

**"Women Entrepreneurs in the MENA region: Obstacles, Potentials and  
Future Prospects".**  
Case of Egypt

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## **I**ntroduction

With the changing economic policies and the growing role of the private sector in all spheres of economic and social activities, governments started to realize that achieving their goals, raising productivity and efficiency, generating employment cannot be accomplished without supporting a major player in the market, namely, the sector of micro and small enterprises and without supporting the weaker partner in this sector, namely, the enterprises run by females.

Several research studies dealt with the issue of MSEs, and the factors that affected their rise, expansion, performance and decay; however, very few studies analyzed the circumstances surrounding the operation of female owned enterprises. The impact of gender differentials in MSEs were rarely discussed in the economic literature in Egypt except in a fleeting manner.

The previous MSEs research project "*Promoting Competitiveness in the Micro and Small Enterprise Sector in MENA*" came up with several important results, some of them touched upon the gender differentials. The most important related outcomes in this respect were:

- 1- Being a male owner/ manager helped more in conducting the business, expanding its scope, and becoming more efficient in contrast to female owners/managers.
- 2-Female-owned enterprises were mostly concentrated in one economic activity, namely small retail trade, versus more diversified spectrum of activities in case of the male-owned enterprises. However, there were few exceptions to this rule.
- 3-Male-owned enterprises were relatively more dynamic (in terms of ability to develop, move, and acquire new branches in other locations...) than female-owned enterprises, due to factors related to traditions, community rules and household needs.

These results along with other outcomes indicated that the female-owned enterprises seemed to be at a clearly disadvantaged position.

## **Project Objectives**

Despite the concern with women entrepreneurs, inequalities between men and women entrepreneurs still exist, which raises several questions such as: the question why women entrepreneurs are so few in number and active in such limited number of activities? What are the discriminatory practices that are practiced against women in all institutions of the society? Could they be challenged? And How?

We will be using the available data set in drawing a candid profile of female entrepreneurs during 2001 and 2004. Understanding the factors that affect their performance, success and ability to grow and expand.

### **Research Hypotheses:**

Women entrepreneurs are few in number and concentrated in the micro size category compared to male entrepreneurs. Women are faced with additional and specific difficulties relative to their male counterparts. Are those difficulties related to their social, educational or experience and training background? Or even if both male and female entrepreneurs have similar characteristics ( such as education , years of experience, or training ...etc), differences in performance and success still persist? What are the discriminatory practices exercised against women entrepreneurs and how do they deal with them?

In this research we start by assuming certain hypotheses with regards the factors affecting the operations and performance of female entrepreneurs, namely that:

#### Social Background Matters

The social background and marital status of female entrepreneurs, especially those who are divorced or widowed and are forced by their social conditions to seek work as self-employed or employer to provide their family members with the basic necessities. Under such conditions, and with the lack of sufficient training, women entrepreneurs have modest skills and limited experience to manage and operate their enterprises efficiently compared to male-owned enterprises.

#### Educational Attainment Levels Matter

The higher educational attainment levels affect positively the performance of female and male entrepreneurs and help in reducing the performance gap between both sexes;

#### The Business Climate Matters:

Despite the fact that governments are directing more support to MSEs, the existing institutions, in their implementation process do not provide fair conditions, access and incentives to entrepreneurs regardless of their gender and thus influence negatively their chances;

Business climate should also be taken into consideration not only as a discriminatory environment for women, but also as an environment that favors bigger enterprises rather than MSEs.

#### Experience Matters:

Older enterprises perform better and have a better capacity to survive, grow and to promote human capital formation. The question is do the accumulation of experience

and knowledge affect female-owned enterprises the same way they affect the male-owned enterprises? Do entrepreneurs with similar years of experience have similar success/failure performance?

### **A-Methodology**

The definition of MSEs was that they employed less than 50 workers and pursued non-agricultural activities, and excluded enterprises that were conducting their operations outside fixed premises.

This project is based on the data sets of the Small and Micro Enterprises Survey. The MSES is a sample survey designed to provide estimates for key indicators related to the activities, manpower structure and financial characteristics of MSEs. It describes the methodology applied in the MSEs including listing of enterprises, sample design, training of interviewers, data collection and data entry and processing.

#### Sample Design

The primary objective of the sample design of MSEs was to provide estimates on the national level. The selection of the governorates/ regions was based on an attempt to represent governorates/regions with different economic characteristics.

The sample for the MSES is a multi-stage probability sample. In the first stage, primary sampling units (PSU) were randomly selected from each governorate/region. The PSU's are shiakha/villages/towns in urban areas and villages in rural areas. Information from previous censuses was used in constructing the frame from which the primary sampling units (PSUs) were selected.

The second stage was based on the results of the listing of enterprises within PSU's. Enterprises were classified into 3 categories in terms of MSEs density. Density was designated according to the mean number of MSEs per building and PSUs were divided into 3 equal groups; the lowest third (Low), the medium third (Medium) and the highest third (High). A stratified random sample of enterprises was selected from the list of enterprises within each PSU.

In the third stage, a stratified random sample was selected from each density category within the PSU. The two strata include male and female owner/manager. With female owners / managers were over sampled (double-weighted) in order to maintain a sufficient number of female respondents.

The sample size was predetermined by 5000 private MSEs to provide statistical reliable estimates for the indicators at the region level. The sample size was inflated to 5400 to compensate for a possible 8% of non-response. The sample size was assigned to Governorates and to PSUs proportional to the number of listed MSEs.

In addition to the usage of the MSEs data sets, extensive focus groups analysis will be used if additional sources of funding can be secured in order to supplement the analysis with in-depth revelations that are derived from discussions with female entrepreneurs. If the focus groups are conducted, the focus groups' responses will also be used in outlining their suggestions with regards the needed change in policies. 4 focus groups with women entrepreneurs and in-depth interviews with women's organizations that promote women entrepreneurs. They know best the problems of women entrepreneurs.

The research project will be classified into the following parts:

Introduction, that includes the objectives, hypotheses, methodology and the literature review; part I describes the female entrepreneur's profile; part II deals with the enterprise profile; part III will depict the work conditions in their enterprises; part IV will contain an analysis of the success determinants of female entrepreneurs; and finally part V will include the policy recommendations

### **B-Literature Review of Women' Entrepreneurship**

The entrepreneurship has evolved through the last three centuries. Since the eighteenth century researchers, scholars and practitioners have been inconsistent in their definitions of entrepreneur. Therefore, various definitions of "entrepreneur" have been constructed, from an economic point of view, an entrepreneur is the one who brings resources, labor, materials, and other assets together into combinations that make their value greater than before. From a businessman's perspective, an entrepreneur could represent a threat of an aggressive competitor, or an ally, a source of supply, a customer, or someone who creates wealth for others, as well as finds better ways to utilize resources, reduce waste, and produce jobs others are glad to get.

Although each of these definitions regards the entrepreneur from a slightly different perspective, they all contain similar notions, such as innovation, organizational capabilities, wealth creation, and risk taking. On the other hand, entrepreneurship is defined, in general, as the process of identifying, developing, and bringing a vision to life. The vision may be an innovative idea, an opportunity, or simply a better way to do something. The end result of this process is the creation of a new venture, formed under conditions of risk and considerable uncertainty<sup>1</sup>.

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<sup>1</sup> For more information about entrepreneurs and entrepreneurship, see

In recent years, little attention has been directed towards women's entrepreneurship. Unfortunately, the research that has been carried out in the domain of women's entrepreneurship has not come as a response to a clearly identified research gap of a poorly understood and theoretically interesting phenomenon. As a matter of fact it has been conducted as a reaction from different policy related institutions (such as different national government agencies, International and regional Agencies, ILO, UNIDO, the World Bank and the OECD) needing better information in order to initiate measures to support women's entrepreneurship coupled with the intrinsic motivation emanating from individual women researchers in the field (OECD, 2004).

According to an OECD study (2004), the importance of studying Women's entrepreneurship in developing countries is attributed to two main reasons; the first reason is that women's entrepreneurship has been recognized during the last decade as an important untapped source of economic growth. Women entrepreneurs create new jobs for themselves as well as others; they also provide the society with different solutions to management, organization and business problems as well as to the exploitation of entrepreneurial opportunities. However, female entrepreneurs still represent a minor fraction of all entrepreneurs. Thus, there exists a market failure discriminating against women's possibilities to become entrepreneurs and their chances to become successful entrepreneurs. This market failure needs to be addressed by policy makers in order to maintain the economic potential of this group.

The second reason is that the topic of women's entrepreneurship has been largely neglected both by the society in general and in the social sciences in particular. Not only do women have lower participation rates as entrepreneur compared men but they also generally choose to start and manage firms in different industries. The industries (primarily retail, education and other social service) chosen by women are often perceived as being more primitive in nature, need limited skills and experiences, contribute less to economic development and growth than high-technology sectors and manufacturing. Furthermore, mainstream research, policies and programs tend to be "men streamed" and too often do not take into account the specific needs of women entrepreneurs and would-be women entrepreneurs. As a consequence, equal opportunity between men and women from entrepreneurial perspective is far from being a reality.

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- (Hisrich, Robert D et al, 2005)
  - <http://www.gdrc.org/icm/micro/define-micro.html>
  - [http://westaction.org/definitions/def\\_entrepreneurship\\_1.html](http://westaction.org/definitions/def_entrepreneurship_1.html)
  - <http://en.wikipedia.org/wiki/Entrepreneur>

However, several studies have been carried out recently, that throw light on the challenges confronting women entrepreneurs. In the next section, the study will cover two main topics; the first one includes the main factors affecting the role of female entrepreneurs. The second topic deals with the main sources of success of women-owned enterprises.

### First, the main factors affecting the role of female entrepreneurs

The review of literature has shown that women face a number of difficulties in establishing and maintaining their businesses. Although many of these difficulties are common to both men and women, in many cases they tend to be more significant for female entrepreneurs. We can breakdown these constraints into three main groups; general constraints (macro-level), gender-related constraints (micro Level) and specific constraints related to women' owned enterprises. This section will elaborate all these obstacles in details.

#### 1- General constraints (macro-level)

According to many empirical studies, women entrepreneurs in developing countries have been facing many political, legal, institutional and social constraints. We can summarize these constrains in the following points:

- Political, legal and institutional constraints: In many developing countries, severe legal prohibitions still prevail on women's accessing certain professions and occupations. Women have less access to top management and leading positions. This means that women will be less able to develop both management experience and professional networks of high quality (OECD, 2004). Moreover, despite the fact that many governments have been introducing new gender-specific laws of general nature, gender issues were not considered in most of the remaining laws of relevance to women's entrepreneurship development (Tezer U, 2001).
- Social responsibilities of women: One characteristic that clearly distinguishes most businesswomen from their male counterparts is the added responsibility, which societies often put upon them in their roles as mothers and wives. The often prevailing attitude that the woman's place is at home and that her first priority is to look after their homes and family constrains many married women from venturing into entrepreneurial activities. In many cases, women's enterprises are taking a second place to home, which is considered as one of the



main weaknesses of women entrepreneurs. Married women also have to make a fine balance between home and business. Moreover, many women go into business when their children are at least a bit grown up and have less gender related roles at home. The results show that early socialization, childhood experiences, role models and exposure have played a big role in motivating women to start business (ILO. 2002). Therefore, if they decide to start firms they will to a higher degree choose to start more part-time and home-based firms in order to balance professional responsibilities with family responsibilities (OECD, 2004).

## 2- Gender-related Constraints (Micro Level)

At this micro level, the focus of the research is on women themselves and their access to and ownership of relevant resources or assets. In many cases, women have started enterprises when no other options were available to them in order to overcome or alleviate their poverty, rather than purposively pursuing business ownership by choice. Many women got engaged in business as a way of creating employment for themselves to meet basic economic needs, either because the woman is single and has no finance to help her sustain her family's livelihood, or the spouse's income is inadequate to meet basic family needs (UDEEC, 2002).

However, most of these women lack the necessary assets that help them become efficient and successful entrepreneurs. These assets or forms of capital are brought together in three groups: human assets, financial assets and social assets.

### a- Lack of human assets

- Education and Access to information: access to information is not equal in many developing countries because in many countries women do not even have access to basic education. Illiteracy among women is often substantially higher in LDCs than for men. This has important consequences for women's possibilities to become self-employed. Illiteracy excludes them almost totally from entrepreneurship as they have fewer possibilities to access information through which they could identify and assess different entrepreneurial opportunities. Also, their relative ability to exploit an opportunity is severely hampered. Not being able to read, write and count subjects an individual to two risks: first a higher probability of being financially exploited by others and second a higher

probability of having to operate in the informal sector. Basically, illiterate women are pushed into informal sector because they have no alternative. The combination of high levels of illiteracy and low social position exposes women to a high risk of exploitation and violence (Karim, 2000; Mayoux, 2001).

- **Access to training:** In many cases, women's access to training that will assist in developing business skills is limited or difficult to obtain. Although the increase in women business owners has risen dramatically in the last ten years, there are no structured institutions to address the women's business skill development (Sarah Kitukale *et al*, 2004). Moreover, many support institutions were not aware of the gender-specific constraints of women entrepreneurs and therefore unable to address them adequately when providing the necessary services (Tezer U, 2001)
- **Lack of experience:** The literature shows women entrepreneurs as having limited business and managerial experience prior to start-up. This is derived from the fact that they are concentrated in lower paid, lower status employment (both formal and informal) that does not support or enable them to build skills through experience. This lack of experience is further exaggerated by lower levels of education of female than male business owners in general (OECD, 2004).
- **Inadequate non-financial services:** non-financial services are the services that improve the performance of the individual enterprise, its access to markets and its ability to compete, and are offered on a short-term or temporary basis". Business development services vary widely, encompass many disciplines, and do not fit easily into a single category. Non financial services include training & technical assistance, market access services, input supply services, Technology and product development services, Infrastructure-related and information services and policy and advocacy. Many studies showed that women's enterprises do not have adequate non-financial services. The majority of female entrepreneurs have expressed a need for a more supportive business environment. This includes, but is not exclusive to start-up support, legal aid, on the job-training and human resources (El Mahdi, 2006). There is a general lack of access to and provision of these services at a level that is beneficial to females, particularly at a level which can help them become more competitive vis-à-vis their male counterparts.

#### **b- Lack of financial assets**

- **Lack of wealth:** A prerequisite for starting a firm is to have initial capital in terms of financial assets and relevant knowledge assets. Women's position in society has

led to a lack of assets in both these aspects. The constraints of family obligations make it harder for women to take on work on a full time basis and to engage in a career. This in turn decreases the range of possible work opportunities for women, leading to jobs in lower paid sectors. Being a part-time worker with low pay is not a good basis for creating personal wealth (OECD, 2004).

- Access to finance: One of the major obstacles facing female MSEs owners is access to finance for start-up and growth opportunities. Women are usually regarded as high risk, and investors tend to favour male entrepreneurs who are perceived as more stable, more able to generate income and invest the required time towards their business growth. Women often have fewer opportunities than men to gain access to credit for various reasons, including lack of collateral, an unwillingness to accept household assets as collateral and negative perceptions of female entrepreneurs by loan officers. In addition to this, women entrepreneurs in developing countries continue to suffer from poor overall assets, ownership, poor enforcement of financial rights and the existence of unequal inheritance rights and consequently poor access to community and social resources (Commonwealth Secretariat, 2002).

#### c- Lack of Social assets

- Time constraint: Another recurring obstacle for women to engage in entrepreneurship is the perceived lack of time or competing demands on time. Because women are responsible for so many different domestic chores and the raising of children, they do not have enough free time to develop either their entrepreneurial skills to become entrepreneurs or to develop an existing business. The lack of free time does not allow them time to travel to support institutions, banks and other finance houses for advice and information on credit, to attend training programs to acquire skills, or to seek out better customers or suppliers.
- Access to networks: Women entrepreneurs have fewer business contacts, less knowledge of how to deal with the governmental bureaucracy and less bargaining power, all of which further limit their ability to growth. Since most women entrepreneurs operate on a small scale, and are generally not members of professional organizations or part of other networks, they often find it difficult to access information. Most existing networks in many developing countries are male dominated and sometimes not particularly welcoming to women but prefer to be exclusive. (Commonwealth Secretariat, 2002). Women's limited networks

and networking reinforce women's isolation as entrepreneurs and reduces their scope and opportunities for building personal and business know-how and accessing other physical and financial assets (UDEEC, 2002).

### 3- Specific constraints related to female-owned enterprises

At the enterprise Level, the focus will be on the women enterprises and their resource bases that are necessary to start and develop a successful business. In this section we will deal with the most common constraints that face women enterprises.

- Women's enterprises are largely informal: Entrepreneurs make formalization decisions based on cost/benefit analysis, and that they will operate formally up to the point where the marginal costs are less than the benefits of formality (CIDA 2004). In developing countries many entrepreneurs decide to stay informal because the total costs of entry, operation, and exit associated with joining the formal sector are greater than the potential benefits from being formal. They are willing to forgo the benefits of better protection of property rights and to bear the cost of extra-legality (in the form of bribes, costly finance, etc.) because it is more beneficial to remain informal. In general, Women are dominant members of the informal economy and are less present as owners of formal enterprises.
- Women's enterprises tend to operate from inappropriate premises, in case premises do exist: MSEs, especially those operating in the informal economy, face significant problems in using appropriate and affordable premises. This is particularly so for certain sectors such as food preparation and food processing businesses – activities where regulations require that business accommodation should meet specific hygiene standards, and in which women predominate. Furthermore, women still experience difficulties in obtaining ownership deeds and/ or legal titles to land and buildings (Pat Richardson *et al* (2004).
- Women's businesses are primarily micro rather than small enterprises: The main reasons behind this are that women are seen to have “inappropriate attitudes” to business, are “risk averse”, and not “growth oriented” business owners (Zewde & Associates, 2002). Women are seen to have limited business vision with their main aim being to earn an income – frequently labeled as “supplementary” or “pin money” – and not to build substantial businesses. Other factors which characterize and contribute to the “micro” size of women's enterprises relate to the sectors and markets in which women entrepreneurs operate (Pat Richardson *et al* (2004).

- Women's enterprises are concentrated in specific economic activities and in their local communities: Women tend to operate businesses that are often labeled as "gendered" or "feminized" activities. These activities are likely to be in already saturated markets and or have low margins of return. Moreover, the majority of women operate in restricted locally-based markets which by their nature are limited in size. Moreover, women's locally made products are increasingly in competition with a growing range of imported goods coming into the market at all levels (Pat Richardson *et al* (2004). Furthermore, due to the smaller size of most women-controlled businesses, access to markets can pose a significant challenge. Learning about potential markets, identifying customers and suppliers, producing the required quality and developing packaging and labeling for a different market are complex and costly processes for small or micro businesses (Sarah Kitukale *et al*, 2004).

#### Second: The main sources of success of female entrepreneurs

Reality and research studies indicate that women entrepreneurs in developing countries seem to be confronted by several barriers that tend to hinder them from accessing the market and working independently. Although, male entrepreneurs, own- account workers or employers, that operate micro or small enterprises also face several hindrances, all comparisons point out females are subjected to more severe entrance and operations impediments compared to their male counterparts. Those barriers are not only of institutional or legal nature, but are primarily of social nature. Gaining the approval of the family, community and neighbors is crucial to female entrepreneur. However, these social barriers are slowly declining in their severity with the spread of education, the role of the civil society and the media.

Still, studies reveal that the female entrepreneurs' success is strongly related to the existence of several factors, which are includes in the following paragraphs:

- Finance

Access to capital has proven to be an important factor for many women business owners, who often lack formal education in financial matters and who may face gender-based barriers to accessing finance institutions. In 2004, United Nations Economic Commission entrepreneurs to enable them to survive and grow.

To increase access to finance, governments should set specific policies that encourage existing financial institutions to extend credit to women in all sectors of the economy; develop some mechanisms to provide collateral for loans for women without individual resources. These may be established at the national level by associations of

female entrepreneurs, nongovernmental organizations or governments; and finally promote finance schemes that are suited to women needs and ability of repay.

- Tailored, focused and specialized education and training programs

The educational system should be mobilized as a vehicle to introduce boys and girls to entrepreneurial challenges and offer them equal opportunities to learn and cultivate their skills from an early age. ILO study (2002b) assured that there is need to offer focused and specialized courses with wide outreach for the women entrepreneurs. Specific areas where skills training would be beneficial include Marketing, Customer care, Quality product/service, Trade fare participation, Technical training in what they are doing/plan to do and managing gender relations. Educational and training policies should address women's needs by providing flexibility in courses and schedules to take into account their domestic and professional responsibilities. Management and technical training for women entrepreneurs should be easily accessible, inexpensive, and available on flexible terms. Moreover, Educational and training policies provide gender-sensitive training to officials and representatives in the governmental, non -governmental and private sectors to promote women's interests in relevant regional and international forums.

- Provision of non- financial services

Provision of non- financial services to women's enterprises is one of the main policies that can help them to survive, grow and compete locally and internationally. A recent UNDP study (2004) noted that the non- financial services represent a crucial form of support for the development of M/SMEs in general and women's enterprises specifically by providing a range of business advice, information and support to the sector, as well as stimulating sustainable development by improving the general business environment. Non- financial services are generally viewed as a mechanism for addressing market failures which are particularly evident in transition economies, such as lack of information (market opportunities, rules and regulations, access to credit, quality standards for export, etc.) which can act as a barrier to faster economic development and growth in a particular geographical area. Non- financial services generally seek to raise the profitability and enhance the growth and competitiveness of enterprises, which directly raise incomes. Non- financial services interventions at the micro firm level can lead to enhanced economic security and more incomes, thus permitting poor entrepreneurs, not only women, to invest in nutrition, housing, health and education of their families. Equally, non- financial services delivered to

MSMEs can lead to steady employment generation, innovation and adding value to goods and services, and flexibility in responding to dynamic and volatile markets.

- Conducive legal and regulatory systems

Government policies should focus on improving the business climate. Sound macro-economic policies and fair, efficient market-framework policies do much to help women entrepreneurs to become more competitive and prosperous, and to create more jobs. There is need to improve the regulatory framework to facilitate increased participation of women entrepreneurs. The Groot's study (2001) noted that although most governments have been introducing new gender-specific laws of a general nature, gender issues were not considered in all the other laws of relevance to women's entrepreneurship development. It has also been observed that many support institutions were not aware of the gender-specific constraints of women entrepreneurs and therefore unable to address them adequately when providing the necessary services. Ministries in charge of the enhancement of the status of women, ministries responsible for SME development, NGOs, women's organizations and technical cooperation projects and programs could play an important role in emphasizing gender issues in the creation of a more enabling policy and legal environment.

- Women organizations

In 2004, ILO study was recommended that the Government of Kenya establish an Office of Women's Enterprise Development (OWED) and that the authority for such an Office be incorporated within the proposed Micro and Small Enterprises Act. This Office would be tasked with all issues pertaining to the development of women's enterprise development in the country, including research, advocacy efforts on behalf of women MSEs with other ministries and departments, negotiation with donors for strategic support in favor of the development and growth of women owned enterprises, and fostering an enabling environment that will alleviate the barriers women face in their MSE activities. It would also facilitate linkages with other like-minded organizations, both nationally and internationally. The OWED would also be responsible for spearheading initiatives to ensure gender mainstreaming in all MSE programs and networks. Additionally, it is recommended that an inter-ministerial committee on women's enterprise be established with the mandate to work across government agency and donor lines to foster the growth and development of women's businesses.

- Strong Business and industry networks

Business associations are potentially very effective vehicles for providing information to members on such issues as training opportunities, trade fairs and other information as well as advocating for the rights of members. De Groot's study (2001) have revealed that Business and industry networks for women entrepreneurs are key elements in facilitating access to the information, technology, markets and raw materials relevant to the development, sustainability or expansion of their businesses. Accordingly, networking of women with national, regional and international business associations should be facilitated. Business and industry associations, women's associations, support institutions, and the international community are all important actors to assist women entrepreneurs in accessing business and industry networks at national, regional and international levels. This assistance should also include the networking of women entrepreneurs and their organizations with banks, credit and investment institutions and marketing facilities.

- Increasing gender awareness

Increasing gender awareness is important for policy makers and decision-makers at different levels of public and private institutions. The process of policy formulation has to incorporate gender mainstreaming strategies. Ministries in charge of the enhancement of the status of women, ministries responsible for SME development, NGOs, women's organizations and technical cooperation projects and programs could play an important role in emphasizing gender issues in the creation of a more enabling policy and legal environment. Creation of awareness about entrepreneurship requires the adoption of an entrepreneurial culture among potential women entrepreneurs and among youth in general, as the future entrepreneurs.

## **P**art I- The Profile of Women Entrepreneurs

Before examining the profile of women entrepreneurs in Egypt, it would be useful to cast some light on the situation of female labor force participation. This participation is much less for women than that of men, only 35.8%<sup>2</sup> to 78.4%. Furthermore, the unemployment rate among women (22.4%) is more than four times that among men (5%)<sup>3</sup>. The main reasons for this include the near cessation of hiring

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<sup>2</sup> This figure is not much different for the Middle East and North African (MENA) region as a whole, where female labor force participation is 32%, the lowest in the world (IFC, 2005b). In Egypt, the main reason is that 51.9% of women are housewives and therefore excluded from the labor force.

<sup>3</sup> ERF, Egyptian Labor Market Panel Survey 2006 data set.



by the Government<sup>4</sup>, which is the most egalitarian employer of women, at the same time that the private sector discriminates against women, both in terms of job opportunities and wages (IFC, 2005b). The female segment most affected by unemployment is that of young, educated women in rural areas (IFC, 2005a). Outside the government, women are confined to a limited number of industries and jobs. For illiterate females, informal urban activities such as self-employed or unpaid family work are the most prevalent form of work. In general, during the 1990s, women have been increasingly forced into the informal sector, especially new entrants (ERF, 2004).

For the purpose of analyzing female entrepreneurship, we shall be examining entrepreneurs in Micro- and Small Enterprises (MSEs), which constitute 98.5% of Egypt's private sector. Women are estimated to own 18% of these enterprises. Female-owned MSEs represent, however, only 10-15% of registered private firms<sup>5</sup> (IFC, 2005). In the process of characterizing women entrepreneurs, we shall compare them with their male counterparts in order to better assess their overall situation. In doing this, we shall consider different aspects, namely, demographic, social and economic characteristics.

### **Age**

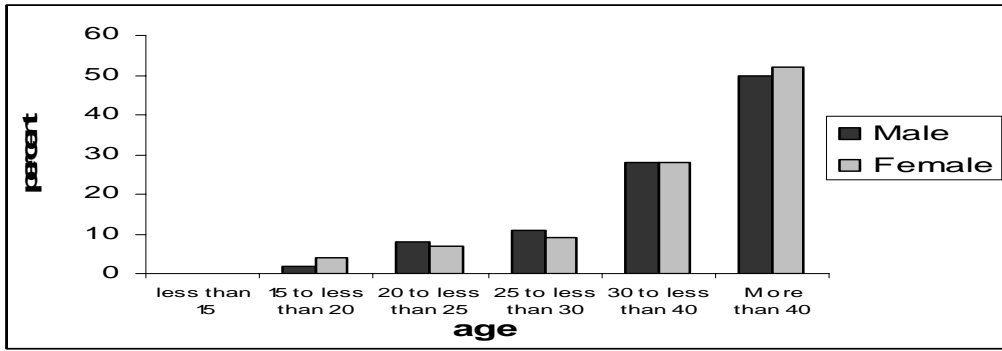
Figure 1 shows that there is not a significant discrepancy between the age distribution of women entrepreneurs and that of men. Furthermore, the percentage of entrepreneurs of both genders within a given age bracket rises, until it reaches the older the age group (about 50% for entrepreneurs older than 40 years of age).

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<sup>4</sup> The Government is also the main employer of women, as is evidenced by the fact that the percentage of government employees that are female is 28%, while women represent only 19% of overall employment (CAPMAS, 2004). Since women are treated most fairly in the government sector, they seek public sector jobs. However, with the slowdown of hiring in the government, and the barriers facing women in the private sector, female unemployment has risen greatly.

<sup>5</sup> This figure might be overstating female participation since many registered firms may be listed in the woman's name, while being actually owned and managed by the man. This is done for either taxation purposes or to enable the man to continue holding his government or public sector job (IFC, 2005).

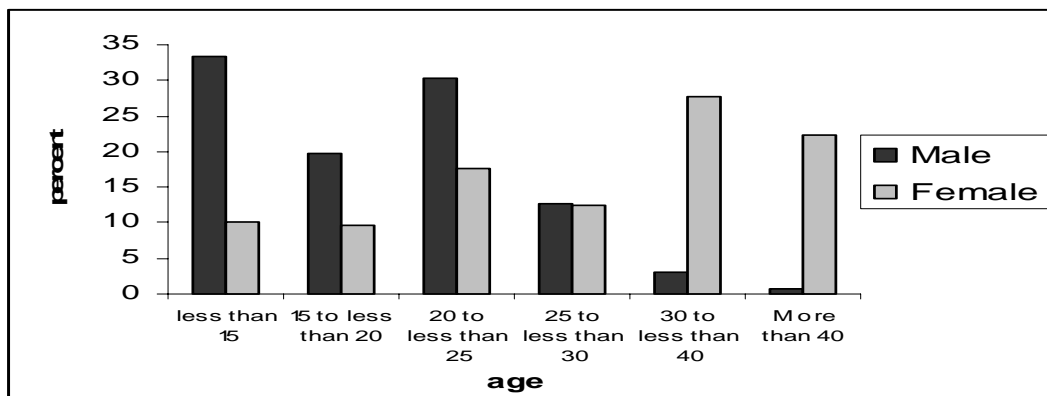
**Figure 1: Age distribution of entrepreneurs of both genders**



Source: MSE Database 2003/2004, calculated by the author.

However, the same cannot be said if we were to consider the age of starting first job for both genders. Figure 2 reveals that while about 83% of men entrepreneurs started working at an age younger than 25, the equivalent figure for women is around 37%. Almost 28% of women entrepreneurs started working when they were 30 to 40 years of age. The reasons for this lie in the motivations of and the opportunities presented to each gender to establish businesses. A large portion of women entrepreneurs are forced into self-employment in order to support their families, either because they are widowed, divorced, or are married but provide for their husbands and their children, a situation common among lower socio-economic classes. Hence, these women work at an age later than that of men. On the other hand, a significant segment of male entrepreneurs start out as boys working in workshops and factories, giving them the opportunity to gain craftsmanship and set up their own business, as opposed to females.

**Figure 2: Distribution of women and men entrepreneurs according to age of starting first job**



Source: MSE Database 2003/2004, calculated by the author.

### Marital Status

Social norms, in general, pose a significant barrier in the way of female entrepreneurship in Egypt. Figure 3 shows that while the percentage of entrepreneurs that have never been married is similar for women and men, there is a somewhat significant differential in the rest of the social status categories. The fact that 25% of women entrepreneurs (as opposed to less than 2% of men entrepreneurs) are either widowed or divorced might be indicative of the circumstances under which these women have gone into self-employment, namely, that they are the main or sole provider for themselves and their children. Furthermore, the lower percentage of married women, compared to married men might provide evidence of the constraints marriage puts on a woman, either due to domestic burdens, constraints put by husband<sup>6</sup> or to the male breadwinner mentality. When asked about the source of the worst constraints on business, 73.9% of female entrepreneurs responded that it was family, while the rest answered that it was the community (MSE Database 2003/2004).

On the other hand, for female entrepreneurs who are married, there is evidence that marriage might have a positive effect on the success of their businesses, perhaps due to the enablement of accession to family networks or the husband's support in maintaining a work-life balance (IFC, 2005b).

**Figure 3: Marital Status of Female and Male Entrepreneurs**



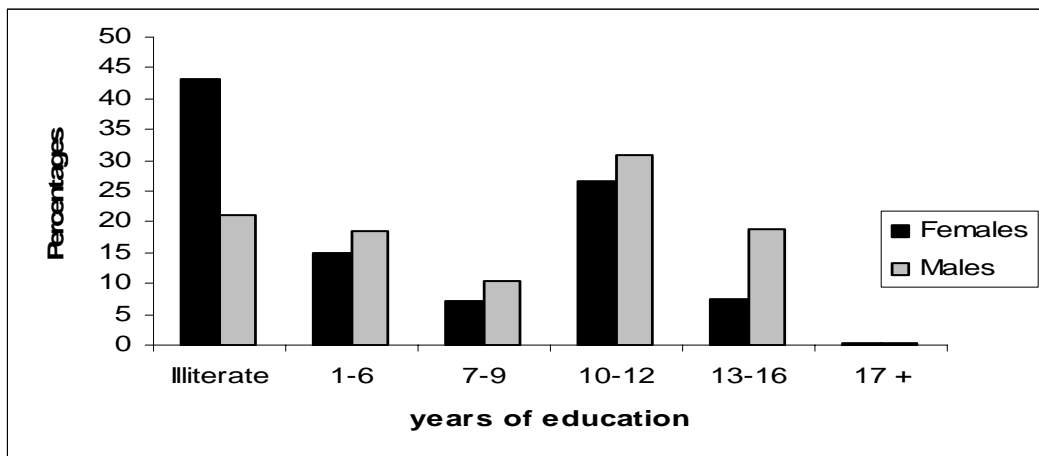
Source: MSE Database 2003/2004, calculated by the author.

<sup>6</sup> Out of all female entrepreneurs surveyed, 67% in urban regions and 57% in rural areas answered "yes" to the question "Do women need family approval for establishing businesses?" Of those in urban (rural) regions, 54% (82%) stated that the husband's approval was necessary. As for the necessity of the approval of society, 25% (20%) of female entrepreneurs in urban (rural) areas answered in the affirmative.

## Education

One of the well-established facts in gender studies is that females have less access to education than males, mainly due to the social perceptions of lower socio-economic classes that there is no need to educate females. This is apparent when observing that, of the females of working age, only 11.7% are students. This corresponds to 14.8% of males of working age. Incidentally, education is a vital aspect when assessing the situation of women entrepreneurs due to the confirmed positive effect it has on the productivity of labor. However, as figure 4 shows, female entrepreneurs have had consistently less access to education throughout all levels of education- especially at the university level- and their illiteracy rate (43.3%) is more than twice that of men entrepreneurs (21.2%). Furthermore, education levels for both genders are higher in urban regions than in rural regions due to higher per capita income, better access to educational facilities and the prevalence of social beliefs more conducive to education in urban regions (MSE Database 2003/2004).

Figure 4: Educational Status of Entrepreneurs of Both Genders



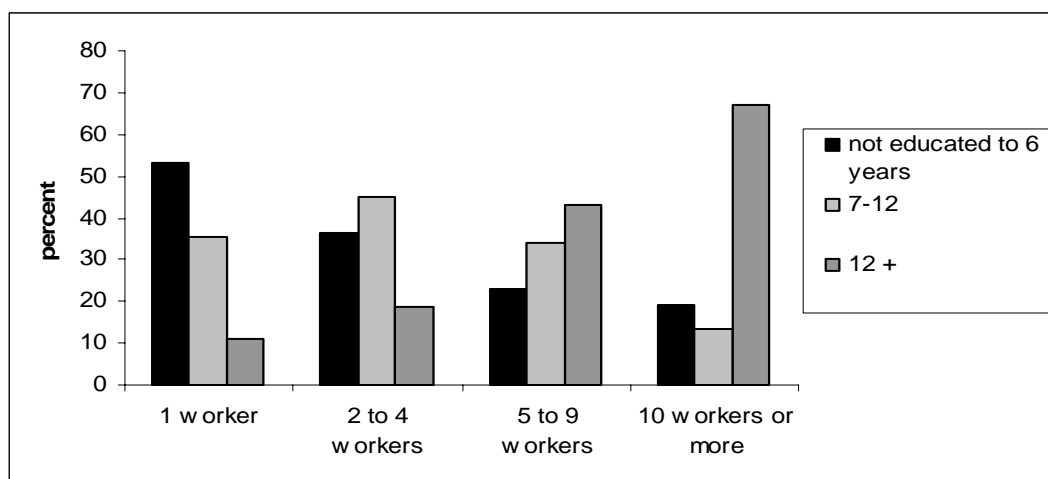
Source: MSE Database 2003/2004, calculated by the author.

A striking feature in figure 4 is the very high illiteracy rate among women entrepreneurs. The reason for this lies in the nature of female-owned enterprises in terms of number of workers, nature of economic activity and location of the enterprise<sup>7</sup>. The majority (58.4%) of female-owned enterprises are comprised of only one worker (see section 2). As figure 5 shows, there is a positive relationship between the educational attainment of the entrepreneur and the number of workers in the enterprise. Therefore, the high illiteracy rate among women entrepreneurs is

<sup>7</sup> These characteristics will be discussed in detail in section 2.

consistent with the dominance of one-worker, female-owned enterprises. In fact, the GEM report found that in low income per capita countries, female illiteracy is positively associated with female entrepreneurial activity (GEM, 2002).

Figure 5: Distribution of enterprises by number of workers and the level of educational attainment of entrepreneur



Source: MSE Database 2003/2004, calculated by the author.

Another feature of female-owned enterprises is that 85.4% of them are in the trade sector (see section 2). Establishing an enterprise in the trade sector does not usually require high educational attainment or capital since a most of these enterprises will operate in kiosks or small shops employing very few workers and do not require technical expertise or experience.

A third characteristic is that almost half of women-owned enterprises (43.2%) lie in rural regions, where the illiteracy rate of females is significantly higher than in urban regions. This is the case in both Lower and Upper Egypt (MSE Database 2003/2004).

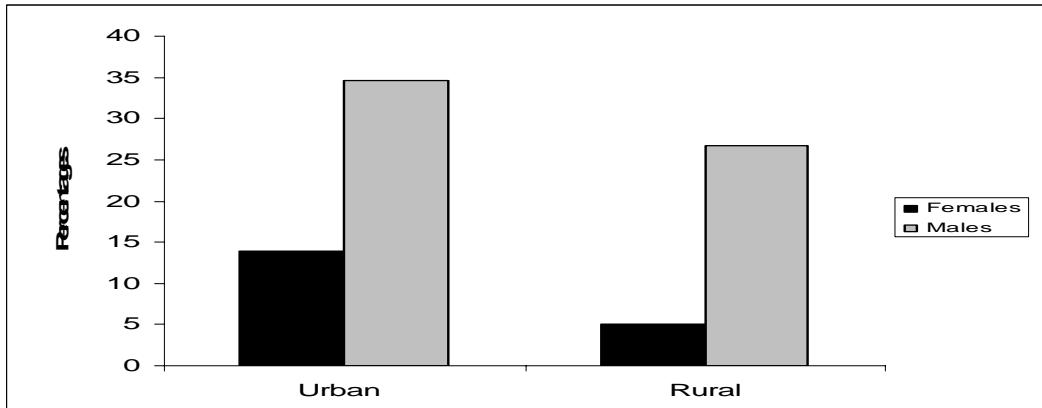
### Training

Training is an important factor in determining the productivity of labor and acts as a complement to education. In general, the percentage of women entrepreneurs who have had vocational or technical education (2.9%) is not much smaller than that of men (3.4%). However a significantly higher portion of male entrepreneurs have received training related to the economic activity they pursue (32% compared to 10% of females). Also, there are discrepancies among different categories of firm size, economic activity and region. Figures 6-9 depict training of both genders according

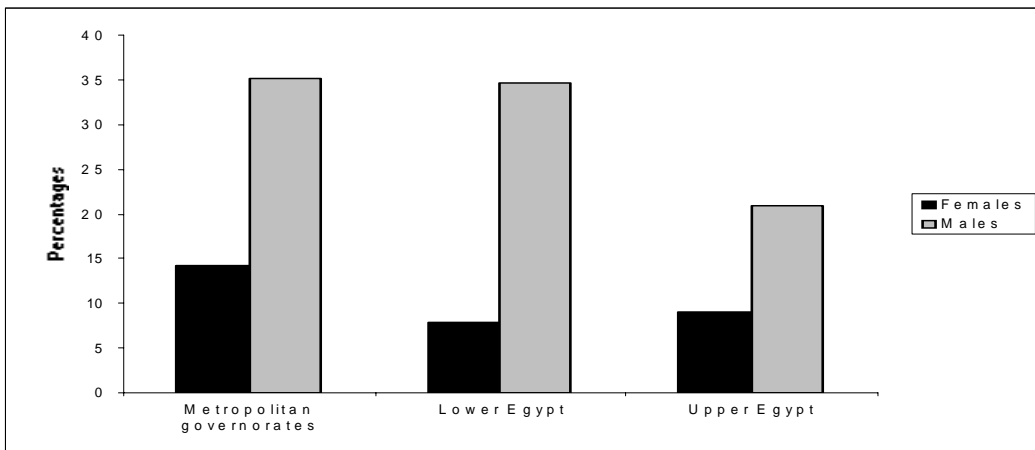
to region, the number of workers, capital size of the firm and the type of economic activity.

Figure 6: Training by Gender and Region

Panel A

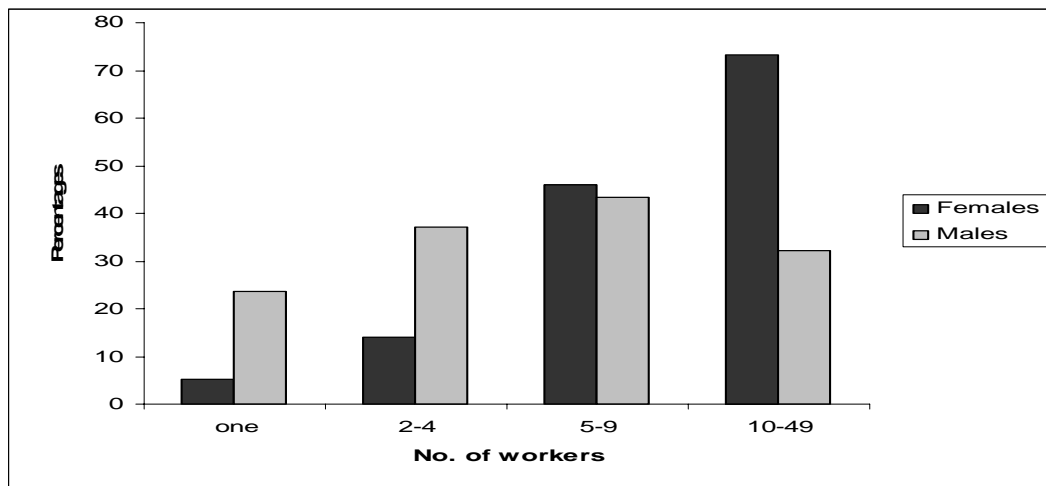


Panel B



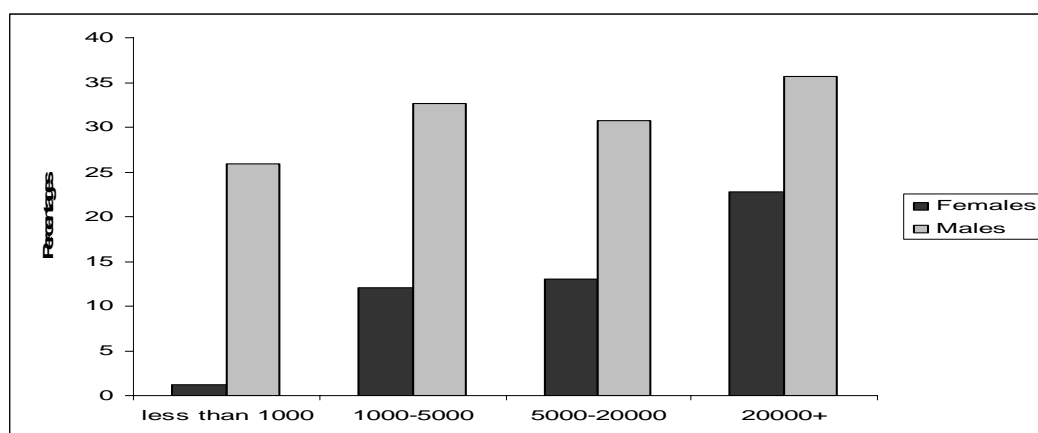
Source: MSE Database 2003/2004, calculated by the author.

Figure 7: Training by Gender and No. of Workers



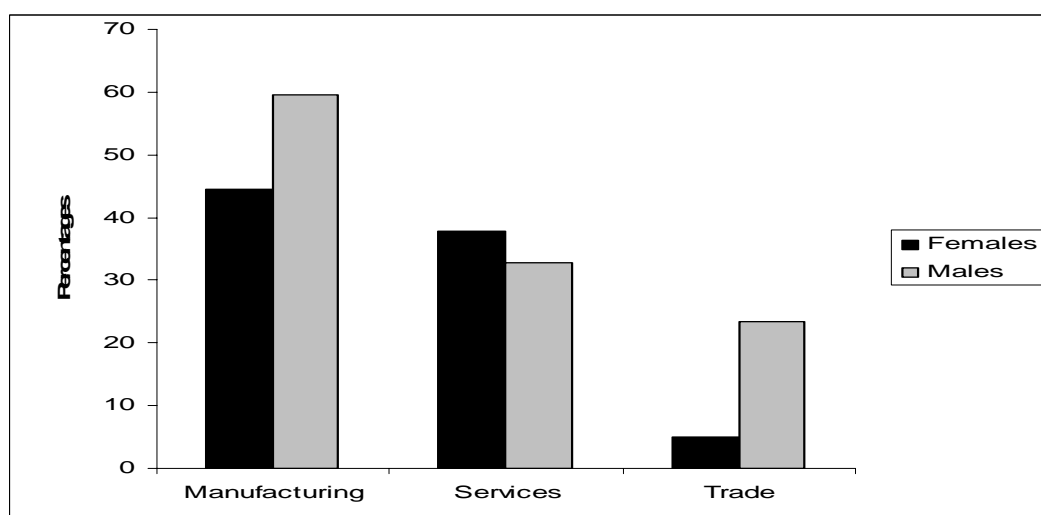
Source: MSE Database 2003/2004, calculated by the author.

**Figure 8: Training by Gender and Enterprise Capital**



Source: MSE Database 2003/2004, calculated by the author.

**Figure 9: Training by Gender and Economic Activity**



Source: MSE Database 2003/2004, calculated by the author.

It is obvious that women are disadvantaged when it comes to training since the portion of women entrepreneurs undergoing training is consistently lower than that of men entrepreneurs, with the exception of medium-sized firms (over 5 employees) and in the services sector. Closer inspection further reveals that the female-male differential in training is not constant. Rather, it is lower in urban regions than in rural regions and in firms larger in capital size and number of workers. The three aspects, region, firm size (in terms of both number of workers and capital) and economic activity are related. The larger the firm is in terms of both the number of workers and capital size, the more likely it is to be located in urban regions.

Furthermore, firms that operate in the services sector are mostly concentrated in urban areas, the concentration more prominent in female-owned enterprises (see section 2). Hence, the higher percentage of women entrepreneurs receiving training in large firms and in the services sector can be attributed to the concentration of those enterprises in urban, as opposed to rural, regions.

Women entrepreneurs have more access to training opportunities in urban regions than in rural because of several reasons; the greater availability of training facilities, the presence of better infrastructure and transportation services that better enable women to attend these facilities, and the relatively higher social mobility of women in urban regions. Evidence of this can be found in the high percentage of women entrepreneurs who have received their vocational education in private firms and training centers (84.2% as opposed to 63.4% of men). Furthermore, women are better educated in urban regions. This makes them more aware of the importance of training in achieving their potential productivity.

A point to note is the very low percentage of women entrepreneurs receiving training in the trade sector. The significance of this phenomenon is that 85.4% of female-owned enterprises operate in this sector and are hence deprived of reaching their potential productivity due to lack of training.

The positive relation between the percentage of female entrepreneurs that have received training, the number of workers and level of firm capital indicates that vocational education and training might render women more capable of establishing larger enterprises.

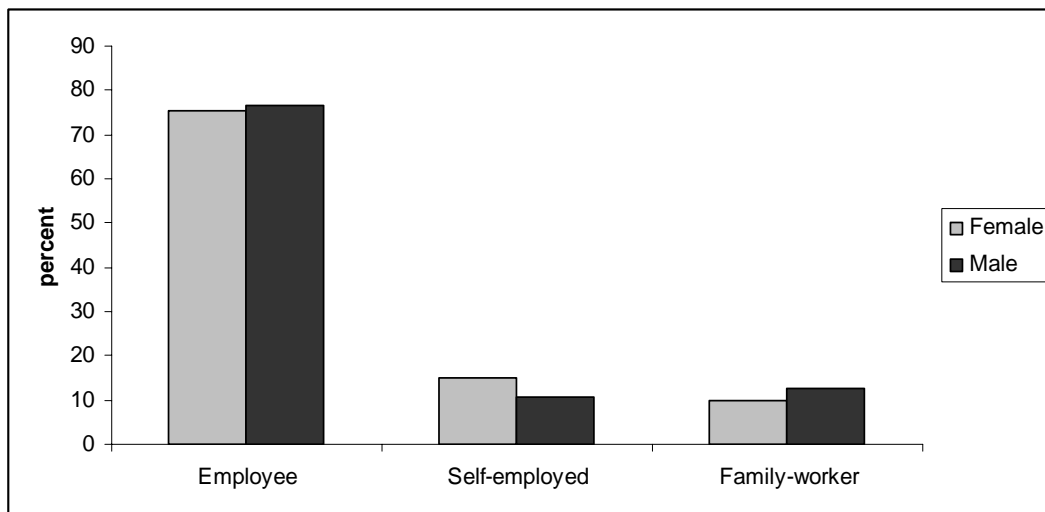
### **Motivation for Entrepreneurship**

The GEM report (2002) defined two types of entrepreneurs: a) opportunity entrepreneurs who choose to start a business as one of several career alternatives and b) necessity entrepreneurs who are forced into entrepreneurship because they feel that there are no other job opportunities or none that are satisfactory.

Inspection of figures 10-12 might provide indications about the motivation of each gender to go into self-employment.



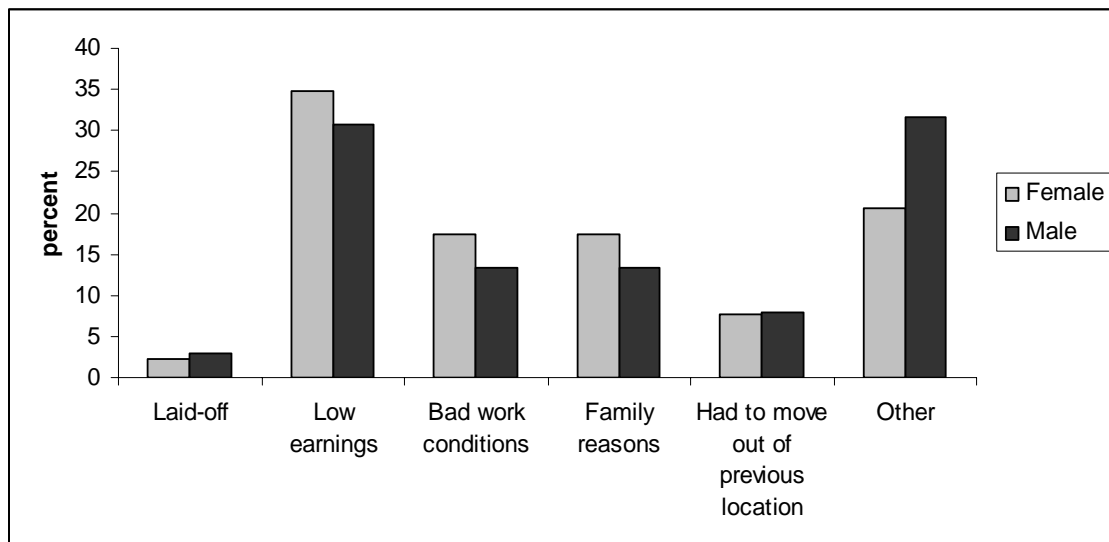
Figure 10: Previous Status in Employment



Source: MSE Database 2003/2004, calculated by the author.

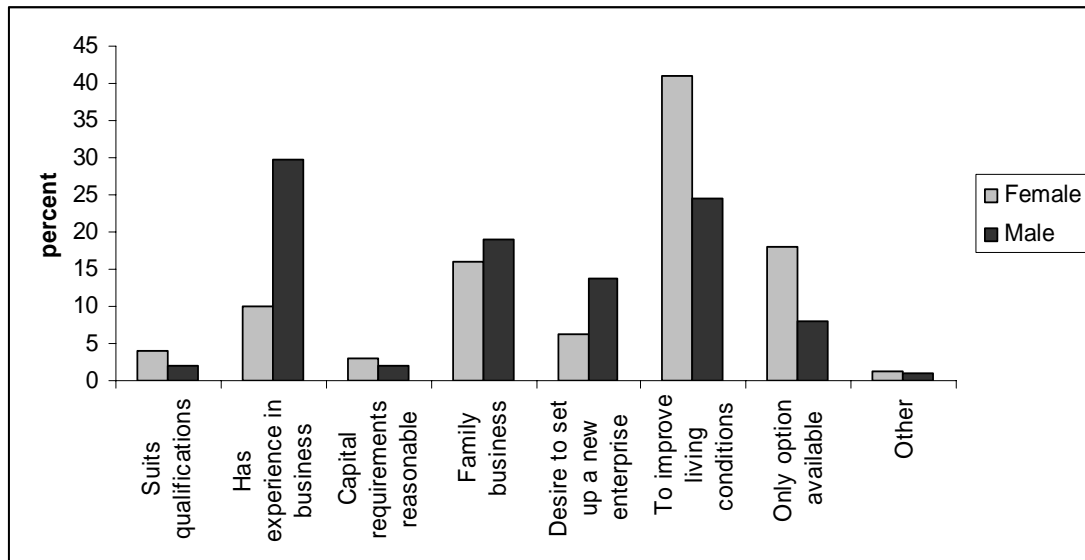
Figure 10 shows that the percentage of women that were employees is very much similar to that of men. However, the portion of those that were self-employed is somewhat higher for females, while the portion of those who were family-workers is higher for males. Reasons for this distribution can be deduced from the following two figures.

Figure 11: Reason for Changing Previous Job



Source: MSE Database 2003/2004, calculated by the author.

Figure 12: Reasons for Choosing Present Job



Source: MSE Database 2003/2004, calculated by the author.

Due to the facts that a) women are at a disadvantage with respect to education and training, b) the private sector discriminates against women due to lenient labor laws<sup>8</sup> and c) the Government- the most egalitarian employer of women- has halted its hiring of new employees, women face less desirable jobs opportunities than men. Though the largest percentage of both women and men were employees before becoming entrepreneurs, women were more likely holding low-paying jobs that required relatively low skills. This could be verified when examining the reasons for leaving the previous job stated by both genders, displayed in figure 11. We find that a higher percentage of women stated that low earnings, bad work conditions and family reasons were the reason than did men, indicating poor job opportunities and family restrictions faced by women.

The abovementioned conditions pave the way for the motivation for choosing self-employment. As figure 12 shows, the highest percentage of women stated that the reason for choosing present job was to improve their living conditions. Another reason stated where the percentage of women was significantly higher than men was “only option available,” among others. These reasons indicate that most women are necessity entrepreneurs and were forced into self-employment, whereas men choose to set up enterprises mostly due to having experience in business and due to the desire to do so and are hence mostly opportunity entrepreneurs. Figures 11 and 12

<sup>8</sup> Labor laws grant women certain privileges like maternity leave and child care leave that private sector employers find to be an impediment to conducting business, which makes them reluctant to hire women, regardless of their qualifications.

also reveal that a higher portion of males used to be family workers and that a higher portion also set up a family business (or took over the existing family business). This is indicative of the prevalent social norm of leaving the family business to the males of the family, not the females, due to a lack of confidence in the entrepreneurial skills of women.

On the other hand, for women who have become entrepreneurs, there are two positive points to note: first, that almost 80% of them do not suffer conflict between home and work and second, that about 70% of them feel empowered by their earnings and have reaped benefits from self-employment.

To sum up, women in Egypt are disadvantaged with regards to elements necessary for achieving success as entrepreneurs, namely education, training, and sufficient social mobility. A large portion of female entrepreneurs have been pushed into self-employment out of necessity because of bad economic conditions and the need to support their households. These factors have shaped the profile of female-owned enterprises. This will be discussed in the next section.

## **P**art II. Profile of the Enterprise

Enterprises can be characterized according to several aspects. In this section, we will examine the main features of women-owned enterprises in comparison with men-owned enterprises in an attempt to recognize the main differences and pinpoint potential success factors.

### **2.1. Region**

One of the most important aspects and one that has a significant impact on other characteristics is that of region, i.e., whether the enterprise exists in urban or in rural regions, Lower or Upper Egypt.

There are numerous advantages to existing in urban regions, including better infrastructure, better means of transportation, more access to educational and training facilities, and better access to markets and networks. The distribution of enterprises among rural and urban regions for each gender is shown in table 2.1.

**Table 2.1: Distribution of Enterprises by Gender and Region**

**A-Rural/Urban**

	Metropolitan			Lower Egypt			Upper Egypt			Total		
	Urban	Rural	Total	Urban	Rural	Total	Urban	Rural	Total	Urban	Rural	Total
Male	89.4	0.0	89.4	87.4	84.1	85.6	88.8	88.8	88.8	88.6	85.9	87.6
Female	10.6	0.0	10.6	12.6	15.9	14.4	11.2	11.2	11.2	11.4	14.1	12.4
Total	100	0.0	100	100	100	100	100	100	100	100	100	100.0

**B-Regions**

	Metropolitan			Lower Egypt			Upper Egypt			Total		
	Urban	Rural	Total	Urban	Rural	Total	Urban	Rural	Total	Urban	Rural	Total
Male	100.0	0.0	100.0	46.7	53.3	100.0	49.0	51.0	100.0	62.8	37.2	100
Female	100.0	0.0	100.0	39.9	60.1	100.0	48.9	51.1	100.0	56.8	43.2	100
Total	100.0	0.0	100.0	45.7	54.3	100.0	49.0	51.0	100.0	62.0	38.0	100

Source: MSE Database 2003/2004, calculated by the author.

The table reveals that female-owned enterprises account for a larger percentage of enterprises in rural rather than in urban regions. In addition to this, even though enterprises of both genders are more concentrated in urban regions in general, this concentration is higher for men. The reason is that male-own enterprises account for the majority of enterprises with a larger number of workers and higher levels of working capital, as will be shown in section 2.2. Enterprises in urban regions are, on average, larger in terms of the number of workers and capital levels than rural-based enterprises. However, if we disregard Metropolitan regions, where enterprises are completely concentrated in urban areas, we find that enterprises owned by both genders are relatively more concentrated in rural regions in Lower and Upper Egypt. This regional location of enterprises has a significant impact on the work environment that will be later discussed in section 3.

The distribution of enterprises among Metropolitan regions, Lower Egypt and Upper Egypt is slightly different between female and male entrepreneurs. The main difference is that women are relatively more concentrated in Metropolitan regions while men are relatively more concentrated in Upper Egypt (see table 2.2.). This might be indicative of the higher social mobility of women in Metropolitan regions compared to their counterparts in Upper Egypt, where cultural and social restrictions might play a part in inhibiting women from establishing enterprises. In addition to this, the relatively higher female concentration in Metropolitan regions might point to better conditions facing female entrepreneurs in setting up businesses with respect to infrastructure and access to financial and other business services.

**Table 2.2: Distribution of Enterprises by Gender and Region**

	Males	Females
Metropolitan Cities	32.2%	35.8%
Lower Egypt	17.7%	18.9%
Upper Egypt	50.1%	45.3%
Total	100%	100%

Source: MSE Database 2003/2004, calculated by the author.

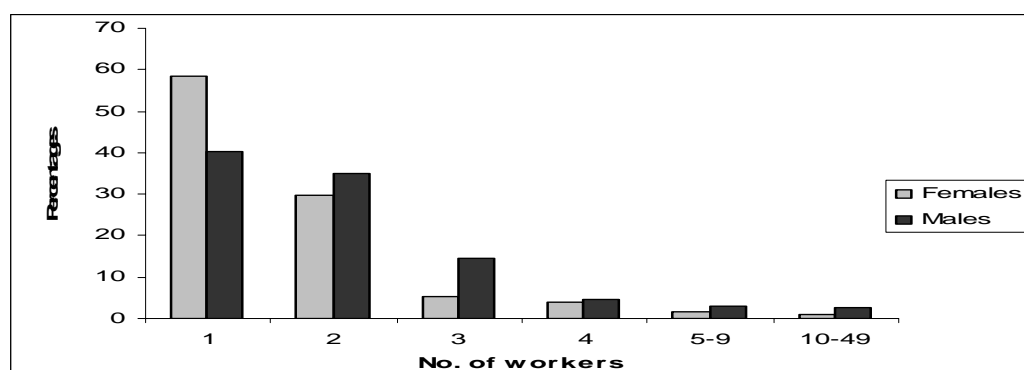
## 2.2. Size of the Enterprise

In this section, we will inspect different measures of firm size to determine whether there is a significant difference between female- and male-owned firms.

### 2.2.1. Number of Workers

As figure 2.2 shows, the size of women-owned enterprises is clearly smaller, on average, than male-owned firms to the extent that men entrepreneurs account for 100% of enterprises exceeding 24 workers. The average size of female-owned enterprises is 1.73 workers, while the average male-owned enterprise has 2.33 workers. Furthermore, a larger portion of female entrepreneurs are own-account workers (58.3%) when compared to male entrepreneurs (40.3%), while the rest are employers<sup>9</sup>. Reasons for this include 1) the regional distribution of the enterprises, i.e., that male-owned enterprises are more concentrated in urban regions, 2) the higher levels of education and training received by male entrepreneurs, given the positive relationship between education, training and the ability to establish large enterprises. The small number of workers is indicative of the traditional nature of the activities carried out by women-owned enterprises. More will be said about this in section 2.3.

Figure 2.2: Distribution of Enterprises According to Number of Workers and Gender



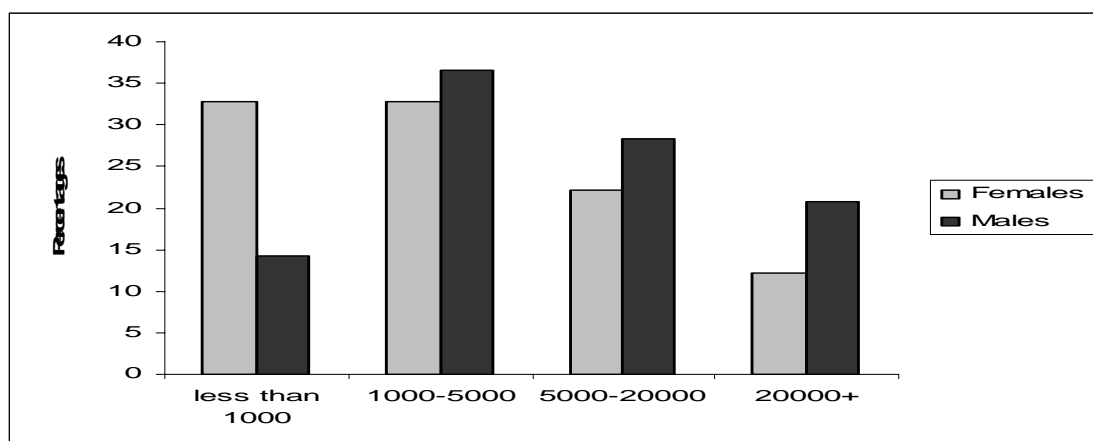
Source: MSE Database 2003/2004, calculated by the author.

<sup>9</sup> A point to note is that these figures are calculated from the sample that was included in the survey. However, the sample is biased in favor of larger sized firms (in terms of number of workers). Therefore, the portion of female entrepreneurs that are own account workers is likely larger in reality than that depicted in the text.

### 2.2.2. Capital Size

Examining capital size of female-owned firms in comparison to male-owned enterprises leads to the same conclusion as that of section 2.1., i.e. that female-owned enterprises are smaller than male-owned firms. The average value of assets is LE 12,800 in female-owned enterprises and LE 44,000 in male enterprises (El-Mahdi, 2006). However, scrutinizing figure 2.3 shows that the female-male differential is smaller in the case of capital size than in the case of number of workers. This indicates that women might be at a relative advantage when it comes to securing capital. According to the MSE Database (2003/2004), 8.9% of women entrepreneurs secured their initial capital through formal or informal loans, while the male equivalent was only 5.7%. Sources of initial capital will be discussed in section 3.4 in detail.

Figure 2.3: Distribution of Enterprises According to Capital Levels and Gender (in LE)

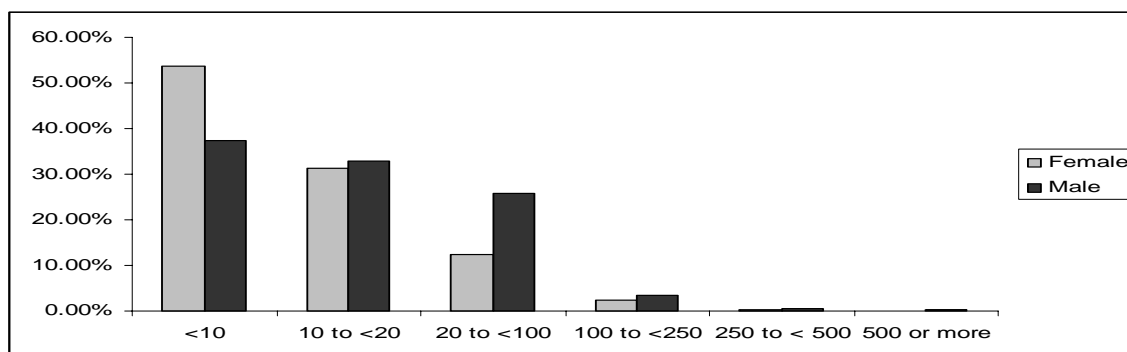


Source: MSE Database 2003/2004, calculated by the author.

### 2.2.3. Space of the Economic Unit

Figure 2.4 shows the distribution of female- and male-owned enterprises according to their space.

Figure 2.4: Distribution of Enterprises According to Space (m<sup>2</sup>)



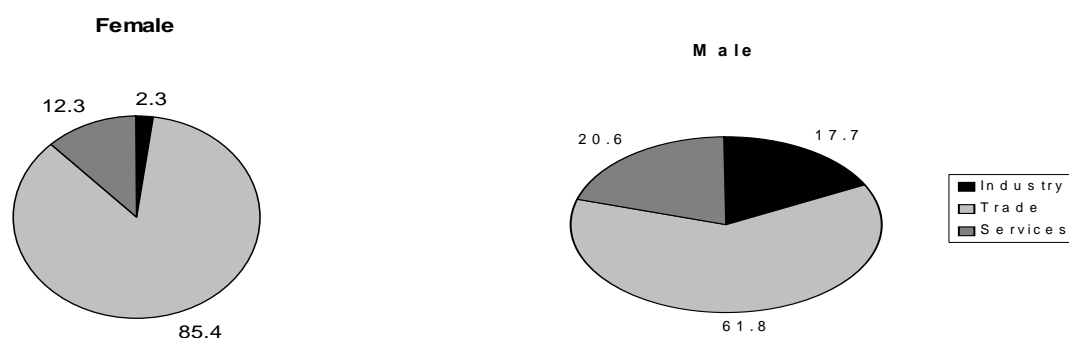
Source: MSE Database 2003/2004, calculated by the author.

Figure 2.4 is very similar to figure 2.2 due to the existence of a positive relationship between the number of workers in an enterprise and its space. Hence, we find that female-owned enterprises are smaller in space on average than male-owned firms, for the same reasons as that of the discrepancy in the number of workers between female- and male-owned enterprises.

### 2.3. Type of Economic Activity

Examining the distribution of women- and men-owned enterprises reveals the existence of a certain degree of feminization of economic activities, namely, in the trade sector. According to the IFC (2005), the trade and retail sector accounts for 60% of all MSMEs. As figure 2.5 shows, enterprises owned by both genders are generally concentrated in trade, but the sectoral concentration is much higher for women entrepreneurs. Conversely, while almost a fifth of men-owned enterprises operate in the field of industry, only about 2% of women-owned enterprises do so. The reasons for this lie mainly in the educational and vocational experience differences between women and men. As was already mentioned, male entrepreneurs have been more privileged with regards to education and training, in addition to having more experience in business (see section 1). This better enables them to operate in the field of industry, which requires relatively higher skills than those needed to work in trade, which usually entails just setting up a kiosk or stand to sell primary and/ or simple consumption goods. Additionally, it is feasible to establish one- or two-worker enterprises with low capital requirements that engage in trade. However, operating in the activities of industry or services typically involves enterprises with a larger number of workers and more capital. For this reason, women entrepreneurs are sectorally crowded in trade.

Figure 2.5: Distribution of Enterprises According to Economic Activity and Gender



Source: MSE Database 2003/2004, calculated by the author.

The nature of economic activity dictates the permanency of the enterprise, where firms engaging in industrial or service-related activities are more permanent than those operating in the field of trade. Accordingly, it was found that whereas 5.5% of women-owned enterprises are either seasonal or temporary, only 1.9% of men-owned firms were so.

On the other hand, it has been found that female-owned enterprises, though smaller in size and capital on average, are being increasingly established in new sectors, operating in more intensive non-traditional exports (IFC, 2005a). This is complemented by the relatively more intensive use of state-of-the-art technology by women, as we will later show.

#### **2.4. Scope of Clients and Market**

A larger portion of women-owned enterprises operate at only one location, with the exception of 1.6% of them, who operate in two locations. On the other hand, 4.9% of male-owned enterprises operate in more than one location (of which 73.6% operate in one other location, 16.1% in two, 7.5% in three and 2.9% in six other locations). This feature makes sense since male-owned enterprises are, on average, much larger in size, measured by either number of workers or capital, while most of female-owned enterprises are one- or two-worker enterprises with low levels of capital. Furthermore, it implies that men entrepreneurs serve a larger market, on average, than women entrepreneurs, giving them better access to marketing information, opportunities and networks.

Accordingly, only 0.1% of female-owned enterprises (0.8% of male-owned firms) operate on a national or international scale, while the rest operate in the local market. The main reasons cited for this is the lack of product quality and export know-how, the complication of business registration procedures and export market processes. In spite of the fact that there are many businesswomen's associations in Egypt, they have not yet played their role in expanding the scope of markets available for women business owners and in enabling women to reach their export potential<sup>10</sup> (IFC, 2005a). Other factors that have contributed to confining the scope of the markets

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<sup>10</sup> There are 22 businesswomen's associations in Egypt. They provide limited services for their clients, are underdeveloped in terms of management and representation of their members' business interests. They operate in a poorly structured business environment where associations compete rather than cooperate with each other. Members have expressed dissatisfaction with the quality of services provided by the associations. On the contrary, men find more support from existing business associations.



available to female-owned enterprises are their small size and the traditional nature of their economic activities.

The scope of markets dictates the scope of clients. Table 2.3 shows the percentage of entrepreneurs of both genders that answered "yes" to having different agents as main customers. Because of the relatively more limited scope of markets available to female-owned enterprises, we find that they are relatively more concentrated in attending to households as main customers than male-owned enterprises. Furthermore, the main clients of male entrepreneurs are more diversified than those of female entrepreneurs. Diversification of clients stimulates process and product innovation and prompts entrepreneurs to find different sources of technology and know-how in order to better satisfy and widen their clientele base.

**Table 2.3: Percent of Entrepreneurs of both Genders Responding “Yes” to Having Different Agents as Main Customers**

<b>Main Customers</b>	<b>Male</b>	<b>Female</b>
Households	94.8%	99.6%
Government	.5%	.2%
Public Enterprises	2.1%	.2%
Domestic NGOs	.2%	0%
Home-based workers	.5%	.2%
Micro (<10 persons) private sector enterprises	7.3%	1.5%
Small (<50 persons) private sector enterprises	1.5%	.8%
Large (50+ persons) private sector enterprises	.3%	.2%
Exports	.1%	.2%
Other	.1%	.2%

Source: MSE Database 2003/2004, calculated by the author.

## **2.5. Nature of the Workplace**

While most of women and men entrepreneurs work in shops (74.8% of women and 76.2% of men), the rest have dissimilar workplaces. Due to the overwhelming portion of female entrepreneurs who operate in the field of trade, we find that 8.3% of them work in open spaces, 7.7% work in kiosks and 3.6% work in rooms. Male entrepreneurs, on the other hand, are relatively more evenly distributed among the economic activities of trade, industry and services and hence we find that 14.6% work

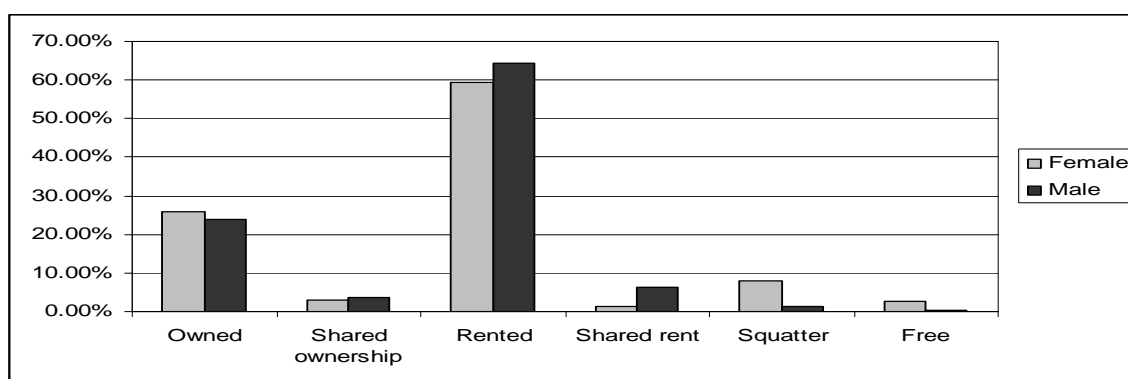
in workshops or factories (only 2% work in kiosks and 2% in open spaces). Workshops typically employ more workers and are relatively more capital-intensive than kiosks or vehicles, hence the larger size of male-owned firms. Due to the same reason, 8.1% of female entrepreneurs work at home, while the corresponding figure for men is only 2.7%.

## 2.6. Ownership and Legal Status of the Enterprise

There is not much difference between female-owned and male-owned enterprises regarding their legal form; almost all of them are either sole proprietorships or simple partnerships. However, the larger percentage of sole proprietorships is found in women-owned enterprises (88% versus 75.9% for men) and the larger percentage of simple partnerships is found in male entrepreneurs (22.9% versus 10.7% for women). This is one of the factors leading to the smaller size of female-owned firms in terms of number of workers.

Figure 2.6 depicts the distribution of enterprises according to gender and ownership. The largest discrepancies are for the “shared rent”, “squatter”, and “free” ownership categories, where female-owned enterprises are significantly higher in the last two categories and male-owned enterprises higher in the first one. The larger percentage of female-owned enterprises whose ownership is free is due to the significantly higher percentage of women entrepreneurs who operate either in open spaces; vehicles or kiosks (17.5%) compared to men entrepreneurs (4.6%). Furthermore, the category with the highest discrepancy, “squatter”, where females are significantly more concentrated is because of women entrepreneurs’ higher concentration in rural regions and the smaller capital sizes of their enterprises, which do not enable them to reside in areas with better infrastructure. It is also because of direr economic situations facing female entrepreneurs and that have pushed them into self-employment in the first place.

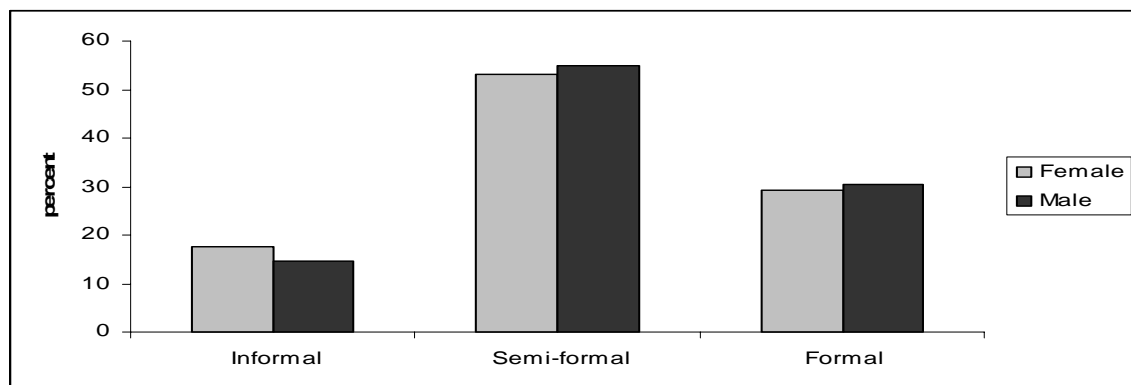
Figure 2.6: Distribution of Enterprises According to Ownership and Gender



Source: MSE Database 2003/2004, calculated by the author.

Another point to note is that of formality. In Egypt, the business registration process entails 13 procedures and a minimum of 43 days. For licensing and registration, MSMEs must comply with at least 18 laws and hence, many choose not to register in the first place (IFC, 2005a). The formality of the enterprises and their compliance with different legal procedures are displayed in figures 2.6 and 2.7<sup>11</sup>.

Figure 2.6: Distribution of Enterprises According to Legal Status and Gender



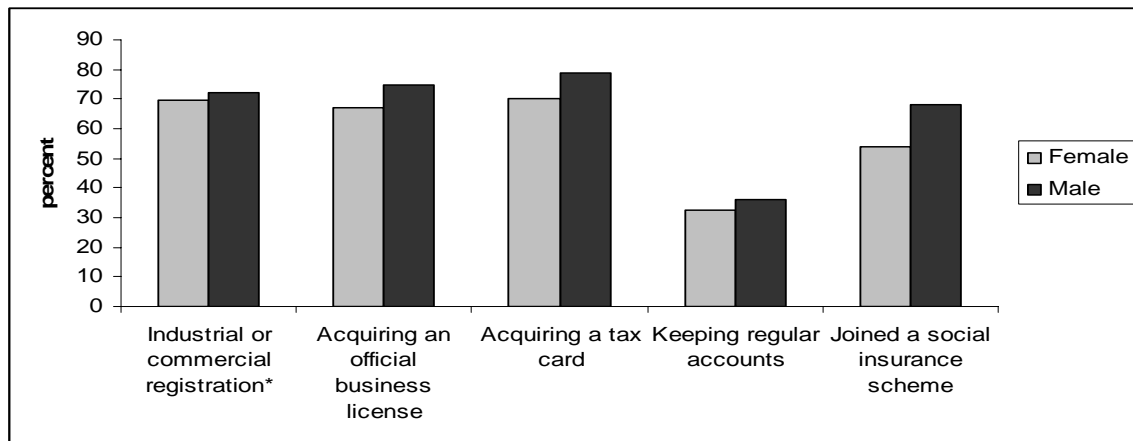
Source: MSE Database 2003/2004, calculated by the author.

The figure shows that a higher percentage of female-owned enterprises are informal, while a slightly higher percentage of male-owned enterprises are semi-formal or formal. One possible reason for the somewhat higher formality among male-owned firms is that they are larger, on average, in capital and number of workers. One or two worker businesses with low capital levels would most likely involve kiosks or vendor spreads, and would hence be more expected to be informal than large shops, factories or workshops. Male-owned enterprises are also significantly more concentrated than female-owned enterprises in the industry sector, where the level of formality is expected to be higher. Another reason pertains to the profile of the entrepreneurs themselves; women are less educated, on average, than men and are hence less aware of the benefits of becoming formal such as insurance, social security...etc. Sample data reveal the existence of a positive relationship between the level of education of the entrepreneur and the likelihood of the enterprise being formal. The same conclusion is reached when examining figure 2.7.

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<sup>11</sup> A formal enterprise in this study refers to one that is registered, has a license and keeps regular accounts.

Figure 2.7: Percentage of Entrepreneurs That Have Carried Out Legal Procedures

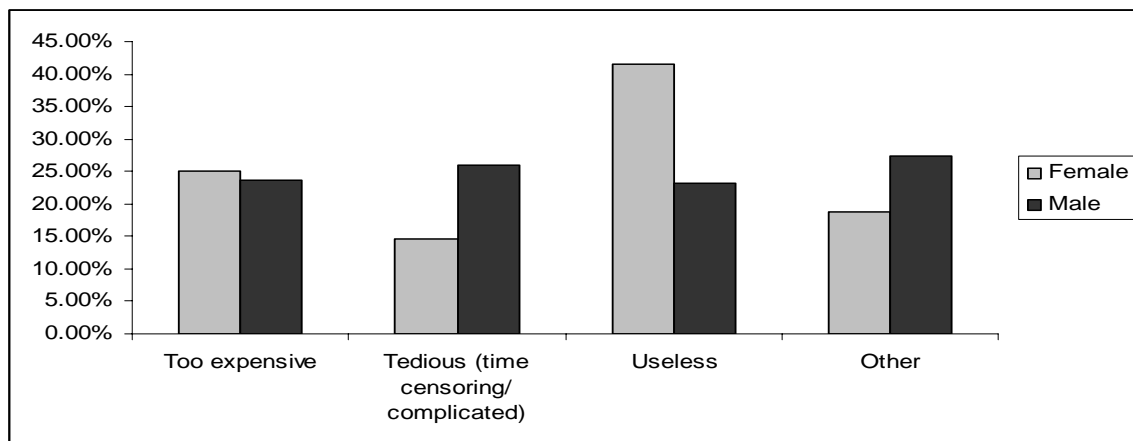


Source: MSE Database 2003/2004, calculated by the author.

- Includes those that have answered "Yes" or "it was not required"

It is obvious that while a consistently smaller portion of women entrepreneurs have fulfilled these legal procedures, the gender differential is not large and it is more or less fixed across procedures. However, the reasons for not acquiring a business license are different for women and men, as shown in figure 2.8.

Figure 2.8: Reasons for not Acquiring a Business License



Source: MSE Database 2003/2004, calculated by the author.

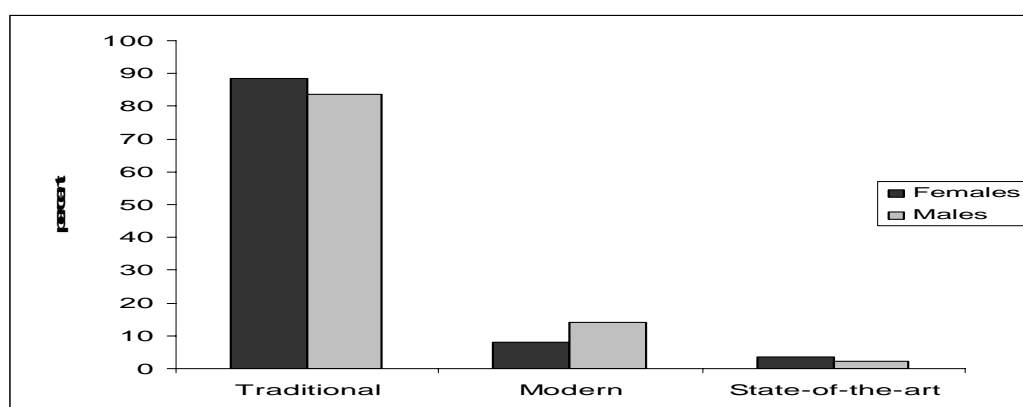
Whereas male entrepreneurs are more or less evenly distributed citing different reasons for not acquiring a business license, the majority of women entrepreneurs stated that the reason was either that acquiring the license was too expensive or that it was useless. Furthermore, the gender differential is lowest for the answer "too expensive", meaning that women and men are affected more or less equally by the cost of registration. However, the differential is significantly higher for the reason

“tedious”, with a much higher percentage of male entrepreneurs claiming that acquiring a license is too time-consuming and/ or complicated. This might be indicative of the greater willingness of females to bear more hardship in acquiring a license than males. In addition to this, the highest differential is for those claiming that a license would be useless since more than 40% of women entrepreneurs are unaware of the benefits that can be derived from acquiring a license. This suggests an important policy implication: raising female awareness about the importance of formality could play a major role in women entrepreneurs accessing the formal sector and realizing their potential productivity levels.

### 2.7. Type of Technology Employed

As figure 2.9 shows, over 80% of all enterprises employ traditional production techniques, regardless of the gender of the entrepreneur. The reason behind this is the small size and capital levels of all firms in general. This type of technology is hence even more intensively used by women-owned enterprises, which are on average smaller than male-owned firms. However, the positive point to note is that a higher percentage of female entrepreneurs own or operate enterprises deploying state-of-the-art technology as compared to males. This bodes well for the future of technology usage by female-owned enterprises, and might become a factor that helps bridge the performance gap between them and male-owned enterprises<sup>12</sup>.

Figure 2.9: Type of Used Technology



Source: MSE 2003/2004 Database, calculated by the author.

In brief, female-owned enterprises are, on average, smaller than male-owned enterprises, are more sectorally crowded, more likely to be informal and more likely to deploy a traditional production technique. These characteristics evolve from the

<sup>12</sup> Performance of enterprises will be discussed in part 4.

profile of the entrepreneurs themselves and their economic and social conditions (see section 1). A related issue is the work environment these enterprises operate in.

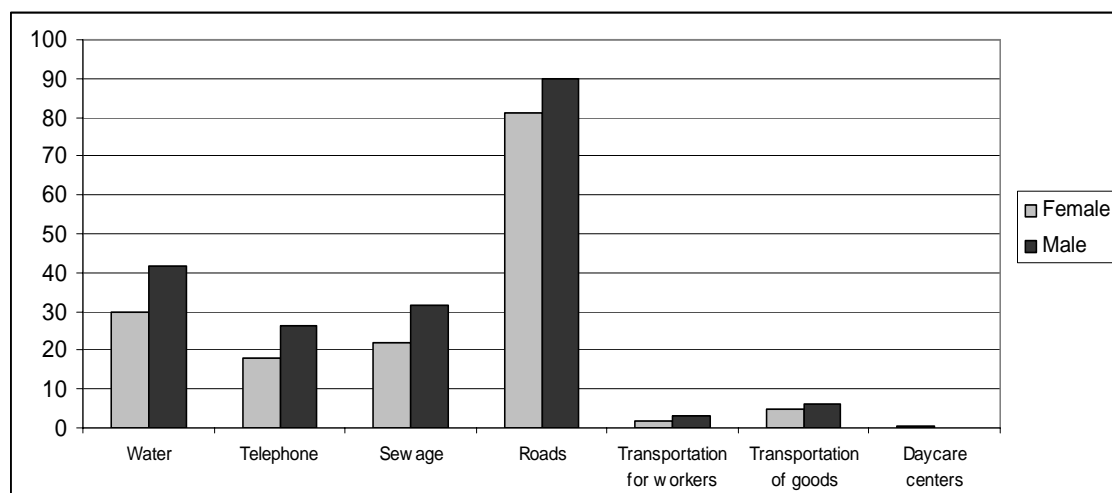
### Part III- The Work Environment

There are many factors that constitute the environment in which any enterprise operates and that can have significant effects on the enterprise's chance of success. In this section, we will examine such an environment surrounding female- and male- owned enterprises.

#### Infrastructure

The availability of a well-established, well-maintained infrastructure plays a key role in the smooth operation of an enterprise and might ultimately affect whether it succeeds or not. In order to operate, enterprises need roads for transportation, sanitation, water, electricity...etc. Hence, the unavailability of such facilities poses a serious obstacle in the way of the efficient operation of an enterprise. Figure 3.1 shows the percentages of female and male entrepreneurs having access to different amenities and figure 3.2. displays the adequacy of such services.

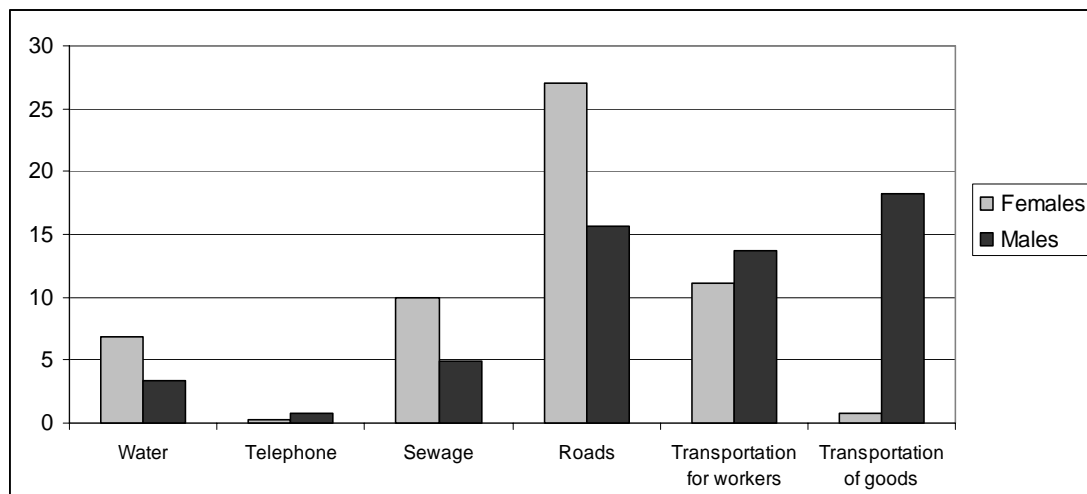
Figure 3.1: Access to Infrastructural Services by Gender



Source: MSE Database 2003/2004, calculated by the author.

It is immediately apparent that women have consistently and significantly less access to all infrastructural facilities, with the exception of daycare services, of which only a very small portion of entrepreneurs of both genders have access to. There is also some discrepancy in the quality of infrastructural services provided to female- and male-owned enterprises. Figure 3.2. shows the percentage of women and men who find the infrastructural services they have access to "poor".

Figure 3.2: Percentage of Entrepreneurs having Access to Poor-Quality Infrastructural Services by Gender



Source: MSE Database 2003/2004, calculated by the author.

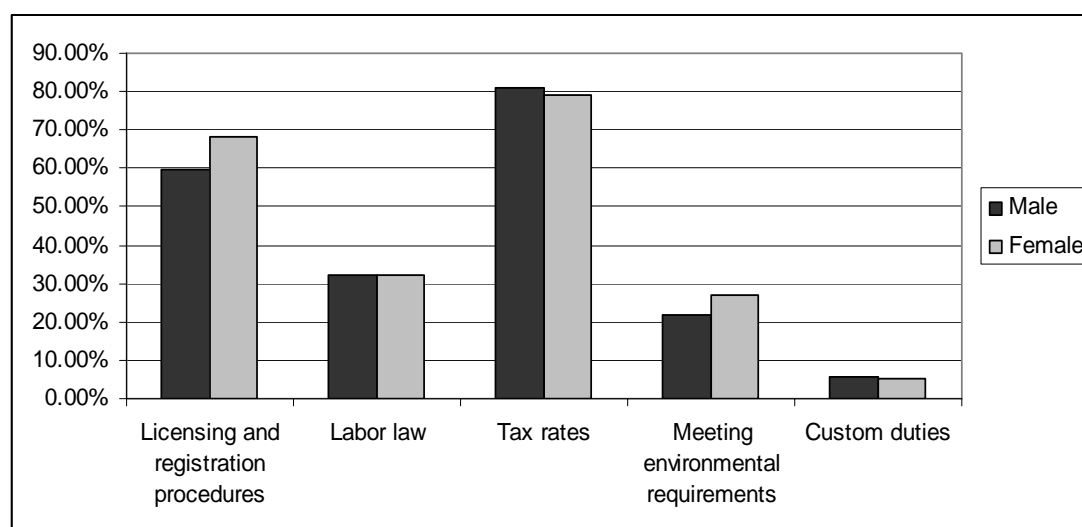
The figure shows that the portion of women entrepreneurs with access to poor-quality services is much greater than men when it comes to water, sewage, and roads, which are some of the most essential services required for running a business. The regional distribution of enterprises might explain part of the reasons for this, whereby women-owned enterprises are relatively more concentrated in rural regions than male-owned enterprises. Access to infrastructural facilities in good condition is generally more frequent in urban, rather than rural, regions.

In addition to this, women-owned enterprises are smaller in size as measured either by the number of workers or the level of capital. Larger firms with better access to finance are more capable of being situated in territories characterized by more developed infrastructural services, hence the less ability of female entrepreneurs to access such facilities. Finally, the social immobility of women might play an important role in hindering them from relocating their enterprises to regions better equipped in terms of infrastructure.

### **Rules and Regulations Governing Enterprises**

Figure 3.3 shows the percentages of women and men entrepreneurs finding rules and regulations governing their enterprises severely difficult.

Figure 3.3: Percentage of Entrepreneurs Finding Rules and Regulations "Difficult" by Gender



Source: MSE Database 2003/2004, calculated by the author.

The figure shows that women and men are comparable when it comes to severity of labor laws and that women entrepreneurs are better off regarding tax rates and custom duties<sup>13</sup>. However, women are definitely worse off when it comes to meeting environmental requirements and licensing and registration procedures. This difficulty is manifested in the higher rate of informality among female-owned enterprises (see section 2.6). In spite of the fact that regulations pertaining to MSMEs are applicable to all enterprises regardless of gender, they affect women and men differently due to the mold society casts women in, in addition to women's more restricted access to networks (IFC, 2005a). The main procedures that have to be undertaken by the new entrepreneur include getting a business license, registering at the commercial and the industrial register (when needed), getting a tax card, informing the labor bureau, and the social insurance; and the entrepreneur according to the type of activity he pursues has get the approval from the ministry of health, the ministry of industry, the ministry of tourism. For instance if the entrepreneur wants to open a coffee shop he has to get all of the above mentioned approvals and permits.

### Market Conditions

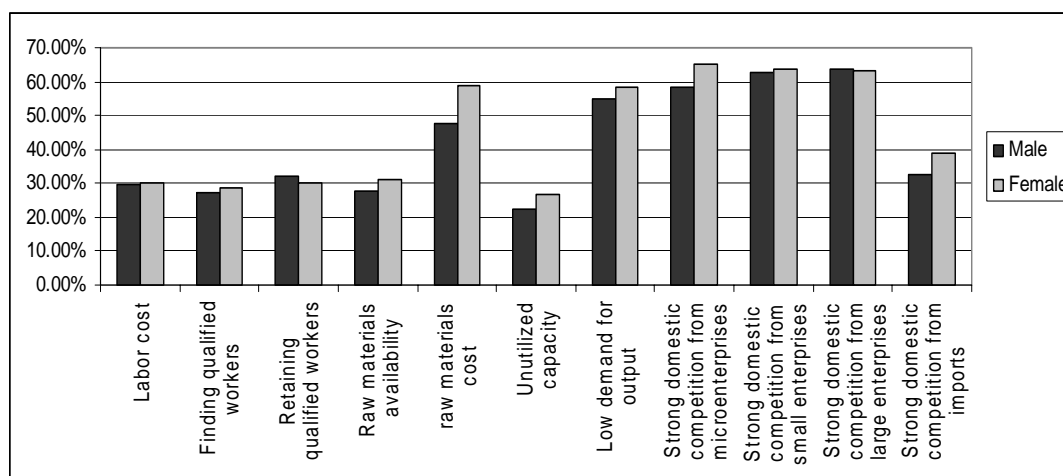
According to the IFC (2005a), access to markets is one of the main barriers faced by female business owners, both in Egypt and in the MENA region in general (IFC, 2005b). This is evidenced in the relatively limited scope of the markets female-owned

<sup>13</sup> Note, however, that custom duties are inapplicable to over 90% of both female and male entrepreneurs.



enterprises operate in. Some of the reasons for this could be traced to market conditions. Figure 3.4 shows the percentages of women and men entrepreneurs finding certain market conditions they face severely difficult.

Figure 3.4: Percentage of Entrepreneurs Finding Specific Market Conditions "Difficult" by Gender



Source: MSE Database 2003/2004, calculated by the author.

We find that the aspects that women find more difficult than men do outnumber those where the situation is reversed. The problem that female entrepreneurs find most difficult than do men is that of raw materials cost. This implies that this is one of the areas that need addressing in order to promote female entrepreneurship in Egypt.

Another aspect that pertains to market conditions is access to networks. Business networks among MSEs are vital for several reasons including knowledge and technology sharing, exchange of goods and services and the establishment of joint ventures. Accordingly, they can have a positive significant impact on female business owners' ability to efficiently carry out their business. However, these benefits have not been realized, since women's access to networks has been constrained to a large extent mainly due to their limited social mobility (IFC, 2005a). As a result, only 23% of female-owned enterprises belong to a business association (versus 34% of male-owned businesses) and 53% of them do not feel the need for support from the association<sup>14</sup> (MSE 2003/2004 Database). Reasons for this might include ignorance of the benefits to be reaped from business associations and the ineffectiveness of business associations in serving their functions. It was already mentioned that the numerous businesswomen's associations have not carried out their role in supporting

<sup>14</sup> While 11.5% needed support from business associations in domestic marketing, 8.6% in setting-up enterprise and 6.6% in financial services (MSE 2003/2004 Database).

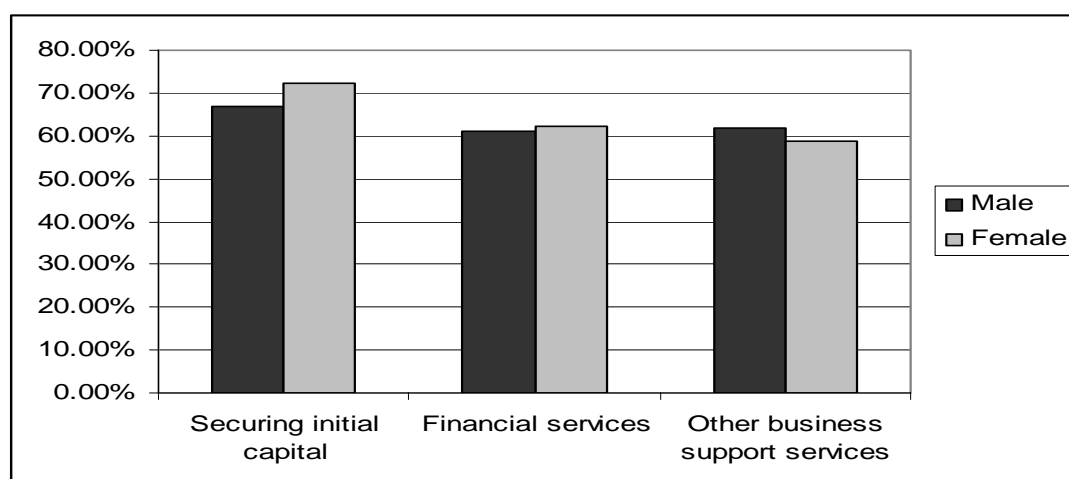
female entrepreneurs by providing access to networking training and business-to-business linkages.

The success of enterprises might also be affected by whether neighboring firms engage in related activities. There are several advantages that accrue to the enterprise when operating as part of a cluster or industrial estate. One of these advantages is the opportunity to share information pertaining to marketing, production techniques and know-how. Another is the creation of forward and backward linkages between enterprises. Neighboring enterprises might also coordinate efforts for marketing, training workers and settling disputes. Despite these advantages, only the minority of both women and men entrepreneurs answered that their neighboring enterprises operate in related activities. Furthermore, the percentage of females (14.1%) was even less than that of males (20.6%)<sup>15</sup>. Of those, only 58.6% of women and 62.2% of men thought that the cluster or industrial estate was beneficial to their business. The largest benefit more than half of these women and men cited was that of domestic marketing, followed by assistance in setting-up the enterprise and then receiving financial and communication services.

### **Availability of Financial, Non-financial and Other Business Services**

Securing finance is one of the most important factors that determine the success of establishing and operating an enterprise. It is also an area where women have more trouble than men, as is shown in table 3.5.

Figure 3.5: Percentage of Entrepreneurs Finding Specific Conditions Difficult by Gender

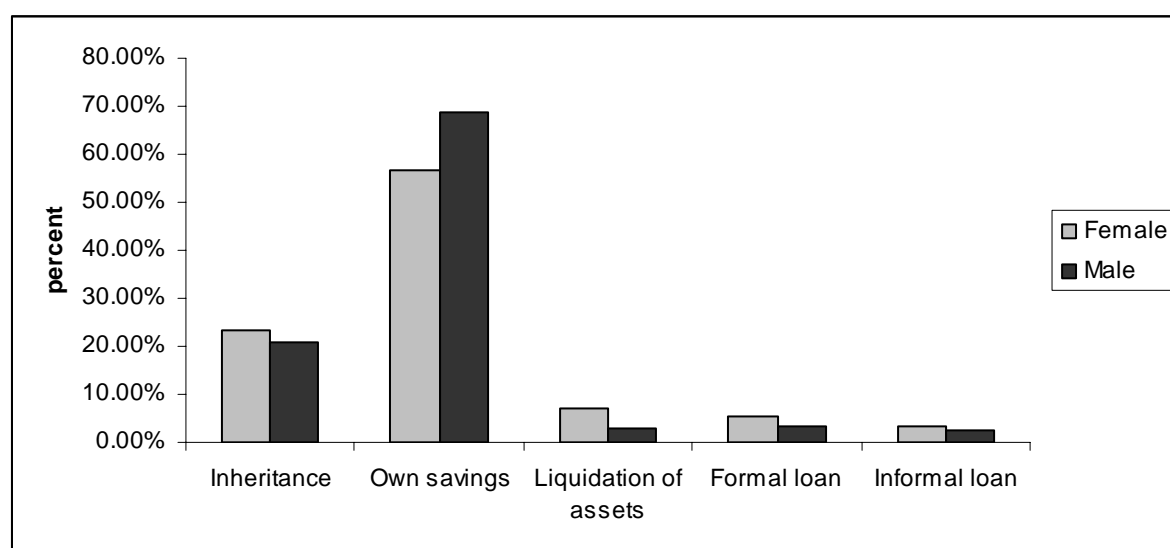


<sup>15</sup> Due to the fact that the sector with the least concentration of enterprises is the industrial sector, only a small percentage of enterprises whose neighboring firms are engaged in related activities are part of industrial estates (8.1% for women and 6.2% of men), while the rest are part of clusters.

Source: MSE Database 2003/2004, calculated by the author.

Difficulty of securing initial capital is slightly higher for women. Figure 3.6 shows the sources of initial capital of enterprises. The distribution of female- and male-owned enterprises is similarly distributed across sources of initial capital, where the majority of enterprises have secured their capital either through their own savings or through inheritance. This points to the limited role played by banks and other lending institutions in promoting the establishment of MSEs.

Figure 3.6: Sources of Initial Capital by Gender



Source: MSE Database 2003/2004, calculated by the author.

In answer to the question “Did you get credit during the last 12 months?” 4.2% of women and 5.2% of men answered “yes.” In addition, there was a discrepancy in the source of this credit since only 39.5% of women got their credit formally (through banks (14.6%), the SDF (12.6%) and domestic NGOs (12.3%))<sup>16</sup> as opposed to 61.3% for men, of which 45.7% is from banks alone. In addition to this, no women were granted business support services with their formal loans as opposed to 3.2% of men entrepreneurs (MSE 2003/2004 Database).

On the other hand, when examining the conditions of formal loans granted to entrepreneurs in the sample, we find that women are given loans under more lenient conditions than men; lower interest rates, longer maturity periods and a lower percentage of women were required to present collateral. The conditions of informal

<sup>16</sup> The main sources for informal credit for women were: business associates (21.2%), neighbors (20.2%), friends (8.3%) and family (7.2%).

loans are similar for both genders, except that a lower percentage of women was required to provide collateral (MSE Database 2003/2004)<sup>17</sup>. This is made clear in figure 3.5. A significantly higher portion of female entrepreneurs believe financial services are easy to obtain, as opposed to male entrepreneurs. This indicates that the difficulties faced by women in raising their initial capital might arise either from difficulty in receiving their inheritance<sup>18</sup>, low savings due to low-paying jobs previously held by the entrepreneur, or difficulty in selling assets.

In securing their initial capital, there are further discrepancies among females in different regions. Women in metropolitan governorates have the largest inheritance and personal savings and hence use them to establish their businesses. By comparing women in Lower and Upper Egypt, those in Lower Egypt have more access to formal loans (8% of enterprise capital) than those of Upper Egypt (3% of capital). This sheds light on the direr situation females in Upper Egypt face when it comes to securing finance from formal routes.

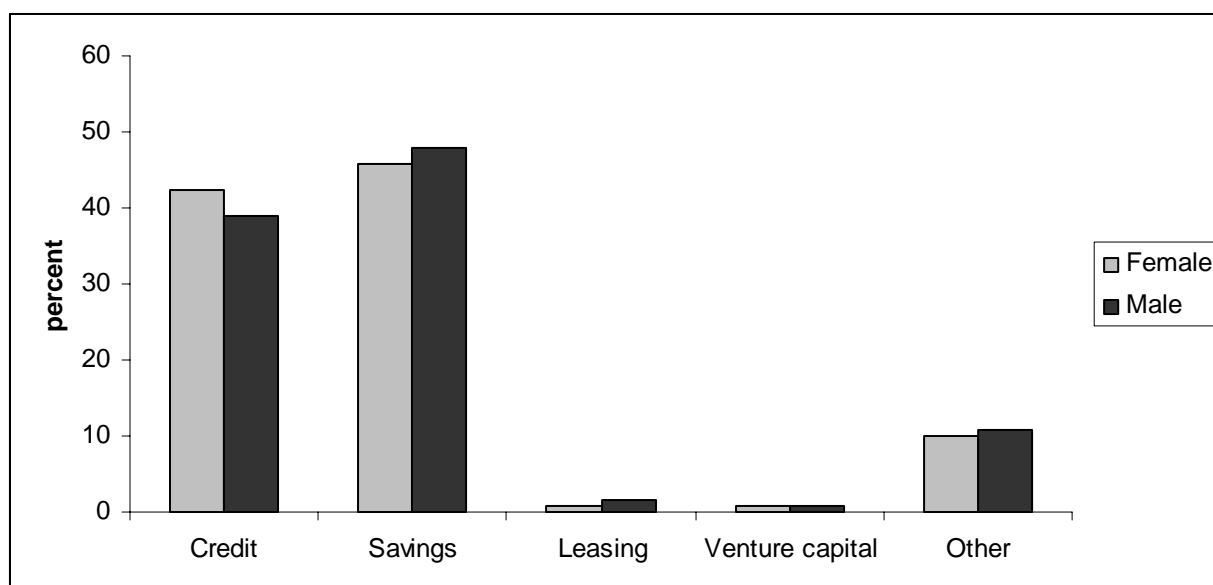
Figure 3.7 depicts the financial services most demanded by entrepreneurs. It is obvious that the majority of both women and men entrepreneurs deem credit and being able to open savings accounts in banks to be the most vital financial services necessary for their business.

Figure 3.7: Financial Service Most Needed by Gender

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<sup>17</sup> However, this might be a sample phenomenon. Studies have shown that women SME owners, in general, have higher rejection rates by banks and have to provide collateral that is 25-30% higher in value than that provided by men. Nationwide, there are only four banks that deal with the SME sector and very few programs target females in particular. Banks estimate that women constitute 10-15% of their clientele, and that those mainly deal in microfinance. Due to the lack of gender disaggregated portfolio information, banks in Egypt, as with other banks in the region, are incapable of addressing women SME owners' needs as potential customers (IFC, 2005a).

<sup>18</sup> In many parts of Egypt, especially rural regions, females are either not given their rightful inheritance, or they have great difficulty getting it.



Source: MSE Database 2003/2004, calculated by the author.

In addition to financial services, other non-financial business services play a role in promoting enterprise success and performance. Table 3.1 shows the portion of women and men entrepreneurs that have received different business services. It is clear that almost all MSEs did not receive any forms of non-financial services.

Table 3.1: Percentage of Enterprises Receiving Different Business Services

Type of Service	Male	Female
	%	%
Information services (technology/ know-how)	0.1	0.2
Management services	0	0
Training of workers	0.1	0
Production services	0	0
Promoting inter-firm linkages	0	0
Domestic marketing services	0.1	0.2
Exporting services	0	0

Source: MSE Database 2003/2004, calculated by the author.

The only services received are those of information, domestic marketing and training of workers, the latter only received by male-owned enterprises<sup>19</sup>. In general, only a minor portion of all entrepreneurs received information services regarding know-how and technology. However, female entrepreneurs had a slight edge since the

<sup>19</sup> Two thirds of male-owned enterprises were given training services by domestic NGOs and the rest by Government agencies. All were satisfied by the training services provided (MSE Database 2003/2004).

portion of them that was provided was twice that of males. Given that women-owned enterprises are much smaller and located in regions with less access to information services, this indicates a technology differential in favor of female entrepreneurs<sup>20</sup>. Furthermore, the higher portion of women (when compared to men) receiving domestic market services is a positive point in women's favor since the response of the majority of all entrepreneurs to the question what the most other business support service needed was that of domestic marketing<sup>21</sup> (see table 3.2). In general, a higher percentage of women entrepreneurs find other business support services easier to secure than do male entrepreneurs (see figure 3.1).

Table 3.2: Business Support Services Most Needed (Other Than Financial Services)

Type of Service	Gender	
	Female	Male
Communication services	0.9	1.5
Information services	1.2	4.1
Training of workers	1.5	2.8
Production	4.6	7.4
Promoting inter-firm linkages	2	1.9
Domestic marketing	73.8	65.2
Importing	0.2	0.5
Exporting	0.2	0.4
Other	15.7	16.2
Total	100	100

Source: MSE Database 2003/2004, calculated by the author.

### **Government Bureaucracy**

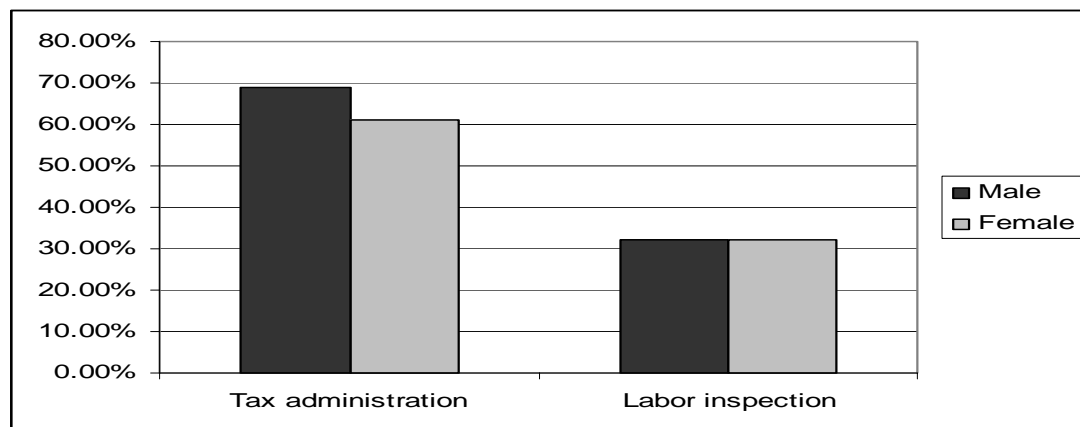
The presence of government bureaucracy is a potentially hindering factor in the business operation of firms, whether small or large. However, the problem is more severe in the case of small and micro enterprises, which have limited resources, are less vocal and have less clout compared to large firms. Accordingly, it is of significance to gauge the extent to which government bureaucracy might pose a barrier to the smooth operation of female-owned enterprises. This is done in figure 3.8 for tax administration and labor inspection procedures. We find that the

<sup>20</sup> However, men have an advantage in that the sources they receive their information services from are more diversified than women. Whereas women get their information services solely from domestic firms, men get their services from domestic and foreign firms, government agencies and others, giving them more exposure and possibly more diversified information services (MSE Database 2003/2004).

<sup>21</sup> As with information services, men have more diversified sources of domestic marketing services than women. All women entrepreneurs receive their services from domestic NGOs, while men get domestic marketing services from domestic and foreign firms and others (MSE Database 2003/2004).

percentage of entrepreneurs that finds both procedures easy is higher for women than for men. This indicates that government bureaucracy, while being present, does not represent more of a problem for female compared to male entrepreneurs.

Figure 3.8: Percentage of Entrepreneurs Finding Tax Administration and Labor Inspection Difficult by Gender



Source: MSE Database 2003/2004, calculated by the author.

The figure shows that women entrepreneurs are better-off than men entrepreneurs when it comes to tax administration and similar regarding labor inspection. This means that government bureaucracy does not affect female-owned enterprises more severely than male-owned enterprises and is hence not a source of hindrance to female- as opposed to male entrepreneurship.

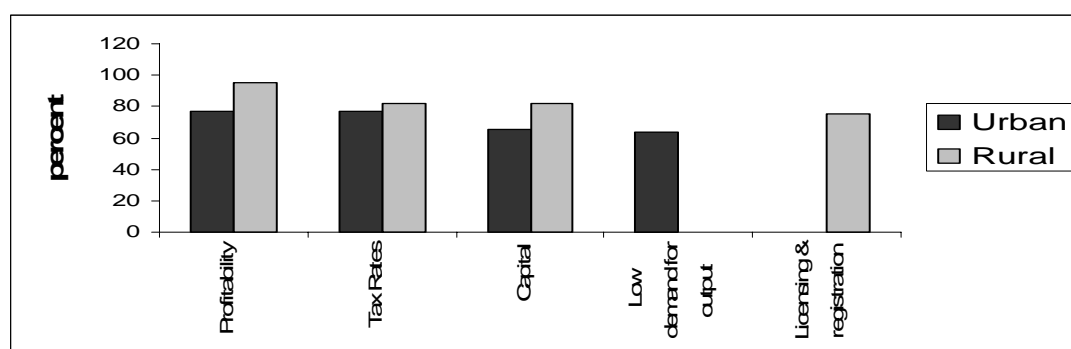
To sum up, there are some aspects in the work environment surrounding female-owned enterprises that are relatively more conducive to business than their male-owned counterparts and some that are worse. However, the fact remains that infrastructural services faced by female entrepreneurs are definitely worse in quality and availability than those faced by male entrepreneurs. Given the importance of these services in the operation of enterprises, this indicates the grave situation facing women entrepreneurs in conducting business.

Furthermore, there are some barriers standing in the way of female entrepreneurs in Egypt achieving their potential in contributing to economic life. When entrepreneurs of both genders were asked whether females faced gender-specific difficulties in operating their businesses, 30% of men and 38% of women answered “yes”. The main problems identified were: marketing (68% of those interviewed), personal

harassment (64%), setting up the enterprise (56%) and securing contracts (39%) (MSE 2003/2004 Database).

In addition, as is obvious in figure 3.9, there is also a discrepancy between females in urban and in rural regions. Women in rural areas have more difficulty in complaints that are common in both regions, the most severe of which is that of low levels of profitability, to which about 95% had difficulty in. This might be due to constrained access to markets, which forces them to contain their businesses in their local rural region, thereby forgoing higher levels of profits that might be attained with geographical expansion. This is also true of women in urban regions, but at a lower degree of severity due to the more advanced infrastructure, means of transportation, and relatively better access to markets. The other problems faced are high tax rates and difficulties in securing capital.

Figure 14: Main Difficulties Facing Women in Urban and Rural Regions



Source: MSE Database 2003/2004, calculated by the author.

In the previous three sections, we have analyzed the profile of women entrepreneurs, their enterprises, and their working environment as compared to their male counterparts. The various aspects studied so far naturally affect the performance of the enterprises. In the following section, we conduct tests in order to quantitatively gauge the difference in performance between female- and male-owned enterprises.

## **P**art IV- Efficiency and Success Indicators

If enterprise performance is measured by the Value added/labor ratio, then it was found that male-owned enterprises are far superior to female-owned enterprises since their average output/labor ratio is almost twice that of female-owned firms (see figure 4.1). This is confirmed when the difference between male



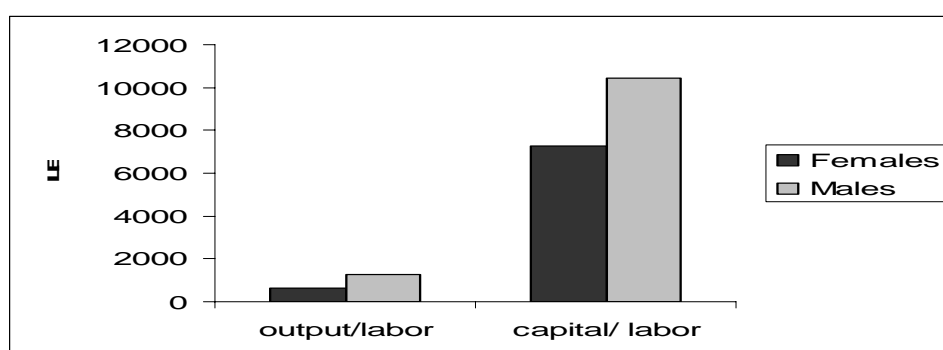
and female value added/ worker is tested using a t-test. Results are displayed in table 4.1<sup>22</sup>.

Table 4.1: Results of T-Test of Value Added/ Worker for Female- and Male-owned MSEs

	Gender	Mean	Std. Deviation	T-test	p-value
Value added / worker	Male	608.37	7979.79	3.633	.000
	Female	140.41	1084.91		

The results clearly indicate that there is a statistically significant difference between women and men entrepreneurs with regards to value added/ worker. Furthermore, the mean value added/ worker in male-owned enterprises is more than four times that of female-owned enterprises. One possible explanation is the higher capital/labor ratio found in male-owned enterprises (see figure 4.1.), as higher productivity is usually associated with a higher capital/ labor ratio.

Figure 4.1: Value added/Labor and Capital/Labor Ratios by Gender



In order to identify the main success factors that affect the performance of enterprises, enterprises were broken down by economic activity for each gender into “successful” and “unsuccessful”. The mean value added/ worker was computed for each gender in each economic activity. Those enterprises whose value added/ worker was above the mean were considered successful and those whose value added/ worker was less than the mean were considered unsuccessful. A logistic regression was then estimated for each economic activity by gender.

Due to multi-co linearity problems between the independent variables, the only sector where results were obtained for female-owned enterprises was the services

<sup>22</sup> Note that the data were purified from outliers since the survey was conducted during economic recession and hence many enterprises were suffering from losses in a way that distorted final results.

sector. For this reason, this is the sector where comparison is possible between women and men entrepreneurs. Results are displayed in table 4.2.

**Table 4.2: Results of the Logistic Regression for the Services Sector**

	Females	Males
<b>1</b>	Size	Area
<b>2</b>	Business setup	Machinery and equipments
<b>3</b>	Capital / labor	Business setup
<b>4</b>	Formality	Formality
<b>5</b>	Education and training	Education and training
<b>6</b>	Infrastructure	Cluster
<b>Correct Class.</b>	100%	76.9%

Where **Size** = area of economic unit (m<sup>2</sup>) /number of persons engaged.

**Machinery and equipments:** use of mechanical equipment + use of electric equipment + use of electronic equipment + type of technology used in production process

**Infrastructure:** Access to clean water + electricity + sewage + roads + telephone + transportation

**Capital / Labor:** Capital/ labor ratio

**Business setup:** degree of difficulty in implementing the labor law + labor costs + environmental requirements + finding and retaining qualified workers + availability of raw materials + unutilized capacity + competition from micro, small and large enterprises + availability of financial services + availability of other business support services

**Formality:** commercial or industrial registration + licensing + keeping regular accounts

**Education and training:** years of education + training + technical education

**Area:** Location of the MSE in urban areas.

The results of the logistic regression show that there are some common factors that affect the performance of both female- and male-owned enterprises. These factors are business setup, formality, and education and training. The fact that male entrepreneurs have had better access to education and training and that a slightly higher portion of male-owned enterprises are formal compared to female-owned enterprises explains part of the discrepancy in the overall performance of enterprises of both genders.

On the other hand, there are factors that affect the performance of enterprises owned by only one of the genders. In general, female participation in the services sector is less diversified than males. They mainly operate in the services of education, health, and work as seamstresses, hairdressers....etc. A minority of women entrepreneurs establish enterprises that provide maintenance and repair services of small appliances. These latter enterprises are more capital intensive than the rest, while in general most of the services provided by women are not capital intensive. For the few female-owned enterprises that are capital-intensive, productivity is most likely significantly higher than the rest and hence the capital/labor ratio comes up as one of the factors affecting performance of women entrepreneurs.

Since buildings and other working spaces are part of the capital of the enterprise, the same enterprises that are more capital-intensive most likely have a larger space per worker (in square meters). Hence, space also affects performance of female-owned enterprises. In fact, it is the single most important factor in the case of female-owned enterprises in the services sector.

A third factor that affects performance is having access to good quality infrastructure. Since there exists a positive relationship between the availability of capital and the ability to be located in regions with adequate infrastructural facilities, female-owned enterprises with higher capital/labor ratios are most likely established in areas with well established and maintained infrastructure and hence the significant effect of infrastructure on performance.

There are other factors that have an exclusive effect on male-owned enterprises, as we can see from table 4.2. As already mentioned, services provided by male-owned enterprises are more diversified than those provided female-owned enterprises in that they more or less operate in all of the services that female-owned enterprises work in addition to other services unique to men such as maintenance and repair of large appliances and autos. These latter services are very capital-intensive and use significantly higher levels of machinery and equipment when compared to other services. Their productivity is therefore higher than that of other services and so the availability of machinery and equipment has a significant effect on the performance of male-owned enterprises.

Having an enterprise that is located in an urban area is the most important factor that was found to differentiate between successful and unsuccessful male-owned

enterprises. This result indicates the importance of the proximity to larger markets as a distinguishing factor of success of the male-owned MSE.

A fourth factor that affects performance of male-owned enterprises is being part of a cluster. The percentage of male-owned enterprises that are part of a cluster or industrial estate is larger than that of female-owned enterprises (20.6% to 14.1%). However, the enterprises that are part of a cluster are more probably in the industrial sector. The establishment of clusters in the services sector takes place in only a few services such as auto repair and maintenance. Hence, the portion of male-owned enterprises in the services sector that are part of a cluster are also those that intensively use machinery and equipment and have significantly higher productivity levels.

To sum up, there are factors that affect performance of enterprises owned by both genders and other factors that are gender-specific. Generally speaking, women have been found to perform best in areas that require new skills and do not perform well compared to men in fields where traditional skills are used (Charmes, 2003). Due to the fact that the vast majority of all enterprises employ a traditional production technology, performance of female-owned enterprises have been found to lag behind that of male-owned enterprises.

## **P**art V - Conclusion and Policy Recommendations

Female entrepreneurs seem to start their businesses from a relatively modest basis, namely, the higher illiteracy rates, the lower educational background, the limited access to training and experience, the modest financial and non-financial resources, and the social responsibilities.

The humble background affects the size of their enterprises, markets, economic activities, products and performance.

The question remains: How could the environment of the female entrepreneurs be improved?

The answer came from entrepreneurs themselves and could be summarized in the following graph:

Figure 4.2. shows the main measures proposed by entrepreneurs of both genders in order to improve their business performance. The measures are consistent with the results of the logistic regression.

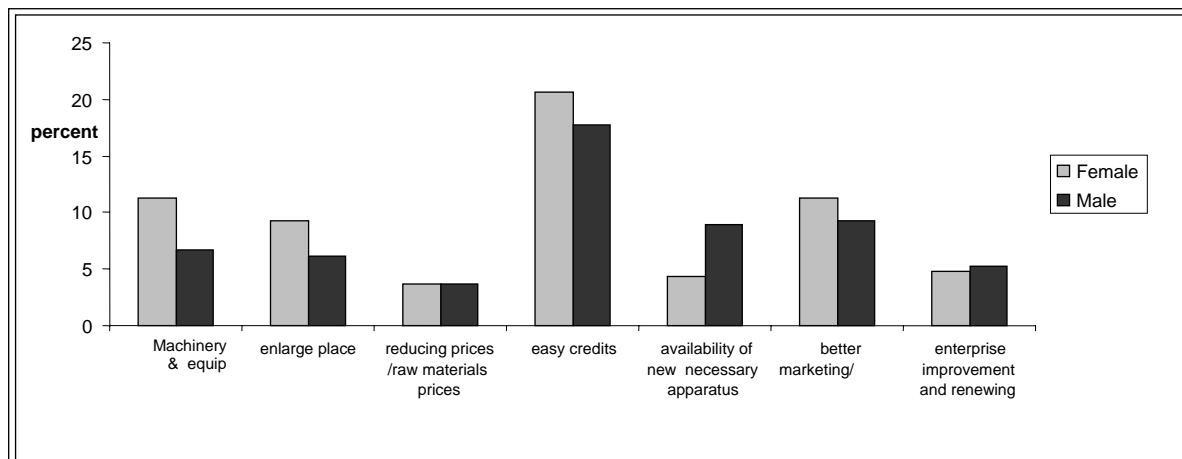
Clearly, the suggestion that scored highest amongst both types of entrepreneurs is getting easier access to credit. This suggestion concurs with the fact that both females and males have limited access to finance for their initial capital, which confines them into extremely small operations, low capital intensity, primitive machinery and keep the majority of their enterprises in informal boundaries. The lack of finance is more severe in the case of female entrepreneurs, where no less than one quarter of them are driven into the market by the need to survive and sustain their families, without financial means to help them start. It is therefore suggested that more finance should be made available to both start-ups and already established enterprises in both rural and urban areas.

The second suggestion is related to the improvement of the marketing techniques of the small and micro-entrepreneurs. As has been shown in the above-mentioned parts, most of the MSEs, especially the female-owned enterprises produce for one essential client namely the households or consumers. The linkages between the MSEs and other enterprises, regardless of their size, the government, the public enterprises, the export markets are minimal if not non-existent. This phenomenon of limited linkages is a reflection of the modest marketing capabilities of the small entrepreneurs, of which they are aware and demand to improve. This phenomenon is also related to the lack of non-financial services or training opportunities offered to micro and small entrepreneurs, the lack of specialized trading houses and the prevalence of one-person enterprises, where specialization and having a marketing department is unheard of.

The third suggestion is the need to get access to reasonably priced raw materials. This issue is related to the lack of finance or credit, and the small volume of purchasing which does not allow small entrepreneurs to get discounts or buy on credit or to keep inventory.

The fourth suggestion is to help the MSEs to expand ("enterprise improvement and renewing" and "enlarge the enterprise"), which cannot be realized unless the legal and bureaucratic procedures that surround the establishment and operations of MSEs are deregulated and simplified.

**Figure 4.2: Most Important Suggestions made by Entrepreneurs to Improve their Business**



To sum up, the previous analysis implies the need for several policy measures in order to promote female entrepreneurship and success in female-owned enterprises:

- Formulating policies that target female education and training, which are key factors in promoting female entrepreneurship. Better access to education will then have a significant impact on the success of the enterprise and will raise the likelihood of its being part of the formal sector.
- Devise gender-specific credit solutions in order to facilitate women's access to credit and other financial services. Better availability of credit will enable female entrepreneurs to expand their capital base and become more capital-intensive, thereby raising productivity. Higher levels of capital will also enable the enlargement of the enterprise and creating the space necessary for a more capital-intensive and state-of-the-art production technology. This should be accompanied by the increased availability of other business services, which have proven essential to the productive operation of enterprises.
- Reduce the severity of the licensing and registration procedures, which would encourage a larger portion of enterprises to become formal and benefit from the advantages of formality. The results of the logistic regressions showed the significant impact formality has on the success of the enterprises owned by both genders.

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