

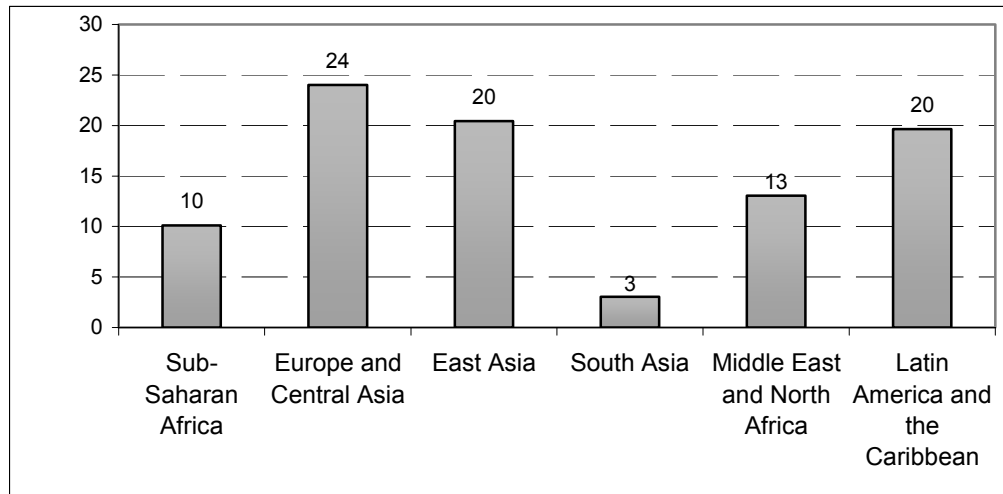
2. Female-owned firms defy the expected

Women entrepreneurs are a minority everywhere. But in the Middle East and North Africa just 13% of firms are owned by women, significantly fewer than in East Asia, Latin America, or Europe and Central Asia (figure 2.1). The share of female-owned firms in the Middle East varies significantly across the region, however—from nearly 30% in Lebanon and 20% in Egypt and the West Bank and Gaza to just 10% in Morocco and Syria (figure 2.2).

Even so, female-owned firms defy commonly held expectations. This chapter employs data from the World Bank’s Enterprise Surveys to detail the characteristics and performance of female-owned firms in the region, comparing them with male-owned firms and with other regions (see box 2.1 for details on data and methodology). It finds that female-owned enterprises are more widespread, larger, older, and more globally open than expected.

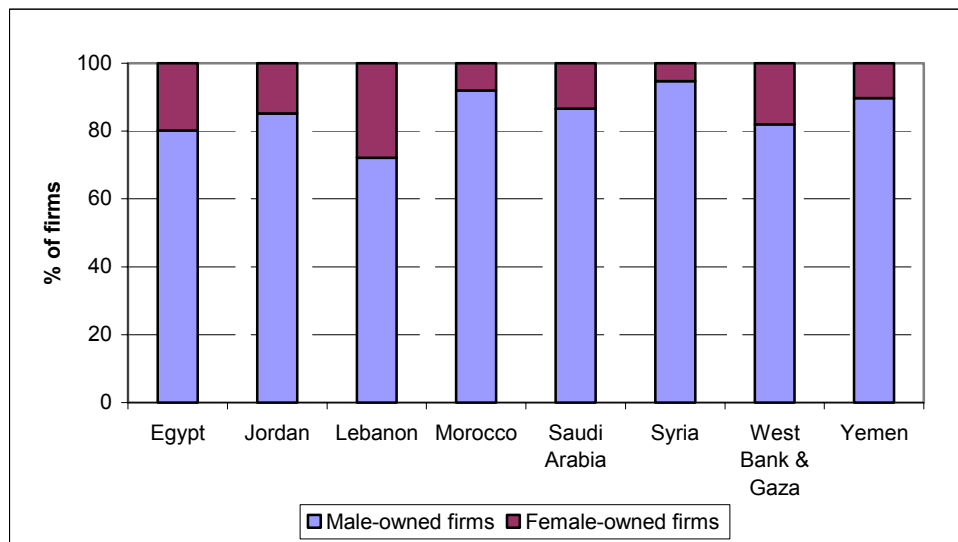
Figure 2.1 Female-owned firms are relatively rare in the Middle East

(Female-owned firms as a percentage of all firms)



Source: Country Enterprise Survey data, 2003–06.

Figure 2.2 The share of female-owned firms varies across the region



Source: World Bank Enterprise Survey data, 2003–06.

Box 2.1 Data and methodology

The analysis in chapters 2 and 3 is based on the World Bank’s Enterprise Surveys, which include more than 26,000 firms in the formal manufacturing and services sectors in 53 developing countries. The surveys identify the main features of firms—type of ownership, size of the enterprise, sector of operation, years of market experience, composition of the workforce, and performance in the economy. In some countries the data can be disaggregated by the gender of the owner.

More important for this report, firms are asked to rate their perception of the investment climate along 18 categories, rating constraints as minor, moderate, major, or severely binding.²¹ For some barriers the survey has subsequent questions about the actual occurrence of events that support the perception (referred to here as the objective response). On electricity as a constraint, for example, firms provided details about the frequency of black-outs and surges and the revenue lost due to them.

In the Middle East and North Africa gender-disaggregated surveys cover 5,169 enterprises in the Arab Republic of Egypt, Jordan, Lebanon, Morocco, Saudi Arabia, Syrian Arab Republic, the West Bank and Gaza, and Yemen.²²

Sample composition of World Bank Enterprise Survey data for the Middle East and North Africa

Country	Year	Observations
Egypt	2006	996

²¹ For more information on the Enterprise Surveys, see www.enterprisesurveys.org.

²² The World Bank Enterprise Surveys data for the Middle East and North Africa also include Algeria and Oman. For these two countries, however, gender-disaggregated analysis is not feasible.

Jordan	2006	503
Lebanon	2006	354
Morocco	2004	850
Saudi Arabia	2005	681
Syria	2003	560
West Bank and Gaza	2006	401
Yemen	2004	487

The data have some limitations. First, the sample sizes are small and the dataset does not allow for weighting. Caution is thus needed in drawing general conclusions about the entire population of enterprises in the region. Second, the sample may be affected by selection effects. Given the binding entry barriers, firms currently operating are likely to be among the better performers and may have a better perception of the investment climate or more experience in how to navigate it. This is true for both male- and female-owned firms, but female-owned firms might be more affected by the selection effect because the business environment is generally more discouraging for women (see chapter 4). But this bias may be partially offset by a self-selection effect. Firms that perceive the investment climate as more binding may be more willing to spend time answering a survey than those that perceive it as less binding.

Nor do the data provide information on whether the enterprise was founded by the owner or whether the owner acquired the enterprise through inheritance or purchase. Also lacking are consistent data for all the countries on whether the firms are managed directly by the owner or whether the owner is mainly an investor. Data are about only a specific point in time and do not allow analyzing changes over time or how many enterprises have been created or closed in each country.

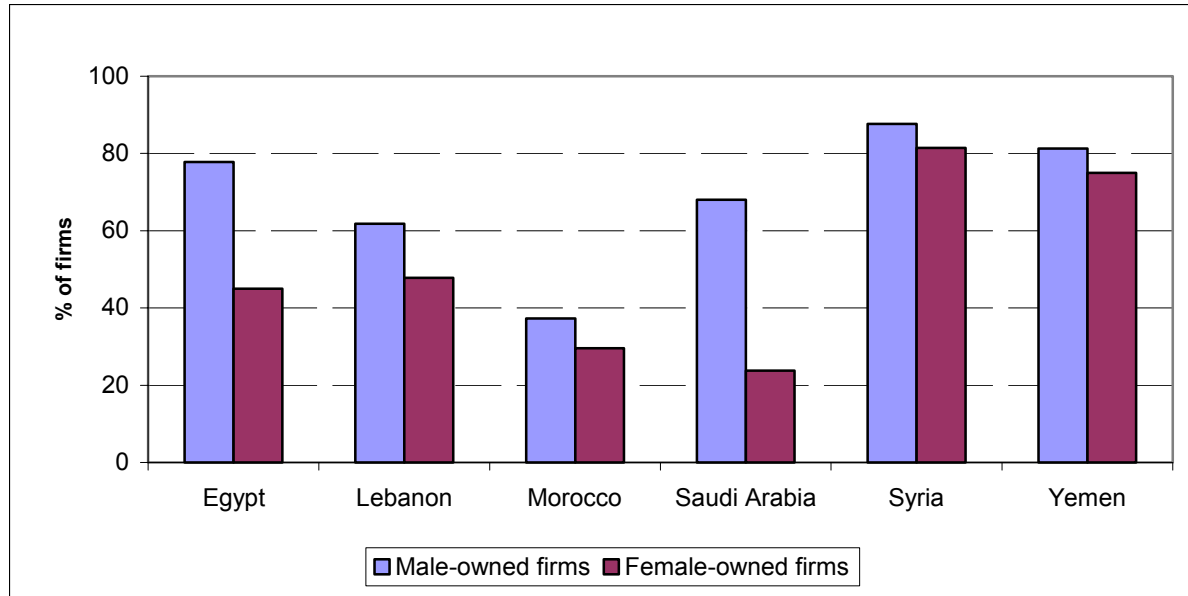
The analysis of enterprises' characteristics and their relationship with the investment climate has been carried out in two steps. Examined first is the variables' frequency distribution. Differences between male and female-owned firms are tested by binary tests. The hypothesis tested is that there is no relationship between the gender of the enterprises' owners and their characteristics or perceptions of investment climate barriers. Whenever possible, the robustness of the results is checked by multivariate analysis controlling for female ownership, size (number of workers employed), location (whether the enterprise is located in the capital city), sector of activity (textile, agro-food, other manufacturing, or services), experience in the market (logarithm of years of activity), and managerial skills (logarithm of the years of education for the top manager). Given endogeneity problems, however, no strong casual link can be attributed to the findings of the multivariate analysis. Even so, it offers a valuable and workable tool for checking the robustness of the results from the descriptive analysis.

More women are individual owners than expected

The share of women in the Middle East and North Africa owning their firms individually instead of as part of a family is higher than expected (figure 2.3). In Syria and Yemen most women own their firms individually, at rates comparable with male individual

ownership. The rates are lower in Morocco, but still on a par with those of men. In Egypt, Lebanon, and Saudi Arabia, however, the proportion of female-owned firms owned individually is significantly lower than that of male-owned firms.²³

Figure 2.3 Enterprises owned individually, by gender of owner (percent)



Source: World Bank Enterprise Survey data, 2003–06.

Note: Information about whether the enterprise is individually or family-owned is not available for Jordan and West Bank and Gaza.

In Morocco and Syria more than 65% of female business owners are also managers of their enterprises, debunking the myth that women are owners in name only. In other countries the data do not allow determining whether male- or female-owned firms are managed by the owner.

Female-owned firms are large and well established

Contrary to expectations, female-owned firms are not relegated to the ranks of micro or small enterprises. Although most firms in the Middle East and North Africa, whether male- or female-owned, are small, women are more likely than men to own large firms (table 2.1). Women are as likely to own large firms as they are to own small ones.

Female-owned firms are well established. The average age of female-owned firms is slightly higher than that of male-owned firms—21 years across the region, compared with 18 years for male-owned firms.²⁴

²³ Information about whether enterprises are individually or family owned is not available for Jordan and the West Bank and Gaza.

²⁴ A *t*-test confirms that the difference between the average age of female-owned firms and the average age of male-owned firms is statistically significant. This result has been checked by estimating a linear regression model, where the dependent variable is the logarithm of the enterprise's age and the controls are the gender of the owner; enterprise size, sector of activity, and location; and a set of country dummy

Table 2.1 Distribution of male- and female-owned firms, by size and average years of experience

Country	Size of enterprises <i>(percentage of all enterprises of relevant gender ownership)</i>								Years in business <i>(average age across all sizes)</i>	
	Micro (1–9 employees)		Small (10–49 employees)		Medium (50–99 employees)		Large (100+ employees)		Male-owned firms	Female-owned firms
	Male-owned firms	Female-owned firms	Male-owned firms	Female-owned firms	Male-owned firms	Female-owned firms	Male-owned firms	Female-owned firms		
Egypt	4.9	4.4	52.1	45.0	8.2	8.8	34.8	41.9	21.3	21.9
Jordan	17.1	5.4	44.5	52.7	14.5	12.2	23.9	29.7	14.5	15.1
Lebanon	9.2	9.8	64.1	60.9	13.5	9.8	13.1	19.6	28.4	30.7
Morocco	0.0	0.0	47.7	36.4	17.8	22.7	34.5	40.9	17.7	17.0
Saudi Arabia	0.6	0.0	41.6	27.4	28.1	32.3	29.8	40.3	18.7	23.4
Syria	29.3	29.6	50.8	55.6	11.8	7.4	8.1	7.4	15.6	18.7
West Bank & Gaza	35.1	31.9	51.8	45.8	8.2	11.1	4.9	11.1	16.4	18.6
Yemen	44.6	52.4	32.6	23.8	10.9	4.8	12.0	19.1	13.6	18.8

Source: World Bank Enterprise Survey data, 2003–06.

Firm size and years of market experience are important for assessing performance, productivity, and firms' relationship with the business environment. While large firms typically do not grow as quickly as smaller firms, they are more likely to survive. Large firms are also better able to access technology and benefit from economies of scale. Larger firms can attract a more skilled workforce because they can often pay higher salaries and provide greater job security. So, the fact that male- and female-owned firms in the region have similar size and age distributions indicates that these factors do not explain why there are not more female-owned firms. Considering enterprise size and age as proxies of enterprises' ability to deal with the market implies that female-owned firms, once established, seem to be at least as able as male-owned firms to stay in the market, become more experienced, and grow.

The distribution of female-owned firms across sectors is roughly the same as that of male-owned enterprises (table 2.2). Some slight differences emerge across countries. In Morocco and Syria women are more likely than men to own textile firms, while in Saudi Arabia they are disproportionately likely to own agro-food firms. In the West Bank and Gaza they are more likely to own service enterprises.

Male- and female-owned firms also differ little in their location. Except in Egypt and Yemen, about half of firms—both male- and female-owned—are located in the capital cities. In Egypt, where the proportion of firms located in the capital is lower than overall,

variables. The model confirms that the age of female-owned firms is 10% higher than the age of male-owned firms, on average and all other things equal.

female-owned firms are more likely to be located in Cairo. In Yemen female-owned firms are significantly less likely to be located in the capital.²⁵

Table 2.2 Distribution of male- and female-owned firms, by sector and location

Country	Sector (percentage of total enterprises of relevant gender ownership)								Located in the capital? (percent)	
	Textile		Agro-food		Other manufacturing		Services		Male-owned firms	Female-owned firms
	Male-owned firms	Female-owned firms	Male-owned firms	Female-owned firms	Male-owned firms	Female-owned firms	Male-owned firms	Female-owned firms		
Egypt	32.7	32.7	12.7	15.7	53.5	50.3	1.2	1.3	19.6	28.8
Jordan	19.7	18.9	18.0	21.6	31.2	37.8	23.9	17.6	—	—
Lebanon	16.4	15.2	15.6	12.0	20.2	25.0	39.5	42.4	52.1	48.9
Morocco	<i>68.8</i>	<i>86.4</i>	<i>8.4</i>	<i>2.3</i>	<i>22.8</i>	<i>11.4</i>	—	—	64.1	59.1
Saudi Arabia	—	—	<i>11.3</i>	<i>25.4</i>	<i>79.3</i>	<i>66.7</i>	—	—	47.3	47.6
Syria	41.3	63.0	17.8	14.8	40.1	22.2	0.2	—	—	—
West Bank & Gaza	7.6	8.3	<i>17.4</i>	<i>9.7</i>	<i>57.3</i>	<i>56.9</i>	9.8	20.8	—	—
Yemen	—	—	—	—	23.9	33.3	76.1	66.7	30.5	12.5

— indicates that the data are not collected in the survey.

Source: World Bank Enterprise Survey data, 2003–06.

Note: Differences are tested by chi-squared test. Italicized numbers indicate differences that are statistically significant at the 5% level.

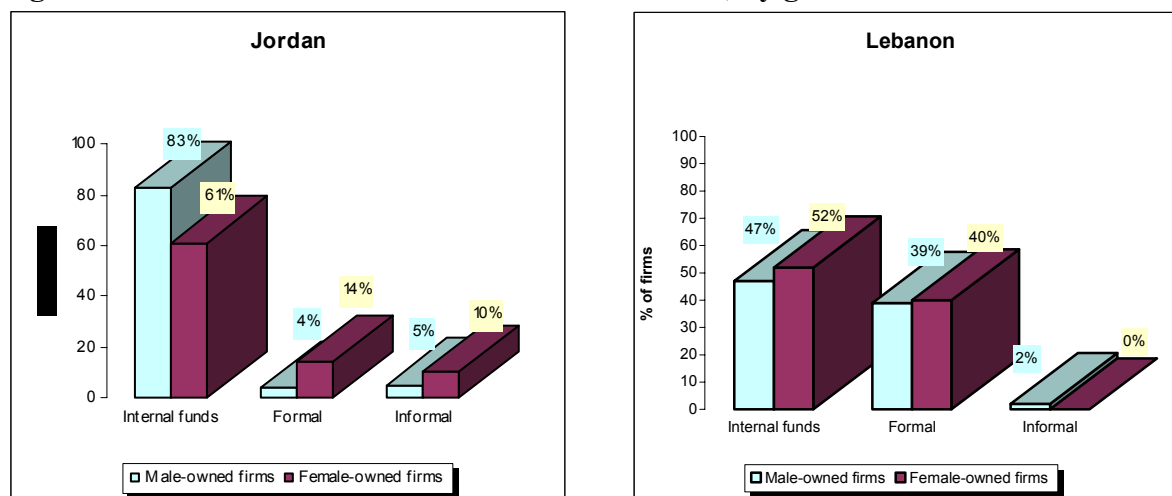
Sources of finance differ little by the gender of the firm owner. For both male- and female-owned firms, nearly 80% of new investments and working capital are financed by internal funds or retained earnings. Commercial banks and other formal sources, such as leasing arrangement, investment funds, or credit cards, account for 10% of funding. Informal sources account for only 4%.

Some gender-based differences appear in Jordan. There, about 14% of female-owned firms' new investments are funded by commercial banks or other formal financial sources, compared with only 4% for male-owned firms. Jordan's female-owned firms, however, rely significantly more on informal funds for their working capital.

In Lebanon male- and female-owned firms seem to have better access to finance than other firms in the region. On average, about 40% of investments and working capital are funded by commercial banks or other formal sources of finance, and only 50% by internal funds or retained earnings (figure 2.4).

²⁵ The absence of substantial differences between male- and female-owned firms is validated by the multivariate analysis, which confirms the existence of significant differences between male- and female-owned firms in only a few cases.

Figure 2.4 Sources of finance in Jordan and Lebanon, by gender of owner



Source: World Bank Enterprise Survey data, 2003–06.

The heavy reliance on internal funds (except in Jordan) indicates that across the Middle East and North Africa both male- and female-owned firms have little access to developed financial markets, even as established firms. Having access to lenders and investors means that entrepreneurs in firms of all sizes can seize promising investment opportunities on a more timely basis than if they relied on internally generated cash flow and money from family and friends.²⁶

Inadequate access to finance is a key issue in the Middle East and North Africa, as in other developing regions. For existing firms, it does not seem to be related to the gender of the owner. Because female-owned firms are as large and as old as male-owned firms, they are not considered a greater risk by banks. Access to finance may well be different for male and female startups, but this possibility could not be evaluated using the current data.

Female-owned firms participate in the global economy

Male- and female-owned firms have similar patterns of domestic sales, selling most products to small domestic firms or individuals. Their global orientation—participation in export markets, use of information and communication technology, and attraction of foreign direct investment—is also similar, though female-owned firms have an edge.

In Egypt, Jordan, and Morocco female-owned enterprises are significantly more likely than male-owned enterprises to export (figure 2.5).²⁷ Female-owned firms in Morocco have much more foreign investment.²⁸ This strong export performance suggests that female-owned firms are productive—only efficient firms can compete in the international

²⁶ World Bank (2005c).

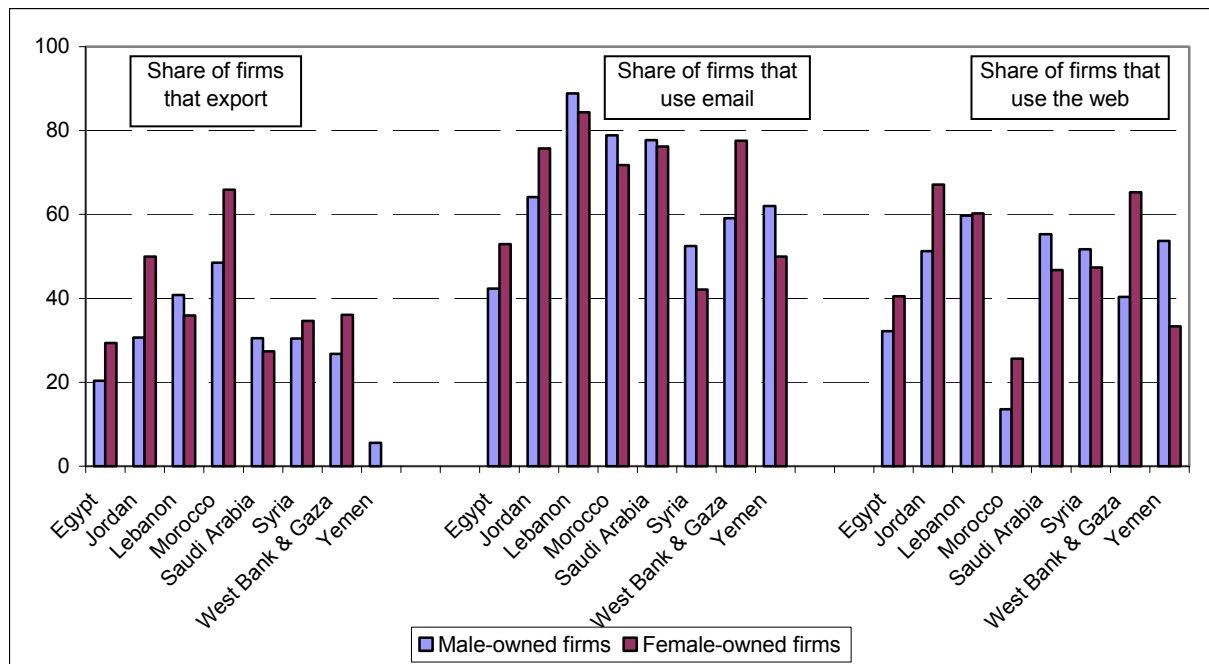
²⁷ Exporters are firms that export more than 10% of their output.

²⁸ Firms with high foreign investment are those in which the share of subscribed capital owned by foreign investors is at least 10% of the total.

market. The export success of female-owned firms may also be linked to their size, which helps them achieve economies of scale.

Male- and female-owned firms are quite similar in their use of email and websites for interacting with clients and suppliers. However, female-owned firms in Egypt, Jordan, Morocco, and the West Bank and Gaza more regularly use the web than do male-owned firms. The high export rates and high email use rates are closely linked. For instance, controlling for other structural characteristics (size, sector of activity, firm experience, and location), being an exporter increases the probability of using email by 37 percentage points in Egypt, by 33 percentage points in Jordan, and by 21 percentage points in Morocco. In the West Bank and Gaza, however, the regular use of email is mainly influenced by enterprise size and sector of activity.

Figure 2.5 Global orientation of male- and female-owned firms



Source: World Bank Enterprise Survey data, 2003–06.

Note: Differences are statistically significant (at the 5% level) only for Egypt and Morocco.

Women employ more educated workers and more women

Workers in female-owned firms are as educated and as skilled as those in male-owned firms (tables 2.3 and 2.4). And except for in Lebanon and Saudi Arabia, female-owned firms employ more women than do male-owned firms (figure 2.6). This is true not only in Morocco and Syria, where female-owned enterprises are most prevalent in the traditionally female textile sector, but also in Egypt and Yemen, where male- and female-owned firms are distributed similarly across sectors.

Table 2.3 Workforce composition, by education
(percentage of all workers of the relevant gender)

Country	Fewer than 6 years		7–12 years		More than 12 years	
	Male-owned firms	Female-owned firms	Male-owned firms	Female-owned firms	Male-owned firms	Female-owned firms
Egypt	12.9	15.7	70.0	66.4	17.1	17.9
Jordan	29.8	20.7	65.4	70.7	4.9	8.6
Lebanon	6.7	6.0	61.5	66.6	31.6	26.9
Morocco	40.5	41.8	51.7	48.7	7.7	9.5
Saudi Arabia	11.7	12.6	62.8	64.9	25.6	23.6
Syria	—	—	—	—	—	—
Yemen	—	—	—	—	—	—
West Bank and Gaza	—	—	—	—	—	—

— indicates that the data are not collected in the survey.

Source: World Bank Enterprise Survey data, 2003–06.

Note: Differences are tested by a *t*-test. Italicized numbers indicate differences that are statistically significant at the 5% level.

Table 2.4 Workforce composition, by skill level of position
(percentage of all workers of the relevant gender)

Country	Nonproductive		Unskilled		Skilled		Professional	
	Male-owned firms	Female-owned firms	Male-owned firms	Female-owned firms	Male-owned firms	Female-owned firms	Male-owned firms	Female-owned firms
Egypt	9.9	12.1	28.1	25.8	45.8	43.2	16.5	19.1
Jordan	—	—	29.1	33.0	41.5	38.1	29.0	28.8
Lebanon	—	—	34.2	34.6	36.8	37.5	28.9	27.2
Morocco	7.6	4.8	43.0	43.6	40.5	43.2	8.7	8.4
Saudi Arabia	15.7	15.6	32.3	34.7	34.4	30.8	17.2	17.8
Syria	7.7	8.1	33.6	36.0	33.1	36.3	25.6	19.6
Yemen	—	—	—	—	—	—	—	—
West Bank and Gaza	—	—	—	—	—	—	—	—

— indicates that the data are not collected in the survey.

Source: World Bank Enterprise Survey data, 2003–06.

Note: Differences are tested by a *t*-test. Italicized numbers indicate differences that are statistically significant at the 5% level.

Female-owned firms in Egypt and Morocco not only hire a higher proportion of female workers than do male-owned firms, but they also employ a higher share of female workers at professional and managerial levels. This finding is particularly relevant given the high unemployment of highly educated women in the region. Promoting female entrepreneurship can thus be a tool for fostering women's participation in the labor market and for reducing the unemployment of highly educated women.

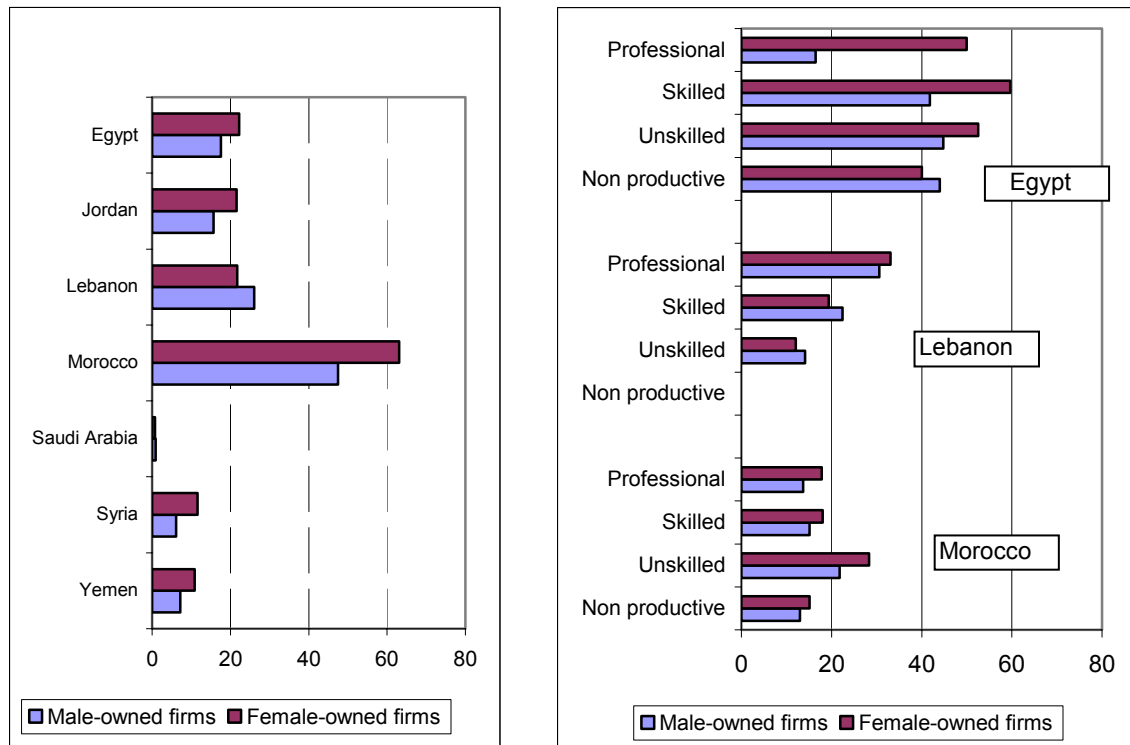
Saudi Arabia is an anomaly in the sample—with female workers making up less than 1% of both male- and female-owned firms. In addition, Saudi firms are more likely than firms in other countries to identify labor regulations as a constraint to business operation

and growth (see chapter 3). This finding, together with the large difference between male- and female-owned firms in terms of individual ownership (see figure 2.3), suggests the need for caution in drawing conclusions about whether Saudi Arabian women manage the firms they own. The data, however, do not currently allow this question to be investigated.

Figure 2.6 Female workers hired in male- and female-owned firms

Percentage of all workers

Percentage of all workers in each category, selected countries



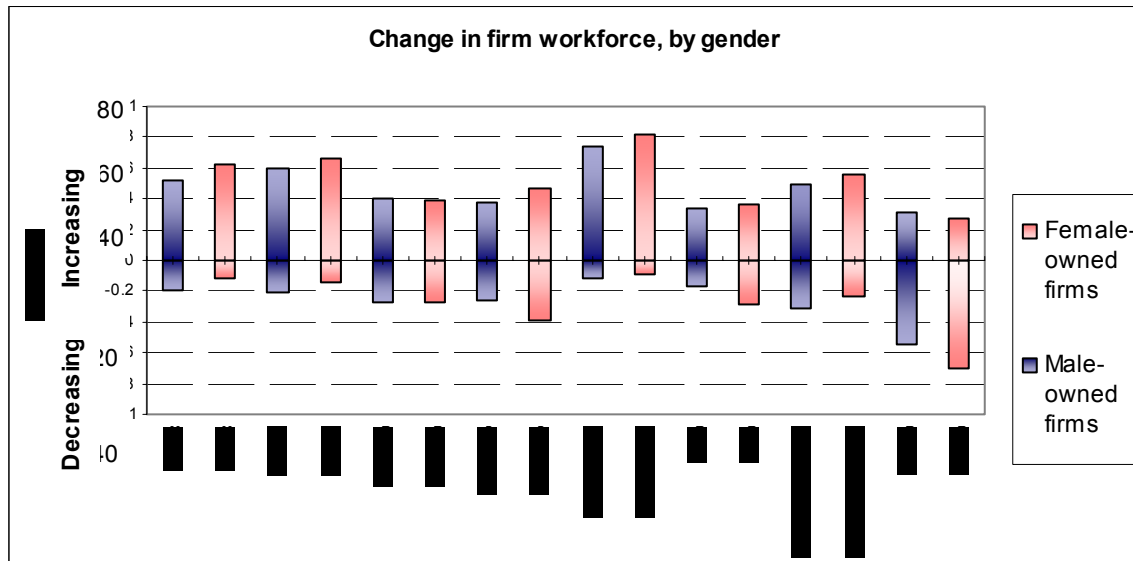
Source: World Bank Enterprise Survey data, 2003–06.

Note: Differences are tested by a t-test. Differences in the percentage of female workers in the total workforce are always statistically significant. Differences in the percentage of female workers in the different categories are statistically significant in Egypt (at the 5% level) and in Morocco (at the 1% level).

Finally, female-owned firms are hiring more workers in general. Except in Yemen, the direction and the extent of workforce changes in female-owned firms is as good as or better than that in male-owned firms (figure 2.7).²⁹ In Egypt, Jordan, Saudi Arabia, and the West Bank and Gaza, the share of female-owned firms that have increased their workforces recently exceeds the share of male-owned firms, and fewer female-owned firms than male-owned firms have decreased their workforces.

²⁹ This is true for the whole sample of female-owned firms and for female-owned micro and small firms, confirming that once established, female-owned firms perform well, with only insignificant differences by size.

Figure 2.7 Female-owned firms are hiring more workers in Egypt, Jordan, Saudi Arabia, and the West Bank and Gaza



Source: Staff estimates based on Enterprise Survey data.

Note: Data refer to the enterprises workforce changes between 2001 and 2000. Data for West Bank and Gaza refer to 2001 and 1999.

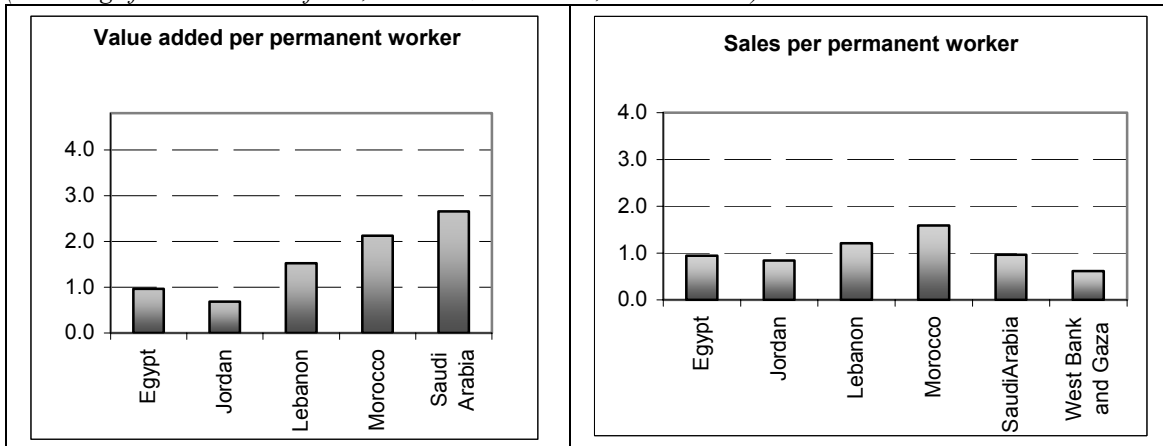
In Morocco and Syria female-owned enterprises were also more likely than male-owned enterprises to increase their formally hired workforces. In both countries, however, this gain was almost offset by the higher proportion of female-owned enterprises that reduced their workforces. In Lebanon results were broadly similar for male- and female-owned enterprises. In Yemen female-owned firms did less well. True, female-owned firms were more likely than male-owned firms to hire new workers, but female-owned firms also saw an overall decline in workers. About 70% of female-owned enterprises cut their workforces, compared with less than 60% of male-owned enterprises.

Female- and male-owned firms have similar productivity

The productivity of female-owned firms, measured by sales and value added per permanent worker, compares well with that of male-owned firms where data are available (figure 2.7).³⁰ Larger differences (though still small in magnitude) occur only in Morocco and Saudi Arabia. The distribution of firms across sectors may partly explain these differences. Female-owned firms in these countries are concentrated in textiles and agro-food manufacturing (see table 2.2), sectors traditionally characterized by low value added. Differences in sales per permanent worker are very small across countries.

³⁰ The size of the sample of female-owned firms with information about productivity is too small in Syria and Yemen. Data for West bank and Gaza pertain only to sales.

Figure 2.8 Productivity differences between male- and female-owned firms
(advantage for male-owned firms, 2004 US\$ thousands, median value)



Source: World Bank Enterprise Survey data, 2003–06.

Note: Data are unavailable for Syria and Yemen. Data for West bank and Gaza pertain only to sales.