

## GENDER AND RURAL EMPLOYMENT POLICY BRIEF #3

2010

# Rural women's entrepreneurship is "good business"!

Rural women increasingly run their own enterprises, yet their socio-economic contributions and entrepreneurial potential remain largely unrecognized and untapped. They are concentrated in informal, micro-size, low productivity and low-return activities.<sup>1</sup> Enabling and gender responsive policies, services and business environments<sup>2</sup> are crucial to stimulate the start up and upgrading of women's businesses and thereby help generate decent and productive work,<sup>3</sup> achieve gender equality, reduce poverty and ensure stronger economies and societies.

## DID YOU KNOW?

- Micro and small enterprises offer a number of particular advantages for rural women: flexible hours, location in or near women's homes, ease of entry, and links with local markets. However, rural female entrepreneurs also face particular challenges entering new and lucrative markets and expanding their businesses.<sup>4</sup>
- Cooperatives are a prominent form of sustainable enterprise for women in rural areas. When they adopt gender-sensitive practices, they can increase women's empowerment, voice and representation in decision-making, provide a business network, enhance access to markets and services, and (consequently) facilitate economies of scale.<sup>5</sup>
- Evidence from developing countries highlights the importance of non-farm activities in the income-generating portfolio of rural households: the literature indicates that they account for 42% of the income of rural households in Africa, 40% in Latin America and 32% in Asia.<sup>6</sup>
- Men are twice as likely as women to own a business with employees in developed and developing countries, except in East Asia, where their ownership rates are similar.<sup>7</sup>
- In addition to income generation, entrepreneurship can legitimize rural women's control over resources; this is important since women invest more in food and healthcare for their families and their children's education.<sup>8</sup>
- Low rates of female land ownership can hinder access to financial assets that are necessary to set up a business. Available information suggests that less than 20% of agricultural land holdings in developing countries are operated by women (10% in Western and Central Africa and in the Near East and North Africa).<sup>9</sup>

## WHY IS ACTION NEEDED?

Rural women's entrepreneurship can contribute to economic growth in developing countries and clearly represents an untapped potential. For many rural women, entrepreneurship is part of a broader livelihood strategy, often undertaken on a part-time basis, and where it is difficult to separate production and reproduction tasks, as well as market and non market work.<sup>4</sup> With few employment choices, women often start businesses in highly saturated sectors, in the informal economy and in low-productivity and low return activities, where they benefit from little or no social protection.

### 1. Discriminatory laws, regulations and social norms prevent women from starting and consolidating viable businesses

- Lack of gender analysis, awareness of the issues, and political will can lead to discriminatory practices and gender-blind programmes and policies that perpetuate systemic barriers, fail to respond to women entrepreneurs' needs and impede women's empowerment.
- Inequalities in rights and entitlements, whether economic, civil or family are a powerful source of discrimination against women, and can limit their access to and control over resources that are crucial to starting and consolidating a sustainable enterprise.
- Rural women entrepreneurs are often thwarted by discriminatory property, family and inheritance laws and practices. Even when those laws and practices are equitable, women are often unaware of their rights to land and other productive resources or fear a backlash within the family or community if they claim them.



### BOX 1 “Starting a business has given me recognition, confidence and self esteem” says Wamusheke, a businesswoman in Zambia

Wamusheke runs a honey making business. With her family’s support and a modest capital base (100,000 ZMK or US\$30), Wamusheke started her business. Today she employs four workers and has plans for further expansion. “IYES training has enabled me to know how to display my products well and attract many customers.” This, she says, was a turning point for her business. Wamusheke’s membership in the Zambia Federation of Associations of Women in Business and the Women Entrepreneurship Development Association of Zambia has enabled her to access management and marketing training opportunities, giving her recognition, confidence and self-esteem.

Source: ILO, *Voices of Women Entrepreneurs in Zambia*, 2008.



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Wamusheke, honey producer in Zambia.

- Social norms and attitudes influence women’s and men’s choices and opportunities. Women’s entrepreneurship is not broadly accepted in many societies and women face attitudinal obstacles in their starting, consolidating and developing a sustainable business. Women often enter a business when they are older, divorced or become household heads. Few young women see business development as an appropriate or viable livelihood option.
- Social norms and attitudes affect the implementation of laws, policies and programmes. Even though relevant laws and regulations may not be discriminatory on paper, discrimination often takes place during their implementation (or lack of implementation).

#### 2. Women face barriers to education, training and information

- Widespread illiteracy, low levels of education and lack of training and business education and experience can limit the capacity of rural women entrepreneurs to consolidate sustainable enterprises. In Bangladesh for example, 76.3% of rural women entrepreneurs have no formal education, and 17% cannot read or write and use mainly manual skills in their businesses.<sup>10</sup>
- Underdeveloped rural infrastructure and services for transport, electricity, and clean water further limit women’s access to resources, markets and public services such as healthcare, and lengthen the time needed for household, reproductive and care work.<sup>11</sup> This, added to women’s considerable agricultural work, creates time constraints for non-farm business-related activities (including training and seeking information and business services).
- Since women often operate home-based micro enterprises, lack access to transportation, and may be barred from accessing the same networks as men by societal norms and attitudes,

their networks and contacts may remain weak while these are critical to connect entrepreneurs to growth opportunities.

#### 3. Limited access to financial and business services affects the growth of rural women’s businesses

- Few banks operate in rural areas. Although financial institutions have increased access to micro finance in many countries, loans are seldom large enough to enable significant growth of enterprises.
- Women entrepreneurs, particularly in rural areas, often experience difficulties accessing relevant financial products and services due to a lack of appropriate products, information, understanding of their needs and collateral.
- Business Development Services are not readily available in many rural areas where there is low population density. Where they do exist, women may not access them due to low literacy, education, time, cost and mobility constraints or because these services do not serve their specific needs. Women are left to rely on friends and family for management decisions and other support to their businesses.

#### 4. Women’s businesses are largely informal, failing to meet the decent work requirements

- Women-led businesses often concentrate in low paying, feminized markets (handicrafts, agricultural, fish and livestock products for local markets, food processing, sales of goods and services)<sup>1</sup> in the informal economy with no legal registration, no regular workforce with rights and freedom of association, and no adequate operating capital to cover employees’ social protection and health benefits.
- The prevailing lack of social protection and control over assets reduces women’s possibilities to become en-

trepreneurs, engage in higher risk and higher return activities, or develop their capacities and protect their health.

- Women’s obstacles in accessing domestic and export markets (small scale of operation, lack of transportation and information, and time constraints) limit their capacity to achieve growth, create decent working conditions and build sustainable livelihoods.
- Women engaging in rural businesses with their spouses often invest considerable time, but do not always share decision-making power and may not identify themselves as business owners. This may limit their opportunities to grow professionally, be innovative or demonstrate entrepreneurial attitudes that could lead to business growth.
- Most micro and small businesses, especially those led by women, are underrepresented in employers’ associations. Therefore they lack voice and representation to raise awareness and advocate for their needs.

### WHAT ARE THE POLICY OPTIONS?

Given that the factors limiting women’s entrepreneurship are manifold and intertwined, integrated measures are needed to realize rural women entrepreneurs’ potential. Programmes and services should take into account rural and women-specific needs and recognize that women-led rural businesses are diverse in nature, operate in various agricultural and non-farm sectors, and follow a range of business models, including micro, small, medium and large enterprises, cooperatives and social enterprises.

Government decision-makers should strive to do the following:

#### 1. Build an enabling environment for women’s entrepreneurship

- Ensure all business and contractual laws are non-discriminatory, includ-

ing land and property titles. Remove systemic barriers and reform any laws and regulations that may impede women's economic empowerment. The Kenyan Government, for instance, asked the Federation of Women Entrepreneurs Associations (FEWA) to review the national Small and Medium Enterprise Code to ensure that the needs of urban and rural women entrepreneurs were reflected.

- Ensure that the business regulatory process is simple, cost effective and consolidated. Use popular media, such as radio, to disseminate easy-to-understand regulatory information for illiterate or semi-literate women and men. Develop mechanisms to ensure that business owners can exercise their rights and are not vulnerable to bribery and harassment from officials.
- Develop social security (including maternity protection) and childcare schemes to increase women's ability to mitigate risk and engage in their businesses.
- Combine targeted, women-specific programmes and policies with gender mainstreaming in all rural business development initiatives. Involve representatives of rural women entrepreneurs in all enterprise policy and programme development, implementation, monitoring and evaluation work.
- Encourage the national education system to integrate gender-sensitive entrepreneurship education into school curricula so that young women and men may explore their entrepreneurial potential at an early age and develop positive attitudes about entrepreneurship.
- Collaborate with employers' and workers' organizations, women entrepreneurs' associations, rural communities, the media and other relevant ac-

### **BOX 2 Linking women in aquaculture to capital and market opportunities in Naokhali, Bangladesh**

The Greater Naokhali Aquaculture Extension Project (supported by the Danish International Development Agency) assisted very poor rural women with small backyard ponds to run enterprises and linked them with private prawn hatcheries which provided the women with post-larvae on interest-free credit. With a small capital investment (Tk 6,000 or US\$ 86), in less than 2 months women could sell around 3,000 juvenile prawns, with a profit of about Tk 6,000. When the rains were favourable, they could harvest 2 crops a year. This increased income helped women reclaim mortgaged land, purchase goats and cattle, or pay for children's education and household improvements.

Source: World Bank, FAO, IFAD, 2009.

tors to dismantle gender stereotypes and foster gender equality.

- Work with service providers to respond more efficiently to the varied needs and realities of rural women-led enterprises. Engage in dialogue with organizations representing the needs of rural women entrepreneurs.
- Improve the collection and analysis of reliable data on rural women's enterprises to understand their needs and realities and inform policies, including generating better indicators, programme/project evaluations, lessons on what does or does not work and why, and feedback mechanisms.

Civil society, employer and worker organizations, and investors should work to accomplish the following:

### **2. Strengthen networking and advocacy for women's entrepreneurship**

- Strengthen the capacity of rural women entrepreneurs' associations to advocate for and serve the needs of their members, support research on rural women's entrepreneurship (at local, regional or national levels) and disseminate information on good practices in promoting sustainable businesses run by rural women.
- Support mechanisms for building social capital among women entrepreneurs such as cooperatives, self-help groups, rural women's business associations and mentorship programmes.
- Encourage governments and employers' organizations to integrate representatives of rural women entrepreneurs in their decision-making mechanisms.
- Engage community leaders, both women and men, as local, regional and national champions to foster support for women's entrepreneurship development.
- Organize special events and contests to raise the profile of women entrepreneurs, particularly those in non-traditional sectors, as illustrated by "The Month of the Woman Entrepreneur (MOWE)", celebrated annually by local women's organizations with ILO support in nine Eastern and Southern African countries.<sup>12</sup>

### **3. Improve rural women's entrepreneurial skills and develop gender-sensitive financial and business services**

- Support gender-sensitive, demand driven business development services

in rural areas and provide gender-sensitive local training and skills upgrading to strengthen women entrepreneurs' business management, marketing and technical skills, with an emphasis on growth sectors, green technologies and safe and sustainable farming and agro-processing practices.

- Promote women's basic education, with a focus on numeracy, literacy, information and communication technologies (ICTs), business management, simple record keeping, marketing, and sustainable (agricultural/non-agricultural) production methods. Make use of experiential learning methods to strengthen rural women's leadership skills and self-confidence.

### **BOX 3 Women milk producers in Bosnia and Herzegovina**

A women's producer association, established in 2003 in Tesanj (BiH), provides rural women with a milk collection network to help them market surplus milk and assists them in accessing credit and equipment. An IFAD Livestock and Rural Finance Development Project enabled them to purchase more animals, improve their knowledge and skills in livestock production and marketing, play a more active role in their communities and enhance incomes. This success, which was replicated by several producers' associations in both country entities, has encouraged them to expand their activities to fruits and vegetable production and processing.

Source: IFAD, Livestock and rural finance development project, Completion Report, September 2009.

- Encourage employers' organizations to reach out to rural women entrepreneurs and provide them with gender-sensitive and affordable training, coaching, networking and mentoring services that will develop their growth potential.
- Encourage rural women micro-entrepreneurs to organize collectively in cooperatives, business groups and in other forms that enable economies of scale in production and marketing.
- Raise awareness among financial and micro-finance institutions about rural women entrepreneurs' needs and introduce incentives for them to provide appropriate, accessible and flexible financial products and services (including affordable insurance and savings), at fair interest rates.
- Foster coordination, information exchange, referrals and collaboration among local business development service providers, employers' and women entrepreneurs' associations, NGOs, cooperatives and financial institutions, to improve rural women's access to information and other relevant services.

- Support locally-controlled, asset building mechanisms in underserved communities, such as women's savings and loan groups, remittance pooling, village banking, and cooperative insurance mechanisms.

#### 4. Encourage a progressive integration of rural women's businesses into the formal economy

- Identify lucrative markets with potential for growth and employment creation, using gender-sensitive value chain



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Woman poultry entrepreneur in Egypt.

analysis. Upgrade clusters/sectors to support the transition of women-led enterprises from informal to formal status.

- Promote green technologies and sustainable farming and agro-processing practices among women entrepreneurs, to improve women's access to eco-friendly growth markets.
- Build the capacity of entrepreneurs' associations to undertake surveys and assess market opportunities and prices, with particular focus on potential export or domestic niche markets especially suitable for women (e.g. processing organic olive oil, artisanal chocolate making, fair trade, silk production and weaving).
- Train women in improved occupational health and safety measures, quality standards and marketing procedures, particularly for export or more distant or lucrative internal markets that require specific international standards.
- Foster linkages between urban and rural women entrepreneurs' associations

to increase the flow of information and connectivity to markets (for example, by facilitating rural women's participation in trade fairs).

- Sensitize government decisions makers to recognize that informal economy entrepreneurs and formal work co-exist along a continuum, with informal work lying outside the regulatory framework. Encourage informal sector workers to have representative voices in policy-making processes and move gradually into the formal economy.<sup>13</sup>
- Work with governments to develop social security schemes for men and women informal entrepreneurs, including cash benefits for maternity leave or child cash benefits and childcare arrangements to increase women's ability to mitigate risk and engage in their businesses. These can be funded in a variety of ways, including through contributory tax-based schemes.<sup>14</sup>

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