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Highlights:

UNU-WIDER and the [African Economic Research Consortium \(AERC\)](#) signed a Memorandum of Understanding in the area of climate change capacity building and research. As one of the first concrete steps UNU-WIDER-AERC have jointly announced the following programmes: The [UNU-WIDER - AERC PhD Research Internship Programme](#), and the [UNU-WIDER - AERC Visiting Scholars Programme](#).

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AUGUST 2010

FEATURE ARTICLE AND HIGHLIGHTS

Female Entrepreneurship in Developing Countries
Maria Minniti and Wim Naudé. [Full article.](#)

UPCOMING EVENTS

Development under Climate Change (special session at [PEGNET 2010](#) Annual Conference in Johannesburg, South Africa)
[2-3 September 2010](#)

Book Launch: Southern Engines of Global Growth (Oxford University Press).
UN, New York, USA
[14 September 2010](#)

ANNOUNCEMENTS

Professor Ernest Aryeetey, new Vice-Chancellor of the University of Ghana. The Director of UNU-WIDER and its entire staff wish to warmly congratulate Chair of UNU-WIDER Board, [Professor Ernest Aryeetey](#) on his appointment to the post of Vice-Chancellor of the University of Ghana. [Full article.](#)

The Visiting scholars and PhD Research internship programmes are posted in [Opportunities](#).
All closing dates for applications are *30 September 2010*.

For more information on how to apply, see [Opportunities](#).

For more information on our current programme, see [Research](#).

PUBLICATIONS

Books and Journals

[Southern Engines of Global Growth](#)

Edited by Amelia U. Santos-Paulino and Guanghua Wan

[Special Section: Female Entrepreneurship across Countries and in Development](#)

The European Journal of Development Research, Volume 22(3)
Guest Editors Maria Minniti and Wim Naudé

[UNU-WIDER Special Issue on Fragility and Development in Small Island Developing States](#)

The Journal of Development Studies, Volume 46(5)
Edited by Amelia U. Santos-Paulino, Mark McGillivray and Wim Naudé

Information on all of WIDER's publications is available on our website:
<http://www.wider.unu.edu/publications/>

WIDER Working Papers

European Transition at Twenty: Assessing Progress in Countries and Sectors
Erik Bergl f, Lise Bruynooghe, Heike Harmgart, Peter Sanfey, Helena
Schweiger, and Jeromin Zettelmeyer [WP2010/91](#)

The Economic Legacy of Civil War: Firm Level Evidence from Sierra Leone
Paul Collier and Marguerite Duponchel [WP2010/90](#)

Country Role Models: Synthesis of Ireland, Japan and Switzerland
Ronald Findlay [WP2010/89](#)

The Swedish Model
Ari Kokko [WP2010/88](#)

Foundations of Minority Communities: Resident Koreans in Japan
David Rands [WP2010/87](#)

The Impact of Multiple Imputation of Coarsened Data on Estimates on the
Working Poor in South Africa
Claire Vermaak [WP2010/86](#)

Elites and Institutional Persistence
James A. Robinson [WP2010/85](#)

Why Are the Elite in China Motivated to Promote Growth?
Xiaowei Zang [WP2010/84](#)

The Long-Run Weight of Communism or the Weight of Long-Run History?
G rard Roland [WP2010/83](#)

Elite Capture or Capture Elites? Lessons from the 'Counter-elite'
and 'Co-opt-elite' Approaches in Bangladesh and Ghana
Sam Wong [WP2010/82](#)

Two for the Price of One? The Contribution to Development of the New
Female Elites
Alison Wolf [WP2010/81](#)

ICT Sector, Globalization and Urban Economic Growth: Evidence from
Bangalore (India)
M. R. Narayana [WP2010/80](#)

Globalizing Shanghai: International Migration and the Global City
Wei Shen [WP2010/79](#)

Energy Consumption and Carbon Emission-Based Productivity Change and
Industrialization in Post-Reform China
Shiyi Chen and Amelia U. Santos-Paulino [WP2010/78](#)

When Unstable, Growth Is Less Pro-Poor
Patrick Guillaumont and Catherine Korachais [WP2010/77](#)

Subjective Poverty and Reference-Dependence:
Income over Time, Aspirations and Reference Groups
Carolina Castilla [WP2010/76](#)

Misuse of Institutions: Lessons from Transition
Leonid Polishchuk [WP2010/75](#)

Poverty and Time
Walter Bossert, Satya R. Chakravarty and Conchita d'Ambrosio [WP2010/74](#)

Empirical Issues in Lifetime Poverty Measurement
Michael Hoy, Brennan Scott Thompson and Buhong Zheng [WP2010/73](#)

Measuring the Effect of Spell Recurrence on Poverty Dynamics
Jos  Maria Arranz and Olga Cant  [WP2010/72](#)

On Some Problems of Variable Population Poverty Comparisons
Nicole Hassoun and S. Subramanian [WP2010/71](#)

Globalization and Exclusionary Urban Growth in Asian Countries
Amitabh Kundu and Debolina Kundu [WP2010/70](#)

How Production Firms Adapt to War: The Case of Liberia
Topher L. McDougal [WP2010/69](#)

Entrepreneurship and Human Development: A Capability Approach
Thomas Gries and Wim Naudé [WP2010/68](#)

Globalizing Households and Multi-ethnic Community Building in Japan
Chihiro Ishii [WP2010/67](#)

Health and the Urban Transition: Effects of Household Perceptions, Illness,
and Environmental Pollution on Clean Water Investment
James H. Spencer [WP2010/66](#)

Entrepreneurship, Structural Change and a Global Economic Crisis
Thomas Gries and Wim Naudé [WP2010/57](#)

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Female Entrepreneurship in Developing Countries

Maria Minniti and Wim Naudé

In recent years, the rate of new business formation by women has significantly outpaced the rate of new business formation by men across all ethnic groups in the USA. Similar trends are found across the developing world. However, women still own and manage significantly fewer businesses than men. The explanation for this phenomenon, the behaviour of female entrepreneurs in terms of traits, motivations, and success rates, and their gender-related distinctiveness are complex and multifaceted. Despite a growing literature we still need more research on female entrepreneurship—particularly in developing countries where we are seeing a growing number of initiatives aimed at promoting entrepreneurship and empowering women in the process. The latter tendency reflects a generally growing interest in female entrepreneurship in developing countries, which, in turn, is due to greater interest in the role played by entrepreneurship in the economic development process. Women have been assigned a special role not only because they stand to benefit from entrepreneurship being the poorer and more discriminated against gender, but also because they are seen as a critical driver of entrepreneurship in light of their unique role in the household and the rise in female-headed households across the developing world.



A woman entrepreneur, supported by a Grameen Bank microloan, selling fabrics in Bogra, Bangladesh. Source: UN Photo; Mark Garten.

Within this context, UNU-WIDER's project on Promoting Entrepreneurial Capacity turned its focus towards a fresh look at female entrepreneurs in developing countries. The resulting research was recently published as a special section of the European Journal of Development Research (EJDR) (see further reading). This article provides a short overview of some of the key findings and recommendations contained in the special section of the journal

Some stylized facts from three decades of research on female entrepreneurship in advanced economies

What are the stylized facts we have learned from the last 30 years of research on female self-employment and new business creation? We now know that significantly fewer women than men own and manage businesses

worldwide. This could be because women fail more often than men or because fewer women than men start businesses to begin with, or both. However, some evidence exists that, after correcting for factors such as size of the business and sectoral distribution, women's failure rates are not that significantly different from those of men. Thus, at least a portion of the difference between genders must be due to the fact that fewer women than men start businesses. Evidence to date suggests that a variety of reasons contribute to explaining observed differences in entrepreneurial behaviour across genders, and that such differences have significant implications at the macroeconomic level. Perhaps women and men have different socioeconomic characteristics and, if we were to correct for factors such as education, wealth, family and work status, those differences would disappear. Indeed, quite a bit of empirical evidence shows that such differences exist. Also, women tend to possess fewer years of experience than men and tend to concentrate in different sectors. In addition, the propensity of women to start a business may differ from that of men for cultural reasons such as discrimination.

The businesses owned and managed by men and women are also different. We now know that women's businesses tend to be smaller and to grow less than those owned by men. Also, women's businesses tend to be less profitable than those of men and to generate lower sales turnover than men, even in same industry comparisons. Minniti (2009, see further reading) provides a comprehensive and up-to-date review of the literature on women entrepreneurs and their businesses.

Female entrepreneurs in developing countries

What do we know about female entrepreneurship in developing countries? Do 'stylized facts', as briefly noted above, also apply to developing contexts? The general question is whether the characteristics and role of female entrepreneurship vary across countries at different stages of development. Recent evidence shows that prevalence rates of female entrepreneurship tend to be relatively higher in developing than in developed countries. This has traditionally been explained by the fact that in developing economies women face higher barriers to entry in the formal labour market and have to resort to entrepreneurship as a way out of unemployment and, often, out of poverty. Research on female entrepreneurship in Latin America and the Caribbean, for example, found very high rates of female entrepreneurship in the poorest countries of the region—up to 35 per cent in Peru—and notes that only 13 per cent of women entrepreneurs in the region indicated that they expected their firm to grow over the following five years. In many cases opportunities and incentives are unfavourable for women to begin businesses, even when they have the abilities and knowledge.

This issue was again taken up by asking, as documented in greater detail in the special section of EJDR, what variables are systematically associated with female entrepreneurship, and whether they vary when countries at various levels of economic development are considered. It is found that variables associated with entrepreneurial decisions tend to be the same for men and women and across countries, regardless of level of development, and that gender differences in entrepreneurial behaviour tend to be remarkably stable across countries. However, the intensity with which each of these variables influences individuals does vary significantly across gender and across countries depending on their level of development. As a result, on average, participation rates for men tend to be 50 per cent higher than those of women creating a 'gender gap' in entrepreneurship.

Larger gender gaps in start-up activity are found in middle-income countries, whereas they tend to be narrower in lower-income countries probably because many women start businesses out of necessity. Surprisingly, women in poorer countries tend to be more self-confident about their abilities (skills and knowledge) to become entrepreneurs and less afraid of failure compared to women in middle- and high-income countries— notwithstanding subjective and possibly biased perceptions about self-confidence, fear of failure, and existence of opportunities or significant and systematically associated determinants of the gender gap across all countries.

Women in developing countries, like their counterparts in more developed ones, rely more than men on extended families which, in many rural settings are often their only or major social network. This is often constraining since

women's marriage status, and the assets and incomes brought to their marriages, emerge as important determinants of their entrepreneurial decisions. Married women with young children are more likely to enter entrepreneurship than waged labour, and are more likely to be entrepreneurs than non-married women—although they are also more likely to quit a business voluntarily.

As far as female entrepreneurs' firm performance is concerned, the evidence from developing and developed countries is somewhat similar. Women tend to have lower growth expectations and their firms tend to grow slower in both sales and employment than those of men even if one controls for sectors. Some evidence suggests that women's primary concern in many developing countries is not with growth but rather with survival. This may be a reason for the finding that habitual female entrepreneurs in developing countries tend to be portfolio rather than serial entrepreneurs, as they attempt to diversify income sources and survival chances.

Further research

We conclude our overview by noting a few avenues where further research is warranted. Six stand out. First, we need more theory, as theoretical developments have not kept pace with the large amount of empirical studies.

Second, a significant and yet unresolved issue concerns what variables should enter the utility function of individuals when studying their allocation of time between household production, waged labour and self-employment—particularly in developing economies and when alternative views of the familial unit are considered. And when applied to serial entrepreneurship, the theoretical and empirical literature has very little to say on women in developing countries.

Third, questions related to cultural factors and migrations among the self-employed provide another very fertile area of inquiry for both theory and empirical work—with the possibility of making not only a significant contribution to science but also to policy and management practices. As migration becomes an important coping mechanism in the face of development shocks, further research would be very desirable especially at the under-researched intersection between gender, ethnicity, and migrant status.

Fourth, discrimination has been suggested as a possible explanation for the gender gap in entrepreneurship and this is likely to be more significant in poorer countries, although the evidence is mixed. Discrimination against women is often the result of gender beliefs inherent in a culture or society. This may have the effect of not only reducing women's likelihood of becoming entrepreneurs and their earnings as entrepreneurs, but may also reduce the non-pecuniary benefits women receive from entrepreneurship.

Fifth, very little is known about how the level of aggregate activity influences women's decisions about entrepreneurship and even less is known about how the latter contribute to growth. Although a significant amount of anecdotal evidence and some very good case studies exist on this topic, the lack of a systematic approach and data has prevented, so far, the formulation of a comprehensive and robust theory of female entrepreneurship and growth. Of course, no 'women only' theory is necessary. However, a solid understanding of how the distinctive characteristics of female entrepreneurship are accounted by existing models of growth would be very desirable for both science and policy.

Finally, the study of institutions and how they promote or discourage female entrepreneurship is particularly needed for its policy implications, especially in developing countries where issues of institutional development has in recent years been emphasised. Within this context, a post-institutional approach based on insights from economics and organization theory seems promising as well as economic approaches that integrate tools and methods from anthropology and ethnography.

About the Authors



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Further Reading

Special Section: Female Entrepreneurship across Countries and in Development, *European Journal of Development Research*. Guest Editors : Maria Minniti and Wim Naudé.



Minniti, M. (2009). Gender Issues in Entrepreneurship. *Foundations and Trends in Entrepreneurship*. 5(7–8):

497–621.

Naudé, W.A. (2010). Entrepreneurship, Developing Countries and Development Economics: New Approaches and Insights, *Small Business Economics Journal*, 34 (1): 1-12.

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