

# Women Entrepreneurs in SMEs: Bangladesh Perspective

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**BIDS Almanac 2018**

11 November 2018

# Outline of the Presentation

- Women in the workforce
- Study background and survey design
- Profile of the women entrepreneurs
- Characteristics of the enterprise
- Access to finance and credit
- Gaps in policy and practice
- Conclusions and policy recommendations

## *Women's entrepreneurial capacity can have a significant impact in promote women's economic empowerment*

- Entrepreneurial capacity (by setting up and managing a business) can achieve economic independence of women, overcome poverty through asset building and improve their well-being as well as that of their families.
- It was evident from the three ASEAN countries that women business owners hired 17 per cent more women employees compared with male business owners (The Asia Foundation and APEC, 2013).
- Women also tend to use their incomes more productively. One study shows, women devoted 90 cents of every dollar they earn on their families including on children's education, health and nutrition compared to 30-40 cents by men (*Development Report 2012*, World Bank).
- Thus, enhancing women's economic participation and entrepreneurship is critical to the realization of the Sustainable Development Goals.

# Women in the Workforce

- Women in Bangladesh have progressed notably in terms of their participation in the labour force, from 15.8 per cent in 1995-96 to 35.6 percent in 2016 (BBS, LFS).
  - Among them only around 12 percent has emerged as entrepreneurs;
- An estimated 0.43 million women entrepreneurs own and operate businesses-accounting for 5.9 percent of the total entrepreneurs in the country (Economic Census, 2013);
- Of the total establishments, the female headed is 7.21% (0.56 million) in 2013 while it was 2.80% (0.10 million) in 2001 & 03. It implies that more female is getting into the business as the head of establishments;

Working status	Economic Census 2001 & 03			Economic Census 2013		
	Total	Female	% of female	Total	Female	% of female
<b>Proprietors-Entrepreneurs</b>	3496120	<b>108494</b>	<b>3.1</b>	7352024	<b>431809</b>	<b>5.9</b>
Unpaid family workers	1263173	225079	17.8	1296960	465978	35.9
Full time workers	6076865	817998	13.5	15120355	3000846	19.8
Part-time workers	434264	77842	17.9	486080	91005	18.7
Casual workers				245431	62080	25.3
Total	11270422	1229413	10.9	24500850	4051718	16.5

# Background of the Study

- SME Foundation conducted a comprehensive study on **Women Entrepreneurs in SMEs: Bangladesh Perspective in 2009**.
- The purpose of the study was to examine the status of women entrepreneurs in different sectors and also to identify the obstacles to the development of women entrepreneurship and formulate programs based on the study recommendations.
- Since 2009, various policies and programs have been adopted by government including policies to provide financial assistance to SMEs, Women Development Policy, and National Skill Development Policy etc.
- In that connection the SME foundation has also undertaken various programs and projects to promote efficiency, productivity and employment generation capacity of SMEs as a whole with special attention to development of women entrepreneurs.
- It is assumed that all these initiatives by various stakeholders have brought changes in the status of the women entrepreneurs and features of women entrepreneurship development in Bangladesh.
- To explore the current situation of women entrepreneurship development and design appropriate interventions on the basis of those findings, a comprehensive study is necessary. With this aim the current study has been initiated with the title “**Women Entrepreneurs in SMEs: Bangladesh Perspective 2017**”.

# Objectives of the Study

- The overall objective of the study is to explore the current status of women entrepreneurs working in various sectors, identify factors those influenced their success, obstacles faced by them and possible ways to overcome the obstacles.
- **Scope of the Study**
- Identify the present status of women entrepreneurs in different SME sectors and role of women entrepreneurs in national economy.
- Compare the present status of Bangladeshi women entrepreneurs with the previous status as compiled in the report 'Women Entrepreneurs in SMEs: Bangladesh Perspective, 2009' conducted earlier by SME foundation.
- Examine the issues need to be addressed to increase access to economic opportunities and formal inputs which promote entrepreneurship development.
- Examine how women's business associations can strengthen women's position in business and international trade promotions.

# Data and Methodology

- To achieve the objectives, the study employed both qualitative and quantitative approaches.
- Conducted questionnaire survey of 1510 women headed enterprises to examine the current status and compare with the previous report;
- FGDs (6 at divisional level) and Case studies (7 from different sectors) were conducted to identify the impediment faced by them and possible ways to overcome the obstacles;

# Methodology: Sample (Enterprise) Selections

- In determining the sample size of the enterprise survey, we have used the methodology widely used by the World Bank.

$$n = \left[ \frac{1}{N} + \frac{(N - 1)}{N} \times \frac{1}{PQ} \times \left( \frac{K}{Z_{1-\alpha/2}} \right)^2 \right]^{-1}$$

where N = population=563368

P = Proportion of small or micro/cottage firms=0.90

K = level of desired precision=0.02

Z = Standard Normal variate at 99% confidence interval

Assuming k=.020, Z = 2.58, p=0.90, we get **n= 1497≈1500**

- Assuming these parameters, the estimated sample size using the above formula is 1500. Therefore, the survey was administered on about 1500 women entrepreneurs considering the diversity of sectors in which they are involved and considering their geographical locations.
- **Sample enterprise selected considering the following:**
  - SME Entrepreneurs Directory 2015 published by the SMEF, contains information of more than 7000 women entrepreneurs in 11 booster sectors;
  - Women entrepreneurs list collected from district level women's chamber excluding the SME Entrepreneurs Directory 2015;

# SME Women Directory 2015

**Table 1.1: Number of women enterprises of 11 booster sectors, 2015**

Sectors	Number of enterprises	%
Electronics and electrical	186	2.6
Software development	30	0.4
Light engineering and metalworking	98	1.4
Agro-processing/agri-business/plantation agriculture/specialist farming/tissue-culture and related business	726	10.3
Leather-making and leather goods	84	1.2
Knitwear and ready-made garments	447	6.3
Plastic and other synthetics	24	0.3
Healthcare and diagnostics	123	1.7
Educational services	10	0.1
Pharmaceuticals/cosmetics/toiletries	237	3.4
Fashion-rich personal effects, wear and consumption goods	2241	31.8
Other sectors	2841	40.3
Total	7047	100.0

Source: SME Women Enterprise Directory, 2015

# *Profile of Women Entrepreneurs*

# *Women business owners face the dual responsibilities of growing a business and raising a family*

- Most (75.5%) are in their 30's or 40's, most (98%) are married including about 11% widowed/ divorced/ separated, and one-fifth (21%) have children less than 5 years;
- This indicates the traditional norm of preference for the salaried job for young unmarried women.
- It also indicates the difficulty of unmarried women to receive start-up capital from the family. In most of the cases, women can start their business with their savings.

Indicators	% of respondents
<i>Age distribution (%)</i>	
15-20	0.5
21-30	13.4
31-40	42.9
41-50	32.6
51-60	9.5
61+	1.0
Mean age (years)	40.1
<i>Marital status (%)</i>	
Unmarried	1.9
Married	87.3
Separated/ Divorced/ Widowed	10.8
Average household size (numbers)	4.8
% of women having infants (less than 5 years)	21%
Total respondents (number)	1510

## *Women often come into business ownership with less formal education, or less business-specific education or work experience*

- About 27% of the women entrepreneurs are well educated having graduate degree, while 24% have education below secondary school level in 2017;
- Educated women are increasingly preferring business compared to the situation in 2009;

Educational status of the women entrepreneurs

Educational status (%)	SMEF 2009	BIDS 2017
Below SSC	31.5	24.2
SSC	26.2	29.1
HSC	22.1	20.8
Graduate and Above	20.0	27.2
Total	100	100
N	1007	1510

- The educational status varied across sectors, for example, women entrepreneurs involved in software development, leather, pharmaceuticals, education and health sectors have relatively higher level of education compared to others.
- Around 81% of the current entrepreneurs have no prior experience of taking part in economic activities-they were either housewives, students or unemployed before starting the business.
- About 34% of women entrepreneur received relevant training before starting the business;

# *Business network and management*

- 65% of the women entrepreneurs have come from business-oriented family environment, either from the parent's side or from husband's side.
- Thus, it appears that business orientation of other members of family may have important influence on women to become entrepreneurs.

Family business history, 2017

Business	Husband	Either Parents or Husband
Same	121 (8.0)	155 (10.3)
Different	654 (43.3)	825 (54.6)
Total	775 (51.3)	980 (64.9)

- Business leadership styles as participatory, inclusive, and considerate of others sometime depends of the social factors at work in some societies.
- It was evident from the survey that more than 80 percent of the business managed by the women entrepreneurs and rest of the businesses are managed by their husband or other family members.
  - dependency is higher for trading enterprises compared to manufacturing or services, in case of raw materials collection and marketing of the product. Similarly, the
  - urban women appear to higher capacity to run the business individually compared to the rural entrepreneurs.

# *Motivating factors has shifted from meeting the family necessities to empowering herself*

- Achieving self-sufficiency (28.4%) is the most common factor while 8.74% were motivated due to their experience in this field;
- Thus more than fifty percent (53.66%) were motivated either by the desire to be economically self-reliant (28.4%) or to increase the family income (25.26%);
- About half of the respondents (48%) involved in business to add to family income/meet family necessities (SMEF 2009);

Motivations for starting business (*in percentage*), 2017

Motivations	% of response
Being self-reliant	28.4
Increasing the family income	25.3
Meeting the needs of the family	14.5
Hobby or interest	8.8
Experience in this field	8.7
Employment creation for others	4.7
Social position	3.4
Family business	3.0
Creativity	2.0
Others	1.3

## ***Social norms and attitudes are big obstacles for women to become entrepreneurs which has been improved in Bangladesh***

- Women face some social and familial problems just because they are women. It is difficult to solve these problems overnight.

	SMEF 2009	BIDS 2017
Impediments from family		
Family members did not like	53.0	15.8
No problems encountered	22.4	77.5
Impediments from society		
Faced	80.2	40.9
No problems encountered	19.8	59.1

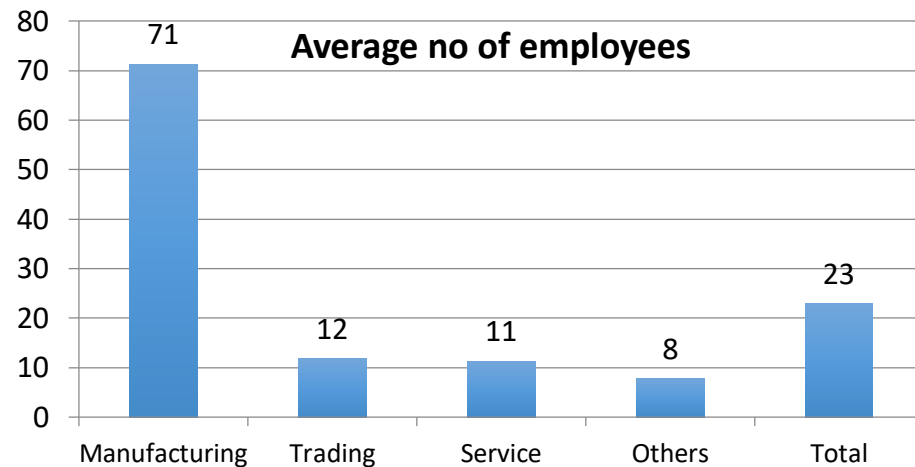
## *Characteristics of the enterprise-sectors*

*Women-owned firms are found in all sectors of the economy, though are more likely to be concentrated in trading-based or cottage industries.*

Sector	Manufacturing	Trading	Service	Others	Total
Handicraft	47.7	51.3	1.0	0.0	19.9
Retail shop	3.9	92.6	3.5	0.0	15.2
Tailors	18.9	67.0	13.6	0.5	13.6
Beauty parlor	4.7	44.3	50.3	0.7	9.9
Agro-based business	11.3	87.9	0.0	0.7	9.3
Garments & Accessories	32.5	61.3	6.3	0.0	5.3
Wholesale shop	5.2	94.8	0.0	0.0	3.8
Healthcare and diagnostics	5.9	15.7	78.4	0.0	3.4
Construction and related equipment	2.5	97.5	0.0	0.0	2.6
Electronics and electrical	3.2	96.8	0.0	0.0	2.1
Pharmaceuticals	4.2	70.8	25.0	0.0	1.6
Knitwear and ready-made garments	34.8	65.2	0.0	0.0	1.5
Furniture	0.0	100.0	0.0	0.0	1.0
Plastics and other synthetics	23.1	76.9	0.0	0.0	0.9
Leather processing and leather goods	10.0	90.0	0.0	0.0	0.7
Educational services	0.0	10.0	90.0	0.0	0.7
Software development	0.0	77.8	22.2	0.0	0.6
Transport business	0.0	100.0	0.0	0.0	0.6
Light engineering and metal working	28.6	71.4	0.0	0.0	0.5
Jute related product	20.0	80.0	0.0	0.0	0.3
Others	20.2	70.7	8.1	1.0	6.6
<b>Total</b>	<b>18.8</b>	<b>68.7</b>	<b>12.2</b>	<b>0.3</b>	<b>100.0</b>

## ***Majority of all firms have less than employees other than the owner and higher female concentration***

Average number of employed by the enterprise, 2017



Distribution of enterprise by group of employees

Person employed	% of enterprise
1-10	76.3
11-20	9.6
21-30	3.7
31-40	1.6
41-50	0.9
51-60	0.9
61-70	0.7
71-80	0.5
81-90	0.4
More than 100	5.4
N	1510.0

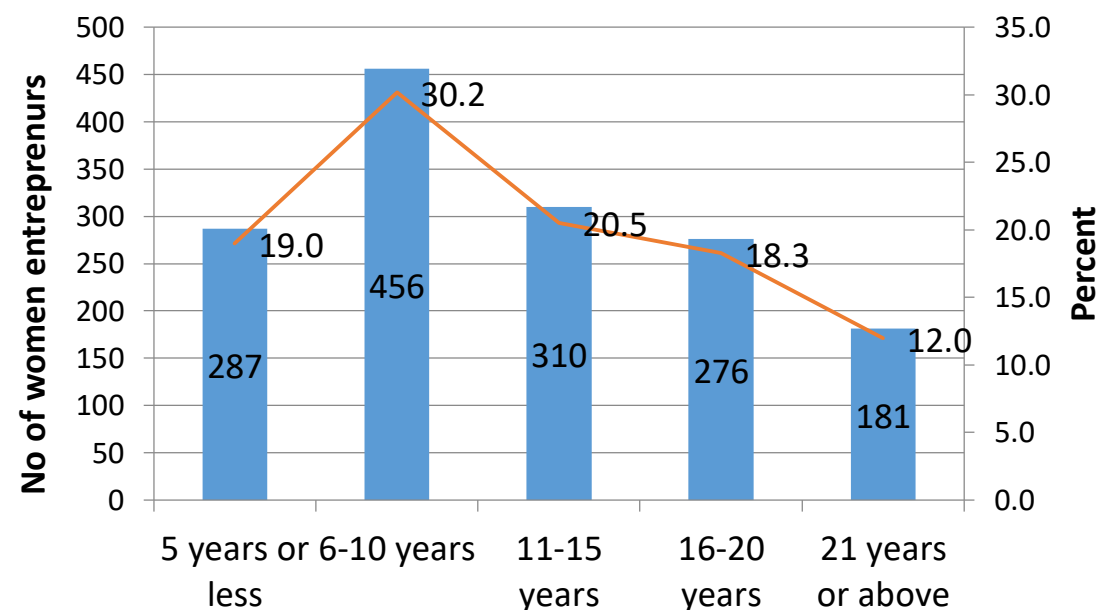
- The women entrepreneurs employed mostly women in their business, on an average, 85 percent of the total employment;
- Thus development of women entrepreneurship will create opportunities for more females.

# ***Informality and Length of Women-owned Businesses***

Degree of formality of the women owned business, 2009 and 2017

	SMEF 2009	BIDS 2017	CARG (%)
Trade license	51.5	98.5	9.7
TIN	10.0	56.4	28.0
VAT registration	12.0	46.8	21.5
Having showrooms	50.3	77.5	6.4

Years of experience as women entrepreneurs, 2017



## *Investment and its sources-over the time women entrepreneurs relied more on institutional credit sources*

Current investment in Tk.	SMEF 2009	BIDS 2017
Up to 500000	12.0	35.2
50001-100000	31.0	6.7
100001-150000	17.0	2.4
150001-200000	9.0	2.2
Above 200000	31.0	53.6
n	816.0	1510.0

Sources of capital	SMEF 2009		BIDS 2017	
	Initial	Current	Initial	Current
Own source/fund	87.5	92.4	63.4	56.2
Husband/parents	42.5	33.6	20.0	7.8
Friends/relatives	3.6	3.2	6.4	2.1
<b>Banks</b>	<b>2.2</b>	<b>7.3</b>	<b>4.2</b>	<b>24.9</b>
NGOs	7.0	13.0	4.2	6.2

- The average investment made by a women entrepreneur was initially 3.65 lakh taka which increased to 22.14 lakh taka in the current year;
- Currently, the higher investments are made by the sectors like leather (97lakh taka), construction (66.34lakh taka), healthcare (63.59 lakh taka) and wholesale shops (57.26lakh taka) relative to other sectors;

# Bank account and Access to Finance

- About 97% of female entrepreneurs from all sectors have a bank account;
  - About 47% of entrepreneurs have a joint account with their husbands, while about one third of them have a joint account with their business partners;
- Overall, 58% of the entrepreneurs have applied for SME loans with 92% of them receiving it.
- Compared to other sectors, a relatively higher proportion of entrepreneurs from jute, furniture, leather, construction, and wholesale sectors applied for SME loans with all of the applicants receiving it;
- About 39% of female entrepreneurs reported high interest rates and 35% reported an insufficient credit limit to be hindrances for accessing their last SME loan;
- On average, 56.17% of the female entrepreneurs reported the current SME loan amount to be inadequate;
- The same conclusion also came from the case studies with the successful entrepreneurs;

# *Collateral Requirements and* constraints in accessing finance

- For the loans taken by the entrepreneurs, about 30% of them reported no collateral/security was required, while 25% of them had another person as a guarantor and 23.6% kept the land as collateral.
- Higher proportion of entrepreneurs from wholesale, leather, plastics, healthcare, garments and jute sectors kept the land as collateral, while the proportion of entrepreneurs who had a guarantor was somewhat higher in electronic, software development, retail shops, and knitwear/RMG sectors;
- Still women entrepreneurs face the following constraints in accessing finance (qualitative findings):
  - Arranging guarantors in getting a loan
  - Asking for guarantors' documents
  - Banks asking for mortgage documents
  - High interest rate and demand for transaction in a bank account:
  - Lack of proper information regarding the rules of loans in different banks
  - Higher Service Charge
  - Lacks in proper knowledge regarding the banking system
  - Many women entrepreneurs do not have any business plan
  - Getting a loan is difficult for widows or divorced women
  - Some women still face non-cooperation, even harassment in the banks.
  - Applicants are not informed of the reasons for denying a loan.

# *Determinants of entrepreneurial success*

- ***Indicators of entrepreneurial success***

- Profit making relates to individual success. However, we are also interested in ‘success in society’ and for this generated employment of the firm founded by the entrepreneur as a measure of performance (Bosma et al. 2000). Similarly, productivity also an important factor to determine the level of success.

Let  $\pi_i$  be the profit for respondent  $i$  in 2017, and  $x_{ij}$  respondent  $i$  ‘s value of the determinant  $j$ . The model to be estimated is the following:

$$\text{(Model 1): } \ln \pi_i = \alpha + \sum \beta_j x_{ij} + e_i$$

$$\text{(Model 2): } \ln L_i = \alpha + \sum \beta_j x_{ij} + e_i$$

$$\text{(Model 3): } \ln P_i = \alpha + \sum \beta_j x_{ij} + e_i$$

# Determinants of Entrepreneurship Success

	(Model 1) Profit	(Model 2) Employment	(Model 3) Productivity
Sole ownership	-0.0548 (0.0976)	-0.224 (0.165)	0.273 (0.173)
Self operated	0.444*** (0.0503)	0.125 (0.0699)	-0.880*** (0.0933)
Age	-0.00632** (0.00206)	0.0197*** (0.00407)	-0.00178 (0.00445)
Education	-0.0151* (0.00643)	0.0467*** (0.0116)	-0.00869 (0.0129)
Social capital	-0.0684 (0.0366)	-0.0522 (0.0689)	0.241** (0.0738)
Pre. Occupation: Self-employed	0.0640 (0.0680)	0.147 (0.129)	-0.258* (0.121)
Pre. Occupation: Service	0.101* (0.0484)	0.125 (0.106)	-0.252* (0.108)
Self-financed	0.0262 (0.0435)	-0.0118 (0.0904)	-0.187* (0.0948)
Prior business experiences	-0.0258 (0.0371)	0.185* (0.0768)	-0.181* (0.0814)
Training	0.190*** (0.0403)	0.231** (0.0784)	-0.593*** (0.0895)
Experience as entrepreneurs	-0.0178 (0.0449)	0.303*** (0.0838)	0.126 (0.0825)
lnasset	-0.0239* (0.0108)	0.191*** (0.0194)	0.0660** (0.0209)
Constant	3.242*** (0.188)	-2.218*** (0.364)	1.411*** (0.398)
N	1493	1487	1481
R-sq	0.124	0.148	0.183
F	15.61	25.19	29.52

Standard errors in parentheses

\* p<0.05, \*\* p<0.01, \*\*\* p<0.001

# *Determinants of entrepreneurial success (contd.)*

- **Estimation results for profit:** Human capital variables, self management of business, prior business experiences appear important determinants of the profit of an entrepreneur. Having a higher asset reduces profitability-implies that the entrepreneurs involve in business requiring lower capital, i.e. tailoring, beauty parlor;
- **Estimation results in employment generation:** Human capital, i.e. education and training, age, experiences, level of asset increases the probabilities of success in creating more employment;
- **Estimation results to achieve higher productivity:** The women entrepreneurs who have a business oriented family member (parents or husband) and larger capital become more successful in the business.
- **Success indicators of women entrepreneurs: as perceived by women entrepreneurs of different kinds of business**
  - Capable of conducting main activities of the business on her own.
  - Independent in managing risks successfully
  - Achieving specific targets with profit.
  - Generating employment for others
  - Able to support financial needs of her family
- A woman comes in business with the hope of achieving economic freedom and empowerment which come with profit from business and control over that profit. If an entrepreneur can achieve that empowerment that is the real indicator of a successful entrepreneur.
- During the FGDs women have mentioned that if they can work hard and get supports from husband and his family in their work, they become successful in their endeavor.

## *ICT opens new horizons for women entrepreneurs*

	SMEF 2009	BIDS 2017	CARG (%)
Computer	23.0	33.8	5.7
Internet access	5.0	33.8	31.4
Email account	4.0	28.3	32.2
Business website	1.0	10.4	39.7
Business association member	29.2	40.8	4.9

- Using better access to the Internet women entrepreneurs improved their business processes, access different markets and promote new products;
- SMEF can help the women entrepreneurs to boost up their sales through ICT training-creating business website and improve their communication and marketing strategy;
- The relevant business association also has important rule in this regards;
- About half of the women entrepreneurs received different kinds of training, mostly in beauty parlor, education, tailoring, RMG, sectors.

# Socio-cultural and legal barriers faced by women to become an entrepreneur and as an entrepreneur

- General challenges faced by women entrepreneurs:
  - Limited sources of start-up capital
  - Lack of knowledge regarding product marketing,
  - Lack of knowledge about e-marketing and use of internet,
  - Lack of proper knowledge of handling workers.
  - Inertia to expand business beyond a certain limit
  - Lack of knowledge regarding formal regulations and rules
  - The women friendly market is not available in the locality
- Challenges with regard to financing
  - Inadequate credit limit
  - Respective officers in the bank show lower interest deal with prospective women borrowers;
  - It becomes very difficult for a woman to a guarantor.
- Obstacles faced in promoting products
  - limited market access
  - Poor quality of the product;
  - networking opportunities
- Challenges from family and society

# Gaps in policy and practice

- Initiatives to provide special credit support to the women entrepreneurs under the refinancing scheme could not reach the 15% women entrepreneur quota mainly due to weak business plan and poor paper works by the entrepreneurs; unavailability of guarantors and problems similar to this matter;
- It was evident from the study that some commercial banks ask for collateral from women entrepreneurs even for a loan amount below 25 Lac Taka which is contradictory to the regulation of the Bangladesh Bank. However, commercial banks usually apply their own rules and judgments to approve loans;
- Many banks ask for guarantee from a male member of the family and sometimes a women entrepreneur fails to get loans if her husband is a loan defaulter;
- Women's access and utilization of skill- training provisions offered by various ministries and NGOs are low since most of them are based in urban areas.
- Some women also feel discouraged to participate in training if the instructor is a male, especially, for training provisions those include hands on courses as in IT based training.

# Conclusions and Policy Suggestions

- Women entrepreneurs should receive adequate amount of credit facilities along with 3 months grace period;
- Skill training dedicated to women should include more women instructors, especially for the courses, where physical interaction is needed during training, such as training on use of computer, method of driving a car etc.
- Credit facilities should be more gender friendly. Bank officials should be given credible instruction on this matter.
- Sensitization of Bank officials and organizing awareness raising programs at different level are necessary to support women entrepreneurs.
- Organizing frequent national and local level trade fairs to expand, market, product diversity and quality improvement in SME business in general and for women entrepreneurs in particular. Duration of the fair should be at least 7-10 days.

## Conclusions and Policy Suggestions (contd.)

- Women friendly markets should be developed at the district level. In various government market places, women entrepreneurs should be given priority;
- SMEF can organize more training sessions on basic and advance entrepreneurship development, business and account management, bank readiness, product development, marketing strategy etc. are needed to increase knowledge of women entrepreneurs and the rules and regulations of doing a business formally;
- Special and longer training (say for 7 days) is required for ICT training including how to use internet to promote business;
- Disseminate the research findings to the potential entrepreneurs to identify potential sectors proving more profit;
- In the long run, we have to put emphasis on technical education same as general education for creating sustainable job opportunities as well as entrepreneurship among women;