



BRIEF

WOMEN'S ECONOMIC EMPOWERMENT:

The Critical Need for Investment in Education, Capacity-Building and Networks for Women-owned Enterprises

Human capital development remains a critical area for investment and cultivation for governments.¹ Creating a vibrant economy requires investment in education, skills and capacity-building for an entire population across socio-economic levels. Among the key contributors to robust, sustainable economic growth are the micro- and small business entrepreneurs and own account workers. In these sectors, female entrepreneurs are an important part of this equation. In fact, women-owned enterprises account for a third of businesses in the formal economy worldwide, and, in 2016, an estimated 163 million women were starting or running new businesses in 74 economies.^{2,3} In sub-Saharan African economies, half of all entrepreneurs are women.⁴ However, the majority of women-owned enterprises in developing and emerging economies

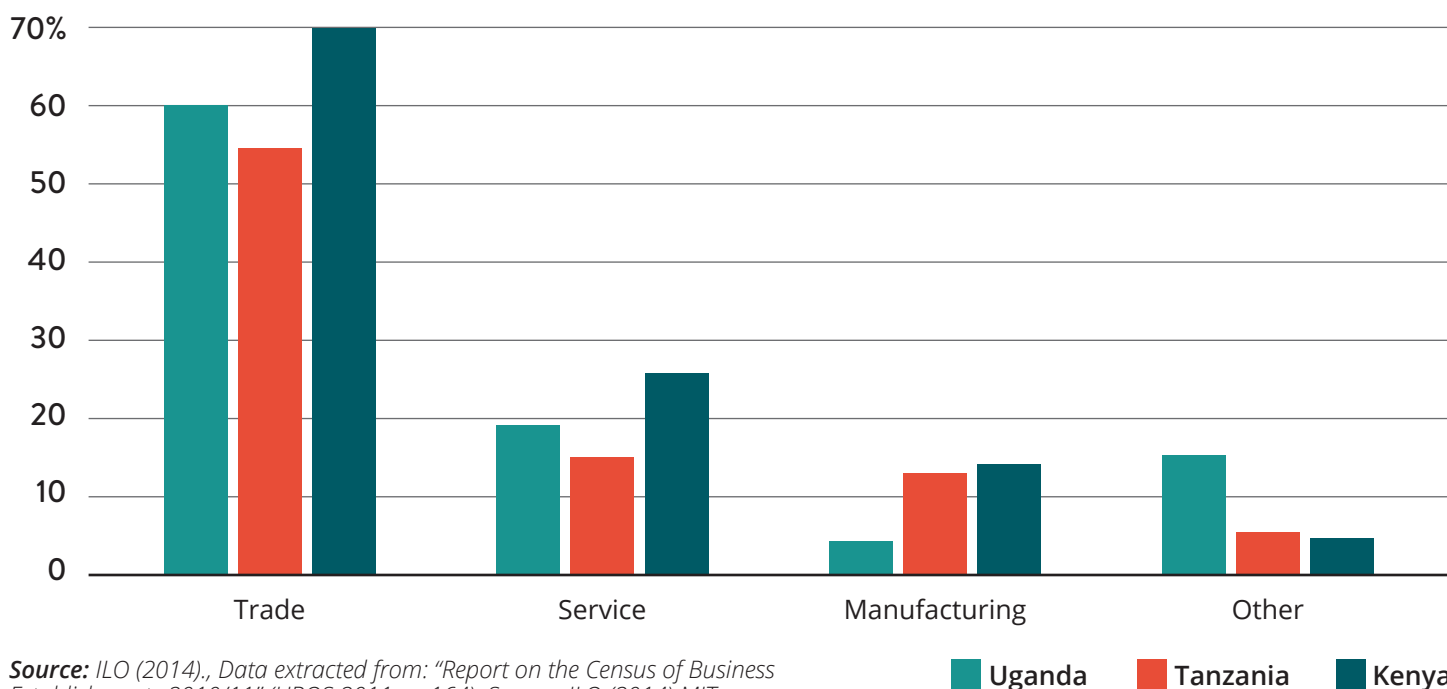
are informal micro- and small enterprises with little growth potential.⁵ Entrepreneurs running micro- and small businesses often lack the training, skills and capacity needed to grow, increase output and become successful employers. Female entrepreneurs, in particular, lag far behind their male counterparts in terms of growth, revenue and number of employees.⁶

Male and female entrepreneurs tend to concentrate in different sectors, with women clustered in labour-intensive industries such as trade and services, while men dominate capital-intensive enterprises such as manufacturing.⁷ As a result, female entrepreneurs enjoy fewer growth opportunities and face a more limited earning potential. Significant economic barriers also prevent them from expanding their networks and

knowledge, which could be leveraged to fundraise, innovate and grow. Women working in family-owned businesses are often not considered full shareholders or compensated equally – even if they work the same or more hours as their male counterparts. Nevertheless,

women's enterprises can be important vehicles for economic empowerment, leading to improved incomes and contributing to poverty reduction in the household and community.⁸

SECTOR DISTRIBUTION OF WOMEN OWNED ENTERPRISES (PERCENT)



Source: ILO (2014), Data extracted from: "Report on the Census of Business Establishments 2010/11" (UBOS 2011, p. 164); Source: ILO (2014) MIT, 2012a; Source: ILO (2008) GoKEconomic Survey, 2005, p. 79.

To support a vibrant entrepreneurial economy, governments can invest in innovation through public services and infrastructure and reduce risk through robust social protection.⁹ The entrepreneurial ecosystem requires well-educated youth, as well as opportunities for further education, apprenticeships and the building and deepening of networks linking businesses and markets. This investment will work to close gender gaps in access to education, the ability to stay in school, peer learning and job-related skills that are necessary inputs for women to remain in the workforce or advance in their desired occupations.

In addition to education and social protection, key resources for the established micro- and small enterprises and start-ups include regulatory frameworks, the business environment, starting capital, entrepreneurial skills and access to credit.¹⁰ The consolidation of these resources and trainings is

necessary to comprehensively support women-run enterprises. When one of these resources is missing, the subsistence business owner will be unable to turn credit into increased profits. In a 2012 study conducted in Ghana, women-run enterprises were given a grant of 150 Ghanaian Cedis (\$120). Enterprises that had already been showing returns increased profit by an average of 25 Ghanaian Cedis — a return of 15 percent monthly — while subsistence businesses showed no profit increase.¹¹ Without the resources and training to combat the structural inequality in education, business environment and society, many micro- and small enterprises will be unable to turn credit into profit and growth.

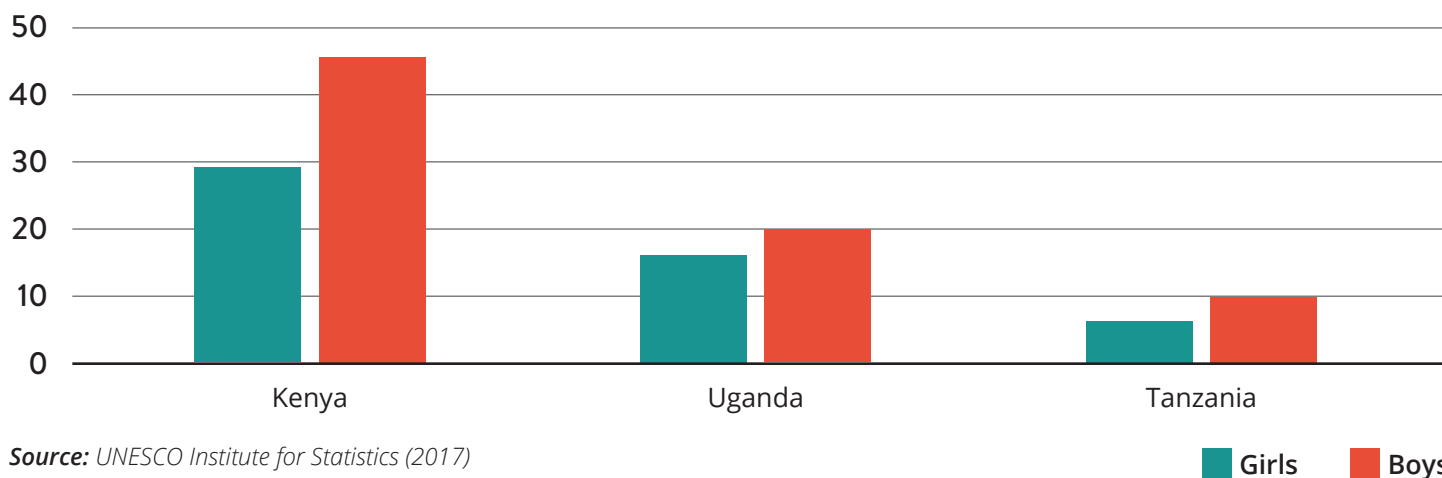
EDUCATION

In general, women have fewer years of education than men, which affects their ability to conduct businesses effectively. This disparity may be particularly large in

sub-Saharan Africa and Asia, where many women do not have the financial security or resources to attend school. While both girls and boys face these constraints,

there are greater demands on girls to perform informal labor in the home, and they may be forced to leave school prematurely.

GRADUATION RATES FROM UPPER-SECONDARY SCHOOL, 2017 (PERCENT)



The World Bank reports substantial differences in the likelihood that male and female entrepreneurs innovate in their businesses and attributes this to differences in the education levels of the entrepreneurs. In Uganda, 18 percent of female entrepreneurs introduced a new product or service in the past 12 months, and 16 percent introduced a new process in the same period. Female entrepreneurs were 37 percent less likely than male entrepreneurs to introduce a new product or new process.

It is not surprising that education level is linked to entrepreneurial activity. To build an effective business, entrepreneurs require a certain level of financial, management and leadership proficiency and knowledge of their market and their product. Some of this expertise can be obtained through quality education. Worldwide, education gaps in gender are narrowing, but while girls are enrolling in schools at greater numbers than boys, they still lag in graduation rates, with only 4 percent of countries achieving gender parity for tertiary graduation rates of girls and boys.¹²

SKILL-BUILDING, TRAINING AND CAPACITY BUILDING

As with education, women face specific challenges to build the necessary skills and capacity to grow their businesses. Women have greater familial and care

burdens and, as a result, have less time to devote to a business and fewer peers with whom they can learn or partner. In sub-Saharan Africa, women's time poverty and care burden limit their success as entrepreneurs and reduce their ability to engage in paid work.¹³ Additionally, women's informal enterprises tend to remain small due to a lack of market information and managerial skills and low levels of technical abilities or connectivity to markets through technology platforms.¹⁴ On average, women in sub-Saharan Africa are 13 percent less likely than men to own a phone, revealing a technology gap that is further exacerbated by the lack of infrastructure within the region.

Gender-specific trainings can successfully address the challenges female entrepreneurs face and provide support for the multiple constraints on their business activities. For example, the International Labour Organization (ILO) has created a Gender and Entrepreneurship Together (GET Ahead) training program with resources for low-income female micro-entrepreneurs that fosters the development of entrepreneurial skills from a gender perspective.¹⁵ The program targets cultural barriers, emphasizes training in financial literacy and business skills, works to connect women to networks and credit and supports them in their responsibilities in the home.¹⁶ When the training was implemented with female micro-entrepreneurs in Kenya, there was significant impact on the survival,

CASE STUDY: BUSINESS TRAINING AND MOBILE SAVINGS IN TANZANIA



A Randomized Control Trial in Tanzania, among women microentrepreneurs, showed that business training increases women's uptake of financial products and increases their likelihood of expanding their businesses. Women who received business training, in addition to the training on the mobile savings app, used the savings app four times more than women without business training and were 16 percent more likely to obtain a loan. Women who received business training also reported improved business practices such as record keeping and financial planning and increased their capital investments by 23 percent. This intervention highlights that while business training may not directly result in higher savings or more revenue, it can encourage women to store their savings more securely (saving in an app instead of cash at home), adopt better business practices and create additional businesses.

Source: Bastian, G. Bianchi, I., Goldstein, M., & Montalvo, J. (2018). "Short-term impacts of improved access to mobile savings, with and without business training: Experimental evidence from Tanzania." (Working Paper 478). Washington, DC: Center for Global Development.

profitability and growth of businesses over a three-year period.¹⁷

In addition to hard skills, it is widely known that socio-emotional skills such as assertiveness, leadership, motivation, self-confidence, resilience and risk propensity are beneficial to entrepreneurial activity.¹⁸ Training that focuses on strengthening these skills for female entrepreneurs has been shown to have a positive impact. In Uganda, Innovations for Poverty Action (IPA) collaborated with the ILO, the Ugandan Ministry of Education and Educate! to develop two business training programs based on standard Master of Business Administration (MBA) curricula and adapted to the Ugandan context. One group of 1,200 students was given soft skills training, while another was given hard skills training.¹⁹ Both groups received a basic overview of entrepreneurship and were asked to create a business plan. While both trainings resulted in increased business creation, the group that received soft skills training reported higher profits, as well.²⁰

A holistic approach that strengthens both hard and soft skills is essential to enable women to create businesses that sustain and grow. In a World Bank analysis of 14 established training programs, only two addressed debt

and savings, while two different programs were the only ones to address investment and growth strategies. Yet, six of the 14 programs addressed aspirations and self-esteem.²¹ This highlights inconsistency in current established training programs and the preference for one set of skills over the other.

NETWORKS

Social networks influence entrepreneurial opportunities. Having strong ties to individuals with skills, knowledge and connections of their own can give nascent entrepreneurs a strong starting point. Typically, however, women have smaller networks with fewer economic ties than men. Social norms that restrict women's mobility and confine them to household activities limit their informal networking opportunities and reinforce gender-segregated networks. Women's networks typically revolve around kin and have fewer viable economic resources. As such, they are more likely to be associated with domestic and community affairs.^{22,23} As a result, female entrepreneurs tend to have smaller and less diverse networks than male entrepreneurs.

Strong ties and broad social networks can provide an array of opportunities for entrepreneurs. Networks can

influence access to credit, the sharing of information about new market opportunities and learning and the application of new business skills. Given that new entrepreneurs rely on friends and family for advice early on, formal mentors, in particular, are very important, especially for women in male-dominated sectors.²⁴ These mentors serve as access points for women to enter larger networks and to understand the importance of connections. In Nigeria, only 22 percent of distributors have access to a formal network or association. Female distributors face a more significant challenge in this area, with only 13 percent reporting access to a network versus 32 percent of male distributors reporting access. Qualitative interviews revealed that many distributors are not aware of networks and do not understand their importance in business.²⁵

Encouraging men and women to expand their networks appears to benefit enterprises. In Uganda, male entrepreneurs' networks tend to be twice as large as those of female business owners. Meanwhile,

men report an average of 3.2 members in their core business network versus 2.9 for women.²⁶ A program that offered cash grants and paired inexperienced female entrepreneurs in a Kenyan slum with more experienced firms from the same community resulted in a 20 percent increase in profits for the entrepreneurs for as long as the relationship continued. Mentors provided specific information on topics such as highly profitable products and low-cost suppliers; the information seemed to be more useful than the general business training provided to other grant recipients.²⁷ In addition to an increase in profits, women in networks show greater risk-sharing behaviors. In India, women were given the opportunity to enter a lottery individually or in groups, where they could give lottery tickets to other people and all winnings would be divisible. Women in networks of five or more members were 23.8 percent more likely to share tickets with other women than individual women, thus distributing the chance for them to win more money. These same women were also three times less likely to default on their loans.²⁸

CONCLUSIONS

Building skills and networks that focus on women's entrepreneurship can foster the growth and sustainability of their enterprises. Layering these interventions on top of financial inclusion programs can lead to greater success and better outcomes for women-run enterprise. The interventions must include building soft skills in conjunction with hard skills. The socio-emotional tools that women can learn are essential to succeeding in and changing currently male-dominated spheres. With the successful implementation of these initiatives, women will be able to improve their household and community incomes, as well as help close gender inequality in entrepreneurship and the larger economic landscape. It is just as essential for women to have access to formal networks and mentors, as they are critical to the longevity and growth of an enterprise. However, all of these initiatives are harder to implement when there are deficits in public education, literacy and numeracy. Thus, it is essential that these initiatives leverage universal quality education for youth, regardless of gender.

It is not surprising that prominent initiatives such as the [Women Entrepreneurs Finance Initiative \(We-Fi\)](#) and the [Women Global Development and Prosperity Initiative](#) integrate training, capacity-building and mentorship programs into their programming. However, mentorship and networking investments cannot be short-term. Building and sustaining the fabric of these interactions and networks produces stronger and more lasting results. Donors and governments must be prepared to stay the course and invest over longer periods to help overcome the systemic barriers that isolate women entrepreneurs and to make entrepreneurship and own account work a matter of choice and not the employment of last resort.

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Brief designed by Brevity & Wit