

## **IV. IMPEDIMENTS FOR WOMEN ENTREPRENEURSHIP DEVELOPMENT**

Several studies around the world have been carried out which throw light on the challenges faced by women entrepreneurs. Though the three major stages in the entrepreneurial process – of creating, nurturing and nourishing – are the same for men and women, there are however, in practice, problems faced by women which are of different dimensions and magnitudes, owing to social and cultural reasons. The gender discrimination that often prevails at all levels in many societies impact the sphere of women in industry too, and a cumulative effect of psychological, social, economic and educational factors act as impediments to women entrepreneurs entering the mainstream. A study (Cooper, as quoted in Das, 2000) of women entrepreneurs in the western world, proposed that three factors influence entrepreneurship – antecedent influences (i.e., background factors such as family influences and genetic factors that affect motivation, skills and knowledge), the “incubator organization” (i.e., the nature of the organization where the entrepreneur was employed just prior to starting a business; the skills learned there) and environmental factors (e.g., economic conditions, access to venture capital and support services, role models). Research from the rest of the world indicates that women and men differ on some of the above factors. While several of these challenges are inherent to many countries, some of them are more severe in South Asia.

Some of the important barriers faced by women are discussed below.

### **A. Access to finance**

Access to finance is a key issue for women. Accessing credit, particularly for starting an enterprise, is one of the major constraints faced by women entrepreneurs. Women often have fewer opportunities than men to gain access to credit for various reasons, including lack of collateral, an unwillingness to accept household assets as collateral and negative perceptions of female entrepreneurs by loan officers. In South Asia, women are almost invisible to formal financial institutions – they receive less than 10 per cent of commercial credits (Mahbub ul Haq human Development Center, 2000). When women do have access to credit it is often in small amounts, whether this suits their needs or not. Differential access to credit may of course be a reflection of differences in the choice of sector, educational level or the amount of loan requested. However, as sector choice and educational levels tend to be limited or influenced by gender, one could say that any differential access based on this motive is indirectly caused by gender perceptions. In addition to this, women entrepreneurs in developing countries continue to suffer from poor overall assets, poor enforcement of financial rights and the existence of unequal inheritance rights and consequently poor access to community and social resources. Gender-based obstacles – conventional thinking, cultural and social values, lack of collateral – all aggravate the difficulties faced by women. High transaction costs, the rigidity of collateral requirements and heavy paperwork are further impediments to women entrepreneurs (Charumathi, 1998; Tiwary, Ojha and Pain, 1998; Finnegan and Danielsen, 1997; Shayamalan, 1999).

Women, in particular the less educated ones, also find it more difficult to get financing from banks because they lack information on how to go about securing a loan. Moreover, bank managers are often more reluctant to lend to women than to men.

Sometimes, credit may be available for women through several schemes but there are bottlenecks and gaps, and the multiplicity of schemes is often not adequately listed nor is there networking among agencies. As a result, clients approaching one institution are sometimes not made aware of the best option for their requirements (Vishwanathan, 2001). In many countries, women face unequal inheritance practices and laws, discriminatory laws on ownership of property or access to bank loans, or discriminatory practices by banks. In the area of guarantees, several discouraging habits have become ingrained in financial institutions and banks, such as requiring male members to accompany women entrepreneurs for finalizing projects proposed by women, as well as almost invariably insisting on guarantees from males in the family (Commonwealth Secretariat, 2002).

A general lack of experience and exposure also restricts women from venturing out and dealing with banking institutions. Those who do venture out often find that transaction costs for accessing credit are high, and cannot be met by the cash available to them. Because of this, they are dependent on the family members for surety or collateral and hence restrict the money they borrow. This results in lower investments. Alternately they tend to find working capital at higher rates of interest. The availability of finance and other facilities, such as industrial sheds and land for women entrepreneurs are often constrained by restrictions that do not account for practical realities. All these in turn affect the enterprise and its survival.

In one study in India (Kaur and Bawa, 1992), 54 per cent of women entrepreneurs had started their business with their own personal savings and some financial assistance from their spouse, 23 per cent received finances from their parents, 13 per cent from relatives and friends and only 10 per cent from government agency and nationalized banks. Many other studies in South Asia have substantiated these findings. Dr Shehla Akram, founder of Women Chambers of Commerce in Lahore has also identified funds as a major issue of women entrepreneurs, quoting from a study which showed that most middle-level women entrepreneurs in Pakistan were financed by their own savings or borrowing from their relatives.<sup>4</sup> Another study by Das (2000) shows that more than 50 per cent of the women used their own funds or funds borrowed from their spouse or family to set up their business. Though 43 per cent had taken loans from a financial institution, for a significant proportion (38 per cent) this was only a small part of their original investment and not the primary source of funds. A study from Pakistan showed that the predominant source of start-up capital for women entrepreneurs was reported as personal savings (73 per cent), while informal sources were in second position. Only 4 per cent of respondents had access to formal sources of credit (Goheer, 2002).

A study from Nepal points out that all formal credit institutions seek tangible collateral for loans, and that women are effectively sidelined from institutional credit since they have little access to inherited property (Acharya, 2001). The study also points out that data on borrowing from formal and informal sources show that institutional sources of credit accounts for only 15.4 per cent of women's borrowing whereas non-institutional – from friends and family – accounts for 84.6 per cent.

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<sup>4</sup> Shehla Akram, "Funds are a major issue for women entrepreneurs", *Daily Times*, 30 December 1999, <<http://www.dailytimes.com>>.

In sum, it is interesting to note that although it often is self reliance that motivates women to venture out on their own, they have to rely on the securities of others to raise their basic capital requirements.

## **B. Access to markets**

The ability to tap into new markets requires expertise, knowledge and contacts. Women often lack access to training and experience in on how to participate in the market place and are therefore unable to market goods and services strategically. Thus, women-owned SMEs are often unable to take on both the production and marketing of their goods. In addition, they have often not been exposed to the international market, and therefore lack knowledge about what is internationally acceptable. The high cost of developing new business contacts and relationships in a new country or market is a big deterrent and obstacle for many SMEs, in particular women-owned businesses. Women may also fear or face prejudice or sexual harassment, and may be restricted in their ability to travel to make contacts.

Market liberalization leads to increased competition which demands swifter response to the market. SMEs thus face competition from transnational corporations as well as from efficient low wage, low cost producers in other developing countries, and need to engage in active technology and skill upgrading, and more efficient quality management in order to stay competitive. This may require fast and easy access to capital, something that women entrepreneurs often lack. Unfamiliarity with the external world and lack of ease in moving around in it also hampers women when it comes to dealing with a multiplicity of agencies in setting up or running a business. Thus, even when they do have professional competence and training, women are often forced to turn to male professionals for assistance.

## **C. Access to training**

Women have limited access to vocational and technical training in South Asia. In fact, women on average have less access to education than men, and technical and vocational skills can only be developed on a strong foundation of basic primary and secondary education. South Asia is characterized by low enrolment among women in education, high drop out rates and poor quality of education. The table below shows female literacy levels as a percentage of male literacy as well as average years of schooling of women and men, respectively. The figures are testifying to the existence of gender discrimination in building capacity of women and providing them with equal opportunities.

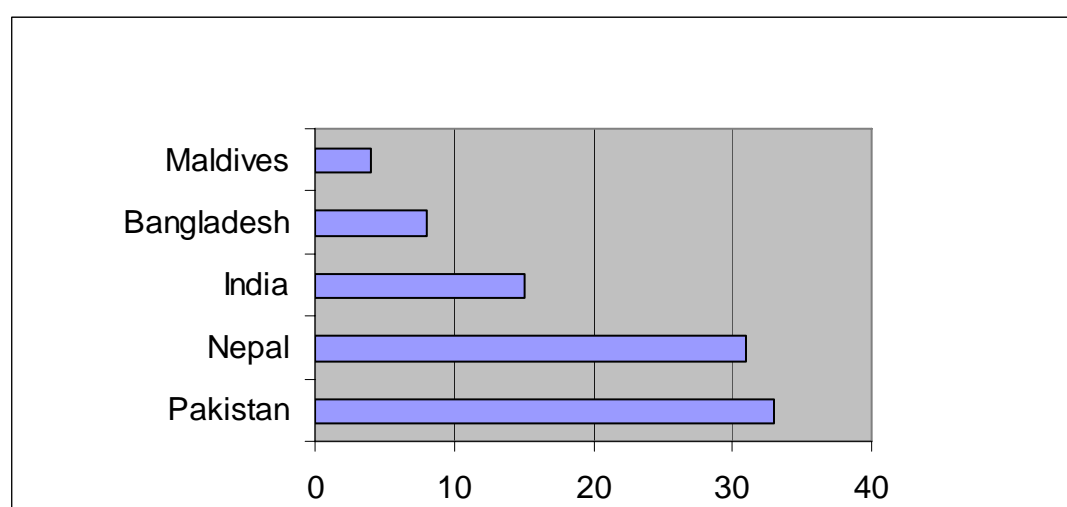
**Table 5: Female-male gaps in education in South Asia**

	<i>Female literacy as % of male literacy</i>	<i>Average years of schooling</i>	
		<i>Male</i>	<i>Female</i>
India	67	6.3	3.7
Pakistan	50	5.1	2.5
Bangladesh	62	3.3	1.8
Nepal	41	3.4	1.5
Sri Lanka	94	7.2	6.6
South Asia	67	5.8	3.4

Source: Mahbub ul Haq Human Development Centre, *Human development in South Asia 2003: The Employment Challenge* (Oxford University Press), 2003.

Of the already low vocational educational enrolment of less than 2 per cent in South Asia, female students comprise only a quarter of one per cent. (Mahbub ul Haq Human Development Center, 2000). In Bangladesh, less than 13 per cent of the enterprise development programme trainees are women (Finnegan, 2000). Even in countries, such as Sri Lanka, where more women than men have a 10 +12 educational background, gender roles continue to confine women to a narrow range of economic activity.

**Figure 2: Percentage of females enrolled in second level vocational education**



Source: Mahbub ul Haq Human Development Centre, *Human Development In South Asia: The Gender Question* (Oxford University Press), 2000.

Women also tend to be less likely to have had education and experience relevant to starting and managing a business and thus less potential for success. Gaining relevant skills and knowledge can also be more difficult for women since they frequently have double work burden and childcare responsibilities, thus making them less able than men to attend formal and informal trainings. In addition, gender stereotypes, prejudices of teachers, and gender-based preferences of parents and girls themselves tend to channel girls and women into the more general and social rather than scientific or technical areas of education. As a result, women are educationally less well equipped to manage some kinds of businesses and, in the less developed

countries with low overall levels of education, often less well equipped to manage business in the formal sector in general. Such disadvantages affect their capacity to access formal sources of credit, technical support as well as government small business programmes. When training is available, women may be unable to access it because it is held at a time when they are meeting family responsibilities, or the content and method of delivery may not be appropriate. This lack of access to education and training opportunities mean that women start their businesses without adequate skills. Besides, most technical trainings that are offered to girls at the post-school levels, in the women polytechnic for instance are limited to traditional careers, such as secretarial practice, dress designing, etc. Thus, the exclusivity of training acts as limiting factor itself.

#### **D. Access to networks**

Women have fewer business contacts, less knowledge of how to deal with the governmental bureaucracy and less bargaining power, all of which further limit their growth. Since most women entrepreneurs operate on a small scale, and are generally not members of professional organizations or part of other networks, they often find it difficult to access information. Most existing networks are male dominated and sometimes not particularly welcoming to women but prefer to be exclusive. Even when a woman does venture into these networks, her task is often difficult because most network activities take place after regular working hours. There are hardly any women-only or women-majority networks where a woman could enter, gain confidence and move further. Lack of networks also deprives women of awareness and exposure to good role models. Few women are invited to join trade missions or delegations, due to the combined invisibility of women-dominated sectors or subsectors and of women as individuals within any given sector. As an example of this, at a recent SME Trade Fair in a country in Asia where it has been estimated that women operate around half of all SMEs, less than 20 women were registered among the approximately 250 participants, and most of those were civil servants rather than businesswomen.

Women's businesses are not well represented in industry, trade or business associations. Both the leadership and the membership of chambers of commerce, business, traders and industry associations tend to be dominated by men, and few women join or reach leadership positions in the mainstream business organizations. Although partly a reflection of the low number of women entrepreneurs, it means that the different needs of women entrepreneurs do not feed into policymaking through the lobbying and other activities of these organizations. Many specialist organizations of businesswomen often do not counter this situation because their activities tend to be oriented toward charity and social work, in contrast to the business networking and policy lobbying orientation of the "mainstream" but more male-dominated organizations.

Part of the reason for women's organizational invisibility is the difficulty of finding sufficient time to attend meetings as well as manage their families. However, business associations rarely consider such needs when scheduling meetings, and few business conferences or trade fairs provide childcare or children's programmes in order to facilitate the participation of businesswomen. It is interesting to note, on the other hand, that many business conferences, particularly in developed countries, do provide

“spouse” programmes in order to accommodate the needs of businessmen to bring along their “non-working” wives.

Many women’s business organizations, such as the FLO in India and the BCCI in Bangladesh (refer to section VI for details of the two organizations) and Women’s Chambers of Commerce and Industry (WCCI) in Pakistan have mushroomed in the region to fill this gap. However, in general, the mere existence of such organizations does not ensure voice and visibility for the women entrepreneurs. The organizations must provide needs-based services as per the clients needs as well as be effective and positive in the policy arena. Organizations must recognize that women are not homogenous and make sure that different voices of women entrepreneurs are heard. Many times the women’s organizations may lack acceptance by and legitimacy in the government and may suffer from inadequate funding.

### E. Access to policymakers

Most women have little access to policymakers or representation on policymaking bodies. Large companies and men can more easily influence policy and have access to policymakers, who are seen more as their peers. Women tend not to belong to, and even less reach leadership positions in, mainstream business organizations, limiting their input into policymaking through lobbying. Women’s lack of access to information also limits their knowledgeable input into policymaking.

Table 4 below provides an overview of challenges discussed above, showing both the challenges faced by SMEs in general but which can pose a greater obstacle for women than for men (women intensive) and those faced by women only (women exclusive).

**Table 4: Competing in international markets: the challenges faced by women-owned SMEs**

<i>Challenges faced by SMEs (women intensive)</i>	<i>Challenges faced by women-owned SMEs (women exclusive)</i>
<p>Access to Finance</p> <p>Service companies face difficulties due to the nature of their businesses. Cost of capital relative to other countries.</p>	<p>Discriminatory national laws Prejudice against women and women-owned businesses Difficulty in providing collateral (women do not own assets in their own right) Lack of credit / banking history (due to past, informal nature of businesses) Need for credit plus business planning and advisory services</p>
<p>Access to Markets</p> <p>Access to quality, up-to-date information Contacts through personal networks Small size of businesses</p>	<p>Prejudice against women Difficulty in travelling to make contacts Sexual harassment</p>

**Table 4** (Continued)

<i>Challenges faced by SMEs (women intensive)</i>	<i>Challenges faced by women-owned SMEs (women exclusive)</i>
<p>Access to Training            Technical training            Training on WTO and trade policy and requirements</p>	<p>Training needs are often overlooked            When identified, women's needs may not be met (for example, time of training, content, method of delivery)</p>
<p>Access to infrastructure            Need for reliable physical infrastructure (road transportation, air transportation)            Need for predicable trade support infrastructure (knowledgeable bureaucracy, supportive government mechanisms, etc)</p>	<p>Bias against women's businesses            Few or no contacts in the bureaucracy</p>
<p>Access to technology            Need for reliable telephone and Internet service            Potential for e-commerce and e-trade            Access to electronic banking and transfers            Use of English as the medium of communication through the Internet</p>	<p>Older women and women with low levels of education and literacy are particularly disadvantaged            Lack of English language skills            Bias against women's involvement in technical matters.</p>
<p>Access to Policymakers /            Input into trade Policy            Large companies and men can more easily influence policy and have access to policymakers who are their peers.</p>	<p>Most women have little access to policymakers or representation on policymaking bodies.            Lack of access to information limits knowledgeable input into policy.</p>

Source: Commonwealth Secretariat, *Commonwealth Business Women: Trade Matters, Best Practices and Success Stories*, (London), 2002.

## **F. Other impediments to women entrepreneurship**

### **1. Traditional views on the role of women in the society**

One characteristic that clearly distinguishes most businesswomen from their male counterparts is the added responsibility society often puts upon them in their roles as mothers and wives. The time taken up and the emotional burden created by these dual role responsibilities often interfere directly with the conduct of business for women in ways that do not apply to the majority of men in South Asia.

The often prevailing attitude that the women's place is at home and that her first priority is to look after the home and family constrain many married women from venturing into entrepreneurship. Even for the women who are interested, the fact that

marriage often results in geographical displacement, makes serious entrepreneurship the last option. Charumathi (1998) identifies the fact that women's enterprises are taking a second place to home as one of the main weaknesses of women entrepreneurs in India. Married women also have to make a fine balance between home and business. Thus, despite modernization, tradition and family slow down women. Moreover, "interfacing and interacting" with women as professionals is still an awkward experience for many men due to the deep rooted traditional perception of male-female relationship.

Women entrepreneurs in Bangladesh also suffer from the myth of women not being effective organizers (Matiur-Rahman, Bhattacharjee and Lahiri, 1998). On the other hand, they are believed to be best suited for housekeeping. This has created difficulties for women to become true entrepreneurs. In another study on women entrepreneurs in Bangladesh, Anwar (1992) found that due to the prevailing social norms, women entrepreneurs were prevented from managing their businesses independently. These norms had restricted women entrepreneurs' mobility, and thereby affected interaction with others.

Women in Nepal also suffer from bias against women because of the cultural and traditional values (Acharya, 2001). The expected behavioural pattern of women which is marked by modesty and lack of articulation is often misinterpreted as incompetence and lack of professionalism. In this setting, the transition itself from a "non-professional" approach to a "professional" one is an extra effort for women. In addition, women by themselves find it difficult to interact and discuss issues as equals, because they have been trained to listen, obey and leave decisions to men in the family. The condescending views of others do little to support them.

Interestingly, in one study on women entrepreneurs in south India, women entrepreneurs did not feel that having their own business affected their roles as spouse, parent or homemaker very much. These women experienced very low levels of work-family conflict in their spousal or parental roles. However, it should be noted that all these women had someone to help them with their household chores – either a part-time or a full-time maid. Part of the reason for a lower level of role conflict may also be the high amount of spousal support that these women had. Over 74 per cent of the women said that their spouse was either happy or very happy that they owned their own business. Another factor that may have contributed to the high degree of spousal support might have been the stable, satisfactory nature of their marriages. It may be noted that most of the women included in the study had been married for a fairly long time with over 80 per cent stating that they were "satisfied" or "very satisfied" with their marital life.

Because of this patriarchal bias and role prescriptions, ambition, self-confidence, innovativeness, achievement motivation and risk-taking ability, which are essential for an entrepreneurial career, are inhibited. Women entrepreneurs also face restrictions hampering their mobility. Some of the women entrepreneurs complain that government clerks and private dealers harass them. As a result, many women entrepreneurs undertake what a Pakistani author (Gillani, 2004) has described as "comfort zone movement", i.e., they tend to operate only among clients that they know. Products are sold to relatives and friends and suppliers tend to be people

already known to them. Thus, a more extensive network is lacking and expansion into a larger scale is not considered with enthusiasm.

Another problem faced by women entrepreneurs is occupational mobility glitches. Occupational mobility, i.e., shifting from one product line to another, is considered by women entrepreneurs as disadvantageous. Taking a chance to venture on their own is considered a risky proposition which can be indulged by the family members once but not again if a woman entrepreneur wants to be more adventurous in her ventures. Women are also financially at a disadvantage to innovate into a second product line. Many women have to borrow from the men in their lives to start up the first venture. However, money for a second venture is often not as likely to be forthcoming from the same source.

Many women entrepreneurs have to experience the troubling “assistance” of support agencies. Harassment in government departments, indifferent and discriminating attitude of officials of all small-scale industry related departments, such as taxation, labour, power, etc., are some of the problems that women entrepreneurs have to deal with.

## **2. Statistical invisibility**

Most countries do not collect statistics on the sex composition of business owners or operators. Indeed, statisticians would argue that such statistics are methodologically problematic because many businesses have multiple owners and operators, some of whom might be men and some women. In the Asia-Pacific region, for example, only Australia currently undertakes a survey of entrepreneurs (who are defined as individuals and therefore are either female or male), while the Philippines is planning to collect data on the sex composition of business operators. However, in the absence of some kind of statistical base, policymakers, bankers and others tend to assume that all businesses are owned and/or operated by men or, to a similar effect that businesses owned or operated by women are no different from those of men. This is not so. Although few general statistics on the sex composition of business owners and operators are available, a number of comparative studies of women-owned and men-owned or operated businesses show quite distinct differences. Such differences suggest different needs, and show that in order to make good policy it is essential to make women’s businesses visible in terms of numbers, their share of businesses and distinct characteristics.

Comparative studies have also shown that women entrepreneurs tend to operate in different subsectors than men. They are also likely to be concentrated in specific subsectors. Sectors or subsectors that are dominated by women entrepreneurs tend to receive little attention from policymakers who, when they do consider SMEs, are more likely to associate SMEs with manufacturing and to focus on programmes such as forward and backward linkages that are more relevant to manufacturing SMEs. Regional trade organizations are much more likely to consider liberalizing trade in subsectors where the main beneficiaries will be businessmen, and to negotiate cross-border and other problems that affect sectors and industries dominated by men.