Framework for Understanding Women Entrepreneurs’ Financial Access and Usage Constraints

Business environment constraints to the Financial Inclusion of Women Entrepreneurs

Women entrepreneurs and their enterprises can face diverse demand, supply and enabling environment constraints to their financial access and usage.¹ Some of the constraints can be direct/financial – e.g. insufficient supply of financial products to meet their needs, while others can be indirect/non-financial i.e. not related to the financial product or institution and its processes, but rather the wider business environment/enabling environment.²

The business environment refers to the policy, legal, institutional, and regulatory conditions that govern business activities, at various levels i.e. the regional, national, subnational or sectoral level. To understand and address the financial inclusion constraints of women entrepreneurs it is useful to consider that constraints may occur in one or more components of the business environment, namely:

- **The Policy and Legal Framework** - The policies, laws and regulations that affect business. For example, do they have a differential impact on enterprises led or managed by women versus men; are socio-cultural norms codified into law; do they address barriers that are either uniquely experienced by women or men, or where they face greater vulnerability due to their role, social norms and customary law and practices in society?

- **The Regulatory and Administrative Framework** – The ways in which policies, laws and regulations are enforced and managed. For example, are they are enforced and managed the same way for both women and men entrepreneurs and does customary law and practice influence their implementation?

- **The Institutional Framework** - The ways in which government and business represent themselves and communicate with each other. For example, do women participate in government agencies, regulatory authorities, and business membership organisations and is a diverse gender perspective is represented from each group during stakeholder consultation?³

At the same time, constraints that influence women entrepreneur’s financial inclusion can occur within different parts of the business environment that influence how enterprises operate, e.g. the registration and licensing of businesses. The Donor Committee for Enterprise Development (DCED) categorise these into nine functional parts (see figure 1). For example, the lack of land or property rights for women, or the ineffective implementation of gender equitable laws on land and property ownership in the registration process due to customary law or discrimination by officials undertaking the process, may mean that women entrepreneurs lack land or property to use as collateral to access credit.

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¹ UNCDF, Dalberg & BMGF, 2017.
² IFC, 2014.
While all entrepreneurs can face constraints in all of these various dimensions of the business environment, which will have implications for their access and usage of financial services, women entrepreneurs can face additional barriers. These may be gender-specific barriers – that uniquely negatively impact their enterprises. These norms include the unpaid care responsibilities and time poverty, safety considerations and violence against women, mobility restrictions, as well as general views on the types of economic entrepreneurship activity cultural acceptable for women. Moreover, these constraints can also impact women entrepreneurs in different ways based on the heterogeneity of this group.

**Figure 1: The business environment reform (BER)**

Women Entrepreneurs – A Diverse Segment

Women entrepreneurs are a diverse customer segment. They face a range of financial and business environment challenges across the **life cycle of their business** from assessment (pre-start up) to growth and maturity stage, which can influence their access and usage of financial and digital finance services. Notably many non-financial business environment constraints occur at the assessment and start up stage of enterprises. Related to the life cycle of the business, there are constraints associated with the **size of the enterprise** and its **level of formality**. These financial inclusion constraints may differ based not only on the lifecycle stage of a women entrepreneur’s business, but also on her **individual life cycle stage** (e.g. pre- or post-children, widowhood) among other factors. For instance, their life cycle stage can have a bearing on a women’s motivations for their enterprise creation and ambitions to scale their business due to unpaid caring responsibilities. There are also **sector** differences in financial and non-financial barriers within the business environment with implications for the financial needs and constraints of women-owned and led businesses. As such, the needs and constraints for women owned and led MSMEs will differ by **economic sector**. Notably there can be differences in constraints and enablers based on **geography** – such as those in an urban or rural geographic context. The clustering of women’s enterprises, for instance in specific economic sectors, size of enterprises, is often an expression and reflection of the convergence of these various constraints that form the conditions which these women owned enterprises operate. This can be demonstrated in Figure 2:

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4 IFC, 2014.
5 UNCDF, Dalberg and BMGF, 2017.
The value of customer-centric market research on different types of women-entrepreneurs

In this context, to advance the financial access and usage of diverse groups of women entrepreneurs, it is essential to conduct market research to gain granular level insights into the demand-side constraints to their financial inclusion, as well as their financial risks and digital finance and technology needs. These insights can lead to actions to enable private sector solutions to address bottlenecks in the business environment and supply of financial services so ensure these customer segments can be more effectively served. When they do so, this can contribute towards enabling women entrepreneurs to start up and grow their business. This can catalyse women’s entrepreneurship and contribute to the sustainable development goal five – gender equality and women’s economic empowerment.

The following country-specific context information, research gaps and guiding illustrative research questions have been identified to inform submissions for Research Challenge.

BANGLADESH

In Bangladesh women-led enterprises/ MSMEs are defined based on firm’s ownership structure where at least 51 per cent of the ownership of partnerships and private limited companies belong to women shareholder(s). If a woman owns a sole proprietorship enterprise, it is considered a women-led enterprise. The majority of the country’s businesses are Cottage Micro Small and Medium Sized Enterprises and operate informally. Only 7.2 per cent of enterprises (formal and informal) are owned by women. Only 1.7 per cent of formal enterprises have female-majority ownership. In terms of a sector wise distribution, there is a concentration of women entrepreneurs in a few sectors – mostly in the wholesale and retail trade of textiles (23.8 per cent) and conversely, agricultural and food services sectors show the lowest concentration of women owed SMEs. This corresponds to earlier

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6 World Bank, 2019a.
7 World Bank, 2019a.
This suggests that future research on women entrepreneurs financial access and usage could benefit from taking a sector-lens in their demand-side analysis.

There are up-to-date broad base analysis of the constraints facing women entrepreneurs in terms of financial inclusion from the IFC\textsuperscript{10} and the World Bank.\textsuperscript{11} The recent World Bank report on the topic of women’s empowerment in the country refers to these as the role of patriarchy and purdah; the double burden and time poverty; limited financial and business knowledge; lack of formal documents; inadequate credit; weak access to networks and markets; and poor implementation and negative attitudes of financial institutions.\textsuperscript{12} Additionally regarding digital financial services, GSMA reports that Bangladesh has the second widest gender gap in mobile ownership, at 33 per cent, with 58 per cent of women versus 86 per cent of men owning a device, compounded by women having poor relative levels of digital literacy.\textsuperscript{13}

There is some evidence to suggest women disproportionately operate informally due to harassment issues in the process of registering their business.\textsuperscript{14} However, there is a scope for more detailed research to understand the constraints to formalisation for women entrepreneurs in general. Furthermore, given the significant concentration of women entrepreneurs in the wholesale and retail trade, it may be beneficial to understand the constraints specific to this economic sector of women micro entrepreneurs.

Despite many initiatives to enhance access to credit for women entrepreneurs, in a context where women face cultural constraints related to land and property ownership and registration, they have low levels of uptake of existing credit support initiatives. This is in part deemed to be due to the high levels of informality of women’s businesses. As such there is a gap in research in exploring the constraints women entrepreneurs specifically face in accessing women-focused credit schemes available.

\textbf{CAMBODIA}

The government of Cambodian collects sex-disaggregated data on the registered and unregistered number of enterprises in the country. Based on 2014 data, women own the majority of businesses in Cambodia at 61 per cent – yet most of these businesses remain in the informal sector.\textsuperscript{15} The lower levels of registered women’s enterprises suggests additional barriers faced by women to formalise their enterprise in the country, which need to be further understood and addressed. Women’s enterprises are concentrated in the micro sector. They own 62 per cent of micro enterprises and 26 per cent of SMEs, which indicates that many micro enterprises face barriers to scale beyond the micro level. Women’s enterprises are concentrated in four sectors, which account for 97 per cent of all women-owned businesses in the country: wholesale and retail trade and services (66 per cent), accommodation and food (17 per cent), manufacturing (10 per cent), and other services (4 per cent).\textsuperscript{16}

There is recent research on women’s entrepreneurship in Cambodia by the IFC, which in 2019 explored the financial and non-financial constraints faced in particular by women-owned SMEs that

\begin{itemize}
  \item \textsuperscript{8} Ul-Huq, 2013.
  \item \textsuperscript{9} World Bank, 2019.
  \item \textsuperscript{10} IFC & Canada, 2016.
  \item \textsuperscript{11} World Bank, 2019 a,b,c.
  \item \textsuperscript{12} World Bank, 2019b.
  \item \textsuperscript{13} GSMA, 2020.
  \item \textsuperscript{14} DCED, 2016.
  \item \textsuperscript{15} NIS, 2013; 2015.
  \item \textsuperscript{16} IFC, 2019.
\end{itemize}
can be addressed at policy, financial sector, and market levels.\textsuperscript{17} A diverse range of supply, demand and enabling business environment constraints for women-enterprises in general are highlighted by the report. Moreover, ESCAP has recently produced a brief on women-owned micro, small and medium enterprises (WMSMEs) affected by the COVID-19 pandemic in the country, which further elaborates on various constraints including business registration and the possession of collateral to access credit.\textsuperscript{18}

Existing research highlights an identified role for fintech and information and communications technology (ICT) solutions, including social media, to help overcome multiple barriers faced by women-owned SMEs.\textsuperscript{19} This is in a context where marginally more women (46 per cent) than men (41 per cent) use either a computer or mobile for conducting their business.\textsuperscript{20} There is the opportunity for further research to identify the business support and financing needs for women in the retail and wholesale value chains. This includes how technology can be leveraged to support the process of formalisation and promote the greater use of e-commerce and digital merchant payments channels, which will further support the creation of financial transaction records needed for credit access. As part of this, there is the opportunity to understand women entrepreneurs specific financial and digital literacy competency building related to digital payments within the retail and wholesale sector.

**FIJI**

Based on World Bank Enterprise Survey data from 2009, approximately half of enterprises in Fiji have female participation in ownership at 49.1 per cent, but no data was available on women’s ownership.\textsuperscript{21} According to more recent figures from the Asian Development Bank (ADB), only 19 per cent of registered businesses and companies in Fiji are listed in women’s names. This is in a wider context where women constitute just 34 per cent of the formal workforce. Indeed, a significant proportion of Fiji’s economic activity occurs in the informal sector – estimated at 85 per cent. Most of women’s business are informal and in the economic sectors of small-scale fishing and fish processing, food production, agriculture, hospitality, tourism, and handicrafts.\textsuperscript{22}

Reports from the ADB and Asia Foundation published in 2018 provide the most up to date insights into the constraints facing women-entrepreneurs in general. Examples include: unstable markets and lack of access to markets, the business formalisation process for those outside urban centres, collateral to secure access to credit, and the weather conditions including disaster and business interruption risks.

There is research on the factors influencing the intention to use mobile value-added services by women-owned microenterprises, which highlights the importance of social norms and social organizations/networks for advancement of technology adoption.\textsuperscript{23} But there is a research gap in terms of a deeper exploration of the direct and indirect digital financial inclusion constraints for women entrepreneurs, and potential for innovative insurance solutions, such as meso-level climate risk insurance through associations of women entrepreneurs, to address the significant climate risks faced.\textsuperscript{24} Further to this there are calls to create an entrepreneurial hub for women operating in the informal economy to provide them with access to information, skills, finance, and market opportunities and incentivise formalisation. There is also an identified need to explore the

\textsuperscript{17} IFC, 2019.
\textsuperscript{18} ESCAP & GAC, 2020.
\textsuperscript{19} IFC, 2019; ESCAP & GAC, 2020.
\textsuperscript{20} IFC, 2019.
\textsuperscript{22} ADB, 2018.
\textsuperscript{23} Sathye, Prasad, Sharma, Sharma & Saythe, 2018.
\textsuperscript{24} InsuResilience, 2018, 2019.
opportunities for alternative forms of credit scoring and approaches to enhance access credit through using alternative forms of collateral such as contracts, given the context where customary land is communally owned and individual allotments are typically in the names of male family members.25

NEPAL
There are approximately 1.9 million MSMEs in Nepal,26 the majority of which are owned by men. Data on women’s full or partial ownership in MSME ownership is limited and there are varying estimates ranging from 1.2 per cent27 of MSMEs to 18 per cent based on SME Finance Forum estimates.28 World Bank Enterprise survey data from 2013 indicated that 11.7 per cent of firms have majority female ownership.29 Similarly, a Women SME Banking Diagnostic in 2014, estimated that 12.8 per cent of SMEs are fully or partially owned by women entrepreneurs.30 More recent data indicates that less than 10 per cent of new limited liability companies (LLCs) established in 2016 were female.31 This is in a wider context where compared to other South Asian countries, Nepal has high rates of female labour force participation at 85.4 per cent, with the majority within the agricultural sector.32 Within Nepal the majority of enterprises are in the micro category with women owning 17 per cent of micro enterprises and 21 per cent of SMEs.33

There is not a comprehensive breakdown on sectors that women’s enterprises are focused. A demand-side study undertaken for the Sakchyam Access to Finance Programme in 201834 found that the majority of MSMEs operated by females were in the service sector (69 per cent), followed by agriculture sector (10 per cent).35 There is scope for further research to understand the sector profile of women entrepreneurs in Nepal.

Most women’s enterprises operated within the informal economy. In 2017, the ILO undertook a survey on sustainable enterprises in Nepal and found that women outnumbered men in the informal sector.36 Other data suggests that only 5.4 per cent of women-owned enterprises are registered compared to 47.1 per cent of enterprises owned by men.37 But there are concerns that businesses registered under women’s ownership are run by male family members of the family.

There is limited publicly available gender analysis on which to draw insights related to women entrepreneur’s financial risks and needs in general or within specific segments.38 Moreover, there is an absence of a comprehensive study on the financial and non-financial constraints facing women entrepreneurs in their access and usage of (digital) finance in Nepal. Yet existing literature does indicate some of the constraints which may influence women’s entrepreneurs with implications for financial access and usage, but this is not comprehensive, or up-to-date and nor does it consider women entrepreneurs access to and needs related to digital financial services. Furthermore, another

26 Finmark Trust, 2014.
28 ESCAP (Madan), 2020.
29 https://www.enterprisesurveys.org/en/data/exploreeconomies/2013/nepal#gender
30 There are an estimated 111,442 operational SMEs, of this 14,291 (12.8%) are fully or partially owned by women entrepreneurs.
31 Meunier, Krylova & Ramalho, 2017.
33 ESCAP (Madan), 2020.
34 https://sakchyam.com.np/
35 Beed Management, 2018.
38 Finmark Trust, 2015.
business environment challenge facing women entrepreneurs in the Nepalese context is disaster risk, for example due to earthquakes, and there is an absence of research on the demand or supply side potential for innovative financing to address women entrepreneurs’ business continuity needs and financial resilience building in the face of such disasters.

SAMOA
A 2014 nationwide study found that of all businesses at the village level in rural Samoa 34 per cent were owned by women, but the ADB’s research has indicated a much higher proportion of female business activity than captured by the census. During the last World Bank Enterprise survey in 2009, more than three quarters of enterprises (79.8 per cent) had women’s participation in ownership and no data was collected on women’s ownership. More recently, a snapshot of the number of new limited liability companies found 59 were owned by women compared to 101 owned by men in 2016. This is in a wider context of low economic participation by women more generally at only 29 per cent. Sex-disaggregated data is not collected by the Ministry of Revenue on the licenses it issues. But the ADB reports that there is evidence to suggest that women are mainly engaged in retail and tourism in the informal sector. A specific characteristic of women’s enterprises is that they are home based as women find it difficult to access land to operate businesses. There is a recognised need for better data on women’s informal and formal entrepreneurship.

The ADB provide an overview of constraints facing women entrepreneurs including access to business development services given geographic constraints, demand-side reluctance for business formalisation despite a quick and efficient business registration process, lengthy business licensing processes, and challenges to access credit because of a lack of credit history despite the introduction of the securities registry. Moreover, commercial banks and other financial institutions do not collect sex-disaggregated data on product and service utilization. Recommendations include: to encourage the collecting of this data, facilitate the collective acquisition of disaster insurance for women in micro and small businesses given the climate risks faced by the country, incentivise institutions to collect data to allow for alternative forms of credit assessment of women, and establish business advisory services to support women who are in the informal economy to transition to the formal sector.

VIET NAM
The Viet Nam General Statistics Office data suggests that women own 95,906 or about 21 per cent of formal enterprises based on its 2014 GSO enterprise census. Similarly, based on 2015 World Bank enterprise survey data the number of enterprises with majority of women’s ownership stands at 19.3 per cent. There is no formal definition for women owned SMEs in Viet Nam, although creating one has been a subject of policy debate. The gender of the top manager is used by the General Statistics Office (GSO) of Viet Nam as a proxy (i.e., enterprises managed by a woman are considered to be women-owned). Most of women-owned enterprises are classified as microenterprises at 57 per cent, while 42 per cent are SMEs and only 1 per cent are large. The latest GSO data reports that the sectors with the highest concentration of women entrepreneur’s retail and wholesale trade at 55 per cent and manufacturing at 15 per cent.

41 Meunier, Krylova, Ramalho, 2017.
42 ADB, 2018.
43 ADB, 2018.
44 ADB, 2018.
45 IFC, 2017.
46 https://www.enterprisesurveys.org/en/data/exploreeconomies/2015/vietnam#gender
47 IFC, 2017.
48 IFC, 2017.
There most recent market study on women’s entrepreneurship in Viet Nam is from 2017 by the IFC and partners, which addresses financial barriers and needs, and supply of finance. The focus was on SMEs rather than micro enterprises. The report is the result of a demand survey based on individual tablet-based interviews of 500 business owners or top managers, consisting of 322 women-owned and 178 men-owned businesses. The IFC study found that despite a generally gender equitable business environment, there remain gender differences in credit access, with 37 per cent of women-owned SMEs having accessed bank loans in the past two years, compared to 47 per cent of male business owners. Moreover, women receive less than what they asked for, and lower amounts than men and that the financing gap is estimated at USD 1.19 billion for women-owned SMEs. To complement this existing research, there is an opportunity to explore in greater depth the situation for women micro entrepreneurs in terms of their role and constraints within retail and wholesale value chains.

There is an acknowledged need to strengthen non-financial services for women-owned SMEs that could be provided in advance or in parallel to access to finance, which could address identified constraints including their lack of access to financing, information, skills and new markets. There is the opportunity to further explore the financial and non-financial needs for these services particularly in the economic sectors with the highest concentration of women entrepreneurs, retail and wholesale trade. In a context where more women entrepreneurs at 37 per cent are using online and mobile banking than men at 32 per cent, and given the high levels of digital access and transition to the digital economy within Viet Nam, there is potential for research to explore the opportunities for FinTech to address their direct and indirect financial access and usage constraints facing women entrepreneurs.

RESEARCH TOPICS
When applicants are preparing their proposal, some potential thematic areas for research consideration include the following. Please note that these topics are for inspiration only and alternatives are strongly encouraged:

- Bankability of the micro and small women entrepreneurs in the informal and formal sector whose needs go beyond microfinance
- Financial resilience of women-owned enterprise in the face of business interruption (e.g. due to COVID-19, climate-change induced disasters, etc.)
- Formalization business registration and business development services
- Value chain financing for the retail and wholesale sector
- Digital merchant payments and creation of digital financial records to support access to credit
- Technology enabled alternative forms of credit assessment
- Alternative financing mechanisms
- Digitally delivered business development services

Example Research Questions (tentative examples):
- What are the business environment constraints for access to finance for different types of women entrepreneurs? Based on these findings, what are possible recommendations for private sector solutions to address these?

49 IFC, 2017.
50 IFC, 2017.
51 IFC, 2017.
52 World Bank, 2019; World Bank, 2020.
• What is the potential demand and considerations for financial and non-financial resilience building measures e.g. climate and disasters risks finance and insurance to support business continuity for women entrepreneurs to mitigate the effects of natural disasters? (e.g. in Bangladesh, Nepal, Samoa and Fiji)

• What are the demand-side needs for social commerce and innovative fintech solutions among women micro-entrepreneurs in the retail sector for social commerce and innovative fintech solutions to support their businesses growth, trade promotion and financial inclusion? (e.g. Cambodia, Viet Nam)
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