

**EVIDENCE REVIEW OF WOMEN-LED SMALL AND MEDIUM-SIZED ENTERPRISES
(SMEs) BEFORE, DURING, AND AFTER COVID-19: EXAMINING BARRIERS AND
OPPORTUNITIES**



Contributors



Cover Image: Labake Bode-Matthew poses for a picture with members of her staff outside her home which serves as her production facility in Lagos, Nigeria, on February 27, 2021.
Photo credit: Nyancho NwaNri

Authors:

Bill & Melinda Gates Foundation

Aishwarya Lakshmi Ratan
Diva Dhar

Leavey School of Business, Santa Clara University & Global Center for Gender Equality at Stanford University

Michael Kevane

Suggested Citation

Kevane, Michael, Lakshmi Ratan, Aishwarya and Dhar, Diva. (June 2021). "Evidence Review of Women-Led Small and Medium-Sized Enterprises (SMEs) before, during, and after COVID-19: Examining Barriers and Opportunities." Working Paper.

Acknowledgements

We thank Miki Khahn Doan (UC Davis) for her research assistance in the preparation of this paper, and Kathleen Beegle (World Bank), Markus Goldstein (World Bank), Morgan Hardy (NYU-Abu Dhabi), Krishna Jafa (Stanford Global Center for Gender Equality), Gisella Kagy (Vassar College), and Lucia Sanchez (Innovations for Poverty Action) for all their helpful inputs from ongoing and prior research. Morgan Hardy (NYU-Abu Dhabi), Gisella Kagy (Vassar College), Elizabeth Katz (Global Center for Gender Equality at Stanford University), Mayra Buvinic (Center for Global Development), Megan O'Donnell (Center for Global Development), Michael Walton (Harvard Kennedy School & IMAGO), and two colleagues from the Africa Gender Innovation Lab at the World Bank provided valuable critical feedback on an earlier draft, and we are grateful for their suggested improvements. All errors and omissions are our own.

© 2021, Evidence Review of Women-Led Small and Medium-Sized Enterprises (SMEs) before, during, and after COVID-19: Examining Barriers and Opportunities

Abstract

This paper reviews the literature on gender dimensions relevant to small and medium-sized enterprises (SMEs) and provides guidance on developing gender-responsive policies for SMEs as part of COVID-19 economic recovery plans. The economic and social impacts of the COVID-19 pandemic have exacerbated gender gaps among SMEs and may have undermined several decades of slow progress toward gender equality in SME performance. Historically, women-led SMEs are associated with lower average profits, smaller size, fewer employees, and possibly higher cost of obtaining firm social capital and engaging in relevant business networks. Structural and social drivers of these outcomes, such as gendered social norms, sectoral segregation, allocation of care work, women's mobility, patterns of unequal access to and distribution of assets (including time), skills, and behaviors may also limit the responsiveness of women-led SMEs to new gender-neutral policies and programs put in place to mitigate the global economic downturn caused by the pandemic. In this paper, we review the relevant literature to explain gender gaps in SME participation, growth, performance, and profitability, which have been exacerbated by COVID. We present a unifying conceptual framework to take stock of the core dimensions underlying gender differentials in participation in SMEs and subsequent performance. We also lay out policy recommendations in the wake of COVID-19 and suggest areas for evidence-based experimentation to guide gender-responsive policies and donor funding for SMEs.

Contents

Executive summary 5

Introduction..... 7

Stylized facts on women-led SMEs in LMICs..... 9

The COVID-19 downturn and women-led SMEs: effects and responses.....12

A framework for accounting for variation in gendering of SMEs..... 14

Empirical evidence on “what works” to tackle gendered SME constraints 17

 Dimension 1 (y-axis): improving women-led SME performance by lowering gendered differences in access to resources and agency to control resources (empowerment) 17

 Dimension 2 (x-axis): improving women-led SME performance by removing gendered differences in equality of opportunity through formal and informal institutional ‘rules’ 21

 Dimension 3 (z-axis): improving women-led SME performance by enabling gender neutrality in sectoral, industry, and market behaviors 23

Gendered dimensions of COVID-19 response policies and programs.....24

Takeaways and recommendations26

References28

Endnotes.....37

Acronyms & Key Terms

Acronyms

LMICs	Low- and middle-income countries
RCT	Randomized controlled trials
SMEs	Small and medium-sized enterprises

Key Terms

Entrepreneur	One who organizes, manages, and assumes the risks of a business or enterprise.
Microenterprise	A very small business that often consists of a single person entrepreneur using household labor or occasionally hired casual labor.
Sectoral segregation	The unequal distribution of workers across sectors based on demographic characteristics, most frequently gender.
Total factor productivity	The portion of output not explained by the amount of inputs used in production.

Figures

Fig 1: Firm closures across survey waves for four African countries, by gender

Fig 2: Three dimensions that affect gendering of small and medium enterprises (SMEs): individual and interpersonal level; systemic level; and market behavior

Executive summary

The COVID-19 pandemic has devastated communities and economies everywhere, but small and medium-sized enterprises (SMEs), typically firms (formal or semi-formal) that have crossed the ‘employment threshold’ with approximately five to 100 regular employees and accounts separated from the household, have faced steep challenges in coping compared to larger firms. Hampered by a sharp fall in sales and revenues, the inability to access adequate financial relief, and often the inability to transition to remote work, SMEs around the world have struggled to stay alive. A large-scale cross-country Facebook, World Bank, and OECD repeat cross-sectional study reported a 26 percent business closure rate among both male- and female-owned businesses globally in end-May 2020, and a 70 percent drop in revenue. In line with the accumulating evidence of COVID-19’s gender impacts globally, pre-existing gender gaps in SME participation, growth, performance, and profitability have widened, largely due to the concentration of women-led SMEs in sectors most affected by COVID-19 lockdowns, limited access to public support, and the increased care work that has been a critical feature of the current pandemic that has disproportionately fallen on women.

During the first year of the pandemic, women-led SMEs were on average more likely than men-led SMEs to shut down. Around the world, women-led firms are concentrated in consumer-facing sectors, including service, hospitality, and retail, where demand fell most sharply over the past year. And, in countries more severely affected by the pandemic, women’s firms were less likely to have access to public support—in India, for example, about 80 percent of women’s enterprises did not take any enterprise-related loans during the lockdown. These factors have led to serious consequences. In Africa, women-led SMEs were more likely than men-led SMEs to report zero income due to COVID-19; in Uganda specifically, 61 percent of female-led SMEs—compared to 22 percent of male-led SMEs—reported zero income for the same time period.

Even before the pandemic, there were clear gender gaps in SME participation, performance, and growth. Underrepresentation in ownership of larger enterprises within the SME spectrum is a major challenge: A 2019 study by researchers found that, across 40 European economies, only 29 percent of SME employers or owners were women. Women-led SMEs have consistently reported lower average profits and productivity than men-led SMEs, and another academic study in 2018 of 8,000 firms in Ethiopia estimated a 12 percent difference in levels of total factor productivity between female- and male-owned firms.

A host of gendered intrahousehold practices, social norms, sectoral characteristics, and policies also influences the performance of women-led SMEs, particularly in low- and middle-income countries (LMICs). Barriers include lower availability of collateral and restricted access to formal sector financial services, fewer training and educational opportunities, and less dense professional and social networks. Moreover, women perform the lion’s share of unpaid work that may impede the performance of their businesses, including childcare, household tasks such as cooking and cleaning, and elder care.

There is promising evidence that suggests investing in women entrepreneurs and levelling the playing field would yield meaningful outcomes for women-led SMEs, women’s economic empowerment, and gender equality. In addition, governments that utilize this opportunity to entrench gender equality in their SME policies and programs will likely achieve greater gains in poverty alleviation, inequality reduction, and innovative growth.

Women-led SMEs are critical community actors, especially in LMICs, providing employment opportunities and economic benefits. By addressing barriers to success, communities stand to see improvements in aggregate productivity, innovation, overall well-being, and increased relative wages of female workers. Interventions that seek to increase the sustainability and success of women-led SMEs must be designed holistically and take stock of the full range of structural challenges faced, including gendered social norms, sectoral segregation, allocation of care work, and women's lack of mobility.

Our paper provides a conceptual framework, evidence review, and policy analysis to guide governments as they seek to make their SME interventions during the economic recovery gender-intentional and gender-transformative. We lay out policy recommendations and suggest areas for evidence-based experimentation to guide gender-intentional policies and donor funding for SMEs.

Key takeaways and considerations for policymakers and donors to improve women-led SME performance

1. Lower barriers to obtaining and controlling resources. For example:
 - Improvement to women's control over the capital they access has emerged as a key differentiator in driving performance of women-led enterprises.
 - Business plan competitions are one promising approach to identifying and supporting the creation of women-led SMEs and providing them with affordable finance or grants.
 - Training programs that are psychology-based in their approach to skill-building have shown promising results in boosting the performance of women-led enterprises.
 - Interventions that offer targeted enterprise support services, including mentoring, in contrast to training entrepreneurs in various business or specialist skills directly, have seen positive results among women-led SMEs.
2. Remove gendered differences in equality of opportunity by changing formal and informal institutional rules. For example:
 - Updates to formal rules and legal barriers that constrain women's economic opportunities and choices promote women's work and entrepreneurship.
 - Certain gender attitudes in specific contexts might be more malleable to being updated based on information on actual norms.
 - Interventions that provide high-quality and affordable childcare options for women entrepreneurs can deliver improved returns to their enterprises.
3. Enable gender neutrality in sectoral, industry, and market behaviors. For example:
 - Interventions that address pre-existing market behaviors constraining women-led enterprises can boost women entrepreneurs' performance.
 - Support of women entrepreneurs to cross over into male-dominated sectors and industries through social network-based exposure and apprenticeship can significantly decrease the gender profit gap.

Introduction

Small and medium-sized enterprises (SMEs) in many countries are important in terms of providing significant employment opportunities and delivering goods and services (Ayyagari et al, 2007; Ayyagari et al, 2014; Page and Söderbom, 2015). Beck, Demirguc-Kunt et al (2005) estimate the share of manufacturing employment accounted for by SMEs in a large selection of countries around the world. They found that Argentina, for example, had 70 percent of manufacturing employment in SMEs, similar to levels in Indonesia (79 percent) and Vietnam (74 percent). For poorer countries, the shares were considerably lower, but still important: Ecuador (55 percent), Ghana (52 percent), Kenya (33 percent), Burundi (20 percent), Cameroon (20 percent), Côte d'Ivoire (19 percent), and Nigeria (17 percent). Many SMEs suffered a severe negative shock due to the COVID-19 pandemic and lockdown policy responses that started around March 2020. Adian et al (2020) estimate that, on average, the fraction of SMEs that had closed ranged from 40-90 percent of firms, as relatively few SMEs were able to transition to remote work or access temporary financing from the banking system.¹ Firms reported a mean reduction in sales of 49 percent compared with the previous year, though there was considerable variance across countries and sectors (Apedo-Amah et al, 2020).² The extent of the full downturn and speed of the recovery, once vaccines become widely available, is difficult to estimate, particularly given the resurgence of the virus in countries like Brazil and India in 2021.

Understanding the gendering of SMEs in low- and middle-income countries (LMICs) is particularly important in the context of the COVID-19 pandemic. Women-led SMEs were disproportionately affected and were more likely to close down across all regions during the first year of the pandemic (Facebook/OECD/World Bank, 2020), with important potential long-term implications for women's work and economic empowerment. There is growing literature on how a variety of gendered intrahousehold practices, social norms, sectoral characteristics, and policies influence the performance of women-led SMEs, particularly in LMIC economies.

Addressing barriers to women-led businesses holds many benefits—gains in aggregate productivity, innovation, overall well-being, and increased relative wages of female workers (Chiplunkar and Goldberg, 2021). Viewing SME experiences through a gender lens may especially help with COVID-19 crisis mitigation and recovery policies and programs, which are the object of public policy discussions among citizens, governments, and donors. These programs and policies are likely to continue to be debated and implemented through the end of 2021. The knowledge gained through close examination of the variety of economic responses around the world to the crisis may be valuable for longer-term discussions of effective policies and programs for accelerating inclusive growth. Conversely, ignoring the gender dimension to SME programs risks outcomes that are inefficient, inequitable, and a missed opportunity to establish a foundation for stronger and inclusive longer-term growth.

This paper offers guidance in thinking about the following situation. A country has seen a sharp downturn in economic activity due to the COVID-19 pandemic. The central bank and international financial institutions have indicated that the government will loosen financing constraints and

provide greater support for progressive pro-poor policies in order to recover more rapidly. Economists quite rightly fear a long-term recession, because once firms have shuttered and employees have been laid off, the costs of reorganization of business activity and rehiring workers can be a significant hurdle to recovery. In many countries, SMEs are significant employers, and SMEs were among the firms most negatively impacted by the crisis. Their operations often involved face-to-face activities—manufacturing spaces were crowded with little room for social distancing or remote work, businesses were in-person and customer oriented, and locations were in city centers that were locked down. Supporting SMEs is often politically popular: SME entrepreneurs are often active in politics and represent a voter category that may switch sides according to policy. Governments, then, must decide on the varieties of SME interventions, involving hundreds of millions of dollars. This paper provides a conceptual framework, evidence review, and policy analysis to guide governments in making their SME interventions during the economic recovery gender-intentional and gender-transformative. We argue that governments that utilize this opportunity to entrench gender equality in their SME policies and programs will see differential gains in poverty alleviation, inequality reduction, and innovative growth.

The paper proceeds as follows. The first section provides a set of stylized facts on participation and performance of women-led SMEs in LMICs. The next section locates women-led SMEs in the context of the COVID-19 downturn, discussing some of the gendered effects of the pandemic. We then present a simple conceptual framework to organize the three categories of constraints that may help explain the gendered performance gap in SMEs. The conceptual framework may be useful in informing policy responses to COVID-19. We then offer a review of empirical evaluative work where programs and policies that attempt to alleviate some of the gendered constraints across the three categories presented in the framework have been tested for their relative efficacy. The section that follows the evidence review appraises some of the many policy initiatives contemplated or initiated as responses to the COVID-19 economic downturn in the context of the conceptual framework and the evidence on what works (including evidence gaps). The final section suggests some preliminary policy perspectives and recommendations for action.

Stylized facts on women-led SMEs in LMICs

While there is no consistently used definition, SMEs may be thought of as small businesses that have crossed the ‘employment threshold.’ The threshold involves transitioning from being an informal household-based microenterprise with only a few casual employees to being structured as a small firm with regular employees and accounts separated from the household. For practical purposes, SMEs are often defined as enterprises with five or more employees, in order to distinguish them from microenterprises, which are often single person entrepreneurs using household labor or occasionally hired casual labor.³ The cutoff between SMEs and large enterprises is less consistent and less coherent: A 50-employee firm may be very similar to a 200-employee firm. In many countries, legal obligations in terms of employment practices, employee benefits, mandatory reporting obligations, and tax considerations are what effectively determine the threshold between SMEs and large firms. Generally, in the literature, SMEs are more likely to be somewhat formalized, at least in terms of keeping regular payroll, having written employment contracts, having a place of business and accounts largely separate from the household, and perhaps having undertaken some steps toward business registration.

The evidence suggests that even before the pandemic, there were clear gender gaps and differentials in participation, performance, and segregation in the SME sector. In addition, the literature points to underlying gender differences in access to financial, social, and human capital, which we summarize briefly in this section.

The literature points to sizeable gender gaps in terms of participation as an entrepreneur or employer in SMEs in LMICs and developed countries. For example, Cuberes, Priyanka, and Teignier (2019) find only 29 percent of employers or owners of enterprises were women across 40 European economies. While the evidence from LMICs is less consistent, less comprehensive, and less representative, given a variety of definitions for SMEs, the disparities are similar. For example, approximately only one in four SMEs in Nigeria is operated by women (SMEDAN and NBS, 2017). Moreover, a large-scale survey administered across Bangladesh, Ethiopia, Indonesia, and Sri Lanka finds only one in five non-farm enterprises is owned by women (Costa and Rijkers, 2012).

Both rigorous analyses and anecdotal descriptions over the past few decades have consistently found that women-led SMEs have differed from men-led SMEs on certain performance measures. For some measures, the mean levels have differed; for other measures, the entire distribution of levels appears to be shifted or skewed. Women-led SMEs have consistently reported lower average profits and lower productivity than men-led SMEs (Campos and Gassier, 2017; World Bank, 2019; Bardasi, Sabarwal, and Terrell, 2011; Sabarwal and Terrell, 2008; Hardy and Kagy, 2018). For example, in their analysis of a survey of 8,000 firms in Ethiopia, Essers, Megersa, and Sanfilippo (2018) estimated a 12 percent difference in levels of total factor productivity between female- and male-owned firms. The full distributions of profits and productivity also appeared to differ by gender. In particular, indicators for women-led SMEs appeared to be skewed leftwards: There were more low performers and fewer high performers in terms of profits and productivity. Finally, in keeping with the skewed distributions of profits and productivity, over time, women-led enterprises have been more likely to

fail and less likely to grow rapidly.⁴ The costs of expanding businesses, conditional on entry, are also substantially higher for women compared to men (Chiplunkar and Goldberg, 2021). Possible explanations for this phenomenon will be discussed below.⁵

Another key finding across numerous studies is that while women-led and men-led SMEs often intersect, there has been considerable sectoral segregation (Bardasi, Sabarwal, and Terrell, 2011). For example, Nigerian women-led firms appear to be much more prevalent in the health, accommodation, food services, administrative, and “other” service sectors, while there were few in the construction, transport, and agriculture sectors (SMEDAN and NBS, 2017). In Ghana, the fabrication and repairs sectors were largely male dominated, while women dominated the agro-industrial and services sectors (Asare, Akuffo-Bea, Quaye, and Atta-Antwi, 2015). These gendered sectoral concentrations appear also to have been similar across countries. SMEs in the construction sector have most often been led by men, while women have been much more likely to be represented in personal services, health care, pre-primary education, food preparation, and tailoring.

Lower participation, performance, and profits for women-led SMEs may arise from their lower wealth and access to capital when compared to their male counterparts. It is important to note there are significant endogeneity and identification challenges in determining the role of gender in these areas, and the evidence base is mixed.⁶ For example, using the World Bank Enterprise survey, Bardasi, Sabarwal, and Terrell (2011) find that female-owned firms are as likely as their male-owned counterparts to obtain a loan in all the three regions in their global dataset, suggesting no gender-based discrimination in access to credit among formal enterprises in many LMICs. However, audit and correspondence experiments in Turkey suggest gender discriminatory evaluations of loan applications (Alibhai, Aletheia, Goldstein, Ahmet Oguz, Pankov, and Strobbe, 2019) or the necessity of more onerous terms such as third-party guarantors for female applicants even when approval rates were equal (Brock and De Haas, 2021).

Less studied are gender differences in firm social capital. Three forms of capital are often regarded as likely drivers of firm performance—relationship capital with employees,⁷ suppliers, and customers. These forms of firm-level social capital have long been considered key ingredients in firm success (Berrou and Combarous, 2012; Laird, 2006; Nguyen and Nordman, 2018). Some sources suggest that women-led firms have had less extensive and valuable capital relating to both the supplier network and the customer network (De Klerk and Verreynne, 2017; Fang, Zhang, and Shaw, 2020; Rasdi, Garavan, and Ismail, 2013). Men have dominated local business associations where business owners and managers deliberately foster their networks, such as Rotary Clubs and Chambers of Commerce. It is, however, important to note that systematic measurement of differential relationships and network capital appears to be scarce (Walther, Tenikue, and Trémolières, 2019).

Finally, gender norms and roles may serve as deeper drivers underlying some of the observed variation in women-led SME presence and performance. Women are often tasked with additional burdens that may impede the performance of their SMEs, such as childcare, household tasks such as cooking and cleaning, elder care, maintaining social networks, and other forms of unpaid labor (Xheneti, Karki, and Madden, 2019). For example, in Uganda, where 84 percent of all working women are self-employed, and most women are mothers, Delecourt and Fitzpatrick (2021) found that 38

percent of female owners of pharmacies brought their small children to work compared to zero percent of men. They document an associated ‘baby profit gap’ of 45 percent. However, potentially due to norms, female entrepreneurs often have one advantage: Hiring female workers, who are relatively lower-cost, may be relatively easier for them (Chiplunkar and Goldberg, 2021).

A major impediment in this research program is the lack of disaggregated data for SMEs by gender of owner or manager. Especially when it comes to SMEs, ownership structures can be complex enough to allow for different categorizations of female- or male-led. In some cases, it may also be difficult to assign a “gender” to a firm. Several initiatives have been taken to induce financial institutions and financial regulators to adopt a “WE Finance Code” that commits them to standardized disaggregated data reporting (Pailhé, 2018).

The COVID-19 downturn and women-led SMEs: effects and responses

There is growing evidence that women-led SMEs have been hit harder by the pandemic in terms of closures, sales, profits, liquidity, and growth. They have also used different coping strategies and mechanisms to deal with the crisis. This section summarizes the key findings in the gender dimensions of the pandemic’s effect on SMEs.

Much data has shown that women-led businesses were more likely to report closures than those of their male counterparts across all world regions. A large-scale cross-country Facebook, World Bank, and OECD repeat cross-sectional study reported a 26 percent business closure rate among both male- and female-owned businesses globally at the end of May 2020.⁸ Female-owned businesses were about six percentage points more likely to close their business temporarily than male-owned businesses in the first round, and 3.4 percentage points more likely to have closed in the following survey round, a month later. Even women-owned enterprises that were previously on a high-growth trajectory were reporting widespread closures. Figure 1 shows the breakdown of firm closure across survey waves for four African countries. Results were similar in other countries. In India, over a third of women entrepreneurs surveyed in four states had shut down their business either temporarily or permanently (Bargotra et al, May 2021). Half of the respondents who reported permanent closure of their business also reported that they were unlikely to restart a business again (ibid).

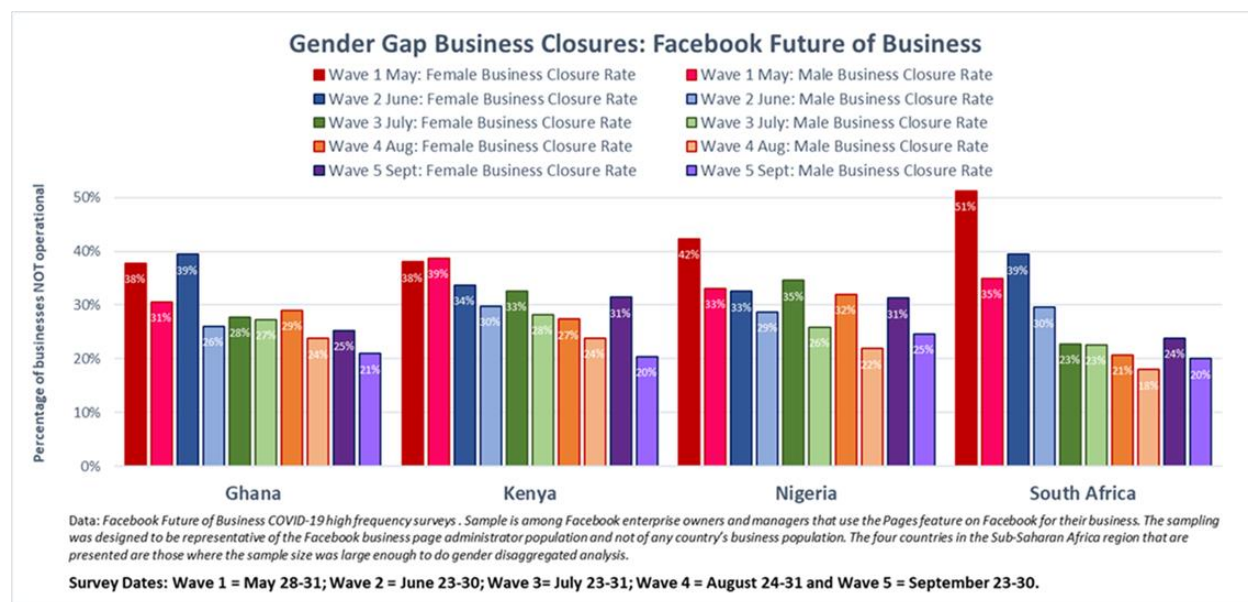


Figure 1: Firm closures across survey waves for four African countries, by gender

Women-led SMEs in Africa were more likely to have reported zero income as a result of the pandemic based on Finmark COVID-19 Tracker’s Africa data (Tizora, 2020). For example, in Uganda, 61 percent of female-led SMEs—compared to 22 percent of male-led SMEs—reported not making any income.⁹ Many Ethiopian firms reported zero or exceptionally low revenues in the month prior to surveys in August–September 2020 despite being open for business (Abebe, Bundervoet, and Wieser, 2020;

Bundervoet, Abebe, and Wieser, 2020a, 2020b; Ebrahim et al, 2020). Women-led enterprises in India, predominantly in the informal sector, reported an average drop of 73 percent in revenue between pre-lockdown and the time of the survey in July 2020 regardless of the nature of enterprise (Narasimhan et al, 2020).

Data from 52 countries, mostly LMICs, confirms the higher drop in sales for women-led microenterprises, and such businesses also reported less cash available and a higher probability of falling in arrears (Torres et al, 2021). Based on data from Ethiopia, women-led micro-businesses experienced a higher drop in sales (Abebe, Bundervoet, and Wieser, 2020). They subsequently experienced a large drop of 50 percent in profit and an acceleration of losses: Losses jumped from ETB 786 in April 2020 to ETB 6,000 in June 2020 (Abebe, Bundervoet, and Wieser, 2020; Bundervoet, Abebe, and Wieser, 2020a, 2020b; Ebrahim et al, 2020). We include these data points on women-led microenterprises in this paper to note that aside from existing SMEs failing, the pipeline of women-led microenterprises that might lead to women-led SMEs over time is failing more acutely.

Globally, women-led SMEs were concentrated in consumer-facing sectors (services, hospitality, and retail trade) where the demand shock hit hardest (e.g., education and childcare services, wellness, personal grooming, and sports and fitness services) (Facebook/OECD/World Bank, 2020). While men and women-led SMEs were concentrated and equally common in the low-margin retail sector, women entrepreneurs operated in certain service sectors that were more affected by lockdowns. For example, women-led businesses in the hospitality industry (hotels and restaurants) were significantly more likely to report supply shocks (82 percent among women-led businesses versus 74 percent among men-led businesses) (Torres et al, 2021). Women-led SMEs in Ethiopia were more engaged in trade, tourism, and hospitality sectors that were considered more immediate-risk industries for business disruptions due to the pandemic (Abebe, Bundervoet, and Wieser, 2020; Bundervoet, Abebe, and Wieser, 2020a, 2020b; Ebrahim et al, 2020).

In the countries more severely affected by the pandemic, women-led firms were also less likely to get access to public support especially among micro-firms and businesses in services (other than retail). About 80 percent of women's enterprises in India did not take any enterprise-related loans during the lockdown. About half of enterprises surveyed mentioned a reduction in time spent on business activities. Increased care work during COVID-19 was an important constraining factor. Many women leaders of SMEs reported spending more than six hours a day on domestic tasks or family care activities (about seven to eight percentage points more than men-led firms, in South Asia and Sub-Saharan Africa).

A framework for accounting for variation in gendering of SMEs

The differential impact of negative shocks, apparently the case in COVID-19, illustrates the urgent need for robust gender-lensed theoretical frameworks about SMEs. Addressing the question of why women-led firms may have declined more than men-led firms is a key diagnostic in determining the nature and scale of appropriate policy responses to the pandemic.

We provide, in Figure 2, a graphic that summarizes three dimensions that are important for conceptualizing how gender shapes SME participation and performance. The graphic builds on the Gender at Work framework presented in Cornwall (2016) and locates particular SME experiences in terms of:

1. Gender equality at the *individual and interpersonal level* including endowments and bargaining power (addressing questions such as: What assets do women own? Who takes care of children?) (y-axis);
2. Gender equality at the *systemic level* reflecting both informal and formal ‘rules’ that guide social interaction, including in business but also markets more broadly (x-axis); and
3. Gender equality in *market behavior*, in terms of the gendering of the many sectors and markets that constitute an economy through patterns of preferences and habits that persist over time (addressing questions such as: What do women buy? How do men shop? Which gender “makes” which kinds of quality goods?) (z-axis).

The dimensions measured along the horizontal and vertical axes may be thought of as broad generalizations about the relevant social context, while the diagonal controls are related to sectoral and organizational variation by gender in particular markets.

The vertical y-axis captures the degree of gender equality in terms of access to resources and opportunities, as entitled through what might be called the individual and interpersonal level of social structures. Differential individual-level access to capital and education are often patterns that emerge from the decentralized choices of individuals, though they are grounded in systemic discrimination of the past. Thus, many social groups in the past treated women as legal minors under the tutelage of their husbands. Even as those laws and norms were eroded, the legacy of men having more assets under their control has persisted in many societies. Access to resources is often mediated through household structures (and thus is determined in part by prevailing laws and norms). In many societies, age differences at marriage, an important determinant of decision-making power within households, has been declining. Social expectations of high fertility and inequality in childcare likewise are changing, enabling women to accumulate more business experience and skills. More equal division of joint household assets and steadily increasing educational attainment permit women entrepreneurs to access their own resources as well as those accumulated and inherited from previous generations.

The horizontal x-axis captures the degree of systemic-level gender equality in law, policy, and social norms that are relevant to SMEs. Many states have ratified the Convention on the Elimination of All

Forms of Discrimination Against Women (CEDAW) and have been on paths to provide for formal gender neutrality before the law and in government policy, including for establishing businesses (Goltz, Buche, and Pathak, 2015; Shoma, 2019). Some states have formal policies to redress legacies of formal discrimination. At the level of social norms, more and more social groups have fewer objections to statements that a woman can be employed outside the home or operate a business without any formal involvement from her husband. Kenny and Patel (2017) found that for the World Values Survey, “unweighted results suggest that the average country has moved about one tenth of a standard deviation over the course of about a decade toward believing when jobs are scarce women have equal rights to a job as do men.”

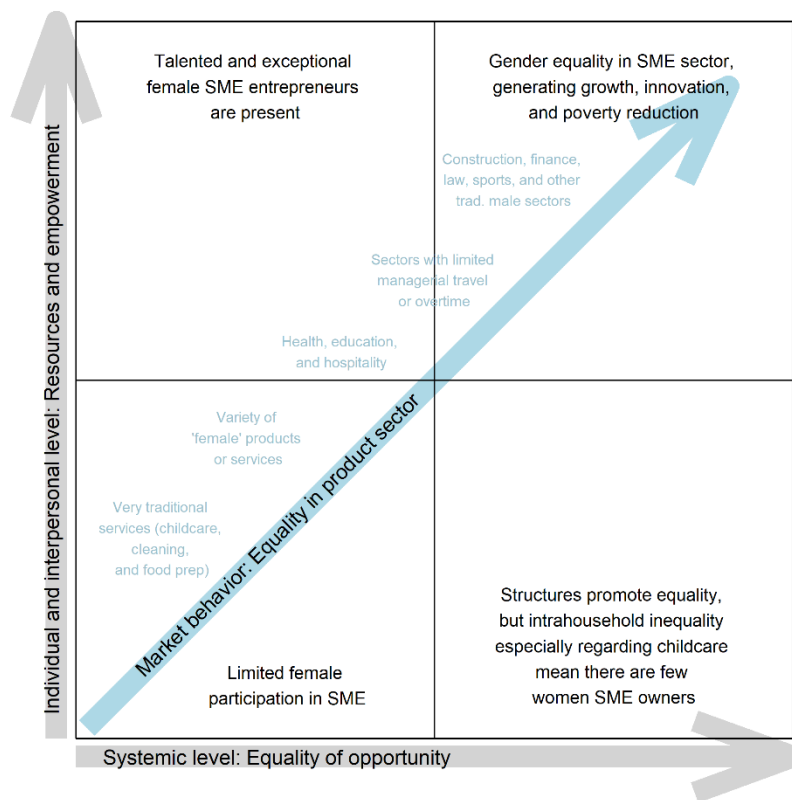


Figure 2: Three dimensions that affect gendering of small and medium-sized enterprises (SMEs): individual and interpersonal level; systemic level; and market behavior

The diagonal z-axis, represented in light blue in Figure 2, reminds analysts that market behaviors may be as important as broad social structures that define what is permissible and what is feasible. Even in societies with high measures of gender equality, both in terms of formal laws and access to resources, highly gendered structures persist in markets, particularly through sectoral and occupational segregation. The gendering of tasks and occupations in the retail vegetable sector may be quite different from that of the construction sector. Much recent research on gender inequality and discrimination in the United States and Europe, for example, highlights how much variation

exists across sectors and the extent to which current gender wage gaps are driven by sectoral effects (Blau and Kahn, 2017). Many sectors have developed institutions for transacting and working that are largely incompatible with persisting gendered childcare norms, even in low fertility countries (Bertrand, 2017). As Goldin (2020) put it, sometimes sectors feature a “temporal flexibility premium” (or tax) created by rigid career ladders, advancement structured via competitions, and expectations of overtime commitment to firms, as well as privileging the “gate keeping” authority of preexisting networks that for historical reasons are male-dominated (Goldin, 2020). These sectoral characteristics complement and interact with occupational gender structures: Sales agents, factory managers, and computer technicians may work across sectors and have their own systematized habits.

This same z-axis is the place to consider persisting habits of statistical discrimination and market structure that affect the decision-making of customers and suppliers. These priors generate sector-specific biases regarding the quality or performance of women-led enterprises. That is, there is variation in firm performance by gender that cannot be attributed to owner- or firm-level characteristics, or to what are usually thought of as broad constraining norms or social structures. Instead, the variation is due to sectoral patterns of consumer behavior, supply chains, or market organization that may be better thought of as “emergent properties” of other social phenomena, and that often have their roots in accidents of history at the local level, and so vary considerably from region to region (Hardy and Kagy, 2018; Hardy and Kagy, 2020).

Figure 2 is thus a way of organizing thinking about the variation in SME gendered participation and performance across countries, regions, and sectors. Within each quadrant, the gendering of markets or the emerging properties of market organization may influence which productive or service sectors are gendered. Why are there many women-led SME clothing shops in some places, while men-led SMEs dominate the tailor-made clothing sector in other regions? Why is hair cutting gender segregated in some places, and only done by women in other places? Are young women raised to buy and sell in the marketplace, to handle money, to bargain, and to keep accounts, and eventually build larger-scale trading operations? Intersectionality also figures here: Some ethnic groups may have norms prohibiting certain occupations or transactions, and so women from other ethnic groups might fill that market niche. Policies of the past, such as those of local colonial officials, post-independence legislation, religious interpretations of proper behavior of women, and others, may linger into the present, as the gendering of occupations is sustained through comparative advantage and sector-specific social capital transmitted intergenerationally in a gendered pattern.

Empirical evidence on “what works” to tackle gendered SME constraints

While Figure 2 offers a framework for the types of broad explanations of variation in SMEs across countries and regions, it leaves out many specific mechanisms and more importantly does not address which dimensions are more important in terms of policy or likely endogenous social change. Estimating the relative importance of mechanisms that channel changing patterns of individual attributes or evolving social structures into shifts of SMEs from one quadrant to the other, in specific sectoral contexts, has been the subject of considerable recent research.

The ideal empirical exercise, one might imagine, is a research program where an intervention with SMEs is randomized across regions in a large country, is intensive enough to generate sizable changes in gendered outcomes and has sufficient resources to enable measurement and follow-up over the medium term of five or more years. The reality of social science research is that such interventions, in contexts of randomized controlled trials (RCTs), especially with SMEs, are still uncommon. Additionally, a gendered intervention that significantly changed outcomes would presumably be replicated, spontaneously, in other places, or key ingredients would be adopted through other social arrangements.

Assessing the relevance of different explanations and elucidating specific mechanisms responsible for change must then draw on a varied literature of expert practitioner knowledge (especially sectoral case studies), observational analysis of quasi-experimental or “natural” experiments arising from relatively unrelated social or policy changes, and smaller-scale RCT. This section selectively reviews some of this empirical research. The review is grouped along the dimensions of Figure 2:

1. Evidence on interventions targeting individual-level explanations for variation along the lines of access to resources and opportunities;
2. Social-level interventions, in particular targeting social norms and government institutions that shape gender roles in business and commercial activity; and
3. Interventions that target more idiosyncratic and sectoral “proximate” explanations having to do with the segregation of firms by gender across sectors and industries and with particular market organization features within sectors.

Dimension 1 (y-axis): improving women-led SMEs performance by lowering gendered differences in access to resources and agency to control resources (empowerment)

Targeting financial capital and related assets

There have been few randomized controlled trials granting substantial capital to women-led SMEs, perhaps because the costs of significantly impacting SME performance through grants would be quite costly. Kersten, Harms, Liket, and Maas (2017) review the then-existing empirical literature and note that “few evaluations of SME finance programs apply the same rigorous experimental methods that are more commonly used in studies of microfinance.” Access to finance may be relatively limited for

women-led businesses by the fact that they typically have lower availability of collateral and less access to formal sector financial services, perhaps because credit bureaus may not maintain adequate information on female borrowers. Correlational evidence suggests that differential financial systems access is important. Islam and Muzi (2020) use data from the World Bank's Enterprise Surveys of formal sector registered firms in 16 economies in Africa and find suggestive correlational evidence that differential adoption by women-led firms of mobile money payments systems accounts for a sizable part of the gender gaps for SME firms. In a separate analysis that also uses the World Bank's Enterprise Surveys, Morsy et al (2019) find that "women entrepreneurs in Africa, in general, and in North Africa, in particular, are more likely to self-select themselves out of the credit market due to low perceived creditworthiness compared to their men counterparts." Interestingly, they suggest that the observed self-selection by women entrepreneurs is not a response to discriminatory lending practices by the banks, indicating that boosting women's applications for enterprise credit might boost access to finance.

Business plan competitions appear to be one promising approach to identifying and supporting the creation of women-led SMEs through affordable finance. One area where the effects of access to capital may be observed is in business competitions. Competitions with cash prizes appear to be a promising delivery mechanism (Barrows, 2018). The Youth Enterprise with Innovation in Nigeria (YouWiN!), a business plan competition for young entrepreneurs, was widely advertised and drew about 24,000 applications in 2012, its first year, though only 19 percent of new business applicants and 14 percent of existing business applicants were women. The program ran for four years, for a total expenditure of USD \$200 million. A comprehensive study of the first cohort found the program had substantial effects (McKenzie, 2017; McKenzie and Sansone, 2019). Interestingly, women winners were slightly more likely to start firms, thus closing somewhat the male-female gap in terms of small firm creation. However, they were not more likely to increase employment and survive; thus, the capital infusion did not close the gap.

There are a number of investment funds that currently focus on supporting women-led enterprise growth through a variety of financing instruments (such as the global Women Entrepreneurs Finance Initiative (WE-FI) and a number of similar funds that operate at a smaller scale in specific countries). However, we are not aware of rigorous evaluations of their impact.

Targeting human capital: education, entrepreneurial skills, and agency

Training programs often implicitly adopt a theory of change that women SME entrepreneurs have different individual backgrounds, skills, information sets, outlooks, and mental habits that can be cost-effectively improved. The presumption of targeting some of these programs to women is that women-owned businesses have been concentrated in low-return sectors (retail, hospitality, and restaurants), and so should be trained in how to invest in new, more dynamic sectors or activities within their sectors to move 'up the chain.' Other forms of training may also improve the efficacy of women-led SMEs.

Training programs that are psychology-based in their approach to skill-building have shown promising results in boosting the performance of women-led enterprises. In Togo, a personal

initiative training program that aimed to develop a more entrepreneurial mindset boosted both innovation and profits in women-led businesses (Campos et al, 2017). In Uganda, a leadership and entrepreneurship skill development program that taught secondary school students soft and intra-personal skills increased soft skills such as creativity, grit, and ability to manage stress and improved educational outcomes for female participants (IPA briefing note for Bill & Melinda Gates Foundation, November 2020). Stress management training for women entrepreneurs may help women-led businesses manage the impacts of crises and resulting pressures on their time. In Bangladesh, a training program incorporating Cognitive Behavioral Therapies reduced short-term stress levels for female entrepreneurs (Peña, 2017, as summarized in IPA, 2020). McKenzie and Puerto (2021) find positive effects from offering a training that was more gender-intentional and that discussed questions of agency and critical consciousness of gender but could not ascertain with confidence that it is really the gender component of the training that mattered to outcomes.

Interventions that offer targeted enterprise support services (including mentoring services) have seen promising results among women-led SMEs in contrast to training entrepreneurs in various business or specialist skills directly. Anderson and McKenzie (2020) suggested that instead of providing business training, programs could subsidize the cost of hiring a specialist within or outside the firm (e.g., an accountant, marketing specialist, or human resources services). They found in a RCT for SMEs in Nigeria that firms given the option of using consulting or business professionals had higher quality digital marketing practices, innovated more, and achieved greater sales and profit growth over a two-year horizon. Although 44 percent of the 743 entrepreneurs in the sample were female, they did not estimate separate effects, except to note that female entrepreneurs were more likely to choose a marketing specialist (rather than an accountant) than male entrepreneurs. Relatedly, other research has focused on the effectiveness of tailored, rather than general, business training. In a RCT where 772 firms were assigned to treatment, Hjort et al (2020) demonstrated the positive impacts of training firms on how to apply to public tenders. Finally, researchers are also asking whether mentoring may be more effective than training. Brooks, Donovan, and Johnson (2018) found that to be the case for a sample of female micro entrepreneurs in Kenya.

Targeting social capital

Networking programs might create the business networks needed to increase firm performance through facilitated learning and partnership development (Cai and Szeidl, 2018; Fafchamps and Quinn, 2016). However, we need to understand their effectiveness for women-led businesses and how these networking programs can be adapted for women given the time pressures and additional normative constraints under which they operate. There are models for how this might be done. One of the largest studies of peer network effects, by Vega-Redondo et al (2019), implemented a randomized control trial with a population of 5,000 entrepreneurs in 49 African countries. Most of the participants were “potential” entrepreneurs; they generally were not existing leaders of a SME. The entrepreneurs received online training and then were randomized into a variety of peer networks (online only, face-to-face) and offered opportunities to submit business proposals. The RCT evaluation suggested that peer interactions had sizable and statistically significant effects on the likelihood of submitting proposals and on the quality of submitted proposals (as evaluated by expert

investor judging panels). About 30 percent of the sample of entrepreneurs were women, but the authors did not disaggregate their findings by gender of entrepreneur. One might imagine such a study being conducted at scale with current SME women owners or managers.

At a smaller scale, the Kenya Youth Employment and Opportunities project is currently running and evaluating the impact of digital business development services and WhatsApp-based peer-networking groups. These digital tools were designed for women to participate when convenient, thus addressing some of the time-use constraints that prevent them from participating in such networking activities.

There is related evidence from the microenterprise literature that encouraging social support from existing peers can boost the performance of women-led microenterprises (particularly among those most severely constrained by social norms) by potentially influencing the goals they set and aspirations they have for their microenterprises (Field et al, 2016). Investigating how much networks influence the goals and aspirations of women leading SMEs is an important gap to fill.

Targeting agency to control decisions: household structures mediate access to resources and capabilities to realize opportunities

Household structures stand midway between individual access to resources and social norms that prescribe and proscribe gendered activities in economies. In many countries and regions, women have limited agency because they are often in a household where their husband de facto controls resources and, correspondingly, their opportunities for becoming an entrepreneur. Sometimes the constraints generated by membership in households operate at the social norm level: Peers and elders define proper behavior within a household, and that may be sufficient to constrain women's behavior outside of the household, which we address in the discussion of dimension 2 below.

The importance of complex feedback loops between women's outside economic activities and their intra-household bargaining merits increased attention. Uckat (2020) studied female sewing operators in garment factories in Bangladesh. When women were promoted (through a quasi-random promotion program) to become production line supervisors, a set of household outcomes plausibly connected to their bargaining positions within the household was substantially affected. Similar dynamics are presumably at work for successful women-led SMEs.

Improving women's control over the capital they access has emerged as a key differentiator in driving the improved performance of women-led enterprises. An early example comes from Fafchamps et al (2014) in the microenterprise domain where only in-kind grants (versus cash grants) increased the profits of larger women-led enterprises in Ghana. A striking recent example of intra-household agency and control is the set of evidence around enabling greater control of business capital by women entrepreneurs through increased privacy over their access to new capital. For example, digital delivery of financial services such as credit through mobile money has led to higher profits among women-led microenterprises in Uganda (11 percent higher levels of business capital and 15 percent higher business profits after eight months). Digital delivery channels enabled greater private control of accounts among women, who otherwise face strong intra-household pressure to

share their capital when loans are delivered in cash (Riley, 2020). The effects were especially strong for those reporting concerns about this intra-household constraint at the outset of the study. While this result is from a study of microenterprises, in which intra-household dynamics might vary compared to SMEs, the question of the ‘costs’ of controlling resources is significant and likely a barrier to successful growth among women-led SMEs as well. This recent evidence aligns well with previous pilot studies that found that offering women free access to bank savings accounts (with a significant withdrawal fee) had a similarly large and significant effect on women-led microenterprise investment but not on men-led microenterprises (Dupas and Robinson, 2013). At the same time, interventions that rely on greater privacy as a mechanism to investing in one’s firm and boosting firm growth can be costly and might be less successful in the domain of SMEs where the enterprises are larger and involve more (visible) resource allocations.

Interventions that provide high-quality and affordable childcare options for women entrepreneurs can deliver improved returns to their enterprises. Women in the age range of 25-45 are much more likely to eschew career choices that involve substantial and inflexible working hours, given normative expectations around caregiving. This directly impacts time allocation and responsiveness to business tasks. As noted earlier, in a study of pharmacy owners in Uganda, Delecourt and Fitzpatrick (2021) find that bringing a child to work was associated with 45 percent lower profits and affects profits through lowering the owner’s ability to re-stock. In Kenya, women who received vouchers for subsidized childcare were more likely to engage in paid work and work at better-paying jobs, according to Clark, Kabiru, Laszlo, and Muthuri (2019), IPA (2020), and Ma, Sun, and Xue (2020).

Deshpande (2020) analyzed the gendered division of paid work in India during the COVID-19 pandemic (through the first lockdown and recovery phases in 2020 and prior to the present second wave) using national-level panel data. Men and women both experienced a large decline in employment during the lockdown (April 2020), with men seeing a greater decline in absolute terms. While men’s employment recovered almost fully by August 2020, the recovery in women’s employment was roughly seven percentage points lower than the recovery in male employment compared to their respective pre-pandemic starting points. There were changes in time spent on housework by men during the initial stages of the lockdowns, but by August, men’s work at home had been reduced, though not to pre-pandemic levels. It is possible that norms about more gender-equal sharing of work at home may have changed as a result of the shock. But the lag in women’s employment returning to pre-pandemic levels (seen in other countries as well; for example, see Russell and Sun (2020) on US data) suggests that the shifts have not made a significant dent in shrinking pre-existing gender gaps.

Dimension 2 (x-axis): improving women-led SME performance by removing gendered differences in equality of opportunity through formal and informal institutional ‘rules’

Gender norms are increasingly being measured and tracked for variation across regions and over time. Gender norms concern the social roles and expectations of men and women. Gender norms can be formalized as law (“women must have their husbands sign as co-owner of bank accounts”); they can be widely shared stereotypes often framed as rational statistical discrimination (“women

are like that”); they can be open, collusive norms sustained by men (“you should not hire a woman to do men’s work”); or they can be implied norms about proper behavior shared by women (“women should not be working in the presence of men who are not family”).

In the entrepreneurship sphere, gender norms constrain the choices of women much more than those of men (Ahl, 2006; Fischer, Reuber, and Dyke, 1993; Jayachandran, 2020; IPA, 2020; Venkatesh, Shaw, Sykes, Wamba, and Macharia, 2017). Evidence suggests that gender norms in many LMICs make crossing the employment threshold from microenterprise to SME less likely for women entrepreneurs. Some societies sustain gendered occupational segregation through a variety of social norms about gender roles (Aneke, Derera, and Bomani, 2017). Although much of the evidence has been anecdotal and observational, there have been some studies that estimate the causal relationship with more credible estimation strategies, including randomized controlled trials (Field, Jayachandran, and Pande, 2010; Naaraayanan, 2019; Pieters and Klasen, 2020).

Certain gender attitudes in specific contexts might be more malleable to being updated based on information on actual norms. Some research suggests that specific gender norms in certain contexts may be much more amenable to informational program intervention than previously believed. Bursztyn, González, and Yanagizawa-Drott (2020), for example, implemented an experiment in Saudi Arabia that involved men learning information about social norms regarding the permissibility of women to hold jobs outside the home. Until 2011, husbands were legally considered to be guardians of their wives and needed to give permission for them to work; in many cases, this is still enforced by social norms. Many employers will ask prospective employees for proof that their husbands have given permission. In the experiment, men were given incentives to truthfully reveal their own attitudes toward this social norm, and their perceptions of the attitudes of other husbands in their social strata. When husbands were informed of the sizable gap between their perception of the social norm and the actual preferences of husbands (a vast majority would prefer for women to work freely without requiring permission), they updated their beliefs. In a follow-up survey, the wives of the husbands whose beliefs were updated were significantly more likely (an increase of 10 percentage points from a baseline of six percent) to search and apply for employment.

Addressing formal rules and legal barriers that constrain women’s economic opportunities and choices can promote women’s work and entrepreneurship. There is growing evidence to suggest gender discriminatory laws in a country are also responsible for limiting women’s work and entrepreneurship. For example, legal mobility and travel restrictions restrict women’s access to finance and are associated with lower levels of female business ownership (Demirguc-Kunt, Klapper, and Singer, 2013; Htun, Jensenius, and Nelson-Nunez, 2019). Conversely, improving gender equal legislation to lift legal restrictions of women’s economic choices can boost women’s work and entrepreneurship as well as their ability to control allocations from their income and earnings. Using Women, Business and the Law data from 190 countries over five decades, Hyland, Djankov, and Goldberg (2019) find that legal reforms for gender equality are indeed positively associated with women’s outcomes in the labor market. Legal reforms that restrict women’s mobility and their ability to independently sign contracts, manage assets, or work outside are positively correlated with increases in women’s work, especially for more skilled, managerial, and higher-paying jobs (Zabalza

and Tzannatos, 1985; Amin and Islam, 2015; Hallward-Driemeir and Gajigo, 2015; Heath and Tan, 2019).

Dimension 3 (z-axis): improving women-led SME performance by enabling gender neutrality in sectoral, industry, and market behaviors

Gendered preferences can generate patterns of behavior at the intermediate level that are disadvantageous to women-led enterprises. Hardy and Kagy (2020) describe the market for tailored clothing in parts of Ghana. Women customers apparently preferred personal relationships with female producers, and so transactions took more time than for male customers who preferred semi-anonymous relationships with male producers. Male producers thus attained economies of scale more frequently than female producers did. The structure of the marketplace varied by gender; highly competitive and underemployed women-led SMEs (quite small in the context) were crowded into one product space, while possibly oligopolistic male tailors strategized in another product space.

Interventions that target pre-existing market behaviors constraining women-led enterprises can have significant impacts on boosting women entrepreneurs' performance. Demand shocks that were experimentally introduced in Hardy and Kagy (2020) led to a significant increase in production and profits among women-led enterprises but not men-led enterprises. The different market organizations appeared to have implications for the effectiveness of entrepreneurship support programs. In line with the above example, women producers might benefit more from direct interventions and training that addressed demand constraints. Training might emphasize obtaining government and formal organization procurement contracts, for example, and establishing structures for quality assurance of large orders. For men-led tailoring SMEs, supervising workers, branding, and shifting the customer base to higher value-added products might be relatively more effective.

Supporting women entrepreneurs to cross over into male-dominated sectors and industries through social network-based exposure and apprenticeship can significantly decrease the gender profit gap. Bardasi, Sabarwal, and Terrell (2011) emphasize that “an important part of the puzzle of female under-performance lies with the choice of sector.” There is some evidence that returns to sectoral shifts may be high, and that encouragement and inducement to switch is feasible. Campos, et al (2017) found that women entrepreneurs in Uganda who crossed over into male-dominated sectors made as much as men and three times more than women who stayed in female-dominated sectors. The paper examined a set of factors that explained differences in sector choices and found that there was a problem of information about opportunities in male-dominated industries. The analysis also concluded that psychosocial factors, particularly the influence of male role models and exposure to the sector from family and friends, were critical in helping women circumvent the norms that undergird occupational segregation. This again highlights the ways in which interventions in one dimension (encouraging sectoral and industry shifts in this case) interact with capabilities in other dimensions (individual resources such as psycho-social assets, intra-household information sharing, and group social norms) in ways that can lead to increasingly gender-equal outcomes and virtuous cycles of change in market behavior.

Gendered dimensions of COVID-19 response policies and programs

Little is known about the gendered effects of common policies and programs launched in response to the COVID-19 pandemic. Many policy and program solutions have been proposed and implemented, but few have been evaluated. A widely shared perspective until recently was that standalone gender-intentional policies and programs (for example, policies targeting women) were generally preferable to gender-neutral policies, because women-led SMEs would likely respond more to incentives, subsidies, and training, and so such investments would lead to greater efficiency and equity. More recent research, however, has suggested that the earlier optimism around standalone interventions may not have been fully justified. Structural factors, including especially gendered social norms and market/sectoral dynamics, may limit the responsiveness of women-led SMEs to piecemeal resources and opportunities. We describe some of the existing policy measures being used to support women-led SMEs and highlight gaps and opportunities in this section.

Social protection: Gentilini, Almenfi, Orton, and Dale (2020) reviewed some of the many policy responses to the pandemic. Common responses have been increases in social protection in the form of cash transfers to individuals and an increase in targeting women as the heads of households to receive these transfers.

Small business support measures: In many countries, businesses have received a large fraction of government support. This support has included direct grants and wage subsidies, enhancements to finance programs and regulations to increase credit access, subsidized interest rates, utility subsidies (electricity, water, and local government rents), and waiving and deferral of tax payments (corporate income tax, VAT, private pension contribution, and excise tax). Given the gender gaps and barriers that exist in the SME domain, it is likely that ostensibly gender-neutral COVID-19 recovery programs will have heterogeneous impacts on women-led SMEs compared to their male-led counterparts. Indeed, there is already evidence of gender differences in policy preferences: As Abebe et al (2020) report from their survey of micro- and small enterprises in Addis Ababa, Ethiopia, women-led businesses indicated a stronger preference for covering, reducing, or freezing operational costs such as costs for sheds and working spaces.

Targeted credit access: Many governments have expanded short-term credit programs. There are some examples of gender-intentional SME credit programs. In Burkina Faso, the government authorized the FAARF, the small credit finance facility for women, to increase its lending from about USD \$25 million to \$35 million, or about a 40 percent increase (Zongo, 2020). There is much to learn and experiment around in credit programs to SMEs. In credit for microenterprises for women, for example, Field, Pande, Papp, and Rigol (2013) found that loan terms, specifically changing the usual practice of immediate repayment after loan delivery to a grace period of several months, had substantial effects on investment choices and performance. SME loans, which are usually collateralized, likely offer room for similar experimentation with interest rates, repayment

schedules, collateral terms, and other aspects of loan contracts that potentially have important gendered effects.

Procurement and demand-led gender-intentional policies: Gendered patterns of demand may be significant barriers to expansion of women-led SMEs. Gender-intentional experiments with and evaluations of government procurement programs should be implemented (e.g., production of personal protective equipment in India or the Access to Government Procurement Opportunities program in Kenya). Other large organizations that regularly use SME firms as outside contractors (e.g., for cleaning services, food services, call centers, or sales agents) may be more gender-intentional and partner with research organizations to evaluate innovations. Distribution networks for solar lighting, for example, may be intentionally structured as promoting women-led SMEs. In the disrupted economies of 2020 and 2021, where change in consumer behavior is accelerated, there may be significant returns to being the first mover in new niche areas of the economy, such as solar lighting. If men-led SMEs are more likely to be resourced to take risks in new areas based on pre-existing capabilities and networks, it may result in a longer-lasting inequality by gender. Increased funding and training for women's collective enterprises and other hybrid/partnership associational-style SMEs where women's associations engage in productive activities should also be prioritized (Agarwal, 2021).

Training programs to encourage upskilling and crossovers: Some governments have offered training programs to enable businesses to adapt, up-skill, and cross over to new sectors during the pandemic. A reason for emphasis on training programs is the likelihood that some sectors, where many women-led SMEs preponderate, may see longer downturns as the public may avoid or limit contact with sectors involving higher transmission risk. The pandemic also may have brought about a more rapid transition away from certain personal services sectors. Training may enhance the ability of women-led businesses to be more innovative and creative in choosing a sector to invest in and may facilitate reallocation of firms from sectors likely to shrink on a long-term basis (travel) to growing sectors (e-commerce). In Indonesia, Kartu Pra-Kerja, a program that provides subsidized vouchers for unemployed workers for skilling and re-skilling, doubled in its allocated budget from IDR 10 to 20 trillion (USD \$668 billion to USD \$1.3 trillion) and was launched in April. The program was intended to be accessible to an estimated 5.6 million informal workers and small and microenterprises.

Psychology-based training programs to boost business performance: Other training programs have emphasized individual motivation and stress management under the assumption that women-led SMEs face different challenges. In Nigeria, an ongoing Innovations for Poverty Action study in partnership with the World Bank and the Nigeria Ministry of Agriculture and Rural Development pivoted in the COVID-19 context to examine the impact of a messaging campaign focused on boosting socio-emotional skills. The study was to examine if messages meant to mitigate the gender-related effects of the crisis would have an impact on mental health, self-efficacy, sharing of household duties, and business resilience. In Colombia, an ongoing Innovations for Poverty Action study is examining whether entrepreneurship training programs that use imagery techniques (encouraging participants to envision future scenarios or adopt the perspectives of others) are effective in boosting motivation for entrepreneurs who have experienced a challenging life circumstance (IPA, 2020).

Takeaways and recommendations

Citizens, policymakers, and donors want to implement cost-effective gender-intentional programs and policies that may be appropriate for the COVID-19 downturn and for accelerating a transition in SMEs toward less gendered patterns of profitability and productivity. There has been some progress in the last decade both around the general theory of change and foundational descriptive analyses needed for understanding differential binding constraints for women-led SMEs. This work enables improved prediction of the effects of policies and programs, as well as the evaluative “this works” practical knowledge of testing and replicating effective policies and programs. There are, however, many questions about the generalizability of findings across regions, countries, and sectors, and thus considerable room for larger research investment and improved measurement as this paper points out.

In the pandemic context, the question is not how to accelerate growth, but rather how best to restore and recover. Large capital infusions are being delivered, in many countries, to the SME sector, and so the gender-intentional public policy issue is to go the extra mile to ensure that the programs do not end up disproportionately allocated to men-led SMEs. Moreover, COVID-19 response policies should not suffer from the same blind spots as ‘regular’ SME policy, where the focus is on one dimension (access to resources) without addressing the other two dimensions (formal and informal ‘rules’ governing response behaviors and patterns of market, sector, and industry segregation).

Policies and programs should be seen and framed as opportunities for learning. There are possible risks from not experimenting quickly with gender-intentional programs. Downturns in economic activity generally can cause enterprises to fail, but sharp, sudden downturns such as the one caused by COVID-19 and the unique policy response of shutting down much economic activity to prevent spread of infection, can lead to substantial dissolution of enterprises. As reported in this review, a gender lens suggests that the incidence of dissolution may fall more heavily on women entrepreneurs in several contexts. The consequent destruction of relationship capital and network capital may thus disproportionately affect future potential women entrepreneurs. Moreover, the gendered patterns in dissolution of SMEs may lead people to update their gender norms in ways that are unfavorable to women entrepreneurs over the longer term. To wit, they may be perceived as even more risky, as even more likely to fail, and as less capable.

Some avenues for experimentation, to go beyond the suggestions of the earlier section, include the creation by government and industry consortia of innovation hubs and SME competitions that combine startup funding, motivational training, critical consciousness of gender, practical skills training, and information dissemination about market and government opportunities. One of the gender equity goals of such a hub should be to encourage and enable women-led businesses to perhaps switch from lower-profit, demand-constrained sectors to sectors with more opportunities for demand-led growth. This kind of bundled program may demand considerably more time and commitment to risk-taking than unbundled programs. Will women-led SMEs benefit from such programs, or will they be unintentionally disproportionately excluded? Adding one more element to the bundle, childcare or cash grants for meeting household responsibilities would tip the scale,

enabling the program to meet some gender-intentional targets. An important area of innovation is the use of platform technologies to decentralize many personal services (e.g., ride-sharing, short-term accommodation in apartments, elder care, or tourism guides). Many of these platforms see SME firm creation: An entrepreneur starts a motorcycle or car fleet of 10 vehicles, an entrepreneur purchases five apartments to manage, or an entrepreneur establishes a network of 20 tourism guides. Understanding and promoting gender equality in these platform-generated SMEs should be a high priority for action research.

Knowledge about the gendered effects of SME programs and policies will remain elusive unless programs actually incorporate such components into the proposals and ensure reasonable evaluation, especially of the mechanisms through which the programs bring about change (or impose barriers to change). We invite policymakers to proactively consider the evidence base, evidence gaps, and policy recommendations presented in this paper to chart bold and egalitarian courses that prioritize women-led enterprises for their post-COVID-19 recoveries.

References

- Abebe, G., Alibhai, S., Buehren, N., Ebraheem, M., and Hailemichael, A. (July 2020). "The Impacts of COVID-19 on Women-owned Enterprises in Ethiopia: Findings from a high-frequency phone survey." The World Bank.
- Abebe, G., Bundervoet, T., and Wieser, C. (2020). "Monitoring COVID-19 Impacts on Firms in Ethiopia: Results from a High-Frequency Phone Survey of Firms." The World Bank.
- Adian, I., Doumbia, D., Gregory, N., Ragoussis, A., Reddy, A., and Timmis, J. (2020). "Small and Medium Enterprises in the Pandemic: Impact, Responses and the Role of Development Finance." Economics and Private Sector Development Vice Presidency, International Finance Corporation.
- Agarwal, B. (2021). "Livelihoods in COVID times: Gendered perils and new pathways in India." *World Development*, 139.
- Ahl, H. (2006). "Why research on women entrepreneurs needs new directions." *Entrepreneurship theory and practice*, 30(5), 595-621.
- Alibhai, S., Donald, A., Goldstein, M., Ahmet Oguz, A., Pankov, A., and Strobbe, F. (2019). "Gender Bias in SME Lending: Experimental Evidence from Turkey." Working Paper, Africa Gender Innovation Lab and Finance, Competitiveness and Innovation Global Practice. The World Bank.
- Amin, M., and Islam, A. (2015). "Does Mandating Non-discrimination in Hiring Practices Influence Women's Employment? Evidence using Firm-level Data." *Feminist Economics*, 21(4), 28-60.
- Anderson, S.J., and McKenzie, D. (2020). "Improving Business Practices and the Boundary of the Entrepreneur." Policy Research Working Paper 9502. The World Bank.
- Aneke, E. O., Derera, E., and Bomani, M. (2017). "An exploratory study of challenges faced by women entrepreneurs in the construction industry in South Africa." *International Journal of Business and Management Studies*, 9(2), 35-51.
- Apedo-Amah, M. C., Avdiu, B., Cirera, X., Cruz, M., Davies, E., Grover, A., Iacovone, L., Kilinc, U., Medvedev, D., Maduko, F., Poupakis, S., Torres, J., and Tran, T. T. (2020). "Unmasking the Impact of COVID-19 on Businesses: Firm Level Evidence from Across the World." Finance, Competitiveness and Innovation Global Practice, The World Bank.
- Asare, R., Akuffobe, M., Quaye, W., and Atta-Antwi, K. (2015). "Characteristics of micro, small and medium enterprises in Ghana: gender and implications for economic growth." *African Journal of Science, Technology, Innovation and Development*, 7(1), 26-35.
- Avenyo, E. K., Francois, J. N., and Zinyemba, T. P. (2020). "COVID-19, lockdowns, and Africa's informal sector: Lessons from Ghana." United Nations University-Maastricht Economic and Social Research Institute.
- Ayyagari, M., Beck, T., and Demircuc-Kunt, A. (2007). "Small and medium enterprises across the globe." *Small Business Economics*, 29(4), 415-434.

Ayyagari, M., Demirguc-Kunt, A., and Maksimovic, V. (2014). "Who creates jobs in developing countries?" *Small Business Economics*, 43(1), 75-99.

Bardasi, E., Sabarwal, S., and Terrell, K. (2011). "How do female entrepreneurs perform? Evidence from three developing regions." *Small Business Economics* 37, 417.

Bargotra, N., Bhatotia, K., Karthick, M.P., and Narasimhan, M. (May 2021). "How did India's Women Enterprises Fare during the COVID-19 Lockdown?" *Economic and Political Weekly – Engage*. Available at url: <https://www.epw.in/engage/article/how-did-indias-women-enterprises-fare-during-covid>

Barrows, G. (2018). "Do entrepreneurship policies work? Evidence from 460 start-up program competitions across the globe." FAERE-French Association of Environmental and Resource Economists.

Beck, T., Demirguc-Kunt, A., and Levine, R., (2005). "SMEs, growth, and poverty: cross-country evidence." *Journal of Economic Growth* 10(3), 199-229.

Benhassine, N., McKenzie, D., Pouliquen, V., and Santini, M. (2018). "Does inducing informal firms to formalize make sense? Experimental evidence from Benin." *Journal of Public Economics*, 157, 1-14.

Bernhardt, A., Field, E., Pande, R., and Rigol, N. (2019). "Household matters: Revisiting the returns to capital among female microentrepreneurs." *American Economic Review: Insights*, 1(2), 141-160.

Bertrand, M. (2017). "The Glass Ceiling." Working Paper No. 2018-38. Becker Friedman Institute for Research in Economics.

Berrou, J.-P., and Combarrous, F. (2012). "The personal networks of entrepreneurs in an informal African urban economy: does the 'strength of ties' matter?" *Review of Social Economy*, 70(1), 1-30.

Blau, F. D., and Kahn L. M. (2017). "The gender wage gap: Extent, trends, and explanations." *Journal of Economic Literature* 55.3, 789-865.

Brock, J. M., and De Haas R. (2021). "Discriminatory Lending: Evidence from Bankers in the Lab." EBC Discussion Paper No. 2021-001.

Brooks, W., Donovan K., and Johnson T. R. (2018). "Mentors or Teachers? Microenterprise Training in Kenya." *American Economic Journal: Applied Economics*, 10 (4): 196-221.

Bundervoet, T., Abebe, G., and Wieser, C. (2020a). *Monitoring COVID-19 Impacts on Firms in Ethiopia, Report No. 6*. The World Bank.

Bundervoet, T., Abebe, G., and Wieser, C. (2020b). *Monitoring COVID-19 Impacts on Firms in Ethiopia, Report No. 8*. The World Bank.

Bursztyn, L., González, A. L., and Yanagizawa-Drott, D. (2020). "Misperceived social norms: Women working outside the home in Saudi Arabia." *American Economic Review*, 110(10), 2997-3029.

Buvinic, M., O'Donnell, M., and Bourgault, S. (2020). *Women's Economic Empowerment in West Africa: Towards a Practical Research Agenda*. Center for Global Development.

Cai, J., and Szeidl A. (2018). "Interfirm relationships and business performance." *The Quarterly Journal of Economics* 133(3), 1229-1282.

Campos, F., Frese, M., Goldstein, M., Iacovone, L., Johnson, H. C., McKenzie, D., and Mensmann, M. (2017) "Teaching personal initiative beats traditional training in boosting small business in West Africa." *Science*, 357(6357), 1287-1290.

Campos, F., and Gassier, M. (2017). *Gender and enterprise development in Sub-Saharan Africa: a review of constraints and effective interventions*. The World Bank.

Campos, F., Goldstein, M., McGorman, L., Munoz Boudet, A. M., Pimhidzai, O. (2017). "Breaking the metal ceiling: Female entrepreneurs who succeed in male-dominated sectors." WIDER Working Paper, No. 2017/166, ISBN978-92-9256-392-9, The United Nations University World Institute for Development Economics Research (UNU-WIDER), Helsinki.

Campos, F., Goldstein, M., and McKenzie, D. (2019). "Making It Easier for Women in Malawi to Formalize Their Firms and Access Financial Services." The World Bank.

Casson, M., and Giusta, M. D. (2007). "Entrepreneurship and social capital: Analysing the impact of social networks on entrepreneurial activity from a rational action perspective." *International Small Business Journal* 25(3), 220-244.

Chiplunkar, G., and Goldberg, P. K. (2021). "Aggregate Implications of Barriers to Female Entrepreneurship." No. w28486. National Bureau of Economic Research.

Clark, S., Kabiru, C. W., Laszlo, S., and Muthuri, S. (2019). "The impact of childcare on poor urban women's economic empowerment in Africa." *Demography*, 56(4), 1247-1272.

Comin, D. (2008). "Total Factor Productivity." In Derlauf, S. and Blume, L. (Ed.). *The New Palgrave Dictionary of Economics*.

Cornwall, A. (2016). "Women's empowerment: What works?" *Journal of International Development* 28(3), 342-359.

Costa, R., and Rijkers, B. (2012). "Gender and rural non-farm entrepreneurship." *World Development*, 40(12), 2411-2426.

Cuberes, D., Priyanka, S., and Teignier, M. (2019). "The determinants of entrepreneurship gender gaps: A cross-country analysis." *Review of Development Economics*, 23(1), 72-101.

De Klerk, S., and Verreyne, M. L. (2017). "The networking practices of women managers in an emerging economy setting: negotiating institutional and social barriers." *Human Resource Management Journal*, 27(3), 477-501.

De Mel, S., McKenzie, D., and Woodruff, C. (2008). "Returns to capital in microenterprises: evidence from a field experiment." *The Quarterly Journal of Economics*, 123(4), 1329-1372.

Delecourt, S., and Fitzpatrick, A. (2021). "Childcare Matters: Female Business Owners and the Baby-Profit Gap." *Management Science*, Forthcoming.

Demartini, P. (2018). "Innovative female-led startups. Do women in business underperform?" *Administrative Sciences*, 8(4), 1-15.

Demirguc-Kunt, A., Klapper L., and Singer D. (2013). "Financial inclusion and legal discrimination against women: evidence from developing countries." The World Bank.

Deshpande, A. (2020). "The Covid-19 Pandemic and Gendered Division of Paid and Unpaid Work: Evidence from India." IZA Discussion Paper No. 13815. Available at url: <https://ssrn.com/abstract=3722395>

Dupas, P., and Robinson, J. (2013). "Savings constraints and microenterprise development: Evidence from a field experiment in Kenya." *American Economic Journal: Applied Economics* 5.1, 163-92.

Ebrahim, M., Ambel, A. A., Buehren, N., Bundervoet, T., Hailemicheal, A. H., Abebe Tefera, G., and Wieser, C. (2020). *Monitoring COVID-19 Impacts on Households in Ethiopia, Report No. 5*. The World Bank.

Essers, D., Megersa, K., and Sanfilippo, M. (2018). "The Productivity Gaps of Female-Owned Firms: Evidence from Ethiopian Census Data."

Facebook/OECD/World Bank (2020), "The Future of Business Survey." Available at: <dataforgood.fb.com/global-state-of-smb>

Facebook and the Organisation for Economic Co-operation and Development. (2020). *COVID-19 on Employment and Health*.

Fafchamps, M., McKenzie, D., Quinn, S., and Woodruff, C. (2014). "Microenterprise growth and the flypaper effect: Evidence from a randomized experiment in Ghana." *Journal of Development Economics*, 106, 211-226.

Fafchamps, M., and Quinn, S. (2016). "Networks and Manufacturing Firms in Africa: Results from a Randomised Experiment." *World Bank Economic Review*.

Fang, R., Zhang, Z., and Shaw, J. D. (2020). "Gender and social network brokerage: A meta-analysis and field investigation." *Journal of Applied Psychology*.

Field, E., Jayachandran, S., and Pande, R. (2010). "Do traditional institutions constrain female entrepreneurship? A field experiment on business training in India." *American Economic Review*, 100(2), 125-129.

Field, E., Pande, R., Papp, J., and Rigol, N. (2013). "Does the classic microfinance model discourage entrepreneurship among the poor? Experimental evidence from India." *American Economic Review*, 103(6), 2196-2226.

Fischer, E. M., Reuber, A. R., and Dyke, L. S. (1993). "A theoretical overview and extension of research on sex, gender, and entrepreneurship." *Journal of Business Venturing*, 8(2), 151-168.

Friedson-Ridenour, S., and Pierotti, R. S. (2019). "Competing priorities: Women's microenterprises and household relationships." *World Development* 121, 53-62.

Gender Innovation Lab. (2020). *Supporting Women throughout the Coronavirus (COVID-19) Emergency Response and Economic Recovery*. The World Bank.

Gentilini, U., Almenfi, M., Orton, I., and Dale, P. (2020). "Social Protection and Jobs Responses to COVID-19: A Real-Time Review of Country Measures." The World Bank.

Goldin, C. (2020). "The 2020 Martin Feldstein Lecture: Journey Across a Century of Women." Recorded lecture. Available at url: <https://www-nber-org.libproxy.scu.edu/lecture/2020-martin-feldstein-lecture-journey-across-century-women>

Goltz, S., Buche, M. W., and Pathak, S. (2015). "Political Empowerment, Rule of Law, and Women's Entry into Entrepreneurship." *Journal of Small Business Management*, 53(3), 605-626.

Hallward-Driemeier, M., and Gajigo, O. (2015). "Strengthening Economic Rights and Women's Occupational Choice: The Impact of Reforming Ethiopia's Family Law." *World Development* 70, 260-273.

Hardy, M., and Kagy, G. (2018). "Mind the (profit) gap: Why are female enterprise owners earning less than men?" *AEA Papers and Proceedings*, 108, 252-255.

Hardy, M., and Kagy, G. (2020). "It's Getting Crowded in Here: Experimental Evidence of Demand Constraints in the Gender Profit Gap." *The Economic Journal* 130(631), 2272-2290.

Heath, R., and Tan, X. (2019). "Intrahousehold bargaining, female autonomy, and labor supply: Theory and evidence from India." *Journal of the European Economic Association* 00(0), 1-41.

Hjort, J., Iyer, V., and De Rochambeau, G. (2020). "Informational Barriers to Market Access: Experimental Evidence from Liberian Firms." (No. w27662) National Bureau of Economic Research.

Htun, M., Jensenius, F. R., and Nelson-Nuñez, J. (2019). "Gender-discriminatory laws and women's economic agency." *Social Politics: International Studies in Gender, State & Society* 26(2), 193- 222.

Hyland, M., Djankov, S., and Goldberg, P. K. (2019). "Gendered Laws." Policy Research Working Paper WPS9080. The World Bank.

Innovations for Poverty Action (IPA). (2020). *Briefing note for Bill & Melinda Gates Foundation*. Working Paper.

International Labour Office (ILO). (2018). "Women and men in the informal economy: a statistical picture (third edition)." ILO, Geneva.

Islam, A., and Muzi, S. (2020). "Mobile Money and Investment by Women Businesses in Sub-Saharan Africa." Policy Research Working Paper 9338. The World Bank.

Jaim, J. (2020). "Exist or exit? Women business-owners in Bangladesh during COVID-19." *Gender, Work and Organization*.

- Jayachandran, S. (2020). "Social norms as a barrier to women's employment in developing countries." National Bureau of Economic Research.
- Kaur, G., Ramachandran, R., and Nanda, R. (2020). "Impact of COVID-19 National Lockdown on Women Street Vendors in Delhi." Institute of Social Studies Trust.
- Kelleher, D., and Rao, A. M. (n.d.). "What is gender at work's approach to gender equality and institutional change?" Gender at Work. Available at url: <https://library.pcw.gov.ph/sites/default/files/Gender%20at%20work%20Gender-Equality-and-Institutional-Change.pdf>
- Kenny, C., and Patel, D. (2017). "Gender laws, values, and outcomes: Evidence from the World Values Survey." Working Paper 452. Center for Global Development.
- Kersten, R., Harms, J., Liket, K., and Maas, K. (2017). "Small Firms, large Impact? A systematic review of the SME Finance Literature." *World Development*, 97, 330-348.
- Laird, P. W. (2006). *Pull: Networking and success since Benjamin Franklin*. Cambridge, MA: Harvard University Press.
- Ma, S., Sun, Z., and Xue, H. (2020). "Childcare Needs and Parents' Labor Supply: Evidence from the COVID-19 Lockdown." Available at SSRN 3630842.
- Madgavkar, A., White, O., Krishnan, M., Mahajan, D., and Azcue, X. (2020). *COVID-19 and gender equality: Countering the regressive effects*. McKinsey Global Institute. Available at url: <https://www.mckinsey.com/featured-insights/future-of-work/covid-19-and-gender-equality-countering-the-regressive-effects>
- Masago, M. O., Okombo, M. O., Alice, S., Reuben, K. G., Chaka, B., Godrick, B., and Joshua, O. K. (2020). "Effects of COVID-19 Pandemic on Small and Middle-Income Economies (SMEs) in Developing Nations: A Case Study of Narok Town, Kenya." *Dutch Journal of Finance and Management*, 4(2), em0067.
- Mathew, N., Deborah, I., Karonga, T., and Rumbidzai, C. (2020). "The impact of COVID-19 lockdown in a developing country: narratives of self-employed women in Ndola, Zambia." *Health Care for Women International*, 1-14.
- McKenzie, D. (2017). "Identifying and Spurring High-Growth Entrepreneurship: Experimental Evidence from a Business Plan Competition." *The American Economic Review*, 107(8), 2278.
- McKenzie, D., and Puerto, S. (2021). "Growing Markets through Business Training for Female Entrepreneurs: A Market-Level Randomized Experiment in Kenya." *American Economic Journal: Applied Economics*, 13 (2): 297-332.
- McKenzie, D., and Sansone, D. (2019). "Predicting entrepreneurial success is hard: Evidence from a business plan competition in Nigeria." *Journal of Development Economics*, 141, 102369.
- Meagher, K. (2006). "Social capital, social liabilities, and political capital: social networks and informal manufacturing in Nigeria." *African Affairs*, 105(421), 553-582.

Ministry of Finance of Burkina Faso. (2020). "Mécanisme de mise en œuvre du Fonds de financement de la relance économique au Burkina Faso dénommé FRE COVID-19." Available at url: https://www.finances.gov.bf/fileadmin/user_upload/storage/Mecanisme_FRE_COVID_19_VF.pdf

Morsy, H., El-Shah, A., and Woldemichael, A. (2019). "Women Self-Selection out of the Credit Market in Africa." Working Paper Series no. 317, African Development Bank Group.

Naaraayanan, S. L. (2019). "Women's inheritance rights and entrepreneurship gender gap." Working Paper. Department of Finance, HKUST.

Narasimhan, M., Morchan, K., Bargetra, N., Wangchuk, R., Gupta, A., and Pinto, A. (2020). *COVID-19 Enterprise Response Research*. LEAD at Krea University.

Ncube, C. N. (2020). "The impact of COVID-19 on MSMEs in Developing Countries." Working Paper.

Nguyen, C. H., and Nordman, C. J. (2018). "Household entrepreneurship and social networks: Panel data evidence from Vietnam." *The Journal of Development Studies*, 54(4), 594-618.

Nichter, S., and Goldmark, L. (2009). "Small firm growth in developing countries." *World Development*, 37(9), 1453-1464.

Nordman, C., and Vaillant, J. (2014). "Inputs, Gender Roles or Sharing Norms? Assessing the Gender Performance Gap Among Informal Entrepreneurs in Madagascar." IZA Discussion Papers 8046. Institute of Labor Economics (IZA).

Nordman, C., and Vaillant, J. (2014). "Inputs, Gender Roles or Sharing Norms? Assessing the Gender Performance Gap Among Informal Entrepreneurs in Madagascar." IZA Discussion Papers 8046, Institute of Labor Economics (IZA).

Page, J., and Söderbom, M. (2015). "Is small beautiful? Small enterprise, aid and employment in Africa." *African Development Review*, 27(S1), 44-55.

Pailhé, C. (2018). "Sex-disaggregated Supply-side Data Relevant to Financial Inclusion." Working Paper. Inter-American Development Bank.

Pieters, J., and Klasen, S. (2020). "Randomization for women's economic empowerment? Lessons and limitations of randomized experiments." *World Development*, 127, 104820.

Rasdi, R. M., Garavan, T. N., and Ismail, M. (2013). "Networking behaviours and managers' career success in the Malaysian public service." *Personnel Review*.

Ratnasingam, J., Khoo, A., Jegathesan, N., Wei, L. C., Abd Latib, H., Thanasegaran, G., and Amir, M. A. (2020). "How are small and medium enterprises in Malaysia's furniture industry coping with COVID-19 pandemic? Early evidences from a survey and recommendations for policymakers." *BioResources*, 15(3), 5951-5964.

Riley, E. (2020). "Resisting Social Pressure in the Household Using Mobile Money: Experimental Evidence on Microenterprise Investment in Uganda." Working Paper. University of Oxford.

Russell, L. and Sun, C. (2020). "The Effect of Mandatory Child Care Center Closures on Women's Labor Market Outcomes During the COVID-19 Pandemic." *COVID Economics* 62, 124-154.

Sabarwal, S. and Terrell K. (2008). "Does gender matter for firm performance? Evidence from Eastern Europe and Central Asia." Working Paper. The World Bank.

Shafi, M., Liu, J., and Ren, W. (2020). "Impact of COVID-19 pandemic on micro, small, and medium-sized Enterprises operating in Pakistan." *Research in Globalization*, 2, 100018.

Shoma, C. D. (2019). "Gender is a Human Rights Issue: The Case of Women's Entrepreneurship Development in the Small and Medium Enterprise Sector of Bangladesh." *Journal of International Women's Studies*, 20(7), 13-34.

SMEDAN, and NBS. (2017). "SMEDAN and National Bureau of Statistics Collaborative Survey: Selected Findings." Working Paper.

Sonobe, T., and Otsuka, K. (2006). *Cluster-based industrial development: An East Asian model*: Springer.

Tekleselassie, T. G., Hensel, L., and Witte, M. (2019). "Urban Labor Markets and Gender Gaps Throughout the Hiring Process."

The World Bank. (2019). *Profiting from Parity: Unlocking the Potential of Women's Business in Africa*. Tizora, P. (2020). *Impacts of COVID-19 on WSMEs*. Finmark Trust.

Vega-Redondo, F., Pin, P., Ubfal, D., Benedetti-Fasil, C., Brummitt, C., Rubera, G., Hovy, D., and Fornaciari, T. (2019). "Peer networks and entrepreneurship: A Pan-African RCT." Working Paper. Private Enterprise Development in Low-Income Countries (PEDL) initiative.

Venkatesh, V., Shaw, J. D., Sykes, T. A., Wamba, S. F., and Macharia, M. (2017). "Networks, technology, and entrepreneurship: a field quasi-experiment among women in rural India." *Academy of Management Journal*, 60(5), 1709-1740.

Torres, J., Maduko, F., Gaddis, I., Iacovone, L., and Beegle, K. (January 2021). "The impact of the COVID-19 pandemic on women-led businesses." Working Paper. The World Bank.

Uckat, H. (2020). "Womens Promotion and Intra-Household Bargaining: Evidence from Bangladesh." Working Paper. Oxford University.

Walther, O. J., Tenikue, M., and Trémolières, M. (2019). "Economic performance, gender and social networks in West African food systems." *World Development*, 124, 104650.

Watson, J., and Robinson, S. (2003). "Adjusting for risk in comparing the performances of male-and female-controlled SMEs." *Journal of Business Venturing*, 18(6), 773-788.

Xheneti, M., Karki, S. T. and Madden, A. (2019). "Negotiating business and family demands within a patriarchal society—the case of women entrepreneurs in the Nepalese context." *Entrepreneurship & Regional Development*, 31(3-4), 259-278.

Zabalza, A., and Tzannatos Z. (1985). "The effect of Britain's anti-discriminatory legislation on relative pay and employment." *The Economic Journal* 95(379), 679-699.

EVIDENCE REVIEW OF WOMEN-LED SMALL AND MEDIUM-SIZED ENTERPRISES (SMEs)
BEFORE, DURING, AND AFTER COVID-19: EXAMINING BARRIERS AND OPPORTUNITIES

Zongo, F. (2020). "Situation post covid: 5 milliards pour booster les activités féminines."
L'Observateur Paalga. Available at url:
http://www.lobservateur.bf/index.php?option=com_k2&view=item&id=5419.

Endnotes

¹ Adian, et al (2020) offers an overview of the effects on the SME sector in 13 countries in Europe and Africa, using analysis of World Bank Enterprise Surveys. Most of the countries included were developing countries, with the exception of Italy and Russia.

² The World Bank Business Pulse Survey covers 100,000 firms across 51 countries from April to August 2020 and has provided the most comprehensive comparable global perspective on enterprises. For most of the countries, respondents were limited to formal sector firms.

³ In sub-Saharan African, about 86 percent overall and about 72 percent of employment in sectors other than agriculture is informal and thus largely not accounted for by SMEs. For Asia and the Pacific, the corresponding estimates are 71 percent and 63 percent (ILO, 2018).

⁴ It should be noted that profit gaps, productivity gaps, skewness differences, and success-failure gaps appear to vary widely by survey, by sector, by region, and over time. Moreover, the generality of the findings has been challenged (Demartini, 2018; Watson and Robinson, 2003). There do not appear, however, to be any studies at present indicating that women-led SMEs in developing countries outperform men-led SMEs for these measures.

⁵ Individual-level explanations have emphasized the different endowments (e.g., of assets, education, and skills), backgrounds, preferences, and cognitive and socio-emotional characteristics of entrepreneurs. Most studies report large differences at this individual level. Asare et al (2015) reported, from a study of 4,433 local entrepreneurs in Ghana, that female entrepreneurs dominated the agro-processing, agro-industrial, and services sectors, but were “constrained by ineffective marketing strategies, lack of capital, inadequate equipment and machinery, lack of improved technology, inadequate training, and low skill development.” Many researchers have claimed that women have different preferences regarding risk, competition, patience, altruism, and equality, and so women entrepreneurs are likely to be systematically different from men entrepreneurs. Nordman and Vaillant (2014), for example, explored the earnings gap among entrepreneurs in Madagascar, and concluded that there were multiple overlapping causes, from differential endowments to social norms about household responsibilities. Likewise, Essers et al (2018) argued that lower productivity of female-owned firms was related to a combination of observed firm characteristics and unobserved structural factors that varied according to a firm’s position in the overall productivity distribution. Tekleselassie, Hensel, and Witte (2019) also discussed urban labor markets and gender gaps in Ethiopia, and issues related to women’s self-selection into lower-paying roles, potentially driven by underlying structural and normative causes.

⁶ Research on this topic is conceptually difficult: It is not clear what the population of interest is from which one generalizes, as there are multiple endogenous selection margins. That is, endowments of capital and access to finance, conditional on having started an SME firm, may be equal. Among *potential* entrepreneurs, however, endowments of capital and access to finance may be quite unequal by gender. That inequality, however, might be due to perceived future performance gaps: If potential women entrepreneurs perceive that women entrepreneurs are less likely to be successful, they may save less, invest less in cultivating access to finance, and invest less in relevant education. That is, endowment gaps themselves may be endogenous, rather than causal. Bank and venture financing, likewise, depends on evaluations on both the supply and demand side. These evaluations often involve variables that are unobserved and may not be correlated with observed variables. Indeed, observed variables may be complex responses to unobserved characteristics of entrepreneurs.

⁷ Employer-employee relationship capital is the specialized learning-by-interacting that happens as an employee gains experience in a firm working with a particular manager, who in an SME is usually the owner. The two sides of the relationship learn their respective comparative advantages

and can informally trade to mutual advantage. If an employee happens to be an excellent bookkeeper, the employer might take the time to train them in keeping the books. If an employer has a hard time dealing with people, a front-facing employee with a friendly disposition might become the face of the firm.

⁸ Two waves were administered to Facebook Business Page administrators in about 50 countries. The survey generated about 26,000 observations in Wave 1 in end-May and 23,000 observations in Wave 2 in end-June. The sampling was designed to be representative of the Facebook Business Page administrator population and not of any country's business population. Firms reported declines in revenue of about 70 percent from the previous year, in both waves, and this was similar for firms owned by men and women. (Facebook/OECD/World Bank, 2020).

⁹ The corresponding figures for Rwanda were 39 percent for women-led SMEs compared to 15 percent for men-led, and, in South Africa, 57 percent for women-led compared to 43 percent for men-led.