Innovating to grow women's businesses

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GENDER INNOVATION LAB

Female entrepreneurs in Sub-Saharan Africa have fewer alternatives to entrepreneurship than in other regions

A very specific context : in Sub-Saharan Africa…

- Women Self-employment is higher, and wage employment is lower, than in any other region.
- Only region where women's self-employment more common than their wage employment.

=> women's entrepreneurial success is key (gender gap reduction, growth, poverty reduction).

(source: Hallward-Driemeier, 2013)

OUTLINE

1. Sector gender segregation matters

2. Not business as usual business training

3. Businesses registration, with a critical twist

3 IDEAS

1. ***Sector gender segregation matters***

2. Not business as usual business training

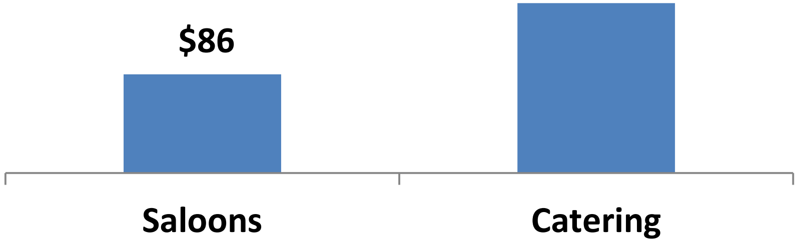
3. Businesses registration, with a critical twist

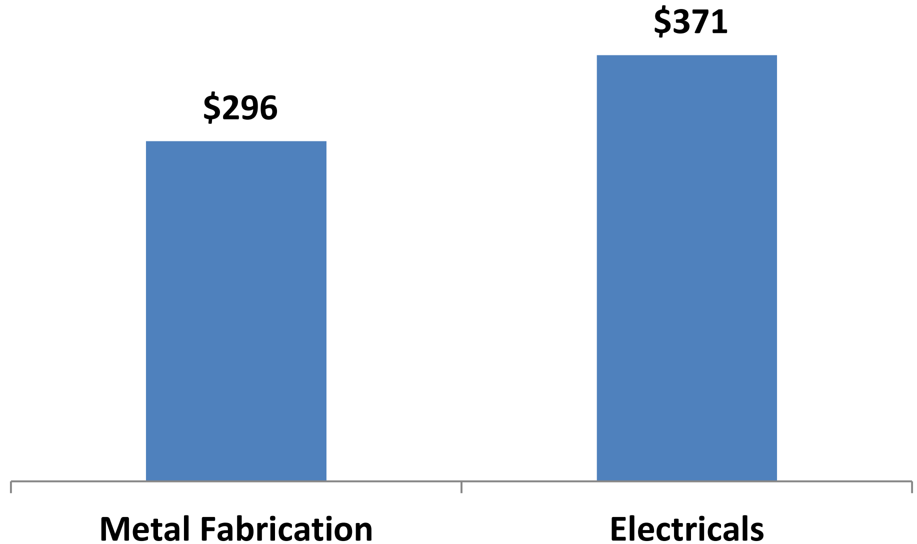
Sector matters

In Sub-Saharan Africa, women represent half of non-farm business (higher than in any other region), but:

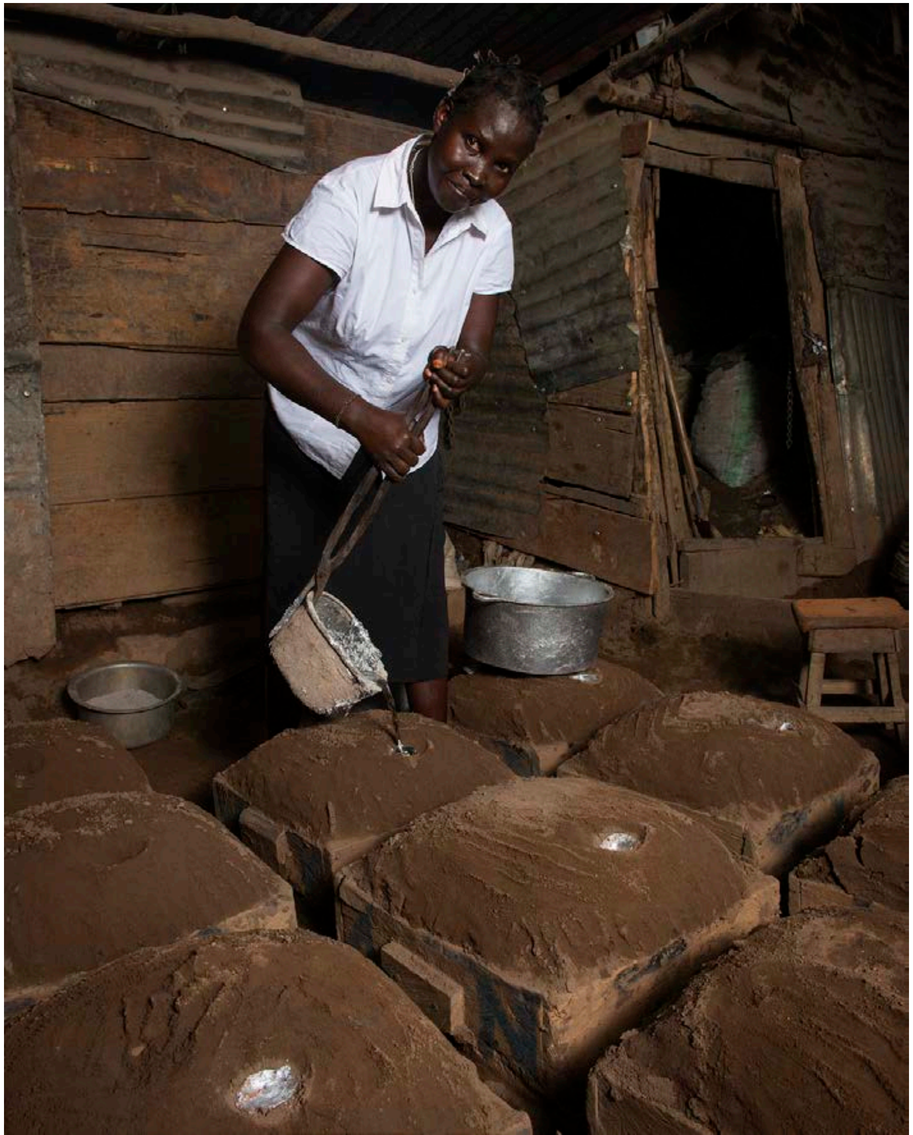
- Entrepreneurship opportunities lead to **very unequal earnings between women and men**
- Various factors but the **sector** in which the firm operates is consistently found to be a major determinant of gender-observed differences in performance and growth
- Large differences in sectoral choice among men and women, vast majority of **female entrepreneurs clustering in low value-added industries**
- **Forgone growth and potential poverty reduction**

Sector is important for earnings (Uganda, Campos et al. 2015)





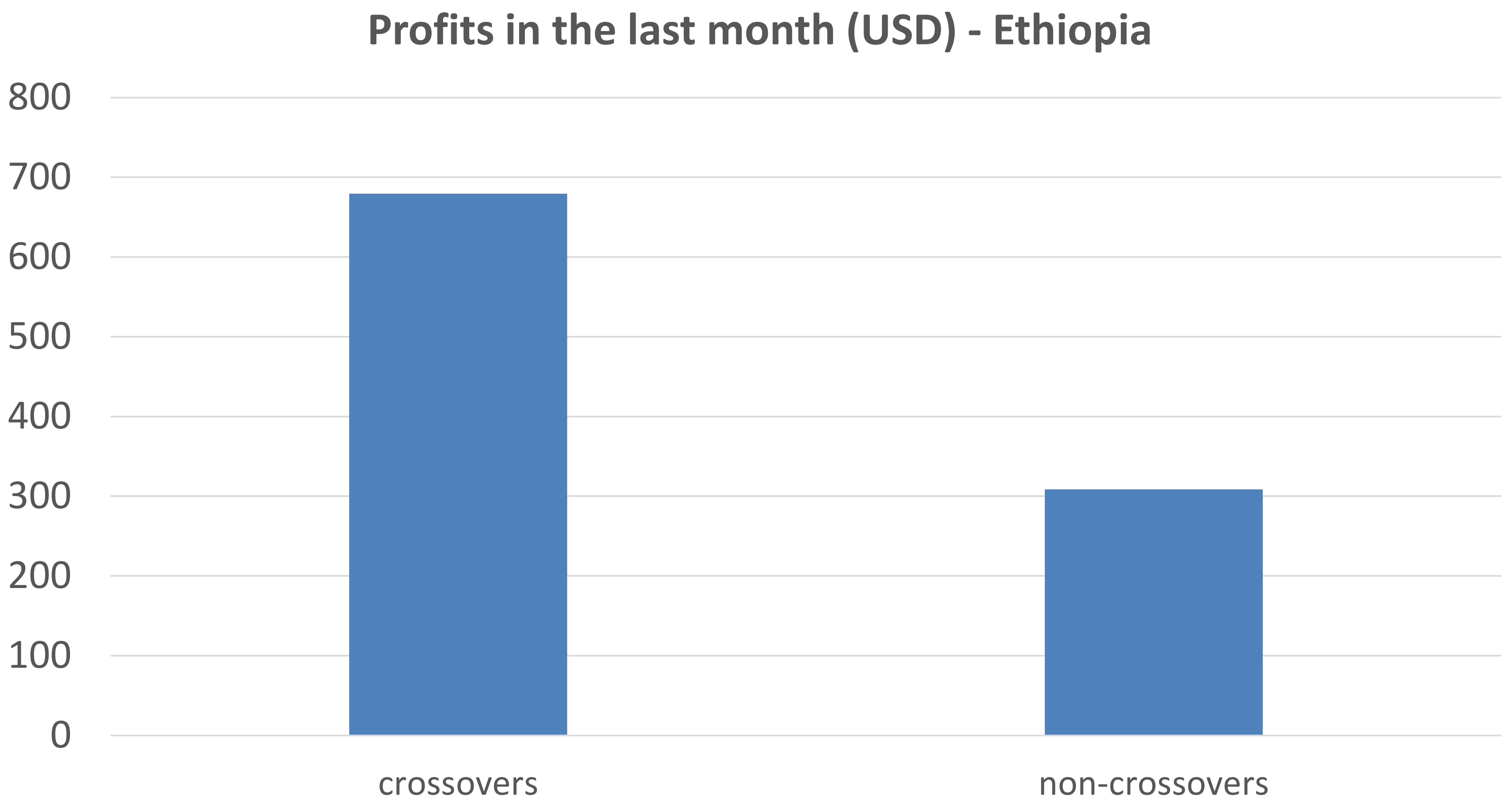
But there are women who defy the odds: crossovers



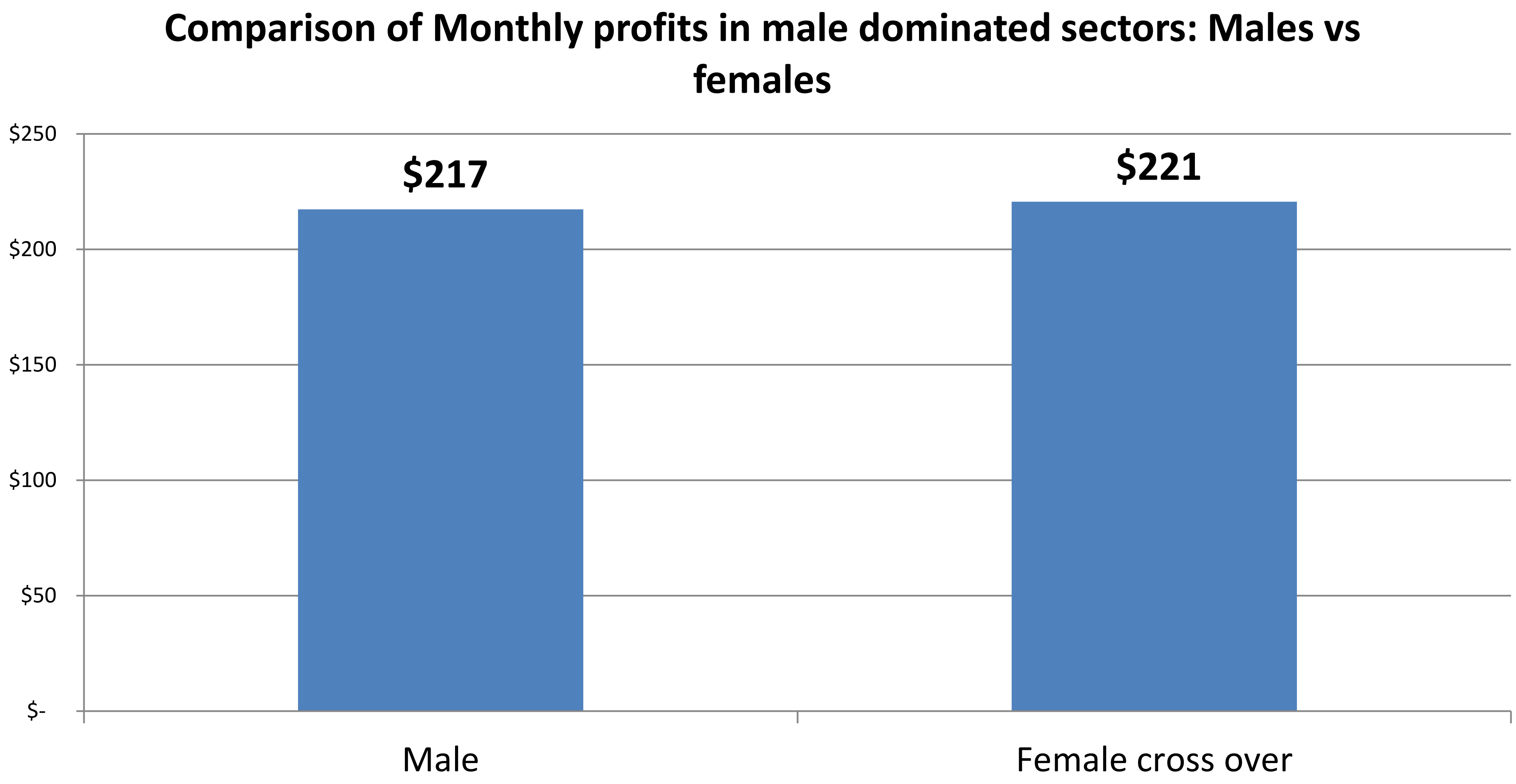
Today: 2 studies

- Ethiopia: **Crossovers: Female Entrepreneurs Who Enter Male Sectors**
- Uganda: **Breaking the metal ceiling : female entrepreneurs who succeed in male-dominated sectors in Uganda**

Crossing over is more profitable



And when they crossover, they make the same as men



What sector segregation is NOT about

Existing evidence suggests that sector segregation is NOT about

- **NOT about education**: crossovers and non-crossovers show similar education levels.

- **Not about cognitive and non-cognitive skills**: crossovers and non-crossovers show similar level of scores such as digit span, Raven test, self efficacy, achievement striving, impulsiveness, passion for work, tenacity, locus of control…

- **Not about financial constraint**: in Uganda evidence suggests that sector choice is not driven by capital requirement

Some factors driving sector segregation

Existing evidence suggests that sector segregation is driven among oether factors by:

- **Information**: in Ethiopia, more than 70% of non-crossovers believe they would make the same or less than the average crossover profits

- **Psycho-social factors**:
  - **A woman's first job** matters with path dependence
  - **Parental occupation** impact positively effects for wage work but not farms
  - **Male mentorship**
    - Crossovers are **twice** as likely to have a male role model compared to non-crossovers
    - Crossovers are **3.5 times** more likely to be introduced to their sector by their father or other male family member
    - Non-crossovers are **15 times** more likely to be introduced to their sector by their teachers.

Policy: What can be done about it?

2 innovation avenues

- **Start young**
  - Train teachers so that they stop sending girls to be caterers and boys to be carpenters
  - Technical and vocational training encouraging switching (e.g. success of “Lady Mechanics”)
  - Apprenticeship programs that provide incentives for girls to switch and build in the right kind of mentors

- **Information and mentoring**
  - Inform (at schools and for adults) about earnings differential between sectors
  - Mentoring and training bringing right set of skills and information to help open up the occupational space

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Business training: a review of the rigorous evidence

It's not encouraging (McKenzie and Woodruff (2014))…

- **Some positive impact on firm survival, business practices and** revenues, but little not on **profits**

- **Entrepreneurs learn the skills** they are taught and apply them, **but not an overwhelming response in terms of profits**

Questions:

- Are we **targeting the wrong people?**
- Are we **teaching the wrong skills?**
- Does training **need to be complemented with something else?** (e.g. finance?)

The wrong skills: evidence from Togo

The program (Campos et. al. 2017)

- **Personal initiative training** compared to a more standard business training (Business Edge)
- Personal initiative training comes from **business psychology and focuses on how to think like an entrepreneur**:
  - Goal setting
  - Planning and implementation
  - Overcoming obstacles
  - Future and action orientation
  - Being self-starting

An example of PI vs standard business training

E.g. training modules on finance:

Standard Training

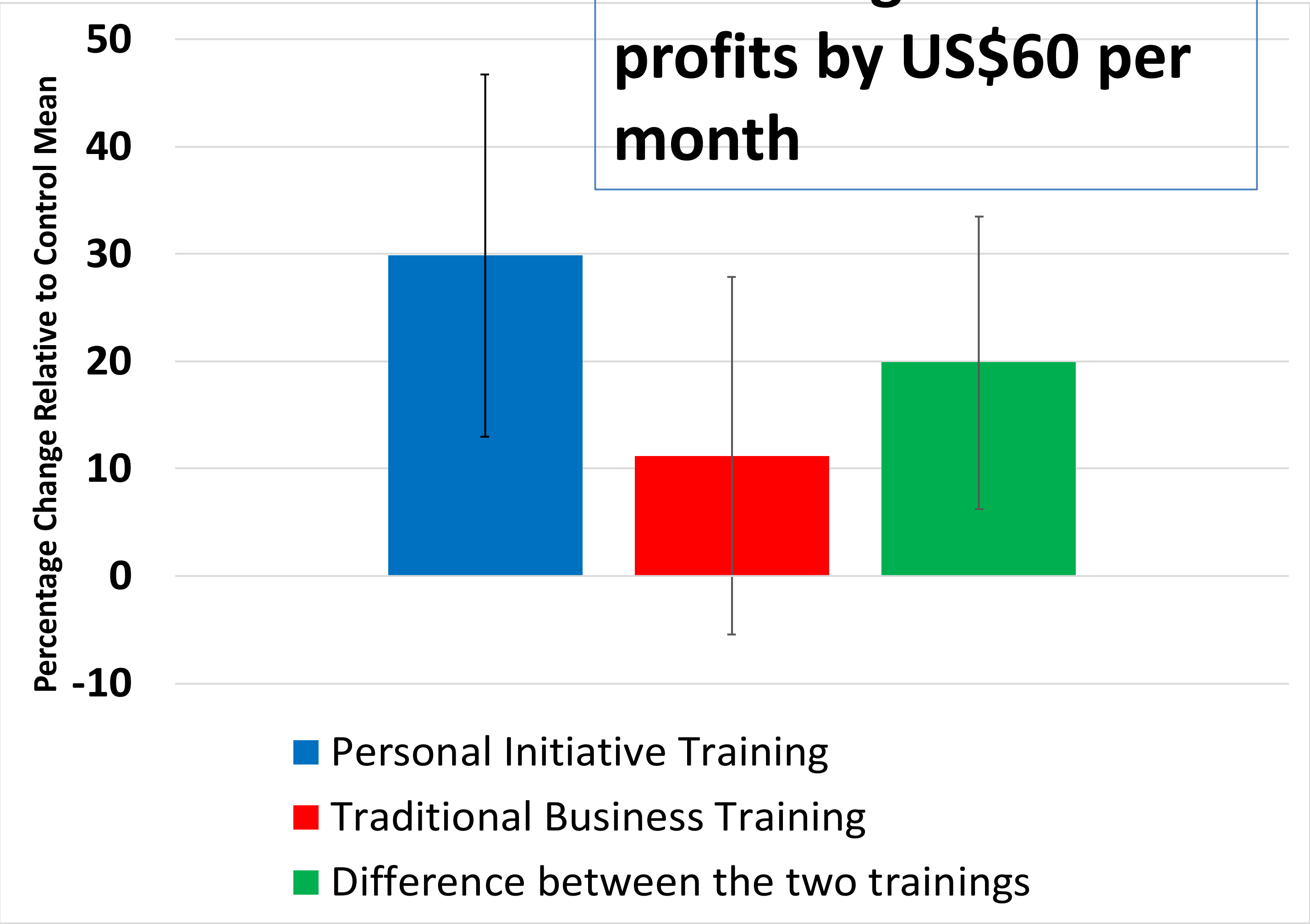
- How to keep financial records
- The types of products banks offer
- What is needed for a loan

Personal Initiative Training

- Identify and approach unusual sources of money (self-starting)
- Do boot-strapping in order to not rely on external funding in the long term (future oriented)
- Don’t give up when you face financial problems but develop multiple plan Bs (persistence)

The wrong skills: evidence from Togo

Results: monthly profits



PI training Increased profits by US$60 per month

The wrong skills: evidence from Togo

For women the personal initiative training dominates

- Lead to **significantly higher innovation** (relative to Business Edge and the controls), particularly **in products**
- Significantly **higher use of credit**: Entrepreneurs are borrowing much higher amounts
- Significantly **higher investment**
- **Increase** in the **number of employees**
- **Higher sales and revenues**…and **profits**

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Formality: good or not so useful?

- WB Doing Business: “Informality comes at a cost: firms in the informal sector typically grow more slowly, have poorer access to credit and employ fewer workers.”

- One view (de Soto, 1989): informal firm owners would like to be formal, but costly regulations and bureaucracy prevent them from doing so. Under this view, policymakers should make formalization process cheaper and easier.

- An alternative view (Maloney, 2004): informal firms rationally opt out of the formal sector since they perceive little benefits from becoming formal.

Getting firms to formalize: Review of the evidence

Existing evidence not terribly encouraging:

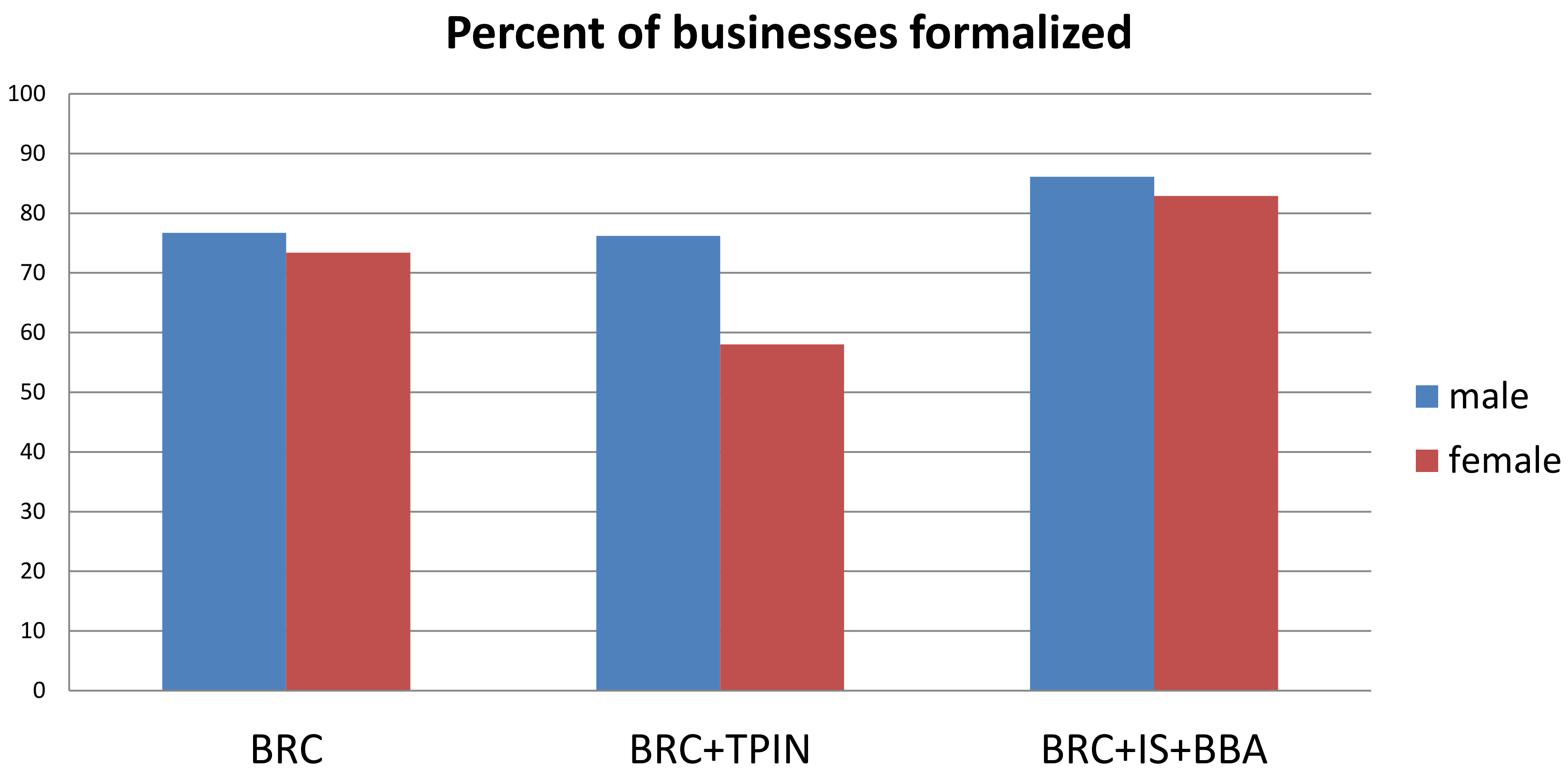
- **Sri Lanka** (de Mel et. al. 2012): **no one registers when free**, but they might if you pay them to
- **Brazil** (Andrade et. al. 2016): **no impact of one-stop shops**
- **Bangladesh** (de Giorgi and Rahman 2013): **no impact of information campaign**
- Evidence from **Peru** (Alcázar et al. 2010 and Jaramillo 2009) and **Benin** (Benhassine et. al. 2017) shows **limited (less than 25%)** registration when **costs are covered**

Malawi experiment (Campos et al. 2015)

Randomized experiment with 4 groups

- **Control group**
- **Treatment group 1:** assigned to receive **costless registration for the business registration certificate (BRC)**
- **Treatment group 2:** assigned to receive **costless registration for BRC, as well as for a tax-payer identification number (BRC+TPIN)**
- **Treatment group 3:** assigned to received **costless registration for BRC, along with an invitation to information session with a bank where business bank accounts are offered (BRC+IS+BBA)**

Impact on registration

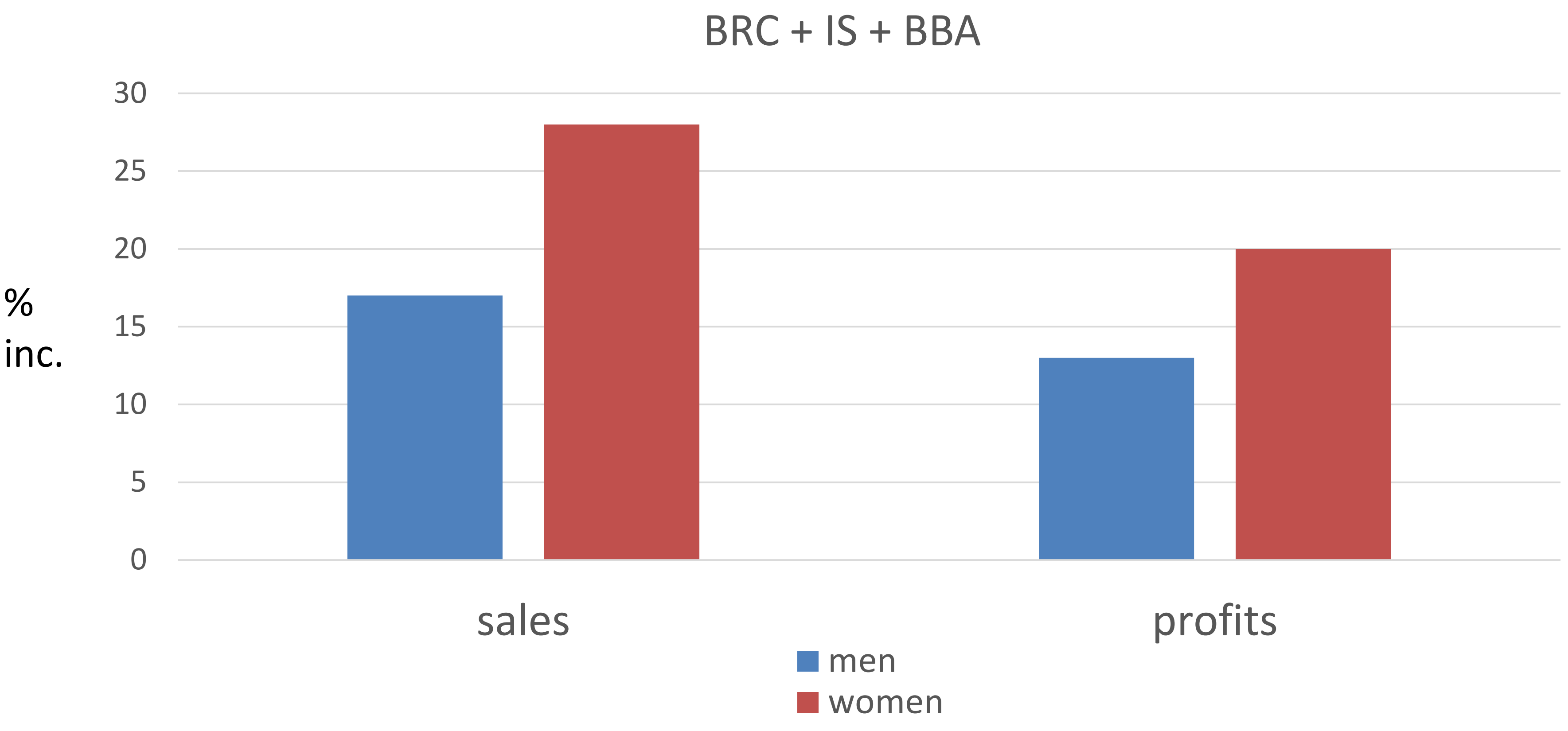


Women registered less (esp with TPIN) mostly because their businesses closed

And with bank accounts came financial services

- **BRC and BRC + TPIN:** no significant effect for these indicators
- But for the **BRC + IS + BBA**:
  - Amount that the business can borrow: + 16%
  - **Amount borrowed: + 24%**
  - Has **insurance for business: + 877% (from 1 to over 8%)**
  - Does not take business money for the household: + 20%

Effects on Business Outcomes



<u>BRC and BRC + TPIN – no significant impacts</u>

Conclusion

- There is a strong need to grow women's businesses in Sub-Saharan Africa.

- Here we discussed some constraints and innovations to relax them:
  - The effect of **lack of information and psycho-social factors** on **sector gender segregation**

  - The **need to innovate on businesses training** (not business as usual, but rather relying on **psychological mechanisms that enhance personal initiative**)

  - The need for **financial inclusion add-on to business registration intervention**