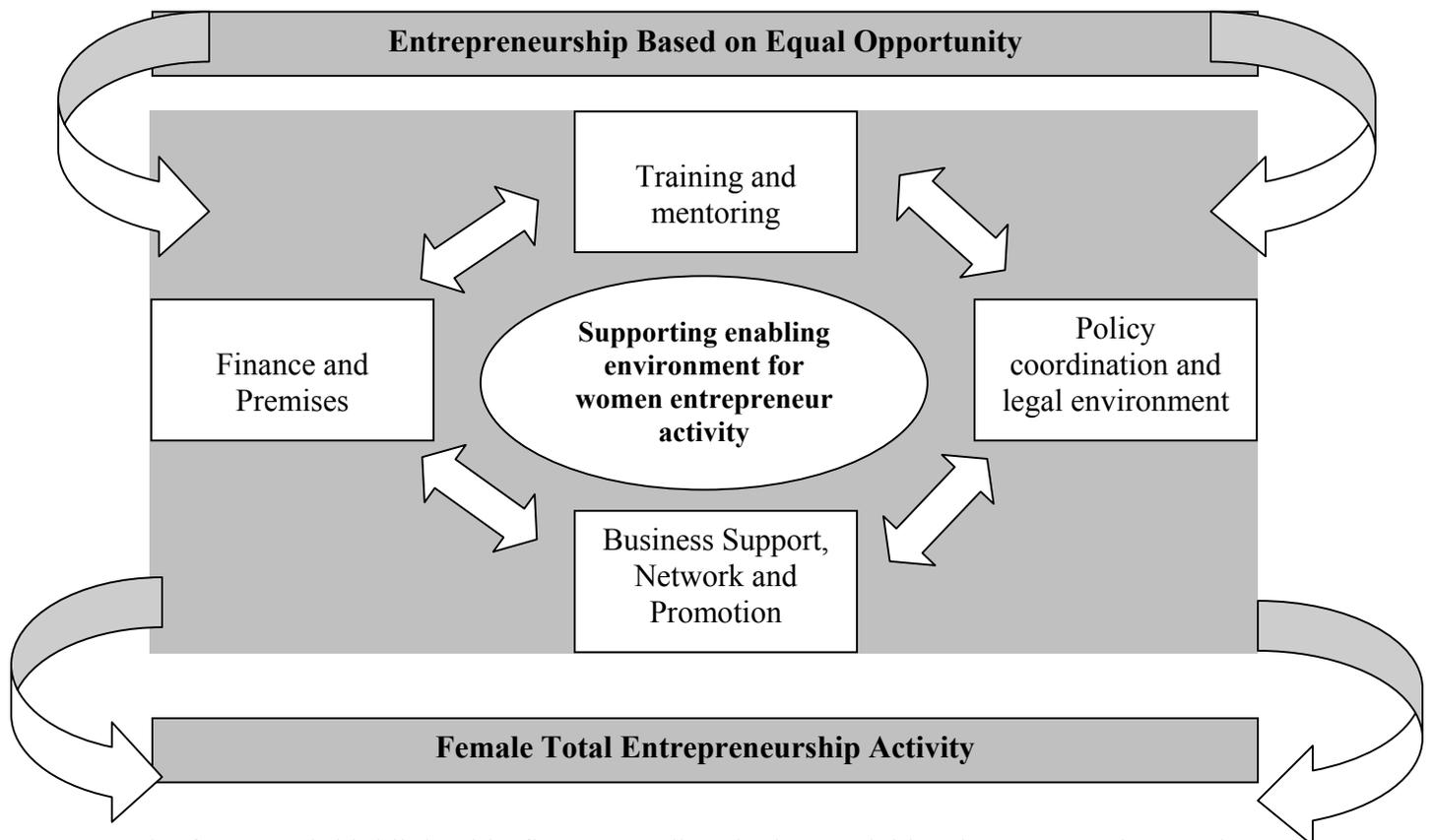
⁴ United Nations Economic Commission for Europe (UNECE), Women's Entrepreneurship in Eastern Europe and CIS Countries, Geneva, 2004.

⁵ The Global Entrepreneurship Monitor (GEM) 2006 Report on Women and Entrepreneurship, Babson College, and London Business School, 2007; UNECE Statistic Office, 2003.

Puffer, 1999). There is still very little knowledge about entrepreneurial functioning in transition economies in general and in particular with regard to women entrepreneurs.

Reviewing the empirical literature on women entrepreneurship in emerging markets, one can observe that little research or even conceptualization of the environment for entrepreneurship - enabling or otherwise - has been completed. Indeed there are no widely accepted factors that are seen as key determinants (Bruno & Tyebjee, 1982; Van de Ven, 1993; Mayoux, 2001; Birley & Westhead, 1993; Kolvereid & Obloj, 1994; Gnyawali & Fogel, 1994; Kouriloff, 2000; and Stevenson and St-Onge, 2005). One potential theory with implications for environmental factors and entrepreneurship is resource dependence theory (Begley et al, 2005). Based on the above, figure 1 highlights several major variables for supporting an enabling environment for women entrepreneurship activity.⁶

Figure 1: Framework for supporting women entrepreneurship activity



The framework highlighted in figure 1 outline the key variables that support the creation of an enabling environment for women’s entrepreneurship. These are: Policy coordination and legal environment; Finance and Premises; Training and mentoring; and Business Support, Network and Promotion.

⁶ The female Total Entrepreneurship Activity (TEA) index measures the percentage of women in the labour force who are actively involved in starting a new business or who own/manage a business less than 42 month old (GEM, 2003).

Policy coordination and legal environment

International experience and best practices have shown that if gender issues are incorporated into governments' policies there is a good chance that gender-related issues will be addressed and implemented. It is essential that governments target women in their SME policies and allocate resources to create 'focal points' for women entrepreneurship development within governments. A focal point within a government advocates on behalf of women entrepreneurs to promote and develop enabling environment for women entrepreneurship development. The legal environment should be facilitative to start up and grow businesses for women entrepreneurs.

Finance and Premises

Gaining access to an appropriate level of finance is a challenge to many small firm owners in general (Marlow & Patton, 2005). Moreover, the evidence would indicate that women will experience additional disadvantages associated with their gender (Carter, 2000; Marlow, 2002). Some previous research has suggested that it is more difficult for women to raise start-up and recurrent business finance than men. Women are more likely to encounter credibility problems when dealing with bankers⁷. It is difficult to raise start-up finance. Collateral required for sourcing finance may be beyond the scope of most women's personal assets and credit track record. Once a business is established, finance may be more difficult for female entrepreneurs to raise than for their male counterparts; a lack of access to informal financial networks and finally bankers may suffer from sexual stereotyping.

Recent evidence suggests that female entrepreneurs use substantially less capital at start-up than male owners. The majority of women business owners have had to rely to a significant extent on self-generated finance during the start-up period of their business. Whilst many small businesses face difficulties in accessing the finance that they need (particularly at start-up), organizations specialising in providing support for female entrepreneurs clearly feel that this is one area where their clients face greater difficulties than their male counterparts. Shaw, Carter and Brierton (2001) have found research that suggests women face more difficulty when seeking finance to set up and grow their business⁸. They note that women use only one third of the starting capital that men do, irrespective of sector; on-going growth finance may be less available for female owned firms than it is for male enterprises, largely due to women's difficulty in penetrating informal financial networks. More women-owned businesses, for example, used family savings, household income, inheritance, grants and friends as sources of business finance." In fact, Carter and Anderson (2001, p. 5) found that women's personal savings constitute between 80% and 99% of initial capitalisation, compared to men where the figure is between 30% and 59%. Although this may seem admirable it can often have a negative effect on the business.

⁷ Carter S. and Cannon T. 'Women as Entrepreneurs', London: Academic Press, 1992.

⁸ Unequal Entrepreneurs: Why female enterprise is an uphill business Eleanor Shaw, Sara Carter & Jackie Brierton, The Industrial Society, 2001.

Business Support, Network and Promotion

Many women entrepreneurs recognised a problem in relation to dealing with administrative requirements and business support. Although difficulties in accessing business advice or support appears to be a minor rather than major problem for women entrepreneurs in developed countries, in developing countries the situation is the opposite. Information on government support, if there is one in a country has to be easily available to anyone who wants to start up a business. There is evidence that the best way to provide business support to women entrepreneurs is through centralised centers supported by government agencies. Female entrepreneurship represents an important and growing segment of the market for business support which providers need to recognise. The encouragement of networks of women entrepreneurs and/or networks of mentors supporting women entrepreneurs is seen as a key policy priority by specialist support organisations. Women's business association and other NGO networks can support your business by providing information and contacts, providing customized training in managerial skills and marketing, providing access to credit and financing and providing advice how to overcome difficulties and barriers.

The influences of role models are widely recognised as an important positive element in start up and grow a business. The best practice shows that women are likely to be influenced by successful experience of other women. Promotion of women entrepreneurship could be done in number of ways – newspaper, radio, television and through high level events. Promoting positive image of women entrepreneurs will impact on stereotypes that are prevailing in a society and will affect support women entrepreneurs.

Training and mentoring

Training is essential for starting and running any business. Women are often disadvantaged in terms of accessing training seminars/ courses, because lack of information about the courses or inability to afford or access them. Sometimes training courses do not meet the demand of clients and do not take into account gender differences, and differences between rural and urban clients' demands. Furthermore, the courses tend not to be gender sensitive. However, there are many well developed and diverse courses offered by ILO, UNDP, and UNESCAP etc. Some good practices in entrepreneurship training programmes are identified and available from many NGOs.

The importance of supporting women entrepreneurship extends beyond academic relevance (UNECE, 2004). Government officials and NGOs have expressed interest in women entrepreneurship in countries in transition as a key to stimulating economies (A. Izyumov; I. Razumnova (2000), R.T. Bliss; N. L. Garratt (2001). Academics have been recommended to develop policy makers' understanding by studying conditions and processes that encourage women entrepreneurship (UNECE, 2005). There is a particular theoretical need to conceptualize this environment and to test the environmental variables associated with women entrepreneurs. Regarding the impact of policy, some governments in countries with transition economies have recognised the need to support and encourage women to undertake possible self-employment (UNECE, 2004). This support in

developed countries usually has two main points: to maximize the economic potential of self-employed women and also to encourage taking up of self-employment amongst women from disadvantaged backgrounds (by encouraging targeted agency support aimed at women-owned firms) (Marlow & Patton, 2005).

Clearly, the development of female entrepreneurship needs support through policies and adequate institutions in many areas, such as education and training, access to credit and financing, information, business networks and new technologies. The Governments, in partnership with other stakeholders, should take the lead and responsibility for establishing institutions and policies aimed at development of SMEs. These policies, however, should be gender sensitive and address specific barriers in entrepreneurial activities.

Concrete Actions by Governments

- *United States*

Government agencies aim to award at least 5% of all contract dollars to women-owned small businesses. Some agencies have exceeded the 5% goal. The Department of Housing and Urban Development leads by far with 32.8%. Agencies including the departments of Commerce, Education, Interior, and the Office of Personnel Management (OPM) hover in the 7-8% range.

On pensions, women have special needs because they have different employment patterns from men. The June 2001 Economic Growth and Tax Relief Reconciliation ACT (EGTRRA) contains strong incentives for building retirement savings and includes an important subsection entitled “Enhancing Fairness for Women.” The Act increases the annual limit on deductible contributions to individual retirement accounts (IRAs) and allows for catch-up contributions from workers at least 50 years of age; allows retirement plans to be moved easily during job changes and retirement; and shortens the vesting period for employer matching 401 (k) contributions from five to three years.

- *Canada*

More than 10 federal government departments, as well as some provincial governments, have developed self-employment programmes targeted to women. Regionally, Western Economic Diversification Canada, established the Women’s Enterprise Initiative (WEI) with a view to provide business guidance and services.

The Business Development Bank of Canada (BDC) launched in 2003 a \$25million-fund to provide quasi-equity financing for women entrepreneurs wishing to expand their businesses to cover all stages of business development and a wide range of relevant issues, including among other things start-up help, advice concerning the acquisition of businesses, purchasing equipment, strategic planning, exporting and e-business.

The Royal Bank of Canada (RBC) offers training sessions, publications and other services to women business owners across Canada and sponsors the RBC Canadian Women Entrepreneur Awards.

- *The European Union*

Female self-employment is seen as one of the means to achieve the Lisbon Strategy goal on EU competitiveness. Examples of EU-funded initiatives include e.g. the NOW (New Opportunities for Women) Initiative, for which more than half of the 1750 projects financed between 1994 and 1999 addressed business creation, or EQUAL, that provided since 2000 financial support to some 1200 projects whose main focus was to support entrepreneurship of disadvantaged groups, including women. The LEADER+ rural development initiative has funded projects targeting rural women as micro-entrepreneurs.

Nationally, many EU governments include among their active labour market policies the provision of start-up incentives for unemployed people who pursue self-employment, such as the Überbrückungsgeld in Germany and the Back-to-Work Enterprise Allowance in Ireland. Although roughly half of all unemployed, they only make up 29 per cent of participants in Germany and 18 per cent in Ireland. (EUROSTAT 2003)

In the UK, the Industry and Regions Minister Margaret Hodge announced in February 2007 a new support programme for women graduates within the past 10 years and are thinking about starting a business will be launched in 2007, including a three-day residential business readiness course, one-to-one mentor support and access to dedicated online support.

Some recommendations

In order to realise the objectives of further implementing the United Nations' global mandate on gender equality by promoting the economics of gender as a factor of sustained growth, it is important to incorporate a women entrepreneurial dimension in a considering all SMEs and growth policies⁹.

Based on the environmental factors highlighted in figure 1, the following recommendations may be taken into account by governments in developing SME policies to obviate against the underutilization of women's economic potential:

- Create a favorable political and legal environment that would be based on gender equality.
- Ensure that support mechanisms are designed and implemented to enable women entrepreneurs to establish and grow their own enterprises.
- Improve taxation system and investment policies. Fiscal policies should address specific female-related areas:
 - Reproduction and homeworking;

⁹ Declaration for the Sixtieth Anniversary of the UNECE, 26 April 2007, Geneva

- Access to welfare benefits and childcare expenses;
- Insurance schemes and pensions to take account of women's needs and working patterns;
- Unification of tax and benefit systems to remove discrimination against poor self-employed women; and
- Lowering of VAT on essential goods produced by women and/or consumed by children.
- Facilitate the financing of enterprises owned by women:
 - Access to conventional bank loans;
 - Existence of women friendly banking programmes;
 - Government loans for women entrepreneurs;
 - Private loans for women entrepreneurs: from micro loans to venture capital, including social funds, family funds, start-up and expansion funds and insurance;
 - Ensuring the women entrepreneurs have full knowledge of lending procedures (the concept of a one-stop, web-based 'information hub' would seem appropriate for at least some women entrepreneurs); and
 - Developing a more flexible range of financial products and service to meet the needs of women entrepreneurs, in starting up and growing business.
- More gender analysis needed and gender disaggregated data be gathered (on the starting-up and growing business).
- Promote the participation of women entrepreneurs in international business through trade fairs and exhibitions, etc.
- Governments should encourage the promotion of women's entrepreneurship.
- Media and promotional activities and high profile events should be supported by Intergovernmental Organisations.
- Entrepreneurial training to reflect needs for both starting up and growth women entrepreneurs. Training programme should address needs of urban and rural entrepreneurs. Training should be affordable and accessible.
- Governments should welcome advocacy, lobbying and networking of women entrepreneurs.
- Governments should understand, develop and promote the culture of entrepreneurship

Key Potential Policy Initiatives

1. Integrate a women's entrepreneurial dimension in the framework of enterprise policies development.
2. Recognise the role of women in enterprise development in the modern economy.
3. Increase the ability of women to participate in the labour market through understanding factors influencing enterprise development and eliminating major barriers to enterprise development for women.
4. Promote the development of women entrepreneurship.
5. Improve the access to finance by women entrepreneurs.
6. Assess the impact of SME and entrepreneurship policies on the state of women-owned businesses.

Conclusions

Women are important and underutilized in enterprise development. The Promotion of women's entrepreneurship and SME development among women is an important activity to:

- Stimulate economic growth and job creation;
- Increase women's income and their quality of live;
- Alleviate female poverty, which is unfortunately one of the many problems in many countries in the UNECE region; and
- Promote equality and empowerment women.

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