

POLICY LESSONS ON SUPPORTING WOMEN ENTREPRENEURS

GENDER INNOVATION LAB FEDERATION EVIDENCE SERIES

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GENDER INNOVATION LAB FEDERATION

The Gender Innovation Lab (GIL) Federation is a World Bank community of practice coordinated by the Gender Group that brings together the Bank's five regional GILs: Africa (AFR), East Asia and Pacific (EAP), Latin America and the Caribbean (LAC), Middle East and North Africa (MNA), and South Asia (SAR). Together, they are conducting impact evaluations of development interventions to generate evidence and lessons on how to close gender gaps in human capital, earnings, productivity, assets, voice and agency. With over 188 impact evaluations in 66 countries completed to date, the GIL Federation is building the evidence base for governments, development organizations, and the private sector to increase uptake of effective policies that address the underlying causes of gender inequality.

Entrepreneurship can be a pathway to employment and economic empowerment for women. Over half of the women in developing countries are or aspire to be entrepreneurs, but most of them run subsistence-oriented micro-businesses that are not seen as key drivers of innovation and growth.¹ Among formal firms, the share of women-led businesses decreases as the size of the firm increases.² Multiple factors—including lack of skills, networks, and access to finance, technology, and markets—constrain women's decision to become entrepreneurs and affect their choices concerning which sector to enter, how much to put into their firms, and which business practices and technology to adopt. Contextual factors, such as social norms, access to childcare, and risk of gender-based violence, also contribute to the gender gap in firm performance documented by the Africa GIL³ and the EAP GIL.⁴ **The GIL Federation is generating rigorous evidence around the world to understand what works, and what does not, in addressing the differential constraints restricting the growth of women-led firms.** This note presents evidence on five key findings.

FINDING 1. SOCIO-EMOTIONAL SKILLS TRAINING CAN BE MORE EFFECTIVE THAN TRADITIONAL BUSINESS TRAINING IN BOOSTING WOMEN-LED BUSINESSES

Traditional business training programs focused on teaching a set of recommended business practices show positive but small effects on business performance, with even smaller effects for women entrepreneurs, particularly where their opportunities are constrained by social norms. Socio-emotional skills training programs, which focus on changing the way entrepreneurs think about their business, deliver better results for both men and women.

The Africa GIL led an influential randomized controlled trial (RCT) in Togo where personal initiative training, an example of socio-emotional skills training focused on developing a proactive, future-oriented mindset, was compared with traditional business training and a control group that did not receive any training.⁵ Personal initiative training was found to have much larger effects than traditional business training on the performance of both men and women-led businesses. Over two years, women entrepreneurs offered personal initiative training increased their profits by 40 percent in comparison to the control group. Women offered traditional business training increased their profits by only 5 percent, an effect that was not statistically significant. The personal initiative training was highly cost effective, paying for itself within one year. Moreover, it worked equally well for women with different levels of human capital, as shown in a follow-up article by the Africa GIL.⁶ These findings have influenced World Bank operations, with around 35 projects in 24 countries implementing or planning to implement a variant of personal initiative training.

The Africa GIL also conducted a pair of RCTs to evaluate psychology-based training programs for women entrepreneurs in Ethiopia.⁷ One RCT indicates training had large positive effects on profits after one year, but effects were not statistically significant after two years. The other RCT finds training had no effects on business outcomes. This research argues that the quality of the teachers was one of the key differences between the two RCTs, with low-quality trainers associated with low effects.

The LAC GIL conducted an RCT in Mexico to evaluate the effects of a program combining personal initiative training and traditional business training on the performance of women micro-entrepreneurs.⁸ The study finds large effects of combined training on the business outcomes of women-led firms. However, another RCT in Jamaica finds no effects of combined personal initiative and traditional training, and only short-term effects on men entrepreneurs who participated in a training program focused exclusively on personal initiative.⁹ The GIL Federation is currently testing variations in programs (e.g., inviting both women and their husbands to training) and complementarities with other interventions (e.g., financial access and networks) in several countries to understand which contexts and conditions best foster personal initiative training.

FINDING 2. MULTIFACETED POVERTY GRADUATION PROGRAMS CAN FOSTER INCOME GENERATING ACTIVITIES AMONG THE POOREST WOMEN

Programs targeting the poorest women in populations with a bundle of interventions show promising effects on women's income-generating activities. Bundles usually include the transfer of a large agricultural asset, a monetary stipend, training support, health support, encouragement to save, and life skills training. A paper combining RCTs from six countries finds significant effects on women's earning and economic activity (mainly rising livestock),¹⁰ and a study in Bangladesh finds that effects are large at the community level and persistent even after seven years.¹¹

The Africa GIL led an RCT in Niger to unbundle the effects of these multifaceted antipoverty programs. It examined a program that provided women cash transfers from the government and a core bundle of interventions (e.g., coaching, savings groups, entrepreneurship training). Participants were randomly

selected to receive either an additional capital package (a lump-sum cash grant), a psychosocial package (socio-emotional skills training and community sensitization on aspirations and social norms), or both packages. The control group received only the government cash transfers. Results show all treatment arms increased earnings derived from women-led income-generating activities, particularly off-farm self-employment and livestock enterprises.¹² The packages that included psychosocial interventions were the most cost-effective.

FINDING 3. INTERVENTIONS THAT ENCOURAGE WOMEN TO SAVE CAN IMPROVE THE PERFORMANCE OF WOMEN-LED BUSINESSES

In the context of expanding branchless banking services in Indonesia, the EAP GIL conducted an RCT to evaluate the impact of supply and demand-side interventions to support financial inclusion for women entrepreneurs. The study took place in 401 villages in East Java where branchless banking services had been recently introduced. To assess supply side constraints, in half of the villages, the incentive paid to banking agents for each new customer was increased five times to motivate agents to be more proactive in outreach campaigns. To assess demand side constraints, half of the listed women entrepreneurs in each village were invited to a business and financial literacy training and mentoring program, which was tailored to the context and level of the entrepreneurs.

Although neither intervention led to large uptake of the agent banking products, both interventions boosted the profits of women-led businesses. The training increased profits by 15 percent compared to the control group, likely coming from an increase in women's savings, the value of their business assets, their use of good business practices, and their decision-making authority. The high agent incentives increased women's profits by 12 percent, possibly due to the signal of the importance of savings or of a woman-friendly business environment.^{13,14}

There is also evidence that combining access to savings instruments with other interventions can be effective.

In Malawi, the Africa GIL conducted an RCT to evaluate the effects of a program combining business registration support with an information session at a

bank, including the offer of a business bank account. The combination of the two interventions led to a higher use of formal financial services, a 28 percent increase in enterprise sales, and a 20 percent increase in profits for women-owned firms.¹⁵ Business registration alone did not generate positive results. A large percentage of women chose to register their business but did not continue with additional registration for taxes.

In Tanzania, the Africa GIL conducted an RCT to study the effects of combining mobile savings accounts for women micro-entrepreneurs with business training.¹⁶ The study randomly allocated 4,000 women microentrepreneurs into three groups: 1,000 were invited to the mobile savings intervention only, 2,000 were invited to both the mobile savings and the business training intervention, and 1,000 served as a control group. Women assigned to receive both interventions saved almost four times more than the control group. The mobile savings interventions also led to an increase in women's intra-household decision making power in relation to their husbands.

FINDING 4. INNOVATIVE FINANCIAL SOLUTIONS COULD FACILITATE ACCESS TO CAPITAL FOR WOMEN ENTREPRENEURS

Women entrepreneurs own fewer assets that can be used as collateral for business loans. In Ethiopia, the Africa GIL and the World Bank Finance, Competitiveness and Innovation Global Practice (FCI) partnered with a leading fintech company and two Ethiopian microfinance institutions (MFIs) to introduce a psychometric credit scoring test. It is an innovative alternative to traditional collateral, designed to ease women's access to larger business loans by predicting the likelihood that an entrepreneur will repay a loan.

In the initial pilot, customers who scored at a high threshold on the test were seven times more likely to repay their loans compared to lower-performing customers. Following this proof of concept, the psychometric test was scaled up by a second MFI as an alternative to asset collateral for women entrepreneurs. It provided unsecured loans of up to \$7,500 for women entrepreneurs who scored highly on the test. The RCT that accompanied this scale-up finds that psychometric-appraised loans dramatically increased women entrepreneurs' access to credit, especially formal borrowing, and the survival of their firms through the COVID-19 pandemic, although impacts on profits were muted.¹⁷

Another way to increase women's ability to obtain medium-sized loans is giving women more control over assets. An RCT by the Africa GIL in rural Rwanda shows that granting joint property rights over land helped women obtain credit to grow their businesses.¹⁸ The study finds a 19-percentage-point increase in the likelihood of women making soil conservation investments—twice the increase seen for men. With this evidence in hand, the pilot was scaled up nationally.

FINDING 5. ENCOURAGING WOMEN ENTREPRENEURS TO CROSS OVER TO MALE-DOMINATED SECTORS COULD INCREASE THEIR PROFITS

Women entrepreneurs around the world tend to cluster in low-paying industries and sectors. A study by the Africa GIL provides evidence that women in female-concentrated sectors earn lower profits than women and men in male-concentrated sectors.¹⁹ A report prepared by the Africa, EAP, and LAC GILs describes the characteristics of women who cross over to male-dominated sectors using data from 10 countries and a global survey of entrepreneurs.²⁰ It provides non-causal evidence that women in male-dominated sectors have greater profits than women in female-concentrated sectors. The main factors associated with crossover are spousal support, access to mentors and role models, information and training, and access to capital.

Two Africa GIL qualitative studies in Uganda and Ethiopia reveal that women entrepreneurs tend to confine themselves to traditionally female-concentrated sectors, not because of a lack of skills or access to capital, but rather due to a lack of information and social factors.²¹ The Africa GIL conducted an RCT in the Republic of Congo to test whether providing information on trade-specific earnings to young women could encourage them to cross over to male-dominated trades. The study finds that women in the treatment group were 29 percent more likely to apply to traditionally male-dominated trades than women in the control group who did not receive the information.²²

A study by the LAC GIL in Mexico used data from the baseline survey of an RCT to uncover the factors that enable women to cross over to more profitable, male-dominated sectors.²³ The study finds that men mentors and role models, cognitive skills, and education are correlated with crossovers. The RCT evaluated the effects of a program combining personal initiative training and traditional business training for almost

4,000 formal and informal women entrepreneurs.²⁴
Results show that the training encouraged women's

crossover to male-dominated sectors and increased
sales and profits for women-led businesses.





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