Challenges in the economic participation of women as entrepreneurs

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Introduction
The Philippines has had chronic jobless growth for the past four decades. The World Bank foresees that by 2016, around 12.4 million Filipinos would still be unemployed, underemployed, or would have to work or create work for themselves in the informal sector (World Bank 2013).

Due to lack of jobs, Filipinos seek work abroad or set up micro and small businesses as self-employed entrepreneurs. This means joining the huge throng of small, micro, and medium enterprises (SMMEs). In the Philippines, Republic Act (RA) 9501 or the Magna Carta for Micro, Small, and Medium Enterprises (MSMEs) defines MSMEs as enterprises with an asset size (excluding land) of up to PHP 100 million. The bulk of MSMEs at 91.6 percent is composed of micro enterprises (DTI 2011). The rest are small (7.7%) and medium-size enterprises (0.4%).

As in most countries, MSMEs constitute the vast majority of enterprises in the Philippines. In 2006, they accounted for 99.7 percent of all enterprises and provided almost 70 percent of the jobs generated by all enterprises (DTI 2011). Micro and small enterprises are often the only source of new employment and serve as a safety net especially for the urban poor.

Filipino women are active as entrepreneurs. For many of them, putting up a business provides an additional income for the family.

PIDS Policy Notes are observations/analyses written by PIDS researchers on certain policy issues. The treatise is holistic in approach and aims to provide useful inputs for decisionmaking.

This Policy Note is culled from the APEC 2015 Research Project commissioned by the Department of Foreign Affairs. The main objective of the project is to provide the analytical framework that will form part of the basis for the substantive priorities the Philippines will push for as APEC host economy in 2015. The project’s main output is a set of policy studies with recommendations that can serve APEC 2015 purposes and can be used as inputs to the Philippine government’s future development planning, strategizing, and visioning exercise in a post-2015 scenario.

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Of 42 countries surveyed in 2006–2007 by the Global Entrepreneurship Monitor Survey, the Philippines had the second highest percentage of entrepreneurially active females, next to Peru (DTI 2011). This is consistent with the Department of Trade and Industry (DTI) data in 2009 showing that 54 percent of enterprises are female owned. However, most of these enterprises are small, consisting of only the owner/manager without any employees. Women usually have little capital (below PHP 10,000.00) and thus can only penetrate activities with low entry barriers, such as retail trade, food stalls, or personal services, which also have low productivity (GTZ and DTI 2010).

This Policy Note discusses the challenges faced by women entrepreneurs. Most of the examples used are from the Philippines. Increasing the economic opportunities of women in the Asia-Pacific Economic Cooperation (APEC) economies is critical to achieve inclusive growth in the Asia-Pacific region. For this to happen, an enabling environment for women entrepreneurs should be present to realize their full economic potential.

Challenges

Inadequate access to productive resources

The MSMED Development Plan 2011–2016 of the Philippines’ DTI notes that access to finance is a lingering obstacle to entrepreneurship in the country. Most women in the informal economy and MSMEs are unserved by government financial institutions and microfinance institutions due to the high cost of service delivery and their stringent requirements that are below the capacity of women to meet. These requirements include the minimum loanable amount, quality of collateral, repayment terms, number of years of business experience, submission of business plans, and consent of the husband. Issues of overindebtedness, multiple borrowing, and credit burden affect their capacity to access services. In addition, service providers are usually deterred by the lack of infrastructure and the concerns for peace and order.

Women who work in the informal economy usually have limited information on the potential of their own businesses and lack awareness of the big picture of their business environment and how global and regional changes could affect their economic activities.

The government through the DTI assists microenterprises but it does not cover those with very low capitalization, low value added, and low skills, such as market vending and street selling that operate with a capital of less than PHP 10,000. They fall within the programs of the Department of Social Welfare and Development (DSWD) and the Department of Labor and Employment’s (DOLE) Integrated Livelihood Program for Workers in the Informal Economy that provide productive resources in the form of equipment, raw materials, tools, training, business planning, productivity improvement, worker’s safety and
health, networking, and business alliances. The DOLE program also assists in establishing common service facilities that respond to the common needs of the beneficiaries and facilitate access to low-cost inputs, wider markets, and high technology. It also conducts continued advocacy on social security for informal workers using the common service facility.

Under the DSWD, the KALAHI-CIDSS and the Pantawid Pamilyang Pilipino Program (4Ps) are integrated efforts that promote microentrepreneurship and support resources for their beneficiaries. The Department of Science and Technology also has its SET-UP Program to encourage and assist small and medium enterprises (SMEs) to adopt technological innovations to improve their operations and boost their productivity and competitiveness. The program enables firms to address their technical problems through technology transfer and technological interventions to improve productivity through better product quality, human resources development, cost minimization and waste management, and other operational improvements.

Despite these initiatives, there remains a general sense of the lack of or difficult access to finance and productive resources by women. 

**Difficulty to sustain and scale up enterprises**

Beyond the start-up stage of an enterprise, there is the challenge to stay in business and expand—a critical issue among women entrepreneurs in developing countries. In general 40–50 percent of new businesses close down and this happens more often among women-owned businesses usually due to lack of financing, insufficient profitability, and family responsibilities. Macroeconomic conditions (higher wages, increase of available jobs, lower discrimination) and retirement are additional reasons. Often mentioned by female respondents are personal reasons, an issue largely unexplored or less understood as an explanation for high closures of women-led enterprises (Vossenberg 2013).

Based on 2008 data, more women than men (54% versus 46%) register their business but for the succeeding years when the business has to be renewed, more men than women (55% versus 45%) renew their business (DTI 2011). This indicates that women have difficulty sustaining their business. Women also discontinue their business when it conflicts with their family responsibilities (Vossenberg 2013). Balancing domestic duties with business responsibilities is a difficult challenge for women.

Another set of factors pertains to the lack of business discipline even among experienced entrepreneurs and the low level of interest of women to experiment and learn new things to improve their products (PCW 2013a). They have little incentive or interest to be competitive and to expand their markets. A related issue is scaling up of
If women entrepreneurs are to take advantage of the markets outside their country borders, their appreciation and understanding of business models and methods would enable them to meet the global standards of quality, efficiency, productivity, and price competitiveness of goods and services in the larger market. To this end, women entrepreneurs in the APEC must build their capacities and globalize their outlook.

Successful women economic empowerment pilot projects like the Rural Microenterprise Promotion Project (RuMEPP) and the Gender-responsive Economic Action for the Transformation (GREAT) of Women Project (PCW 2013a). The challenge is how to institutionalize effective approaches from these projects into mainstream policies and programs.

Lack of social preparation and technical skills for entrepreneurship and lack of readiness for global markets

Many women usually enter a business without the benefit of any market analysis, feasibility study, vocational training, or entrepreneurial orientation (PCW 2013b). In developing economies of APEC, the readiness for internationalization of women microentrepreneurs is wanting. Their tendency is to be inward looking. They have limited realization that the outside world is changing fast and there are opportunities to be seized but there are also enormous risks and threats that can compromise the growth and continuity of their businesses. There is also little understanding of global standards of quality, productivity, and efficiency.

In APEC, information and communication technology (ICT) connectivity is seen as a pathway to enterprise competitiveness. Some APEC economies like Indonesia, China, Taiwan, and Singapore have demonstrated how ICT connectivity has helped to economically empower women to enhance their competitiveness (Jarett 2013). The Philippines and other APEC economies should study how these successful experiences can be replicated.

Voiceless-ness and lack of representation in governance and decisionmaking structures

The presence of women on corporate boards can enhance firm performance especially if there are three or more women board members. However, in a survey by Jarret (2013) of 3,054 companies from 1997 to 2010 in five APEC economies (Indonesia, Malaysia, Philippines, Singapore, and Thailand), women membership in corporate boards was found to be less than 10 percent. This shows the untapped potential...
of women in corporate governance. Women microentrepreneurs need to organize to have a voice in policymaking bodies. Unfortunately, many women micro and small entrepreneurs are not affiliated with women’s groups and coalitions that pursue women’s economic rights. Limited available data show only a small percentage of women in the informal economy and MSMEs are organized, usually in the form of cooperatives or politically driven organizations that do not necessarily advocate women’s issues in the sector.

Meanwhile, those in the informal economy are also excluded from or underrepresented in the structures and processes of decisionmaking. As such, they do not have a voice in the crafting of policies and programs. While sector-based participation and representation of women is now normally practiced, the issues affecting the economic rights of women in the informal economy and MSMEs are not necessarily voiced out or carried by women representatives, except in a few instances, such as in the National Anti-Poverty Commission where the informal economy and the MSME sector is represented by a woman.

Women must participate in shaping the local economic environment and the business and investment climate. They must assert their voice in local development and governance structures where economic decisions are made. Women entrepreneurs must seek for their proper representation in both local and national policymaking structures.

Men have the advantage of being able to form clubs that foster their business interests. Governments can support business networks for women and encourage their involvement in general business associations that have been dominated by male-owned enterprises. By giving support in setting up new associations and networks, especially among women-led enterprises, new business relationships can develop between women entrepreneurs and their male counterparts. Women can provide some of the services that male-led enterprises require. Men can and should be part of the solution (Jarett 2013).

Vulnerability and lack of access to health and socio-legal protection
Women entrepreneurs are most vulnerable in times of illness, disability, work injury, maternity, unemployment, and old age. Uncertainty of the market, instability of the business environment, and insecurity of work pose continuing challenges to women entrepreneurs.

The financial crisis and the storm Haiyan dramatized the vulnerability of everyone, most especially of women workers and microentrepreneurs. The need for safety nets and social insurance schemes to cushion the impact of external shocks has become a necessity. Women entrepreneurs must build their capacities for resilience and business continuity in the midst of external shocks.
Women microentrepreneurs and workers in the informal economy suffer from unsafe and unhealthy working conditions. For women informal workers, stress is a common health risk, which is manifested by erratic blood pressure and heart rate, ulcers, migraines, and menstrual irregularities that affect their productivity (Barrameda 2009).

Workers in the informal economy are usually outside of government health and social protection programs that are exacerbated by inadequate financial support for the implementation of programs under the National Occupational Safety and Health Plan (Barrameda 2009).

The lack of security and protection from violence in the workplace, including sexual harassment, is another issue that women in the informal economy and MSMEs face on a daily basis. Because of the tight labor market, the tendency of poor women is to accept jobs that offer substandard wages, very long hours of work, and poor working conditions that make them vulnerable to occupational health and safety hazards including sexual harassment, with little or no access to security and protection. Women in the informal economy also face physical, psychological, and economic abuses when accessing loans without the consent or approval of their husbands, and this continues when they are no longer able to pay their loans.

The country’s social security schemes currently cover only 31 percent of the total employed, effectively marginalizing the larger part of the workforce that can be found in informal, less permanent, and vulnerable occupations. Women are concentrated in the lower strata of unpaid family and industrial home workers where earnings are meager and where poverty-inducing risks such as illness and job insecurity are high.

One progressive step in the Philippines is the PhilHealth Board Resolution No. 1479, Series of 2011, which approved the implementation of the partial subsidy scheme for women microentrepreneurs and self-employed and informal economy workers. Another is PhilHealth Board Resolution 1613 that prioritizes unmarried mothers and pregnant women to guarantee access to health insurance. The implementation of these policies needs to
be closely monitored since it requires women to enroll in PhilHealth in order to avail of the services. Local government units and PhilHealth should provide assistance to facilitate their enrollment.

**Dearth of data**
There is a dearth of data on access to capital, property rights, and ownership of small and medium enterprises, among other issues. For example, analysis of access to finance remains incomplete because of lack of data on loans from informal sources. This matter is unrecorded and untracked in the official financial statistics.

Without systematic collection of information about women-owned enterprises, it is not possible to determine where those businesses are, whether existing programs are effective in expanding those businesses, and how an economy is benefiting from the growth of these businesses. Through data and case studies, businessmen can be made to realize that women empowerment can serve as a mechanism to achieve inclusive growth and promote corporate social responsibility. This implies the need for more resources to identify where additional data are needed to illustrate the link between women’s empowerment, innovation, better firm performance, and economic growth. This way, business and industry stakeholders, including women entrepreneurs, can be helped to advocate for change within their firms and within their respective economies.

Governments can take advantage of the APEC as a channel to popularize high-level economic indicators and business case studies focused on women’s empowerment to a broad audience, especially the business sector. With the guidance of data, development programs can be formulated and implemented by individual firms. Economies should develop such programs according to their national circumstances and must work with the business sector to come up with initiatives that can unleash the economic potential of women in the APEC economies (Jarett 2013).

Each economy must take action in defining which sectors women can "win or lose" as globalization and regional integration unfold in 2015 onwards. A critical step for any economy is to start identifying women-owned enterprises and tracking their development. This is not an easy task, as many of these businesses are small and operate in the informal economy.

**Final remarks**
Increasing the economic opportunities of women in the APEC economies is smart economics. It could well be the gateway to prosperity and a way out of poverty. This implies that APEC members must take national-level and regional actions toward creating enabling environments for women enterprises and empowering women entrepreneurs.

The significant numbers of women entrepreneurs reflect the huge potential of
women to make substantial contributions to the national economy. For this to be realized, they need to be supported through appropriate and timely interventions toward growing and scaling up their business.

Gender as a thematic area in MSME development can push local stakeholders to analyze women’s and men’s access to resources and opportunities, and their respective constraints in scaling up their enterprise. Actions to remove the barriers to women entrepreneurship are essential to ensure the growth of women enterprises. APEC economies can look into affirmative measures such as providing tax holidays and more suitable social security requirements for SMEs and women enterprises in the informal sector.

The meaningful governance of SMEs and women enterprises requires effective monitoring of business progress, economic contribution, and impact of the support to SMEs and women enterprises. Effective monitoring is a major challenge due to limited data. Additionally, the data on SMEs are mixed up with those of the informal sector, making it difficult to separate the economic contribution of SMEs from that of the informal enterprises. Despite these practical challenges, a greater push for women economic empowerment in the APEC economies remains an imperative.

References
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