

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

EXECUTIVE SUMMARY



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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 5 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. ➤

Executive Summary (continued)

➤ 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. ●

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

Photo credit: Nyancho NwaNri