Women in Entrepreneurship

Introduction

The expansion and recognition of the formal standing of entrepreneurship were among the major changes brought about by the transition from the planned economy to the liberalized market economy in Central and Eastern Europe and Central Asia in the 1990s. In the rapidly changing social and economic environment of the transition countries, entrepreneurship held the potential to contribute to both economic development and social inclusion. Moreover, entrepreneurship also provided another means of income generation among men and women in economies characterized by limited growth in employment even during high-growth years.

Entrepreneurship also has a broader economic impact and is important from the perspective of job creation, private sector development, and wealth creation. Women’s participation in entrepreneurship can enhance the expansion of these economic goods and simultaneously lead to less inequality in the two largest subgroups in the population: men and women. However, in addition, as discussed elsewhere in this chapter, businesses owned and managed by women are different from businesses owned and managed by men; thus, the gender specialization that appears to occur in the labor market is reflected in entrepreneurship as well. One important issue is whether the smaller number of women entrepreneurs and the differences in the businesses of women reflect preferences or are the result of constraints placed on women that unfairly target the ability of women to grow businesses and accumulate wealth.

The results reported in this chapter indicate that, though there is significant representation of women in leadership positions in firms as owners or managers, their representation is well below the level commensurate with either women’s presence in the labor market or women’s educational qualifications. The chapter explores the issues and relative challenges faced by women entrepreneurs. In brief, we find as follows:
Women constitute about one in three entrepreneurs in the region. Though the relative proportion is comparable with the international average, there are fewer women and men entrepreneurs as a share of the workforce in Europe and Central Asia relative to other regions.

The types of firms operated by women and men entrepreneurs are different. The firms of women are smaller and are concentrated in different subsectors in both services and manufacturing.

In aggregate, firms owned by women perform less well than firms owned by men. This trend could be changed if the scale of the businesses of women were expanded. This might be achieved through the expansion of credit, as well as the expansion of access to business development services, especially better links with supply chains.

The remainder of this chapter is structured as follows. The next section presents available data on women who are business owners, managers, and founders. The second section analyzes gender-based differences in the characteristics of entrepreneurs and their enterprises. The following section explores the relative constraints faced by women entrepreneurs. The fourth section discusses the performance of these entrepreneurs. The final section concludes by providing the main findings and recommending policy reforms.

The Involvement of Women in Entrepreneurship

Entrepreneurship and business creation can be significant contributors to private sector enlargement and to the dynamism of an economy. However, it is difficult to estimate the size of the private sector in any economy in Europe and Central Asia. The same is true of women’s contributions to and participation in entrepreneurship. Indicators that capture information on the value added by the private sector or the share of private sector employment in total employment are broadly lacking in the region. Nonetheless, limited data exist on the amount of new business creation in the formal sector, and this gives a sense of private sector activity (see figure 3.1).

Though we cannot quantify men’s and women’s contributions to the private sector, we can compare and contrast the performance of men and women as entrepreneurs to give some indication of

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**FIGURE 3.1** Women and Men Employers

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>new registrations per 1,000 people 15–64</td>
<td>workforce by gender, %</td>
</tr>
<tr>
<td>Tajikistan</td>
<td>0</td>
</tr>
<tr>
<td>Poland</td>
<td>4.0</td>
</tr>
<tr>
<td>Lithuania</td>
<td>2.7</td>
</tr>
<tr>
<td>Russian Federation</td>
<td>3.4</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>5.9</td>
</tr>
<tr>
<td>Estonia</td>
<td>8.0</td>
</tr>
</tbody>
</table>


Note: ECA = Europe and Central Asia average. LAC = Latin America and the Caribbean. MNA = Middle East and North Africa. OECD = Organisation for Economic Co-operation and Development.
the gender gap in this important aspect of economic activity. This section describes women’s involvement in business as entrepreneurs in Europe and Central Asia. There is no single definition of entrepreneurship, which includes varied economic activities, such as ownership, strategic management, and the founding and establishment of businesses. Moreover, to take advantage of the few available gender-disaggregated data sets or regional and national studies, our analysis is opportunistic and adopts the definition that best allows us to exploit the information at hand to gain insights.

Women Employers
There are relatively fewer employers in Europe and Central Asia than globally. The concept of entrepreneur includes the concept of employer. Persons who employ others constitute only a small share of the total work force in the economies of the region, but also in other parts of the world. The average share of employers among the employed was 3.1 percent in Europe and Central Asia in 2008. The share varied from about 6 percent in Turkey to about 1 percent in Armenia, Georgia, and Moldova. If one compares this with the high-income countries of the Organisation for Economic Co-operation and Development (OECD) and Latin America and the Caribbean (both 4.3 percent), one finds that there are relatively fewer employers in Europe and Central Asia.

In Europe and Central Asia, women are more likely to be employers if men are also more likely to be employers. The share of male employers in the total male workforce is 3.4 percent, compared with 1.1 percent among women; both of these shares are low by international standards (figure 3.1). Though there is a large difference in employer rates by gender, they are strongly correlated (0.8); countries with higher shares of male employers are also likely to have higher shares of women entrepreneurs among all employed women. The exceptions are Armenia, Azerbaijan, and Turkey, where the ratio among male and female employers is large, and the concentration of male employers is particularly high. The ratios are closest in Kazakhstan and the Russian Federation, though the overall proportion of entrepreneurs is low in these two countries.

Self-employment rates and employer rates are negatively correlated, but only among women. If self-employment among women declines, the proportion of women employers increases. This may be a reflection of the difficulty self-employed women face in growing their own businesses. This may be because, relative to men, women encounter greater obstacles than men, or it may be that the incidence of self-employment among women reflects a market necessity, while the status of employer represents a career choice made by women who, among other reasons, desire to expand their wealth (see box 3.1). Self-employment rates among men and women are strongly negatively correlated with income per capita as measured by the log of gross domestic product (GDP) per capita at purchasing power parity, whereas the incidence of employers among men and women increases somewhat as income per capita increases.

The better business environment has not led to a greater prevalence of women or men employers in the region. The Doing Business indicators provide one measure of the ease of doing business in a country, though only in the formal sector (World Bank and IFC 2009). Europe and Central Asia perform relatively well compared with other regions of the world. The average rank of Europe and Central Asia in the ease of doing business was 71 in 2009,
compared with 83 and 95 for East Asia and the Pacific and for Latin America and the Caribbean, respectively. The overall rankings of the region for the friendliness of the business environment and for the prevalence of employers do not appear to be positively correlated. However, there is a strong negative relationship between the Doing Business ranking and the rate of new business registrations. This apparent contradiction may indicate either that not all employers are in the formal sector or that improvements in the business environment are more recent and have not yet resulted in a significant shift in the stock of business owners.

**Women Owners in the Formal Sector**

In most economies, small and medium enterprises are more prevalent than larger ones. These enterprises are also frequently responsible for driving innovation and competition in the private sector. Though not all microenterprises and small enterprises are necessarily active in the formal sector, estimates of the informal sector appear to indicate that, in terms of the contribution to GDP, a substantial portion (though, perhaps, not the majority) of the enterprises in Europe and Central Asia are, indeed, active in the formal sector (World Bank, forthcoming). Consequently, any analysis of formal firms (for example, registered firms) provides useful insights into overall activity in the private sector of a country.

Entrepreneurship and ownership are closely associated and are often considered identical in the case of companies owned by individual owners or groups of owners. In most countries in Europe and Central Asia, the majority of firms are not publicly traded because most firms are either owned by individuals or by small groups of individuals, many of whom are related. This subsection discusses the ownership of firms disaggregated by men and women in the region and in specific countries.

In 2009, women participated in the ownership of more than one-third of all registered firms in the region. At 36 percent of all firms, the share is slightly above the global average, though it is significantly below the share in East Asia and the Pacific, which exhibits the highest rates of female participation.

**Box 3.1: Entrepreneurship: Opportunity or Necessity?**

Some men and women are motivated to become entrepreneurs to pursue business opportunities, while others are pushed into entrepreneurship by necessity. Those entrepreneurs who establish and grow their enterprises because they enter into business willingly may have different attachments to their businesses and different risk profiles relative to those who pursue entrepreneurship because they see few other attractive opportunities in the market.

In 2007, the Global Entrepreneurship Monitor involved an effort to collect data on entrepreneurship in 41 countries. Nine of the countries were in Europe and Central Asia (Croatia, Hungary, Kazakhstan, Latvia, Romania, Russia, Serbia, Slovenia, and Turkey). Though, globally, opportunity was the dominant motivation among men and women entrepreneurs, this was less true in Europe and Central Asia. On average, about half the women entrepreneurs in any individual country pursued entrepreneurship because of opportunity. However, there was significant variation. At one extreme, in Slovenia, the wealthiest country in Europe and Central Asia, almost four women entrepreneurs in every five saw entrepreneurship as an opportunity. However, in Croatia, Serbia, and Turkey, only 25–45 percent of women who self-identified as entrepreneurs reported that they had established their businesses because of opportunity.

Source: Allen et al. (2008).

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68 The rate of new business registrations is the annual rate at which new businesses are registered per 1,000 persons 15–64 years of age.
69 The European Union’s current definition categorizes companies with fewer than 10 employees as microenterprises, while those with fewer than 50 employees are small, and those with fewer than 250 employees are medium.
in ownership among all developing regions (figure 3.2). The different rates of female entrepreneurship across countries may reflect many factors, including the level of development of the private sector, the share of firms in sectors in which women are concentrated, and woman-friendly credit policies. The countries in Europe and Central Asia with the highest rates of female participation in ownership are Belarus, the Kyrgyz Republic, and Moldova (50–60 percent), while the countries with the lowest female participation rates in ownership are Albania, Azerbaijan, and Kosovo (11 percent).

Women’s participation in firm ownership varies greatly by type of enterprise. The type of firm matters significantly in indicating the degree of control that owners have over the day-to-day operations or even the strategic direction of firms. Firms with multiple owners, such as public shareholding companies, are likely to have diluted ownership. The ownership arrangements of sole proprietorships are clearer in terms of determining the role of the owners and the gender of the owners. In sole proprietorships in Europe and Central Asia, about one in three owners is a woman, which appears to be largely consistent with the concentration of women employers (see elsewhere above).

Ownership within firms is highly concentrated in the region; thus, the ability of women and men joint owners to exercise their ownership rights is potentially limited. On average, an estimated 82 percent of domestic firms in the region are owned by the largest shareholders, whereas, in other regions, majority shareholders own from 67 percent (South Asia) to 78 percent (in OECD) of firms. In this case, unless majority shareholders are women, it is unlikely that, despite participation in ownership on a broad scale, women exert control over the direction of companies or obtain significant shares of the income streams from the firms. (However, the data are insufficient to identify majority owners in shareholding companies or partnerships.)

Women in Top Management

Though senior managers may not be entrepreneurs, they may have significant control over the direction of firms. Senior managers are responsible for key decisions affecting not only the daily

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**FIGURE 3.2 Women’s Participation in Firm Ownership**

**a. Regional comparison of women in enterprises**

<table>
<thead>
<tr>
<th>Region</th>
<th>% of firms with female owners</th>
</tr>
</thead>
<tbody>
<tr>
<td>ECA</td>
<td>53</td>
</tr>
<tr>
<td>EAP</td>
<td>39</td>
</tr>
<tr>
<td>LAC</td>
<td>18</td>
</tr>
<tr>
<td>MNA</td>
<td>16</td>
</tr>
<tr>
<td>SAS</td>
<td>30</td>
</tr>
<tr>
<td>SSA</td>
<td>36</td>
</tr>
</tbody>
</table>

**b. Women’s ownership by type of firm**

<table>
<thead>
<tr>
<th>Type of Firm</th>
<th>% of firms with female owners</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Sh.</td>
<td>51</td>
</tr>
<tr>
<td>Private Sh.</td>
<td>36</td>
</tr>
<tr>
<td>Sole Prop.</td>
<td>34</td>
</tr>
<tr>
<td>Partnership</td>
<td>52</td>
</tr>
<tr>
<td>Ltd Part</td>
<td>48</td>
</tr>
<tr>
<td>Other</td>
<td>38</td>
</tr>
</tbody>
</table>


*Note: Data are for 2009 or the latest available year. EAP = East Asia and the Pacific. ECA = Europe and Central Asia. LAC = Latin America and the Caribbean. MNA = Middle East and North Africa. SAS = South Asia. SSA = Sub-Saharan Africa. Public Sh. = public shareholders. Private Sh. = private shareholders. Sole Prop. = sole proprietorship. Ltd Part = limited partnership.*
operations of businesses, but also long-term strategic development and profitability. An analysis of women in top management is likely to provide a more accurate picture of the degree to which women have a say in firms because, in many cases, firm ownership may be diluted, or women (such as wives and daughters) may be owners, but effectively silent. Thus, managers may often have greater influence than nonmajority owners of firms. This subsection discusses the share of women in top management in formal sector firms with at least five employees, as well as the significant correlations between female ownership, management, and employment in the region and in specific countries.

A woman is a top manager in about one in five firms in the region. Women hold top management positions in an estimated 19 percent of firms in Europe and Central Asia (figure 3.3). Data on other regions are far less complete; not all countries report information on top managers. The proportion of firms with top managers who are women was 27 percent in East Asia. As in other regions of the world, women in Europe and Central Asia are much less likely than men to obtain seniority and become critical decision makers within firms. From the low representation of women in top management positions, it appears that the large pool of well-educated women, especially those who have specialized in the social sciences, law, and business, are underutilized in Europe and Central Asia.

The level of variation in women’s participation in senior management positions in enterprises is high in the region, ranging from 0.3 to 31 percent of all firms. The countries with the highest proportion of firms with top managers who are women are Latvia and Poland, at 31 percent. At the other extreme, only 5 and 0.3 percent of firms in Azerbaijan and Kosovo, respectively, have women in top management positions. The subregion with the highest proportion of firms with top managers who are women is the 10 member states of the European Union (EU) that are in the region (EU10) (22 percent), followed by the middle-income countries of the Commonwealth of Independent States, at 19 percent. There is also a relatively strong correlation (0.6) between the proportion of firms with female participation in ownership and the proportion of firms with women in top management.

**FIGURE 3.3** Women’s Participation in Top Management

<table>
<thead>
<tr>
<th>a. By regions</th>
<th>% of firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>ECA</td>
<td>19</td>
</tr>
<tr>
<td>EAP</td>
<td>27</td>
</tr>
<tr>
<td>MNA</td>
<td>17</td>
</tr>
<tr>
<td>SAS</td>
<td>5</td>
</tr>
<tr>
<td>SSA</td>
<td>18</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>b. Selected countries</th>
<th>% of firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>AZE</td>
<td>35</td>
</tr>
<tr>
<td>TJK</td>
<td>30</td>
</tr>
<tr>
<td>TUR</td>
<td>27</td>
</tr>
<tr>
<td>RUS</td>
<td>25</td>
</tr>
<tr>
<td>GEO</td>
<td>22</td>
</tr>
<tr>
<td>KGZ</td>
<td>18</td>
</tr>
<tr>
<td>BGR</td>
<td>17</td>
</tr>
<tr>
<td>EST</td>
<td>15</td>
</tr>
<tr>
<td>UKR</td>
<td>10</td>
</tr>
<tr>
<td>POL</td>
<td>5</td>
</tr>
<tr>
<td>LVA</td>
<td>0</td>
</tr>
</tbody>
</table>


Note: Data are for 2009 or the latest available year. The average for East Asia (EAP) includes Indonesia, Malaysia, Mongolia, the Philippines, and Vietnam. The average for Europe and Central Asia (ECA) is based on data on 29 countries. The average for Middle East and North Africa (MNA) includes Lebanon, Syrian Arab Republic, and Republic of Yemen. The average for South Asia (SAS) is for Afghanistan, Bangladesh, and Nepal. The average for Sub-Saharan Africa (SSA) is for Angola, Benin, Botswana, Cape Verde, Democratic Republic of Congo, Republic of Congo, Eritrea, Gabon, Lesotho, Liberia, Mali, Malawi, and Togo.
**Women Entrepreneurs and the Characteristics of Their Firms**

The characteristics of firms of women entrepreneurs and the firms of men entrepreneurs are different. This is true whether the women are owners (sole or joint) or top managers. Firm characteristics vary by sector, number of employees, and domestic or foreign ownership.

**Women Owners in the Formal Sector**

*Small, medium, and large firms in the region show approximately the same level of participation of women in ownership.* On average in the region, women’s participation in ownership ranges from 36 to 39 percent in firms by size (though with variation across countries) (figure 3.4); this is comparable with the results in Latin America and the Caribbean. However, there are large variations among female participation rates; the greatest variation across firms occurs among large firms, where the participation rates range from 4 percent in Montenegro to 64 percent in the former Yugoslav Republic of Macedonia. Within countries, women’s participation rates by firm size are closely correlated, that is, if women show a high participation in large firms, they are also likely to show a high participation in medium and small firms. This relatively balanced participation across firms by size appears to indicate that women are not being excluded from either small or large firms.

*However, among sole proprietorships and family-owned firms, woman-owned firms have fewer employees.* In the region, about 65 percent of all registered enterprises owned by women employ fewer than 10 permanent employees, in contrast with 56 percent among enterprises owned by men (figure 3.5). By their nature, the ownership in these types of firms is not diluted. Thus, women owners are much more likely to play an important decision-making role in these firms than in general. However, the predominance of women in smaller firms is difficult to ascertain. This may be caused by many factors, ranging from the particular sector of activity of women’s firms to the ability of women to gain financing to expand their businesses and even women’s business preferences. However, this characteristic of woman-owned firms is not unique; it is also evident in developed countries.\(^71\)

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**FIGURE 3.4 Women’s Ownership of Firms by Firm Characteristics, 2008**

*a. Women’s ownership, management by firm size % of all firms*

<table>
<thead>
<tr>
<th>Firm Size</th>
<th>Owner</th>
<th>Sole Prop.</th>
<th>Top Manager</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small</td>
<td>35%</td>
<td>30%</td>
<td>15%</td>
</tr>
<tr>
<td>Medium</td>
<td>40%</td>
<td>35%</td>
<td>20%</td>
</tr>
<tr>
<td>Large</td>
<td>45%</td>
<td>40%</td>
<td>25%</td>
</tr>
</tbody>
</table>

*b. By sector and firm type % of all firms*

<table>
<thead>
<tr>
<th>Sector</th>
<th>Owner</th>
<th>Sole Prop.</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plastics</td>
<td>30%</td>
<td>25%</td>
<td>20%</td>
</tr>
<tr>
<td>Electronics</td>
<td>40%</td>
<td>35%</td>
<td>30%</td>
</tr>
<tr>
<td>IT</td>
<td>50%</td>
<td>45%</td>
<td>40%</td>
</tr>
<tr>
<td>Construction</td>
<td>60%</td>
<td>55%</td>
<td>50%</td>
</tr>
<tr>
<td>Retail</td>
<td>70%</td>
<td>65%</td>
<td>60%</td>
</tr>
<tr>
<td>Garments</td>
<td>80%</td>
<td>75%</td>
<td>70%</td>
</tr>
</tbody>
</table>


Note: IT = Information technology. Sole Prop. = sole proprietorship.

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The participation of women and men in firm ownership in the region is concentrated in different sectors. Women participate in the ownership of over half (55 percent) of the registered firms with 10 employees or more in the textile and garment industry, compared with only a quarter of the firms in basic metals, transport, and electronics. This variation grows significantly among sole proprietorships, among which some sectors show a negligible share of women owners (such as in basic metals or plastics), while others show nearly equal representation (garments and retail). In some higher-productivity sectors, women have a strong presence. For example, among sole proprietorships in information technology and electronics, respectively, 33 and 40 percent are owned by women.

The employment rate of women is higher in sole proprietorships owned by women. Women proprietorships hire, on average, more women than men in some sectors. However, sole proprietorships owned by men usually hire relatively fewer women than men for full-time positions. This is true irrespective of the sector (see figure 3.5). It is not clear whether this arises because of a preference on the part of owners or some other characteristics of the firms and employees that are not readily apparent. However, irrespective of the underlying reasons, this appears to suggest that ownership by women and greater female participation in the private sector labor market may be correlated.

Women in Top Management

Women are more likely to achieve top management positions in small firms than in large and medium firms in Europe and Central Asia and in most other regions. About one in five top managers of small firms in Europe and Central Asia is a woman. However, in general, female participation in top management in small firms is not a good predictor of female participation in medium or large firms in the region. Nonetheless, there is great variation across the region. Thus, there are almost no women in top management positions in Kosovo, while, in Latvia, almost one in three top managers is a woman irrespective of firm size. Europe and Central Asia does not perform particularly well in this indicator relative to other regions of the world. Women are in top management positions in 33 and 22 percent of

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small and medium firms in East Asia and the Pacific and in Latin America and the Caribbean, respectively, which is significantly higher than the share in Europe and Central Asia. In any case, it appears that, across the globe, women face obstacles in obtaining senior management positions in large firms.

There are more women top managers in sectors in which women owners are more prevalent. Women are more likely to be top managers in the garment industry, hotels and restaurants, and textiles than in any other sectors. The share of top managers who are women is around 30–40 percent in these sectors. The share of top managers who are women is only 6 percent in the basic metals, machinery, and equipment industries. The significant variation in female participation in top management mirrors to a greater degree the situation in female ownership discussed above. This correlation between the proportion of women owners and women managers is strong, but it is unclear why this occurs and whether it reflects the similar pattern seen where sole proprietorships led by women are more likely to hire women relative to sole proprietorships owned by men. It may indicate the existence in business of the occupational segregation commonly seen in labor markets.

Women are more likely to obtain senior management positions in small firms that are in the service sector and in which at least one of the owners is a woman. Women are more frequently top managers in small retail firms and in firms where at least one of the owners is a woman. In countries on which relevant data are available, women are, on average, three times more likely to be top managers in small firms than in large firms (for example, Armenia, Georgia, and Ukraine). Similarly, women are more frequently top managers in retail firms. More than half the firms in which at least one of the owners is a woman are also run by women; the corresponding share in firms in which no women are owners is 4 percent (data on Armenia and Ukraine). Women are far less likely to hold top management positions in manufacturing than in services (data on Armenia and Turkey), while, in the service sector (excluding retail), three times as many firms have top managers who are women. Women managers are also, on average, younger and less experienced than their men counterparts (data on Uzbekistan).

Constraints on Women’s Entrepreneurship

Men and women in the region face constraints in starting and growing businesses partly because of the lingering effects of the transition process and, in some instances, because of an incomplete transition. However, across the region, several constraints, such as lack of access to credit, lack of networks, and barriers in the business environment, appear to affect men and women business owners differently. In this section, we discuss the difficulties women face in accessing finance, selected regulatory obstacles, and women’s lack of access to networks.

Access to finance

Women in the region are less likely than men to obtain bank financing, and they are more likely to pay higher interest rates if they do obtain bank financing. Access to bank finance is thus a more important barrier for women business owners than for their male counterparts (Aidis et al. 2007; Sabarwal and Terrell 2008). In the formal sector in the region, woman-managed firms with more than five employees have a 5.4 percent lower probability of securing a bank loan relative to man-managed firms. Woman-managed firms, on average, pay 0.6 percent more in interest rates relative to their man-managed firms. In the next section, we discuss the effects of this on business choices among women and on firm profitability.

The lack of physical and financial assets penalizes women in credit markets. Factors such as less well developed financial systems, lower collateral, and lack of credit histories appear to constrain women

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73 Here, firm size levels are 5–19 employees (small), 20–99 employees (medium), and 100+ employees (large).
more than men. Evidence on the existence of discrimination against women in interest rates and in access to finance is found more readily in the least financially developed countries in the region (Muravyev, Talavera, and Schäfer 2009). Because banks typically lend on the basis of hard assets, such as plant and equipment, of which service businesses have few, women are less likely to obtain loans and are thus capital constrained and must operate at a lower scale (Sabarwal and Terrell 2008; see box 3.2 for an effort to alleviate this problem in India). Women are also disadvantaged in collateral-based lending because, in the process of privatization, private property has been disproportionately acquired by men, and, across most of Eastern Europe, new property owners have been mostly men (Paci 2002; Lastarria-Cornhiel 2009).

A study based on Living Standards and Measurement Study analysis in Tajikistan finds that, for long-term loans, women are charged a 16 percent interest rate, compared with 4 percent for men, because women are assumed to be less creditworthy given their significantly lower rate of ownership of land, assets, and livestock and their overall lower employment ratios and wages (World Bank 2009). In Tajikistan, banks also require the signatures of husbands for loans to women. For similar reasons, MI-Bospo, a women-only microfinance institution (MFI) in Bosnia and Herzegovina, also requires the signature of husbands as a guarantee for loans to women who lack collateral.

Women may be less inclined than men to pursue loans in some cases. Less access to loans may also be explained as demand-side behavior caused, for example, by fewer applications to banks by women who may be more risk averse (Jianakoplos and Bernake 1998; Barber and Odean 2001; Dohmen et al. 2005). These differences may have important implications for business performance if higher risk aversion leads women to restrict their investment in business ventures. The 2005 Global Entrepreneurship Monitor found that fear of business failure is significantly greater among women than men in middle-income countries (Minniti et al. 2006). In addition, Kepler and Shane (2007) find that nascent male entrepreneurs examine more ideas and gather more information while pursuing start-ups than do female nascent entrepreneurs. They report that firms are adjusting their input to reflect the capital constraint and that the capital constraint is partially responsible for the smaller scale of women’s businesses (see also Sabarwal and Terrell 2008).

MFIs provide women an opportunity to build a credit history, though this resource is underexploited. Overindebtedness and the proliferation of nonperforming loans in the microfinance sector following the financial crisis have underscored the need for more credit bureaus in the region. Women comprise a large number of microfinance clients and have excellent repayment rates; however, despite this, they fail to build credit histories or the reputation collateral that could help them graduate to bank loans or larger loans given that MFIs in many countries in Europe and Central Asia, similar to

<table>
<thead>
<tr>
<th>Box 3.2: Encouraging Property Ownership through Stamp Duty Reduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>India’s 11th Plan encourages ownership rights for women by offering incentives for ownership of property in women’s name. Women home buyers benefit from tax exemptions, lower stamp duties and easier availability of home loans. A lower stamp duty rate helps in saving on the overall costs while purchasing property, thus acting as a significant boost for prospective women buyers. Such is the increase of prospective women buyers that developers are also considering incentives aimed at women. State and local governments in Uttar Pradesh, Delhi, Orissa, and Punjab have launched some initiatives in this regard. For example, in 2002, the state of Delhi cut stamp duty rates from 8 to 6 percent for women owners. In case of joint ownership by men and women, the duty is 7 percent. Using the opportunity that India’s favorable macroenvironment provided, MannDeshi Bank—a women’s cooperative bank in the state of Maharashtra—has advocated for stamp duty reduction for joint property registration for women borrowers. This bank also honors and rewards husbands that undertake such joint registrations.</td>
</tr>
</tbody>
</table>


75 In Bosnia and Herzegovina, despite laws on equality, only 6.5 percent of women respondents to a survey reported owning land in their own names (STAR Network of World Learning, cited in IFC and MI-Bospo 2008). In Montenegro, only 3 percent of property is registered in women’s names, while the corresponding figure in rural parts of Kosovo is 10 percent. Moreover, 40 percent of women noted that the lack of property makes it difficult to gain access to financing.
MFIs globally, do not participate in credit bureaus and credit registries. Currently, in 10 countries in Europe and Central Asia, MFIs provide information to credit bureaus and credit registries. Increasing the access of women to MFIs would benefit nearly 2 million women borrowers in the region. Though the World Bank collects data on the share of the adult population covered by public and private credit registries, there is no gender-disaggregated information. However, in five countries (Croatia, the Czech Republic, Lithuania, Poland, and Serbia), over two-thirds of the population is covered, which indicates that there is likely to be significant coverage among women.

Other Regulatory Obstacles
Across the region, bureaucratic hurdles to investment, such as the registration of business activities, obtaining permits, dealing with tax inspections, and demands for bribes, constrain women’s businesses more severely than men’s businesses. This is, however, also a reflection of the deficiencies in the business environment and disadvantages in the size and the sectors of the businesses in which women more typically work.

Women who head businesses report more often than men who head businesses that they face obstacles in finance, taxation, inspections, registration, permits, and so on. For example, the time needed to register a business is reportedly higher for women than men in Georgia and Tajikistan. Similarly, relative to men, more women in Tajikistan cite tax administration as an obstacle. In Ukraine and Uzbekistan, inspections are more of a problem for women than men. In Belarus and Ukraine, women must make unofficial payments more often. Do women entrepreneurs face more severe constraints? The limited available evidence only captures the problems encountered by registered firms. Thus, information on the obstacles women meet in trying to start or formally establish businesses is not at hand.

While more research is required, the constraints blocking women entrepreneurs should also be examined in light of the sectors in which women start and try to grow their businesses. Thus, the trade and service sectors are characterized by high turnover among enterprises, as well as significant competition, thus rendering any business growth in these sectors difficult (Welter and Kolb 2006). Moreover, the sectors and the nature of the businesses in which women are concentrated, such as hotel and catering services, require more inspections (for example, sanitation, food quality, and health), and the cost of these inspections may thus be disproportionately high for the smaller businesses that, in Europe and Central Asia, show significant female participation. Nonetheless, this also means that the business environment is generally deficient.

Access to swift, affordable, and effective justice systems and dispute resolution mechanisms such as arbitration is important for men and women entrepreneurs involved in small enterprises; these mechanisms are lacking in many countries in Europe and Central Asia.

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76 The 10 countries are Armenia, Bosnia and Herzegovina, Bulgaria, Georgia, Kazakhstan, the Kyrgyz Republic, Mongolia, Montenegro, Russia, and Serbia. See Gender Law Library (database), World Bank, Washington, DC, http://wbl.worldbank.org/WBLLibrary/elibrary.aspx?libid=17.

77 See the previous note.

78 In Tajikistan, relative to men, women who own incorporated businesses need an average of 10 more days to register their companies.

79 In Uganda, high taxes were identified as a barrier by all entrepreneurs regardless of gender. However, low purchasing power, which is directly related to low consumer demand, was identified as the second most important constraint by women entrepreneurs. The third most important barrier cited by women entrepreneurs was lack of financing for business investment, though this did not figure among the top three barriers reported by men.
Because women entrepreneurs in the region are concentrated in small businesses and face greater constraints in accessing formal legal structures or courts, affordable alternative dispute resolution mechanisms may benefit them disproportionately. Though a third of the countries in the region have created small claims courts, more initiatives, such as mediation and arbitration, as well as judicial cost reduction, the simplification of claims procedures, and improvements in access to justice, would likely aid in combating late payments and resolving disputes in commercial transactions, which can affect the survival of small businesses.

Access to Networks

Business networks and associations are largely male dominated, and women are disadvantaged. Women’s lack of access to networks and business associations deprives them of information, resources, and voice. Networks and business associations play an important role in support, training, information management, and access to mentors, role models, and resources, as well as forums for advocacy. Women entrepreneurs in Europe and Central Asia are disadvantaged because formal and informal networks and business development services are largely dominated by men. Such male-dominated networks led during Soviet times to greater gains in the early privatization process in transition economies. Even in countries where governments have taken proactive steps to support women entrepreneurs (for example, in Slovenia), women have been obliged to access resources through family and spouses in the absence of formal support structures (Drnovsek and Glas 2006). Moreover, the lack of access to networks deprives women of voice in ongoing reform processes and in efforts to make the business environment work for them by mainstreaming their concerns.

Do Woman-Owned Firms Perform Comparably with Man-Owned Firms?

If women face different conditions and institutional constraints relative to men, the effects can spill over into women’s performance in entrepreneurship. This section explores gender differences in entrepreneurial performance in terms of scale, profit, and total factor productivity. It is based on data of the Business Environment and Enterprise Performance Survey in 2005 and includes only the sample of firms in which women are the sole proprietors of individual firms or are the proprietors of family-owned firms.

Enterprises in Europe and Central Asia that are owned and managed by women are small in terms of sales revenue. However, women generate more profit per unit of sales revenue and show higher returns to scale. Firm-level data on 26 countries show that, while the companies of men and women entrepreneurs in the region are suboptimally small, women’s returns to scale are significantly larger than men’s, implying that women would gain more if the scale were increased.

On average, women owned businesses underperform in sales revenue by 6 percent relative to men. However, this difference is driven by variation in the size of businesses (there is no such difference in larger businesses), and the gender efficiency gap in non–EU countries is larger than the corresponding gap in EU countries. The difference in performance is driven by the small scale of women’s businesses. The suboptimal size of woman-owned firms arises because these firms are capital constrained and are concentrated in industries characterized by small firms. Internal financing and bank financing appear to be the two most important sources of financing; it also appears that, relative to men, women rely more on internal financing and less on banks (Sabarwal and Terrell 2008). More recent data of the Business Environment and Enterprise Performance Survey (2008–09) confirm this trend over time. Thus, women’s enterprises (for example, in Azerbaijan, Belarus, Georgia, and Tajikistan) exhibit a much lower performance level in annual turnover or in annual profits relative to men’s enterprises. These findings are consistent

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Women in Entrepreneurship

With the conclusions of individual country studies: women entrepreneurs run businesses that are smaller in terms of sales and number of employees.

*Women entrepreneurs in the region generate the same amount of profit per unit of revenue as men entrepreneurs.* The performance of woman-owned firms in terms of total factor productivity is significantly more limited relative to man-owned firms in the same industries. However, the average gap, at −2.1 percent, is small and may not be economically significant. The overall finding that there are gender differences in scale and profits is the same throughout the region; however, the gender gap in total factor productivity is significant only in the non–EU countries, not in the EU countries. Our report finds that women and men operate businesses at an inefficiently small scale in both of these sets of countries, but that there is evidence women in non–EU countries fare better than men in access to finance.82 We also find that significant gender gaps exist only in the scale of firm operations and not, as others have argued, in firm profitability or efficiency. This supports the argument that, if the existing capital constraints are lifted, women's businesses are likely to expand at least as much as the businesses of their male counterparts. Our report strongly indicates that more research is needed to explain the differences in firm performance between EU and non–EU countries. Also, evidence suggests that policy in Europe and Central Asia needs to be geared toward easing the capital constraints on women entrepreneurs and encouraging more women to start businesses in industries with greater growth potential.

*Is the smaller scale of women’s businesses in the region caused by risk aversion among women?* The available evidence suggests that women entrepreneurs in the region increase the scale of their businesses if they have access to sufficient capital and that women implement such scale increases at the same rate as men entrepreneurs in the region. This runs against the perception that women’s businesses are smaller and less profitable because women are risk averse or because they do not want to grow their businesses (Jianakoplos and Bernasek 1998; Barber and Odean 2001; Dohmen et al. 2005). This report finds, however, that there is no significant difference in firm profitability between men and women (Sabarwal and Terrell 2008). However, questions remain: Why do women concentrate their businesses in certain sectors (services rather than manufacturing)? Does sector concentration or the choice of activity reflect capital constraints at start-up? Is the capital constraint self-imposed or does it reflect bias in the financial system toward women entrepreneurs who lack collateral or a track record? (Boxes 3.3 and 3.4 offers examples of approaches to mitigate the financing problem at start-up.)

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**Box 3.3: Equity Funds**

Lack of start-up finance is a constraint for women in both starting and growing businesses. The following are two examples of equity funds that support women’s start-ups.

*Trapezia,* an equity fund for women in the United Kingdom, is a private investment fund and is a venture capital and business angel for women entrepreneurs. It offers women investors the opportunity to invest in women-focused businesses over a three- to five-year period. Its investment advisory panel includes representatives from the Women in Business Unit of the Bank of Scotland and other seasoned entrepreneurs and professionals (IFC 2006).

*The Women Private Equity Fund* in South Africa was established in 2003. The fund provides expansion capital to companies that are controlled or managed by women, employ a majority of women, or have a market focus on women. The fund targets investments ranging from R5 million to R19 million. It also assists companies in strengthening their strategic focus. After three to five years of investment, the fund exits the investment in different ways, for example, through an initial public offering on the stock exchange, trade sales, international exits, or management buybacks (UN 2009b).


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82 There are studies showing that women entrepreneurs face higher barriers and pay higher interest rates than their men counterparts. For example, in Germany, while both men and women have difficulty in accessing external finance, Constant (2006) points out that women often have difficulties convincing financial institutions and potential clients that they have strong management abilities and sound business ideas. Among other European countries, a recent empirical study by Alesina, Lotti, and Mistrulli (2009) finds that self-employed women pay more than men in Italy for overdraft facilities and that this difference does not seem to be explained by any variable capturing differential risk, directly or indirectly.
opportunities for men and women: emerging europe and central asia

also more vulnerable because their businesses tend to be smaller firms or microenterprises and often focus on the shuttle trade. more support for women would help women entrepreneurs in the region become more confident and positive and less risk averse and would also enable the region to leverage women’s full potential to assist in building sustainable and competitive economies. this section outlines policies and strategy directions to achieve these goals.

in addition to increasing women’s participation in entrepreneurship (woman-owned businesses account for a mere 10th of all incorporated enterprises in the region), there is also a need to support, grow, and diversify women’s businesses. our analysis has shown that woman-owned firms, though often smaller, are as efficient as the firms owned by men.

however, in europe and central asia, not only is the overall gender gap in entrepreneurship significant, but a large number of women are also involved in the shuttle trade or in microenterprises that face low entry barriers. many women operate their businesses from their homes or in street markets or can afford to engage in self-employment only part time. in addition to increasing women’s participation rates, it is thus equally important to address the specific constraints women entrepreneurs encounter in growing their businesses (see box 3.5 for an example from afghanistan). it is significant that, in the region, the share of women

the implications for policy design

women entrepreneurs play an important role in the private sector of the transition economies. however, they face significant constraints in starting and growing businesses. there is an urgent need for governments in europe and central asia to recognize the potential of women entrepreneurs and to address the constraints women entrepreneurs face. private sector and nonprofit organizations, donors, and public-private partnerships should be part of the solution. the current economic crisis has highlighted the need to support women, who constitute at least half of the human capital and a third of the private sector in the region and who are also more vulnerable because their businesses tend

box 3.4: capital seed program in chile

capital seed (capital semilla) is a program to distribute funds with the objective of fostering the creation of new firms and strengthening existing microenterprises and small enterprises. it is part of the servicio de cooperación técnica (technical assistance service), a government office within the ministry for the economy, development, and tourism. the program targets microentrepreneurs whose yearly sales are below uf 25,000, who pay taxes, and who have not carried on activities for more than one year.

the program provides start-up capital of between us$2,162 and us$4,325, of which an additional 30 percent comes from the entrepreneur in cash. the applicant goes through a competitive process that begins with an online self-diagnosis of the entrepreneur’s skills and the economic activity of the firm or proposed firm. according to the result, the entrepreneur can directly apply for funds by presenting a business plan or must submit to a conditional application in a business training program. if the applicant fails the diagnosis, the applicant is eliminated from the process. the application process is open yearly during the month of march.

the business plans are carefully evaluated by a jury from the servicio de cooperación técnica according to criteria stated in the application forms. the jury grants the capital according to the score assigned to the business plan and according to regional criteria.

during the time the entrepreneur uses the funds, the servicio de cooperación técnica provides technical support through a consulting firm.

in 2009, 650 projects were financed. in 2010, 879 entrepreneurs applied for the program, of which 178 were microfirms, which were evenly distributed between men and women managers, and 701 were entrepreneurs. more men (449) applied than women (282).


box 3.5: training women in nontraditional sectors

under an initiative led by italian cooperation, pashtun women in low-income families in kabul have been trained in nontraditional businesses (that had hitherto been a preserve of men) such as gem-cutting, the repair of mobile phones, and catering. many of the trainees have graduated to work as caterers, lantern makers, mobile repairers, and gem-cutters. a group of trained gem-cutters has subsequently established sultan razia gem cutting co., an enterprise in kabul. a program evaluation carried out by the united states agency for international development of the company’s business model finds that it is a sound basis for rapid expansion (bowersox et al. 2007). convincing the women to undergo the training was not easy, however. italian cooperation first had to win over the shura (a consultative body) to allow women to train with them. as an additional guarantee, a shura member was hired as an advocate.

entrepreneurs who desire to grow their businesses is relatively high (Welter et al. 2006).

Policy initiatives to support sectors in which woman-owned businesses are concentrated will benefit women disproportionately. However, there is also a need to support women’s participation in nontraditional sectors. Linking women entrepreneurs to business development services and mentors and increasing women’s access to relevant technical education is an imperative for raising the competitiveness of women in the region. While initiatives exist in the region to support small and medium enterprises, such services are currently lacking for microenterprises and small enterprises and for women traders (Aidis 2006; Rankin and Narain 2009). Even in training programs for small and medium enterprises, the region, with an average index score of 2.83 on a scale of 5.00, ranks below the high-income countries (4.36) and Latin America and the Caribbean (2.94). Furthermore, women’s concentration in small trade, small businesses, and microenterprises would need to be addressed to enable women to take advantage of emerging opportunities by increasing their access to global supply chains. Women faced with fluctuating domestic demand would particularly benefit from such links.

There is a need to offset the revival of patriarchal traditions in the region by undertaking efforts to support women’s role in society. The lack of self-confidence and the fear of failure among women entrepreneurs can be linked to the perception in the region of women’s role as housewives and of entrepreneurship as a male domain (Minniti, Allen, and Langowitz 2006; Allen et al. 2008). Counterbalancing these negative social attitudes can be achieved by creating a positive image of women entrepreneurship through media outreach, the sensitization of policy makers, and support for networking and mentoring among women entrepreneurs.

Women entrepreneurs in the region lack access to networks; this represents a disadvantage among women in accessing resources, information, and advice and in lobbying for reform. Networks are especially important for women entrepreneurs in a transition context because the formal institutional framework in many of these economies does not yet function well (Welter et al. 2006). Informal networks help entrepreneurs in gaining access to resources and information and in voicing their concerns. Women’s lack of access to networks therefore represents a disadvantage for them. This should be addressed through the development of formal structures, such as business associations and business support mechanisms that are sensitive to the needs of women entrepreneurs (box 3.6 offers examples). Supporting women’s presence in important business entities such as chambers of commerce is also important for mainstreaming women’s concerns. A EuroChambres (2004) survey of 25 member countries recently found that a chamber of commerce in only one of these countries (Slovenia) had a woman president.

Improving the overall business environment will help both men and women, but especially women, who face additional constraints. The countries in the region, especially countries in the early stages of market development, are burdened with corruption, inefficient judicial systems, and disregard for rules at the local level. These constraints affect particularly women. In addition to rationalizing tax policies and tax administration and reducing the barriers to the establishment of formal sector businesses through improved, simplified business registration processes, it will also be important to address issues such as building capacity, the sensitization of

Box 3.6: Networking for Success: Examples of Women’s Business Associations

The National Association of Women Business Owners represents over 9,000 women-owned businesses organized into 80 chapters throughout the United States. It creates networking opportunities for its members, sponsors nationwide conferences and public policy days, and provides tools for growing a business. (For more information, go to http://www.nawbo.org/.)

The Jordan Forum for Business and Professional Women, which was established in 1976, provides a platform for development, empowerment, and advocacy for women in business in Jordan.

Source: IFC and Mi-Bospo (2008).

83 Ranking of the Economist Economic Intelligence Unit.
officials to the problems of women entrepreneurs, and corruption. Concerted efforts should also be made to ensure that any revised policies and regulations are widely disseminated and publicized so as to reach women entrepreneurs, many of whom, for example, do not have access to the Internet for communication. Furthermore, because many women in the region cite inspections as a major constraint, a risk-based approach in inspections is warranted, along with more clarity and transparency in inspection visits.

Women entrepreneurs in the region face significant challenges in accessing finance. Initiatives are needed to target women entrepreneurs and address their needs beyond microfinance. While important, microfinance is clearly not sufficient to meet the needs of growth-oriented women entrepreneurs who need access to a variety of financial products, services, and service providers. (See box 3.7 for an example of a successful program.)

Recent government and donor initiatives in the region are significant in this regard (annexes B and C). Among donor-supported initiatives, recent credit lines of the European Bank for Reconstruction and Development to commercial banks that are aimed at women entrepreneurs are particularly important (box 3.8).

Boosting women’s access to information and communication technology will benefit women entrepreneurs in the region who have less access to such services. A survey of Internet use by men and women entrepreneurs in Cyprus shows that not only do more men (74 percent) than women (38 percent) use computers in their businesses, but that men also use the computers in more ways (such as in design, modeling, and financial statements) [Nearcho-Ellinas and Kountouris 2004]. Of the women respondents in Cyprus, 88 percent do not use the Internet at all. Similarly, a study has found a statistically significant difference in the use of Internet, e-mail, and broadband by men and women entrepreneurs in Tajikistan [World Bank 2009a]. The Cyprus survey also finds that 96 percent of woman-owned enterprises are active only in their local communities. Deploying information and communication technology for e-commerce could help expand women’s business activities beyond the company premises. Business incubators are promising in this regard. Business incubator initiatives in Georgia, Mongolia, and Slovenia, a part of InfoDev, a World Bank–supported global development financing program, have been actively increasing awareness and seeking to enhance the participation of women entrepreneurs in incubator initiatives, including in Europe and Central Asia.

Gender-disaggregated data and analysis are important in designing appropriate policy responses.
and in tracking what works and what does not work. Gender-disaggregated data are needed to monitor the growth of women’s enterprises and women’s access to finance, as well as to determine whether policy interventions are working or not. A joint United Nations Economic Commission for Europe–World Bank initiative in Europe and Central Asia aimed at increasing the capacity of national statistical agencies to collect such data is significant in this regard (UNECE and World Bank Institute 2010). The same two organizations have also recently launched training modules for policy makers on the collection of such data on access to finance and on entrepreneurship.84 (See box 3.9 for an example from India.)

Box 3.9: A Government-Led Initiative in India to Track Gender-Disaggregated Data on Access to Finance

The Indian government has drawn up an ambitious 14-point action plan for public sector banks to increase women’s access to bank finance. The government instructed the central bank to maintain a database to track performance during the effort. Following the issuance of the government directive, the Reserve Bank of India, in 2000, asked public sector banks to disaggregate and report on the percentage of the credit going to women within their total lending. The government’s action plan has set a target of increasing such loans from the 2001 level of 2.4 percent to 5.0 percent of total lending. The data are reported annually in the Reserve Bank of India’s Trends and Progress Report. The aggregate net bank credit to women had increased to 6.3 percent by 2009, and 25 banks reached the target. Though an assessment of the full impact of the policy requires further exploration, the data tracking has increased the general awareness about women’s low access levels.


84 See the Genderstats modules at http://go.worldbank.org/SLGFEKJT90.