

Female ENTREPRENEURSHIP  
and Local Economic Growth

Edited by

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Female ENTREPRENEURSHIP and Local Economic Growth

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## Preface

In recent years, women have been playing an increasing role as drivers of growth in many of the world's economies. However, little is known about the gendered influences on the experiences and the subsequent contributions of growth-oriented female entrepreneurs in transitional economies. Transitional countries have experienced some of the world's most dramatic economic and societal changes within a short time and mushrooming of informal activities has been a key element in these shifts.

*Female Entrepreneurship and Local Economic Growth* focuses on the role of female entrepreneurship in economic development. A particular emphasis is placed on countries that are in transition from a public-led to a private sector-led economy. While most countries in transition are still navigating their ways through the newly-adopted business environment, for some, there has been a number of adjustments and an increased urgency to re-align their economic policies to adapt to globalization pressures and the new economic order. Contributors to this volume have concluded that women and Female-owned enterprises (FOEs) have a significant role in this transition. It has been argued that economics and economic geography will be condemned to misunderstand economic growth in general and entrepreneurship in particular, if they keep focusing on its cognitive maps, while ignoring its gendered maps of affect.

The papers assembled in this volume have a wide coverage and have covered recent empirical researches from both junior and experienced researchers from Africa, America and Europe. We would

like to thank them all for their tireless efforts. Without them, we would not have been able to produce this book.

Imani Silver Kyaruzi &

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*July 2009*

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## **Chapter 1**

# **Setting the Stage: Female Entrepreneurship in Transitional Economies**

**Imani Silver Kyaruzi**

### **Introduction**

This book focuses on the role of female entrepreneurship in economic development. A particular emphasis is placed on countries that are in transition from a public-led to a private sector-led economy. While most countries in transition are still navigating their ways through the newly-adopted business environment, for some, there has been a number of adjustments and an increased urgency to re-align their economic policies to adapt to globalization pressures and the new economic order. Women and Female-owned enterprises (FOEs) are seen to play a significant role in this transition. There is a number reasons to support this argument (Aidis et al, 2005). First, FOEs help to reduce the effect of discrimination against women in the labor market by employing women. Second, FOEs are believed to reduce female unemployment as women tend to employ their counterparts. Third, female business owners can serve as role models for younger generations demonstrating new opportunities for employment. Fourth, FOEs are capable of stimulating a rapid transition process through increased innovative capacities and private sector development (Welter et al, 2004; also see Aidis et al, 2005).

The number of women's enterprises is growing worldwide, particularly in developing economies where more and more women

have become self-employed and owners and managers of micro, small and medium-sized enterprises (UNCTAD, 2001). A volume of research on female-owned businesses (see Mahadea, 2001; Valodia, 2001; Curli, 2002; Kiggundu, 2002; Tau, 2003) suggest that the business environment in developing countries is changing for the better. Partly, this is a result of liberalisation policies (Kasekende et al. 1999; Ndulu et al. 1999; Collier et al., 1999) and exposure to globalisation (Kesper, 2000). As a result, opportunities have opened up for all to embark upon self-employment, including women, who have been previously hampered by the male dominated ideologies which have governed many societies for a long time. Taking African countries, as an example, despite this development, the gap between the leaders and the laggards of business start-ups is still significant (Minniti, 1999; cited in Minniti and Arenius, 2003) and as a result, few African female entrepreneurs succeed (Valodia, 2001). Among the plethora of barriers which affect women worldwide, demography and family structure, literacy and education, socio-economic environment, labour force and employment, gender and organisational form appear to be top of the list (Minniti, 2003). However, while it may be argued that the degree to which these factors affect women varies in both developed and developing countries, it appears that regardless of the country, female entrepreneurs suffer from common impediments, which their male counterparts are unlikely to come across (Sherman, 2003).

Recent work in the developed world to promote the role of women in society and in the economy has resulted in numerous actions in developing countries to acknowledge women as an emerging economic force which policymakers can no longer ignore (OECD, 2004). Similarly, experts see women-owned businesses as an emerging trend in entrepreneurship (Curli, 2002:2). It is, therefore, believed that the enhancement of female entrepreneurship can lead to a considerable positive development impact for women and, for the economies in which they operate. However, there are evidences to suggest that the economic

contribution of women entrepreneurs is still limited by a number of factors that will be explored in this volume.

On the research side of view, research findings on female entrepreneurship (Africa Development Bank, 2003; Bridge, 2004) suggest that women's access to capital and the acceptance of women in the workplace and as business owners has improved dramatically (Bridge, 2004), there are still low participation levels of women entrepreneurs in value-adding business opportunities (DTI, 2005). For some states, the roots of the problem are not universal. Some problems appear to be both; political and cultural-specific, as it is a case with some African states. As Meena (1992:87) suggests, "women's oppression has been located in the traditional African society, in the colonial system, in the neo-colonial nature of the African state, and in the patriarchal ideologies of post-colonial African states".

It has been argued that while in some parts of the world, including Europe, the United States of America and Canada, women are increasingly being recognised as an emerging economic force; in some developing countries the transformation to a market economy is threatening to sharpen gender inequality as a result of gender imbalances that existed prior to political, social and economic reforms (Jalbert, 2000). The form of gender discrimination in terms of resource allocation, skills, access to markets and labour (Mayoux, 2001) is caused by macro level policies and institutions which reflect and reinforce gender inequality at the household level. In comparison with male counterparts, in other cultures, the women's ability to carry out effective business activities are doubted (Meena, 1992). However, as indicated in some chapters in this particular volume, despite the slow pace of change, the transformation towards equal opportunity for all has provided some women with even greater determination to start their own businesses.

## **Defining Female Entrepreneurship**

This volume examines the current research and issues on female entrepreneurship. In recent years, there has been a great deal of research that has focused on female entrepreneurship and their activities (Robertson1987; Meena, 1992; Cummings; 1995 and Pankhurst; 1999). A recent interest in female entrepreneurship research and policies has raised a number of questions. But, who is a female entrepreneur? And why should policies target them differently? There is no universally accepted definition of a female entrepreneur. A “female entrepreneur” is defined here as “...a woman who has initiated a business, is actively involved in managing it, owns at least 50 per cent of the firm, and has been in operation 1 year or longer” (Moore and Buttner 1997 cited in Mayoux 2001).

In this book, authors have used different approaches to define female entrepreneurship. Some definitions are based on specific cultures and spaces within which the researches were conducted. Also, since entrepreneurship is a multifaceted study that cuts across many disciplines, therefore the study of the development of female entrepreneurship will also takes different routes such as gender, economics and regional development policies (Cummings, 1995).

### ***Limitations and research Gaps in Female Entrepreneurship***

Research in advanced economies indicates that “progress is being made to ensure women gain the same level of opportunities in business as men, ...[and that]...traditional obstacles of social and domestic responsibilities, lack of access to finance and plain old-fashioned prejudice are diminishing” (Start Ups, UK, 2005:1). A report by the Department of Trade and Industry (DTI) revealed that in 2004 alone, more than 950,000 women were self-employed in the UK. While it is generally perceived that “...influences of social structures (work, family and organised social life) affect women's access to entrepreneurial opportunities” (Baker et al., 1997 cited in Kjeldsen and Nielsen (2000:32), in developing

countries the majority of research on female entrepreneurship is still looking at how a female businesswoman could improve household welfare (Kevane and Wydick, 1999) rather than taking an economic perspective.

In the post-soviet context, according to Aidis et al (2005:3) it has been asserted that:

“...very little is known specifically about female entrepreneurship. The lack of reliable and consistent data has impeded cross-country comparative work on female entrepreneurship in the post- Soviet context, since in most countries, comprehensive databases containing information about the gender of entrepreneurs does not exist”.

At the policy level, the description and evaluation of policies and programmes to encourage women into business has been a comparatively a minor theme (Carter et al. 2001:5). The authors argue that the main lesson to be learnt from these studies is that the “length of time needed between intervention and effect” (Page 6). Contrary to earlier assertion by Aidis et al (2005) and Dallago (2003) about the lack of adequate research on female entrepreneurship, Carter (2001:1) argues that there is no real shortage of research studies investigating women and business ownership, but the problem lies with the theorisation of findings. Carter (2001:1) believes that this weakness is due to the fact that “...most studies have been descriptive, and there has been a lack of cumulative knowledge and a failure to adequately theorise research findings”. In the light of such views, Curli (2002:5) suggests that:

“...there is still much to be done to establish basic information about women in business, both at the national level, regional levels, industrial sectors, size and types of businesses and varieties of roles played and positions held”.

In this volume, a number of qualitative and quantitative accounts of female-owned businesses have been presented as an attempt to bridge this gap.

### **Female Entrepreneurship and economic geography**

There is an increasing awareness of women's potential to participate in economic development (Walker, 1994). Women may contribute to the economy by creating jobs for themselves and for others, by raising GDP per capita and by using their particular attributes to provide solutions to management and business problems. Promoting women's economic role and encouraging women's participation in the economy is believed to reduce gender inequalities and poverty (Kanji, 1995).

In this volume an attempt is made to establish the links between female entrepreneurship and local economic growth in transitional economies. The emergence of entrepreneurship as an element in geography became connected to spatial concepts such as business clusters, inter-firm networks, industrial districts, and research parks. This has led to governmental and institutional support for gender mainstreaming in economic policy. Consequently, many studies have looked at the advantages of regional and localised systems (Saxenian, 1996) and networks (Johannisson, 2000), and policy makers have taken major interests in the role of localisation in stimulating development. For instance, the OECD looked at the role of innovative regions in its membership countries (OECD, 1996), industrial districts (OECD, 1996), business clusters (Rosenfeld, 1996) and company networks (OECD, 1996; UNCTAD, 1998; Johannisson, 2000).

To link entrepreneurship, gender, public policies and geography we turn to Massey's (1994) description of the notion of spatiality as the product of intersecting social relations, particularly in the construction of gender relations. While Massey (1994) believes that *"spaces and places are*

*gendered*", McDowell (1999:228) goes further to suggest that the development of a spatial division between private and public, between the home and spaces of work and politics, has been crucial to the social construction of femininity and masculinity in industrial societies (see also Secor, 2001; Rose, 1999) in a process of linking gender and geography.

Similarly, recent studies by Levent et al. (2002) have shown interest in establishing links between female entrepreneurship and urban economic life, a slight deviation from previous studies that focused on roles of family, communities and businesses (Brush, 1992; 1999) and ethnic minorities (Ram and Deakins, 1996; Ram et al, 2001). This new approach paves the way towards an understanding of the roles of female entrepreneurs in local economic development.

### **Entrepreneurship and gender: Does gender matter?**

Earlier research into entrepreneurship psychology and education (see Chell and Baines, 1998,; Gibbs, 1999 and Gatner, 2002) make little mention of gender as a factor in entrepreneurship. Actions across the world stimulated interests in the role of women in economic development. The early presence of the United Nations in developing countries, particularly in 1979 for the International Convention on the Elimination of all Forms of Discrimination Against Women (CEDAW), was the beginning of a long and difficult campaign towards the elimination of discriminative practices against women. The 1980s followed a similar path with more research focused on the integration of women and their equal participation in economic development.

While it is believed that little empirical research has addressed women-owned businesses in general (Spring and MacDade, 1998), even fewer studies have addressed women-owned businesses in Africa. In the past, attempts to focus on women's enterprises began with a series of studies funded by various bodies: for example, the OECD focused on women entrepreneurs (OECD, 1997); the Asia-Pacific Economic Cooperation (APEC) funded a study in the APEC countries (APEC,

1999); the UNCTAD looked at African and Asian female entrepreneurs (UNCTAD, 1999, 2000), the European Union's Centre for Enterprise and Economic Development funded a review on support programmes offered to female entrepreneurs (Centre for Enterprise and Economic Development Research, 2000); and the African Development Bank (ADB) released a study on African female entrepreneurs (ADB, 2004).

A recent report by the General Entrepreneurial Monitor (GEM, 2004) revealed some interesting findings about the progress of females starting their businesses worldwide suggesting a small proportions of women in business compared to men. It is also argued that the gender gap in entrepreneurship remains significant with two thirds of the entrepreneurial activities taken by men worldwide. Although it has been reported that in low-income countries such as South Africa and Peru, the participation rates in business are identical, there is a strong evidence to suggest that gender does influence entrepreneurship. Some entrepreneurial activities appear to be engendered in terms of access, control and remuneration (Spring and McDade, 1998:15). This calls for a need to liberalise women and develop economic awareness (Robertson, 1987). This could send a signal that women are no longer sidelined in economic activities and that they have all the skills and capabilities needed to move from the kitchen sink to the offices thus contributing equally to local economic development.

Talking of African states in transition, although economic change around the world (Cummings, 1995) and globalisation pressure appear to have triggered researchers' interests into women's contributions in economic activities and entrepreneurship, there are many other factors that exposed African women entrepreneurs. First, the introduction of the Economic Commission for Africa (ECA) in 1958 and the African Centre for Gender and Development (ACGD) in 1975. Both these bodies are involved in issues related to development of women in Africa. Second, the Africa-Asia Women's economic empowerment conferences that took

place in Beijing (1995) and the significant “First Global Women Entrepreneurs Fair that took place in Ghana (1996). The conferences brought women together to discuss their roles in economic development, labour force and empowerment.

In addition, other research on African female and entrepreneurship stem from “sustainability and development” themes (Afshar, 1995; Udoh, 1995). Such an approach was quickly followed by structural adjustment programmes (SAPs) in many African countries (Spring and McDade, 1998:26). SAPs induced external pressures from multilateral institutions (IMF and World Bank) to include women entrepreneurship in African countries’ economic programmes. Since then gender and entrepreneurship has been forming a large part of the “African political economy” (Walker, 1994). However, some of the policies faced strong criticisms. According to the African Women Economic Policy Network (1996:3) “SAPs’ legacy of currency devaluation, high interest rates, restricted money supply, government spending cuts, lower tariffs and import quotas, privatization and export promotion [all these factors are believed to have]...increased women's responsibilities while decreasing their access to and control over resources.”

### **Discrimination and Gender Stereotyping**

While resource-based barriers are among the most important hindrances to female entrepreneurship, it appears that the stereotyping of female entrepreneurs contributes to the negative views that people hold about female entrepreneurs (Richardson, Howarth & Finnegan 2004:26). As many scholars have pointed out (see, for example, Gordon, 1996; Horn, 1994, 1998; Robertson, 1998; Roos and Gladwin, 2000), male-orientated ideologies often prevent adequate recognition of female contributions and, in some instances, do limit their participation. In some parts of the developing countries, women are subjected to negative stereotypes that in turn lead to them being deprived of resources (Hill

and Macan, 1996) thus forcing them into the informal sector. African cultures, for example, have been characterised as regressive and tribal (Moncrieffe, 2004). These cultural beliefs lead to gender stereotypes (OECD, 2004). However, in recent years, policies to address negative attitudes in Africa seem to have taken a significant step in promoting a positive change in attitudes towards the role of women (Kyaruzi and Hales, 2008).

### **Concluding remarks:**

It appears that the volume of research on female entrepreneurship in developing countries is growing rapidly, especially in those countries where entrepreneurship and private sectors are still in embryonic stages. Despite of this progress, the use of “women” as a policy tool still raises more questions than answers. First, local development and economic policies appear to lack specific objectives or in other words, tend to lack local-specific models, thus failing to address place-specific problems that face women in their locale. Second, policies that target women entrepreneurs are questionable. Some have been developed with an objective to oversee the welfare of women in economic activities, but they have had little impact on local economic development and, any impacts they have made have often been over-exaggerated to achieve political recognition. Citing Africa, as an example, a number of policies on female entrepreneurship have been rarely empirically tested. Their impacts on local entrepreneurship and their convergence into the local economic culture has been poor. We share observations that despite the recent approaches to gender and space (McDowell and Sharp, 1997) and criticism of masculine traditions (by Rose, 1993), public policies show that the role of women in economic activities is still taken for granted (Bond and Davidson 2003).

One of the proposed ways of addressing this situation would be to empower women. However, little has been mentioned of the types of empowerment that could enable women to realise their capabilities and

their roles in economic development. Others have suggested that equality can be attained (Hill and Macan, 1996) but, in our views, gender empowerment remains a problem in many countries in transition. Therefore, we seek to explore different ways of using the state machine to encourage more women to participate in other economic activities that were originally believed to be for men only.

This volume also has analysed a number of policies that could be used to improve the provision of business support services, bearing in mind that enterprises tend to go through different growth stages. Therefore, institutions have a role to identifying women's needs, such as training to enable them to cope with the ever-changing entrepreneurial environment.

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## **Section I: Entrepreneurship, Gender and the Economy**

## **Chapter 2**

### **Affect and the Gendered Map of Economic Growth**

**Dragos Simandan**

#### **Introduction**

This chapter argues that economics and economic geography will be condemned to misunderstand economic growth in general and entrepreneurship in particular, if they keep focusing on its cognitive maps, while ignoring its gendered maps of affect. The introductory part of my argument builds on recent findings from neuroscience and neuroeconomics to explain why the cognition of economic agents cannot be apprehended without knowing how unconscious affective systems shape that cognition and determine economic behaviour. The main part of this chapter combines Horneyan and Riemannian psychoanalysis to propose a five-fold typology of the unconscious affective systems of economic agents and to investigate the ways in which the gendering of affect shapes the economic landscape. In the concluding section, the readers will find out how this paper might have changed them.

#### **The poverty of cognitive mapping**

In a seminal paper written in 2004, Allen Scott insisted that “a new cognitive map of capitalist society as a whole is urgently needed” (Scott, 2004: 479). He targeted his message at both economists and geographers, because he sensed that both of these groups operate with a baggage of

outdated concepts and theories. This chapter builds on his work, while at the same time criticising it with the help of recent evidence from neuroscience and neuroeconomics, and of older insights from psychoanalysis. Specifically, I take aim at the use of the phrase “cognitive map”, because it may mislead us into (a) thinking cognition as separate from affectivity, and (b) thinking pure cognitive processes as the only stuff from psychology that economists and geographers really need to know.

The recent advances in neuroscience and neuroeconomics make it clear that the neat separation of cognition from affect is false and that the economists’ assumption that cognition is more important than affect is equally false. As Camerer et al (2005:13) put it, “cognition by itself cannot produce action; to influence behaviour, the cognitive system must operate via the affective system” and it just so happens that “the principles that guide the affective system... [are] so much at variance with the standard economic account of behaviour” (2005: 22). The main challenge for the contemporary theoretical models in economics and geography comes from the recent empirical data that converge on the idea that “most affect probably operates below the threshold of conscious awareness” (Camerer et al, 2005: 13). This observation attacks the very core of economic and geographical research, because, firstly, “learning processes are likely to be a splice of cognitive and affective processes” (Camerer et al, 2005: 58), and secondly, the unconscious operation of the affective system may be the primary factor that explains the limited predictive ability of economic models. It is useful at this point to remember that, as recently as 2003, Bathelt and Glückler undertook a conceptual investigation of the foundations of economic geography to conclude that there are “four ions as the basis for analysis in economic geography: organization, evolution, innovation, and interaction” (2003: 117). The latter ion – interaction – is the very direct expression of the public life of unconscious affect (Kaës, 2000) and constitutes the key explanatory variable for understanding “the tensions between *personal*

*interests, project goals, and the firm's aims* that are induced by...personal knowledge networks" (Grabher & Ibert, 2006: 251; emphasis in original). The most pressing problem for economic geography and economics emerges from their theoretical and methodological impotence on the matter of affect, and more specifically, on the matter of seizing the role played by affect in making economic agents so different from one another. In Camerer et al's words (2005: 62):

Economic models do not provide a satisfying theory of how individuals differ. As laymen, we characterise other people as impulsive or deliberate, stable or neurotic, decisive or indecisive, mature or immature, foolish or wise, depressed or optimistic, scatterbrained or compulsively organised...Comparative economic development, entrepreneurial initiative and innovation, business cycle sensitivity, and other important macroeconomic behaviors are probably sensitive to the distribution of these and other psychological 'assets'.

To be sure, I do not pretend to be the first who notices this fundamental weakness. Other geographers have been keenly aware of our failure to pay attention to affect and to individual differences. To give just one example, Linda McDowell raised the same problem with respect to the main dimension on which people differ, namely gender. She concluded her reflection on this area by noticing that "...the rapid growth of a literature about gender and organizations, largely ignored by geographers, might profitably be brought into juxtaposition with geographical analyses of economic restructuring" (McDowell, 2001: 227). More recently, following her own suggestion, she undertook extensive empirical research on the gender variable in economic activity and found that "...economic rationality is challenged by research that documents parents' (especially mothers') moral commitments to their care for their dependants personally or through other forms of family-based provision" (McDowell, 2005: 365).

Yet, this paper will show that the gross separation of humans into males and females blinds us to more significant individual differences that cross-cut gender divisions and that speak volumes to those with an interest in economic life. By combining the psychoanalytical theories of Karen Horney (1935/2000, 1945, 1950, 1967, 1952a/2000, 1952b/2000) and Fritz Riemann (2005), I will offer a five-fold affective map of human natures that has the potential to enlighten our understanding of labour relations, human performance, consumer behaviour, and economic space. The use of psychoanalytical theory is necessary at this point in the evolution of economic geography and economics, not only because it is the field of human endeavor with the deepest knowledge of the logic of the unconscious affective system (Kandel, 2006), but also because very recently "...research has begun to demonstrate neurophysiological correlates of several psychoanalytic concepts, including the defenses, transference, resistance, object relations and drives" (Luborski & Barrett, 2006: 15).

Of the many possible roads into psychoanalytical research, I chose Karen Horney's, not only because I read everything she wrote and attempted a self-analysis using her guidelines (Horney, 1942), but also because her typology of human natures strikes me as explicitly geographical. To eliminate confusions, it is not the kind of rudimentary geography that sees space as a container and struggles to map its content, but the more subtle kind of geography that has been proposed by cultural economic geographers (e.g. Thrift, 2006). Their focus on how economic agents *produce* space perfectly matches Horney's typology. Thus, she separates individuals who move against people (obsessed with the appeal of mastery), individuals who move towards people (obsessed with the appeal of love), and individuals who move away from people (obsessed with the appeal of freedom). Each type produces distinct spatial and economic effects, and, in a profound sense, becomes the victim of those very effects. However, I found Horney's typology incomplete and turned to the work of Fritz Riemann (2005) to add two

additional types of particular significance in these times of rapid economic change (Friedman, 2006, Toffler & Toffler, 2006, Thrift, 2006): one of them is “moving against and/or away from change” (individuals obsessed with the appeal of stagnation), the other is “moving towards change” (individuals obsessed with the appeal of novelty). The complementary criteria of Horneyan (against, towards, and away from *people*) and Riemannian (towards and against/away from *change*) typologies thus yield five broad types of human natures that colour the affective map of capitalist society. To unpack in more detail their relevance for our understanding of affect and individual differences in economic geography, I allot a distinct section for each of them, and then use the concluding part of the paper to briefly reflect on the broader implications of my work for economic and geographical scholarship.

### **Moving against people: the appeal of mastery**

Psychoanalysts (Hendrik, 1943), conventional psychologists (White, 1959), and evolutionary theorists (Cosmides & Tooby, 2006) converge in their observation that all humans have been endowed with the capacity to derive pleasure from mastering their environments, i.e. from striving in order to achieve goals. But people differ in the amount of joy they experience from controlling their environments, lives, or peers. Karen Horney learned through many years of clinical experience with disturbed individuals that some of them deal with their inner conflicts by organising their affective life primarily around the appeal of mastery. In her own words, (Horney, 1950: 214):

Mastery with regard to others entails the need to excel and be superior in some way. He tends to manipulate or dominate others and to make them dependent upon him...Whether he is out for adoration, respect, or recognition, he is concerned with their subordinating themselves to him and looking up to him. He abhors the idea of being compliant, appeasing, or dependent.

The important point for economic geographers comes from the fact that these private attitudes shape economic space, even though the individual who espouses them might be totally unaware of being enslaved by them. Horney goes on to explain that (Horney, 1950: 191-192):

...th[is] individual prevailingly identifies himself with his glorified self...as one patient put it, 'I exist only as a superior being'. The feeling of superiority that goes with this solution is not necessarily conscious but –whether conscious or not – largely determines behavior, strivings, and attitudes towards life in general. The appeal of life lies in its mastery. It chiefly entails his determination, conscious or unconscious, to overcome every obstacle – in or outside himself – and the belief that he should be able and in fact *is* able, to do so. He should be able to master the adversities of fate, the difficulties of a situation, the intricacies of intellectual problems, the resistances of other people, conflicts in himself. The reverse side of the necessity for mastery is his dread of anything connoting helplessness; this is the most poignant dread he has.

It becomes apparent by now that the appeal of mastery is closely linked with the typical social expectations placed on men. They have to be independent, tough, self-sufficient, ambitious, bold, straightforward, and masters of their fate and of their families. The very name of this category of people – moving *against* people – unravels the close dependency between one's level of aggressive and antisocial tendencies and one's likelihood of choosing this affective attitude towards one's surroundings. In turn, one's level of aggression and antisociality depends on genetic factors (Archer & Côté, 2005; Pérusse & Gendreau, 2005) and on hormonal factors (Van Goozen, 2005), but both gene expression and hormonal expression emerge as a function of the interaction between one's biology and one's socialisation. Men tend to have higher levels of testosterone and lower levels of cortisol than women and this twin tendency explains their increased aggression and

antisociality (Van Goozen, 2005). In the terminology of personality theorists, men tend to score lower on agreeableness and higher on the “thinking” dimension of the Myers-Brigg type indicator. These scores indicate the very same things described by Horney under the heading “moving against people”. Individuals belonging to this category have a pessimistic view of human nature and, because of this negativistic worldview, they tend to be uncooperative, selfish, suspicious, uninterested in others’ well-being, unfriendly, unwilling to be totally honest, incompilant, arrogant, overconfident, and merciless.

From an economic point of view, this negativistic configuration of affect helps men get ahead and achieve status and might well explain the persistent wage differentials between the sexes (Kanazawa, 2005). The deeper reason why men would be more prone to ruthless self-promotion and weaker on generosity and caring for others is to be found in evolutionary biology (Cosmides & Tooby, 2006). The ultimate unconscious goal of men is to spread their genes as widely as possible. The achievement of higher status is crucial for succeeding at this task, because higher status men are much more likely to find women available for mating. From the women’s point of view, a man of higher status is preferable as a mate because he is likely to have better genes and more resources to provide for child-rearing. It is the fact that “humans did not evolve to be happy, but to survive and reproduce” (Camerer et al, 2005: 24) that explains the wide spread among males of the “moving against people” solution (Horney, 1950), and the attendant favouring of career over family life, of ruthlessness over empathy, and of competition over cooperation.

The women’s social liberation in the last decades has challenged the deeply held assumptions about gender roles (McDowell, 2001, 2005), but the underlying biological differences between the sexes need to be considered in the explanation of uneven performance and pay in the workplace (Kanazawa, 2005). Of equal significance for economic

geographers is the fact that the gap between the rich and the poor might be the result of different affective types. It might well be the case that the poor are people who bear the economic penalty of being too nice and too concerned for the lives of others, while the rich reap the economic rewards of entering the workplace with a ruthless, hypercompetitive, and selfish mindset.

Mickey Kaus (in Frank & Cook, 1995: 229-230; emphasis added) notes that:

...the rich and the semi-rich increasingly seem to want to live a life apart [from the poor], in part because they are increasingly terrified of the poor, in part because they increasingly seem to feel that they deserve such a life, that *they are in some sense superior to those with less*. An especially precious type of equality – equality not of money but in the way we treat each other and our lives – seems to be disappearing.

His highlighting of the implicit belief of the rich of being superior to the poor sends us back at the major diagnostic criterion used by Karen Horney to identify the “moving against people” types: their need to be above their surroundings, to stand out no matter what. In the next section, I will build upon this observation to render more salient the ways in which differences in one’s type of unconscious affective systems can explain the logic of economic inequality.

### **Moving towards people: the appeal of love**

The second affective type identified by Horney (1950, 1967) is the diametrical opposite of the “moving against people” type. It is only by studying them together that we become able to seize their profound implications on the structure of the economic landscape. If the “moving against people” attitude emerges through the overvaluation of mastery, “moving towards people” results from the overvaluation of love. It is the unique merit of Karen Horney to have gone against the grain of both the

lay and the academic wisdom of the time, to show how the overvaluation of the emotion of love has a negative side as well. In particular, she produced penetrating analyses of the tendency of women to overvalue love, and to devalue professional ambition, while at the same time warned against an all too convenient biological explanation of these tendencies. Thus, she aptly observed that “if a tree, because of storms, too little sun, or too poor soil becomes warped and crooked, you would not call this its essential nature” (Horney, 1952a/2000: 297) and insisted that (Horney, 1935/2000: 123):

Once and for all, we should stop bothering about what is feminine and what is not...Standards of masculinity and femininity are artificial standards...Differences between the two sexes certainly exist, but we shall never be able to discover what they are until we have first developed our potentialities as human beings. Paradoxically as it may sound, we shall find out about these differences only if we forget about them.

Ours is an age in which the progress of biology has emboldened even the president of Harvard to escape the moral task of creating gender equality, by recourse to deterministic explanations.

Seven decades after Horney wrote these lines, we can recognize, in hindsight, the wisdom of her approach to the question of gender differences, as well as the ongoing relevance of her admonitions. With these caveats in mind, we can now move on to a consideration of the economic implications of the appeal of love. People who overvalue this domain of life tend to score high on agreeableness and on the “feeling” dimension of the Myers-Brigg Type Indicator. Women tend to score higher on these dimensions, a fact which allows us to think of the “moving towards people” type as traditionally “feminine”. These individuals endorse a positive view of human nature and believe that people are trustworthy, honest, and decent. They are more concerned with fitting in than with standing out, with getting along with others

than with getting ahead of them, with cooperation than with competition, and with being helpful to others than with helping themselves. They are modest, empathic, friendly, compassionate, and tender-minded. These qualities help them gain popularity, but prevent them from self-assertion and from effective competing against people driven by the appeal of mastery. In Horney's perceptive words (1950: 215-216; emphasis in original), the moving towards people type:

...must *not* feel consciously superior to others or display any such feelings in his behavior. On the contrary, he tends to subordinate himself to others, to be dependent upon them, to appease them...Far from abhorring [helplessness and suffering], he rather cultivates and unwittingly exaggerates them...What he longs for is help, protection, and surrendering love...He lives with a diffuse sense of failure...and hence tends to feel guilty, inferior, or contemptible...Pride, no matter what it concerns, is put under a strict and extensive taboo...He is *his subdued self*; he is the stowaway without any rights. In accordance with this attitude he also tends to suppress in himself anything that connotes ambition, vindictiveness, triumph, seeking his own advantage. In short he has solved his inner conflict by suppressing all expansive attitudes and drives and making self-abnegating trends predominant.

When one contrasts the individuals driven by the appeal of mastery with those driven by the appeal of love, one is reminded of Nietzsche's (1887/1967) *On the genealogy of morals*, and of his separation between the morality of masters and slave morality. His despise of the latter is at odds with the contemporary discourses in feminist and economic geography, which generally take the side of the underdog (Harvey, 2003, McDowell, 2005). It might be human nature to admire those who win, but to truly sympathise with the losers. The question that begs an urgent answer is whether people driven by the appeal of love will always be the losers of the economic game. At first glance, their self-effacing and self-sabotaging tendencies can tempt us to infer that indeed they seem perfectly made to lose. But times are changing, and so do the

economic practices that go with them (Thrift, 2006). The decades ahead will put a premium on team spirit and the ability to cooperate, on emotional intelligence and empathy, as well as on the quality of face-to-face contact. As Storper & Venables (2004: 351) observed, “face-to-face contact has four main features: it is an efficient communication technology; it can help solve incentive problems; it can facilitate socialization and learning; and it provides psychological motivation”. What they did not observe is that some people (those who “move towards people”) are much more motivated by face-to-face contact and have the natural ability to create high quality face-to-face contact (Horney, 1967). This fact will have profound implications for the gendering of economic activity, because women and gay men are more likely to have the qualities required for the new kinds of leadership and management practices discussed in the business literature (Toffler & Toffler, 2006). To give just an example, Snyder (2006) undertook a five-year research project involving two thousand organisations and more than three thousand professionals, to find that gay male executives and managers have a style of leadership that increases workplace morale and job satisfaction with 25-30%. The seven qualities he identifies as responsible for this “G quotient” in leadership – adaptability, creativity, *collaboration*, communication, *connectivity*, intuition, and *inclusion* – clearly support my optimism about the changing economic fate of those who move towards people.

### **Moving away from people: the appeal of freedom**

The third major type of affective organisation – moving *away* from people – is the most radical, because it challenges our fundamental assumption that people are social animals. If we think of the previous two types, we readily notice that both involve active participation in the social life, albeit by different strategies. The Darwinian struggle to spread our genes involves a careful balancing of the need to fit in (to be accepted by the others) with the need to stand out (to be more attractive

to others). If the masculine solution of moving against people emphasizes the need to stand out, and the feminine solution of moving towards people insists on the need to fit in, the third existential solution – moving away from people – refuses to play the social game and thus becomes maladaptive from the perspective of evolutionary biology (Cosmides & Tooby, 2006). The individuals who embrace this solution (or rather are embraced by it) want neither to master their peers, nor to be loved by them. They simply want to be left alone. Their two neurotic claims are that they shouldn't be bothered and that life should be easy. They value freedom above anything else, but upon closer investigation it becomes clear that it is not the kind of constructive, life-affirming freedom, that allows one to flourish. Instead (Horney, 1950: 274):

We learn from them that freedom means to him doing what he likes. The analyst observes here an obvious flaw. Since the patient has done his best to freeze his wishes, he simply does not know what he wants. And as a result he often does nothing, or nothing that amounts to anything. This, however, does not disturb him because he seems to see freedom primarily in terms of no interference by others –whether people or institutions...Granted that his idea of freedom seems again to be a negative one –freedom *from* and not freedom *for* – it does have an appeal for him which (to this degree) is absent in the other solutions.

Horney goes on to describe with piercing insight the constellation of beliefs and habits that constitutes this peculiar type of affective organisation, and from her observations we can easily infer how this type of individuals affect the economic landscape. We found that “he is proud of his detachment, his ‘stoicism’, his self-sufficiency, his independence, his dislike of coercion, his being above competition” (Horney, 1950: 271) and that “he feels entitled having others not intrude upon his privacy, to having them not expect anything of him nor bother him, to be exempt from having to make a living and from

responsibilities" (Horney, 1950: 271). Even more significant for the labour geography of capitalist society appears the fact that "...intimately connected with [his] nonparticipation, is *the absence of any serious striving for achievement and the aversion to effort*" (Horney, 1950: 261; emphasis in original).

From an economic perspective, this type of individuals is the nightmare of any capitalist business, because they yield little, either as employees (they resent working hard) or as customers (they curtail their desires to avoid becoming dependent on things beyond their control). At work, they survive through passive aggressive strategies. They know that they have to make a living, but they vindicate their enslavement to the ruthless logic of economic necessity by subtly sabotaging their own and others' work performance. They aim to get by with the minimum amount of effort and invest all their creativity towards the achievement of this secretly cherished goal. More often, as dramatically shown in the case studies included in *The Hamlet Syndrome. Overthinkers who underachieve* (Miller & Goldblatt, 1989), they settle for jobs below their potential if those jobs promise to provide a greater amount of freedom. To the extent that in the capitalist system higher pay normally entails higher responsibility, and higher responsibility normally entails more social obligations (i.e. less freedom), people who overvalue negative freedom (freedom from social ties) will be encountered primarily in jobs below their level of ability. In terms of consequentialist ethics, the greatest good for the greatest number would be achieved if society and the economic system placed people in jobs commensurate with their level of ability. The failure of the economic system to achieve this end in the case of people who overvalue freedom raises questions about our unjustified pride in the efficiency of economic rationality. Why is it that these people withdraw from social life? I detected in the literature on the subject three types of explanations, one biological (Laplanche, 1997), the second existential (Horney, 1952b/2000), and the third political (Miller & Goldblatt, 1989). The *biological* explanation builds on Freud's idea that

human nature is the outcome of the ongoing struggle between Eros (the life drive) and Thanatos (the death drive). In some individuals, the death drive prevails and this unfortunate fact accounts for their masochistic tendencies and for their relentless bias towards the dark side of life. Individuals who move away from people actually move away from living. Their overvaluation of serenity and peace of mind has a distinctively morbid element to it, to the extent that life involves ups and downs, struggles, and turmoil.

The biological explanation launched by Freud (1940) remains powerful in light of both contemporary French psychoanalysis (Laplanche, 1997, Kaës, 2000) and affective neuroscience (Davidson, 2004). The latter field of enquiry has recently introduced the distinction between the BAS (i.e. behavioral activation system; positive affect) and the BIS (i.e. behavioral inhibition system; negative affect) and the observation that people happy above average have an overactive BAS (Freud's life drive), while unhappy individuals have an overactive BIS (Freud's death drive). The *existential* explanation resides in the clinical observation that "blind destructiveness may ensue when a person becomes aware of the futility of life" (Horney, 1952b/2000: 286). We live in disenchanted times, when God is known to be dead, and morality is known to be relative, and this disenchantment might take away the fuel that the "moving away from people" type would have needed to strive and feel that life is worth living. Finally, the *political* explanation (Miller & Goldblatt, 1989) suggests that this type of people gave up on active social and economic participation because they have become embittered and disgusted by the viciousness of the capitalist hydra and by the mindless subscription of the masses to the imperatives of the American dream.

## **Moving against or away from change: the appeal of stagnation**

If Karen Horney focused on the affective geography generated by moving against, towards, or away from people, Fritz Riemann (2005) noticed that people differ markedly on the kind of affective geography produced in response to change. At one end of the spectrum are those who fear change and engage in habits that move them against or away from change (the obsessional personalities or the anal characters), while at the other end of the spectrum one meets the “hystericals”, people who love novelty and move towards change.

The economic geography created by those who move against or away from change is striking in three respects. First of all, these individuals dominate the state apparatuses so dreaded by dynamic businesses because of their inefficiency and conservatism and they use their legal power to “terrorise” (consciously or not) the rest of us:

We find obsessionals in the jobs which confer power, and which offer, at the very same time, the opportunity to live legally their own aggression, in the name of order, discipline, law, authority, etc. Therefore we are not surprised that many politicians belong, more or less, to this structural type, as well as the military, policemen, judges, priests, teachers, and state bureaucrats. (Riemann, 2005: 145-146)

Secondly, people who dislike change embrace the work virtues that are the very opposite of those associated with entrepreneurship and creativity. They tend to become the experts that see all the trees, but not necessarily the forest. In Riemann’s words (2005: 175):

Specific to their structure, people with obsessional components in their personality tend to choose professions that bring them power, as well as professions which require exactity, thoroughness, precision, attention to detail, responsibility, and foresight, and which favour perseverance, perfectionism, and patience over initiative, elasticity, and creative freedom.

Thirdly, these individuals are ill suited to cope with the rapid acceleration of the pace of scientific, technological, economic, and social change brought about by Friedman's (2006) "flat world" or Toffler & Toffler's (2006) "third wave" of social progress. In a very significant way, globalisation appears to be a major risk factor for the mental health of those who dislike change, because, as Riemann explains (2005: 173):

Obsessional personalities fall into crises especially when their so rigidly held principles, opinions, and theories are confronted with new developments, with new knowledge and progress, which threaten their previous orientations and force them to abandon their system.

If we try to delineate more precisely which economic agents are at risk developing affective systems that react negatively to change, we encounter an array of hypotheses. In his landmark study *Character and anal erotism*, Freud (1908/1991) hypothesised that people with obsessional tendencies are the outcome of a too rigid toilet training in their second year of life (the anal stage). While his hypothesis does not find empirical support in contemporary research (see Harris, 2006), his work remains important for having captured the essential fact that three characteristics – orderliness, parsimony (avarice), and stubbornness – always tend to cluster together in the same person to constitute the backbone of rigid, obsessional characters. Stubbornness or the tendency to cling to one's beliefs and one's entrenched way of doing things is particularly relevant in the explanation of why these people reject change. A too stubborn individual has a very high level of adhesiveness of her libido (Freud, 1940): once she invests "love" (i.e. libido, attention, interest) into some activity or theory, she finds it extremely difficult to withdraw that affective investment and thus to change her way of being. She might stick with her mechanical typing machine, although there are computers around, she might tenaciously resist the idea of biological determinism, although there is now substantive evidence for it (Harris, 2006), and so on and so forth. From his clinical experience, Freud observed that it is

futile to attempt therapy with people past their middle age, because the adhesiveness of the libido increases with age (hence the saying “You can’t teach an old dog new tricks”). This clinical evidence provides the theoretical background to suggest that age is a risk factor for the development of an affective system that moves against or away from change. If one corroborates psychoanalytical data with research on the decline of intelligence with age (Noll & Horn, 1998), one cannot not notice that Freud’s elusive notion of “adhesiveness of the libido” might be one and the same thing with fluid intelligence. The latter reaches its peak at around 16-20 years, and declines from one’s early 20ies at a rate of about 4 IQ points/decade. An employee who started working at age 20 with an IQ of 100, will have by age 60 an IQ of only 84 (if one measures only fluid, raw intelligence, and not crystallized intelligence, i.e. the total amount of one’s knowledge). To put the pieces of the puzzle together, fluid intelligence is defined as the ability to deal with novelty (Noll & Horn, 1998). It may be the case that older people’s increased fear and rejection of change is an adaptive solution to the fact that they lost some of their initial ability to deal with the novelty brought about by change. They hate change, because they cannot cope with its cognitive demands any more. This line of thinking allows us to infer that not only old people, but all those with lower intellectual abilities are more likely to fear change and stick rigidly to their routines and beliefs. Indeed, this is precisely what Moutafi et al (2004; cf. Luciano et al, 2006) found in a sample with a mean age of 38: there was a moderate negative correlation of -0.26 between one’s level of fluid intelligence and one’s level of conscientiousness (and the “obsessionals” described by Riemann always score very high on this dimension of personality).

The fact that a significant part of the population, including older people and people of lesser intelligence, are likely to react negatively to the radical novelty induced by the economic logic of the “flat world” is fundamental for tracing the economic geography of winners and losers in the decades to come. This point will become much clearer in the next

section, where we will look at those lucky individuals who love and thrive on novelty and rapid change.

### **Moving towards change: the appeal of novelty**

In the August 2006 issue of *Neuron*, neuroscientists Bunzeck and Düzel published the results of their research of the major "novelty center" of the brain, named the substantia nigra/ventral tegmental area (SN/VTA), and concluded that there is sufficient data to claim the existence of a functional hippocampal-SN/VTA loop that is driven by novelty and that may enhance learning in the context of novelty. This very recent finding corroborates Fritz Riemann's observation that there is a type of individuals ("the hystericals") who find particularly gratifying the idea of change and novelty. The economic geography of the individual who moves towards change is the diametrical opposite of that of the obsessional. In Riemann's words (2005: 228):

Her strength resides in her impulsive mobilisation and in the ability to make things happen, and less in persistence and the tenacious achievement of goals. But it is precisely her impatience, curiosity, and freedom from the past that make her spot and grab many opportunities which other types of people fail to see...Thus, independent and bold, she can see life as an adventure full of colour.

The unique competitive economic advantage resulting from the fact that "they can adapt, chameleonicallly, to each new situation" (Riemann, 2005: 187) is reinforced by hystericals' general propensity for creativity and experimentation, as well as by their delight in acting as social butterflies. As Riemann explains (2005: 225-226):

They are suitable for all jobs which require personality, on the spot, elastical reactions, versatility, pleasure of contact, and capacity for adaptation. They found convenient all jobs which...fulfill their need for human contact, their desire to 'have an audience'. They are represented by prolific

salesmen...They feel at home wherever it is about charm, physical impression, ability, spontaneity, improvisation, victories or sudden assaults. The hysterical is attracted by all jobs which make vague promises about life in the 'high world' or that put him in contact with this world; he likes jobs such as photomodelling, management, as well as the jewelry, beauty and hotel industries...Their performance depends a lot on the people for whom they work. If talented, they can artistically sublimate their gifts, their strong capacity to desire and to imagine, their expressive capacity and pleasure of expression, especially into acting and dancing.

Ours are volatile times, and the hystericals – volatile people – thrive in this kind of economic medium. If the elderly and the less intelligent tend to move against or away from change, the young and the bright are likely to seek it. But there is a deeper fundamental that underwrites these propensities. Boniwell & Zimbardo (2004) found that different people have different time perspectives and that one's time perspective changes over the lifespan. The distinctive characteristic of people who move towards change resides in the fact that their perspective is focused and biased towards the future. They care less about memories, traditions, and history, and more about future milestones they aim to reach, future improvements, and future adventures. As people age and realize that they have more years behind, than years ahead, their time perspective slowly shifts from dreaming the future to remembering the good old days. It is important to understand at this point that one's temporal focus or "...attention...is largely controlled by automatic processes, and attention in turn determines what information we absorb" (Camerer et al, 2005: 39). The very fact that, unconsciously, one focuses on the past undermines one's ability to welcome and prepare for the future. We know from Freud that individuals have a limited amount of libido to invest. We cannot love everything at once. If we invest our libido into our past and spend time recollecting pleasurable memories, we cannot invest it into our future. To

learn something requires that you love that thing, that your libido/interest is in it. Intelligence without affect is sterile. To learn, one needs both cognitive ability and the right affective disposition. This brilliant piece of Freudian wisdom has been corroborated empirically by educational psychologists (Snow & Farr, 1987) who found that those who are passionately interested in the topic they study learn 30 times faster and better than those who have no interest in the topic. In other words, people who move towards the future gain an economic advantage because they *love the future*. They invest time and energy (i.e. libido) in dreaming that future, anticipating it, and making it happen. And that investment pays dividends in mental health (happiness is positively correlated with a future-orientation; Haidt, 2006) and economic wealth.

The tragedy of people who fear change and love the past more than the future is a very good example of relational economic geography (Bathelt & Glückler, 2003). Virginia Postrel's (1999) penetrating analysis of the social dialectic between the "stasists" (people who try to move away or against change) and the "dynamists" (people who move towards change) within the US at the turn of the millennium captures with Hegelian elegance the underlying causes of this tragedy. As she explains (1999: 204):

A city, an economy, or a culture is, despite the best efforts of stasists, fundamentally a 'natural' system. As a whole, it is beyond anyone's control. Any individual effort at improvement changes not just its particular target but the broader system. In that process, there may be progress, but there will also be disruptions, adjustments, and losers.

The ballet between social change and social stagnation is a scalar phenomenon that encompasses each of us (our inner conflicts) and all of us. Just as in Tolstoy's novels, the contours of circumstances escape in the background of our everyday awareness, but once reconciled with

this elusiveness of the *Zeitgeist*, we might start to bring a much needed sense of history to our economic geographies.

## Conclusion

While re-reading Karen Horney's *The paucity of inner experiences* (1952b/2000: 286) to vprepare for the writing of this paper, I was struck by the sentence "The more remote a person is from his inner life, the more abstract his thinking". It occurred to me that both economists and economic geographers tend to think too abstractly indeed, and that their inability to understand the affective map of the capitalist society might be the mere extension of their remoteness from their own inner lives. The trick is that you cannot read this paper without wondering which of the five types of unconscious affective systems drive you. In other words, the very reading of this article has the therapeutic effect of bringing the readers closer to their inner selves. Furthermore, we might recognize in the description of the various types our neighbours, friends, relatives, and colleagues. We might begin to learn to pay attention to the affective maps of social and economic activity, and thus enrich our theoretical sensitivity and our grasp of how the economic world really works. Economies are made of diverse people (Gertler, 2003). People laugh, cry, yell, belch, and fart. Some want to stand out, some want to be loved, some want to be left alone, some want for things to remain the way they are, and some want the excitations brought about by novelty. Capitalism flourishes because it understands these wants and these irrational affects. Economists and economic geographers will keep wasting precious paper and ink by trying to explain capitalism without *themselves* understanding the affective things understood by capitalism. As Nigel Thrift put it (2006: 302):

Capitalism is carpeting expectation and capturing potential. Simple condemnation of this tendency...will not do. Rather, it seems to me to call for radically new imaginings of exactly how things are, but under a new aspect that we can

currently only glimpse, 'a tune beyond us, yet ourselves', as  
Wallace Stevens put it.

I hope that this paper has helped its readers glimpse the kind of tune Nigel Thrift was alluding to in his argument. I have written it as I was reflecting on Sternberg's theory of foolishness (Sternberg, 2005). Sternberg conceives foolishness as a "way of being" driven by five bad habits of the mind: insouciance (not caring about the consequences of one's actions), omnipotence (believing that you can control everything), invulnerability (believing that you are too smart to get caught), egocentrism (not caring about how what you do affects others), and omniscience (believing that you know all the important things). One troubling variant of omniscience in academe today results from our fooling ourselves with the inference that if we keep up-to-date with the latest research, we will know all the relevant things. The problem with this inference comes from assuming that older research that is not massively referenced is not worth consulting. In reality, as philosopher Daniel Dennett (2006) has marvelously shown, the way science works allows for some very good research to slip into oblivion despite its high quality. In this paper I brought to the surface the forgotten work of Karen Horney and Fritz Riemann to show that their theories can fertilise economics and economic geography in unexpected ways. In daring to undertake this kind of scholarship, Dennett's words have given me confidence that I was wasting neither my time, nor yours (2006: 80):

We could start projects...to elevate the forgotten gems;  
rendering them accessible to the next generation of  
researchers...we should try... [to] help people recognize the  
importance of providing for each other this sort of pathfinding  
through the forest of information.

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## **Chapter 3**

### **Insights into the activities and motivations of women students creating businesses.**

**Pauline Kneale**

#### **Introduction**

The greater uptake of entrepreneurship opportunities by men as compared with women is well documented in a number of countries (Wagner, 2007). Carter and Shaw (2006) report 8% of the female as compared with 18% of the male workforce in the UK as self employed. Prowess (2008) states that in the UK '12 – 14% of businesses are majority owned by women'. There is some evidence of increasing female start ups, for example in Canada increasing numbers of women are becoming entrepreneurs, and 25% of the new start ups are led by women graduates (CIBC 2008).

The reasons for gender disparities in entrepreneurs have been explored in various studies, with outcomes that tend to be fuzzy and multi-dimensional. Parker (2004) argued that there is limited understanding as to why precisely there are fewer women entrepreneurs. Mirchandani (1999) considers it to be an artificial construct which encourages analysts to compare female entrepreneurial activity against a male 'yard stick', and to select gender for analysis at the expense of other social processes, for example class and racial influences.

Typical explanations for female behaviours involve perceived or actual differences in self confidence (Manolova *et al.* 2007), ability to attract funding (Carter and Rosa, 1998, Coleman 2007, Marlow and Patton 2005), funding being more expensive (Fraser 2005), policy initiatives (Wilson *et al.* 2004), greater aversion to risk taking (Verheul and Thurik 2001), and the tendency to start businesses which require less capital and are service oriented.

The different styles which women bring to entrepreneurship are mentioned in the outcomes of a number of studies. For example [Tominc and Rebernik](#) (2007) comparing male and female early-stage entrepreneurs in Hungary, Croatia and Slovenia pick up some gender issues. They find men are more likely to perceive and exploit business opportunities, that women generally start fewer businesses, but that once women establish an enterprise they grow them as successfully as male entrepreneurs do.

This chapter explores the experience of women who have established a business either during their degree programme or immediately afterwards. Carter and Shaw (2006) find that women are very under-represented in this early adopter stage. This is a period of transition from studies to establishing a business which is demanding, and potentially valuable as exemplars for the next generation of graduate women entrepreneurs. This group of current and recent graduates should be one for whom issues around childcare are likely to be less important (Rouse and Kitching, 2006).

This study explores data from interviews with 58 people with businesses either as students or in the two years immediately following graduation. Eighteen of these businesses were established and run by women. Three focus groups with 15 women who were either running their own business or close to starting, provided an opportunity to explore some of the issues that the literature and individual case examples raised. For details of the case studies see Kneale (2008). The

focus groups were primarily discursive with prompt statements to explore particular issues. The themes developed here reflect the common threads and issues raised by the participants. In this chapter quotes from the entrepreneurs are presented in italics.

## **Enterprise Intentions**

Seven universities and colleges in Yorkshire have collaborated in an annual Entrepreneurship Intentions Survey (EIS) with students since 2002 (Robertson and Wilkinson 2006). In the 2005-06 survey 34% of the students interviewed indicated an intention to either definitely or probably become self-employed. In the five year longitudinal study there was consistent evidence of 33% of students across the region intending to be self-employed. Within the Yorkshire and Humber that indicates 57,000 students were considering self-employment. Within this group a third of students indicate the intention to start up within two years of graduation. Interestingly only 40% of these students have parents who are self-employed. The gender difference at this stage was not distinctive. For every five males expressing a desire to start up there were four female students with the same intention.

In the EIS more men express a preference to be their 'own boss', rather than in a 'secure job' perhaps indicating an early disparity in risk taking, which again was at odds with expressed start up intentions (Robertson and Wilkinson 2006). Some students were already self-employed. The EIS indicates 2% of students across the region were operating their own businesses while they were at University, and approximately half of these had been in business for over a year. This indicates that some of the businesses were legacies of previous experience of enterprise, businesses established while students were at school or during gap years. Some of these were long-standing ambitions - *Ever since I was 12. I had crazy ideas and an ice cream company was one of them* (Robertson and Wilkinson 2006).

In contrast to the gender balance seen in the EIS with a 5:4 ratio amongst potential entrepreneurs, when we examine the students in one University who sought incubator desk space, advice at the Enterprise Zone, and responded to invitations to networking events and support workshops, the disparity was closer to 4:1, four men to one woman. Aspiration and practice were not so close on campus.

### **I want to work for myself, getting started**

The most common statement from all the interviewees was a desire to work for oneself. Some participants declared they knew this from the age of 9, 12 or 14. *I was selling to my friends from the age of 10. And I always knew I would have a business, and I started when I was 14.*

The next most common phrase reflected a desire to treat and be treated independently. *I've had holiday jobs and I just don't want to do that. I don't want to be treated like to see it. I want to be able to do what I want. And I like to sort out my own way of doing things at the time what suits me.*

Males and females were very similar in this respect, but the men had been more active in school and playground enterprises. Taking the initiative to buy and sell in 'playground space' gave males early practice and self confidence. Commenting on a 'pencil sales to class mates from the age of 9' example, the women agreed that *if my friends didn't have a pencil we shared. Similarly: I went to all-girls school, a playground enterprise like that just couldn't happen. And ... it's not what would've worked for me.*

High school enterprise for the women was typically linked to social and church groups, which provided safe contexts for selling to a potentially known and captive audience. In four cases first sales activities were prompted by the desire to raise money for charitable causes: *The bazaar was my first taste of the fun and adrenalin you get from selling. It's where I got hooked.*

## Seeking support

Individuals talked about the role of parents with finance, locating premises, helping to decorate premises, and in putting out *the word amongst their friends and contacts, which were not our main market, but really helped to get people into the shop at the start and boosted our first sales. And that was really nice.* Male and female students had similar anecdotes about parental support, but amongst the women the importance of networking their ideas for their business, and getting feedback from people they trust, parents and the wider family links was clearly important.

Participants had sought support, advice and finance, from a variety of sources but all the businesses were characterised by very low start-up costs. All participants were aware of the UK Prince's Trust (2008) primarily through activities undertaken while still at school, such as Young Enterprise (2008). A small number had sought University based support, others used family and friends for advice, and typically sought a small bank loan guaranteed by parents. Nearly 30% had used Business Link (2008) web site and/or contacts to help develop their ideas, but all expressed frustration in finding financial support.

Participants referred to a range of online websites which had given some information, but all expressed desire for *more easy to find face-to-face, user-friendly support.* Statements include: *I felt the bank manager at ... was not interested so our conversation wasn't very helpful. The best advice I had was from the manager where I had my summer vacation job last year. He was helpful because he had started his own business, and he was really interested in what I wanted to do.*

While chasing such support was clearly frustrating for some individuals, from an investor's point of view these entrepreneurs were looking for support for small-scale ventures which were likely to be local and in the long-term provide relatively small incomes. Nonetheless it

does mean that the individual with a very good idea and very considerable potential was also likely to find financial support elusive.

This outcome mirrors the work of Robson *et al.* (2008) into the ways in which advice is sought by small businesses in Scotland. In a much larger study of 650 small businesses they find women looking more frequently to family and local network contacts essentially the informal sector more readily than towards established Chamber of Commerce, Business Gateway and regional development support.

In terms of enterprise theory these novice entrepreneurs tended to be means driven, looking to create a new enterprise based on existing expertise and benefiting from observing parallel businesses. The women in these businesses were all working on an affordable loss basis. They were financially committed within their means, and working within a clear financial framework. Two people had been offered more financial support by their bank than they had accepted, in order to minimize the risk as they perceived it. They were also cautious about moving to the next level: *I do realize that we could expand, but that would mean taking on staff and I am just not comfortable to do that just now. I want to wait another year and see that it is really working.*

This caution argues the case for continued mentoring through the early years of the business to encourage appropriate growth. Patterns established initially need to change with expansion. Participants recognized this phase would be *uncomfortable / difficult / demanding / scary and painful.*

### **Boot camps and training**

The majority of the participants were on some form of 'muddle through' training process. Access to support could be characterized as *ad hoc* in both timing and focus. Individuals had some awareness of the availability of entrepreneurship boot camps, and at least eight women

had attended, either while still school or more recently, a one, three or five-day business Start Up experience. Their comments were wholly positive and enthusiastic. *More information than you can get from a book. And Brilliant to have real business advice all in one session, from great, cool, interesting people with their own businesses.*

Some comments related to difficulty with timing, costs, and a lack of awareness of systematic training. There was some evidence of misunderstanding that help was only available to the long-term unemployed who wish start a business, but *not for people like me.*

Others were suggesting they were taking a step wise, strategic approach: *when I want to start marketing I will find out about it. Similarly: .. for now I have my degree to do, and I am doing some market research, looking at what other people are offering. .... I haven't got time to take days off to do courses.*

This was potentially a short sighted, albeit understandable statement, and offered by both men and women. It was difficult to know to what extent this represents a degree of prevarication, and where support can be best offered. It was agreed that where boot camps are annual events in a region, then this support was too infrequent. Also that half-day and one-day, free, training sessions, or Internet based support *are more helpful because you can access them when you need them.* Educators would argue that there are significant advantages in immersion training events where individuals can work on their own business ideas.

## **Networking**

For some participants the benefits of networking had come as a real surprise, this despite experience in pre-university programs such as Young Enterprise (2008). Essentially the groups reflected that they were slow to appreciate and move from a theoretical understanding to practice. More than half of the entrepreneurs had attended one

networking opportunity but were unsure ... *how to make the most of the people.*

Parental and extended family influences were clearly important for the women. But not necessarily because they were running their own businesses already. Role models work both ways: *my parents are both teachers and I know I don't want to be working for other people like they do. And My parents have been fantastically encouraging, .... without their financial help the bank would not have given me the loan to get started. And I do discuss everything with my dad and it's the massive support.... it just wouldn't have been possible otherwise.* Likewise: ... *Without my uncle who really sort of worked along side me for nearly three months at the start it wouldn't have been so good. He kind of gave me the confidence, and was there to talk to.* The groups recognized with some consternation that their supporters and role models were almost all male. They saw this as a generation issue.

One unintended outcome of the focus groups was the members agreeing that meeting each other had been a useful experience in exchanging ideas and perspectives, and that this 'networking' should continue as a mutual support group. They concluded that their current networking was limited and 'safe': *This was fun. And I don't normally talk about what I do like this. I suppose. I really talk most to people who I know support me. ... Friends, mostly from school. Getting some more ideas is good. And I am running my business in an incubator unit with six other people all starting too, they are all blokes and we talk all the time, and its fantastic, but there are different ideas in this group.*

Manuals and guides to entrepreneurship emphasize the importance of networking ideas as widely as possible. The focus group members were aware of the importance of networking theoretically, but a number admitted that in practice their networking was limited by time constraints and a lack of awareness of opportunities to meet *sane, sensible, interesting, not too up themselves people ... who are: interested in*

*listening to you too and sharing information. There was agreement with the person who said: I went to one event but everybody was just going on about themselves, and not really listening. It was a bit interesting, but not really helpful if you know what I mean. So I wasn't encouraged to go back. By contrast there were some women who fully embraced networking events: It's just fantastic meeting people like me doing their own ..... Its really inspirational and everyone has a great time. Conferences ... have really fantastic speakers, so you just learn all the time.*

This suggests that there continues to be a place for women only networking opportunities and for people managing events so that individuals listen to each other and aim to be supportive through learning from each other.

### **A gap in the market**

We explored where business ideas came from, given suggestions that women are likely to set up more service oriented and 'safer' styles of business. Analysing 67 businesses of which 25% were established by women, or women in partnerships, it was hard to generalize. Significantly more men set up computer-based web oriented businesses, and direct buying and selling over the net was male-dominated. Eco-friendly wedding stationary, jewellery design, bespoke suit fitting service, Chinese massage, supplying food at events, and a Fair Trade business were amongst those established by women. Two independent enterprises providing online translation services were established one by a man and one by woman. In both cases they were seeking to meet a gap in the market. *It had been in my mind from about halfway through my time in France because I had found that there was a lack of information as an international student that was quite frustrating*

The gap year experience had proved important in locating a market niche for some men and women. A number of interviewees acknowledged the importance of seeing alternative ways of doing things

and wanting to establish a version of their own. Essentially this reflects the need for stimulus to spark thinking and action, and the value of seeing an activity running well in another situation which generates the confidence to follow a similar path. For two women a *life changing* visit to a juice bar in Melbourne before University triggered their idea. Within five years they were running a successful and profitable business close to two universities. They serve a variety of fresh fruit smoothies, home made soups and sandwiches and provide outside catering facilities to businesses. While they were studying they researched, and planned. On graduating they secured a small business loan and with support from their friends and families, they got established.

Amongst the male students were a small number of businesses which had been established for more than two years, representing legacies from pre-university experiences. A female inventor had a range of products in various stages of development, but typically female students were putting pre-University trading on hold.

Amongst the female students there was an expressed interest in gaps which provided both a service element, and were 'reasonably safe'. *If other people can make their ..... work then I think I can to.* There was plenty of evidence of research: *I have done lots of homework on this. Some cafes must think I am stalking them! But it was really important to me to watch what was happening because I think I can do it better.*

Overall the women were looking at smaller scale and less ambitious start up proposals, and tended to seek opportunities to work with people. *I was really scared about getting started ... And: ...don't want to employ anyone because if it doesn't work it's just me that's in trouble .... Similarly: I feel happy with just the two of us working on this. We talk to each other all the time we know what is going on, we plan ... and it is fantastic working together.,*

In terms of entrepreneurial theory about effective start ups and success these individuals were ignoring evidence that start ups should be distinctive and create new businesses with niches and products that people did not know they needed. The location of the market opportunity and style of start up tends to be relatively safe, following established models.

### **The influence of a degree**

It was notable that for both men and women businesses were rarely degree related. Exceptions included an online translation company, graphic design businesses and two students on art degrees establishing a gallery space where they were selling their own art works from their first year as undergraduates. However it should be noted that a second online translation company was established by a student studying Management and Computing who employed language degree students to do the translation work.

Exploring this notion brings together some common themes. Primarily 'creating new knowledge' or starting up a 'degree related business' is *too scary*. A variety of respondents said: *You have to be a Professor. You need teams of researchers and post docs. I don't have labs, I just have me*. This indicates the gap between a graphic design degree which is very practice based, and gives students the tools to operate as sole traders fairly quickly, and an engineering degree where the scale of innovation and practical implementation of ideas tends to require large-scale initiatives.

Two female Maths graduates who established a Suit Making business, visiting clients in their offices, were meeting a gap in the market that they discovered when they themselves *could not find a well fitting business suit*. Students in textiles, fashion and design who discussed this case commented: *I know I could do this but I would never have thought of it. For me a business from my degree would involve something*

*much more technical. If you have a degree in fashion you are aiming to be in the market competing with Stella McCartney. Your sights are elsewhere.* The group did acknowledge that less exalted business opportunities were more likely to result in a successful business, there being limited opportunity at the 'top of the range'. However as students they saw their degree as the time to aim for the top of the profession.

Similarly, students taking Food Technology degrees were thinking about creating new breakthroughs in design, delivery and processing. They were not focused on starting a smoothie, wine or sandwich bar. Women starting these businesses had arts, social science and science degrees: *I wanted an alternative to the greasy café. And I really wanted a wine bar that was women friendly and sold more interesting beers. And I was frustrated that there was no choice and quality in the sandwiches you could get within a quick walk from the office. There was only traditional chain bakeries.*

Given that most businesses are started by people over 30 it may be that the influence from degree experience becomes more important at that stage. These businesses reflected gaps recognized in services, such as food and drink supplies, media, and printing, and opportunities identified in earlier years.

Ng and Ng (2007) in their case study of three micro-businesses in the service sector in Hong Kong found that success was tied to understandings of lifestyle, the quality of life and the quality of relationships between the staff, customers and the owners family and friends. The importance of creating a highly motivated staff in order to deliver a high quality product was important to each of these women. Certainly these characteristics were mirrored in the work of the young female entrepreneurs with conversations between the partners being seen as extremely important by each of the interviewees. The decision to postpone starting the business until after graduation was expressed in terms of *not having the time to develop the product to my own personal satisfaction. I want to be able to do this and be very happy with the outcomes*

*and I know this will take more time than I have at present. Similarly: I want a good degree, not a 2:2, so that has to come first now.*

### **Multiple businesses**

It became evident that the women entrepreneurs tended to concentrate on developing one business idea and were very focused upon it. Interviews with male entrepreneurs located people who were running two and three businesses in parallel, or had planned sequential businesses. For example one male student explained that his business was:

*an idea I had some years ago, it's not my big idea. I am keeping that to work on after I graduate. This suits me quite well, it fits around my studies, I get some income, and I'm also working for another student who needs me to do some IT for him. From another: I know what I really want to do in my business but it's too big to do now, so I'm running this business for the next two years so that I get the experience, then I will close it down or get someone else to run it for me so that I can do what I really want. This is good experience, and .... Fun, ..... but it won't get me the income I'm wanting.*

Undoubtedly there will be exceptions, but in this study the women entrepreneurs were exploring with their ideas, and if it was seen as too much to do alongside the degree then planning was undertaken, but implementation was on hold. There were no examples of women running multiple businesses in this cohort.

This could perhaps be summarised by women students appearing to be more cautious, wanting to 'do it once do it right', whereas some men were more focused on 'giving it a go, if it fails it doesn't matter'.

### **Working with others**

Although it was difficult to generalize, it appears from this study that the women stayed in smaller units for longer than the men. Both

men and women understood about bringing people on board to cover areas in which they lacked expertise. Generally, the men were more open to buying in expertise for a short period for example, to create a database, a web site, or to run the business while they took a break. Women tended to seek a partner who would supply the missing expertise for the long-term. Planning for extended holidays was not on the radar of the focus group members. *I am totally into this..... I am making it my first priority and maybe next year will be time for a break. And I suppose it's not very exciting of me, but I like knowing who I work with, trusting .... and talking and getting new ideas. I'm not into leaving it with someone else. And I want this to be really successful for me, and all mine. So it's bit corny, but it's my baby, and I'm being there.*

It should be recognized that generally the women started later and were on average in the earliest start up phase. It would be interesting to revisit the views of these novice entrepreneurs after five to eight years experience in their business, when distinguishing between ownership, control, and the need for detachment, delegation, rest and recuperation may be more obvious.

### **Defining success**

The language used in the focus groups to describe success included: *keeping afloat, being here next year, clearing the loan, feeling secure, enjoying getting up each day, feeling that everyone is enjoying working with me, being happy that we are achieving, having enough to pay people next month, feeling confident to create new designs, knowing it's all mine and it's cool to do.* The women spoke in these emotion linked ways. Concern for security, a happy workforce, covering costs, repaying debts, and making family 'proud' were the dominant themes.

Further prompting was required to uncover longer term concepts of success, and to focus on what might be acceptable profit. Certainly the 'caring' style was evident at the expense of making enough money to

purchase the large house, boat or fast car. Prompted to discuss this aspect of the successful entrepreneur, there was reluctance which may reflect a social norm against boasting in company or a genuine lack of interest in cars. *This longer term .... really isn't in my thinking. It would be .... nice to have the smart place and ..... I like nice cars, but I'm not bothered now. I just want to do my own thing. So I'm living in student flats for another year or two, ... it's OK. I suppose in couple of years I'll want somewhere nicer, but not thinking about that now.*

And: *It's just what you are interested in and I'm so focused on what's happening now. If it works then great, if not I can always do something else. I want to earn enough but the money isn't motivating for me.*

### **The larger economic picture**

What came across from the majority was the wish to solve a local and personal problem. The aim was to fill a gap in the market which was typically local and specific. There was no awareness of the wider regional or national programmes which encourage individuals to start their own businesses, and to stay in the region. These individuals were either moving back to their home where they have previous networks and family support, or staying in the University town because they had spotted a gap in the local market and *really liked the city*.

This suggests that initiatives from the regional authority (Yorkshire Forward 2008) and similar support organisations (e.g. Small Business Service, 2004) to promote support for new businesses was not explicitly reaching this cohort of entrepreneurs. Organizations specifically promoting women's entrepreneurship were unknown to more than half the group (Prowess, 2008, Women's Entrepreneurship Portal, 2008).

## **Intellectual support**

Awareness of enterprise and entrepreneurship as an academic discipline amongst both men and women was minimal. Considering these students were at University they had found little text-based support. Family and friends typically referred people to web sites, and this was the primary source of information leading to web sites including Business Link and Young Enterprise. Television role models, Dragons Den and The Apprentice were mentioned regularly as inspirational. These novice entrepreneurs were finding business manuals at popular book shops rather than in libraries. The suggestion that the University Library was a potential resource had not occurred to the majority.

This suggests that there is work to be done in raising awareness of the range of support available to students, male and female, who were not studying Management or Business for their degree, and therefore do not venture into that part of the Library.

## **Conclusions**

Many authors have discussed the relevance of exploring the role of women as entrepreneurs, and come to a range of conclusions about their motivations, their style of working and place within communities. These interviews show a selection of bright people who were well motivated, and have worked on their ideas for some years. From this sample it was evident that the women on average take longer to plan and prepare. This fits with evidence from the Small Business Service (2006) which reports that the age of women who were 'most likely to start a business is 35 – 44'.

There does appear to be some reluctance to provide financial support to females. Since the initial financial support was primarily parental this inevitably influences who can start up, and may reflect the

wider family experience of working for oneself. Women also expressed reluctance to take loans and were worried about making the repayments.

It was clear that all the entrepreneurs found difficulty in finding relevant information to support their initial developments and links to people who would discuss their ideas, although in practice there is a plethora of websites, business support officers, and the espoused willingness of banks, and organisations such as Business Link, to support fledgling enterprises. It was also clear that the restricted ambition of some business ideas was limiting support from regional and national organisations. The linkage between potential and actual support was not as strong as the entrepreneurs would like.

One advantage for women entrepreneurs of longer lead times to start up was in depth planning. However many entrepreneurs would argue that until you start running the business you don't really know what the issues are, and that there will be many other unanticipated events and problems to manage.

Entrepreneurship is essentially a practice, so encouragement to 'just do it' to gain hands on experience is important.

Parker (2004) and others consider that explaining gender differences in entrepreneurial behaviour is fraught with sensitivities and examples that buck the trend. This small study of novice entrepreneurs at one University has raised a series of issues which were of concern to individuals and essentially reflects their status and experience. Gaps in knowledge, perception and practice were clear. Being part of the study was educationally valuable to the individuals. Clearly there is a considerable way to go to provide adequate support to all fledgling, graduate businesses, but those giving support should be aware of potential gender related issues. Sensitivity to style and expectations is important.

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## **Chapter 4**

### **Job values among entrepreneurs and potential entrepreneurs in transition: the impact of gender and social background**

**Nada Štrbac, Ivan Mihajlović, Dragana Živković, and  
Živan Živković**

#### **Introduction**

The initial purpose of this investigation is to delineate the job-related values held by business owners (entrepreneurs) and students of management (potential entrepreneurs) in Serbia. We then analysed those values to determine whether these values vary according to gender and social background. Research of this topic, published at the end of 20<sup>th</sup> century by different authors, indicated that business school students in general hold materialistic job-related values (Cavanagh, 1984; Gamberale, Bracken, & Mardones, 1985). Also, a strong gender factor influenced the ratings in those days, meaning that female students rated the importance of the characteristics of work higher than the male students did. The only exception concerned “good pay”, which was rated higher by the male. Also, economic situation in the country is strongly influencing the rating of job related values. Nevertheless modern results published in literature references nowadays, from well developed market economics in Western Europe and USA, reveals that these values are changing in response to process of modernity, fuelled by

rising standards of living and altered work processes that require and encourage new types of work motivation (P. Gooderham et al., 2004).

In scientific literature on work motivation, workers are regarded as having personalities in which the economical, social and the emotional aspects are integrated. Furthermore, work motivation is believed to be associated with autonomic motivation and regulated by Maslow's (1954) hierarchy of needs (Gamberale, Bracken, & Mardones, 1985). To put it simply motivation theory differentiates between two main work motives. The first involves instrumental (or existential) outcomes; such are compensation for job performed, income and potential career progress. The second relates to expressive (individual) outcomes such as the possibility of personal growth and self actualization. These two groups of motivation factors need not exclude one another. However, there is domination of first – existential or second – expressive outcomes depending on social background and economic situation in the workers close environment. Which group of motivation factors will acquire greater importance is also strongly influenced with job status (security of workplace in future organizational changes, which is most evident in transitional economy) and levels of education of employees. All of those factors could be regarded as influence of social background and economic situation on job-related values discussed later.

Also, to further discuss our results obtaining with students rating job values of their future employment we analyzed the same query with real entrepreneurs – owners of small and medium size enterprises (SMEs) in the same environment. We wanted to examine how much the results would be different, when changing from theoretical speculations and students expectations to real practical experience.

## **Gender and job-related values**

An obvious starting point for constructing a discussion is an understanding of the reasons why people choose to become entrepreneurs. Consistent with the diversity of individuals' motives for and aspirations from entrepreneurship, previous studies have identified a variety of factors. Most recently, these studies have paid attention to the importance of liquidity constraints, earnings and satisfaction differentials between salaried employment and self-employment, taxation, intergenerational transfers of entrepreneurial ability, and regional factors (Blanchflower & Meyer, 1994; Taylor, 1996; Dunn & Holtz-Eakin, 2000; Bruce, 2000).

For the most part, empirical studies have focused exclusively on men's self-employment decisions and there is a distinct lack of comparable work that examines the self-employment decisions of women. This is a glaring gap in our understanding of self-employment, especially given the well-documented differences in labour market opportunities for men and women due to things such as discrimination, work experience differentials, and labour market segmentation. These factors present to women constraints on the salaried employment/self-employment decision that men do not face. In addition, primarily due to child-care concerns, men and women may also have different occupational strategies and desires for non-standard work schedules (Bianchi, 2000). For instance, because of time-flexibility and the greater opportunity to work at home, self-employment can be a more viable option than salaried employment as it can also reduce the cost of child care (Connelly, 1992). Similarly, compared to men, women may view self-employment as a closer substitute for part-time employment or being out of the labour force.

Previous research indicates that we should expect to find indicating gender differences in job-related values. Most of the studies (Boutel & Marini, 1995; Clain, 2000; Croson & Uri, 2005; Georgellis &

Wall, 2004; Driga et al., 2005) find differences in value orientation among genders. In particular, young women are usually more concerned with well-being of others, were less materialistic in relation to job values. What is interesting, in relation to discussion in next section, is that these gender differences were found in all social class subgroups. In their paper Georgellis & Wall (2004), examined the factors affecting self-employment decisions of men and women in Germany. Their results show that, indeed, women respond differently than men to earnings differentials between salaried employment and self-employment. Specifically, earnings differentials are important for men but not for women. Their results suggest that capital constraints impose a major obstacle for men to become self-employed but not for women. Also, consistent with the view that women may be particularly attracted to the flexibility and child care advantages that self-employment may offer, they find that women are most likely to enter self-employment from part-time work or non-participation, rather than from full-time work. Finally, their results show that, although men whose fathers are self-employed are more likely to become self-employed, this is not true for women. The last statement reveals that social background is more influencing men than women. Recently studies, Lombard (2001) finds that, although job flexibility and demand for non-standard work schedules are important, most of the rise in female self-employment is due to women's increased earnings potential in self-employment.

### **Gender influence on entrepreneurship in Serbia, compared to other countries**

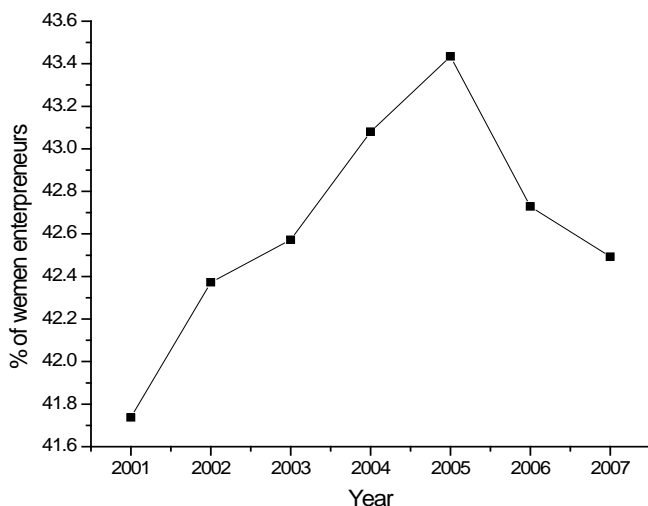
Table X. presents statistics on employment in Serbia during the period 2001 – 2007. Table 2 gives the statistics for employed women in same period of time. Figure 1 presents the percentage of women in total number of entrepreneurs in Serbia.

Table x . Number of employed people in Serbia

	2001	2002	2003	2004	2005	2006	2007
Total	2101668	2066721	2041395	2050854	2068964	2025627	2002344
Employed in public and state owned firms	1752226	1676835	1611632	1580140	1546471	1471750	1432851
Entrepreneurs and self employed people	349442	389886	429763	470714	522493	553877	569494

Table xx. Number of employed women in Serbia

	2001	2002	2003	2004	2005	2006	2007
Total	900562	893740	886526	889851	900401	872908	868129
Women employed in public and state owned firms	754714	728536	703565	687064	673462	636244	626137
Women entrepreneurs and self employed	145848	165204	182961	202787	226939	236664	241992



*Figure x . Percentage of women in total number of entrepreneurs in Serbia*

As Table 1 and 2, as well as figure 1 reports, according to the (Statistical office of the republic of Serbia) the share of women in total number of entrepreneurs and self-employed people in Serbia is significant. This additionally gives importance to the fact that women's opinion shouldn't be neglected when analyzing job values among entrepreneurs.

Nowadays there is no longer any theoretical dispute that well-developed entrepreneurship has a critical effect on the success of national economies, that is, on economic growth. Two basic sources of economic growth through entrepreneurship can be distinguished, e.g. major established firms, and an entrepreneurial process taking place in new and growing enterprises (early-stage entrepreneurship), (Reynolds et al., 2002). In time period 2001 to 2005, there was significant growth of percentage of women entrepreneurs in Serbia and after 2005 there is a

decrease. Nevertheless, total number of entrepreneurs in Serbia is rapidly growing. This means that, from some reason, women in Serbia are less motivated to start their own business in last three years. Men are more likely to be involved in the early-stage entrepreneurship than women in all countries analyzed in 2003 by Tominc and Rebernik, as presented in Figure 2. While in some developing countries (for example China, Venezuela, Chile) women are almost equally involved in early-stage entrepreneurship, in some other countries the difference is much larger.

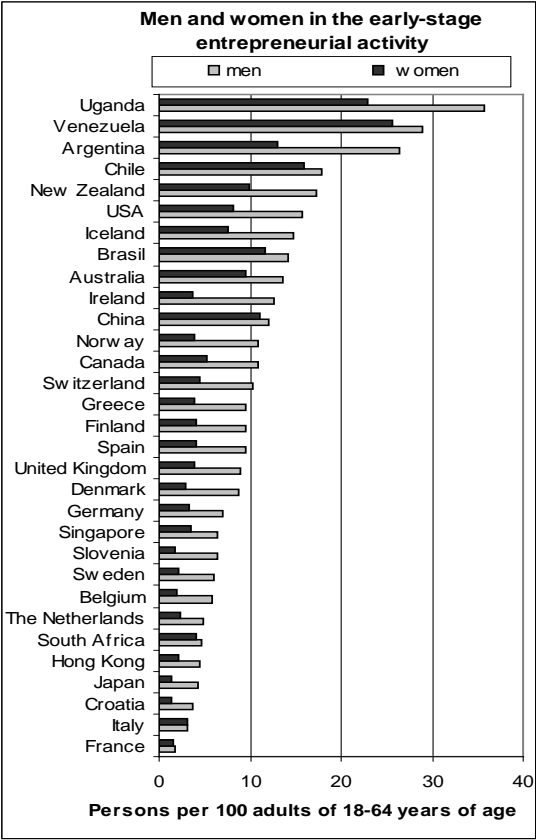


Figure 1: Men and women in the early stages of entrepreneurial activity (Tominc and Rebernik, 2006).

The two different causes for getting involved in an entrepreneurship are: necessity and opportunity. Necessity-based early-stage entrepreneurs are those who engaged in setting up a new business out of necessity because they had no better choices for work, while opportunity based are those who are involved in entrepreneurship because an opportunity presented itself. The situation in Serbian labour market is such that first cause (necessity) is prevailing. At the same time, there is not a single country where women are more likely to be involved in opportunity early-stage entrepreneurship than men. The proportion is the highest in France, where 83.8 women per 100 men are on average involved in the early-stage entrepreneurship due to opportunity. In the majority of countries, especially in Europe, this proportion is less than 50% (Tominc and Rebernik, 2006).

### **Social background and economic situation in Serbia and job-related values**

Even in Western Europe countries, where open market-driven economies were established long time ago, social background still have large influence on rating of job related values among respondents. For example, despite a series of educational reforms and large increase in the numbers of students continuing into higher education in Norway, there remains a strong association between social background and level of education. According to the investigations presented by P. Gooderham et al. (2004), likelihood of an individual continuing in to higher education is considerably greater if he/her parents possess higher education and middle-class occupations, then if their parents have the minimum level of education and working-class occupation. In regard to social background, they found that business students from working-class backgrounds exhibit more materialistic job values then students from middle-class backgrounds. We thought that it would be interesting to take this in consideration when conducting our own survey. Mostly, because in transitional economy countries, such is Serbia, middle class

isn't developed yet, meaning that there are only two classes existing (low and high), with distance among them becoming higher. The level of education doesn't have to be the reason to belong to one or the other classes.

There are numerous examples that persons having higher education belong to low class and vice versa. If having in mind additional element of insecure future of students in transitional environment, meaning large scale of unemployed young people, we also took in consideration economic situation in the country as important parameter which will influence on job related values ratings. We thought that results from our survey should to some extent be similar to results published by Gamberale et al. (1995), who conducted study in 1990 and again in 1993, among high school students in Sweden. The questionnaire he used contained the questions for evaluation how important different characteristics of work were in their future job. The questionnaire also included an open question, *"how would you describe an ideal job?"* The two measurement occasions were separated by economic changes leading, from a condition of economic security and full employment, to economic insecurity and high unemployment especially among young people. Their results revealed that students' ratings of importance of different work goals were lower during the economic recession in 1993 as compared to the ratings performed in 1990. Thus, they proved, that economic insecurity and unemployment, especially among young people, had a strong effect on the results. These results are even in agreement with those obtained by England (1991) who investigated importance of work goals in labour force samples in the USA during a period of economic recession. Our consideration, that results obtained in transitional economic environment such as in Serbia, would to high extent differ from results obtained in Western Europe was further supported by findings published by Alas & Rees (2006). They concluded that certain aspects of the attitudes and values of workers in post-socialistic countries and traditional capitalist countries differ

significantly. They based their findings on attitudinal survey of 5914 workers in 15 countries. To understand why there is such difference we must understand what transition actually presents.

For over 50 years, Eastern Europe and parts of central Europe were dominated by socialistic regime, which fundamentally influenced the attitudes and behavior of the peoples of this region. Today, these countries are passing, at varying rates, through a period of transition from planned to free market economies (Michailova, 2000). This process actually started with demise of the USSR during 1991. Then, in a matter of 2 to 3 years, the apparatus of central planning was disassembled, prices were freed, borders were opened, currencies were revalued, and privatization of state owned enterprises begun (Newman, 1998). This lead to developing of new entrepreneurship ventures in those post-socialistic countries. Since this process of transition isn't complete yet in most of the East Europe countries, conditions for private business in the form of SMEs are yet insecure. This all influence has influence of job-related values rating in such environment, which will be discussed later.

### **The population, data collection and methodology of investigations**

The research explained in this paper applied quantitative methods for the investigation process. We used questionnaire survey to perform the quantitative study. The whole process of data collection, analyzing and processing lasted over six months.

The research was exploratory concerning present situation in Serbian transitional society. Main population for investigations presented in this paper was the students, of Management department at technical faculty in Bor, who had completed 3 years of the 4-year degree program. Second population was entrepreneurs who already manage their own SMEs or are self-employed. The methodology we used for data collection included questionnaire survey with preset collection of questions for ranking the job values. The first question in this survey was

about their plans to start their own business after graduation. Only those questionnaires with positive answer to this question were further analyzed. There were 47 percent of “yes” answers to this question. Since research used questionnaire survey as the main tool to collect mass data we used Likert’s five-point scale to measure the variables. The possible answers to all questionnaire questions for ranking job values were from absolutely unimportant (1) to absolutely important (5).

Questions included in the questionnaire for rating job values among entrepreneurs and management students were: 1) interesting work tasks; 2) good social relations; 3) good opportunities to develop personal qualifications; 4) variation in work tasks; 5) high annual salary; 6) good match between job requirements and own abilities; 7) high degree of job autonomy; 8) good physical working conditions; 9) flexible working hours; 10) high degree of job security and 11) rapid career progress. Additionally, personal contingency factors referred to demographic variables that might influence each parson’s cognition toward job values were: a) gender; b) parents education and c) age.

To verify the 11 factor’s reliability the Cronbach’s alpha was used. The results show that 0.842 for entrepreneurs and 0.789 for the students. This means that this measurement has acceptable reliability.

**Results and the discussion**

*Descriptive statistics*

The students’ mean responses to the 11 individual items are presented in Table 3, first for all students and then for male and female students separately. Entrepreneurs’ responses to same 11 items are presented in Table 4. Data in both tables are organized in same way.

Table 3. Descriptive statistics for students rating of job values influenced by gender

Items	All		Male		Female		Gender differences*		
	Mean	Std.	Mean	Std.	Mean	Std.	M-F	t	Sig.
1) interesting work tasks	4.3387	1.02339	4.1613	1.12833	4.5161	0.88961	-0.3301	-1.321	0.196
2) good social relations	4.4677	0.78339	4.3226	0.87129	4.6129	0.66720	-0.2903	-1.510	0.142
3) good opportunities to develop personal qualifications	4.3871	0.87506	4.2581	0.99892	4.5161	0.72438	-0.258	-1.187	0.244
4) variation in work tasks	3.7419	1.20021	3.6452	1.30508	3.8387	1.09839	-0.1935	-0.566	0.576
5) high annual salary	4.7258	0.51754	4.7419	0.51431	4.7097	0.52874	0.0322	0.239	0.813
6) good match between job requirements and own	3.9355	1.14335	3.6774	1.22167	4.1935	1.01388	-0.5161	-1.609	0.118

abilities									
7) high degree of job autonomy	3.5484	1.08155	3.4194	1.23218	3.6774	0.90874	-0.258	-0.984	0.333
8) good physical working conditions	4.2258	0.96529	4.1935	1.10813	4.2581	0.81518	-0.0646	-0.290	0.773
9) flexible working hours	4.0323	1.07074	4.0323	1.19677	4.0323	0.94812	0	0.000	1.000
10) high degree of job security	4.3065	1.03367	4.0000	1.15470	4.6129	0.80322	-0.6129	-2.426	0.021
11) rapid career progress	4.1290	0.93184	4.0323	0.94812	4.2258	0.92050	-0.1935	-0.828	0.414
12) good professional to family life relations	4.2419	1.09672	4.0968	1.37489	4.3871	0.71542	-0.2903	-1.013	0.319

\*M-F, male means minus female mean

t-paired sample t – test

Sig., the probability level (two-sided) of the t-statistic

High annual salary, good social relations, good opportunities to develop personal qualifications and interesting work tasks, top the list of all students. This means that first of all factors influencing job values of management students is materialistic one. Variation in work tasks and high degree of job autonomy is the least important of the job values for the sample as a whole. Our speculation at the beginning of this work was that male students will exhibit more materialistic job values than female business students. Table 3 provides strong support to this presumption. Only item that male students rated higher than female students was item number 5, that is high annual salary. Interesting thing is that flexible working hours was rated exactly the same for both genders. On the other hand, there are some differences in the rankings, particularly in regard to job security, but on the whole these are small. Regarding the differences in the means, only job security has statistically significant difference. The other differences are modest, including the most potent indicator of economic returns, namely high wages.

Table 4. Descriptive statistics for entrepreneurs rating of job values influenced by gender

Items	All		Male		Female		Gender differences*		
	Mean	Std.	Mean	Std.	Mean	Std.	M-F	t	Sig.
1) interesting work tasks	4.3000	0.88872	4.4000	1.09545	4.2500	0.77625	0.1500	0.590	0.562
2) good social relations	4.0667	0.97192	4.3000	0.73270	4.0000	1.02598	0.3000	1.189	0.249
3) good opportunit	3.78	1.303	3.85	1.268	3.95	1.190	-0.10	-0.26	0.79

ies to develop personal qualifications	33	08	00	03	00	97	00	1	7
4) variation in work tasks	4.1167	1.00998	4.1000	0.91191	3.9500	0.94451	0.1500	0.471	0.643
5) high annual salary	3.4667	1.47828	3.7000	1.59275	3.8500	1.13671	-0.1500	-0.448	0.659
6) good match between job requirements and own abilities	4.3667	0.82270	4.5500	0.68633	4.1000	0.85224	0.4500	1.917	0.070
7) high degree of job autonomy	4.0000	1.07357	4.3500	0.93330	4.2000	0.83351	0.1500	0.679	0.505
8) good physical working conditions	3.8333	1.23737	4.0500	1.19097	3.8000	1.36111	0.2500	0.641	0.529
9) flexible working	3.4167	1.30568	3.5000	1.23544	3.9500	0.88704	-0.45	-1.44	0.165

hours							00	3	
10) high degree of job security	3.8333	1.46330	4.1000	1.44732	3.8000	1.39925	0.3000	0.742	0.467
11) rapid career progress	3.2000	1.49349	3.6500	1.34849	3.4500	1.39454	0.2000	0.483	0.635
12) good relations of professional to family life	4.3333	0.81650	4.6000	0.50262	4.4000	0.75394	0.2000	1.073	0.297

\*M-F, male means minus female mean

t-paired sample t – test

Sig., the probability level (two-sided) of the t-statistic

If observing ratings of job values according to entrepreneurs and comparing to students' ratings, few interesting conclusions could be stated. Overall ratings are lesser in the case of entrepreneurs. Most important elements for the entrepreneurs are: good match between job requirements and own abilities; good relations of professional to family life; interesting work tasks and variation in work tasks. All of those items are all non-materialistic job values, indicating that entrepreneurs are having different personal goals compared to students. Last important elements for them are rapid career progress; good match between job requirements and own abilities and flexible working hours. If comparing male to female entrepreneurs situation is completely different with the students' opinions. In the entrepreneurs' opinion high annual salary is

more important to females then to males. As expected, it is also the case with flexible working hours. We supposed this result earlier considering motherhood and child care obligations. Female entrepreneurs also rate higher the opportunity to develop personal qualifications.

### Factor analysis

For further simplifying the analysis and defining possible latent preference profiles, which will enable further model development, we have chosen to conduct a factor analysis of the data presented in Tables 3 and 4. The results of the factor analysis for the students ratings are presented in Table 5, while for entrepreneurs in Table 6. The  $h^2$  in the tables represents communality which is a measure of the proportion of the variance that one item has in common with the other items in the factor analysis.

Table 5. Factor analysis of job values ratings among management students

	h <sup>2</sup>	Factors			
		F1	F2	F3	F4
1) interesting work tasks	0.590	0.355	0.255	<b>0.522</b>	-0.357
2) good social relations	0.713	0.489	<b>0.680</b>	-0.085	0 .0 65
3) good opportunities to develop personal qualifications	0.761	0.458	<b>0.696</b>	0.188	0.177
4) variation in	0.277	0.333	-	<b>0.390</b>	-0.051

work tasks			0.105		
5) high annual salary	0.756	0.297	-0.009	0.241	<b>0.781</b>
6) good match between job requirements and own abilities	0.705	<b>0.782</b>	-0.032	-0.300	-0.036
7) high degree of job autonomy	0.756	0.420	-0.312	<b>0.685</b>	-0.115
8) good physical working conditions	0.765	<b>0.743</b>	-0.443	0.090	-0.093
9) flexible working hours	0.528	<b>0.504</b>	-0.385	-0.245	-0.257
10) high degree of job security	0.650	<b>0.753</b>	0.020	-0.288	0.017
11) rapid career progress	0.721	0.508	-0.374	-0.096	<b>0.560</b>
12) good relations of professional to family life	0.780	<b>0.781</b>	0.217	-0.201	-0.286

Extraction Method: Principal Component Analysis.

a. 4 components extracted.

The factor analysis for students' ratings returned four factors for the investigated 11 items. The first factor embraces non-materialistic job values: good match between job requirements and own abilities; good physical working conditions; flexible working hours; high degree of job security; good relations of professional to family life. We have labelled this factor *environmental aspect*. The second factor includes: good social relations and good opportunities to develop personal qualifications. This factor is labelled *social aspect*. The third factor include: interesting work tasks; variation in work tasks and high degree of job autonomy and is labelled *behavioural aspect*. Finally, the fourth factor is labelled *economic aspect*, since it comprises only materialistic job values: high annual salary and rapid career progress.

Table 5. Factor analysis of job values ratings among entrepreneurs

	h <sup>2</sup>	Factors		
		1	2	3
1) interesting work tasks	0.633	0.417	0.344	<b>0.583</b>
2) good social relations	0.775	<b>0.673</b>	0.226	-0.520
3) good opportunities to develop personal qualifications	0.722	<b>0.833</b>	0.105	-0.127
4) variation in work tasks	0.661	0.213	<b>0.567</b>	0.543
5) high annual	0.594	<b>0.717</b>	-0.137	-0.246

salary				
6) good match between job requirements and own abilities	0.669	<b>0.577</b>	0.520	-0.256
7) high degree of job autonomy	0.677	<b>0.587</b>	-0.331	0.472
8) good physical working conditions	0.460	<b>0.445</b>	-0.437	0.266
9) flexible working hours	0.468	<b>0.499</b>	-0.463	0.069
10) high degree of job security	0.592	<b>0.767</b>	0.060	0.015
11) rapid career progress	0.735	<b>0.772</b>	-0.369	-0.051
12) good relations of professional to family life	0.483	<b>0.654</b>	0.234	0.030

Extraction Method: Principal Component Analysis.

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a. 3 components extracted.

If comparing the factor analysis for entrepreneurs' rating the same values, the first difference is that there returned only three factors for the investigated 11 items. The first factor embraces mix of materialistic and non-materialistic job values: good social relations; good opportunities to develop personal qualifications; high annual salary; good match between

job requirements and own abilities; high degree of job autonomy; good physical working conditions; flexible working hours; high degree of job security; rapid career progress and good relations of professional to family life. The second factor includes only variation in work tasks and the third includes only interesting work tasks. Since almost all elements of job values are situated in first factor it could be stated that this part of investigated population (entrepreneurs) presents almost one-dimensional sample. This is why we labelled the first factor *univariate aspect*, the second is labelled *bivariate aspect* and the third is *trivariate aspect*.

Above results reveals that there is less discrepancy in entrepreneurs' rating offered 11 job value elements compared to students'. Students have clear barriers among different groups of job value elements, especially concerning their materialistic origin. Their "older" counterparts, the entrepreneurs, don't see these barriers at all. They are observing their job values more globally concerning all elements simultaneously.

To further develop those conclusions, and to examine the effect of gender and social background on above defined factors (especially in the case of students ratings), the next stage in our analysis we performed multivariate analysis. Results of multivariate analysis for the students' ratings are presented in Table 6, while results for the entrepreneurs' ratings are presented in Table 7. In order to simplify the calculations; we changed demographic variables to dummy variables for control. Multiple regression analysis was conducted to reveal the relative contribution of each variable to the job values ratings. The quantitative analysis was conducted with gradually introducing of the above defined factors (aspects). There are for factors for the students' ratings, and three for the entrepreneurs' ratings, of the job values.

*Table 6. Multivariate tests of factors defined by students' ratings dimensioned by gender, parents education and age*

Items	Model 1		Model 2	
	$\square$	(p)	$\square$	(p)
good match between job requirements and own abilities	0.054	0.728	0.099	0.547
good physical working conditions	0.123	0.484	0.157	0.400
flexible working hours	-0.176	0.347	-0.194	0.319
high degree of job security	0.195	0.179	0.200	0.181
good relations of professional to family life	-0.038	0.794	-0.069	0.678
good social relations	0.314	0.130	0.365	0.089
good opportunities to develop personal qualifications	-0.232	0.165	-0.184	0.295
interesting work tasks	0.149	0.514	0.069	0.770
variation in work tasks	-0.008	0.958	-0.024	0.882
high degree of job autonomy	0.179	0.324	0.276	0.180
high annual salary	-0.149	0.411	-0.128	0.489
rapid career progress	-0.323	0.140	-0.373	0.097
Gender			-0.230	0.186
Parents education			-0.010	0.951

Age			-0.020	0.903
R <sup>2</sup> (adjusted R <sup>2</sup> )	0.175(0.02)		0.412(0.44)	
ΔR	0.175		0.25	
F-change	1.449		1.462	

The hierarchical regression analysis shown in Table 6 revealed that in model 1, when controlled (dummy) variables were added to the regression model, R<sup>2</sup> was 0.175. When adding demographic variables, the value of R<sup>2</sup> in model 2 increased to 0.412. The R<sup>2</sup> value increased 0.25. Nevertheless, as previously discussed for gender, neither the social background influence much the students ratings of the job values (F = 1.462). When further examination of the regression coefficient in two models was done, we found that only “good social relations” and “high degree of job autonomy” had reached the significant level. Introducing of demographic elements in model 2 didn’t change those results to a higher extend. Both of the most important items were increased. Also, it leads to insignificant increase of all regression coefficients for first, second and fourth factors, e.g. environmental, social and economic aspects, respectively. Only decrease append in part of the third factor (behavioural aspect).

Table 6. Multivariate tests of factors defined by entrepreneurs’ ratings dimensioned by gender, parents education and age

Items	Model 1		Model 2	
good social relations	-0.313	0.130	-0.349	0.100

good opportunities to develop personal qualifications	0.392	0.084	0.568	0.020
high annual salary	-0.252	0.194	-0.288	0.131
good match between job requirements and own abilities	0.077	0.665	0.001	0.996
high degree of job autonomy	-0.006	0.976	0.067	0.746
good physical working conditions	-0.181	0.243	-0.203	0.191
flexible working hours	0.142	0.363	0.086	0.586
high degree of job security	0.182	0.342	0.144	0.443
rapid career progress	-0.012	0.956	0.008	0.972
good relations of professional to family life	-0.096	0.593	-0.060	0.735
variation in work tasks	0.215	0.158	0.138	0.369
interesting work tasks	-0.142	0.373	-0.126	0.416
Gender			-0.121	0.414
Parents education			-0.285	0.085
Age			-0.236	0.137
R <sup>2</sup> (adjusted R <sup>2</sup> )	0.221(0.23)		0.310(0.75)	
□R	0.220		0.334	
F-change	1.114		1.318	

Same as in the case of students rating, introducing the demographic elements to the results of entrepreneurs job values ratings didn't change much the final outcome ( $F = 1.318$ ). If observing Model 1 in Table 6, only "good opportunities to develop personal qualifications" and "variation in work tasks" had reached the significant level. Introducing the demographic element has lead to increasing of some and decreasing of the other job value items. The two most significant elements were altered in following way: "good opportunities to develop personal qualifications" increased significantly influenced with demographic variables, while "variation in work tasks" decreased to the level without significance.

## Conclusions

The analysis presented in this paper has indicated that management students in transitional economy conditions exhibit materialistic job values. This fact is not dependant on gender of the students. Nevertheless, it is to larger extend present with male students compared to females. The gender of the students mostly influenced difference in the answer concerning "high degree of job security", which male students rated much higher. Maybe the reason for this lies in the fact that in most transitional countries, women are to larger extent unemployed compared to men. All of the interviewed students live in families where only the father is employed. In those conditions, where in most households there is only one employed, and as a rule it is a husband, security of the job is important. If he loses his job that would mean that all family is left without primary source of survival. If compared to Western world, we can state that this kind of economic dependence was present there 50 years ago. In the newspaper feuilleton, written by Barack Obama (2008) and republished worldwide, he talks about today's situation in the USA concerning family life and the employment. In today's families in USA both parents are employed and

equally contributing to the family's economy. Nevertheless, he remembers the time in his childhood when working mother was rare case even in the USA. To be precise, in Serbia, situation was completely vice versa 50 years ago. In those days most of the wives living in town in Serbia were employed. In this way we may conclude that transition of our economy, to some extent, transfers our society to replica of Western countries 50 years ago and not today.

However, factor analyses which followed the ranking of means, indicated that job values in the eyes of the student population are multidimensional, and thus more complex than a simple division between materialistic and non-materialistic values. To describe the job values of the students in our study, at least four dimensions are necessary. From those, three factors comprise non-materialistic job values and only one factor comprises materialistic values.

Our results don't support hypotheses, present in Western Europe references, on gender differences in job values among students: female students are more likely than male students to favor non-materialistic job values. There is slight difference in gender opinion toward materialistic job values, but the observed gender differences are rather small. Neither hypothesis on the relations of social class to job values seems to apply to management students from transitional economy country, as the results yielded statistically non-significant results only. The reason for this behavior is probably in the fact that in transitional economy there is virtually no statistically difference in social status among majority of people. In transitional economy there are only two classes: higher class with enormous wealth, which consist of less than 1% of the population and all the others (99% of the population). Middle class isn't formed yet. Education of parents, which was one of the elements we included in our questionnaire doesn't influence much the position of the students' family. Most of the higher class members in Serbia are not formally educated people; they obtained their richness in previous political

regime by being loyal to political elite of those days and not according to their education.

On the other hand, in the results describing entrepreneurs rating of the job values, surprisingly we found non-materialistic response. Those results are to much higher extend similar to those described in Western Europe literature, with exception that in transitional environment female entrepreneurs gives higher ratings to high annual salary then males'. In this case, compared to students, there is significant difference in ratings related to gender of the entrepreneurs. Also, factor analysis revealed that in this case there are fewer discrepancies of job values ratings, resulting with only three important factors. From which, first factor (univariate aspect) comprises 9 of 11 items. This is probably the result of the entrepreneurs' age. This part of the investigated population lived and worked in the times before transition, and even before socialistic regime. They have build their values in the society that was to much extend healthier compared to todays. Surprisingly, even socialistic regime didn't succeed to destroy their beliefs.

Multivariate analysis, here as well, indicated that there isn't much influence from social background to final rating of job values among the entrepreneurs. This result is also expected if having in mind that there aren't clear lines dividing social standings in transitional countries.

To further explain why students in transitional environment have materialistic orientation, regardless to gender or social background, we should search for the reason in Maslows' (1954) hierarchy of needs. In transitional economy environment young people place more emphasis on lower level social needs that are closely related to them. It is because they felt depressed when the needs of the higher level could not be fulfilled. They don't remember the time in which their parents were young. The generations of today students were born during socialistic regime in Serbia, and since then they didn't see much prosperity in their society. Owing to the changes in contingency, almost all their life they

had to give up the original high-level needs and turn to lower level ones. The sad part of the story is that those are young people (age 18-25) who have already lost their trust in the society they live-in. Maybe the first task of the future leaders of transitional society should be to rebuild the trust of younger generation. Then, job values (and every other values) ratings, among our students, will be similar to those from Western countries.

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## **Chapter 5**

### **Innovation and Entrepreneurship in Transition countries: An empirical study of innovative behaviour of Lithuanian entrepreneurs with reference to regional economic development**

**John Sae and Manuela Tvaronaviciene**

#### **Introduction**

In the last few years, Lithuania together with other Baltic states has recorded an impressive economic growth. However, despite the growth of economy, Lithuania still experiences a number of problems including, low level of labour productivity; high energy consumption in industry; growing prices of natural resources; and cost-based competition in the business as well as industry sectors. These factors impact international competitiveness of the Lithuanian economy strategically.

Given the structure of Lithuanian economy which predominantly represents a high degree of labour intensive industries with only a marginal level of technology based industries, innovation policy in the economic sector is gaining increasingly popularity. Innovation activity is seen as the driving force behind the development of economy and companies in terms of modernization of production and service structures, creation of new products while increasing their competitiveness on an international scale. This view on innovation behind economic development has further found considerable support in the literature (Coe and Helpman, 1995, Coe *et al.*, 1995, Teixeira and Fortuna, 2004).

This research paper first of all discusses the actual effects that the Lisbon process has had on the Lithuanian innovation performance. An attempt is also made to provide a profile of the Lithuanian emerging demographic trends and its economy as well as its innovation performance. Finally, the research paper presents the results of a survey which was carried out in Lithuania in order to capture the perceptions and attitudes of the business sector towards innovations.

### **Literature Reviews: Lithuania: Country's Profile**

Lithuania, officially the Republic of Lithuania, is the largest and most southerly of the three Baltic countries. The country is situated along the south-eastern shore of the [Baltic Sea](#) and shares borders with [Latvia](#) to the north, [Belarus](#) to the southeast, [Poland](#), and the [Russian exclave](#) of the [Kaliningrad Oblast](#) to the southwest.

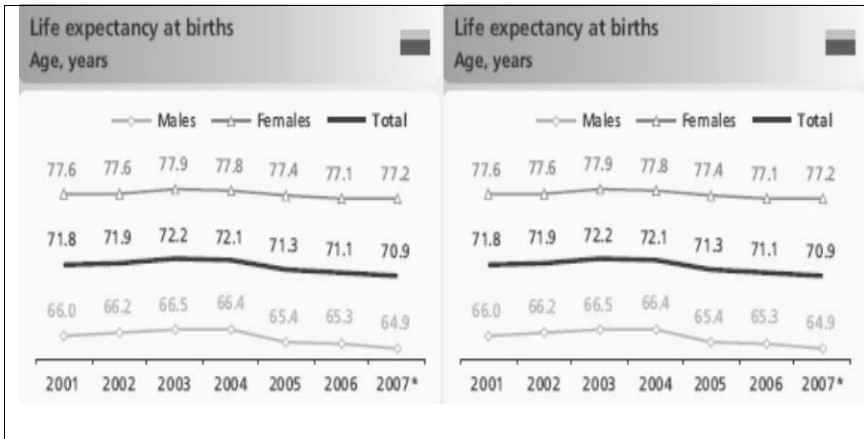
Lithuania is a member of [NATO](#), and of the [European Union](#), and it also became a full member of the [Schengen Agreement](#) on [21 December 2007](#). During the 1300s, Lithuania was a large European country made up of present-day [Belarus](#), [Ukraine](#), and parts of Poland and Russia were territories of the Grand Duchy of Lithuania. In 1569 Poland and Lithuania formed a new state: the [Polish-Lithuanian Commonwealth](#), which was dismantled by its neighboring countries in 1795. Most of Lithuania's territory was annexed by the [Russian Empire](#), until [February 16, 1918](#), when the [Act of Independence](#) was signed and a sovereign state was re-established. Between 1940 and 1945 Lithuania was occupied by both the [Soviet Union](#) and [Nazi Germany](#) at different times. After the Second World War, Lithuania was reoccupied by the Soviet Union. On [March 11, 1990](#), Lithuania became the first [Soviet republic](#) to [declare its renewed independence](#).

It is widely agreed that the changes in demographics, such as the falling birth rate, ageing population and a growth in migration from developing countries, will have profound effects on society (Van Peer,

2006). Scholars maintain that these demographic phenomena will impact on everyday life for people in the twenty-first century. Hence, it is important to overview the demographic trends in Lithuania in comparison with other EU countries.

According to the Department of Statistics, Lithuania's population is 3.4 million (0.7% of the EU population). The population density of country is 52 inhabitants per square kilometre. The population of the largest city and capital of Lithuania - Vilnius is 555.7 thousand. (Statistics Lithuania, 2008). Only six EU Member States – Latvia (2.3 million), Slovenia (2.0 million), Estonia (1.4 million), Cyprus (0.8 million), Luxembourg (0.5 million), and Malta (0.4 million) – have a smaller population than Lithuania. Notably, in 2007 Lithuania (-5.7%) was among eight Member States, which experienced one of the largest population declines. Only Bulgaria (-7.9%) and Latvia (-6.7%) had the largest declines than Lithuania (Eurostat, 2008). One of the reasons for the decline in Lithuanian population is decreasing birth rate.

In Lithuania, life expectancy for women is twelve years longer than for men (See, Fig. 1 below). In 2006, life expectancy in Lithuania for men was 65.3 years, for women it was 77.1 years. Meanwhile in the EU, women live six years longer than men. The highest life expectancy for women was recorded in Spain and France (84.4 years), compared to men – in Sweden and Cyprus (78.8 years). In 2006 the fertility rate recorded in Lithuania was 1.31 (See Fig. 2). Only two EU Member States – Slovakia (1.24) and Poland (1.27) had lower fertility rates than Lithuania.



**Fig. 1** Life expectancy at births

**Fig. 2** Total fertility rate

Source: The Department of Statistics  
[[www.stat.gov.lt](http://www.stat.gov.lt)]

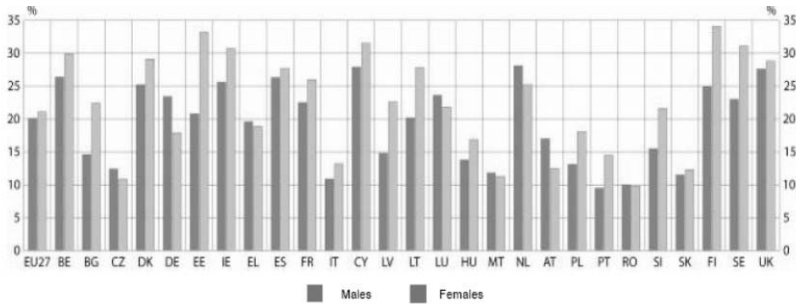
Source: The Department of  
Statistics [[www.stat.gov.lt](http://www.stat.gov.lt)]

Scholars note that “development of society is increasingly determined by growing scientific and technological progress coupled with the prevalence of knowledge and information society models and standards (Melnikas, 2005). Hence, education of population plays an important role in the development of any country. Notably, the level of educational attainment of the working age population (aged 15 to 64) provides a crude measure of the knowledge and skills available in country. The measure presents the educational characteristics of the supply side of the labour market. In 2007 in the EU, nearly one third (32.7%) of the working age population had low level of educational attainment, almost half (46.7%) had a medium level and one fifth (20.6 %) possessed a higher level of educational achievement. The percentage of the working age population with low educational attainment varies between 16.2% in the Czech Republic to over 70% in Portugal and Malta.

In the Czech Republic, Germany, Estonia, Latvia, Lithuania, Hungary, Austria, Poland, Slovenia, Slovakia, Finland, Sweden and the UK less than 30% of the working age population have low educational attainment, while in Greece, Spain, Italy, Malta and Portugal it is more than 40% (Eurostat, 2008).

Notably, in 2007, the percentage of the population aged 25-64 having completed at least upper secondary education in the EU comprised of 70.8 per cent. Only three EU Member States – The Czech Republic (90.5%), Slovakia and Estonia (89.1% in each) had a higher percentage than Lithuania (88.9%), whereas, in Malta (26.8%) and Portugal (27.5%) the percentages were the lowest.

Figure 3 shows the distribution of working age (15-64 year olds) made up of males and females with high educational attainment on a country level basis. In Lithuania and in the majority of countries, females represent a much higher share of higher educational attainment.



**Fig. 3** Gender and high educational attainment of working age population (15-64 year olds) 2007

Source: Eurostat,[ <http://ec.europa.eu/education/policies/2010/doc/progress08>]

The number of tertiary graduates per 1000 young people aged 20-29 has increased in the EU by about 30% in the period 2000-2005 to reach about 56 today. Countries with a high number of graduates per 1000

young people (> 80) include Ireland, Lithuania and the UK. The reason why such large proportions of young people are seeking higher education is due to a competitive labour market. According to Morris and Western, the growing number of research studies suggests that some of the new jobs that have been created over the past two decades are fundamentally different from the ones that have been lost (Morris and Western, 1999). Therefore, the new jobs that have been created in last decade tend to favour employees with higher education over those with less education. Lithuania is no exception to this.

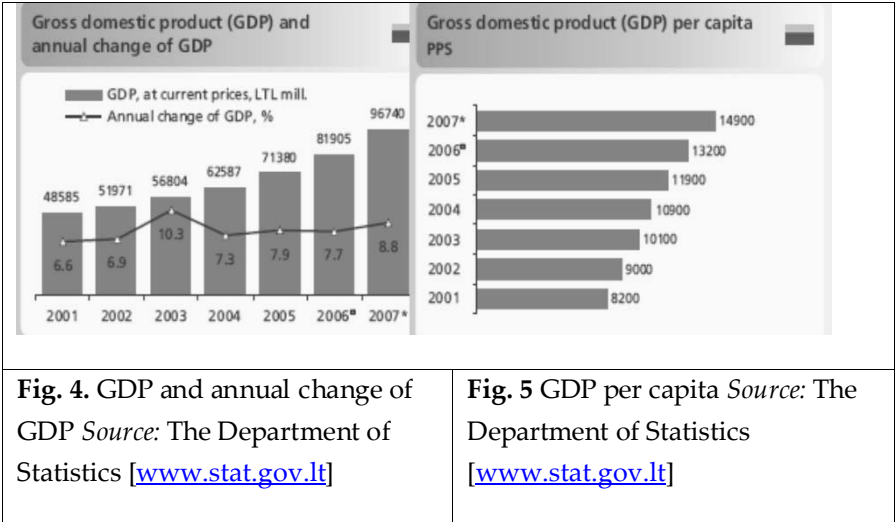
EU policies following up the Lisbon objectives underline continuous improvements of the skills of the labour force via participation in lifelong learning and training schemes. Lifelong learning is seen as a key to personal development and social inclusion as '...education empowers individuals to participate fully and creatively in their communities' (Downes *et al.*, 2006). However, a close look at the life-long learning of Lithuanian population suggests that Lithuania lags behind other countries and thus far it has not reached the EU average. Life-long learning (percentage of the adult population aged 25–64 participating in education and training) in the EU was 9.7 per cent, in – Lithuania 5.3 per cent. The Nordic Member States and the United Kingdom demonstrated the highest percentages respectively: Sweden (32.0%), Denmark (29.2%), the United Kingdom (26.6%), Finland (23.4%), while the lowest percentages were recorded in Bulgaria, Romania (1.3% in each) and Greece (2.1%).

### **An Overview of the Lithuanian Economy**

Lithuania like other post-communist countries have undergone major transformations (i.e., from planned to a market economy). Reforms that were implemented in all spheres of socio-economic life in Lithuania were meant to eliminate many obstacles and crises associated with a command economy thereby enabling Lithuania to lay the foundations for a fully functioning market-based economy.

In recent years, the economy of Lithuania has been developing at an almost stable rate. In 2007 real GDP growth in Lithuania reached 8.8 per cent and it was higher than in the year 2006 (See Fig. 4). Notably, the highest real GDP growth in 2007 was recorded in Slovakia (10.4%) and Latvia (10.3%), while the lowest were in Hungary (1.3%) and Italy (1.5%) (Statistics Lithuania, 2008). According to the Annual Report of the Bank of Lithuania in 2007 the economic development of country was pushed up by a buoyant growth of investment at the start of the year, a better absorption of EU funds, rapidly soaring income and increasing consumption supported by still intensive borrowing (Annual Report of the Bank of Lithuania , 2008).

In 2007, the highest per capita GDP, expressed in purchasing power standards, was in Luxembourg, where it was almost three times higher than the EU average, in Ireland – by almost 50 per cent, in Netherlands – by about 30 per cent higher than the EU average. The lowest per capita GDP, expressed in purchasing power standards, was in Bulgaria and Romania, where it made up just about 40 per cent of the EU average (in each respective country). In Lithuania, the said indicator reached 60.0 per cent of the EU average (See Figures 4 and 5).

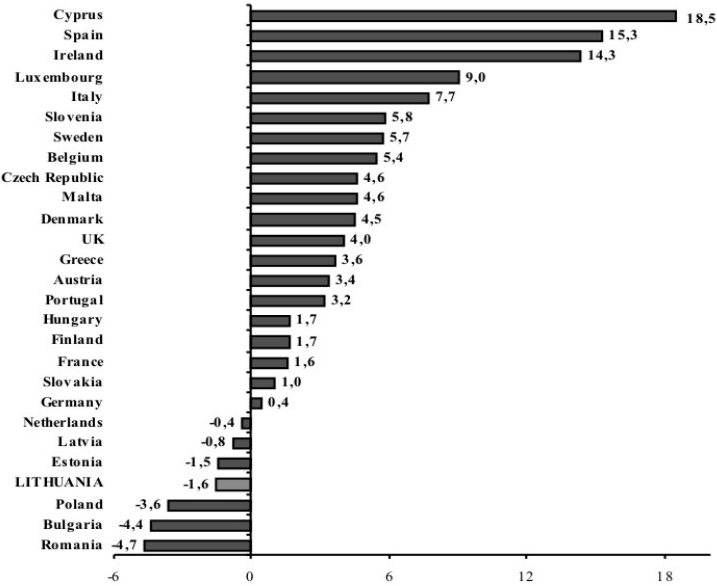


Notably, the most decisive impact on GDP growth for 2006 was affected by activities of enterprises engaged in manufacturing, construction, transport, financial intermediation and real estate. More value added was generated by the said enterprises in 2006 (by approximately 11 %) than in 2005, while in enterprises of other economic activities generated more value added by just 4 %. (Inno-Policy TrendChart – Policy Trends and Appraisal Report, 2007). About 50 % of gross value added fell per enterprises of manufacturing, construction, financial intermediation and real estate. In 2007 the most important driver of the value added growth was a buoyant increase in economic activity of trade enterprises: the value added created by retail and wholesale trade enterprises accounted for a quarter of the growth of Lithuanian GDP in 2007. Notably, the growth rate of the construction sector was somewhat slower when compared to 2006, with the exception of the first quarter, when the activity was pushed up by seasonal factors. However, a direct effect on the real GDP growth continues to be similar due to an expanding share of this sector in the economy. Hence, we can draw a conclusion that the major economic drivers in the near future will remain in the traditional industries.

According to the data provided by the Statistics Department, there were on average, 18 companies per thousand of Lithuanian citizens in 2006, In European Union there are 52 companies per thousand citizens or twofold more than in Lithuania. According to the research study, people in Lithuania are unwilling to take risk based on entrepreneurship and instead, they prefer regular paid work (Solnyskiene, 2008). Hence, it restricts the development of entrepreneurship in Lithuania.

With respect to migration related issues, the evidence suggests that Lithuania up until 2004 was net emigration country. Some scholars expect that in the future Lithuania as well as other Baltic countries will continue to experience net immigration (Schuller, 2008). However, at the present time, the percentage of emigrants from Lithuania tends to be the

highest among EU members. According to the Department of Statistics, about 10 percent of population has since 1991 emigrated from Lithuania. In 2007 crude net migration rate of Lithuania was -1.6 (per thousand population). Only Romania (-4.7), Bulgaria (-4.4) and Poland (-3.6) which overtook Lithuania (See, Fig. 6). Hence, from a recent data, presented above, we can draw a conclusion that due to emigration Lithuania loses its talented population and this process creates preconditions for economical, social, cultural and other changes.



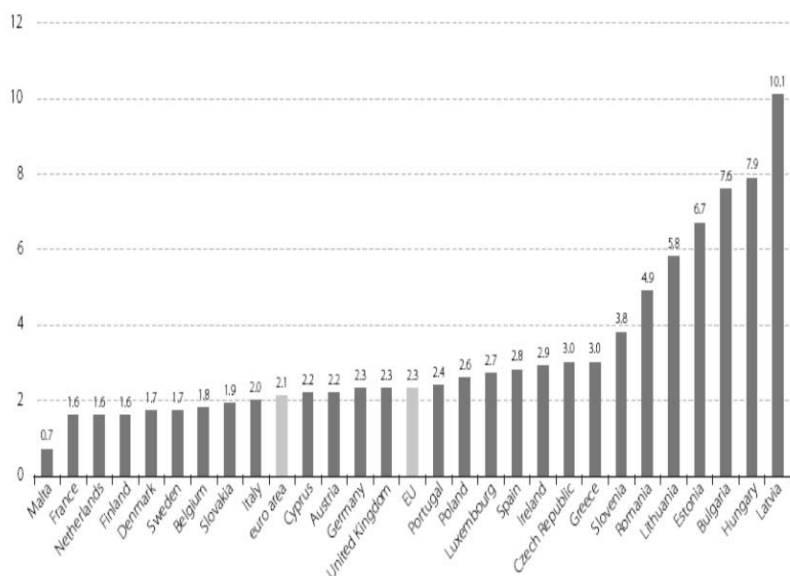
**Fig.6** EU Member States Crude Net Migration Rate (2007, per thousand population Eurostat provisional data)

In the economically developed countries, more attention is given to the problem of ‘brain drain’. It has become an object of interest and research in these countries much earlier than in the economies of transition. This situation can be explained by a more extensive and accurate statistics provided in different sources (Bagdanavicius and Jodkoniene, 2008). Scholars state that the number of emigration

specialists from Lithuania is marginal, since the demand for qualified labour abroad is smaller than that of unqualified; however, people with high qualification and professional competence of workers from both public and private sector leaving Lithuania, has become a precondition of brain drain from Lithuania to other countries.

Given the high rate of migration of Lithuanian labour, it has made an impact on unemployment rate. According to labour force survey (LFS) data, the unemployment rate, which stood at 10.6% in late 2004, shrank more than twofold in the last two years and it was merely 3.9% in the third quarter of 2007, while the long-term unemployment rate fell below 2% in 2007 (Statistics Lithuania, 2008). As the demand for labour kept increasing and the number of the unemployed continued to decline, the growth of wages began to accelerate. In 2005 and 2006, wages soared by 11% and 18% respectively, and in the three quarters of 2007, they were approximately 20% higher than a year ago. Nevertheless, income has been rising faster than labour productivity (labour productivity amount 51 % of EU average), which is a threat to competitiveness of Lithuanian companies in foreign markets. One of the effects of the steady increase in earnings is that Lithuania is losing wage-sensitive industries such as textiles to cheaper locations in the Commonwealth of Independent States (CIS) and China.

The growing wages made an impact on the inflation rate. In 2007, annual inflation in Lithuania was 5.8% (See Fig. 7). Only Latvia (10.1%), Hungary (7.9%), Bulgaria (7.5%) and Estonia (5.8%) had higher inflation rates. In May 2008 annual inflation in Lithuania reached 12.3% and it was higher than Euro area inflation (3.7%). The lowest annual inflation was observed in the Netherlands (2.1%) and Portugal (2.8%), while the highest – in Latvia (17.7%) and Bulgaria (14%). Hence, Lithuania exceeds Maastricht criterion (2.5%) of average annual inflation rate, which hinders possibility to join Euro zone.



**Fig.7** x Annual average inflation rates (in %), 2007

*Source:* Eurostat “European Economics Statistics”

## **An Analysis of Innovation Performance and Innovation Policy**

The prevalence of traditional industries, high energy consumption in industry and low productivity rate are the major factors restricting Lithuania’s competitiveness in international markets which in turn create preconditions for exploring new resources for growth. Scholars hold that one of the most distinctive features of the ‘new’ theories of growth has been the increasing importance attributed to human capital and productive knowledge and to the interaction between these two factors (Teixtera and Fortuna, 2004). Innovations are one of the key factors of successful development of the country’s economy and enterprises. It is widely agreed that development and intensification of innovation activity enables multiform modernisation of production and service structures. Schumpeter maintains that innovation is a source of profit and high added value until the innovation is spread around and it becomes competitive advantage (Ciegis and Jasinskas, 2005). Porter

points out that in a global economy, the competitive advantage lies increasingly in such local variables such as knowledge, relationships, and motivation (Porter, 1998).

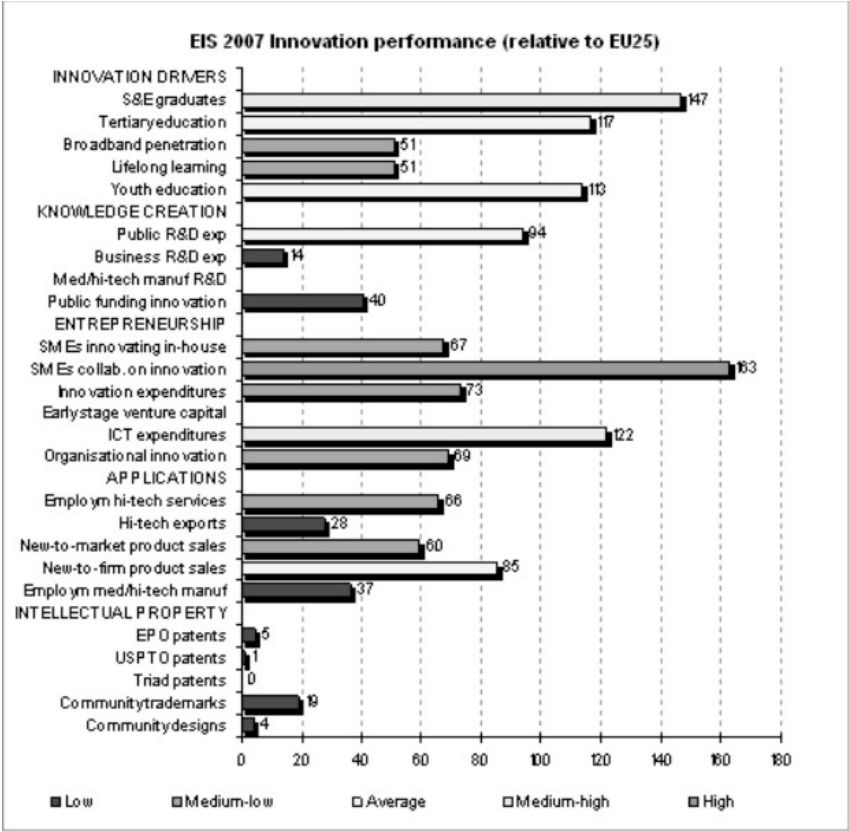
The major challenge Lithuania faces today is upgrading its sustained traditional industries towards high value-added, while embracing knowledge-intensive modern industrial sectors (Inno-Policy TrendChart – Policy Trends and Appraisal Report, 2007). It should be noted that in recent years, Lithuania has made tremendous progress in regards to innovation policy and its implementation. The Lisbon process and the implementation of the National Reform programme (NRP) are seen as the major contributors to this progress. For instance, structural Funds gave Lithuania a real base to implement and sustain a wide range of innovation support measures, both in the public and private business domains. Furthermore, knowledge and human resources development capacities are being upgraded in line with the Lithuanian national economy needs. However, it is too early to assess the success of the measures being implemented in this respect and it therefore an analysis of the current innovation performance of Lithuania is merited here.

The Knowledge Economy Index (KEI) of Lithuania, representing the overall preparedness of a country towards the Knowledge Economy (KE), rose from 43<sup>rd</sup> in 1995 to the 31<sup>st</sup> position in the current 2007 rankings and this amounts to 7.49 (The World Bank Development Program, 2007). It should be noted that this index aggregates volumes and status of human resources, innovative policy, information technologies and innovative business. For instance, according to the KEI Sweden, Denmark and Norway are seen as the world's most advanced knowledge economies (with 9.26, 9.22 and 9.17 respectively).

Lithuania has an overall innovation performance that places it among the group of “catching- up countries” with a performance that is well below EU average but increasing towards the EU average over time. Other EU countries within this group and with a similar level of performance are Malta, Latvia, Hungary, Greece, Slovakia, Poland, Portugal, Bulgaria and Romania (European Innovation Scoreboard, 2007). Over the past 5 years Lithuania's innovation performance has

increased rapidly and based on this trend it would reach the EU average level of performance within ten years.

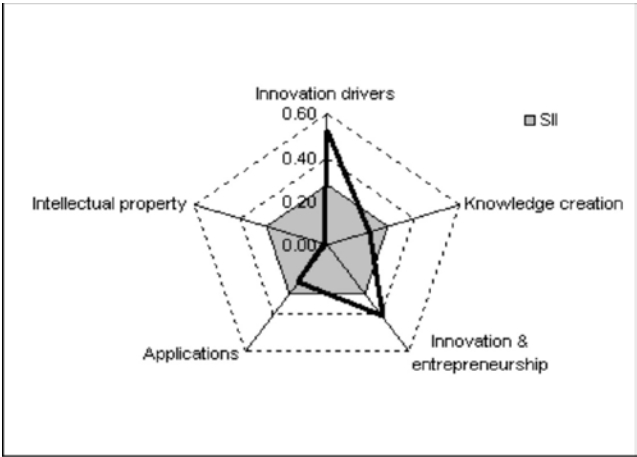
Lithuania performs particularly strongly on the dimension of Innovation drivers, where it is above EU average on the indicators of S&E graduates, Population with tertiary education and Youth education attainment level (See Fig. 8). It performs at a relatively low level on the dimension of Intellectual property, Business R&D expenditures, public funding innovation, high-tech exports, and employment in high tech manufacturing.



**Figure 8** Innovation performance chart

Source: European Innovation Scoreboard

The analysis leads us to conclude that Lithuania is less efficient than EU average in transforming innovation inputs into outputs. Fig. 9 indicates that Lithuania performs well according to the innovation drivers which are measured by the share of S&E graduates per 1000 population, the share of working age population with a tertiary education, the broadband penetration rate, and the share of working age population active in lifelong learning as well as the youth education attainment level, but Lithuania lags behind Intellectual property indicator, which is measured by the relative amount of EPO patent applications, USPTO granted patents, Triad patents, Community trademarks and Community designs.



**Figure 9** Performance chart by innovation dimension

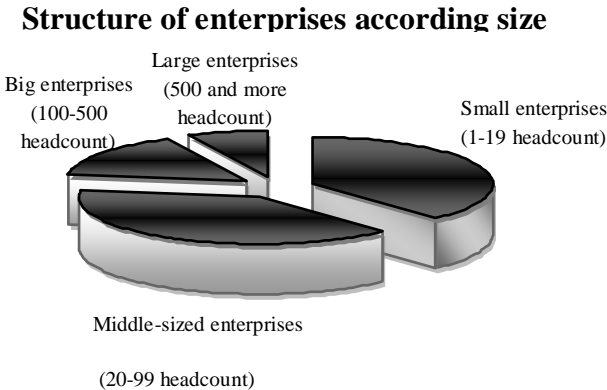
*Source:* European Innovation Scoreboard

According to the survey carried out by the Department of Statistics in 2004–2006, in Lithuania, innovation activities were carried out by 18.4 per cent of enterprises. The results of the previous survey (carried out in 2002–2004) allow us to conclude that the share of innovative enterprises in the total number of enterprises decreased by 5 percentage points (Samuolis, 2007). Presented data illustrate that there is a lack of incentives for innovation activities in the private sector that leads to a

low innovation performance of the system as a whole. It is worth noting that Lithuania's public policy influencing development of new ideas is inadequate at present time.

**An Empirical Study of Business Sector Attitude towards Innovations**

In order to ascertain attitudes of business sector towards innovation and of the state supporting role, a survey has been implemented. The survey is based on responses to a questioner embracing various aspects of innovation implementation process in Lithuanian enterprises. 1264 enterprises from all business sectors in Lithuania participated in the investigation. 1001 response was considered as acceptable for scientific generalization. Companies for our study have been chosen randomly. Their distribution across different economic sector is as follows: 715 companies were related to service sector and 286 companies were directly involved in the provision of services (service sector dominates in Lithuanian economy and it is less concentrated).

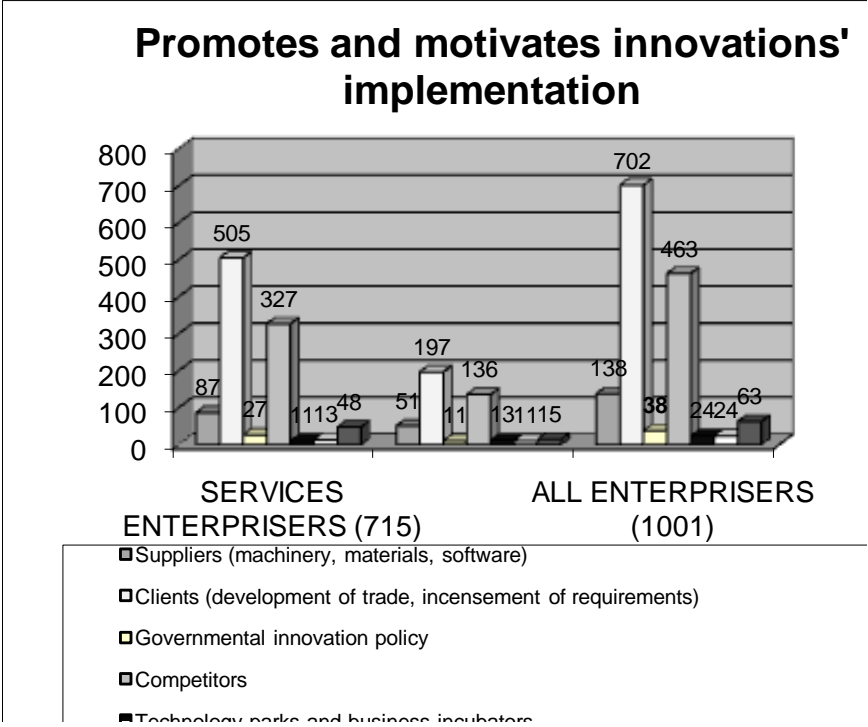


**Fig 10.** Structure of respondents according size

***Factors fostering implementation of innovations***

Striving to assess factors fostering implementation of innovations, respondents were asked to evaluate the role of suppliers, clients, Governmental innovation policy, competitors, Science and Technological

Parks, business incubators, scientific research institutions. The study found that competitors, Science and Technological Parks and business incubators take a leading role in the promotion and motivation of innovations' implementation\*. Notably, the study revealed that six operational Science and Technological Parks in Lithuania involve cooperation between industry and R&D institutions and they are oriented towards the development of new technologies, prototype products and creation of innovative high-tech products. On the other hand, the role of scientific research institutions and governmental innovation policy was perceived as rather insignificant (Fig. 11).



\* Research question: "What promotes and motivates innovations' implementation in your enterprise?"

**Fig xx.** Factors fostering implementation of innovations

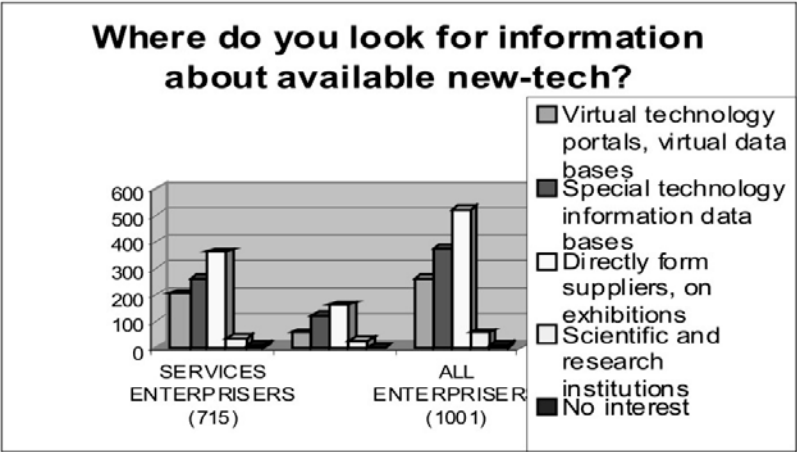
A conclusion based on this study can be drawn that there is the real possibility to implement and apply innovations through business incubators, Science and Technological Parks while competition in the marketplace serves as the main driving force for innovation process in Lithuania. The role\_of scientific institutions and state programs, as factors initiating innovations, is found to be much less tangible in Lithuania.

*Role of State aid*

The respondents were asked to indicate the main sources of information for new technologies\*. The finding in this study reveals that business companies obtain information directly from suppliers via exhibitions and they also rely on technology information data bases (Fig. 12).

On the other hand, state scientific and research institutions are not seen as the sources for information gathering relating to new technologies.

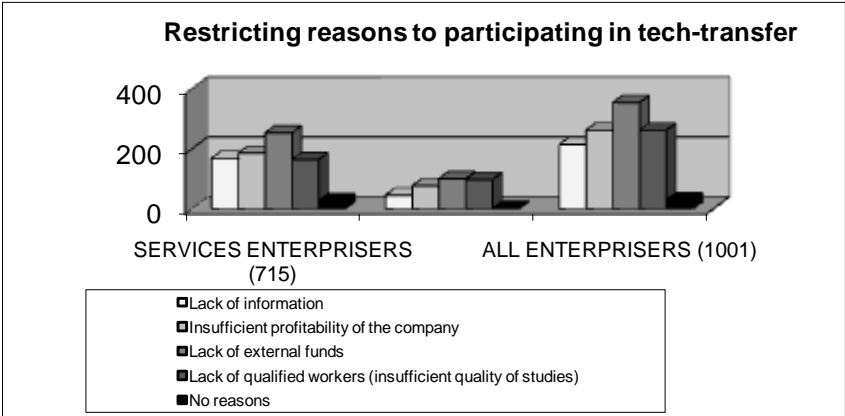
**Where do you look for information concerning new technology?**



Research question: “Where do you look for information concerning new technology?”

The responses from respondents to our research question (i.e., dealing with the factors which may inhibit technology transfer process)\*, revealed that business companies, especially in service sector identified, among other things a lack of qualified employees” coupled with a lack of information (Fig.13).

**Inhibiting reasons behind lack of participation**



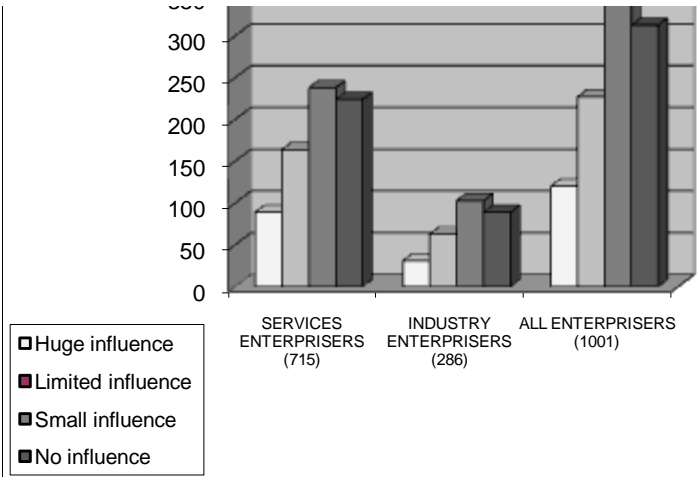
\* Research question: “What factors do impede your company’s direct participation in new technology implementation process?”

**Fig 13.** Factors retarding technology transfer process

*Perceived efficiency of State policy*

The study found that business companies were unaware of state programs dealing with innovations. Thus, a majority of business companies indicated that the role of government was negligible \* (See Fig. 14).

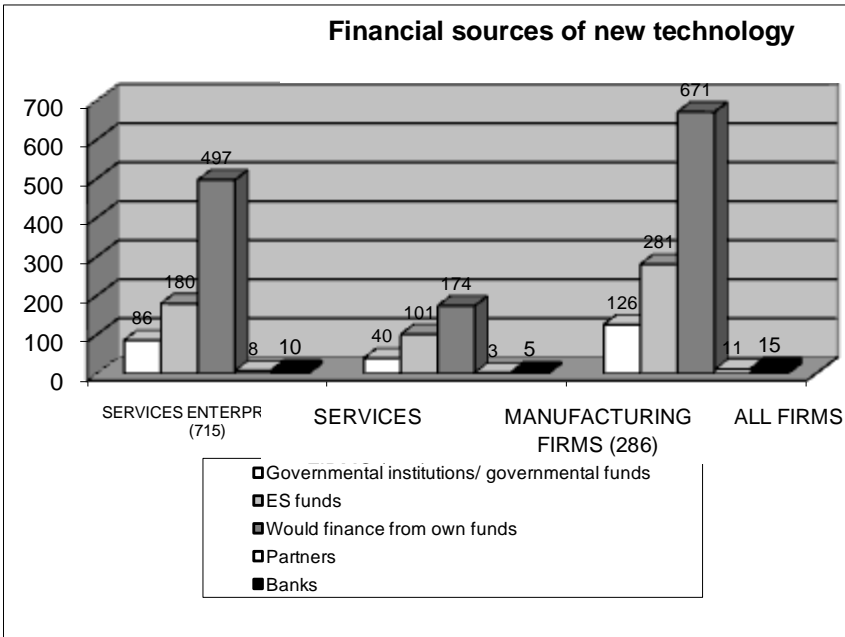
# Governmental influence on establishment and implementation of technologies for firms



\* Research question: “What is your opinion about governmental influence for establishment and implementation of technologies in your enterprise?”

**Fig xx** Role of government in implementation of new technologies

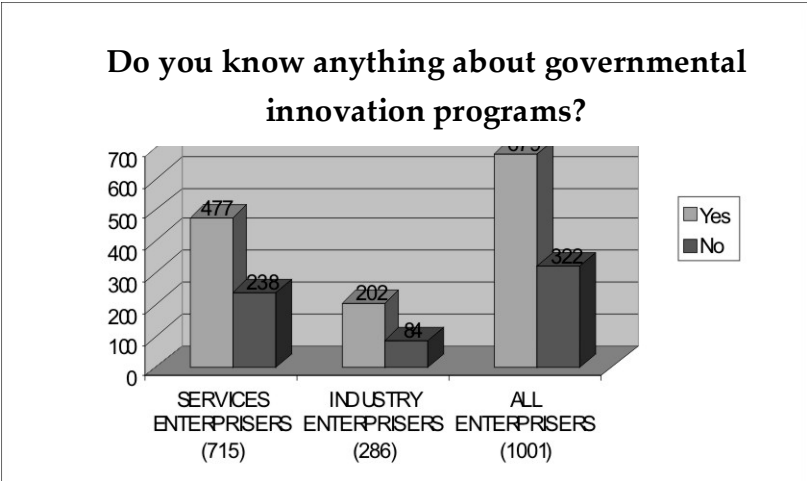
Therefore, the companies indicated that they finance new projects from own funds and from the EU funds\*. Only 12% of all respondents indicated governmental funds are the financial source of their new projects (Fig.15).



\* Research question: "Where would you apply for financing of the project?"

**Fig 15.** Financial sources of new technologies

68% of respondents indicated that they obtained information relating to governmental innovations programs\* (Fig. 16).



\* Research question: “Do you know anything about governmental innovation programs?”

**Fig 16.** The information available to companies about governmental innovations programs.

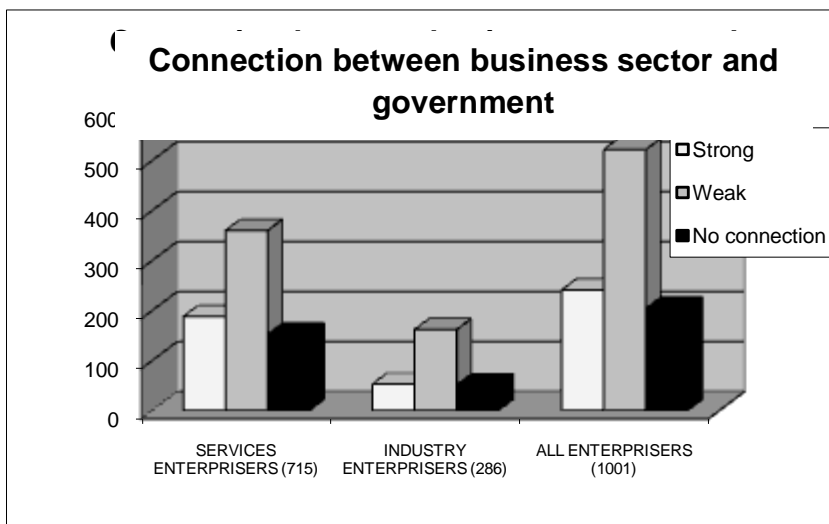
However, only 35% of respondents indicated that they believe in the benefit arising from such programs\* (Fig.17).

**Do you think you can benefit from such**

\* Research question: Do you think you can benefit from such programs?

**Fig 17.** The benefit of governmental innovation programs.

Overall, the connection between business sector and government in so far as innovation is concerned is seen as weak which was confirmed by a majority of the companies which participated in the survey. (See Fig.18).



\*Research question: How strong, in your opinion, is the connection between your business sector and government?

## Conclusions

The role of scientific institutions and state programs with respect to innovations is marginal and thus business companies do not feel that state policy on innovation has had any major impact. On the other hand, the availability of technology parks and business incubators, as well as the existence of competitive business environment are the main catalysts for driving innovation in Lithuania.

The survey revealed that many innovation programs initiated by the state are inefficient. The finding also suggests that implementation strategy of state policy has to be urgently reconsidered. Overall, it is important to point out that the connection between business sector and government is seen as weak. Business companies lack a sufficiently qualified number of employees. It is worth noting that the Lithuanian R&D infrastructure is dominated by the public sector which includes such institutions as universities, academia, research institutions and state

research institutes, as well as state research institutions. However, Lithuanian science system is seen as marginal. Therefore, Lithuania's public policy influencing formal development of innovations, through funding of the science and research institutions and the provision of incentives for private R&D, is inadequate. Hence, the country is lacking a mechanism for influencing the capacity to engender innovations, especially through the present state apparatus.

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## **Section II: Business Support Services and Institutions**

## Chapter 6

### **Incubating and Nurturing Female-Owned Enterprises: Senegalese and Tanzanian Experiences**

**Imani Silver Kyaruzi and Chantal Ahoefa Hales**

#### **Introduction**

As we stand on the verge of globalisation and the enterprising world, the implications of social, economic and business incubation processes are mostly idolized – and mostly unknown! Entrepreneurship policies have been introduced to address such weaknesses. For instance, in African in particular, a number of business support mechanisms have been introduced to cultivate and cultivate entrepreneurship. However, although policies seem to target both men and females alike, the entrepreneurial participation and experience have been shown to differ across genders. This is not to suggest that men are more privileged than women, but the argument presented here seeks to develop a debate on specific support for female entrepreneurs to appreciate their contributions in local economic growth. In this chapter, it is this growing segment of entrepreneurship that will form the basis of our discussions.

In recent years, women have been playing an increasing role as drivers of growth in many of the world's economies (Jalbert, 2000; UNIDO, 2001; Greene *et al.*, 2003; Minniti *et al.*, 2005), however, little is known about the gendered influences on the experiences and the subsequent contributions of growth-oriented female entrepreneurs at country level (Brush *et al.*, 2006). Women's participations and

contributions in economic activities are also limited to specific sectors. Such factors can be grouped into three categories:

First, in Africa most female entrepreneurs are particularly found in agriculture and informal businesses (Charmes, 2000; Chen, 2001; Stevenson, 2005) and their contribution to the local economy is difficult to measure (Charmes, 2000). Their ability to establish businesses and grow new ones, generate employment and improve productivity is often hampered by formal and institutional constraints governing their societies (Rogerson, 2000). However, despite such realisation, these institutions are rarely explored and, in most cases they are treated as unproblematic sites that exist with a sole purpose of creating businesses (Kyaruzi, 2008).

Secondly, the local policies and programmes aimed at providing an enabling environment capable of solving these critical issues are often problematic. Whilst there appears to be a number of initiatives (both governmental and non-governmental) aimed at providing both financial and non-financial support to women's enterprises, evidence has shown that women still lack the vital ingredients to develop successful sustainable businesses. Business incubation has emerged as a cost-effective contributor to local economic development (Albert and Gaynor, 2001), so that, incubating female enterprises from early stage can give the businesses credibility; increase the likelihood of their survival and their abilities to build effective networks and access critical resources such as finance (Shahidi, 1999).

Thirdly, on the research point of view, it can be argued that while most of the studies on female entrepreneurs in Africa have investigated the entrepreneurs, their enterprises and the entrepreneurial environment (Spring and McDade, 2005), there is a little mention on how these ventures are incubated and nurtured throughout their life cycles. Concerning the environment, the studies, though not deliberately, have either ignored or failed to identify the roles of female entrepreneurs in

the incubation processes. Others have paid too much attention to the social and economic contributions of females' enterprises therefore obscuring their views on the day to day experiences of these firms. In an attempt to understand the mysterious concepts behind this one sided view, this paper has the following objectives:

- To explain why we need female entrepreneurship
- To explain the significances of business incubation processes on female entrepreneurship.
- To address the issues within the incubation programs and develop a framework for nurturing females' ventures for local economics growth.

This paper is divided into four parts. The first part provides a literature review on female entrepreneurship and business incubation. The second part provides some empirical evidences collected from Senegal and Tanzania. The third part offers discussion that link theories and practices. The final part forms a conclusion to this study as well a pointing to the direction of future research on the subject.

### **Research on female entrepreneurship**

There is a growing body of literature on female entrepreneurship. The literature has been centred on three specific areas – the geographical origin, gender issues and economic development schools.

First, much of the initial research on female entrepreneurs was carried out in developed countries, such as the USA, Canada, the UK, and Australia (Belcourt, 1990; Lerner *et al*, 1997; Hisrich and Ozturk, 1999; Carter *et al.*, 2001). Second, traditionally the field of entrepreneurship has been seen as a male activity in terms of access, control and remuneration (Spring and McDade, 1998; De Bruin *et al.*, 2007). The theories of entrepreneurship were developed using samples of men; were tested on men; hence they did not “fully capture women's entrepreneurial traits and behaviour” (De Bruin *et al.*, 2006). However,

significant advances have been made in the field within the last two decades with considerable attention devoted to the identification of differences between male and female entrepreneurs and the importance is attributable to the knowledge that women are engines of economic growth (Buttner and Moore, 1997; Carter *et al.*, 2001; Ahl, 2002; Gatewood *et al.*, 2003; Greene *et al.*, 2003; Winn, 2005). Research on female entrepreneurship has centred on themes such as start-ups (the entrepreneurial process, the motivation (Buttner and Moore, 1997), characteristics and experience of the entrepreneur (McClelland, 1987; Stanley and Gilad, 1991), the finance-related issues (Carter *et al.*, 2003; Verheul *et al.*, 2004; Minniti *et al.*, 2005), business networks (Renzulli *et al.*, 2000; Johannisson *et al.*, 2002; Greve and Salaff, 2003), the management, performance and growth of the enterprise (Birley and Weasthead, 1990; Moore and Buttner, 1997; Gundry and Welsh, 2001) and policy issues (Greve, 1996; Stevenson and Lundstrom, 2001). The push towards an understanding of female entrepreneurialism has led to the realization that there are differences in the social structures and the organizational life of female entrepreneurs in developed and developing countries (Singh *et al.*, 2001; Lingelbach *et al.*, 2005), and subsequently has resulted in more attention been paid to entrepreneurship in developing nations (Mead, 1999; Charnes, 1999; Jalbert, 2000; Fonjong and Endeley, 2004; Guerin, 2006).

Third, on economic development, in Africa, the increasing interest on entrepreneurship emerged from the sheer realisation that entrepreneurial activities could help to achieve the ultimate goal of economic development (Spring and McDade, 1998; Richardson *et al.*, 2004). In West Africa, earlier studies focused on individual entrepreneurs, on informal sector traders and micro enterprises with recent approaches targeting some SMEs (Fafchamps, 1999; Charnes, 2000; Bar, 2000; Chen, 2001; Fick, 2002). However, there remains a residual concern that studies that identify the factors driving entrepreneurship in Africa are still lacking (Sriram and Mersha, 2006),

particularly the view that there is a lack of focus on important variables such as the entrepreneurial environment; how the local policies and support system spawns entrepreneurs and generates new businesses (Thornton and Flynn, 2005); and in particular the role of female entrepreneurs in the incubation process. This paper is an attempt to fill these gaps in the by investigating the environment for female entrepreneurs in Dakar (Senegal) and Dar es Salaam (Tanzania).

### *Defining female entrepreneurship and Incubation*

For the purpose of this paper some key terms and concepts needs to be defined at the outset: An *entrepreneur* is an individual who creates and grows businesses; and a *female entrepreneur* is “a women who has initiated a business, is actively involved in managing it, owns 50% of the firm, and has been in operation for one year or longer” (Buttner and Moore, 1997, p.13). *Entrepreneurship* is the process through which entrepreneurs create and grow businesses; it is concerned with the discovery and exploitation of profitable opportunities (Shane and Venkataraman, 2000), “drives innovation and technical change and therefore generates economic growth” (Shanea *et al.*, 2003, p.3). Entrepreneurship as a dynamic process of creating firms requires constant development. In this chapter we define *Entrepreneurship development* as the infrastructure of public and private policies and practices that foster and support entrepreneurship. This provides justifications for merging female entrepreneurship development with business incubation processes.

“Incubation” is defined as a process of assisting new [...and growing businesses] to become established and profitable by providing them with premises, support and advisory services, networking and access to finance. These are places where professionals offer organised resource-rich and support services dedicated to start ups [and established businesses], to strengthen their development (Albert and Gaynor, 2001:2). In the African context, incubators have not been

successful. A number of factors have contributed to the slow growth of business incubators. First, incubation theories appear to treat the incubators and incubation processes as unproblematic institutions or policy tools for creating businesses (Kyaruzi, 2006; 2008). Second, the main focus of most theories has been on volumetric measures or outputs such as; number of businesses created, employment generation, taxes and regional economic growth (Aernoudt, 2002; Lalkaka, 2003). These measures are short of giving a clear indication as to whether the incubation process is there to nurture businesses (enterprises) or entrepreneurs (the human side). It is the latter that this study seeks to address.

### **Current situation: Supporting African female entrepreneurship**

#### *Senegal*

Senegal is the 25<sup>th</sup> most populated country in Africa with an estimated 11,987,121 (July 2006 est.) inhabitants, and ranks 157<sup>th</sup> out of 177 countries in terms of poverty (United Nations Human Development report, 2004). The population is quite young with over 40% aged 14 years or younger; the majority is Muslim and 5%, Christian, but there is clear tolerance and respect between the groups. Estimates show that one in two Senegalese dwell in the city and one city dweller out of five lives in Dakar, with the consequence that many Senegalese are unable to provide for themselves and their families (Duffy-Tumas, 2005), and the establishment of informal neighbourhoods (poor housing, crowding, unemployment and increased urban poverty). With a population approaching three millions (AfBD/OECD, 2004) and accommodating about 55% of Senegal's urban population, Dakar is the capital city and the country's main commercial port. It is known as the gateway to Senegal, a zone producing cotton *par excellence* (WAEMU), a trade hub and a real asset for textile export companies (USAID, 2005). Additionally, over 80% of businesses in Senegal are located in Dakar, making this city one of the most vibrant cities in the country.

### *The support system*

Entrepreneurship is the backbone of most economic societies and it is very important for countries to formulate strategies and policies for supporting entrepreneurial endeavour and supporting female entrepreneurs in acquiring the technology and resources to manage and develop their businesses. These policies are implemented in financial and non-financial incentives. Across the world there are hundreds of initiatives underway offered by the local government and non-governmental institutions in the form of local and national community initiatives, network initiatives (through business and professional associations meetings and conferences) and large international initiatives funded by donors and through anti-poverty projects such as those by the USAID, OECD and the United Nations (Briges.org, 2002).

The Senegalese business environment is the product of substantial reforms such as the SAPs, the PRS, the AGS and other changes in the private sector, which make the business climate enabling or disabling. In a country, while the business environment does not have to be perfect, it must be good enough on a number of dimensions to stimulate enough investment and competition, and be efficient to allow different enterprises and industries to operate (Eifert *et al.*, 2005). In Senegal, the management of SMEs is assumed by the ministry of SMEs, female entrepreneurship and micro finance and its sub-departments which include the SME headquarters (*Direction des PME*), and the SME support institution *ADEPME*). The main role of the SME headquarters is to promote SMEs and to provide a strategy for the development of this economic segment. It also aims to generate a favourable environment for SMEs through better control of the judicial, financial, and regulatory aspects of the segment. In 2003, an SME charter, which provides a classification of SMEs in Senegal, was drafted by the *Direction des PME*. The charter also provides a list of programmes and advantages (access to finance, to public market, export support and exemption from tax), which enterprises recognised by the charter benefit from. In line with the

charter, *ADEPME* has been “following up” enterprises through training, credit repayment and compliance with SMEs laws and regulations.

#### *Accessing support institutions*

Access to Business Development Services (BDS) (general advice, information, training and technology programmes) and support in securing finance is often important for an enterprise establishment, survival and growth (Stevenson and St-Onge, 2005). However, lack of education among some women can have significant impacts on access to training support, as some training materials are only available in French. In agribusiness, training provided in national languages is not always successful due to supporting documents being only available in French, and hence limiting the effectiveness of training programmes. Much of the BDS training is provided by donors, and in some cases, in conjunction with financial support. In agribusiness BDS is often provided by institutions such as the technical development centres for women (*CRETEF-CETF*)<sup>1</sup>, the national vocational training office (*ONFP*)<sup>2</sup> and the Institute of Food Technology (*ITA*). Donor organisations also offer training to reinforce the capacities of female entrepreneurs in terms of commercialisation of the finished products, hygiene and the quality of processed food. Entrepreneurs who receive such training then must,

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<sup>1</sup> *CRETEF* stands for *Centre Régional d’Enseignement Technique d’Economie Familiale* and *CETF* stands for *Centre Technique d’Enseignement Féminin*. Both centres are funded by the government and the training is often delivered by graduates from the the school of family and social economics (*ENFEFS*).

<sup>2</sup> The *Office National de la Formation Professionnelle (ONFP)* is an entity that assists the Senegalese government in determining training priorities and targets, in carrying out labour market studies, in formulating policies and coordinating training efforts, in financing training programmes and in supporting training institutions in conducting relevant training programmes in both the public and private sector. Its funding is provided by company tax, revenues from services provided to firms, and private or public organisations, state subsidies and donor funds (Han and Serriere, ILO, 2002).

under some donors' rules, train other entrepreneurs to share skills. Here, the trainees must mobilise women within their cooperatives or groups and disseminate the programme through other forms of training.

The empirical evidence gathered for this study has shown that in both sectors most respondents (55% in agribusiness and 50% in textile) appear to be receiving non-financial support. Depending on the donor institution, however, some women have to pay up to 20% of the training fee. Evidence of increasing training support was reported in the agribusiness sector (Tandia et al., 2002). In the textile sector, however, limited support appears to be available, as nine out of the twenty entrepreneurs (45%) do not get access to any support and only one is able to access both financial and non-financial support. The situation appears to be different in the agribusiness sector where all the entrepreneurs at some point in their business life, had access to financial support (10%), non-financial support (55%) or both (7%). A significant proportion of entrepreneurs (43%) in the textile sector did not have access to any support, and claimed that they either did not know where to go for help, had been unsuccessful, or were discouraged from seeking assistance having heard about other entrepreneurs' negative experiences. Some entrepreneurs were seeking basic business management skills to enhance the running of their business while others required marketing skills to raise their business profile and to compete better.

#### *Accessing start-up capital*

Support for accessing start-up finance is very important and can have a significant impact on the performance of the enterprise (Marlow and Patton, 2005). Literature on female entrepreneurship has documented women's difficulties in accessing start-up finance (Carter *et al.*, 2001; Eastwood, 2004). In this research, a significant majority (85% in agribusiness and 90% in textile) of respondents in both sectors had enormous difficulties raising start-up finance from mainstream banks and had to turn to their personal savings in the establishment of their

businesses. Only one entrepreneur was able to access a bank loan, funding from an NGO and from a mutual saving and credit institution (MSCI) of which she is a member. Unsurprisingly, the entrepreneur who managed to obtain a loan from a bank is a portfolio entrepreneur who has been involved in economic activities for over 35 years, and would have established relationships with financial institutions; evidence supported by a study on Ghanaian and Zimbabwean entrepreneurs (see Aryeetey *et al*,1994)<sup>3</sup>.

In this study, very few female entrepreneurs were able to access a bank loan, and are now planning to expand their ventures further. The majority of those who have attempted to get a bank loan were turned down because of a lack of collateral or guarantee to secure funding. While micro-finance is another way of getting access to finance to start a micro-business, most entrepreneurs argued that Micro Finance Institutions (MFIs) are inappropriate to their needs and do not always provide sufficient funds to finance their businesses. Start-up capital in both sectors was as small as 100,000 FCFA (about £103.13) or even less for some survivalist entrepreneurs. What became clear from the empirical evidence was that access to finance for entrepreneurial start-up is difficult for most entrepreneurs in both sectors; however extensive experience in the business may allow some entrepreneurs to build trustful relationship with some support institutions, which may eventually enable them to funding from mainstream banks.

### *Accessing enterprise management training*

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<sup>3</sup> The study was carried out in Africa by Aryeetey *et al.* (1994) on Ghanaian and Zimbabwean entrepreneurs, which reveals that the record of accomplishment of entrepreneurs in their previous business, together with the savings that they have accumulated, may be important in giving them greater access to external finance, which in turn allows them to establish larger businesses. While Aryeetey *et al.*'s (1994) research was on manufacturing enterprises, they seem to stress the fact that most small enterprise owners use their personal savings to set up their business.

Acquisition of the appropriate skills is vital for entrepreneurs, because they require the business and management skills to run their business, and the lack of these skills at the start-up stage and throughout the process can have a significant impact on performance (Loscocco and Robinson, 1991). Jalbert (2000, p.29) argues that in developing countries where business and managerial skills are often lacking access to training is even more important as it can “prevent women from reaching their profitability potential”. Evidence from the interviews reveals that access to training was the second most important barrier in both the agribusiness and textile sectors, hence indicating that government policies should be directed at minimising them. Some respondents recognised that while some training may already be offered by the Senegalese government, it is not always adapted to the needs of all entrepreneurs. They argue that they had attended entrepreneurial training courses where they were provided with many documents but found them hard to understand because they used unfamiliar business terms and expressions. To add to this it appears that due to limited resources, there is often not enough time for the trainers to work through all the training pack with the trainees. As a result, entrepreneurs are left with packs of documents that they do not understand and the training tasks are seen as a waste of time, which could be better used on other work, or to run their businesses and make money. The respondents who have been unable to access governmental and NGO’s training schemes argue that it is due to the lack of information about how and where to access the schemes and a lack of time to attend the courses. Social responsibilities and the burden of having to cope with work inside and outside the home has prevented some women from obtaining vital entrepreneurial skills that may be helpful for starting a business and developing it into a successful growth orientated enterprise.

### *Accessing business premises*

Accessing an appropriate and affordable business premise was a key challenge for most entrepreneurs in Dakar when setting up their businesses because of land legislations and the ongoing problems of urbanisation in Dakar, which makes access to land very expensive and

hence difficult for women. Due to the lack of this critical resource, small-scale female entrepreneurs initially operate their businesses from their homes until they can find appropriate premises. In food processing, access to affordable premises, which meet food regulations is difficult for most respondents, and many claim to pay very high rent when operating from dedicated business premises. Being close to customers and finding a cheap location were the two most cited reasons behind the locational decision in both sectors. Others location decisions have been made to reflect health and safety regulation (mostly in food processing businesses), or simple because there was no other alternative. In the latter case, premises were offered by the government and there was no other alternative.

### ***Membership of business associations as a last resort***

Female entrepreneurs in Dakar have an interesting way of organising themselves into business associations, an Economic Interest Group (EIG), an umbrella association or an NGO. To cope with the difficulties accessing critical resources to start and develop enterprises, *Dakaroise*<sup>4</sup> entrepreneurs would join several business and trade associations because they believe that they can have positive impacts on the development of their enterprises and on the procurement of support services. Evidence from the study suggests that the majority of the female entrepreneurs would join up to three associations simultaneously. However, they are increasingly lacking trust in the associations and leaving them as they believe that they are not ripping the expected benefit; they claim that the association management team keep the benefits for their own businesses.

Despite their difficulties in accessing support, the majority of female entrepreneurs appear to have acknowledged the role(s) of the

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<sup>4</sup> Women in the Dakar region are often referred to as *Dakaroise*.

government in their effort to provide an enabling environment within which female entrepreneurs can develop and grow their business.

### ***Perceived role of the government***

Based on current government support available to SMEs, respondents were asked to comment on the perceived role of the Senegalese government in providing an enabling environment for them, and to suggest measures that could be taken in the future to provide better support. Their responses clearly suggested that they are aware of the government's effort to help women, although there is a small minority who are unaware of the support provided to entrepreneurs through government and non-government incentives. The well-established entrepreneurs are fully informed of the role of the government, and the existence of donor institutions and providers of sector-specific training. For many entrepreneurs, there is a strong conviction that "since the arrival of President Wade, many changes have taken place to help women". Nevertheless, those who are supportive of the government's policies and programmes still believe that much more can be done to help them, including the "need to facilitate access to resources for mass production; to help and facilitate export of processed products by improving packaging; and to improve processing units".

### **Tanzania: The Business Support Environment**

The business support environment in Tanzanian is different from that of many African countries due to her socialism past. As (Treichel, 2005:4) puts it:

"...Tanzania, unlike many other African countries [including Senegal], was a highly state controlled economy engaged in the pursuit of socialist objectives. As a result, it had an inflexible economic system that was characterized by monopolistic and heavily regulated production structures in all sectors of the economy. [Pre-structural adjustment programmes] Tanzania's rigid economic system of state-

interventionist policies...external shocks during the late 1970s resulted in major macroeconomic imbalances, economic stagnation, and a decline in per capita income that lasted over 15 years”.

The country is still in transition from a centrally-planned to a market-led economy. However, the postsocialist policies have been plagued with ineffective economic growth strategies that rely on foreign aids (Bigsten et al, 1999). For most postsocialist countries a search for best ways of stimulating local economic growth still continues. As one of the solutions, some practitioners have pointed towards the direction of policy formulation and deregulation. For instance, Odling-Smee (2002)<sup>5</sup> suggests that the key to unlocking the long-run growth potential of postsocialist countries is to push forward with structural reforms. These include: further reducing the role of the state; maintaining hard budget constraints on all enterprises; correcting price distortions, and fostering competition and a conducive business environment; improving the social safety net; developing financial markets; and building institutions to promote good governance (See also Dawson, 2003).

In Tanzania, the transition to a fully market-led economy has not been smooth (Wangwe, 1997; 2001). However, there is a positive sign that processes of business incubation and clustering have potential to offer postsocialist countries with solutions. Lalkaka (1997) warns that, in the postsocialist countries, much should not be expected within a short period of time, he believes that “the process of technological transformation is even more complex and painful due to the legacy of systemic problems...[as a result]...these countries are in a situation of

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<sup>5</sup> Press Briefing on Developments in Baltic and CIS Countries, Opening Remarks by John Odling-Smee, September 28, 2002 (<http://www.imf.org/external/np/speeches/2002/092802.htm>).

massive budget cuts, exodus of talented scientists, shortages of research equipments and supplies, absence of finance, regulatory barriers and painful process of reconversion.

Institutional reforms are believed to be essential in postsocialist countries (Dawson, 2003). However, it is argued that the knowledge of how to transform institutions especially in the Sub-Saharan countries remains weak (Henisz, 2002). According to a World Bank study (1997b) there are five crucial functions that are the domain of the state because market and private institutions cannot secure them. In particular these functions are related to (a) Legal foundations; (b) Performing macroeconomic policy framework; (c) Investments in fundamental social services, human capital, and infrastructure; (d) Comprehensive safety net for vulnerable strata of society; (e) Protection of the natural environment. However, Tanzania, like many other post socialist states like Ghana and Mozambique, has struggled to put their social and economic reform programmes in place due to the pace of change around the world. The functions suggested above by the World Bank were aimed at laying a foundation for the introduction of the market economy as opposed to the previous state economy. But, the achievability of these programmes appears to need more work than words only could describe.

The institutional arrangements are the most important factor for progress toward durable growth. It is argued that unlike certain liberalization measures, institution- building by its nature must be a gradual process (Dawson, 2003). We could agree with such views as Tanzania is still in transition and rushed programs that led to duplication of economic activities in the past could be avoided (see also Cooksey et al, 2001). Does this suggest the potential of incubation programs?

### *The support system*

While SMEs and entrepreneurship are making headlines in Tanzania, less has been said on the role of support institutions and the policies that govern them, by treating them as unproblematic sites (Temu and Due, 2000). The findings from this study suggest that Tanzanian institutions are highly centralised with poorly qualified personnel who are incapable of coping with modern businesses' demands. In essence, previous empirical research on how the regulatory environment affects the growth of micro and small businesses is rare (Massawe and Calcopietro, 1999). Recently, "institutional theories" in developing countries have begun to draw attention to the institutional or contextual – cultural, social, political and economic factors as determinants of entrepreneurship" (Veciana et al, 2002:2), and especially in developing countries like Tanzania where "statism"<sup>7</sup> dominated almost all major economic decisions for over four decades.

### *Absorption of Business Support*

A large section of businesses (68.8%) did not seek business support. Only 31.3% of the survey businesses sought some sort of support. Follow up interviews suggested that, entrepreneurs only approach business agencies if they offer what they are looking for to meet the specific needs of their businesses and they are accessible. As one interviewee explained:

"I decided not to approach business agencies...the reason being that, I have had bad experiences with banks. They do not seem to understand my business needs. Anyway, I managed to raise money from friends and here I am"

(Case 5)

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<sup>6</sup> "A theory that seeks an understanding of the relationships between institutions, behavior, and outcomes" (Diermeier and Krehbiel, 2002:7)

<sup>7</sup> The idea that a centralized government could somehow be better than private initiative.

To almost all local entrepreneurs, finance is preferred to other types of services. Further analysis will attempt to establish the alternative sources of support adopted by entrepreneurs as well as reasons for their (the entrepreneurs) reluctance to seek support.

### *Nature of support sought*

In most African countries, where the private sector is well established, business support institutions are still rare (or at an embryonic stage) (see Brautigam *et al*, 2002) and entrepreneurs tend to use different sources of support. As the empirical findings of this research indicate, the choice of support depends on the nature of businesses, size and accessibility factors (influence if one knows someone in the organisation/agency). Some issues were explained by one interviewee:

“...No. I am not receiving any support now [at this moment]. Firstly, for me to receive support it would take a very long time as my businesses is too small to be recognized...also there is a lot of paperwork involved. I have to leave my business to deal with all that [meaning filling in the forms] Secondly, I may not get anything in the end... but some of my sales might be affected in the process...so well... now you know the reasons why we decide to stay away from these organizations”. (Case 25)

The survey data suggest that the majority of the surveyed firms (69% of the total population) did not use external business support during the start up phase of their businesses, some out of choice and others not so. For those who received support (N=50), the majority received family support followed by private support agencies. Government support was the least-sought support raising issues of accessibility to government institutions and the availability, provision and accessibility of business support services in Tanzania. To explore these possibilities respondents were asked why they used what support they did (family support over private or government support). It appears that those who chose to opt for family support did not have access to other forms of support. But also, failure to seek support could also be

attributed to ignorance or lack of awareness on the part of business founders.

The tendency of some SMEs to reject or ignore support has been blamed on their lack of entrepreneurship spirit and culture. But the figures are suggesting that the majority of the firms (39.1%) were not aware of the existing support. This signals an alarm as to why these support agencies still fail to make themselves known to the wider business community. Other major failures to gain support have been blamed on difficult/denied access (40%). What policy makers could draw from such findings is the fact that business support does exist, but with poor accessibility, bureaucracy and a lack of openness in their dealings with the entrepreneurs. Fewer agencies admitted to the fact that the clients do not know their services and organisational objectives they are supposed to serve.

For the support agencies it is still the “number game” where agencies are evaluating their success and achievement based on the number of contacts with clients and businesses formed (volumetric measures) rather than the effectiveness or usefulness of support they offer to entrepreneurs. Entrepreneurs also have their expectations and rate the received support in terms of the differences made to their businesses` performance. The comments made by an entrepreneur Case 18 below confirm the feelings entrepreneurs have.

### **Discussions: Theory and Practice**

Female entrepreneurial businesses in both Senegal and Tanzania have a potential to become engines of growth if they operate in an enabling environment and have the right entrepreneurial support to help them grow their enterprises. The process of incubating female enterprises from an early stage of the business process would enable the businesses to grow into sustainable enterprises. Incubating Senegalese and Tanzanian female entrepreneurs would involve providing common

facilities such as the physical space, equipment, shared services, enterprise skills training, network, business and legal advice to facilitate the business development through to graduation, when they are able to survive on their own.

Firm formation in developing countries is now a complex process due to the ever-changing global businesses environment (change in technology and global business environment). This is true in African SMEs that seem to lack flexibility and adaptability to cope with the current changes (Krugell and Naude, 2001). It is also suggested that the “region lacks a base for technical skill formation and its enterprise financed R&D in the productive sector is the lowest in the world” (Albaladejo and Schmitz, 2000:10). This indicates that African SMEs are not only suffering from lack of protection due to globalisation but also internal factors (legal, knowledge base, structure, size and management). These problems have been highlighted in Brink and Cant (2003) as internal factors (management skills, financial knowledge, lack of expertise) and marketing factors (poor location, insufficient marketing, inability to conduct marketing research, misreading the market, poor products or service, poor service, misreading customer trends and needs, human resource factors).

The advancement and increase in interaction among the world’s countries has meant that Third World governments have had to adopt new mechanisms of supporting businesses in order to compete with the changing world. The failure rate (Lalkaka, 1997) and uncompetitive features of SME’s in developing countries (Krugell and Naude, 2002) have made it necessary for governments to improve their business support services.

In some African countries, the incubation process is still a recent phenomenon (Nanyaro, 2001). Lalkaka (1997) hints that, although most of the incubators are less than five years old, they are a great potential as they appear to increase rapidly. While the assessment carried out by

UNIDO (Lalkaka, 1997; UNIDO, 2001) suggests that countries such as Brazil, Czech Republic, P.R. China, Mexico, Nigeria, Poland and Turkey have potential to create innovative incubators in other countries in transition (such as Senegal and Tanzania) this process seem to be slow and difficult to achieve. It is perceived that the process of technological transformation is even more complex and painful due to a legacy of systemic problems. The culture of government intervention to the private sector has been blamed for the centralisation of businesses leading to unnecessary bureaucracy (Levitsky, 1996). The lack of capital and entrepreneurial skills are hindering most of the SMEs' development in developing countries. The formation of innovative and advanced firms have been made difficult due to the fact that most SMEs are undercapitalised and usually rely on loan capital (Levitsky, 1996).

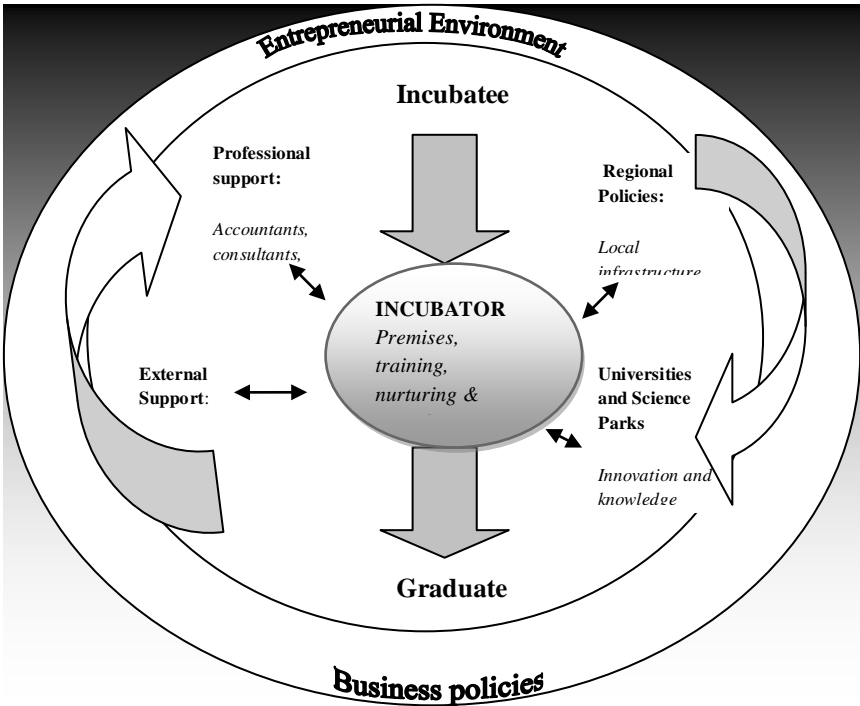
Based on empirical evidences from Senegal and Tanzania, one feature of poor economic growth performance over the past 50 years has been the lack of the private sector to grow fast enough, to create sufficient jobs and to expand exports to the rest of the world (Lalkaka, 1997). In some countries, foreign policies (Krugell and Naude 2002; Lalkaka, 1997) have had an impact on the introduction of entrepreneurship and business incubation systems in developing countries. Levitsky (1996) believes that the recognition of SMEs difficulties and weaknesses have led in most countries to the creation and continuous expansion of special institutions set up to cater for SMEs. In this case, the world has witnessed growth and spread of incubators in different developing countries. According to Scaramuzzi (2002:6) "there are no comprehensive surveys regarding the current status of business incubation in developing and transition economies". This study has attempted to collect survey on incubators from 1997, 2002 and the recent figures from Lalkaka (2003).

Senegalese and Tanzanian incubation industry could benefit from the Israel's experience. The key notable facts in the Israel incubation systems success story include the fact that, the majority of 3,000 entrepreneurial firms did not exist 7 years ago and since 1991, over 600 projects have been accepted on the incubator programme (UKBI, 2002). The research programs

have been given a priority and the Israel Government is still encouraging the co-operation with other countries (UK-Israel initiative that encourages joint research between two countries). Much of this development is contributed by the government's initiatives to develop the private sector through improvement in the "enabling environment". Some of the incentives offered to new businesses include, tax rebates and breaks (see Roper et al, 2001), encouraging technological innovation and IT industries (Shefel and Modena, 1998; Roper, 1999) followed by effective policies on both national (Teubal, 1993) and regional (Frenkel et al, 2001) innovation systems. However, recent research (see figure 8.46) by Lalkaka 92003:2) are suggesting a rapid growth of incubators in developing countries especially Asia.

**A Proposed framework for Incubating Female Entrepreneurs**

**Figure: A Framework for Incubating Female Entrepreneurs**



Source: Kyaruzi and Hales (2008)

## **Description of the Framework:**

In light of the above account, we seek to introduce the following framework that is more culturally-specific and focuses on the enabling environment rather than just financial support from higher bodies (institutions, governments, banks and donors).

Firstly, the approach to incubating female entrepreneurship should focus on identifying women's needs in geographically specific locations. Regions have been known to possess variable resources; this framework put emphasis on designing a set of specific regional policies for supporting entrepreneurs. This will enable policymakers to recognise and respond to both the opportunities and the constraints that regions present.

Secondly, the proposed framework emphasises provision of effective and continuous entrepreneurial training which is based on the assessment of individual entrepreneurial needs. Also, there is a need to establish University-SME links to aid this process. The reason behind this is the fact that, apart from gender issues, the policies aimed at incubating female entrepreneurs in Africa appears to suffer from a lack of a serious note on entrepreneurial training. It is proposed here that, there should be a provision of basic business training starting from early stages of business establishment to improve the businesses survival rates. We strongly believe that with effective training, women in Africa will be able to acquire and equip themselves with modern skills and knowledge that will enable them to set up competitive businesses that are capable of contributing to the local economic development and growth.

Thirdly, based on empirical evidences it can be suggested that women need empowering. However, the type of empowerment we are proposing here is one that can enable women to realise their capabilities and their roles in economic development. This could be achieved by setting up effective incubation programs for women to boost their capabilities and business confidence. The literature also suggests that equality can be attained (Hill and Macan, 1996) but in our views gender empowerment remains a problem in many African countries. Therefore the incubation policies should encourage more women to participate in other economic activities that were originally believed to be for men only. This way, women will have more areas to expand upon and hence fully utilise their capabilities upon graduation from the incubators.

Finally, policy makers should aim at improving the provision of business support services. The entrepreneurship development literature suggests that, enterprises tend to go through different growth stages. Therefore, after identifying needs, providing training and empowering women to go beyond their previously assigned statuses in economic activities, we propose that there should be an injection of support at different enterprise development stages from different sources. These sources include the whole business support ecosystem – professional support services, universities and science parks, banks and MFIs etc.

There are a few successful female entrepreneurs who deserve visibility and recognition. Institutional support should focus on assisting them to grow beyond microenterprise levels. This type of continuous growth could be achieved through continuous support receive from the incubators. In this way, women who are about to startup businesses will have successful case studies to learn and benchmark from incubator graduates.

## **Conclusions**

This study set out to explore the process of incubating female entrepreneurs in Senegal and Tanzania. However, as indicated above, specific measures need to be put in place.

First, the policy needs to recognise the varieties of businesses that exist in the two countries (including female-owned enterprises). There has been a global consensus that a stable private sector environment and policies are key catalysts for economic growth and development (OECD, 2001, 2002). For an economy to develop there is the need to improve coalitions between the government, private sector and entrepreneurs. The support institutions need to be developed and so do local businesses. For the Tanzanian case, since the private sector initiatives have been in place for less than fourteen years (since 1992's trade liberalization policies), little has been written on ways of introducing new methods of stimulating local economic growth through entrepreneurship and SME support. The new mechanisms are essential way of replacing policies that discouraged private sector development (Olomi and Nchimbi, 2002, p.6). Research should seek to explore the existing support mechanisms, and specifically attempt to answer the

question *"how should support institutions be developed to support Senegalese and Tanzanian entrepreneurs?"*

Based on incubation literature and empirical evidences provided in this study, there is a need to establish reasons why Senegalese and Tanzanian female-owned firms choose to seek business support or go through incubation processes. This could be in terms of sustainability, expansion and growth of their entrepreneurial firms. As suggested by Baum (1996, p.79):

*"Young organizations are more vulnerable because they have to learn new roles as social actors and create organizational roles and routines at a time when organizational resources are stretched to the limit. New organizations are also assumed to lack bases of influence and endorsement, stable relationships with important external constituents, and legitimacy."* (1996:79).

There are different reasons why businesses seek support. The policy should also attempt to empirically explore such reasons.

Where do African institutions and business incubators go wrong? Could we learn anything from local entrepreneurs? As indicated above, business support services and nurturing of firms could improve the survival rate and productivity of female-owned enterprises (and most businesses). This study on Senegal and Tanzania explores different ways of supporting businesses by looking at different stages of business formation. This involves identifying the effectiveness of the received support both pre-start up and post-start up. It is evident that most incubator models (Lalkaka, 1997; Kmetz 2001) do focus on enterprise creation, development of an entrepreneurial culture and employment creation (when used as a policy tool). However, incubators in developed countries appear to follow different styles of firm formation. The idea of *'formation of the firm'* and entrepreneurship is still not well known. Future researches should seek to explore these styles in order to incubate firms based on their specific needs – and in particular the new growing segment of female-owned enterprises.

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## Chapter 7

### **Basic institutional infrastructural support needed for the development of women's entrepreneurship in Serbia**

**Grozdanic R., Savic B; Vucic M. and Cvijović N.,**

#### **Introduction**

This chapter presents the main findings of the study "Institutional support *Services* needed for the development of women's entrepreneurship in Serbia", related to the issue of *awareness* of support services. Findings presented are based on an empirical research of support services targeted at micro, small and sole female proprietor's businesses in Serbia provided by main network of Regional Agencies for SMEs and 102 Municipalities, Guarantee funds at national and local levels, financial institutions, foreign donors, and other forms of support, for the period 2005-2006. In particular, this paper deals with the following issues:

- the type of support services used by service providers
- the organisation of institutional contact points

More detailed information on the methodology applied can be obtained from the Draft Final Report of the study. Basic institutional infrastructural support needed for the development of women's entrepreneurship in Serbia comprises: Regional agencies and centres for development of SMEs, municipalities and their forms of support to the development of female entrepreneurial activities and SMEs, Guarantee funds at national and local levels, financial institutions, foreign donors, and other forms of support.

#### **Network of regional agencies for the development of SMEs**

In the Republic of Serbia, basic institutional infrastructural support to the development of small and medium enterprises and entrepreneurship comprises the Agency for the Development of Small and Medium-Sized Enterprises and Entrepreneurship and regional agencies and centres. The Agency was established to serve as a professional agency of the Republic of Serbia Government with its overall objective to support the development and interests of the sector of small and medium-sized enterprises and entrepreneurs, which – in the long run – has to contribute to the balancing of economic structure, faster economic growth and spurring revival of economic flows in the country.

By 2006, 14 regional agencies and centres for the development of SMEs were established in Serbia, employed over 100 persons, used the services of over 400 providers, and have covered over 80% of the territory of the Republic.

To the basic institutional infrastructure for the development of SMEs we should also add 6 business incubators that were launched by the year 2006 in Nis, Zrenjanin, Subotica, Bor, Prokuplje, Rakovica; 154 local and international projects for the development of SMEs, that were implemented by agencies; many years of cooperation with entrepreneurial centres of the National Employment Agency / 22 centres/; and other numerous forms of cooperation with other republic institutions, associations and local authorities, financial institutions of relevance for the support that the agencies have provided for the sector of Women Entrepreneurship and SMEs in the 2005/2006 reported period.

The main types of services of Regional Agencies for SMEs Development are: Business information / Access to data bases ,On client request/, Consulting /Low and administration, Development, Internet presentation for start up, Visual identity of o f SME, Permit for building/, Business networking, Training/ EBCL – European Business Competence License, ECDL, Management of SME innovation, Accounting, English language, AutoCad /, Strategy/Analysea/Studies / Feasibility studies, Sectorial analysis, Social economic analysis, Advices/ Design of ICT, Building site system, HR consulting/, Project management.

**Share of specific types of services in the total income of regional agencies**

To draw attention to basic functions of regional agencies for the development of SMEs and entrepreneurship, it is important to indicate total income for different types of services, in order to highlight the effects of their work on the growth of entrepreneurship on local and regional levels, on one side, and possible extending of services to some aspects of activity of SMEs, where they are in need of such specific support, on the other.

#### ❖ *Instructions and training*

With regard to the structure of income of regional agencies for WOMEN'S ENTREPRENEURSHIP AND SMEs, according to the type of service they provide, the highest item accounts for instructions and training, which is at the same time a core activity of these agencies. Accordingly, they account from 30 to 75% of the income of regional agencies. Instructions and training as the most important group of services that regional agencies/regional centres (RASME) of WOMEN'S ENTREPRENEURSHIP AND SMEs provide in relation to their participation in creating total income will require more attention in the future and analysing from the aspect of: their visibility, specific recognizable features, accessibility, specific characteristics according to their groups of clients, possibility of transferring good practice of some agencies to the others in the network, possible division of roles of existing and future providers of similar services on the market and their treatment as public services, and sourcing finance from the budget of the Republic of Serbia, to a certain extent.

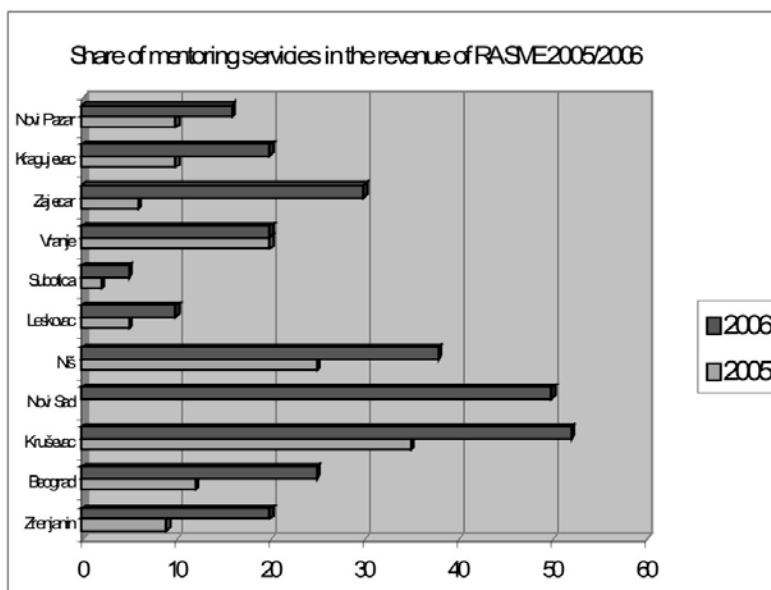
#### ❖ *Assistance in drafting business plans*

The services of making, assisting and counselling Women entrepreneurs AND SMES in drafting business plans represented another significant group of services provided by regional agencies, which accounted for 11%- 35% of their income. The necessity for making business plans was urged by the new practice of foreign banks- that offered an opportunity to unemployed to apply for microloans of the Fund for the Development of the Republic of Serbia and the Fund for

the Development of Vojvodina - which specified obligatory documents that had to be provided together with applications for loans. The knowledge of and understanding of multiple importance of business planning will grow in importance in the future, as business plans will also be used for purposes other than applying for funds with loan providers, and it is to be expected that the services of seminars dealing with business planning for beginning entrepreneurs and small companies, production of CDs for self-assessment of possible business ideas, and of viability of existing businesses will grow, which could then have positive implications for the increase of income of regional agencies on account of providing the above service.

### ❖ *Mentoring*

The services of mentoring make another significant source of income for regional agencies for the development of SMEs. Their share in the total income has risen from 2 to 15%. Mentoring is a service, which – according to the experience of the countries in transition, and especially of those developed countries – plays a decisive role in the survival of young, newly founded companies, as beginners in their respective industries.



Source: Grozdanic R., Savić B, SMEs Survey, Empirical research, 2007

Mentoring has been used by regional agencies to develop, even in cooperation with municipalities and by providing incentive funds for SMEs, and with banks and international donors' organizations. It is estimated that it would be worthwhile to conduct special explorations into possibilities of development of this type of service, its financiers, and inclusion of modern types of providing and transferring the experience of good practices from around the world.

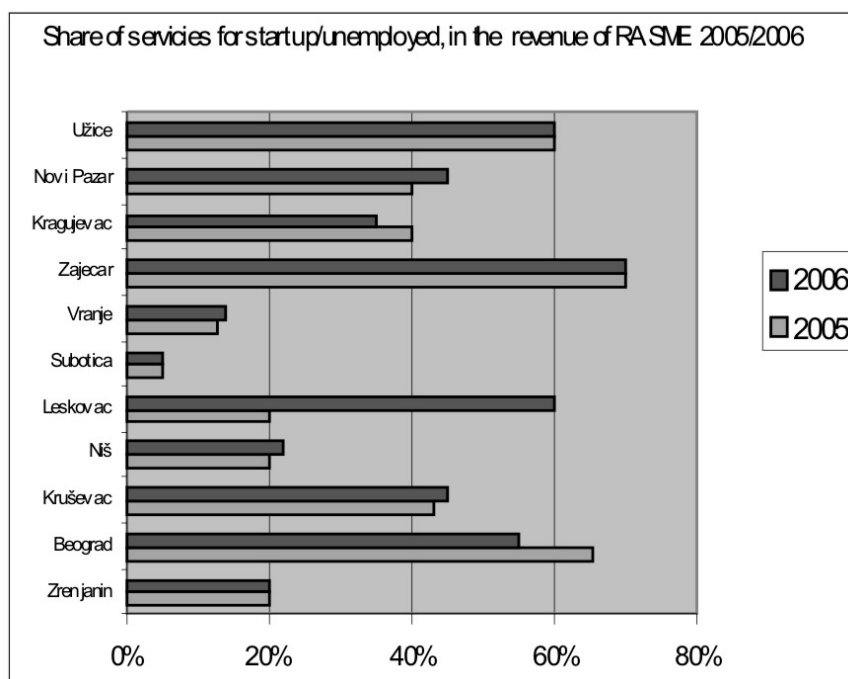
From the aspect of income, development of information services and making/production of data bases, marketing of materials and promotion of SMEs represented a more significant source of income for the RASME\*/ Regional Agencies for SMEs development/ as the total need of the SMEs sector and of those unemployed who want to start private business is steadily growing. However, there is no significant disposition for payment for these services. These services are also offered by a number of other providers, like a system of commercial chambers and information centres, in the first place. In the development of these services by regional agencies it would be of importance to establish cooperation and achieve networking with already developed information bases and information providers, to agree on the division of jobs and on data levels, and to agree to build a specific common information centre that may satisfy needs of those smallest entities, and especially the needs of local statistics, making of surveys intended for local strategies of development of entrepreneurship, regular reports and surveys and for the promotion of entrepreneurship

#### **Share of specific services, itemized by their clients, in the total income of the SMEs Agencies in 2005/2006**

##### **❖ *Unemployed, prospective start-up***

A group of clients comprising beginners in self-employment and starting up their own business, together with the unemployed, is of great importance to regional agencies for FEMALE ENTREPRENEURSHIP and SMEs. In particular, in 2005 this group of clients was most important

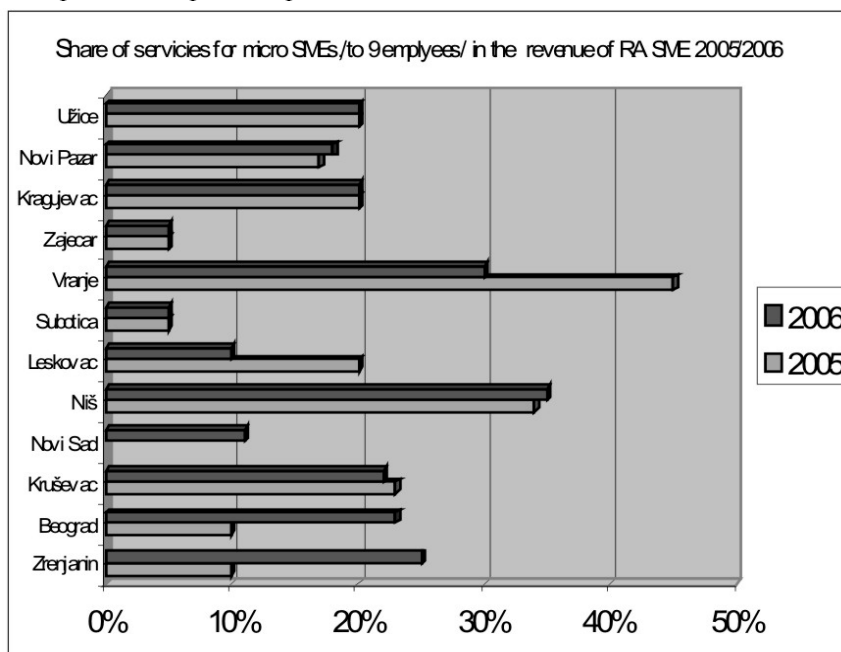
for the regional service providing agencies as a target group, as follows: in Belgrade, where it accounted for 65% and 55% in 2005 and 2006, respectively, in Leskovac, where a 20% participation in 2005 rose to 60% in 2006, in Zajecar with 70% in each of the two years, in Vranje where it rose from 13% in 2005 to 21% in 2006, whereas in Kragujevac it accounted for 40% i 2005 and 35% in 2006, at Subotica, where the percentage recorded in both reported years was 5%, while in Uzice it was 60% throughout total period, in Novi Pazar, where it rose from 38% in 2005 to 40% in 2006, in Zrenjanin where it stood at 30% for the entire two-year period, while in Sombor services were provided to 177 clients from a target start-up group in 2005 and to 213 clients in 2006.



Source: Grozdanic R., Savić B, SMEs Survey, Empirical research, 2007

- ❖ *Services intended for micro companies employing up to 10 employees*

In addition to the first group comprising start-up, micro enterprises with up to 10 employees were also an important target group of clients for the regional agencies for development of SMEs and entrepreneurship in the period 2005-2006.



Source: Grozdanic R., Savić B, SMEs Survey, Empirical research, 2007

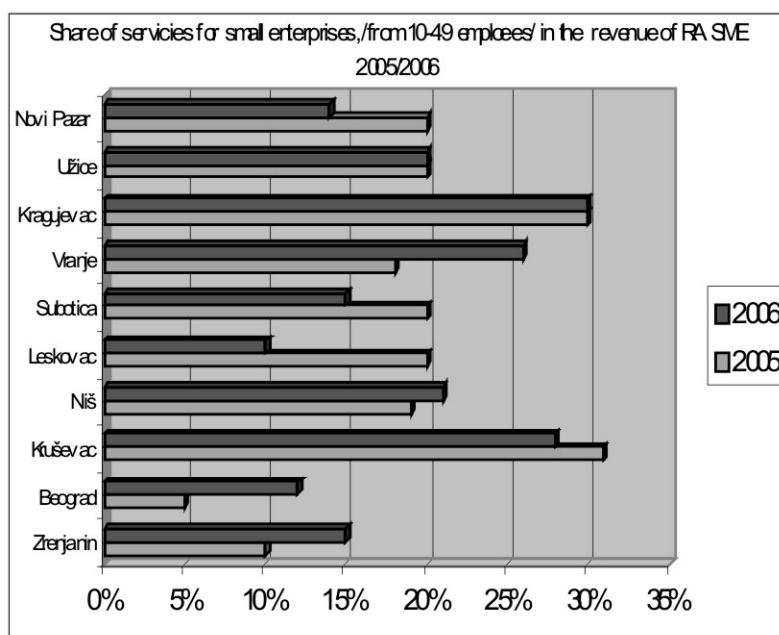
#### ❖ *Small Women-Owned Enterprises with 10 to 49 employees*

Small enterprises employing from 10 to 49 employees made one of the three most significant target groups of clients for the regional SME development agencies in the period 2005-2006. In that period they accounted for up to 30% of the clients of regional SME agencies. The above – charts show the participation of the three groups of clients in generating total income of regional SME agencies in the observed period indicate that they actually represent the mission of regional agencies. For that purpose, the recommendations deal in more detail with the need for their close specification, investigation and grouping that will – as a result – improve the quality of services and define the nature of services

tailored to meet immediate requirements and benefits for the smallest SMEs.

### ❖ *Medium-sized SMEs*

According to the data on the amount of services provided to a specific sized SME, it is evident that support services for medium-sized enterprises account for a shall share in the total income and that they have not been significantly developed by the WOMEN'S ENTREPRENEURSHIP AND SME regional agencies. Medium-sized enterprises disclose considerably lower presence among target clients' group of the regional SME agencies. In 2005, medium-sized enterprises, in their capacity of clients, accounted for 2% - 6% of total revenues of these agencies from Vranje and Belgrade.



Source: Grozdanic R., Savić B, SMEs Survey, Empirical research, 2007

## **Clusters, associations**

Grouping of SMEs in industrial clusters, networks and business alliances represents a new aspect and strive of the female entrepreneurship and SMEs to enhance, and innovate their products and services, and together with scientific, research, educational and financial institutions to achieve better overall performances to add an international character to their business. It is the intention of the Republic of Serbia Government to use special funds from the National Investment Plan with a view of spurring and supporting the forming and operation of clusters in the forthcoming period. For regional agencies this will simply open a new path for providing services to thus grouped small suppliers.

The share of services provided by regional SME agencies to existing associations of small and medium-sized enterprises, industrial and other clusters is of special importance, as they represent new services ensuing from the need of Female Entrepreneurship and SME for more complex and highly professional support services. Only six regional SME agencies boasted of having this target group of clients in 2005.

## **Agricultural producers**

Agricultural producers and their farms also represent a target group for the regional SME agencies, who are seen as clients for the services of monitoring and mentoring regarding municipal credit lines provided to agricultural producers through banks who are original lenders of these funds, as well as services that can be provided to cooperatives and to registered farm producers. This group of clients accounted between 10 and 50% of the income of regional SME agencies in the years 2005 and 2006.

Table : Summary of support services of RASME 2005-2006

Clients	Potential women and men entrepreneurs	SME	Total
	29014	20116	49130
Services	Trainings		1574
	Business plans		1396
	Fears		72
	Mentoring		464
	Data basis		211
	Founded of new entities		4410
	New jobs created		8544



Source: Grozdanic R., Savić B, SMEs Survey, Empirical research, 2007

### **Institutional support to development of women's entrepreneurship on the Municipalities level.**

Local economic development (LED) may be defined as the growth of local economy's capacities to create wealth for residents of the respective local community and thus improve the quality of living through higher employment, salaries, value of personal property, the volume and quality of services provided by a municipality. Such development takes place when either local unemployed resources, like labour and land, are finally used, or in the case when already engaged resources are used in a more productive way, in new sectors and with new technologies.

In a narrow sense, local economic development is understood as a process of strategic planning through the partnership of local authorities, private commercial sector and non-governmental sector, driven to stimulate investments which will secure high and long-term economic

growth of the local community. Each strategy of local economic development inevitably focuses on comparative advantages of the local community, on the existing or prospective markets, and on overcoming obstacles and weaknesses of the local community. As a rule, it need not affect only specific sectors of local economy; instead, it should affect the entire economy of the community and of neighbouring territories. In this process, its main goal is to improve competitiveness, in order to secure better sustainable development.\*

There are two main strategies in place to encourage and support local development: attracting foreign companies to invest in the municipality, by way of incentives granted by local authorities to interested companies, like, cheap land, tax holidays; and by stimulating local SMEs and entrepreneurs – by local authorities – to develop businesses and thus speed up economic development of the community. This support is usually an one off support of a wide spectrum, comprising nonfinancial, financial and mixed support, while a respective local business continues to expand its operations on its own. Another classification is also possible, like: support provided for specific companies, whether they be „domestic“ or „foreign“ and creation of favourable investment climate, which is of use to all prospective investors.

There is a wide range of measures that municipalities in Serbia undertake to improve competition and local investment climate:

Support to small and medium sized-enterprises and various forms of entrepreneurship, especially that of the women;

- securing favourable local investment climate for local business;
- encouraging opening of new companies;
- attracting foreign investments (from abroad, from other parts and regions of the country)
- investing in basic /physical infrastructure;

- investing in light infrastructure, including also human resources, regulations and systems of institutional support;
- providing support to specific sectors;
- spatial targeting, that is, providing support to development of specific parts of a municipality; and
- Support to specific vulnerable groups.

The essence of the local economic development strategy is actually the knowledge that capital is rather mobile and may easily leave the municipality, or come to it, which mostly depends on the local business climate, or on efficacy of local authorities and other factors to create favourable investment climate. Local communities do have important tools and instruments to stimulate or make local development possible, like: town planning, use of construction land, building permits, quality of communal infrastructure; compensation for the use and improvement of the town land (which generates significant income), local community taxes.

Due to the fact that one of basic sub-strategies of local economic development is the strategy of development of SMEs and entrepreneurship, this part of the study presents the results of empirical research studies of municipalities in the area of supporting SMEs and entrepreneurship by light infrastructure, and in particular by:

- Support through established and projected offices for the local economic development strategy, offices and sub-centres of regional agencies for SMEs and entrepreneurship, other municipal strategic documents and intra-municipal cooperation in providing such support;
- Financial incentives for the development of SMEs, entrepreneurship and agriculture;
- Encouragement and support to the development of clusters, tourism and rural development;
- Incentive for the education and training of SMEs, entrepreneurs and agricultural producers;

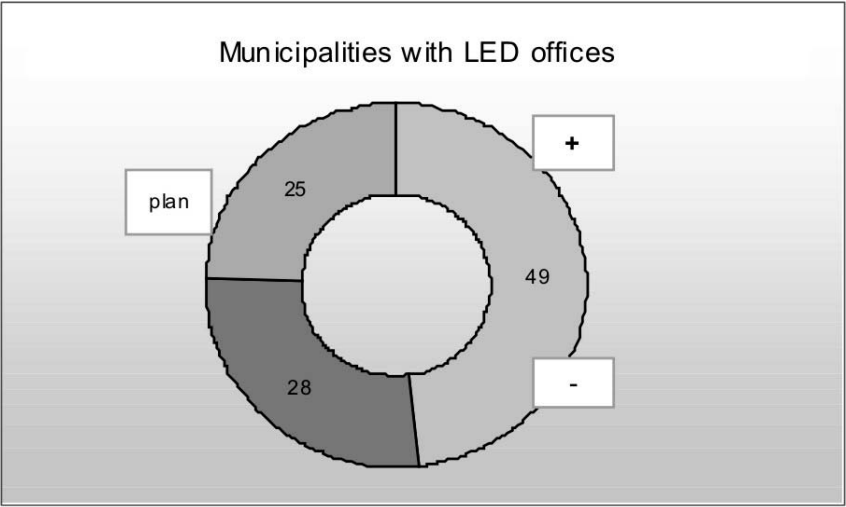
- Promotions of entrepreneurship on the local level.

### **Financing institutional infrastructure for women's entrepreneurship through local economic development strategy**

This part of the study presents the results of empirical research studies on the position of Serbian municipalities regarding the incentives and encouragement of women's entrepreneurship and SMEs provided through offices of local economic development, local strategies, financial forms of incentives from municipal budgets and incentives for female entrepreneurs. It also deals with standpoints of municipalities regarding the quality of cooperation with regional agencies and centres for SMEs and entrepreneurship, which are active on their respective territories, or have their sub-centres there, concerning the development of local SMEs, start ups of female entrepreneurs and female agricultural producers.

According to the empirical research of municipalities in Serbia in 2007, out of a total of 102 municipalities / 102 from 165 municipalities have answered to interview/ 28% has opened offices for Local economic development, while 48% is planning to open such office within the next year. At the beginning of 2007, 24 municipalities reported having a Regional agency/office for the development of small and medium-sized enterprises and women s entrepreneurship, or their divisions. 27 municipalities /out of 102 canvassed in a poll/ operated some other form of a centre or office for the development of small and medium-sized enterprises and women s entrepreneurship. These are: Municipal Info Centre; Business Info Centre that provides. professional assistance, information and presentations intended for SMEs and female start ups; Centre for the SMEs Development; Office for the Local Economic Development that provides education and training, provides women with assistance in drafting business plans; Business Info that provides professional assistance and information; Office for the Local Economic Development that provides information relative to the development of

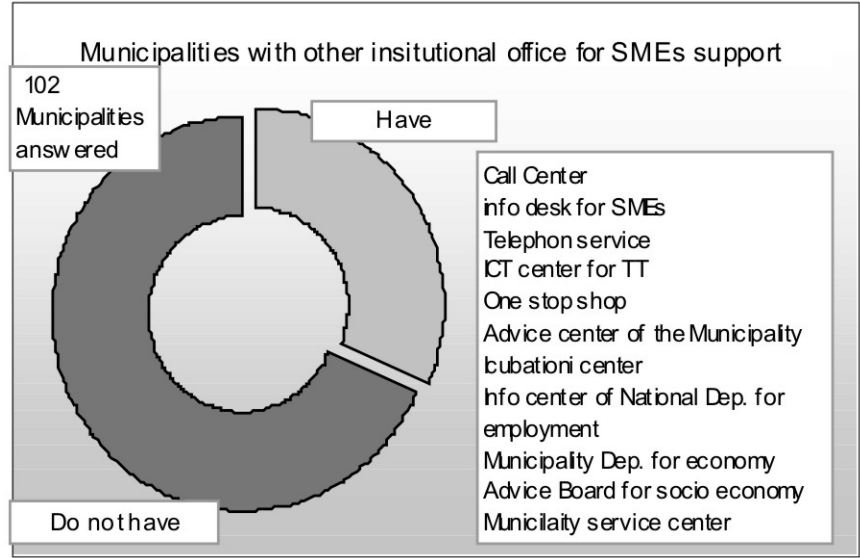
SMEs; from time to time provide support to the activities aimed at development of SMEs and female entrepreneurship on their territories through the Secretariat of Agriculture / In 2007, a counselling conference was organized involving banks, SMEs and entrepreneurs on financing opportunities. Some municipalities even employ officers whose job is to encourage and provide support to the development of SMEs and female entrepreneurship.



Source: Grozdanic R., Savić B, SMEs Survey, Empirical research, 2007

One of the Serbian municipalities – Indjija – operates a modern one stop shop, as a service and information centre for SMEs, which makes no gender discrimination in terms of the need for information. Some municipalities have organized economic offices to provide information on credit lines currently available to SMEs and female entrepreneurs, support programs for start ups; the others organize conferences and meetings for SMEs, as well as presentations organized through the Secretariat of Economy; Service centre that provides its services to the

association of independent artisans, female entrepreneurs; Incubation Development Centre and Business Incubator; general purpose call-centre, which also gets involved in other matters of interest to SMEs; Centre for the development of agriculture which also deals with the issues concerning artisan and crafts sector and SMEs and organizes versatile seminars, and others.



Source: Grozdanic R., Savić B, SMEs Survey, Empirical research, 2007

In 2005, Belgrade opened an Employment Council with gender differentiation, which supports employment through versatile initiatives and plays an important role in opening of local councils (on the level of Belgrade municipalities, where it supports development of SMEs, tourisms, etc., both through programs and projects, whereby it indirectly affects the opening of centres, offices). 16 municipalities plan to open either regional agencies / centres for SMEs or divisions and offices of already existing agencies on their territories.

Municipal incentives for development of women's entrepreneurship and SMEs in the field of "soft infrastructure". Enhancement of light - soft infrastructure as the support to SMEs and Women entrepreneurship at the local level involves financial and non-financial incentives and constitutes yet another precondition for local economic development. This type of infrastructure concerns provision of non-financial and financial support to business undertakings, namely building of the institutions to provide such support.

As regards the non-financial support, it primarily involves a large number of different services that lead to the enhancement with regard to the fields of business governance and organisation of business undertakings, business finances, accounting, and legal aid, including legal representation. Not all enterprises, or investors, need this kind of support. Or, more precisely, they do not all need it to the same extent. Namely, large enterprises or big investors who invest in the territory of a particular local community do not have a need for significant non-financial support. They already have specific knowledge, as well as human resources that are required to handle the above issues. And even if they do not have the required specific knowledge, they can without much difficulty contract the experts in the field on a commercial basis.

Accordingly, non-financial support is of key importance for those who really do need it considering that they do not have the required knowledge and are not able to contract the experts on a commercial basis. This group includes primarily small and medium-sized enterprises (including the micro enterprises), particularly those who are only starting up their business. In cases like this, a suitable non-financial support may be critical for the decision to try one's luck as an entrepreneur, namely for a recently started business undertaking to become financially sustainable and begin the next phase of its development, thus enabling the speeding up the pace of local economic development.

Key question is not whether a strategy of local economic development should address the issues of non-financial support for business undertakings but rather how it should address those issues, namely what should be the division of work between the central and local authorities. With regard to the ways in which this support is provided, there are several options. One option is the agencies for small and medium-sized enterprises at the regional, local level, which directly provide the services of non-financial support to those who need it, with which a municipality can very effectively agree and arrange this support. The other question is the financing of these services, or at least such part thereof which is not covered by the price charged from the end user.

The obvious answer is that they can be financed from the local budget. However, there is a question whether such an arrangement is plausible, especially in the case of the least developed local communities which have a small budget considering that they are not developed and that is precisely the reason why they need this kind of support. That is why it is necessary to, from the sources outside the local community; provide additional funds to cover the costs of such support.

Regional centres for non-financial support that are specialised for small and medium size enterprises have developed in Serbia since 2001, within the national Agency. Donation funds were used for this and donors had a great influence on the self-organisation and content of that support. Previous experience showed that inherent to this way of providing the non-financial support is the problem of financial sustainability of this structure considering that donors' aid is limited and discontinuous and that essential support from the state budget is missing.

Bearing this in mind, it is necessary to consider possibilities of providing this kind of support via cooperation with regional SMEs agencies through the subsidies for consultancy services, and for the existing and future local consultancy enterprises and educational

institutions which are acting locally. This would also encourage the creation of local expertise, namely the expertise at the level of local community which, after the first steps, can be used by all interested parties. These subsidies were focused on those business undertakings which were assessed to require the support of this kind. The subsidies were paid from the local budget and it could be possible to, in addition from local own revenues, finance them by the general or earmarked remittances from the state budget and foreign donations.

Besides the non-financial support in the narrowest sense of the word, this kind of support involves the education process, namely the training of labour force in accordance with the employers' requirements – investment into the human capital. Moreover, one kind of training involves retraining of persons who have lost their jobs or those who would like to change their jobs. And the other kind involves the training of prospective entrepreneurs, people wishing to enhance their entrepreneurial talent and try out their luck in this job. The training of entrepreneurs cannot instil the entrepreneurial talent or instinct to someone who lacks it but, by imparting elementary technical business skills and business rules, it will enable such talent to be enhanced and put into practice.

The training of SMEs and women entrepreneurs can also be sectoral, directed towards the sectors which the SMEs assessed as being propulsive, namely towards the sectors assessed within the strategy of local economic development as comparative advantages of a local community. The training of labour force may be funded, in part or entirely, from public sources; however, the training organisation and implementation should be entrusted with the private sector involved in provision of educational services, regardless whether such sector is in place in the territory of the local community or is yet to be attracted. To this end it is important to consider all possibilities of creating the links with existing educational system; in some cases, particularly in the case

of smaller, territorially remote and less developed local communities, this could be achieved through their cooperation, namely through their joint action towards the providers of educational services.

Lack of information is one of largest obstacles for the business of women entrepreneurs, particularly the SMEs established by women, namely particularly the undertakings in less developed local communities.

The provision of appropriate business information constitutes non-financial support and should be a part of the local economic development strategy. This is based on the information such as what is on the market and at what price; what is being offered on the market, where and at what price; what are the requirements for exporting a product to the EU market, for instance. To this end, within the strategy of local economic development, local authorities can set up business information centers which would provide relevant information to the interested parties. Today, at the time of electronic communications, it is not that important for such a centre to have the premises in which the clients can come – it is essentially being transformed into a well-developed website and local authorities should provide for its setting-up and regular maintenance, namely functioning of the team which will collect and load the information to such website. The access to such information, for actual and potential entrepreneurs is in such an event practically reduced to the training for learning the PC or Internet skills. Collection of relevant business information may also be entrusted to local business associations, i.e. entrepreneurs' associations. Local authorities do not need to take active part in creation of such business associations – that is a task for businessmen. If the latter deem that such associations would be useful, whether in respect of business information or otherwise, they will create them themselves. Local authorities should only, if necessary, assist the creation of such an association, even if it is only by providing political or moral support.

Segment of financial support as a part of „light “infrastructure is one of the key components of local economic development. In order to achieve a better understanding of the possibilities and restrictions of the municipalities with regard to the promotion of local entrepreneurship, it would be valuable to mention some of their legal frameworks for financial competence. Reforms in the field of financing the local self-government in Serbia in the period 2001-2006 are characterised by the unchanged distribution of common revenues with the Republic, non-transparent mechanism for horizontal balancing of the financial power of different municipalities/towns, non-applicable for adoption of long-term development plans – sustainable development and the development of SMEs in general and of those founded by women. Law on Financing the Local Self-Government envisaged that self-contributions, as a specificity of the local self-government financing system in Serbia, include in their base the pensions obtained in the country or abroad, considering that the pensioners too participate in taking the decision on their introduction. Also regulated are the revenues from donations, as well as the earmarked character of revenues obtained from leasing out, or allowing the use of state-owned real estate.\*

Reasons why it is necessary to have a financial mechanism for promotion of women's undertakings at the local level include primarily: unsatisfactory conditions for financing the SMEs business undertakings, high market interest rate, inadequate terms of loans, collateral. They prevent new and developmental business undertakings, provision of financial support to local women entrepreneurs and SMEs, and subsidizing the interest on loans under the conditions which are more favourable than market ones, which means the promotion of SMEE and creation of a more positive financial environment for establishment and development of entrepreneurship at the local level.

## **Financial advice and assistance**

Financial services are indispensable at the local level considering that one of the most difficult steps for the entrepreneurs from small enterprises is to achieve the access to the formally financial market. These SMEs do not have large assets which could serve as a collateral, nor do they have a history of own business from which the management quality can be noted, nor are they adequately familiar with business techniques of financial institutions. Here too, women SMEs can be assisted with advice and education on financial planning, operation technology of financial institutions. Much more ambitious is the approach for creation of a smaller programme of financial support to small and medium size enterprises with gender differentiation, whether through direct loan offering or guarantees issued by local communities for the banks or other financiers. Account should be taken here of a considerable risk for the capital invested by the local community, namely local taxpayers. There is a danger of nepotism that can easily raise its head at the local level. A particular problem here is the fact that local authorities simply do not have appropriate knowledge, namely administrative capacity to build themselves as the non-commercial institutions for management of such incentives (whether they are loans, grants, or investments into equity of the company). Now opening is the question about the criteria for allocation of the funds under more favourable conditions. Under four, more favourable financing and public employees' arbitrary decisions with regard to such financing create room for corruption – the entrepreneurs doubtlessly find it profitable to bribe public employees and obtain financial funds under more favourable conditions, which is taking the problem back to the inappropriate selection of business undertakings to be financed. It is probably the best strategy, provided the road of financial support is taken, to cooperate with other actors: regardless whether they are banks or higher levels of government organization (the government often arranges these credit lines).

## **Cooperation between the municipalities and the Republic Development Fund**

This handles versatile tasks, beginning with the forwarding of budget subsidies to their users (big enterprises that make losses), through to the loan granting to SMEs, all with the purpose of enhancing the economic development, shows that the loans are granted solely to those users who manage to provide a bank guarantee for the entire principal amount. With this, the funds of the Fund are practically granted under the market condition, considering that commercial banks are indubitably deciding about whom to grant the bank guarantee and that bank guarantee (namely the reserved funds) they charge to the loan user, which much raises the final, consolidated interest rate. The cooperation between the municipalities and the Development Fund is a subject matter of the empirical research study.

According to the insight made into the practices of the municipalities in the EU and transition countries, led to the positive development of financial incentives for SMEs at the local level is the issue of guarantees and local guarantee funds. This measure may result in the improvement of the accessibility of loan capital for the business undertakings of SMEs in the territory of the municipalities. This is the creation of a guarantee fund and issue of guarantees for repayment of principal amount. Namely, high interest rates on domestic market are, for the most part, a consequence of the high placement risk, namely the risk that the user will not repay the principal amount. Issuance of the guarantee that the user will repay the principal amount (which is linked with reserving or depositing of appropriate funds) lowers this risk, namely enhances the loan granting and reduces the interest rate. According to the existing legal solutions, such guarantees are issued solely by the Republic Guarantee Fund in the amount of 50% of the principal amount, namely of the funds invested. It is necessary that local communities, i.e. local authorities secure the change of this solution and

cancellation of a monopoly that now exists. That would create the possibility for local communities to set up their own guarantee funds, and several local communities can do this together but a partnership can also be created between the public and private sectors for these purposes / it would be valuable here to study the system of collective guarantees, the experience of Italian municipalities in which the municipality in which they are being set up always have a founding share.

**Municipal incentives for the SMEE through provision of initial financial funds by the establishment of micro-loan and micro-leasing schemes.**

A new enterprise is being established when a future entrepreneur assesses that there is a market need for a new product or service. This means that there exists the entrepreneur, there exists the need and there exists the market, but the entrepreneur often lacks the adequate capital for starting up the business. What is most important, the funds for starting up the business are usually quite moderate and their provision should not be a problem for financial and related institutions. In Serbia, micro loans are mostly dealt with by the specialised institutions, such as some banks and the Development Fund. Especially involved in this activity were certain foreign countries which opened the credit lines that were supposed to, if in part only, compensate for major weak points of the banking system of that time. The picture is not that good still, considering that the number and scope of credit lines is not sufficient and that private entrepreneurs still make most of their investments from their own funds / in 2006, 82% of the financing from internal sources were that of the SMEs and, out of the total borrowed funds of the loans, 84% were short-term loans/, which is not good for the pace of economic development and development of entrepreneurial activity.

Local communities can play a positive role in ensuring micro loans and micro leasing for new enterprises in their territories. They can themselves help out of the budget, but also through creating the links

between credit institutions and SMEs. Local communities can also assess the needs of local entrepreneurs for start-up loans and lobby and encourage the institutions that grant micro loans to meet those needs.

### **Encouraging the growth of local companies**

The largest part of local economic growth is usually generated by the SMEs which already exist in local communities. That is why the encouragement of their growth is a very good way to step up the pace of local development, particularly the companies established and managed by women.

#### **Technical (expert) assistance.**

Many entrepreneurs lack the knowledge in different fields – from the familiarity with modern technologies and quality control, through the management and knowledge of tax particularities, to marketing and labour relations. Therefore, local communities can provide assistance so that they can translate a good idea into a good business plan by providing the information about business opportunities, as well as all kinds of professional assistance. One of the possibilities is to provide technical assistance to women entrepreneurs is to create business centres that would employ a couple of experienced professionals who will be continually on disposal to interested parties and help they out with an advice in all kinds of situations. The services would be provided for a consideration. The other possibility is to conduct the training of entrepreneurs in different fields. In Serbia the first wave of entrepreneur education was organized primarily by foreign donors and the Republic. Both these components can be organized by the local government. However, it is better that this is done by the private sector or, at least, to establish a partnership between the public and private sectors, particularly with the regional agencies for SMEs.

## **Procurement policy**

Smaller local companies can be much helped through the orders, whether placed by local authorities or large local companies, and this especially if they are regular. These procurements can contribute to the creation of developmental perspective for SMEs and help them overcome the critical phase of development. / The example of public procurement treatment by the municipalities in USA. The municipalities have annual obligation to direct at least 40% of all public procurements towards the SMEs in their respective territories so as to maintain and initiate employment and SME capacity and contribute to the development of middle class in their municipalities.

Surely, small local companies can be granted benefits in terms of prices and similar, considering this is not allowed by the Law on Public Procurements and preferential treatment of anybody using the taxpayer money is in principle unacceptable. However, there are ways to help the small local companies without discriminating anybody, neither domestic nor foreign companies. It is possible, for instance, to provide good information to a local company with regard to the order as such, it is possible to enable or encourage local companies to appear together at larger tenders /where it is necessary to define legal status of a small supplier cluster/, it is possible to adjust the scope of procurement to the capacity of local companies, it is possible to use the special funds to finance the quality standards introduction, HACCP, environmental protection, laboratory, geographic origin and similar, which would contribute to the improvement of local small suppliers performance to help them on a par participate at local tenders.

## **Assistance in legalization of business**

The level of grey economy is very high in Serbia and one of the tasks is to support the grey economy legalization. Namely, although the grey economy undoubtedly contributes to the survival of economic activity

and sustenance of the population at the time of crisis, it has its developmental restrictions and one cannot go far with it. In other words, if the grey economy is not legalized, the people involved in it will stay on the margins on a long time basis and with very modest earnings. The reason for this is that high unemployment and business uncertainty, impossibility to protect one's interest in front of a court, absence of access to the financial system, loss of time and energy on hiding from the tax authorities and other government authorities surely do make the business more difficult and set the limits on the earnings, even if considerable 'savings' are being made by not paying the taxes.

Different policies are possible to suppress the grey economy – reduction of tax level, for instance, so as to make the business in formal sector more attractive, or increased repression so as to make the business in grey economy more expensive. There is also a third system – increase of the scope of services that legal businessmen obtain from the government. Local communities play an important role in the strategy for promotion of grey economy legalisation. It can do it in a general way, by increasing the level and quality of services and thus increasing the attractiveness of doing business within the formal economy. Or, it can do the same by developing precisely those services which are most needed by those involved in grey economy.

For instance, if it is possible to lease the state-owned business premises in a municipality for a price that is not high, to specially subsidize the business premises, to lower the fees for putting up the corporate signage and other municipal charges, to participate at legal municipal tenders – then it would be a strong incentive (bait) for the entrepreneurs from grey economy to get legalized.

#### ❖ *Development of particular sectors*

Some municipalities and areas have comparative advantages in some particular business activities. For instance, the area is favourable for the

development of fruit cultivation and processing or for cultivation of a specific kind of fruit, or development of rural, ethno tourism. For these reasons a strategy of local development could focus on those sectors and SMEs founded by women which boast the highest growth potential, whether due to the tradition and built capacity, trained of the labour force, vicinity of a larger market, or other. Surely, local government should not be alone in co-financing such investments and facilitating and encouraging the process of general interest.

### ❖ *International communication and information*

In order to develop the relationship between the businessmen involved in the chain of a particular production or services, the incentives will be needed, at least those originating from the local authorities. Namely, their sharing of opinions and information, and in particular examining the possibilities for joint business is beneficial for all concerned and surely useful for the local community population. They shall doubtlessly find their own reasons to establish contact but the initial enticement to create the network may speed up the process and bring good results earlier.

Joint research, marketing, education One possibility for gathering together is to, with the support or funding from interested companies, organize a joint research within some university or research organization. Any positive research results will create the foundations for long-term cooperation of the overall sector. Retraining. Many employed, and even more unemployed, persons in Serbia have inadequate or outdated formal or informal education. The reason for this is that economic crises in the 1990s and the transition have rendered whole groups of professions redundant, i.e. unneeded, and people who are in them unemployable. Responsible for the task of improving the knowledge and skills of the labour force is essentially the National Employment Agency (NEA), but the interested private sector and local government must join the process, particularly in the towns in which the

unemployment is high and in which the NEA is not properly functioning, and, through the support to the setting up of transition centres, participation in socio-economic councils, retraining centres, and provision of financial assistance for these programmes with the aim of reemployment

### **Improvement of opportunities for employing women**

In the course of any development, including the local economic development, the position of poor citizen is being improved, and the same true for the members of all vulnerable populations. However, this is not the case with every single individual and it is necessary to take special care of such persons. We shall not address any social policy measures in this paper but we shall mention some employment policy measures which could improve the opportunity for women to get the employment and, therefore, solve their sustenance problems.

### **Municipal support to the development of women's entrepreneurship and small crafts**

This part shows the data of the research of the municipal support of the sectors which boast a largest number of entrepreneurial initiatives and where realistically, in line with the experience of the transition countries, much more women's enterprises and small craft businesses can be opened, there can be much more self-employment and the poverty level can be reduced. To this end, here follows an overview of municipal financial initiatives as the plans for financing the entrepreneurship and women's business initiatives in: tourism, particularly rural tourism which has the physical, natural and human resources, ethno-centres, transition centres, small crafts, IT centres / tele-homes for the enhancement of IT culture and competency of entrepreneurs in all fields, are made and implemented in six municipalities in Serbia, in the suburban communities which will be the points of ethno-tourist centres/, and virtual company.

❖ *Support for women entrepreneurship, SMEs , rural development, and development of clusters*

Is it necessary to have a sectoral approach to local economic development? For the resources and capacity of municipalities in Serbia to implement the industrial policy is necessary to remove the barriers to the development of the sectors with comparative advantages. This can be done, for instance, through urban planning. For example, a local quarry may not be allowed to, with its noise and dust, impair the possibilities for the development of mountain tourism if the latter is a comparative advantage of the local community. This shows how the control of negative external effects can enhance the development of priority sectors. The clusters can promote competitiveness in these ways:

- Increasing the productivity of companies operating in that area (companies can operate with smaller stocks due to the presence of local suppliers, they can quickly repair technical defects in the production due to the presence of local servicemen)
- By managing the creation and diffusion of innovation, industrial, engineering, technical, and regional (In the Boston scientific cluster, there is presence of the world class of research university, university hospitals, biotechnical companies that compete, the cluster institutions that are interconnecting the participants and strengthening the expansion of knowledge and new concepts.)
- Stimulating the creation of new jobs and business in the cluster (which in turn stimulate the innovation and cluster expansion. The availability of extensively experienced researchers and laboratory technicians, the access to specialised common capital, lawyers and providers, bring along many opportunities for employment at a local level)

Accordingly, the phases of industrial clustering at a local level could be summarized to the following activities:

- Local, regional level should primarily initiate the gathering together of industrial leaders, champions and educational institutions for promotion of the idea of the clusters and an initial fund is set up for those purposes
- Activation of a local centre for research and development and investing in the projects, and development of the cooperation with the centres outside the municipalities, and improvement of sharing the experience with the clusters in the region and interested associates and economy abroad.
- Analysis and improvement of logistics and transportation, removal of bottlenecks, performance of special activities of the local government and authorities responsible for the customs, for rivers, etc.
- Provision of outside investments, encouragement of the privatisation process, setting up of a centre for any subsidies for any problems the cluster may encounter, and co-financing
- Analysis of the competition and supply trends, links with the suppliers, alternative suppliers for any deficient inputs. It must beforehand identify the cluster's subcontractors. The government needs to set up a brokerage service of a kind so as to help the cluster to find what it needs.
- Diagnosis, preparation of the market and feasibility studies of the potential of domestic market (low prices of higher consumption)
- Focus of the municipal government should be on the clusters, on the benefits for local development that derives from the links between the companies, the industry, and the support institutions
- Municipal government is a member of the cluster as a supplier of public goods and services. At the same time, it benefits from the cluster development in terms of the increase of tax revenues. It should strive to expand the cooperation by providing the highest possible level of services. The government can stimulate the cooperation by influencing the regulations, jurisprudence, organisation of training for the partnership and cooperation professionals

- Considering that clusters strive for a higher productivity, achievement of higher wages, they influence the increase of salaries even outside their borders
- It should promote clusters as a visible developmental option
- Local government should essentially create a stimulating environment for the private sector at large, decrease duties, improve specific infrastructural investments as its prefinancing, and recognise the development of clusters as a priority in its financial incentives, business premises policy, spatial planning, and urban construction land planning.

It is exceptionally important here to develop the system support through:

- Educational system that supplies the clusters with technical, engineering, qualified personnel, and the possibility of continual training and skill building
- Financial system which may help through joint investment, microfinancing, funds for the beginners, capital for investments in new equipment and operating capital, microleasing within the chain of small suppliers
- Innovation system which creates new technologies and enables access to new technologies, contemporary production processes, information system of infrastructure to supply the telecommunications, transportation, removal of industrial wastes suitable legislative system, by less expensive procedures, judicial solutions in the least possible time, efficacious social control, environmental protection and protection of natural sources, intellectual property.
- Higher quality of life, improvement of local opportunities of a good education system, personal security of the citizens, different entertaining possibilities, development of local attractiveness for business.
- Eleven municipalities support entrepreneurship in some field, a cluster: fruits, flowers, and tourism, vine production, green-house production, HORECA, ICT.

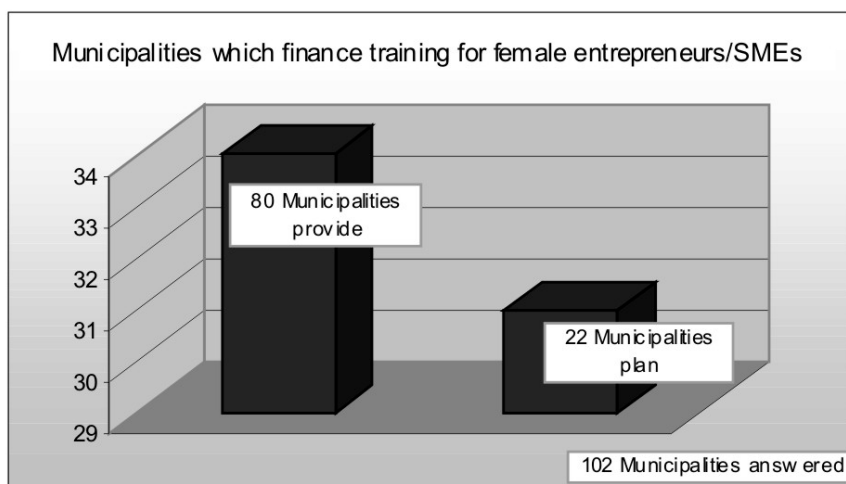
### **Grant for self-employment**

Grants for self-employment, as their support to the development of women's entrepreneurship and SMEs in the last two year, were provided by ten municipalities in Serbia, and grants for other entrepreneurs' investments seven municipalities.

### **Improvement of the schooling system.**

In order to raise the general level of education and competency of the labour force in local communities, it is necessary to improve the schooling system. Although this is primarily the task of the Ministry of Education, it is in the interest of local communities to encourage and facilitate this process and they can do this by defining and analysing the needs, starting the initiatives and lobbying, and even by providing financial support through current maintenance of secondary schools (which is one of their tasks) and provision of modern teaching aids for the schools.

An increase in the employment of persons from vulnerable populations, including all other unemployed persons, may be also achieved through the programmes that were already mentioned: training for managing one's own business, primarily meant for the persons involved in grey economy; micro loans for small and medium size enterprises; work practice for young and inexperienced workers; mentor programmes with experienced business people training the beginners in managing a business. A municipality can effectively implement these activities in cooperation with regional SMEE agencies, educational and private institutions in its territory.



Source: Grozdanic R., Savić B, SMEs Survey, Empirical research, 2007

### **Taxes and tax incentives**

Local authorities have different options as instruments for influencing the local and other SME managers' business decisions, and the tax related ones are considered very important. Namely, it is generally presumed that the companies migrate towards some other territory in order to reduce the costs, considering that this ensures greater profit for the owners. Bearing in mind that the taxes are always important and even painful presence in the business of an enterprise, it seems, at least at first sight, that the correctness of the above logics is indisputable and that the presupposition about the need to reduce the taxes and increase the tax incentives at the local level is very well founded.

One can mention five classic arguments to prove that decreasing the taxes (and increasing the tax incentives) is a good policy:

- decrease of tax burden; because the alleviation of tax pressure leads to the increase of corporate profits and, accordingly, to

- increase of investments and employment, incentive to increased work and entrepreneurship; because the tax reduction puts both the individuals and the companies in a better position and makes them more ready to work more considering the more is left for them from each dinar of the (gross) earnings they make,
- increase of demand; because greater income of both the individuals and the companies, after taxation, lead to the increase of demand and encourage the economic activity,
  - improvement of business climate; as the tax policy is a constituting part of the business climate, it is desirable to improve it,
  - Tax competition; because other local communities too reduce their taxes to attract the capital and the investors; it is therefore necessary that the one in question does the same.

Whereas with regard to the taxes and tax reliefs and exemptions local communities are not given opportunity to influence the economic developments, in the case of many other local duties the situation is much more favourable and they can influence the costs the companies have and the way they behave. In our country these duties are mainly called local communal fees. The most important fees among them are the fee for the use of urban construction land, the fee for preliminary development of construction land, and, in the case of most municipalities, the rent for business premises in state-ownership. The fee for preliminary development of construction land is a contractual obligation and the local government may amend it to suit its needs, namely to suit any agreement made with the investors. Although this fee is usually defined as a compensation for the costs incurred for preliminary development of land, it is clear that it for the most part constitutes the urban rent and the municipality is entitled to reduce it or to cancel it completely if it deems it right to do so. The fee for use of construction land is permanent in nature and it can be very important, or even critical, for the investor to obtain a discount or to be released from

paying this compensation. Some municipalities in Serbia are already taking advantage of this opportunity.

At the same time, the Law on Local Self-Government does not allow adequate possibilities to create other kinds of revenues by extending financial authorisations of municipalities with regard to financial engineering and on the financial market, particularly in the investment banking and local funds, and the Law on Funds has not been adopted still in the RS National Assembly. There are financial and legislative restrictions to greater municipal encouragement of SMEs and rural development and employment.

### **Professional assistance in business governance.**

New entrepreneurs usually lack many aspects of knowledge that they will need for their work, from the knowledge of finances and taxes, through the labour relations and payment system, to the business planning and marketing or similar. Surely, they can learn through work by making and remedying the mistakes, but that way is too expensive. It is better that they learn necessary skills beforehand.

Local authority can help these SMEs by providing support to: private consultants who, in the agreed manner and for a consideration, provide services to entrepreneurs on a permanent basis; secondly, through (co)organisation of training for entrepreneurs in already mentioned and other fields, which increases the knowledge level in the local business community; and, thirdly, through the operations of city administration according to the one-stop shop system so that the entrepreneur knows that all that depends on local authorities can be dealt with at one single place.

### **Formal and informal business network.**

A good way of learning and acquiring new information, but also of extending commercial cooperation between the entrepreneurs and their

companies, is to create formal or informal business networks at the local and regional level. Organisation of business networks is certainly a task of local authorities but it can be quite useful. Namely, local government needs to give its contribution through the respect of entrepreneurs' associations, readiness to have a dialogue with them and accept their opinions, to help them go beyond local boundaries, to link them with government authorities, to provide them with the information about its work and intentions or similar. Through the maximum respect of all networks, namely all associations, local government will raise their rating and, therefore, build them further. Small business can especially benefit from their informal links with local, but also with large businesses, both with regard to commercial links and managerial skills learning.

### **Business mentorship programmes.**

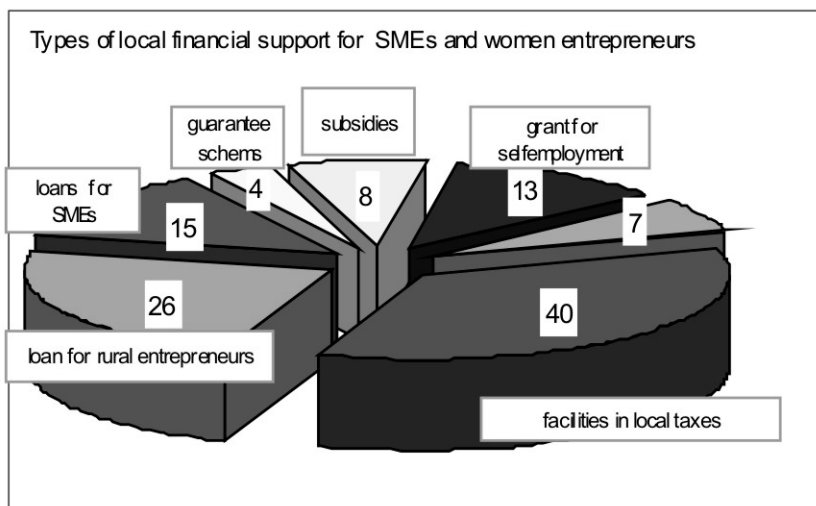
A problem with lacking knowledge or skills in new SMEs may be alleviated by the business mentorship programme. This is the opportunity that elderly, usually retired, managers work on education of young, new entrepreneurs. The main idea is that managers, with their knowledge and long years of experience, help new entrepreneurs in making the first steps in their business. It will be easier considering that they are already retired and that they have sufficient time to engage in educational and related activities, so that it is relatively easy to animate them for this purpose. Another favourable factor is that the price of their efforts is usually low. Namely, having plenty of free time, they find satisfaction in helping their young colleagues. Local communities may help new entrepreneurs not only by recruiting the business mentors but also by co-financing their operations with regional SMEE agencies, or 'one stop shops', etc.

## **Financing of training, consultation with SMEs and start up**

In the period 2005/2006, financial stimulations to SMEs through the support from the local training budget, consultations for women entrepreneurs, SMEs and start up were used by 34 municipalities. According to the data from the survey of municipalities, it is obvious that in the ensuing period another 32 municipalities plan the incentives for the development of SMEs and start up, of women entrepreneurs and others, through financing the training and consulting for this target group. The municipalities use special kinds of financial stimulations for the development of rural entrepreneurship by financing the relevant consulting from the budget.

It can be summarised, types of municipalities soft infrastructure support as:

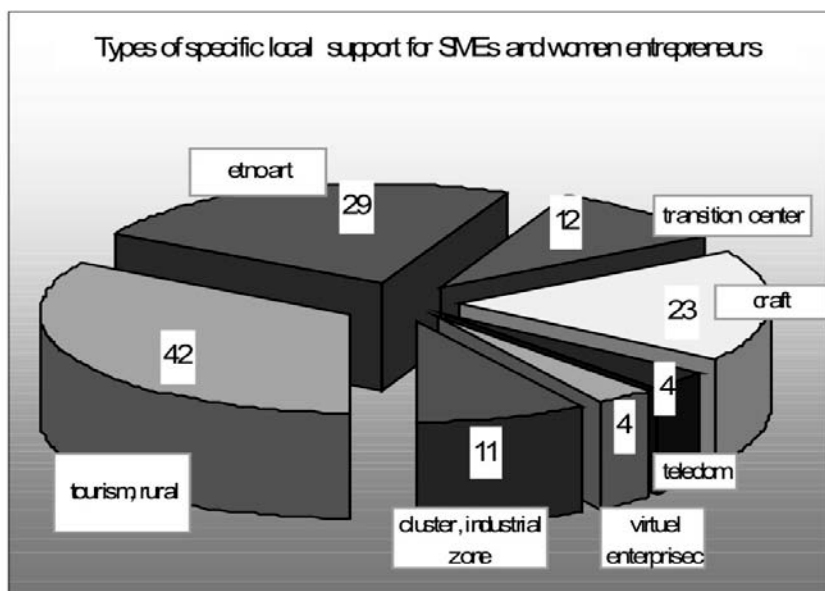
- Municipal credit scheme for agriculture and women entrepreneurs in rural area
- Support through credit guarantees, the guarantee fund
- Subsidies of interest on loans
- Grant for self-employment
- Grant for stimulation of other investments
- Reliefs by the municipalities Local fees
- Compensation for urban construction land
- Financing of the training, consultations for the SMEs and start-up
- Financing of the advice for women entrepreneurs and farmers



Source: Grozdanic R., Savić B, SMEs Survey, Empirical research, 2007

The overview of summary of the empirical research study of municipalities singled out in more detail the following kinds of support measures and financial incentives for the development of SMEs, and stimulation of development rural female entrepreneurship at a local level:

- In the tourism, rural tourism
- Through the establishment of ethno-centres
- Through the transition centre for surplus labour force
- Development of contemporary small crafts
- Establishment of tele-homes, IT centres
- Through the establishment of virtual company



Source: Grozdanic R., Savić B, SMEs Survey, Empirical research, 2007

#### BOX 1. Example of the good practice - TELEHOME

Concept: Telehome is a multifunctional IT-telecommunication and service centre, a micro-community of an opened profile (a telecommunication service community home). In a given space and environment it will create such IT, administrative, organisational and public-communication basis which will function in an economically justified manner to meet different territorial, individual, group, social and micro-spatial requirements. Telehomes must provide such services which the citizens will use directly. The services will be gradually formed to meet the requirements and the needs and will be available to everybody.

Telehomes and telehuts are meant to create equal opportunities for the welfare of the people in smaller settlements. Telehome programmes in the world: First Telehome was established in 1985 in Sweden as a

response of the remote settlements with regard to faster development. In 1994 Hungary started the implementation of Telehome programme and now boasts 560 Telehomes and 3500 E-points. Telehomes are in place in Russia, Bulgaria, Estonia, Slovakia, Bosnia and Herzegovina, the countries which in 2004, together with Hungary and Serbia, established EUTA – European Union of Telehome Associations with the registered office in Budapest. Today Telehome programme is an international movement. There are about 10,000 Telecentres in the USA and about 30,000 Telehomes in India, where a five-year development plan was adopted to establish 600,000 new Telehomes.

### **Main Telehome services**

- Service centre for civil organisation
- Provision of assistance and cooperation in performance of official tasks
- Internet accessibility, Electronic correspondence for general population, Generation of websites and presentations
- Information of general interest, local information centre
- Territorial announcement, information centre
- Office services (e.g. text processing, printing, photo-copying, fax sending and receiving, binding, plastification, scanning, CD burning, using of offices)
- Use of multimedia, Event Service
- Computer games
- Performance of computer tasks
- Education (PC school, foreign languages school, electronic banking school, remote education)
- Environmental Protection Service, Cultural Goods Protection Service
- Youth service, Volunteer Centre
- Electronic Intermediation Centre
- Local Trade and Business Centre
- Tourist Bureau
- Bureau for Enhancement of Underdeveloped Areas
- Electronic Services

- Centre for Generation of Tenders
- Local Historical Centre
- Place for exhibitions
- Different services for the unemployed
- IT-related consultations
- Services for general population (generation of letters, generation of business letters, applications, petitions, CVs/
- Information collection
- Local Competency Centre

Content of Telehomes in Serbia: TDS in Serbia, in cooperation with Telehomes and Telehuts, organise and provide the services related to the education of entrepreneurs and development of entrepreneurship, training for the development of entrepreneurship and self-employment, generation of electronic presentations for the entrepreneurs, internet services, mobile telephony services, insurance services, office services, education of local SMEs and general population in agricultural production and production of safe food, training in the education of - ECDL examination centre with more than 1000 trainees until 2007.

Results: Before 2007 more than 10,000 persons were trained computer skills and foreign languages in Telehomes and Telehuts of Serbia

Partners: The National Employment Service of Serbia, The Province Secretariat for Education and Culture of Vojvodina, the Fund for Development of Non-Profit Sector of Vojvodina, EUTA – European Union of Telehome Associations, AGROMREŽA – Beograd, Internet provider Eunet, 062,063, 064 and 065 mobile telephone operators, UNIQA insurance house, Donors: the Foundation for the Development of Democratic Rights DemNet, USAID, Telehome Association of Hungary, Rukohvat Foundation, the Computer Science Society Janoš Nojman from Hungary, the Regional Education Centre Sehešfehervar from Hungary, Apacai Foundation, and now in progress are the negotiations with other relevant partners about cooperation in the country and abroad.

## **Stimulating Female Entrepreneurship and SMEs through basic, physical communal infrastructure**

Local infrastructure – basic, physical infrastructure, infrastructural activities, are of essence for the local economic development and the development of SMEs and FEMALE ENTREPRENEURS, due to the fact that it makes one of key elements of business climate of any local community. The status of infrastructure, or the offer of services relating to the infrastructure affects the development of SMEs, that is, makes an integral part of their development process, in the following two ways: a direct way, meaning that the improvement of the status of infrastructure, or improved providing of infrastructural services at a local community makes an asset because of which investors decide to invest their capital in the territory of that respective local community, and an indirect, meaning that these improvements of the infrastructure also improve the quality of living of residents of that specific local community, which in turn increases the volume and the quality of offer regarding its work force. The latter represents additional stimulus to investors to invest their capital in that respective local community.

The importance of basic infrastructure is so great that it is often believed that a specific level of existing infrastructure represents a prerequisite to any extent and form of local economic development. There are two existing types of infrastructures in the towns and cities of Serbia: one, which is a part of some of national systems and which is under no control whatsoever by local authorities. This type of infrastructure comprise telecommunications, electric energy supply, high pressure gas supply, as well as transportation infrastructure: national and regional network of roads, railways, airports and river ports, represented and providing services in the territory of local community.

In cases when physical and organizational structures and facilities of the infrastructure are located on the territory of a municipality, or of a

town, they represent exclusively a local segment of a specific national infrastructural system. Due to the fact that local authorities have no power over that segment, one may raise a question whether there is a chance of any form of influence over this infrastructure, or, what is its role in the strategy of development of entrepreneurship and local economic development. There are some ways in which local authorities may affect the development of this infrastructure and consequently on the development of SMEs and female entrepreneurship, on their respective territories:

- Acting within their competences, the municipalities may accelerate the development of this infrastructure, for example, by timely issuing of town planning conditions, or town planning and building permits for the infrastructure that is represented on their territories.
- The municipalities may get in direct contact and initiate negotiations with public infrastructure companies in an effort to try to find adequate solutions for faster development of the public infrastructure that would be satisfactory to both sides.
- A municipality may, acting together with our local communities, to exert pressure on the legislative authority to introduce regulatory solutions to support development of infrastructure, or to increase the offer of infrastructural services.
- Local infrastructure, primarily in the sector of communal infrastructural systems, that is, communal activities that are, under the present legislation in Serbia, under full competence of local authorities, is of special interest as a vehicle for spurring the development of SMEs.

According to the law on communal activities that is currently in effect, some of these activities which are of special importance for the development of SMEs:

- Water supply system;

- Sewerage system;
- Generation and distribution of thermal energy (distance heating)
- Distribution and gas supplies (local low pressure gas pipelines)
- Cleaning of public urban green area
- Garbage removal
- Permanent removal of garbage (dump yards)
- Public town and suburban transportation
- Maintenance of streets, sidewalks and other public areas
- Maintenance of public green areas, parks and alleys
- Public parking lots (free accessible parking lots)
- Maintenance of bridges and river banks at inhabited places

Namely, local communities may find it beneficial to offer some incentives to interested investors. These benefits may include: lower rates of communal services, free of charge or low-priced land, cheap developed sites. The idea to support development of SMEs and entrepreneurship, as an enticement for prospective investors was created in Serbia. For examples, the municipality of Indjija is actually giving the land, at no cost, to those investors who are willing to build manufacturing plants on its territory. The municipality of Pecinci has an excellent track record of its industrial zone, and the municipality of Titel also. Results are outstanding, but it is unclear whether they should be attributed only to the free of charge land factor, and not to other factors as well (municipal management, good transport connections, vicinity of the capital and other cities, other attributes of the municipality in question).

To make incentives in the sector of basic infrastructure operative for SMEs and entrepreneurs, it is of vital importance to improve management of the city construction land. City-municipal or simply construction land is the most valuable and most important resource that can be used for the implementation of the strategy of local economic development, and the strategy of development of SMEs and entrepreneurship, as its integral part. Any new investment involves some sort of acquisition of the construction land.

Construction land management should guarantee good allocation of that land to economically efficient land users, which then implies timely and efficient preparing and equipping of the land, as well as its

development for a planned usage. In addition to fast and efficient development of new sites (so called green sites with green building and sustainable development activities), *good* management in the city construction land should provide an efficient urban reconstruction, that is, efficient transformation of the use of land as well as intensity of development by way of replacing an inherited building by a new one (so called brown sites).

In Serbia, the city construction land is still exclusively owned by the public sector, it cannot be freely traded and there is no market of construction land in existence, despite the fact that the existence of the market is actually implied, as an integral part of the real estate market. Namely, the purchase and sale of real estate inevitably implies purchase and sale transactions in ownership rights over the developed land. What does not exist is the market of underdeveloped city construction land, and what local authorities do is allocate, in the manner of an administrator, city construction land as recourse. They allocate the land for an indefinite period of time, or for a long term period, despite non-existent free transactions in the sector. The rent, or market price is not paid in the process of transferring and assigning the rights of use of land, instead, a compensation determined administratively is paid. All important details of the method of allocation, or assignment of the city construction land, as well as the program according to which the land is leased, are determined by local authorities.

The reform of this method of managing city construction land should be based on the privatization of the city land (denationalization and restitution, inclusive), establishing of strong protection of ownership over the land (by limiting the chances of expropriation) and on introduction of the respective market.

In the process of defining strategies of local economic development it is worth noting that apart from construction of residential buildings, there are two main groups/ allocations of the land in towns and cities. The first comprises tertiary (commercial) activities, that is, service providing sectors. In particular, they comprise activities which are carried out in offices, at sales outlets (retail trade), at hotels, restaurants etc. Generally speaking, they are usually located in central parts of towns and cities with high site density (they do not require large land areas), their requirements in terms of necessary infrastructure are not high and

they are compatible with the residential allocation of the land. The second comprises secondary (industrial) activities, which are usually located at the city limits, and very often in specialized zones. Requirements in terms of infrastructure are rather specific, in this case, as they often require access roads for heavy duty vehicles carrying bulky goods to and from the railways. Very often these secondary activities produce strong negative external effects („footprint“– like noise, vibrations, pollution by solid, liquid or gaseous waste material, etc.) and thus depreciate the value of the site; as a result, these sites are incompatible with the residential allocation of the land.

This second group of activities is of interest for the projects of the local economic development strategy in terms of creation of industrial parks – specialized, infrastructurally well equipped zones, adjusted to the needs of SMEs and entrepreneurs. Such zones are located in the vicinity of regional or trunk roads and railway tracks, and have free access to these roads and tracks. They are equipped with basic communal infrastructure of sufficient capacity (water supply and sewerage systems, electric energy, telecommunications, gas, etc. ) and have enough area to carry out industrial activities. Finally, town planning requirements in the zones are rather loose (all land usages are practically allowed), and the procedure of acquiring town planning licences and permits is rather simplified.

An industrial zone has to be established by an appropriate decision of local authorities. There is a dilemma, however, with regard to the managing of the zone, once it is established. One option is a SPV (special purpose vehicle) – a public company to be incorporated by the local community and the other option is in favour of a partnership of public and private sectors. Preparing and equipping of the land, and it is primary activity in creating such zone, is surely a profitable activity, and should be given over to the private sector. Local authorities will keep the title over the city construction land (at least until the forthcoming reform of the system of managing this type of resource) and the competence of urban planning authorities will remain with them. Another function of local authorities, at this point, can be of importance, if the creation of the industrial zone is based on conversion of agricultural land into city – construction – land. Namely, there are regulations in effect based on which local authorities may expropriate

that land, provided that they pay a fair compensation to the land owners, that is, market price of the land determined according to its current usage. This move might be controversial (especially from the standpoint of providing funds for the payment of any such fair compensation to former owners), but under some circumstances, where there is a large number of parcels (or owners) in existence, it may expedite the accomplishment of the industrial parks program, and consequently give impetus to local economic development.

Industrial parks represent only one of specific cases of creation of specialized business zones, wherein the grouping of new business structures, or grouping of business activities, will create positive local effects of agglomeration and will thus attract new entrants. At that it is essential that intended usages of land are compatible, that is, that zones are created to be specialized to increase positive, and minimize negative effects of agglomeration. Accordingly, there are different types of business zones, like: industrial zones, that is, industrial parks, business zones in the field of tertiary businesses, that is, business centres, technological parks, which are intended for high tech industries, etc. It is in common of all these programs that they gather – group - those activities that are compatible with each other, and whose grouping generate positive agglomeration effects.

With regard to the implementation of these programs, that is, the completion of specialized business zone projects, one may raise a question as to what extent the city construction land should be prepared and equipped in advance, when the investor for the specific location is still unknown.

The reply to this question depends on several elements, or more precisely, it depends on answers to the following questions. First, what is the extent of existing town planning parameters (limitations)? The more of these parameters in existence the higher are chances for the formulation of programs of preparing and equipping of the land. Second, what is the available „working capital“? Namely, the preparing and equipping the site requires investment, which will pay off once the site is transferred to its user. The reply to this question also depends on the extent of participation of the private sector in such enterprises, the cost of borrowed capital and on capacity to provide adequate securities for the repayment of loans. Irrespective of concrete replies to the above

questions, an optimal strategy of realization of these programs may be based on the division into primary and secondary equipping / furnishing / of the land, whereby local authorities and the respective investor would provide for primary and secondary equipping of the land in the business zone, respectively. Primary equipped location on offer reduces the time needed for the realization of investment and also spurs local economic development.

The matter which requires special attention relates to the founding and development of SME at scientific and technological parks that nowadays represent an institutional framework for the fastest development of SMEE, especially in the fields of production of new materials, technologies, innovations and management systems. Scientific and technological parks require active participation of municipalities in the development of communal infrastructure, as well as the participation of financial sector – banks – and private sector in the development of laboratories, manufacturing plants, test and research centres, universities, agencies in charge of transfer of technology, intellectual property and knowledge, consultants and financial institutions and venture capital funds. To make these incentives for the development of SMEs and entrepreneurship efficient, it is absolutely necessary to define profiles of these parks in advance, to produce feasibility studies and define partnerships in the stage of their construction.

Physical environment is not adequate and thus diminishes the attractiveness of that part of the town, of the value of real estate and closes doors to more new entrants. Irrespective of that, all these buildings already possess town planning, or construction permits, which saves the times needed for the issuance of town planning approvals. Thus the scenario is created for the implementation of the *Business Improvement District* (BID), or the simplified zone mechanism, a mechanism which is, to a certain extent, similar to our concept of a voluntary contribution. Namely, business users of a specific part of the time may independently decide whether they are going to pay an earmarked contribution, introduced to improve the offer of public good in their territory.

One of most important mechanisms available to local authorities with the view of spurring SMEs and entrepreneurship in the field of

basis infrastructure is town planning and its implementation. The system of town planning is defined by the Law on Planning and Construction and provisions of that law are applied in all local communities throughout Serbia. In particular, basic planning procedures and contents of plans are made to be uniform. The law prescribes the existence of general town plans (in Serbian – GUP), and regulation plans, like general and detailed regulation plans. In spite of that, local communities or local authorities autonomously adopt decisions with respect to specific planners solutions contained in the respective plan, or to town planning conditions ensuing from that plan.

The plan of a specific territory, and especially its regulation plan, can be rather rigid in terms of requests and limitations address to investors, that is, town planning conditions ensuing for the specific plan can be rather restrictive. Such planning, or these plans, are not suitable for the local economic development. They will “send” investors to the territories of other local communications, the communities whose well defined town planning conditions will offer flexible conditions to prospective investors.

The procedure of issuing of town planning conditions, or of issuing town planning and building permits, as prescribed by the law, may be implemented in different ways, or more or less efficiently. This, inevitably, increases or reduces costs for investors, primarily the cost of time that is spent in the process. For that purpose organizing of a responsible service, which is fully under the competence of local authorities, would generate positive effects, or spurs local economic development.

Improved efficiency of communal activities, that is, broader offer of communal services, may be achieved by delivering the managing of public communal companies into hands of private (physical or legal) entities. Under a management agreement this new, private administration, will commit to achieve specific goals, precisely defined business results. In addition to this, the same agreement will oblige the local community, or local authorities, to grant the private administration full freedom of action, and will also define the remuneration if agreed target results are achieved. It is customary for this type of agreements to be executed for a three to five year term. The purpose of this institutional solution is to create a stimulus, in this case in the field of management,

for economic efficiency of communal company networks. As in the previous case, this arrangement does not bring new investments into the communal infrastructure. What is more needed here is the transfer of positive EU experience in the field of private-public partnership.

This section has dealt with possibilities of improving communal infrastructure for the case of public utility networks, which should be covered by the strategy of local economic development. Most of these utility companies do not fall under the category of network activities, and the Law on communal, public utilities prescribes that local authorities, in that case, may entrust carrying out of the business both to public utility companies and other companies capable of discharging activities of utility companies. There are several methods of checking the ways these utility services are provided. Former experience in the world, and primarily the experience of developing and those countries in transition have highlighted the following methods: agreeing upon a deal, awarding franchise, concession and free competition on the market.

And finally, in formulating those parts of the strategy of local economic development referring to the communal utility infrastructure, one has to take into account two limitations of crucial importance:

- First – irrespective of all conveniences and concessions that are available to private to investors in the communal utility infrastructure in Serbia, one cannot expect to see high inflow of these investments in the foreseeable future, and in particular foreign investments, and investments in small towns of Serbia. In other words, irrespective of all possibilities, that in general are offered by the partnership of public and private sectors, in a large number of cases the improvement of the utility infrastructure in Serbia in the foreseeable period will be highly dependable on public funds, whose assets may be earmarked for this purpose / as it has been already observed, the funds from the National Investment Plan have been allocated, to a great deal, to the development of scientific and technological parks, industrial zones and business incubators/;
- Second - sustainability of the development of communal utility activities, that is, sustainability of improvements of this infrastructure depend on the receipts of communal utility

companies, that is, on the prices that may cover all expenses of the communal utility infrastructure, capital expenses inclusive.

Local communities may facilitate the development of local women's enterprises by improving sites, business area and a higher quality offer of SMEs. Due to the fact that local communities of Serbia, at least those larger ones, have at their disposal considerable business area, it is obvious that they can also use it to develop local businesses, by adapting it to existing needs and also by predicting needs and have it (re)structured, in advance. In any case, local authorities are in a favourable position to spur development of new locations and business areas in the partnership with private sector, and thus create conditions for growth of small local businesses.

#### ❖ *Provision of work area.*

Another obstacle for entrepreneurs when they start with work is how to provide the area – business premises for work. It is often rather expensive and in smaller communities it usually does not meet the required structure and quality. The problem becomes even more difficult when the borrowing – in the form of micro loans - that goes with first steps of the business is nonexistent or is insufficient, and the entrepreneur has no available funds for the rent, or respective down payments. Experience has shown that to provide business and work areas for the beginning of business is one of most efficient methods of support. This kind of support can be provided by those towns in Serbia who are already in possession of the concerned area, while the others may cooperate with the private sector and rent the area. The possibility to improve physical preconditions and thus increase the attraction of the respective territory for doing business and support viability of the existing businesses can be achieved by way of:

- Rehabilitation of abandoned sites.
- Reconstruction of abandoned buildings is the program similar to the above on many accounts. Its special advantage is seen in the possibility of flexible reconstruction and usage of the area, capable of hosting a variety of companies.

- Furnishing of new sites. The best way for preparing the site is to do it in partnership with private sector, if it is at all possible, as both parties involved in the project will better bear the costs and the risk involved.
- State-owned business area. Local communities may use it as a leverage to spur economic development and create new jobs and investments.

Financing of communal utilities and other forms of infrastructure needed for the development of modern forms of SMEs, on the part of local communities, through creation of conditions for the development of business incubators, industrial zones, technological parks and business improvement districts, was realized in:

- Business incubators – 9 and 14 more to be opened;
- Industrial zones - 82 and 32 to be opened;
- Technological parks - 2, and 4 more to be opened;
- Business improvement districts – 12

### **Cooperation of SME's regional Agencies/Centres with Municipalities and other local stakeholders on the development of female entrepreneurship and SMEs**

For established institutional support to the development of the female entrepreneurship and SMEs at local and regional levels it is of vital importance that through horizontal cooperation with institutions – like, municipalities, NGO sector, business associations, chambers of commerce, national employment agency, banks, prequalification centres and consultants – the sector secures maximum possible participation in activities, joint activities, and support in building integrated information and spurring investment systems. Accomplished cooperation to include the following:

Good cooperation and good partnership relations between RA for SMEs with *regional chambers of commerce*;  
*Cooperation with entrepreneurial associations, labour union organizations*;

Cooperation with *National Employment Agency (NEA)* or its branch offices and with the NEA centres for entrepreneurship in the form of employment programs, through membership of the RA for SME in the newly formed Local Councils for Employment, through implementation of common projects, dissemination of intelligence, providing of monitoring services for the clients of NEA on the part of the RA for SME of the Municipality;

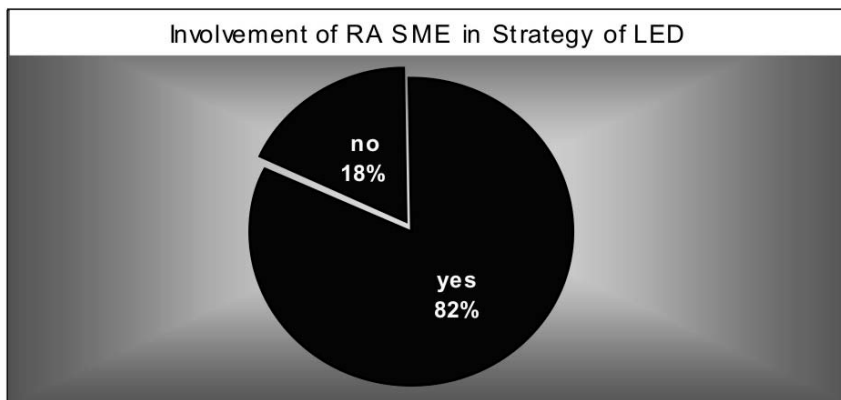
*Centres for prequalification of adults*, as a new institutional form of support to the entrepreneurship and self-employment, have been also covered by the cooperation and partnership relations with the RASME for SMEs.

Cooperation with municipalities hosting regional agencies and centres for the development of SMEs and entrepreneurship is growing in importance, both for the agencies and for the respective municipalities.

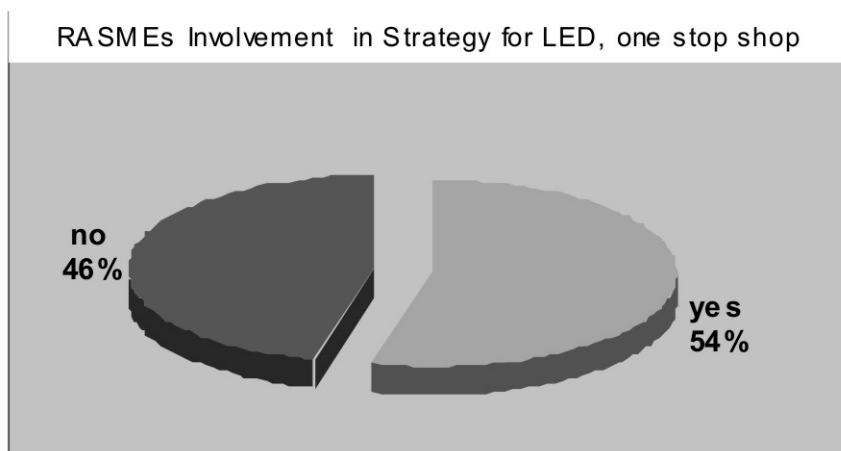
In the 2005/2006 period, the municipalities and towns in Serbia were heavily engaged in drafting local development strategies, the rural one inclusive, and in establishing the LED offices. An 82% of RAs/RCs for SMEs participated in the work and in teams for the production and implementation of municipal plans and strategies of local economic development, supported regional agencies in establishing, and cooperated with municipalities, on a partnership basis.

As the rural development directly correlates with local economic development, local country municipalities are of special importance, as they are instrumental in providing sophisticated support to the development of various forms of entrepreneurship in the country, especially women's entrepreneurship and cooperative. It is evident that in the 2005 - 2006 period 38% RAs/RCs for SMEs had developed its services for this target market as well, and participated in rural development.

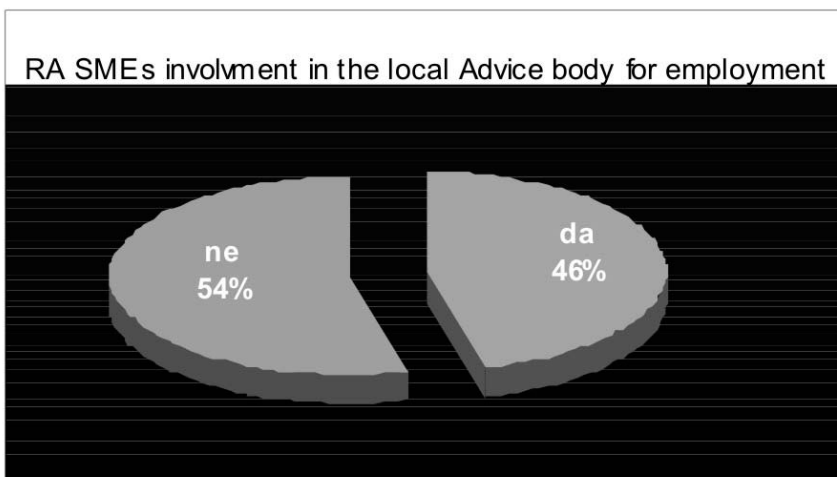
The following charts illustrate the results of research about institutional cooperation in providing support services to SMEs and female entrepreneurs on local level:



Source: Grozdanic R., Savić B, SMEs Survey, Empirical research, 2007



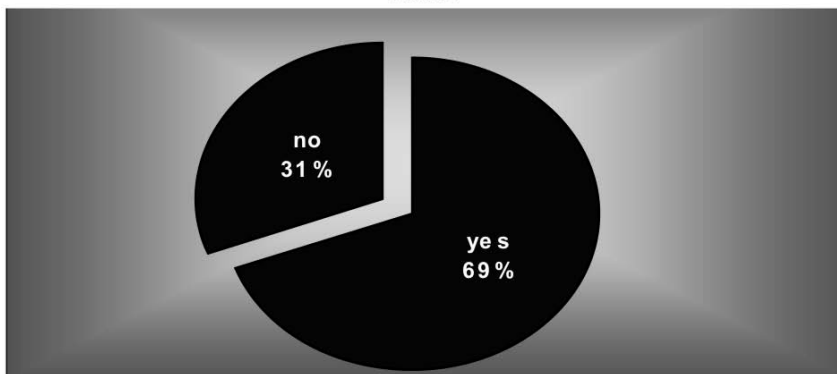
Source: Grozdanic R., Savić B, SMEs Survey, Empirical research, 2007



Source: Grozdanic R., Savić B, SMEs Survey, Empirical research, 2007

The report covering the 2005 – 2006 period indicates that numerous measures of support were implemented and financial incentives provided in Serbia, the funds were sources in the state budget, National Investment Plan and from the funds provided by international donor for the purpose of establishing and development of modern forms of merging of SMEs, industries and other institutions, universities, business and consultant companies, local government, with the view of spurring the process of creating new business entities and improving efficiency and competitiveness of the existing ones. /According to the National Investment Plan of Serbia, adopted at the end of 2006, EUR 46 million was earmarked for 49 approved programs of development of industrial zones and parks in 2007; EUR 3 million earmarked for the opening of business incubators – 14 of them, in addition to the finance provided by the Government of Norway; and EUR 35 million for the development of communal utility infrastructure in industrial zones in municipalities – 33 programs.

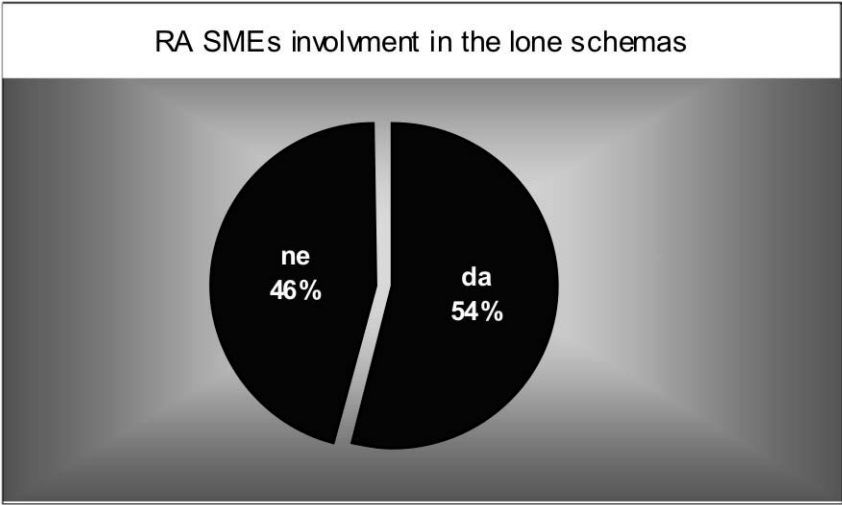
RASME involvement in joint local activities in BI, STP, BID and industrial zones



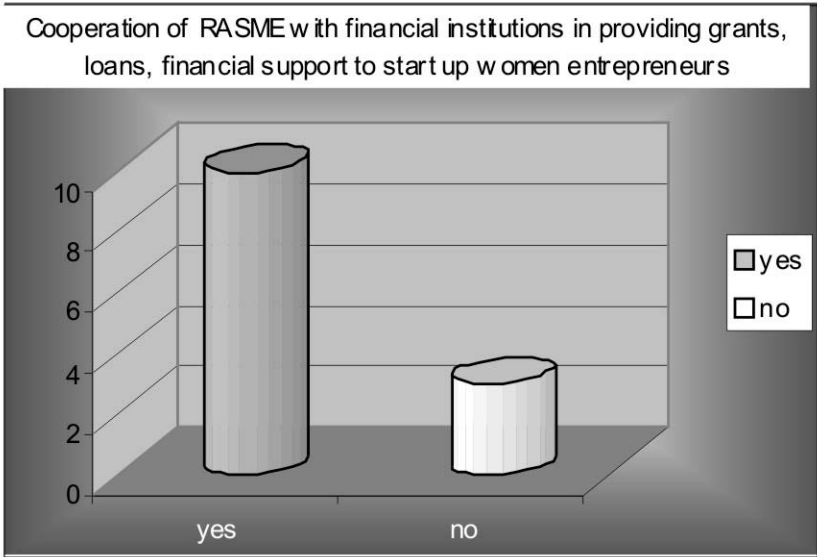
Source: Grozdanic R., Savić B, *SMEs Survey, Empirical research*, 2007

An aspect of cooperation that is of special interest comprises the group of activities of REs/RCs for SMEs, concerning the support of agencies for credit, financial, guarantee, grant schemes on the local level. In that respect, the following can be singled out:

- Growing and important participation of RAs/RCs for SMEs - 54% - in the information and monitoring sectors, in selecting and training prospective receivers and beneficiaries of funds.
- The cooperation between regional agencies and development centres for SMEs in providing financial support, grants for start ups, and in implementing local schemes for beginners in starting and managing their businesses has become more prominent, as evidenced by data provided by over 80% agencies involved in the above activities.



Source: Grozdanic R., Savić B, SMEs Survey, Empirical research, 2007



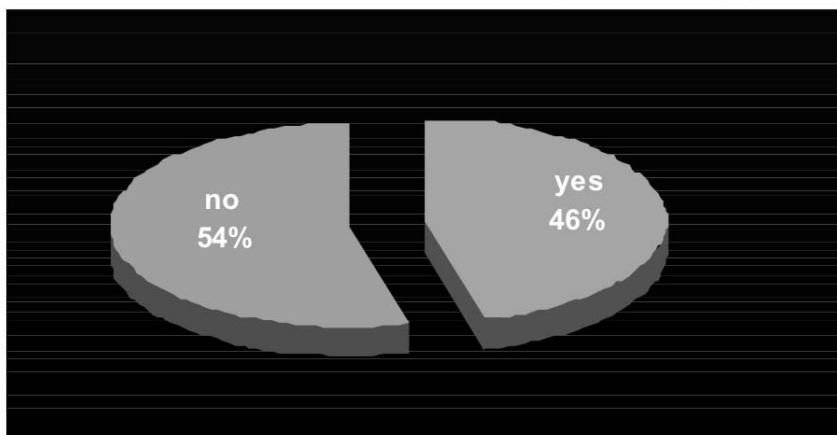
Source: Grozdanic R., Savić B, SMEs Survey, Empirical research, 2007

To recoupe the financial and nofinancial support to women entrepreneurs,  
The attitude of Reg.Ag. for SME



Source: Grozdanic R., Savić B, SMEs Survey, Empirical research, 2007

RASME involmt in activities of Local Advisory Board for employment



Source: Grozdanic R., Savić B, SMEs Survey, Empirical research, 2007

Due to the necessity to establish stronger and more versatile cooperation on the local lever, regional agencies and centres for SMEs in conducting their field investigations and interviews have underlined the necessity and need for:

- Better coordination of support to the WOMEN'S ENTREPRENEURSHIP and SMEs from the local up to the national level, to enable this institutional cooperation on all levels to contribute more to employment and competitiveness of the private sector RA for SMEs;
- Better division of work between providers of the same type of service, to avoid overlapping;
- Improved cooperation with regional chambers of commerce and associations of entrepreneurs on joint projects;
- Decrease of competition of institutions and strengthening partnership within the network of RAs/RCs and SMEs;
- Organizing a network of institutions to provide support to local development.

## **Conclusions**

The Empirical research on support services for development of female entrepreneurship on local and regional level, realised for the period of 2005-2006 in Serbia, has shown that the Cooperation of all factors looking for success of LED is of special importance for the success of female entrepreneurship. Namely, experience has shown that results are considerably lower if the LED strategy and institutions providers of support services on local level are not connected, both in terms of its implementation and formulation is vested only with local authorities, while others are not participating. All weaknesses of this unilateral strategy at the same time make advantages of a cooperative strategy oriented toward connecting different participants and using all resources of a municipality in question. Basic good sides of the joint work comprise: engagement of more resources, as the strategy is not limited only to the resources of local authorities; instead, all stakeholders join in to contribute with their resources (different forms of capital, entrepreneurship, manpower), under an assumption that they see the work on the strategy as a part of their own process in which they participate in their best interest of female entrepreneurs and

with full vigour; the knowledge of all participants is engaged and involved; women as representatives of the business sector are better informed about local economy than politicians and officers of local authorities; growing trust and confidence of local public and factors from the national and international levels in the process in which everybody participates on a voluntary basis and which is characterized by good cooperation of all relevant participants.

Transparency improves credibility, and credibility improves and increases the support of all parties that can provide assistance. In that sense, prospective factors comprise:

*Local government:* municipal or city council, administration bodies, municipal utility companies, institutions providing education, health care services, transportation services, social protection, research and institutions of higher education.

*Private sectors:* SMEs and women entrepreneurs, large companies, banks and other financial institutions, media, chambers of commerce, associations of businessmen, private companies from the sector of utility companies, education, health care, private research organizations.

*Non-profit sector:* nongovernmental organizations, councils of local communities, local religious organizations, professional associations, foundations, humanitarian organizations. Joint work should cover all stages of the work, starting with prior gathering of data and analysing the status and standing of local economy, through formulating the strategy of local economic development, and its implementation, assessment/evaluation and monitoring.

It is the cooperation with other offices and bodies of authorities that still determines the pace of local economic development, together with the guidance it receives from local communities; dependence on the policy of authorities on higher levels (government, regional, provincial, etc.), and in Serbia, especially that from the governmental level. Therefore, cooperation with other levels of authority is of importance when they are expected to provide relief and support to local development efforts on female entrepreneurship. This cooperation practically refers to each and every aspect of the national and local policies: bringing governmental and local development plan of

infrastructure, transfers of budgetary funds from the Republic to a municipality, regulations relating to the land and ownership, spatial planning, financial issues, environmental protection. Municipalities may use their contacts with higher levels of the state administration in at least three ways: to implement the existing mechanisms and resources of these higher levels in favour of local development; to obtain information about future plans of high authorities that will enable them to adjust themselves well in advance and take maximum advantage of new possibilities; to lobby for or to use some other method in an effort to exert influence on the plans of high authorities to their own benefit.

In Serbia, due to excessive centralization – most probably - cooperation between neighbouring municipalities, and even that in the exchange of information, is still underdeveloped. And it is exactly the cooperation that can be versatile and useful as a way of consolidating efforts or coordinating activities in a number of areas relevant to women's entrepreneurship, which fall under the competence of municipalities, regional agencies of SMEs, centers, starting with joint utility buildings through joint actions before various governmental or international institutions.

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## **Chapter 8**

### **Microcredit for Women Entrepreneurs in Ghana: The Case of Women Development Fund in the Accra Metropolis**

**By Samuel Duah and Imani Silver Kyaruzi**

#### **Introduction**

The purpose of this chapter is to examine the impact of the Women's Development Fund program (WDF) on its clients. In particular, the chapter examines whether participation in WDF has had a significant improvement in the economic status of clients' households, microenterprise growth, and women empowerment within their households. The evaluation is centred on, and around WDF's clients within Accra, Ghana. Microfinance, on the other hand, has been very instrumental in making financial services available to the poor with the ultimate goal of reducing poverty in various communities. The significant contribution of microenterprises to the economy of Ghana can not be overemphasized. IFAD Ghana (2000) estimates that over a quarter (25% - 33%) of the Ghanaian working population are employed in microenterprises and small enterprises. It also estimates that three quarters of the Ghanaian households depend on small and microenterprises for at least half of their households' income. Most of these people working in small and microenterprises are self employed and they lack access to financial services from the formal financial institutions. It is to this end the Government of Ghana has initiated a number of microcredit programs to make credit accessible by micro entrepreneurs (especially women microentrepreneurs), who are often unable to access credit from the "high street banks" because they are classified as non-bankable. The Government mainly does this to provide

financial services to micro entrepreneurs so as to enlarge the bases for economic development. These microfinance services are mainly supplied by various bodies such as financial institutions, non-governmental organizations, government ministries, departments and agencies.

Women Development Fund (WDF) is a microfinance services initiative of the Government of Ghana managed by the Ministry Of Women And Children's Affairs (MOWAC) – Ghana - with its financial support from the Ghana Government and Grants from the Development partner of the Government of Ghana (for example Japan). Since its establishment 2002, WDF has provided financial services to several women across the ten regions of Ghana with the goal to of empowering women in the informal sector economically and socially. The Ministry Of Women And Children's Affairs are using various banks throughout the country as co-managers and disbursing agencies to make their financial services available to their clients. These banks in turn update MOWAC on disbursements and repayments made. Since its inception in 2002 to May 2008, WDF has disbursed GH¢210,000 to its client across the country (MOWAC, 2008). MOWAC lends WDF loan to individual women who are members of groups that have group saving with the bank through which the loan will be disbursed. MOWAC uses such strategies as group guaranteeing of loans made by the groups' members, a saving requirement, weekly repayment schedule, clients' having an enterprise which generates weekly revenue and mandatory attendance of weekly group meetings. WDF clients are exclusively women.

Using empirical data collected in Ghana, this chapter seeks to achieve the following objectives:

- to investigate Women's Economic Capacity Building through MFI
- to investigate Women's Empowerment through MFI
- to investigate the impact of MFI on the Food Security of clients

## Micro-finance: The Ghanaian Experience

According to Steel and Andah (2003), microfinance refers to small financial transactions with low-income households and micro enterprises (urban and rural), using non-standard methodologies such as character-based lending, group guarantees and short term repeat loans. Microfinance includes the provision of financial means to save, access credit, and start small businesses. It is one of very important interventions to reduce poverty in the world especially in the developing countries. In recent years, microfinance institutions have seen tremendous growth in number and size, volume of clients and provision of subsidized donor funding. According to Hashemi *at al* (2007), since 1999 the microfinance industry has been adding 13 percent more borrowers each year. McCarter (2006) also reports that microfinance in past twenty years has been an important developmental tool capable of providing vast numbers of poor people, especially women with sustainable financial services to support their microenterprises, households etc.

The state of the Microcredit Summit Campaign held in 2005 reported that the world's microfinance institutions benefited 333 million family members just because they reached over ninety two million clients. Women constitute approximately 83% of the world's microfinance clients Daley-Harris (2005). Poverty reduction is one of the main goals of most microfinance providers as a result, donor funding is accessed by microfinance institutions mostly on this basis.

Currently, over three quarters of the Ghanaian society do not have access to 'high street' banking. High number of least affluent people in Ghana, like small and micro-entrepreneurs like artisans, traders by the road side, table-top traders etc, do not have access to high street banking due to small individual incomes. The incomes of these small and micro-entrepreneurs amount to £75million economy thriving below the traditional banking radar (Barclays bank, 2006) This has resulted in the

increase in the number of microfinance institutions in Ghana (both formal and informal) and has also attracted some of the high street banks into delivering microfinance product/services. To this end, the Ministry of Finance, Ghana has been continually working with the Bank of Ghana microfinance practitioners and other stakeholders to develop national strategic framework for addressing the problems besetting financial services to the economically active poor. As a result, there has been many advances in providing financial services to better advance development and eradicate poverty in the past couple of years. The Government of Ghana has also initiated a number of microfinance programs in its effort to make cash credit available to micro entrepreneurs to help develop their enterprises. One of such Government initiatives is the Women Development Fund (WDF) which is managed by the Ministry Of Women And Children's Affairs (MOWAC) – Ghana - with its financial support from a Government and grants from some of the development partners of the Government of Ghana (for example Japan). Since its establishment 2002, WDF has provided financial services to several women across the ten regions of Ghana with the goal to of empowering women in the informal sector economically and socially. Since its inception in 2002 to may 2008, WDF has disbursed GH¢210,000 to its clients across the country (MOWAC, 2008).

Microfinance has therefore, become an important issue in the development agenda in Ghana. According to Asamoah and Williams (2004), microfinance if adequately supported, can scale up beyond the micro level and become a suitable part of the economic empowerment by which the poor can lift themselves from poverty. The financial sustainability of these microfinance institutions is a very essential factor in their growth. The growth of the industry in recent years is mainly attributed to the fact that the institutions have become financially sustainable. Although the financial sustainability of MFIs is imperative for the growth of the industry, this does not automatically result in the

improvements of clients' lives. BSince MFIs are profitability and growth-driven, they develop the culture of strict debt recoveries. This culture does not take into consideration the welfare of the clients. However, the passion and commitment of most donors and stakeholders is based on the belief that the poor can improve the quality of their lives if they have access to financial services.

While most MFIs focus on financial sustainability, at the expense of welfare of their clients, to expand their services, Bauman (2004) and Woller (2004) presents a different view. These authors established that MFIs are able to increase their return on investments by assessing and managing their social performance system (this includes poverty monitoring, exit monitoring, client focus groups etc.). Aided by Government agencies, international donors, Non Governmental organizations and individuals, MFIs come out with programs which give clients access to microcredit which normally is used as working capital or to increase working capital with the long term goal of improved household, food security, better health and nutrition, and better education etc.

Most of the research conducted in the area of microfinance in Ghana has basically been in the area of sustainability, profitability and microfinance institutions. However, Microfinance stakeholders such as donors (both individuals and cooperate bodies), Government Ministries and Departments, MFI Clients have the interest in the socio-economic wellbeing of clients. The Women's Development Fund program (WDF) which targets the economically active poor women across the entire country (Ghana) has had lots of money disbursed to its clients (GH¢210,000 disbursed as at May 2008) yet no research has been carried out on the socio-economic impacts of this program on its clients. This research is therefore set to evaluate the impact of WDF on its clients within the Accra Metropolis in terms of impact on themselves as individuals, their enterprises and household.

## **The World's Microfinance Movement**

Microfinance, which today is considered as the recognition that the poor in society need access to credit and other wider range of financial services such as loans, savings, insurance, leasing and other products — that wealthier, “bankable” people have started in the 1970s and 1980s as micro credit. It started with some people in the Western World recognising the need for the poor in the developing world (who constitute the majority) to have access to the financial services which will help people, particularly the poor micro entrepreneur to improve the lives.

An institution like the United Nations helped microfinance to gain recognition and publicity globally in 2005 when it proclaimed “Year of Microcredit” in 2005. As a result microfinance has attracted the attention other internationally recognised institution. The idea of microfinance is simply providing poor people, who are normally left out of the formal financial sector, with access to a range of financial services which allows the power of choice and the ability to change one's life for the better. Microfinance allows poor people to start or grow a small business, save for future needs, cope during emergencies, smooth income flows needed to manage daily household expenditures, and protect against shocks.

Where as some people argue that access to finance is a basic human right, others, also believe that increasing the poors' access to finance just makes economic sense. Those who argue that access to finance is a fundamental human right argue that making financial services accessible to women is similar to women's right to education and reproductive health services. They advocate that credit should be recognized as a fundamental human right, alongside the right to development, peace and the environment, or ‘emerging’ rights. The poor are now establishing a track record that proves they are both bankable and profitable (McCarter, 2006). Microfinance enthusiasts believe that with enough capital were available and regulatory environments

permitted it is possible to reach all of the world's poor people through credit and savings services.

In spite of the recent success stories of most MFIs, it is important to note that not all MFIs are winning success stories that make good business investments. Many have a long history of receiving heavy subsidies and still operate with inefficiencies and persistently high transaction costs. The industry still has challenges to address. Some of these challenges are, reaching poorer remote regions, ensuring consumer protection, putting stronger systems and internal controls in place, taking advantage of technology, tailoring products and introducing more flexibility for clients, and finally, serving women better.

### **Microfinance and Women**

In extremely difficult economic environments, where it is really difficult to live above the poverty line women with access to microfinance play a pivotal role in guarding against risk and effecting change. Because of the fact that time is often required to move from relief to development, microfinance is not always an appropriate immediate response depending on the severity of the crisis. However, over the long term, microfinance enables borrowers to move from being reactive to more productive risk management.

An example of such a case is the study on Wisdom, an MFI in Ethiopia. This study examined the impact of microfinance on women borrowers in two regions most heavily affected by drought. The study compared two control groups of incoming borrowers and community members matched by sex and selected at random. This study revealed a statistically significant increase among the women borrowers (as opposed to male borrowers and non-borrowers) in nutritional status of women and children, higher diversification of income, greater household income, greater land and home ownership, and reduced receipt of food aid (Doocy *et. al.*, 2004). Also, women are most often than not the ones

left behind to hold a family together after a conflict or natural disaster and as result assume a huge responsibility of rebuilding whole communities. The following stories of individual women are examples to illustrate this point.

### **Women Entrepreneurs Access to Financial Services in the Informal Sector**

Even though there has seen improvements over the years, the Ghanaian girls' access to higher levels of education have not been very encouraging. For example 41 per cent are enrolled into secondary school and 7 per cent into tertiary institutions (The World Bank Group, 2004). This has been primarily due to socio-cultural and other reasons. This has resulted in low literacy levels of most women entrepreneurs and has hampered women's ability to:

- acquire vocational skills for self-employment;
- access information on support services for improving their business; and
- Earn an income and, thereby, engage in capital accumulation

Given such limitations, rural women are mostly engaged in mainly subsistence farming activities, and low-income generating activities, while poor urban women operate marginal enterprises in the informal sector. These activities yield little or negative returns on investment because the enterprises experience little or no growth during the lifetime of their owners. Consequently, women dominate the poor class and the majority of those that MFIs serve Muntamba (1999). Some MFIs have focused mainly on productive poor women specifically, because doing so has proved to be the most direct means of reducing poverty and increasing the welfare of the family as a whole.

MFI programs that target both men and women give averagely, smaller loan size to women entrepreneurs than to men entrepreneurs. In the rural areas, relatively few MFIs are lending to women entrepreneurs. Unless an MFI has as a policy of setting aside a significant proportion of loan funds to women, the volume of loans lent to men is always going to be higher than those made to women. However, in many instances, loan repayment among women borrowers is often higher than for the men.

Sources of financial services for women include informal suppliers such as *Susu collectors* and ROSCAs, and semi-formal suppliers such as NGOs, and Community Based Organizations (CBOs). Formal suppliers include Savings and Loans, Rural and Community Banks, and Credit Unions. In addition, public sector programs have developed financial and non-financial services for their beneficiaries. Savings mobilization and credit provision are the core services provided by this diversity of institutions. Interest accrues on savings accounts at a rate of 25 per cent to 35 per cent per annum. Interest rates on loans begin at subsidized rates of 20 per cent and go as high as commercial rates of 50 per cent Muntemba (1999).

Some of these MFIs provide non-financial services such as entrepreneurship development, training in business development, skills development, and welfare services such as family planning. They have a capacity building objective aimed at sustaining micro/small scale entrepreneurs, improving their efficiency in the utilization and quality of repayment of loans disbursed, and the general well-being of the poor. MFIs over the years have developed a number of strategies in their services delivery to ensure sustainability, and responsiveness to the needs of their clients. The strategies include group methodology, peer pressure, responsive disbursement mechanisms, and savings as cash collateral. These strategies have helped to ensure high loan repayments from clients, and have secured the quality of the MFIs' credit portfolios. However, some MFIs face operational constraints, which have affected their ability to scale up their level of financial service provision. These

constraints include a weak capital base, poor credit portfolio management systems, limited loan funds, inadequate management information systems, and lack of logistical support for effective monitoring and follow-up.

To meet the challenges of gender-based outreach and financial viability, distinctions can be made between strategies used to reach rural and urban women on one hand and by Ghana's Northern and Southern MFIs on the other hand. MFIs that target rural women mainly use the group lending mechanism to ensure joint liability for securing loans. This strategy is cost-effective in increasing the number of clients to credit staff ratio. This is important because it helps to reduce the cost of reaching isolated rural communities. Group development training also equips rural women with decision-making and leadership skills. They are responsible for selecting group members, making loan decisions, and are also active within MFI operations.

Urban-based MFIs tend to focus mainly on individual lending methodology since folks within the urban communities are not as close knit as those in the rural communities. As a result, clients of urban MFIs usually go to the institution for financial services they require, whereas in rural areas, it is the MFIs who usually go to the communities. This makes urban MFIs, tend to have lower transaction costs.

All the various categories of informal, semi-formal, formal financial suppliers and public sector programs are found in both Northern and Southern Ghana. Privately owned, for profit MFIs such as Savings and Loans, however, are found predominantly in Southern Ghana. This is due to the high density of the population and economic activities, which ensure low transaction costs. Northern Ghana has a higher concentration of subsidized public sector programs.

*Susu collectors* operate throughout rural and urban Ghana as independent agents. Traditionally, they have been male. However, a few

women have joined the profession, although there is no information on their numbers or proportions. Some financial institutions and NGOs have developed collaborative arrangements with *Susu collectors* to help achieve their objectives of reaching communities with little or no access to formal financial institutions. These institutions include the Nsoatreman Rural Bank, the Agricultural Development Bank, Citi Savings and Loans, and Action Aid Ghana.

Freedom from Hunger is an international NGO that collaborates with six Ghanaian MFIs running credit-based poverty reduction programs which are targeted at women. Criteria for selection are:

- the MFI should demonstrate some level of managerial and administrative strength necessary to support the program;
- the MFI must have in place or be willing to put in place an outreach mechanism which is adaptive and responsive to the needs of women who normally lack access to institutionalized credit;
- the MFI must be willing to let its credit personnel undergo training in the village banking credit with educational methodology promoted by FFH.

The six institutions FFH works with are: Lower Pra Rural Bank - Western Region, Brakwa Rural Bank - Central Region, Nsoatreman Rural Bank - Brong Ahafo Region, Nandom Rural Bank - Upper West Region, Women's World Banking/Ghana - Greater Accra Region and Builsa Community Bank - Upper East Region.

The main objectives of FFHs include; make credit available to the poorest women; provide health and nutrition education; provide family planning education and information; and build local MFI capacity through training and technical support. Freedom From Hunger's program activities with these MFIs are targeted solely at women for the following reasons: (i) the incidence of poverty is highest among women; (ii) an increase in the incomes of women will have more impact on the

family; and (iii) income generation activities pursued by women require low investment inputs. FFH trains assigned credit personnel of the collaborating MFI in micro- enterprise development, health and nutrition education, family planning, financial management, budgeting and planning. The MFIs, in turn, identify women's groups and provide them with training, as well as other support services. Group members are required to make mandatory savings, (minimum amount determined by the group), for a minimum of six weeks.

The loan provision is somehow different from mainstream banks. For instance, Loans are provided to the women at an annual commercial interest rate of between 48 and 51 per cent. Their savings deposits are used as cash collateral. The loan duration is 16 weeks with repayment required in weekly, equal instalments. In all its collaborative arrangements with MFIs, the on-time annual repayment rate in village banks has been 98 per cent to 100 per cent (Muntemba, 1999).

### **Micro, Small and Medium Enterprises' Access to Financial Services in Ghana**

The pivot of banking business is "collateral" which serves as an explicit guarantee against the possible risk associated with the inter-temporal trade of money. One who does not have this explicit or implicit guarantee is not considered bankable. The poor in the past have not been able to get credit from the existing institutions on these grounds. This denial of opportunity has bound these financially disadvantaged in a vicious circle. They are poor because they are already in a poverty trap of low initial endowments, low income, low savings and low investment. This situation therefore worsened their ability to tap their capabilities in the direction of 'self actualisation'. The market as stated earlier has failed to provide the much needed credit to this sector of the economy (Rf22). An annual report in 1996 by Kashaf Foundation, a Pakistan-based NGO working in micro banking emphasised the necessity of banking in a poor developing community in the following words;

“...One very genuine reason to bank is that the financial markets are prone to neglect the needs of the rural poor women, simply because the existing criteria of financial worthiness require contacts, collateral and accessibility”

(World Bank Development Report, 1997)

An institution need to be created that overcomes market failure due to the high risk and high transaction costs associated with lending to small borrowers. That institution should provide banking services to small-scale communities since it will serve to promote sustainable income generation activities. However, those who usually want to borrow from the formal sector are usually deterred by the strict collateral requirements and high transaction costs frequently involved in doing business with formal institutions, including time spent in travel and doing paperwork. Also, in a diverse country like Ghana and others such as Pakistan and Malawi, access to credit and savings facilities is severely limited for micro and small entrepreneurs, particularly women. In many other countries only about half of the loan applicants can borrow an adequate amount at the going interest rate, either from formal institutions such as banks and cooperatives or from the informal sector. In the absence of access to formal source of credit, these sectors are expected to remain at the mercy of exploitative and non-reliable sources of finance. Many potential borrowers are in such need of credit that they are willing to pay substantially higher interest rates in the informal markets; sometimes as high as 80 percent per year. But the amount of credit available through informal markets is often constrained by bottlenecks in the local supply of funds.

As mentioned earlier, government efforts of targeting the rural communities and poor through subsidized credit have not been successful in the past. Firstly, the cheap credit has leaked to the relatively richer rural households. Secondly, the subsidy dependence of these

institutions required regular injection of government and donor funds and these institutions could not become sustainable. Thirdly and most importantly, only a fraction of the credit could flow to the women who are the most deprived in such communities. Hence these institutions have not been successful both in terms of outreach and sustainability. The government therefore in the late 1990s removed entire subsidy to this sector of the economy.

In terms of savings, the story is neither different. The costs in making small deposits at faraway banks are high. Also, the transaction cost per cedi of deposit rises as the size of the deposit becomes smaller, discouraging micro and small-scale entrepreneurs from making a series of tiny deposits, as they prefer to do. Many rural financial institutions choose not to accept deposits; others are legally forbidden to do so to protect depositors from fraud and for other reasons. Also, because most credit and savings programs still depend on the urban-based banking system for depositing their clients' savings and for channelling and disbursing loans, they usually are not able to reach out to locations far away from branches of state-owned or privately owned banks. It must be reiterated that, the informal finance, as outlined earlier, has been expensive, exploitative and chancy with a fragmented market. This has necessitated some institutional mechanism that could reach the deprived micro and small-scale sectors in a sustainable manner. These institutions enable them to tap finances beyond their own resources and take advantage of profitable investment opportunities. The end result is the spring-up of NGOs and other small specialised financial institutions in the country.

### **Structure and Performance of Rural and Micro-Finance Industry in Ghana**

The financial system in Ghana falls into three main categories: formal, semi-formal, and informal.

*Formal financial institutions* – these are those that are incorporated under the companies code 1963 (Act 179), which gives them legal identities as liability companies, and subsequently licensed by the Bank of Ghana under either the Banking Law 1989 (PNDCL 225) or the Financial Institutions (Non-Banking) Law 1993 (PNDCL 328) to provide financial services under Bank of Ghana regulation. Most of the banks target urban middle income and high net worth clients. While Rural Banks (RBs) are based on operational methodologies similar to those of commercial banks, they target clients mainly in the rural areas, often in collaboration with NGO using microfinance methodologies. The non-banking financial institutions (NBFIs) are made up of eight types of financial institutions. Among them, the Savings and Loans Companies (S&Ls) are the most active in micro and small-scale financial intermediation using microfinance methodologies (Steel and Andah, 2002).

*Non-Governmental Organizations* (NGOs) and the Credit Unions (CUs) – these are considered to be the semi-formal formal system, in that they are formally registered, but not licensed by BoG. NGOs are incorporated as companies limited by guarantee (not for profit) under the company's code. Their poverty focus leads them to relatively deep penetration to poor clients using microfinance methodologies, though mostly of a limited scale. They are not licensed to take deposits from the public and hence have to use external (usually donor) funds for micro credit. Credit Unions are registered by the department of Cooperatives as cooperative thrift societies that can accept deposits from the loans only to its members. Although credit unions are included in the NBFI Law, BoG has conveniently allowed the apex body Ghana Cooperative Credit Union Association to continue to regulate the societies pending the passing of a Credit union Law.

*The Informal Financial System* – this covers a range of activities known as susu, including individual savings collectors, rotating savings

and credit associations, and savings and credit clubs run by an operator. It also includes money lenders, trade creditors, self-help groups, and personal loans from friends and relatives. Moneylenders are supposed to be licensed by the police under Moneylenders Ordinance 1957.

The formal banking system, which is dominated by few major banks, according to Steel and Andah (2002), reach only about 5% of the households and accounts for only 40% of the money supply. For example 35% of the commercial bank branches are located in Greater Accra even though Greater Accra's population represents less than 13% of Ghana's population. Even within the urban areas the potential microfinance clients are not able to access their services due to high deposit requirements. This makes the rural banks, savings and loans companies, and the semi-formal and informal financial systems particularly important as part of Ghana's private sector development and poverty reduction strategies. The term Rural Micro-Finance Institutions (RMFIs) refers collectively to the full range of these institutions – in spite of the fact that they use different methodologies to reach their clientele example farmers, rural households, the poor, and microenterprises.

### **Agricultural Development Bank (ADB)**

Agriculture Development Bank (ADB), set up in 1965, was to promote and help modernize the agricultural sector through appropriate but profitable financial intermediation. ADB, which happens to be one of the three development banks in Ghana, plays an important role in providing financial services to the agriculture sector. An individual can open a savings account with the ADB with a minimum deposit that could be as low as US \$11. While the ADB has played an important role in making finance available for agriculture, it suffered from poor economic conditions in the 1970s and early 1980s, poor repayment, and other problems, resulting in negative net worth by the end of the 1980s and restructuring in 1990s (Steel and Andah, 2002). After restructuring of

ADB to permit universal banking, its financial profitability has removed, but has remained subsidy-dependent (Kowubaa, 2000). Furthermore, "the share of smallholder credit in ADB's total lending declined to 15% in 1992, while the share of lending to agriculture fell to 30%," and short-term loans accounted for some 80% of lending (Nissanke and Aryeetey, 1998). Presently the loan portfolio of ADB is about US \$100m of which about half is dedicated to the agriculture sector and a quarter is with small holders. A substantial portion (30%) of the ADB's assets is in form of government securities (UNAG, 2007).

### **Rural and Community Banks**

The rural and community banks (RCBs) are owned by members of the rural community and are licensed to provide financial intermediation in the rural areas. RBs were first initiated in 1996 to expand savings mobilization and credit services in the rural areas not served by commercial and development banks. The number expanded rapidly in the early 1980s in response to the demand for the rural banking services created by the government's introduction of special checks instead of cash for the payment of cocoa farmers. These RBs supplemented the rural branches of the major banks in providing check encashment services through savings account opened by the farmers. These outlets are woefully inadequate to meet the demand for banking services, creating undue hardships on the farmers, who often had traveled long distances or spend days at the bank to cash their checks. More RBs and agencies were, therefore, hurriedly opened to provide services in areas without banking facilities.

The strong promotion of RBs, in part to service the government's policy of paying cocoa farmers by checks, had adverse consequences for the financial performance. "The rural banks have been moderately successful at savings mobilization in the rural areas. In 1993 their share of total deposits mobilized and credit extended to the agricultural sector by both banks and credit unions stood at 27% and 18%

respectively....but the capital base is weak and paid-up capital, income surplus and reserves constitute only 7.5% of total resources”(Nissake and Aryeetey, 1998). Through a combination of rapid inflation, currency depreciation, economic decline, mismanagement of funds and natural disasters (especially in 1983), only 23 of the 123 RCBs qualified as “satisfactory” in 1992 when the classification started (table 2.1).

The obvious need for re-capitalization and capacity building was addressed during 1990-1994 under the World Bank’s Rural Finance Project, with half of them achieving “satisfactory” status by 1996 (table 2.1). The combination of very high (62%) primary and secondary reserve requirements imposed by BoG in 1996 and high T-bill rate helped to reduce risk assets and increase net worth, further improving their financial performance. The number of RCBs reached a peak of 133 in 1998, but fell to 111 in 1999 with the closure of 23 distressed banks and the commissioning of one new bank. These closures sent a strong signal to the remaining rural banks to remain or improve their operations in order to achieve satisfactory status (Steel and Andah 2002). Between 1995 and 2001 there was 49% increase in the number of satisfactory banks.

**Table 2.5 Classification of Rural Banks**

Category	1981	1986	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Satisfactory	-	-	23	43	57	53	61	59	52	53	64	79
Mediocre	-	-	82	61	51	54	50	55	58	56	47	35
Distressed	-	-	18	19	19	18	17	17	23	2	2	-
Total	29	106	123	123	127	125	128	131	133	111	113	114

Source: Addo, pp. 27-29. BoG Annual Reports, Banking Supervision Department

Based on compliance with 6% capital adequacy ratio. The classification system was changed in 2002 to focus instead on loan portfolio performance (as a determinant of reserve requirement) and solvency.

During the 1990s, some of the RCBs adopted a more commercial approach and introduced innovative programs – often in collaboration with NGOs that offered proven microfinance methodologies, such as freedom From Hunger’s Credit with Education program. A few RCBs have succeeded in expanding to over 20,000 clients and reaching high levels of operational and financial sustainability (Steel and Andah, 2002). However, on average RCBs are relatively small compared even to African MFIs, especially in terms of lending – though relatively profitable as shown in table 2.2.

**Table 2.6: The size of Ghana’s Rural Banks and Credit Unions Relative to African MFIs**

Indicator (average)	African MFIs	Rural Banks	Credit Unions
Number of Clients	7374	8488	405
Loan Balance	\$119	\$30	\$153
Total loan Portfolio	\$690,027	\$251,924	\$65,180
Total Assets	\$1,612,029	\$841,102	\$110,961
Capital/Assets	60.3%	2.6%	3.1%
Return on Assets	-16.1%	4.4%	n/a

Source: Steel and Andah (2002)

The Association of Rural Banks (ARB) was founded in 1981 as an NGO with voluntary membership, starting with 29 members and

reaching 114 at the end of 2001. The association was formed out of the need “to promote and strengthen the rural banking concept”. This is carried out through advocacy and training. Under the Rural Finance Project, financed with a World Bank/IDA credit in 1991, with DANIDA assistance, ARB has trained 2341 directors and 2559 staff members of the RCBs (Osei-Bonsu, 1998). The training has been in general areas of Governance and Leadership, Management and Operations.

ARB has no statutory authority but influences its members through persuasion and training seminars. The association initiated the proposal for the ARB Apex Bank, licensed in 2001 to perform apex financial services for the RCBs and, eventually, to take over some supervisory and training functions. The association will remain an NGO, concentrating on advocacy goals in promoting the rural banking system and maintaining the rural banking network of Directors and Managers

### **RCBS Products and Practices**

Originally, RBs made standard commercial loans to individuals or groups, often related to agriculture. While term lending may have been justified by the agricultural planting cycle or investment in a productive asset, it tended to result in portfolio performance problems, as borrowers had difficulty making balloon payment and RBs had weak capacity to follow up and enforce repayment. During the 1990s a number of the more progressive RCBs drew on emerging microfinance techniques to introduce new programs saving and credit, often in association with NGOs that could provide the expertise in implementing the approach. Loans of this type are generally short-term (4-6 months), averaging around ₦200,000 - ₦300,000 (\$50 – \$75, but ranging up to several dollars), with compulsory up-front saving of 20% that is retained as security against the loan, complementing group or individual guarantees as the other principal form of security (Steel and Andah, 2002). The methodologies are of four interrelated types (Chord 2000):

- Group savings with credit: a group of members (whether pre-existing or formed for this purpose) open a joint savings account and mobilize initial savings deposits to qualify for loan. Group savings may be used as security against loans, and also are used to invest in Treasury-bills for the group. Groups are usually made up of 3-4 sub-solidarity groups.
- Group and individual savings with credit: group members contribute to both a joint group account and their individual accounts. The group may be a “village bank” of 25-40 members; or as small as 5 members. While both individual and group savings accounts are used as collateral, the individual account includes the members’ additional personal savings. Loan repayments are handled through the group account. Examples include Nsoatreman, Bosomtwe, and Lower Pra RBs.
- Individual savings with group credit: individuals lodge their savings through the group, which receives the loan after a qualifying period and collection of the required level of savings, and they continue to save into their individual accounts as they repay the loan. The group handles the collection of savings and repayments and is the interface with the loan officer. Example, Freedom from Hunger’s credit with Education program, operated through Brakwa, Lower pra, Nsoatreman and Nandom RBs, Bulsa Community Bank, and Women’s World Banking Ghana (Quainoo 1997)
- Individual savings with credit: direct lending to individuals, either those who have established a credible history as a member of a group but who need larger or separate loans, or in cases where group approach is not suitable. Example: Lower Pra RB; Nsoatreman RB’s District Assembly Poverty Alleviation Program.

Some RCBs also have tried to develop linkage with susu collectors (GHAMFIN, 2001) or have served community based organizations (CBOs) associated with donor programs. RCBs may also use NGOs to perform ancillary services; for example, Nsoatreman Rural Bank pays a

2% commission to an NGO that helps identify, mobilize and educate rural group on accessing credit through and IFAD program, as well as to assist in loan monitoring and recovery (Owusu Ansah, 1999). These growing linkages between RCBs and NGOs, CBOs and susu collectors provide an important foundation for greater outreach to rural poor clients, with the RCBs providing a decentralized network of licensed financial institutions in rural areas and the others providing the grass root orientation that permits reaching relatively poor, remote clients with small transactions. The Rural Financial Services Program includes measures specially to promote such linkages, building on such approaches in previous IFAD programs.

To facilitate savings collection, some RBs (such as Akwapem and Lower Pra) have introduced Mobile Banking, whereby officers visit rural markets on certain days to collect savings and provide loans (whether to groups or individuals with guarantors).

### **Non-Banking Financial Institutions (NBFIS)**

Table 2.3 shows the rapid growth in the number of NBFIs following passage of the new law in 1993. Except for finance houses, growth has stalled since 1998, in part because new applications have been unable to keep up with the minimum capital requirement.

**Table 2.7: Growth of Licensed NBFIS by Type Since Passage of Law in 1993**

Types of NBFIs	1994	1995	1998	2001
Savings & Loans	2	5	7	8
Leasing & Hire Purchase	n.a	5	6	6
Finance Houses	n.a	7	12	16

Discount Companies	1	2	3	3
Building Societies	1	2	2	2
Venture Capital	n.a	1	1	2
Mortgage finance	n.a	1	1	1
Totals (except CUs)	4	23	32	38

Source: Bank of Ghana

### **Leasing Companies**

Although leasing companies have substantial potential to assist SMEs by solving the collateral problem that makes it difficult for them to obtain loans, this has so far gone untapped in Ghana. One leasing company initially targeted her niche in the late 1990s and attempted to set up a “Micro-lease” subsidiary. However, successive increase in the minimum capital requirement disrupted the planned establishment of this subsidiary as an independently licensed NBFI, and led the leasing company eventually (2001) to established a micro lease department (mainly for SMEs) as a business line within the existing company, rather than spinning it off.

### **Credit Unions (CUS)**

CUs are thrift societies offering savings and loans facilities exclusively to members. The first CU in Africa was established at Jirapa in the Northern Region of Ghana (now Upper West) in 1955 by Canadian Catholic Missionaries. By 1968, when they were brought under legislation and Credit Union Association (CUA) was formed as an apex body, there were 254 CUs (64 of them rural) with some 60,000 members (Quainoo, 1997). The number of CUs continued to grow to nearly 500 by the mid-1970s, but their financial performance was not particularly strong. High inflation in the late 1970s eroded their capital, and by the

late 1990s, the number of CUs had fallen by half. Other causes of the decline included droughts in the 1980s, which severely slowed down economic activities, and the government's labour redeployment exercise, which led to many workers being laid off (Ghana Cooperative Credit Union Association 2002). Many of the remaining CUA members were inactive, especially in community-based ones (table 2.8).

At the end of 2001, CUA had 232 affiliates with 96,052 members, of which 170 were credit Unions with a total of 86,500 members and 62 were Study Groups with 9,532 members. Credit Unions remain very small in Ghana with an average of only 414 members, although their average loan size of \$153 is well above that of African MFIs, as well for RCBs (table 2.6)

**Table 2.8: Growth in Credit Unions and Membership, 1961 – 2001**

Year	Number	Membership
1968	254	60,000
1972	204	27405
1976	457	48705
1980	310	49,103
1984	233	55,170
1988	330	65,052
1992	223	44,068
1996	228	51,423
2000	225	70,046
2001	232	96,052

Source: Steel and Andah, (2002)

According to steel and Andah, 2002, poor performance of CUs has been due largely to the welfare focus of the cooperative societies, particularly the policy of low interest rates o loans (1% per month). While this benefits members who receive loans, the corresponding low returns on savings or equity shares discourage mobilization of resources. Also, many CUs in invest share capital in group assets such as tents and furniture that members could rent for social events – again at favourable rates that brings low return on investment.

CUA is a private association of cooperate societies, independent of the government. While CUA has attempted to establish a financial reporting system for its members, in fact the quality of the data used for management purposes by the member units is poor and little. Managers as well as Board members tend to have very little understanding of banking business. “According to CUA’s own classification, over 70% of all Ghanaian credit unions were in an ‘unsatisfactory’ situation as of April 1996, and 42% of them were placed in worst category” (Camara 1996).

### ***CUA Products and Practices***

Individual members make predetermined periodic deposits into their accounts and may borrow up to two times their savings balance. Most CUs require borrowers to provide security, I addition to being in good standing with their deposits. This can be in the form of a guarantee from another member of the credit union who has adequate uncommitted savings balance. Some CUs use the susu method in the collection of deposits and loan repayment. CUA is an innovator in providing both credit insurance (which pays for outstanding loan balance in case of the death of the borrower) and a contractual saving program (which matches saving, up to a limit, held at death or to maturity) Gallardo et al. (2002).

## NGOs and CBOs

NGOs have facilitated the development of good microfinance practices in Ghana by producing internationally tested methodologies, often in partnership with RMFIs (reviewed in depth in Chord 2000). The methodologies introduced by these NGOs often are based on group solidarity methods, and have benefited from linkages with community-based organizations (CBOs) that have already “come together on the basis of some kind of location, occupation, friendship, family ties, gender, or other grounds to serve a purpose at the community level” (Chord, 2000). This can save the long and expensive process of promoting and training prospective groups although “some CBOs also have procedures and modalities of doing things that may not suit the microfinance scheme”. NGOs and CBOs are particularly important in making financial services available in the Northern part of Ghana, where both commercial and rural banks are scarce – although they tend to be somewhat localized and dependent on donor funds, in part because the relative poverty of the area and their association with welfare-oriented programs and NGOs.

Unlike Uganda, Ghana lacks NGOs whose primary mission is microfinance (Women’s World banking Ghana began as an NGO, But became an S&L) Steel and Andah (2002). The principal exception is Sinapi Aba Trust (SAT), which was established in 1994 and as at 2002 had 16 branches all over the country, offering both group based and individual loans. From table 2.5 it would be realized that SAT has reached and operational sustainability and sufficient scale to qualify and succeed as a licensed S&L. The ability to take and intermediate savings would free it from reliance on RCBs and other intermediaries to handle clients’ funds and donor funds to finance its lending. The SAT S&L has been set up as a micro-finance provider separate from SAT NGO, which will provide technical services.

**Table 2.9: Performance of Sinapi Aba Trust**

	1996	2001	2002 Jan – Mar.
Value of Loans	¢0.7 billion	¢28.5 billion	¢11.5 billion
Number of Clients	1,741	24,396	23,260
% Women	70%	90%	90%
Operational Sustainability	95%	139%	199%
Financial Sustainability	48%	103%	140%
Default Rate	6.3%	2.6%	3.7%
Portfolio at risk	6.9%	4.0%	6.1%

Source: Steel and Andah, 2002

### **NGO and CBO Products and Practices**

The models used by NGOs correspond to those described above under Rural and Community Banks, and indeed are often introduced by the NGOs in collaboration with RCBs or other RMFI partners. “Village banking” is a group and individual savings with credit methodology promoted by some NGOs, notably Catholic Relief Services and the SNV/Netherlands Development Programmed. According to Steel and Andah (2002) it is an adaptation of the Grameen Bank model as further adapted by KREP (Kenya), in which both share capital and savings deposits are mobilized from members (with a one-third match from the donor agency, in the case of the SNV program). Loans are made to groups of ten members, but benefiting only half of them at a time and reaching the second half only after repayment of the initial loans. Loans are limited to the combined savings of the individual applicant and guarantor plus the one-third supplement, with an interest of 40% per

annum (Chord 2000). The village banks are in the process of registering with CUA as study Groups.

Freedom from Hunger's (FFH) Credit with Education program uses individual savings with group credit to target women and provide accompanying education on health, nutrition, family planning, financial planning and budgeting, and micro enterprise development. Group members make mandatory savings contributions for at least three months before qualifying for a loan. Increasing repeat loans are made on four-month cycle with an interest rate of 4% per month. FFH train the loan officers and the groups on handling bookkeeping of members' savings and repayment, so that the program can be quite profitable to the partner RMFI – except that the reserve requirement constrains growth using the RCB's own mobilized savings.

Technoserve has developed an inventory credit scheme that enables farmers' groups to obtain higher value for their crop by providing post-harvest credit through linkage with a RMFI, using individual savings (in the form of stored crop) with credit, through cooperative group management by farmers producing maize, oil palm and cashews. Instead of selling all their crops at harvest – when prices are very low – in order to meet cash needs, small-scale farmers in the scheme store their crop in a cooperatively-managed warehouse and receive loan of about 75-80% of the value of the stored crop, which serves as collateral. This loan enables them to clear their accumulated debt and satisfy immediate cash needs. Subsequently, when prices have risen in the off-season (by as much as double in the case of maize), the farmers either sell the stored crops or redeem it for home consumption. Even after deducting the storage fee and the margin for the cooperative, farmers typically realize significant profit by waiting for the higher prices to sell (or avoiding having to buy at off-season prices for home consumption). The success of this "warehouse receipts" model has led

several commercial banks to adopt this form of lending (Africa Region 1997; Quainoo 1997).

According to Chord (2000), conditions for success emerging from an evaluation of different schemes with respect to linkages between CBOs and RMFIs are as follows:

- Empowerment of groups through training and logistic support that enable them to fully co-operate with the MFIs and sustain the project;
- Frequent reporting that keeps each other abreast with developments in the scheme;
- Transparency and participatory nature of the interactions
- Well-established procedures for record keeping and accountability.
- 

## **Informal Finance**

### ***Money Lenders***

By the mid- 1960, money lending had become more of a part-time activity by traders and others with liquid funds than a full-time profession (Offei 1965, Aryeetey 1994,) Loans from moneylenders typically average 3 months and rarely are made for more than 6 months (though some borrowers may take longer). The typical interest rate in the early 1990s was 25-30%for a 3-month loan; this represented a decrease from the 1983 rate of 100% on loans under 6 month, reflection some market sensitivity to lower inflation and increased liquidity in the post-reform period (Aryeetey 1994, ).

Money lenders invariably require security, preferably in the form of physical assets such as buildings, farmland and undeveloped land. Unlike commercial banks, moneylenders incur little transaction costs in enforcing pledges of such collateral made before family members or traditional authorities, as the moneylender can simply make use of the property until the debt is repaid. Loans to employees, including civil

servants, are often secured by an arrangement with the paymaster. Verbal guarantees from family heads, friends and relatives may also be accepted as security.

The importance, and certainly the registration, of individual moneylenders may have been reduced by the coming up of rural banks, Credit Unions, susu associations and clubs, and especially S &Ls, which has enabled money lending-type operations to become licensed."Official statistics indicate that in 1972, there were 33 licensed money lenders in Accra Region. By 1988 the number has dwindled to 4" (Anin 2000). These days most individual moneylenders do not hold licenses or operate full time, and the ordinance has ceased to be of any importance, although it remains in the statute books.

### **Susu Collectors, Associations, Clubs Companies and Products**

Ghana has at least five different types of institutions known as, or offering products termed susu.

- Susu collectors: individuals who collect daily amounts set by each of their clients (e.g., traders in the market) and return the accumulated amount at the end of the month, minus on day's amount as a commission,
- Susu associations or mutualist groups are of two types: (i) a rotating savings and credit association (ROSCA), whose members regularly (e.g., weekly or monthly) contribute a fixed amount that is allocated to each member in turn (according to lottery, bidding, or other system that the group establishes); (ii) accumulating, whose members make regular contributions and whose funds may be lent to members or paid out under certain circumstances (e.g., death of a family member),
- Susu club: a combination of the above systems operated by a single individual, in which members commit to saving toward a sum that each decides over (typically) a 100-week cycle, paying a 10% commission on each payment and an additional fee when

they are advanced the targeted amount earlier in the cycle; they have existed at least since the mid- 1970s, quite likely earlier;

- Susu companies existed only in the late 1980s as registered businesses whose employees collected daily savings using regular susu collector methodology, but promised loans (typically twice the amount saved) after a minimum period of at least six months.
- Some licensed financial institutions (commercial banks, insurance companies, RCBs, and S&Ls) have offered a systematic savings plan termed “susu,” sometimes hiring employees to go out and gather the savings in the manner of a susu collector.

The susu system primarily offers savings products to help clients accumulate their own savings over periods ranging from one month (susu collectors) to two years (susu clubs), although credit is also a common feature. All members of a susu ROSCA group except the last receive their lump sum earlier than if they saved on their own, and susu club operators try to attract more clients by advancing members’ target savings amount well before the end of the cycle. Even susu collectors give occasional advances to their best customers before the end of the month, and in some cases may make loans of up to three months –though their ability to do so is constrained by the fact that they generally lack capital apart from the savings they mobilize. In an effort to capitalize on susu collectors’ intimate knowledge of their clients, several RCBs and S&Ls have participated in a pilot program to provide funds to susu collectors for them to on-lend to their clients (Ghamfin 2001).

The susu collectors are the most visible and extensive form. Even though they mobilize savings, the central bank has refrained from attempting to regulate them, leaving them to try to improve the reputation and quality of the industry through self –regulation. There are six regional susu collectors cooperative societies (Greater Accra, Western, Volta, Brong Ahafo, Eastern, Ashanti), which are grouped into

the national Ghana Susu Collectors Cooperative Association (GSCCA). The GCSCA has identified the objectives of Susu Collectors as follows:

- providing mobile savings collection services for individuals and groups in urban and rural areas;
- providing appropriate financial intermediation for Micro/Small-scale Enterprises (MSEs) and Informal Sector Enterprises ( IFEs) who cannot leave their wares;
- inculcating a savings habit among the rural and urban poor;
- providing an opportunity for financial intermediation between the formal banking sector and micro/small scale entrepreneurs; and
- providing individuals with self – employment opportunities as Susu collectors

In an attempt to provide customized service, most Susu collectors begin mobilizing daily deposits starting from noon each day. Timing in this manner provides the clients with an opportunity to transact business and earn some income before saving. This strategy is very convenient for the rural and urban poor women whose income is too low to deposit large amounts of money with the formal banking institutions.

Market centres are locations with a large density of enterprises, especially those operated by women. They provide substantial business opportunities for Susu collectors at low transaction cost. The funds mobilized each day by Susu collectors are placed in safes at home and paid to a nearby commercial bank daily. Susu collectors sometimes extend an "advance" to clients who save regularly and consistently. These "advances" are usually needed for meeting immediate working capital shortfalls, or to meet personal expenses such as school fees, medical bills etc.

Some of the susu products of licensed institutions could be considered refinements of the susu company methodology. For example, both Nsoatreman Rural Bank and First Allied S&L permit susu scheme

clients to borrow a multiple of their savings after three months, while a portion of the savings (20-25%) is kept as security in a savings account (chord 2000). Ahantaman Rural Bank has a similar scheme, but works with clients in groups, and offers larger depositors the additional incentive of participation in a raffle. In these cases, daily collection is carried out by salaried or commissioned agents, whereas Citi S&L works primarily through susu club operators, with services that include receiving their weekly collections, providing checks for clients who are selected to receive their target sums in advance, and making loans to the operator. These constitute 65% to 80% of the clients of these susu schemes. Thus, the combination of specialized categories of licensed financial institutions and traditional methodologies has succeeded both in mobilized savings from lower-income households and giving them access to financial services that are part of the formal, supervised system.

## **Traders**

A major component of rural finance in Ghana has always been the traders who operate between producers in rural areas and urban markets, and often provide credit in the form of inputs on supplier's credit or an advance against future purchase of the crop. Traders do not usually require collateral, but rather the agreement of the farmer to sell them the crop over an agreed period; the implicit interest rate can be as much as 50% of the principal for the farming season (Offei 1965 cited in Aryeetey 1994). Fish traders similarly use advances to lock in their suppliers at relatively low prices. While these middlemen are often regarded as exploitative in view of their monopony power, for a large number of farmers and fishermen, access to financing depends heavily on the liquidity available from these traders –and hence, in turn, on the ability of traders to access funds.

## Other Informal Mechanism

Apart from traders and moneylenders, loans from relatives, friends and neighbours constitute the other main source of credit available to farmers (Aryeetey 1994). In addition, the traditional “nnoboa system” of mutual assistance through labour exchange sometimes includes financial arrangements (and indeed, may constitute an origin of the *susu* rotating savings and credit system).

## Government Credit Programs

The government has launched a number of special credit schemes since 1989, usually at subsidized rates, reaching very few people, and extremely poor recovery rates. A partial exception has been Enhancing Opportunities for Women in Development (ENOWID), which in the early 1990s made over 3,500 relatively small loans (over 6 years) with a cumulative recovery rate of 96% using funds from the Programme of Action to Mitigate the Social Costs of Adjustment ( PAMSCAD) (Quainoo 1997). PAMSCAD, launched in 1989, reached an average 83% cumulative recovery by the end 1996 (after substantial efforts to improve recovery), but only some 1,200 clients. None of the other four programs being administered by the National Board for Small Scale Industries (NBSSI) (which charges 20% interest) has reached a 70% recovery rate or as many as 200 clients. As a result, these “revolving funds” are depleting in nominal as well as real terms, even without counting the substantial costs to Government of operating them, with a negligible outreach averaging fewer than 60 loans a year (apart from ENOWID).

The Government has also entered into microcredit by setting aside 20% of District Assembly Common fund for micro and small enterprises, for which the interest rate is mandated at 75% of the commercial bank rate. While in some instances this has served to make wholesale funds available to local RMFIs for on- lending, more commonly it has been perceived and used as politically motivated “loan,” with negative

consequences for repayment. The government in 2001 came out with an Emergency Social Relief Project meant to provide US\$57million in business loans to the economically active poor at 20% interest rate over 2002-04. Disbursements are made through S&L and NGOs, who evaluate the beneficiaries. The main threat to sustainable rural and micro finance from these government programs comes not so much from direct crowding out but rather from the negative effects on efforts of RMFIs to mobilize saving and to collect from borrowers, whose willingness to repay typically is low when loans are known come from government or donor funds at subsidized rates. A particular hazard for S&Ls and NGOs that handle such funds is that poor prepayment may spill over to their own portfolio.

### **Some constraints to the enabling environment for Microfinance**

Ghana Government's micro credit programs have interest rates below that of the private market interest. This has potential of hampering the rural and microfinance institutions. Ghana has come out with different licensing and regulatory structures for different segments of the financial system, including rural and microfinance. These have been administered in a flexible manner, with periodic revisions of regulatory standards and introduction of new legislation and with relatively high tolerance for traditional financial mechanisms and NGOs that are behaving in a responsible manner. While this approach has avoided overly restricting NGOs that are not covered, the Bank of Ghana has adopted these measures more in response to emerging situations than through several years of systematic study of and consultation with the rural and microfinance industry. Due to this reason, regulation and supervision have not been as systematic in Ghana as in the case of other countries, such as Uganda. Ghana's process of encouraging entry and then adjusting regulation has fostered a wide range of RMFIs and products in formal, semi-formal and informal segments, including some suitable for microenterprises and lower-income house-holds, with some

reasonably strong linkages between segments. The strength of Ghana's system lies in a diversified structure of both institutions and regulatory regimes, well adapted to local economic circumstances. The outreach of the system, especially, with respect to credit and to the rural poor, has been fairly limited. The majority RMFIs serve only a local market, and no high-performing financial intermediaries with a significantly large national client base have emerged. The main challenge in regulating the RMFIs has been to come out with the right balance between ease of entry for greater outreach, prudential regulations to promote sustainability, and supervision capacity.

### **Some Constraints to the Growth of the Microfinance Sector**

Although, reports are being submitted by the NBFIs submit reports in accordance with the BOG's required formats. This practice of gathering information, to many NBFIs, is an additional burden. Most often, these reports are not very accurate and are not submitted on time. That notwithstanding, since these reports focus on compliance with the prudential regulations, they are not useful for taking managerial decisions. As a result, it is clear that most NBFIs have a poor MIS system and as result they often do not have information useful for management decisions.

### **Methodology**

Both quantitative and qualitative methods were employed in this study to accomplish objectives set for this work. Questionnaires were mainly used for primary data collection (both quantitative and qualitative data) from both Participants and Non-Participants because of limited time and financial resources available. The use of the questionnaire helped to reduce biasness by presenting uniform questions to all respondents. The questionnaire dealt with more quantitative issues. As a result the report is dominated by quantitative findings. However, qualitative techniques such as in-depth individual or group

interviews with participants, nonparticipants and programme staff were used to obtain important information at each stage.

### *Qualitative Methods – In depth Interviews*

As stated earlier on, in-depth interview was used to obtain important information on various variables such as income generating activities, women's previous credit experience, their concept of profit in business, which food and other consumer goods which one consumed represent that the individual was in the middle class or considered to be coming out of poverty in the context of a particular community. The qualitative methods also helped to (1) investigate what behavior patterns constituted women's empowerment and self-confidence within specific communities, (2) also investigate the various aspects of the programme impact, and (3) probe into the adequacy of the credit delivery and also any form of training (example business management training) given to clients. The following were also undertaken in order to obtain more information on the programme: in-depth interview with some National Investment Bank members of staff in charge of the program, participants group leaders, participants and non-participants, observation of programme meetings and informal discussion groups.

### **Quantitative Methods**

#### *Sampling*

Beneficiaries of Women's Development Fund (WDF) loans in the Accra Metropolis are the target population of the study. The Accra metropolis is the biggest and most cosmopolitan city in Ghana. Its cosmopolitan nature gives it a cross representation of most of the ethnic groups in the country. The Metropolis is made up of six Sub-Metros: Okaikoi Sub-Metro, Ashiedu keteke Sub-Metro, Ayawaso Sub-Metro, Kpesie Sub-Metro, Osu Klotey Sub-Metro, and Ablekuma Sub-Metro (Accra Metropolitan Assembly, 2007). The following Sub-Metros within

the Accra Metropolis were randomly selected: Ayawaso, Okaikoi, and Ablekuma.

Participants and non-participants were randomly selected from these three sub-metros (Ayawaso, Ablekuma and Okaikoi sub-metro). From each Sub-Metro women of various groups that have benefited from the Women's Development Fund were selected. In Ayawaso, clients from the Ayawaso West Wuogon Women's Group were sampled, in Ablekuma, clients were sampled from the Mansralor Women's Traders and Credit Association and in Okaikoi client samples were taken from Liberty Women's Traders Association. As a result samples were taken from three sub-metros. The Ayawaso West Wuogon Women's Group are made up of a total of two hundred (200) members who are sub divided into ten groups (thus each sub-group is made up of ten members), Mansralor Women's Traders Association are made up of one hundred (100) members, and Liberty Women's Traders Association are also made up of one hundred (100) members. This brings to a total of four hundred (400) WDF loan clients from the three sub metros from July 2007 to January 2008.

From the three sub-metros participants of the Women's Development Fund were selected randomly from all sub-groups. Participants were selected randomly from membership lists of various sub-groups that have taken loan in the preceding six months. To gain consistency only members who have taken loan in the past six months and have not previously taken any loan from any formal institution were selected.

Stratified random sampling was used to select the non-participant sample. Towns within the sub-metro were randomly sampled. Within each town non-participant samples were randomly selected. There were three key factors which were employed to help ensure that similarity between the participant and the non-participant groups was established:

1. Because all participants were women, only females were considered for the non-participant sample.
2. Females to be considered must own a microenterprise that generates weekly or two-weekly revenue.
3. The microenterprise must be in operation in the preceding six months

In order to ensure that the non-participants sample served well as a control group, respondents selected must meet the above three criteria and also had not taken any loan from any formal institution for their microenterprise. At the time of the interview the participants had been saving with National Insurance Bank for approximately nine months because it was prerequisite to have a group savings in order to qualify for the loan. They were all on their first program loan because the program life cycle is twelve months.

#### *Questionnaire design, Pilot testing*

After the objectives were formulated and hypotheses drawn up, a set of questions which will help answer the research questions and finally achieve the objectives of the research were noted down. Microentrepreneurs within the program communities and some leaders of the group that have taken loans were interviewed informally. Informant discussions were also held with some staff members of National Investment Bank who were in charge of the program. After these interviews the questions were reviewed and questionnaire pilot tested on microentrepreneurs within the program community. Questions which respondents found it difficult to understand were explained and reframed in a way to make it self explanatory in order to obtain the right answers for the questions.

The data collected from the pilot testing were preliminarily analyzed in order to determine the lapses in the data collection. These

lapses were corrected by adding the necessary questions and deleting irrelevant ones before the start of the main study so that data collected in the main survey will answer the research questions.

## **Analysis**

No baseline survey was conducted prior to the exposure of the participants group to the intervention. For this reason, participants' selection was restricted to those who have joined the program (taken WDF loan) for not more than six months and also have not taken loan from any formal institution for their microenterprise activities. Both participant and non-participant respondents were chosen from same category of micro enterprise ventures.

With these restrictions in place, the impact of the program was assessed by comparing averages and percentages of certain key socioeconomic variables.

The statistical package used for this analysis was the Statistical Package for Social Sciences (SPSS). The Independent-Samples T Test was used as the statistical test of significance to determine if the various variables under testing differed significantly between the two groups. The outcome of the test statistic determined whether differences (if any existed) between the participants and the non-participants groups occurred merely by coincidence or is statistically significant. If the probability value of the test statistic is less than or equal to 0.05 ( $p \leq 0.05$ ), then a statistically significant difference exist - meaning any observed difference has not occurred by chance. The null hypothesis is then rejected (which means the hypothesis is accepted). On the other hand if the probability value is greater than 0.05 ( $p > 0.05$ ) then the null hypothesis is accepted thereby rejecting the hypothesis – meaning any observed difference has occurred as a result of mere coincidence. The probability of 0.05 means that the probability of the test occurring by

chance is 5 in 100 (1 in 20) if there really was no difference in the population from which the sample was drawn.

Summaries of the variables being compared are presented in tabular forms and bar charts. Bar charts were used to present some visual significance to some of the variables under test.

## **Results and Discussions**

The impact of this program will be assessed by comparing certain key socioeconomic variables of both the participant and nonparticipant groups. In this evaluation, the differences between the participants and nonparticipants groups would be as a result of the exposure of the participants group to the intervention (microfinance) being studied. However, if there are some significant differences between these groups, then these differences rather than the intervention being studied may explain the results of the study. To this end, it was imperative to compare the key socioeconomic variables of both sample groups that will help explain differences in the outcome of this study.

This assessment (comparing the groups) helped shed light on whether the objectives of the Women's Development Fund (WDF) were being reached. Women's Development Fund has been designed to promote development and growth of the economically active poor women. The eligibility criteria such as applicants that have organized themselves into groups or are under the cooperative system are eligible, the group shall have an ongoing business or collectively have the requisite skill or experience or be prepared to undergo training in the credit activity, the group have its leaders and its own internal rules and regulation, etc will make it possible for programme to reach the intended clients. It is however, important to mention that joining the programme is the discretion of an individual or a group. Even though, nonparticipants within the program community have their own reasons

for not joining the program time and financial resources constraints will not permit that within the scope of this study.

Because a baseline survey was not conducted prior to participants exposure to intervention, socioeconomic variables which have long term response to microfinance intervention were used to determine if any significant differences exist between participants and non-participant groups. From table 1 it is realised that no statistically significant differences exist in certain key household characteristics (Mother's age, Percentage of married women, percentage of women micro-entrepreneurs, literacy percentage, and value of household assets). Household sizes and certain maternal characteristics did differ significantly between participants and non-participant groups.

**Table 4.1: Household Characteristics Across Sample Group – Mean (And Standard Deviation).**

Variable	Participant (N=125)	Non-participants (N=142)	Statistically significant Difference ( $p \leq 0.05$ )
Household Family size	3.97 (0.94)	4.27 (1.17)	Differed significantly ( $p=0.02$ )
Mother's Age	40.1 (8.62)	39.79 (8.78)	None
Percentage Married Women	56%	54.2%	None
Percentage Literacy	58.4%	53.5%	None
Value of household Assets	GH¢1095.08 (1229.760)	GH¢964.24 (979.96)	None
Percentage of women micro-entrepreneurs	100%	100%	None

## **Women's economic activity**

The main goal of this program is to help the economically active poor women to grow and develop their microenterprises which will ultimately result in poverty alleviation, household food security, women empowerment etc. To this end, qualitative and quantitative methods were employed to investigate the impact of the intervention on these benefits. The following were used as a measure of women's economic capacity:

- Income in the preceding month
- Percentage contribution to total household income
- Percentage contribution to total household food expenditure
- Food needs expenditures
- Household expenditure
- Personal savings

## **Primary and Secondary Business Activities**

The survey revealed that participants and non-participants engage in very similar business activities (Tables 4.2 and 4.3). All respondents (both participants and non-participants) interviewed (100%) had some sort of microenterprise which generated regular cash flow on a regular basis. This presumes that participants have some sort of experience in the income generating activity for which they borrowed the money. Both Participants and non-participants were self-employed. The majority of the participants (39.2%) compared to (26.7%) of the non-participants were into non-food commerce, which is an easy trade to get in if one did not have any kind of skill.

It is realized that women of the participants group tend to engage in two or more microenterprises as opposed to non-participants. Fifty

nine percent (59%) of women in the participants group interviewed were engaged in a secondary income generating activity as opposed to approximately sixteen percent (16%) of non-participants. Eighty percent (80%) of participants group who had secondary income generating activity admitted they started after they were introduced to the loans. The loan apparently, helped participants to expand their businesses and made them more profitable. As a result women of the participants group are able to engage in a greater diversity of income-generating activities as opposed to women of the non-participants group.

**Table 4.2 Primary Business Activities**

Type of Microenterprise	Participants	Non-Participants
Restaurant (rice and stew, beans and fried plantain, fufu and soup, Kenkey and fish, banku and fish etc)	19.2%	22.5%
Sell Agricultural produce (Cassava, plantain, yam, tomato, onion, palm fruits, orange, etc)	18.4%	33.8%
Trade in non-food items (necklaces and bracelets, hair products, kitchen ware, sandals, secondhand clothing belts, shoes etc	39.2%	27.5%
Services (hairdressers, seamstress and communication centre)	23.2%	16.2%

**Table 4.3 Secondary Business Activities**

Type of Microenterprise	Participants	Non-Participants
Restaurant (rice and stew, beans and fried plantain, fufu and soup, Kenkey and fish, banku and fish etc)	9.6%	1.4%
Sell Agricultural produce (Cassava, plantain, yam, tomato, onion, palm fruits, orange, etc)	16%	11.3%
Trade in non-food items (necklaces and bracelets, hair products, kitchen ware, sandals, second-hand clothing belts, shoes etc	33.6%	2.8%
Services (hairdressers, seamstress and communication centre)	0%	0%
No Secondary Microenterprise	40.8%	84.5%

*Access to Credit and Saving Services*

The WDF program not only provided clients with cash credit but also provided them with an opportunity to save their monies. As part of the program clients were required to do a mandatory weekly savings.

All members of the participants group had GH¢100 (equivalent to US\$105 as February 2008) as their first program loan. The majority of the participants expressed their concern about the loan size being too small. Participants who successfully pay their loan within the loan cycle (12 months) will receive a hundred percent increase in their second loan (to GH¢200). After another successful payment of the second loan the participant will qualify for a third loan of (GH¢500).

### *Impact on Income*

Significantly higher percentage of women in the participants group (68%) reported an increase in income than women in the non-participants (34%) over the last six months. Twenty six percent (26%) of women in the participants group as opposed to two percent (2%) of women in the non-participants group reported that their income has increased greatly over the last six months. The evaluation revealed the following impacts on the enterprises of women of the participants group which eventually resulted in increase in income:

- Expansion in the scale of income generating activity (45.6%)
- Undertaking new income generating activity or adding new product (32%)
- Reducing cost by purchasing inputs in bulk (4%)
- Reducing cost by not depending on getting input on credit (8.8%)
- Selling in new market (2.4%)

From the above it becomes obvious that the majority of women in the participants group (45.6%) who recorded an increase in their income was as a result of expansion in their income generating activity followed by undertaking new income generating activity or adding new products. Respondents who belong to the participants group admitted that this was due to the fact that they had access to cash credit. On the other hand a greater percentage of women of the non-participants group (68%) as opposed to 2.4% of women of the participants group who reported not to

have experienced any change in their income over the past six months attributed that to acquiring all or part of their inputs on credit due to lack of enough working capital. In-depth interview also revealed that operating a microenterprise without enough working capital or access to cash credit is a major problem in the program area hence residents resorting to operating on a credit basis (acquiring inputs on credit). It was also revealed that some respondents of the participants group (23%) were still getting inputs on credit in spite of the fact that they had taken loans. They gave the reason as the program loan not being enough to finance the scale of their activity they were engaged in.

*Estimated Profit*

In estimating profit for respondents of both participants and non-participants, I focused on profit for the preceding month since most women do not have written records for their transactions. It was then assumed that issues pertaining their activities for the preceding month will still be somewhat fresh in their minds hence a higher degree of precision with figure they give.

Respondents were asked to estimate their profit for the preceding month either by per day, per week or per month. Table 4.4 summarizes average monthly profit estimates. As shown in table 4.4 the estimated average monthly profit for the women of the participants group (GH¢182) differed significantly from that of the members of the non-participants group (GH¢174.15).

**Table 4.4 Estimated Average Monthly Profit from the Preceding Month – Average (and Standard Deviation)**

Participants	Non-Participants
GH¢182 (194.52)	GH¢174.15 (127.46)

Significant difference in estimated average monthly profit between participants and non-participants ( $p < 0.01$ ).

Because the majority of respondents did not keep written records, estimating profit was a bit of a problem to them even though they had an idea about the concept of profit. In the course of the in-depth interview with the respondents it was discovered that their idea of profit was the amount of money left after deducting all business related costs as well as all household expenses including monies spent on food and other family needs. As a result, all expenses made while transacting their businesses (including monies spent on food and other household needs) were all taken into account in order to compute the correct amount of profit made for their activities. It became obvious that their savings were rather referred to as profits. This brings to light a shortfall in the way these respondents handled their business revenue. They considered their family expenses as part of the cost incurred in running their businesses. This certainly results in the under-reporting their profits. Also because their concept of profit differs from the actual meaning of profit in business terms it becomes very imperative for institutions which provide financial services to the poor to have policies to periodically give trainings on microenterprise management to clients and follow that rigorously and not just have them in their books.

### *Savings*

To qualify for the WDF required a mandatory group savings with the bank where the loan is to be taken from. The program required a weekly mandatory savings from all group members which could be withdrawn at the end of the loan cycle. This provided women of the participants group an important economic resource by which could do a lot of things such as managing household emergencies, investing in education and health, developing their microenterprises, meeting a wide range of household needs which will come their way.

**Table 4.5 Personal Cash Savings**

	Participants (N=115)	Non-participants (N=142)
Percentage who have savings	74%	53%
Average amount of savings	GH¢114 (252.82)	GH¢58 (102.78)

Significant difference between percentage of participants having savings and non-participants having savings ( $p=0.001$ ). Significant difference between average savings by participants and non-participants ( $p=0.005$ )

From table 4.5 it is realized that there is a significant difference between the percentage of women of the participants group (74%) who reported having savings and women of the non-participants group (53%) having savings. Also there was a significant difference in the average savings by members of the participants group (GH¢114) and that of members of the non-participants group (GH¢58). This difference could be attributed to the mandatory savings required by members of the participants group. The amount of savings for members of the participants group ranged from GH¢0 to GH¢1300 with 8% for personal reasons not willing to disclose their savings. The savings for members of the non-participants group ranged from GH¢0 to GH¢600. The wide range of savings for members of the participants group disclosed the range of economic successes achieved by these borrowers working within the same community. This certainly is due to issues confronting the individual borrowers (ranging from household problems to lack of certain essential entrepreneurial skills). The program could be of greater help to less successful borrowers if they could include a more rigorous microenterprise development education in their program so as to equip

them with the essential entrepreneurial skills they need to develop their businesses.

### *Use of Enterprise Revenue*

The benefit of microfinance goes beyond just working capital for borrowers microenterprises. To the majority the loans are not only for business investment but also to manage their household emergencies, invest in their children's education and health and a variety of cash needs the family will encounter. This indirectly increased the bargaining power of women within their households since they were able to spend on what they valued if it differed from the spending preferences of their husbands or partners. From the survey it was realized women placed higher value on food and health care and as result invested their enterprise revenue in nutritionally beneficial items. The various expenditures will be looked at into details in the following pages.

### *Food Expenditure*

In the survey ingredients for food commonly consumed within the program community were put into various categories and respondents were asked to estimate their various expenditures in the preceding four weeks. These expenditures were divided by the household sizes to obtain the per capita expenditures on each food item. The summaries of the per capita food expenditures are presented in Table 4.6. It is realized from the table that among the eight different categories of food items there were significant differences between the per capita food expenditures of members of the participants group and members of the non-participants group in all cases except for the first class protein sources (fish and meat).

**Table 4.6 Per Capita Food Expenditure in Ghana Cedis (GH¢) – Mean (Standard Deviation)**

Food Item	Participants (N=125)	Non-Participants (N=142)	Statistically Significant Difference ( $p \leq 0.05$ )
Maize and Rice	GH¢2.47 (0.92)	GH¢ 3.02 (1.61)	$P < 0.01$
Tuber (Cassava, Yam and Cocoyam)	GH¢1.80 (0.80)	GH¢1.52 (0.86)	$P < 0.01$
Plantain	GH¢1.13 (0.42)	GH¢0.98 (0.42)	$p < 0.05$
Gari	GH¢0.80 (0.40)	GH¢0.92 (0.41)	$P < 0.01$
Vegetables	GH¢1.0 (0.41)	GH¢1.16 (0.56)	$P < 0.01$
Second Class Protein  (Beans and melon seeds)	GH¢0.90 (0.43)	GH¢1.08 (0.51)	$P < 0.01$
First Class Protein (fish and meat)	GH¢2.86 (1.10)	GH¢2.64 (1.05)	No significant difference
Egg	GH¢0.95	GH¢0.63	$p < 0.01$

		(0.35)	(0.39)	
Cooked Food		GH¢2.15 (1.38)	GH¢1.43 (1.41)	P<0.01
Total		GH¢14.07 (4.23)	GH¢13.41 (4.71)	P<0.01
Percentage Household Expenditure Contributed by women	Total	52%	30%	P<0.01

Participants per capita expenditure on the root tubers (cassava, yam and cocoyam) was significantly higher ( $p<0.01$ ) than that of the non-participant group. It is possibly due to the fact that as participants increased profit from their loan-assisted microenterprises they spent more money on cooking fufu which is a Ghanaian starchy staple prepared from the root tubers and plantain and also a delicacy within the program community. While the two groups did not differ significantly with the per capita consumption of first class protein (fish and protein) they differed with the second class protein which is used mainly as a substitute for fish and meat (GH¢0.90 for participants and GH¢1.08 for non-participants) and eggs (GH¢0.95 for participants and GH¢0.63 for non-participants) which is also classified as first class protein. The higher significant consumption of eggs by members of the participants group more than members of the non-participants group is an indication of their knowledge of the importance of consuming enough

protein for good health hence and an increase in profit results in higher consumption of nutritionally balanced diet.

Percentage of total per capita food expenditure contributed by women differed significantly between the two groups (52% for members of the participants group and 30% for members of the non-participants group). This could be attributed to the fact that as participants earn more profit due to the increase in working capital they invest more into areas they value most - nutrition - and this subsequently resulting in their partners possibly, cutting down on their contributions toward food purchases.

### *Household Expenditure*

Apart from food, respondents were asked to estimate how much of their earned monies they have spent on other household expenditures in the last six months such as school fees and school materials, housing improvements, clothing for self, clothing for children, business assets, and medical costs. The various expenses were analyzed using the average expenditures and the percentage of women who had spent their earned monies on particular types of needs. The results are summarized in tables 4.7, 4.8, 4.9, 4.10, 4.11 and 4.12.

From Table 4.7 it is evident that members of the participants group spent significantly more money (GH¢73.42) on school fees and other school materials on their children than members of the non-participant group (GH¢54.72). However, the percentage of women in the participant group (75%) who spent their money on school related issues did not differ significantly from the percentage of women in the non-participant group (65%).

**Table 4.7 School Fees and School Materials Expenditure for Last Six (6) Months**

	Participants N=125	Non-Participants (N=142)	Statistically Significant Difference ( $p \leq 0.05$ )
Percentage of Women Spending their Own Money	75%	65%	P=0.07
Amount Spent  Average (and Standard Deviation)	GH¢73.42  (61.82)	GH¢54.72  (63.80)	P=0.02

Statistically Significant difference ( $p < 0.05$ ) between Average expenditures of participant and non-participant groups. No statistically significant difference ( $p > 0.05$ ) between percentages of women for the two groups.

Even though more than half of both members of the participant and non-participant groups reported having spent money on house improvements, their respective percentages (57% and 58%) did not differ significantly, neither did their respective average amount spent (GH¢11.69 and GH¢15.84) differ significantly (Table 4.8). This suggests that even though borrowers did increase profit from their loan-related microenterprises they did not prioritize house improvement. They possibly, might have left that responsibility with their spouses.

**Table 4.8 Housing Improvement Expenditure for Last Six (6) Months**

	Participants N=125	Non-Participants (N=142)	Statistically Significant Difference ( $p \leq 0.05$ )
Percentage of Women Spending their Own Money	57%	58%	P=0.88
Amount Spent  Average (and Standard Deviation)	GH¢11.69  (16.83)	GH¢15.84  (64.03)	P=0.48

No Statistically Significant difference ( $p > 0.05$ ) between Average expenditures of participant and non-participant groups. No statistically significant difference ( $p > 0.05$ ) between percentages of women for the two groups.

From table 4.9 over three-quarter of women in both participant and non-participant groups reported of spending money on clothing for themselves. The percentages of both groups (79% for Participants and 77% for non-participants) did not differ significantly and neither did their respective average amounts spent (GH¢14.58 and GH¢17.54) differ significantly. Similar work done by MkNelly, B. et al (1998) in the lower Pra District of Ghana did show no significant difference between the participant and non-participant groups in both prevalence and mean amount spent on clothing for self for preceding twelve months.

**Table 4.9 Expenditure On Clothing for Self for Last Six (6) Months**

	Participants N=125	Non-Participants (N=142)	Statistically Significant Difference ( $p \leq 0.05$ )
Percentage of Women Spending their Own Money	79%	77%	P=0.65
Amount Spent  Average (and Standard Deviation)	GH¢14.58  (10.10)	GH¢17.54  (36.85)	P=0.39

No Statistically Significant difference ( $p > 0.05$ ) between Average expenditures of participant and non-participant groups. No statistically significant difference ( $p > 0.05$ ) between percentages of participants and non-participant groups

From table 4.10 it is realized that percentage of women in the participants group (86%) who spent their monies on clothing for their children differed significantly from percentage of women of the non-participant group (70%). The average amount also spent on clothing for children for both groups (GH¢22.62 for participants and GH¢17.41 for non-participants) also differed significantly. Participants are therefore more likely to spend profit made on loan-assisted microenterprise on their children than the non-participant group. MkNelly, B. et al (1998) reported a marginally significant difference ( $p = 0.06$ ) between the two groups for prevalence but no statistically significant difference between the two groups on average amount spent.

**Table 4.10 Expenditure On Clothing for Children for Last Six (6) Months**

	Participants N=125	Non-Participants (N=142)	Statistically Significant Difference ( $p \leq 0.05$ )
Percentage of Women Spending their Own Money	86%	70%	P=0.005
Amount Spent  Average (and Standard Deviation)	GH¢22.62  (15.80)	GH¢17.41  (25.78)	P=0.05

Statistically Significant difference ( $p=0.05$ ) between Average expenditures of participant and non-participant groups. Statistically significant difference ( $p < 0.01$ ) between percentages of participants and non-participants.

Women of the participant group spent significantly more money on business assets (GH¢11.23) than women of the non-participant group (GH¢6.91). Also percentage of members of the participants group that spent money on business asset (75%) differed significantly from the percentage of women of the non-participant group (58%). MKNelly, B. et al (1998) reported statistically significant difference between the two groups on prevalence but not on average amount spent.

**Table 4.11 Expenditure On Business Assets for Last Six (6) Months**

	Participants N=125	Non- Participants (N=142)	Statistically Significant Difference ( $p \leq 0.05$ )
Percentage of Women Spending their Own Money	75%	58%	P=0.02
Amount Spent  Average (and Standard Deviation)	GH¢11.23  (14.79)	GH¢6.91  (8.04)	P=0.003

Statistically Significant difference ( $p < 0.01$ ) between Average expenditures of participant and non-participant groups. Statistically significant difference ( $p < 0.05$ ) between percentages of participants and non-participants

**Table 4.12 Medical Expenditure for Last Six (6) Months**

	Participants N=125	Non- Participants (N=142)	Statistically Significant Difference ( $p \leq 0.05$ )
Percentage of Women Spending their Own Money	74%	76%	P=0.45
Amount Spent	GH¢13.80	GH¢13.24	P=0.85

Average (and Standard Deviation)	(18.05)	(29.22)	
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No Statistically Significant difference ( $p>0.05$ ) between Average expenditures of participant and non-participant groups and also percentages of both groups.

Average amount of medical cost incurred did not differ significantly between the participants and the non-participant groups. Also percentage of women in the participants group who reported spending on medical cost for the past six months did not differ significantly from the percentage of women in the non-participant group. MKNelly, B. et al (1998) also showed similar report.

**Table 4.13: Relative contribution of Respondents’ Income to Total Household Income in the last six months.**

	Participants (N=125)	Non-participants (N=142)
All of Household income	18%	13%
Most of household income	26%	12%
Half of household income	12%	11%
Some but less than half of household income	30%	31%
Very small portion of household income	13%	25%
No contribution	2%	8%

Contribution (1=all;...6=no contribution)	Scale	2.94 (1.40)	3.68 (1.49)
Average (and standard deviation)			

Respondents were asked to state whether they contributed all, most of, half of, some but less half, very small portion of, or no contribution of the total household income. The options to choose from were scaled such that “1” represented all of income (or 100% contribution); “2” represented most of income (from 51% to 99%); “3” represented half of income (50%); “4” represented some but less than half (from 24% and 49%); “5” represented very small portion (from 1% to 24%); and finally “6” represented no contribution (0%). Table 4.13 summarizes the outcome the responses. There was a statistically significant difference between the average values for members of the participants group and the members of the non-participants group.

### Women Empowerment

Defining and researching into the effect of microfinance on women’s empowerment have been approached from various perspectives by different researchers. UNICEF/ Nepal, 1989 observed that microfinance program impacted women’s empowerment by increasing their self-worth, social status, confidence and self-reliance. Berger (1989) has also confirmed that microcredit impacts positively on women’s status and self-esteem within the household.

This research has hypothesized that women by participating in this program will increase their self-confidence and self-reliance and place them in a better position to confront problem and be able to take risks.

According to Schuler and Hashemi (1991), women's empowerment manifest in six different ways:

- 1) The woman's sense of security and vision of a future
- 2) The woman's mobility and visibility
- 3) The woman's ability to make a living
- 4) The woman having the power to make decision within the household
- 5) The woman's ability to act effectively in the public sphere
- 6) The woman participating in non-family groups

MkNelly et al (1998) used the following indicators to measure women's empowerment:

- 1) The woman's self-confidence and hopefulness about the future
- 2) The woman's status and decision making in the household and
- 3) The woman's status and social networks in the community

The indicators used here were used as the principal guideline for this research into women's empowerment. Various participant groups and individuals were informally interviewed to find out which ways this program has empowered them. They mentioned quite a number of them, for example how increase in income has enhanced relationship with their spouses, hopeful of feeding their children with good quality and quantity of food and able to cater for their children's education and also increased their self-reliance.

### *Self-confidence and Hopefulness about the Future*

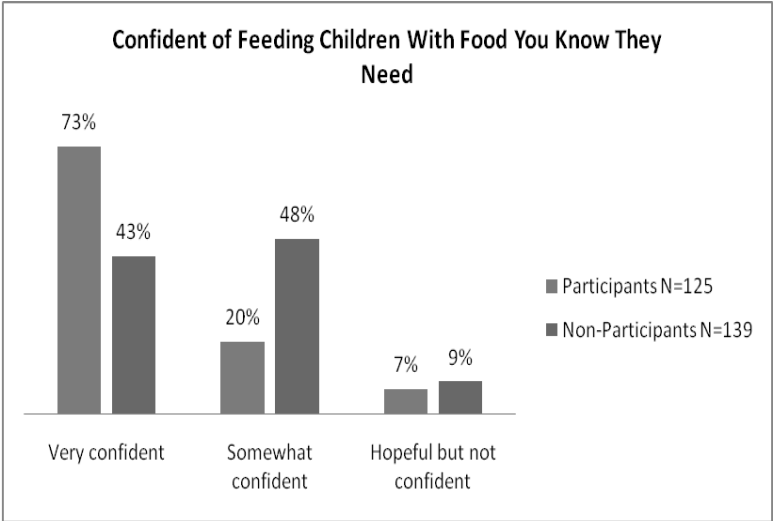
At this level women empowerment was evaluated from the view point of the women's perception of self, self-confidence, and attitude. Even though measuring such variables as self-confidence and self-reliance are quite difficult, the concept was tied down to a specific

situation or action. For example respondents for a range of questions were made to choose from a list of options (Very Confident, Somewhat confident and Hopeful but not Confident) how they will rate their confidence level. The questions asked were:

- 1) Whether they will be able feed their children with the quality and quantity of food that they need.
- 2) Whether they will be able to educate their children to the full potential or
- 3) Whether they will be able to earn more money in the following year.

A summary of women’s self-confidence rating for their ability to feed their children with the quality and quantity of food they need are presented in figure 4.1.

Figure 4.1

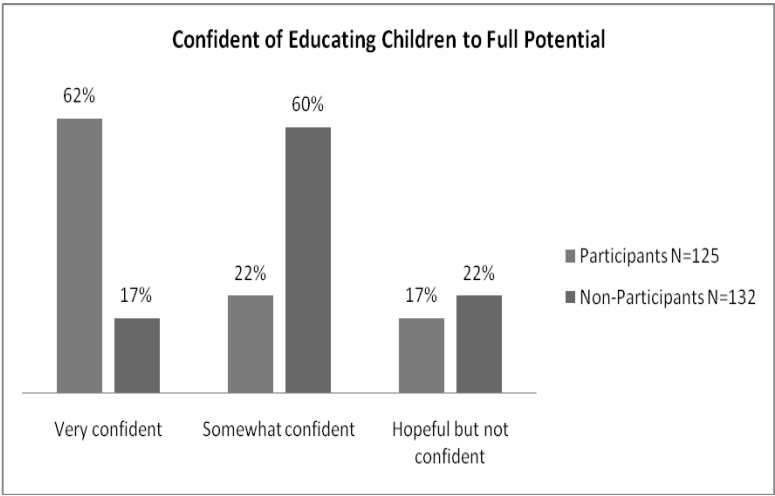


Significantly higher ( $p<0.001$ ) percentage of members of the participants group (73%) rated themselves as being very confident in carrying out this responsibility compared to the percentage of their counterparts in the non-participants group. Also significantly ( $p<0.001$ )

lesser percentage of women of the participants group (7%) placed themselves at the least confident point (that is hope of carrying out this responsibility but not confident) compared to their counterparts in the non-participants group (9%).

Figure 4.2 summarizes respondents' self-confidence in educating their children to their full potential. There was statistically significant difference ( $p<0.001$ ) between the percentage of women of the participants group (62%) who rated themselves as being confident of raising their children in education to their full potential and the percentage of women of the non-participants (17%) who rated themselves as being very confident in educating their children to their full potential.

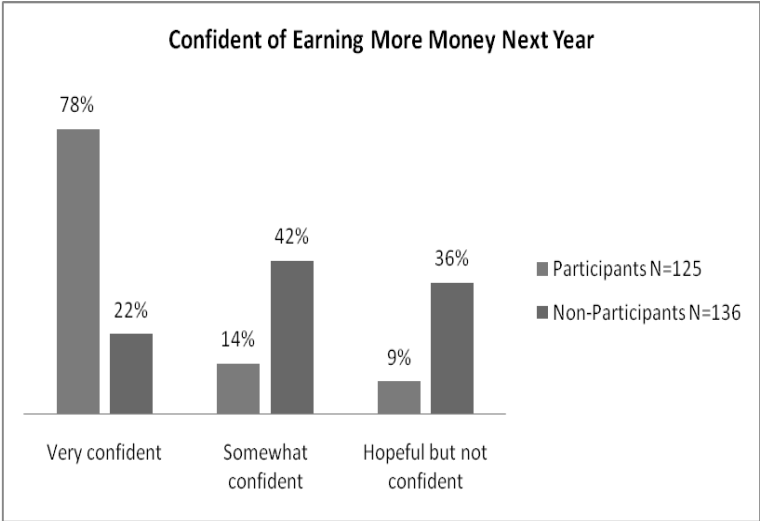
Figure 4.2



Also the percentage of women of the participants group (17%) who rated themselves to have the least confident level (hopeful but not confident) in educating their children to their full potential was significantly lower ( $p<0.001$ ) than their counterparts of the non-participant group (22%).

Figure 4.3 also summarizes respondents' confident rating in earning more income next year. Here again, the percentage of women of the participants group (78%) who were very confident in earning more money next year differed significantly ( $p<0.001$ ) from the percentage of women of the non-participant group (22%) and also significantly lower percentage of the members of the participant group (9%) rated themselves as hopeful but not confident in making more money next year. This could be explained by the fact that participants who were successful in paying their loan on time have the assurance of taking a higher sum on money the following year. Program participants were therefore sure of expanding their businesses or taking a necessary step which will result in an increase in their income the following year.

Figure 4.3



*Status and Decision-making in the Household*

Women's changed status by way of their decision making role within the household was considered to be a manifestation of empowerment within the household. Several participants mentioned

during the in-depth interviews and informal discussions that their increase in economic contributions to the household responsibilities has earned more respect and appreciation from their husbands and as a result their husbands listen to them more.

The following key household responsibilities:

- ❖ Who decides whether children of school going age go to school
- ❖ Who pays for children's clothing and supplies
- ❖ Who pays for food
- ❖ Who pays for medicals
- ❖ Who pays for house repairs

These were applied to all married respondents to identify who was responsible for them. Respondents were made to choose from a scale of "only husband" to "only you" who was responsible for each responsibility. For the sake of analysis the various responses were assigned figures as follows:

- ❖ Only husband = "1"
- ❖ Mostly husband = "2"
- ❖ Husband and you = "3"
- ❖ Mostly you = "4" and
- ❖ Only you = "5"

The responses have been summarized in table 4.14. Women in the participants group were found to have significantly ( $p<0.001$ ) greater say in whether their school-going age children go to school or not than women in the non-participants group. This could be primarily due to the fact that significantly ( $p<0.001$ ) higher percentage of women in the participants group were responsible for such duties as paying school fees, paying for children's clothing and supplies and paying for food.

However, percentages of women in both the participants and non-participants groups paying for medicals did not differ significantly ( $p=0.09$ ). Also the percentage of women responsible for house repairs for

both groups were found to be significantly ( $p < 0.001$ ) lesser. Hence, husbands were more responsible for house repairs.

**Table 4:14: Decision making within household**

Who in the household decides....	Only your Husband	Mostly your husband	You and your husband	Mostly You	Only you
Whether school going-age children should go to school	0 (0%) P 43(36%) NP	8 (7%) P 33 (28%)NP	79 (68%) P 38 (32%)	9 (8%) P 0 (0%) NP	20 (17%) P 4 (3%) NP
Who pays children's school fees	0 (0%) P 51 (43%) NP	25 (22%) P 48 (41%) NP	63 (54%) P 15 (13%) NP	3 (3%) P 0 (0%) NP	25 (22%) P 4 (3%) NP
Who pays for children's clothing and supplies	0 (0%) P 13 (11%) NP	8 (6%) P 33 (28%) NP	57 (46%) P 42 (36%) NP	36 (26%) P 24 (20%) NP	28 (22%) P 6 (5%) NP
Who pays for food	0 (0%) P 4 (3%) NP	29 (24%) P 18 (16%)	47 (39%) P 40 (35%)	19 (16%) P 50 (43%)	25 (21%) P 4 (3%) NP
Who pays for medicals	0 (0%) P 44 (37%) NP	51 (42%) P 38 (32%) NP	41 (33%) P 28 (24%) NP	3 (2%) P 4 (3%) NP	28 (23%) P 4 (3%) NP
Who pays for house repairs	6 (5%) P 82 (67%) NP	67 (55%) P 26 (22%) NP	21 (17%) P 1 (1%) NP	3 (2%) P 5 (4%) NP	26 (21%) P 4 (3%) NP

P = Participants N = Non-Participants

According to MkNelly, B. *et al* (1998) the empowering effect of increase in women’s income could be that increase in women’s “say” in the household may come as a result of men withdrawing their support. In this instance, it is considered that women are compelled rather than empowered to take up economic responsibilities due to increase in income from their loan-assisted microenterprise. For this reason respondents were questioned in a list of areas to find out assistance or considerations they receive from their husbands. The following questions were asked to married respondents:

- ❖ In the last six months has your husband offered to help take of your children while you were busy?
- ❖ Has your husband in the last six months offered to give you a direct help in your income generating activities?

A summary of the response is contained in table 4.15. Husbands of women in the participants group offered significantly ( $p<0.001$ ) greater help to their wives than husbands of women of the non-participant group in the areas of child care and assisting in income generating activities.

**Table 4.15: Assistance Offered by Husband – Number of Respondents (and Percentage)**

	Participants (N=93)	Non-Participants (N=112)
Husband offered to watch children while you were busy	78 (84%)	56 (50%)
Husband offered to assist while you needed help for your business	62 (64%)	24 (21%)

Statistically Significant difference ( $p < 0.001$ ) between participants and non-participants for both cases

These empowerment indicators also prove that microfinance program such as Women's Development Fund helps to empower women particularly within their households.

### **Food Security**

One of the primary hypotheses to be tested in this research is whether the Women Development Program has a positive impact on food security for participant households. The indicators for household food security were whether respondents in the last six months had experienced a period when it was difficult to feed well or eat less or more of certain foods and if so how long. The economic (food availability) situation of the country (Ghana) is such that during the rainy season there is a abundant supply of food throughout the country which results in a fall in food prices. But due to lack of proper and adequate storage facilities higher amounts of these foods which are not consumed go bad. Food prices in the lean season then go up due to relative food scarcity making it difficult for the average household to afford the right quality and quantity of food. Other factors such as lack of appropriate infrastructure (good quality roads to farming areas) and increase in world prices of crude oil affect food prices which also make it difficult for the average household to afford the quality and quantity of food they need. Respondents were therefore asked if in the last six months there has been a period when it has been difficult to feed families well and if so how long did it last and how did they cope.

Summaries of responses from respondents are presented in figures 4.4 and 4.5. Both figures are evident that the program (Women's Development Fund) has had significantly positive impact on household food security.

The percentage of women in the participants group (18%) who experienced periods when it was difficult to feed their families well was significantly ( $p<0.001$ ) lesser than the percentage of women (56%) in the non-participants group. Also the average duration of this period was significantly ( $p<0.001$ ) shorter for the women in the participants group (3.13 weeks) than women in the non-participant groups (6.33 weeks).

Figure 4.4

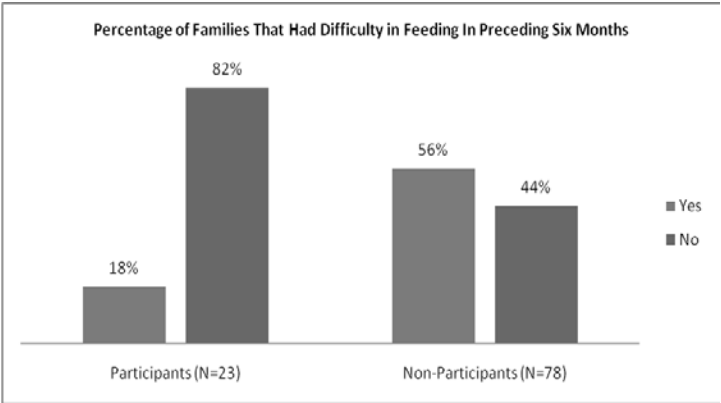
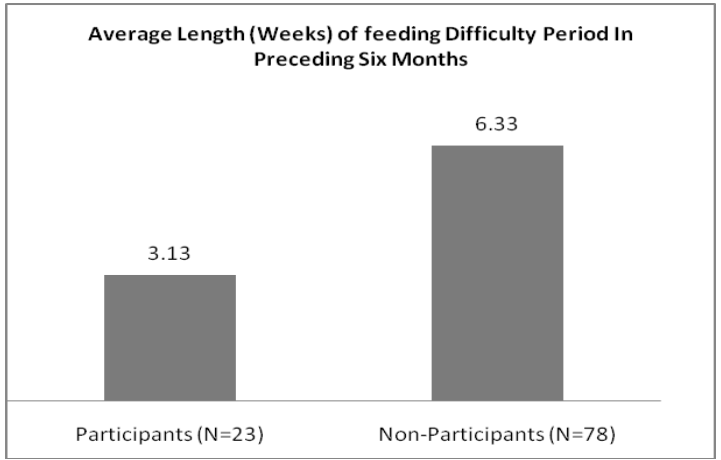


Figure 4.5



Strategies respondents adopted in other to cope with periods when they found it difficult to feed their families well were similar for both groups. Respondents responses have been summarized in table 4.16. Percentage of participants (3%) who had times when it was difficult to feed families were less likely to borrow money from friends and families at no cost than their non-participant (16%) counterparts. This could be due to the fact that because borrowing money from friends and families normally are without interest non-participants group have used this a means of coping with difficult times in feeding families well.

**Table 4.16 Strategies for Coping With Periods When Households Found it Difficult to Feed Well**

Strategy For Coping	Participants (N=125)	Non-Participants (N=142)
Borrowed money at no cost from friends or family	4 (3%)	23 (16%)
Borrowed money at specific cost	6 (5%)	5 (4%)
Ate less of certain foods (Fufu, meat, fish, rice)	11 (9%)	21 (15%)
Ate more of certain foods (Gari, banku, kenkey)	2 (2%)	23 (16%)
Sold property (Clothing, television, tape, fan, fridge)	0 (0%)	6 (4%)

Relatively higher percentage of the participants group (6%) borrowed money at a cost compared to their non-participant group (5%). The non-participants group borrowed monies from informal sources mainly at the cost of 50%. Also relatively less percentage of women in the participants group either ate less or more of certain foods due to difficult times of feeding households. Foods respondents in both groups reported either eating more or less because of difficulty in feeding families were similar. Foods respondents of both groups ate less of were mainly meat, fish, rice and fufu which is a starchy staple made from cassava, plantain, cocoyam, or yam or combination of any two of these food stuff mainly served with soup (a delicacy of the program community). Foods women of both groups who had difficulty of feeding well ate more were mainly kenkey and banku which are made from maize and gari which is a dried processed cassava. These changes in feeding habits is an indication of a move to nutritionally low quality and less expensive foods (especially eating more of gari and less meat/fish). Some women of the non-participants (4%) group were compelled to sell some of their assets mainly electrical appliances (such as television, tape, fridge and fan) and cloths to deal with the problem of food insecurity at home. No woman of the of the participants group reported of selling an asset to deal with the problem of food insurity at home.

## **Conclusion**

Respondents (both participants and non-participants groups) within the program community were involved in similar income generating microenterprises. The majority of the participants group (39%) traded in non-food items such as kitchen ware, hair products, second-hand clothing and shoes, necklaces and bracelets, watches etc where as the majority of the non-participant group (34%) traded in agricultural produce such as cassava, plantain, cocoyam, yam, tomato, onions, palm fruits, oranges etc. A significantly higher percentage of the participant group (59%) were engaged in secondary income generating

activities as opposed to 16% of the non-participants group who were involved in secondary income generating activities. Majority of the participants group (80%) who were engaged in secondary income generating activities mentioned that the loan helped their primary business activities to yield high income which as a result help them to start another income generating activity (secondary microenterprise).

A significantly higher percentage of the women of the participant group (94%) as opposed to 36% of the women of the non-participant group reported that since they joined the WDF program their incomes have increased or increased greatly. Participants identified the following as reasons for increase in income: expansion in the scale of income generating activity, undertaking new income generating activity or adding new products, reducing cost by purchasing inputs in bulk and reducing cost by not depending on getting inputs on credit.

Due to increase income as a result of joining the program, significant majority of the women in the participants group (74%) reported having personal savings as opposed to 53% of women in the non-participant group. As it is mandatory for women in the participant group to save on a weekly basis, the importance and benefits of saving have become clear to them. Average personal savings made by the women of the participant group was GH¢114 as opposed to GH¢58 average personal savings made by the women in the non-participant group.

Increase in income from the loan assisted microenterprises reflected in the per capita food consumption of various food ingredients except for meat and fish (first class protein source). Even though the per capita consumption of meat and fish did not differ significantly for the households of both group, the household of the participant group were found to consume significantly more eggs (which is also a source of first class protein) per capita (GH¢0.95) than the non-participant group (GH¢0.63). The households of the participants group also consumed

significantly more fufu (a Ghanaian starchy staple which is considered a delicacy in the program community) per capita than that of the non-participant group. Per capita consumption of gari (a processed cassava which is considered inferior food in the program community) was significantly lesser for the households participants group (GH¢0.80) than that of the non-participants group (GH¢0.92). It is realized that as income from loan-assisted microenterprises goes up there is a shift from the consumption of inferior food to food that are considered to be of higher quality. Percentage of total per capita expenditure contributed by the women in the participants group (52%) differed significantly from the contribution of the women of the non-participants group (30%).

Respondents, apart from food spent the income they earn from their microenterprises on other household expenditures such as school fees, school material, housing improvement, clothing for children and self, business assets and medicals. Even though the percentage of women in the participant group who spent their monies on school related issues did not differ significantly, the average amount spent on school fees differed significantly between the participant group (GH¢73.42) and the non-participant group (GH¢54.72). Percentages of women in the participants group and the non-participant group and the average amounts contributed towards house improvements did not differ significantly. This could probably due to the fact that as women increased their income from loan-assisted microenterprises they do not give priority to house improvements, possibly living that with their husbands.

The majority of the respondents from both groups (over three-quarters from each group) spent money on clothing for themselves. There was no significant difference between them. Meanwhile, the percentage of respondents of the participants group (80%) who spent money on clothing for their children differed significantly from that of respondents of the non-participant group (70%). The average amount

spent also differed significantly between the two groups. Women of the participants group are therefore, likely to spend their profit of their loan-assisted microenterprises on clothing for their children than the women of the non-participant group. It is also possible that respondents of the participant groups spent their extra income from their loan-assisted microenterprise on other household expenditures without prioritizing their personal needs such as clothing for themselves.

A significant majority of women in the participant group (75%) spent significantly more money on their business assets (GH¢11.23) than the women of the non-participants group (GH¢6.91). This could be an indication that members of the WDF program did invest their loans in their in their microenterprises as this was the original purpose of the loan.

The percentage of women in the participants group who reported spending on medical cost did not differ significantly from that of the non-participant group. Their respective average amounts spent also did not differ significantly. This could be due to the fact that women of both groups depended on the National Health Insurance Scheme, which required an annual contribution, for their health care. The indicators for measuring women's empowerment were tied down to specific situations at two levels – individual level and the household level. At the individual level, respondents' self-confidence and optimism about the future were used as measure of the impact of the program on women's empowerment.

Members of the participant group rated themselves as being more confident than members of the non-participant group in the following areas:

- ❖ The ability to feed their children with good quality and quantity of food they need
- ❖ Ability to educate their children to the full potential

- ❖ Ability to earn more money in the following year.

At the household level, using respondents status changed status by way of decision making role within their household as indication of empowerment, respondents of the participant group were found to have greater say as to whether their children of school-going age go to school or not. However percentages of the respondents in the participants and non-participant groups paying for medicals did not differ significantly. Significantly less women of the participants group were responsible for house repairs.

Husbands of the women in the participants group were more likely to offer help to their wives than husbands of women in the non-participant group in areas of child care and income generating activities. Indicators used to measure respondents' household food security are whether in the past six months there has been a period when it was difficult to feed family and yes how long did it last and how did the family cope? The research analysis made it evident that the Women's Development Fund has a positive effect on household food security. The percentage of women in the participant group (18%) who experienced a season when it was difficult to feed family was significantly lesser than that of the non-participant group (56%). The durations of these periods were significantly shorter (3.13 weeks) for the women of the participant group than that of the nonparticipant group (6.33 weeks).

Meanwhile, the coping strategies during these periods when it was difficult to feed families were similar for both groups. Women of both groups used one of the following strategies:

- ❖ Borrowed money from friends and relatives at no cost
- ❖ Borrowed money at specific cost
- ❖ Ate less of certain foods (such as meat, fish, rice and fufu)
- ❖ Ate more of certain foods (such as gari, banku or kenkey)

- ❖ Sold property (like clothing, television set, tape, fan or fridge).

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### **Section III: Policies**

## **Chapter 9**

### **Women's Entrepreneurship, informal economy and SME development policies in Serbia**

**Mirjana Radović Marković**

#### **Introduction**

This paper seeks to assess women in Serbia with the following specific objectives: to analyze results of socio-economic trends and reforms after 2000 to inquire employment, unemployment and self-employment, to observe status and trend of women's economically active in Serbia and to examine women entrepreneurship and role of women in the society. In addition, in this paper, the author analyzes the growth of the informal economy in countries in transition with a focus on Serbia.

Entrepreneurship is clearly a complex and multifaceted phenomenon (Minniti and Arenius, 2003). It represents an appropriate opportunity for women all over the world, as entrepreneurship responds to flexibility to entry, change and innovation (Kitching and Woldie, 2004). Over the past 25 years, exploratory research identified several key areas of entrepreneurship in which male and female populations are similar, but research was slow to focus on areas of differences (Greene et al, 2003). At the individual level, the research provides demographic information to identify the characteristics of women entrepreneurs, their personal goals, as well as their reasons for selecting business ownership over wage and salaried work (Hagan, Rivchun and Sexton, 1989.). Researchers have also studied operational descriptions of how women

create their businesses, which builds an understanding of their expectations for their businesses. At the business unit level, research focuses on organizational structure, financing, growth strategies and operations.

In the newer theoretical considerations of entrepreneurship, scientist Delmar (1996) stressed that earlier behavioural approaches are incomplete because they mainly focus on those entrepreneurs' attributes that are stable and are not subject to frequent changes. He gave his contribution to the contemporary theory of entrepreneurship, trying to integrate economic and psychological models of entrepreneurial behaviour by developing a model which is based on understanding the entrepreneurial behaviour and environment, as well as determining their influence on entrepreneurial performances (the growth of business and finances). Some approaches to female entrepreneurship has only empirical focus (Gatewood et al, 2003), other theories use male-gendered measuring instruments (Moore, 1990; Stevenson, 1990) and some of them neglect structural, historical, and cultural factors (Chell and Baines, 1998; Nutek, 1996). Empirical studies tried to identify the personal characteristics that could define and differentiate entrepreneurs from non-entrepreneurs (Fagenson, 1993; Low and MacMillan, 1988). However, many researches are still oriented towards men as entrepreneurs. The reason for this can be found in the fact that there are fewer women entrepreneurs comparing to men entrepreneurs. However, as well as men, women tend to make business success and they are as successful as men. Factors that influence making new businesses are different between entrepreneurially-oriented women and men. Especially, this difference is obvious in terms of family and society support, financing sources and problems they are facing (Rađović-Marković, 2006).

According to "American Express Small Business Service" research, which was primarily supposed to show similarities and differences

between women and men entrepreneurs and managers, it was confirmed that women think differently in terms of conducting business and differently define business success. Women entrepreneurs see their businesses more realistic and they make attempts to develop them in family environment, while men gravitate more towards developing business hierarchy with precisely defined rules and working business procedure. One number of theories are based on a feminist analysis, which entails the recognition and analysis of women's structural subordination to men (Calas & Smircich, 1996). Recently, marketing and financial approaches have also been added.

According to different approaches to female entrepreneurship it can be suggested that this field of research is considered to be very broad. Some of mentioned theories can be linked to the study of this phenomenon, such as gender theories, managerial theories, public policy, etc. In our opinion, all of these approaches should be as integrated as possible in order to provide a complete understanding of female entrepreneurship. In addition, a shift in thought and research in the field of female entrepreneurship is also necessary. It should follow the changes in the roles and tasks of women as entrepreneurs as the main conductors of these activities, influenced by new flows of economic operation in the age of globalization (Radović Marković, 2006). The recognition of the capacity of women entrepreneurs in our global community is no longer a matter of debate but is a realisation that female entrepreneurship has been the major factor contributing to the development of many countries (Radović Marković, 2007). The defining feature of entrepreneurship in today's global economy is the focus on change in women's lives, particularly for political and economic empowerment that translates into access to financial resources, increased opportunity for education and training, power to affect decisions in their communities, and autonomy in personal life choices.

**Women as entrepreneurs in transitional countries: The current trend**

It can be argued that how a society thinks about entrepreneurship may influence the perspective of potential entrepreneurs. A recent United Nations report (year) indicated that economic development is closely related to the advancement of women. For instance, in nations where women have advanced, economic growth has usually been steady. By contrast, in countries where women have been restricted, the economy has been stagnant. Entrepreneurship, the act of business ownership and business creation, is a relatively new concept in many transitional economies.

In all transitional countries, women entrepreneurs are less numerous than men, reveals a new UNECE publication (2003). For example, men start their own businesses twice as often as women. It shows that the effects of transitional economies have been particularly sensitive on women.

The entrepreneurship gender gap measures the difference between the number of men and the number of women participating in entrepreneurial activity. The data show that among the transitional countries entrepreneurship gender gaps are varied. So, only 9% of employed women are entrepreneurs in the Czech Republic as compared to 18.8% of men. The situation is similar in Hungary (women - 9.6% and men -18.7%) as well as in Romania, though the proportion of self-employed women is higher due to the larger share of self-employed in agriculture (women - 17.4% and men - 32.6%). The gender gap in entrepreneurship is even higher in Slovakia and Slovenia, where women's share is respectively 4.1% (men - 10.9%) and 6.5% (men - 15.3%). These proportions are slightly better in Bulgaria, Croatia, Estonia, Latvia and Lithuania.(see: United Nations Economic Commission for Europe , 2003). According to the data we can conclude that the gender gap in entrepreneurial activity is greatest in middle-income countries and least in high-income countries. This basic relationship between levels of national income and female

entrepreneurship is important. It suggests that the greatest need for and benefit from increased female entrepreneurship may be in low- and middle-income countries, where the gender entrepreneurship gaps are widest.

## **National context: Serbia**

### *❖ Socio-economic trends and reforms*

During the 2003, a socio-economic trend in Republic of Serbia was characterized by active role of Government to implement reforms, necessary to step up transition process. According to the report of the European Bank for Reconstruction and Development (EBRD), Serbia recorded greater progress in implementation of reforms than the other 27 East European countries. In its report on transition, EBRD graded Serbia 3+ (scale 1-4) for its foreign trade policy, for the process of privatization of small enterprises and for price liberalization. Report of the Republic development Bureau shows that economic trends in Serbia in the first four months of 2003 are characterized by a slowdown in economic activity. However, slowdown in economic activity goes together with stabilization of price real increase in salaries and growth in foreign trade. Exports of goods in period January-April 2003 increased by 28,6% in relation to the same period of 2002. The coverage of imports with exports in April 2003 is 41,9%. Prices in May 2003 increased by 0,5% in relation on to April and costs of living by 0,4%.

In 2003, a great number of enterprises (336) were privatized at tenders and auctions, which pulled in EUR 159,5 million( source: Republic Development Bureau, 2004.). According the same source, the process of restructuring was started in 73 large economic systems. Also, the Serbian government adopted the Strategy for development of Entrepreneurship in Serbia from 2003-2008.

The analysis of economic development in Serbia shows that the most developed city in Serbia is Apatin with the level of development 85% above average in Serbia and on the other side, the most undeveloped city is Tutin with the development 76% below the average of Serbia.

Out of the total number of registered companies in 2003 (70,178), 96.2% of them were small companies, 2.9% were medium companies, while the percentage of large companies were insignificant (0.9%). Overall, 49.7% of companies had retail trades, motor vehicle repair and others, while processing industry had (22.7%). An important fact is that small companies in Central Serbia realized 74.5% of BNP, while Vojvodina realized 25.5%.

### *Employment, unemployment and self-employment*

The total number of employed persons at the end of March 2003 amounted to 1,782,841 (source: Republican Labour Market Bureau, 2004). Using the same source we can notice that in Serbia were 947,426 unemployed persons. The numbers of unemployed people were higher in the next three years (916,257 in 2006.). In Serbia unemployed persons are waiting for a job more than three years compared to the EU countries, where unemployed are waiting less than six months for a new job.

Looking at an overall structure of unemployment in 2006. 191,864 unemployed persons were over 50 age old (83,700 were women). A number of factors can have an impact on an individual's unemployment in Serbia:

- age
- qualifications
- gender
- family responsibilities.

### *AGE : Older people*

Concerning unemployment age approach, analysis suggested that the age of fifty marked a turning point in Serbia. There are different reasons for and attitudes to unemployment after fifty. Some feel it is inevitable because of their age; others keep on trying to get a job. Older people are also much more likely than younger people to have no paper qualifications and are much less likely to participate in adult learning (*Local Area Labour Force Survey*, 2000). Some may see it as 'going back to school', feel 'too old to learn' or think they are

incapable of doing another kind of job (Ford *et al* 2003). Besides mentioned reasons we must stress that Serbia is ageing and that is the oldest nation in the Europe. The question about women 50+ and discrimination against them gets on most importance in Serbian society because their number is highly increased in the last ten years. In some parts in Serbia women 50+ are participating with more than 50% in total number of population ( for example Crna Trava ). This data lead us to argue that we cannot marginalize this great segment of our population, In essence, we need to find solutions for them to be better integrated in society.

#### *AGE :Youth*

Besides the problem with the unemployed persons over 50, there is also a great problem with youth unemployment in Serbia. The educational systems in Serbia is being pressured domestically to deliver skills required by the labour market, but are currently unable to handle the needs of the youth in the country. Without job prospects, the young are forced to seek other means of creating an income. They often turn to the black market or criminal activities. In Serbia, the younger generations are twice as likely to become involved in the black market dealings compared to older adults. The World Bank studies found that the youth unemployment problem can be solved by creating more jobs, which requires a better investment climate.

#### *Qualification*

Looking at an overall structure of unemployment in Serbia by gender and education, there is no significant difference if comparison is made between women and men. Actually, the most contributed segment in the total structure of unemployment are women (65,1%) and men (69,5%) with high school degree (Table 1). Namely, this difference is not as drastic as it is in some other countries in transition.

Almost 90% of vocational school graduates in 2003 were unemployed from one to five years after graduation, according to the World Bank and UNICEF.

**Table 1. Structure of unemployment in Serbia by gender and education, October 2003 (%)**

Education		Total	Men	Women
No school		0,6	0,4	0,8
Incomplete school	elementary	3,0	2,8	2,9
Elementary school		18,3	16,4	19,9
High school		67,5	69,5	65,1
College		5,6	5,5	5,6
Faculties, academies		4,9	4,4	5,4
Masters, PhD		0,2	0,4	0,1

Source: "Report", No.83, Republic Statistical Institute, Republic of Serbia, 2005

### *Gender*

Women wait longer for employment than men and that, by an unwritten rule, in economic, social and political crises lose their jobs and income source, it is rather simple to find an explanation for extremely hard position for women, which culminated in the past ten years (Radović Marković,2007). Those women, who were left out from the working process in the mentioned circumstances, were employed mostly in the least profitable and the least paid branches sectors or in the gray economy.

Maintenance of traditional and patriarchal family model, especially in some parts of Serbia as well as “macho culture” domination, is also making it difficult for women to fight for “men’s jobs”, as entrepreneur and manager. For these reasons, an adequate family support is needed (both moral and material), but also in macro plan, a wider support from the society through various programs for helping women who decide to engage in this sort of activity. In new expected conditions, women businesses will have greater contribution than before. In addition, there will be conditions, which will enable general improvement of the position of women in society, who have in the country’s economic misfortune, in the past decade been in the most impacted society segment.

### **Women and Informal activities in transitional countries**

Transitional countries have experienced some of the world’s most dramatic societal changes within a short time and mushrooming of informal activities has been a key element in these shifts. The transition progress converged with globalisation and aspiration for EU integration in the late 1990s and due to the emergence of abundant cheap labour and deregulation of labour markets, the region became a target for production relocation, out-sourcing and sub-contracting for Western European markets. Transition period through which economies of many countries go, greatly reflected on the loss of job safety, which was considered as the greatest achievement of socialist and non-market economies. Namely , market movements on the labour market during nineties, influenced many people to lose their jobs not only as technological surplus, but also above all as economical surplus. At the same time, the job opportunities decreased, which was primarily reflected on women’s work force. The average size of the hidden economy in the 1990s in transition countries was more than twofold than that of the developed market economies. This difference persisted and even increased in the 2000s. Women exploit this situation by creating self-employment as private tutors, translators and assistants to foreign companies (Musiolek , 2002)

## Definition of informal sector and informal workers

.The growth of women's share of the labour force, and particularly of mothers' labour force participation, has fundamentally changed the way families function, the relationship of families to the workplace and to schools, and women's economic opportunities. In a period of just 50 years, the rate at which women enter the labour market increased. Women have made significant changes in their economic roles.

Men and women entrepreneurs are found in two distinct sectors:

- the formal or traditional mainstream sector,
- the informal or marginalized sector.

An informal sector that operates outside the formal sector is very active in transitional economies. Namely, high rate of unemployment, low wages and non-payment of salaries have led to the rapid growth of informal employment. Examples of informal work in Eastern Europe are multiple job holding that combines employment in the remaining public sector (e.g. teachers and doctors), with other activities because of low purchasing power.

The informal economy consists of a range of informal enterprises and informal jobs. Jobs in informal sector are at the first sight, invisible, like hotel jobs, restaurant jobs, jobs in major cities' streets (fruit and vegetables salesmen and saleswomen, refreshing drinks salespersons, etc.). According to definition of informal sector, given by International Conference of labour Statisticians (ICLS), *"informal sector of economy consists of unregistered companies which, apart from business owners, continually employ other people (often family members without salary) who work without contract and without right to social and retirement protection."* In other words, informal sector is a sector of economy in which companies operate past existing regulations and in which there are no legally and economically protected employees. The 'informal' or

'shadow' economy has included an extremely wide spectrum of activities.

Even though these jobs are beyond the reach of law, still those shouldn't be associated with criminal activities. Informal workers are waged workers who work without contract or social security coverage. Actually, in economic crisis, informal economy has become market wide open for personal work and providing services. According to scientist Charles Handy, an informal economy may appear in different forms, such as:

- **Black economy** – *illegal market of small businesses and people who find jobs for themselves (illegal economy)*
- **Brown economy** – *personal services and home jobs are at the edge of formal economy*
- **Gray economy** – *which is completely legal, but doesn't take into account work at home and volunteer work in which every one is engaged in certain sense.*

Here we can distinguish three basic types of jobs:

- a) Jobs that are paid and include full-time employees, but which are not registered
- b) Marginal jobs which include so called pocket money, which may be, but usually isn't registered
- c) Jobs which include all activities performed freely in gray economy

Characteristically, for the most of the transitional countries is the increase of the black economy, especially in developing and countries in transitions. However, in terms of black economy and its increase, one should make clear distinctions between providing unregistered personal services and activities related to criminal.

The measurements of informal economic activities in transition countries have been undertaken since the late 1980s. The estimation has been performed separately for time points in two periods: the first include 1990/00 and 1994/95 and the second all other time points from 1999/2000 to 2004/05. The only difference was in the measurement of the causal variable: the state regulation. The unweighted average size of the informal economy in 23 transition countries in 1990/91 was 31,5 %, and rise to 34,6% of official GDP in 1994/95. Then the average size of the informal economy in 25 transition countries is further rising: to 38,1% in 1999/00, to 39,1% in 2001/02 and to 39,5% in 2003/04. In 2004/05 the average size of hidden economy has decreased to 38,8% of official GDP. The fastest growth of the hidden economy in transition countries was in the 1990s (measured in percentage points annually). These figures point out that informal economy growth was fast at the beginning of transition process and then this growth was reduced in the later stage of the transition process. Women remain the main source of underestimation of the informal sector contribution for at least three reasons, namely:

- They are engaged in those informal activities which are the most difficult to capture and measure, such as, home-based work or outwork.
- They are engaged, more than men, in second or multiple jobs, especially in rural areas,
- Their production activities are hidden behind the less “valuable” status of family worker in agriculture or the hard-to-capture status of independent road vendor. In these types of work, their contribution to the commercial margin is limited, and their value added in the transformation process is overlooked (Charmes, 1998).

Ibeh also concluded that the informal work is “necessity-driven” in developing and transition economies but “opportunity-driven” in developed economies where there are soft loans and credit facilities for business start-up, but the fact still remains that women in all economies

remain somewhat marginalised in their contribution to the informal sector of their country.

**Old and new views of the informal economy**

The informal sector is a product of rational behaviour of entrepreneurs that desire to escape state regulations (The World Bank Group 2007). It is growing in developing, transition and developed countries and taking on new forms.( Zoya A. Khotkina ,2005) Informal sector is a huge source of employment for women in transition countries and it is greater source for women than for men. Patterns of informalization differ from country to country. Workplaces in the informal economy have shown a rather pronounced gender segregation – horizontally (various types of work) and vertically (different statuses).

“Classical” informal work involves cross-border trade, craft workers, food processing, home-workers and home-based workers. In many transition economies, workers in the informal economy, domestic workers and home-workers are outside the scope of protective legislation while other workers are deprived of effective protection because of weak labour laws. This is particularly true for small enterprise workers, which account for >90% of enterprises in many countries, with a high proportion of women workers (ILO 2005).

**Table1.Old and new views of the informal economy**

<b>The old view</b>	<b>The new view</b>
The informal sector is the traditional economy that will wither away and die with modern, industrial growth.	The informal economy is ‘here to stay’ and expanding with modern, industrial growth.
It is only marginally productive.	It is a major provider of employment, goods and services for lower-income groups.

	It contributes a significant share of GDP.
It exists separately from the formal economy.	It is linked to the formal economy—it produces for, trades with, distributes for and provides services to the formal economy
It represents a reserve pool of surplus labour.	Much of the recent rise in informal employment is due to the decline in formal employment or to the informalisation of previously formal employment relationships
It is comprised mostly of street traders and very small-scale producers	It is made up of a wide range of informal occupations—both ‘resilient old forms’ such as casual day labour in construction and agriculture as well as ‘emerging new ones’ such as temporary and part-time jobs plus homework for high tech industries.
Most of those in the sector are Entrepreneurs who run illegal and unregistered enterprises in order to avoid regulation and taxation.	It is made up of non-standard wage workers as well as entrepreneurs and self-employed persons producing legal goods and services, albeit through irregular or unregulated means. Most entrepreneurs and the self-employed are amenable to, and would welcome, efforts to reduce barriers to registration and related transaction costs and to increase benefits from regulation; and most informal wage workers would welcome more stable jobs and workers’ rights.

Work in the informal economy is comprised mostly of survival activities and thus is not a subject for economic policy.	Informal enterprises include not only survival activities but also stable enterprises and dynamic growing businesses, and informal employment includes not only self-employment but also wage employment. All forms of informal employment are affected by most (if not all) economic policies.
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Source: Martha Alter Chen, (2007), "Rethinking the Informal Economy: Linkages with the Formal Economy and the Formal Regulatory Environment", DESA Working Paper No. 46 , page 5

### **Informal economic activity in Serbia**

Transitional period in many countries like Serbia is reflected on the loss of business security which is considered as the largest achievement of the socialistic and subsistence economy. Instead, movement and changes at the labour market in the 90s influenced that many employed people have lost their job, not only as technical redundant labour, but as economic redundant labour as well. At the same time, opportunities for new employment decreased and that situation reflected employed women to a great extent. During the 90s, the largest unemployment rate was in South Eastern Europe countries, like Bosnia and Herzegovina and Macedonia (around 40%), Croatia and Yugoslavia (between 22%-26%). From 2000, due to privatisation and entering Serbia and Montenegro in transitional processes, the unemployment rate increased more and more. While in Serbia and Montenegro this rate was 21,6% in 2006 in the countries of the Eurozone, which in 2006 included 12 EU members states, the unemployment rate was 7,5%. Unemployment rate of women in Serbia was significantly larger (22,8%) comparing to man (18,5%) in 2006.

In the structure of unemployed persons, women had also the largest share with 54,03%. In Montenegro, unemployment rate of women according to statistical data in 2006 was 30,1%, and for men was 29,6%.

The largest numbers of unemployed people are the ones with finished high school and university. People with this diploma are 61,92% of the total number of unemployed women. Unemployment affects specially women over 50 year of age and it is very difficult and slow for them to find a job. In Montenegro at the end of the October 2006, there were 74.820 unemployed people, from that number 33.582 were women and 41.238 were men. At the end of December 2006, Serbia had 916.257 unemployed persons. 191.864 were older than 50 years of age. Among them more than 83.700 were women where large number of women did not have working experience or did not have at the field in which they are educated.

Unfortunately, modern employers have no interest for them. There are Reasons many for this large rate of unemployment. If we take into consideration that women over decades constitute those segments of population which have largest percent among unemployed persons and that they are waiting in average more for a job that men do, and that because of some unwritten rule in crises in economic, social and political situation they are losing their job and source of income. It is easy to find explanations for this extremely hard position of women which especially culminated in the last ten years. Those women who were in the process of work in mentioned aggravation where working in those branches which were less profitable or they were working in grey economy. Low family budget often did not allow them to start their own business with their own financial asset or with their savings that women are using in the large number for starting their own business. Thus, here is not about the jobs that they are doing but is about of the quality of these jobs.

Large number of women that succeeded to start their own business and to be self-employed did not have enough knowledge to run those businesses so the businesses soon failed. Also, they did not have support from the society and they did not have tied credits or loans, which effected on impossibility to realise their entrepreneur's and

manager's potentials in practice. Thus, large numbers of women were satisfied with marginalised jobs in non formal economy or working at non managing positions at state or public companies. This could also be explained with horizontal and vertical segregation of women jobs, but also with position of women in these economies where men are dominant.

A high level of informal economic activity is characterised for Serbian economy. Calculations based on LSMS (Living Standards Measurement Survey) suggest that informal employment accounted for 31 and 35 percent of total employment in 2002 and 2003, respectively. Accordingly, Serbia has one of the highest shares of informal employment in Europe. The 2003 Poverty Reduction Strategy Paper for Serbia estimated that about one million people in Serbia in 2002 were involved in the informal economy (IE), which represents a little less than one third (30.6 percent) of those who actively participated in the labor market. Apart from this, 10.8 percent of the persons that had a main job in the regular economy had an additional job in the IE. Those involved in the gray economy represented 42 percent of poor employees in 2002. Recent research suggests that the real cost of the informal economy to governments, is the cost of programs to help the "informal poor" (Djankov, Lieberman, Mukherjee and Nenova (2003). *Because that the existence of the informal economy can no longer be considered as a temporary phenomenon. It has proven to be a major source of employment and income generation for the poor, and thus understanding the informal sector provides valuable tools in the fight against poverty.*

### **Battle against discrimination in relation to women workers**

In order to avoid all types of discrimination and to start with conducting many activities which are stated in UN Declaration (2000), and which are related to elimination of discrimination towards women and to the advancement of their position in all spheres of life and work it is necessary to create special social and economic programme in Serbia.

Creating this social-economic programme, an alternative and real professional access and respond on many problems will be offered, which transition in Serbia is bringing in relation to women workers. For creating that kind of a programme first it is necessary to diagnose the situation, i.e. presenting the current situations and tendency at the labour market. Precise records do not exist, but according to rough estimations large numbers of unemployed women that are over 50 years of age mostly are women with lower level of experts and with small working experience, in this segment of unemployed women. Also, the number of women who do not have working experience at all or do not have it in the profession in which are educated is very low. Unfortunately, for those categories, modern employers are not interested in at all, which will be specially examined using benchmarking this segment of unemployed women. In this context we recommend that public policy must take steps to enforce existing prohibitions on gender and age discrimination. To this end, we call government to:

- \* Publicly denounce gender discrimination in the workplace and commit it to addressing women's and men's unemployment with equal vigor.
- \* Enforce existing anti-discrimination legislation against public and private sector employers who discriminate on the basis of sex and age in employment decisions and establish and enforce penalties for employers who discriminate on the basis of sex and age criteria.

In addition, we are argued for establishing new agencies /government and nongovernmental working on these issues. These agencies should help women over 50 to be better networked, as experience shows that many in the 50+ age group lack contacts to find new work. They also should work with employers to increase awareness of the competences of those over 50 and prevent discrimination.

Special emphasise should be placed on life long education of workers in order to decrease differences in comparison to developed countries and to equally participate at the global market where knowledge and good knowledge management are treating like a key

factor of success. Taking into consideration all these elements, good platform for future development of women entrepreneurship should be made and new space for decreasing rate of unemployed women should be opened in Serbia. This will give opportunity to women of this age group, that is marginalised both by employer and by state, because they are not provided with adequate resources, any other support or organising help and assistance in including them in the process of work, so they could feel useful at work, in their families or in the society in all.

### **SME development policy and integration of Serbia into European Union (EU)**

In the field of small and medium-sized enterprises development, the initial framework was given by the adoption of the European Charter on Small and Medium Enterprises by the Western Balkan countries, at the EU - Western Balkan Summit, in Thessaloniki, in 2003. The charter presents the pan-European instrument developed within the Lisbon agenda (long-term development vision of the EU). It resulted in changing policy towards this sector in the countries of the Western Balkans which adopted it. Since then, ten policy guidelines defined in the Charter, have become the main references in the SMEs policy development in the region: education and training for entrepreneurship; more favourable and faster start-up (on-line access for enterprise registration); better legislation and regulations; available capacities (the training institutions providing adequate knowledge and skills, adapted to the needs of small enterprises, including the forms of life-long learning); training and consultations; promotion of on-line access (communication between small enterprises and public administration); promotion of activities of small enterprises on domestic and foreign markets (execution of European and national competitiveness rules); taxes and financial issues; strengthening technological capacities of small enterprises; models of successful e-business activities and efficient support to small businesses; development of stronger and more efficient presentation of small enterprises interests on the professional and national levels. The improved skills and technologies along with the government supported export promotion, present the new orientation in

government policy, which will help small and medium enterprises in Serbia to become competitive.

We would like to point out the importance of optimal incorporating of Serbian regions into Trans-European energy, transport and telecommunication infrastructure networks and common market, having in mind that strengthening of the regional economic performances can accelerate the total structural changes and economic development and to decrease great disparities in regional development.

## **Conclusion**

Serbia should focus or continue to focus on the following three issues that could have attracted entrepreneurs to the formal sector, had they believed that formal firms do enjoy these benefits: (i) contract enforcement (especially the functioning of the courts); (ii) access to finance (particularly bank credits); and (iii) clear title to land and real property.

It is expected that the forming of a number of women organizations and their networking similar to others around the world, will contribute not only to better connections between women, exchange of experiences and knowledge, but also to create new space for employment. Besides that, micro credits for development of women entrepreneurial activities is also of great importance for increasing self-employment of women and the reduction of their unemployment, which is the trend everywhere in the world, especially in countries in transition and developing countries.

With greater capital income in Serbia and by providing economic support to small companies, as well as with conduct of general reforms in economy and society, one can rightfully expect significant growth rate of private businesses. In new expected conditions, women businesses will have greater contribution than before. In addition, there will be conditions, which will enable general improvement of the position of

women in society, who have in the country's economic misfortune, in the past decade been in the most impacted society segment.

Finally, we can conclude that Serbia will try to be integrated into the global economy as soon as possible. It is entering the period of intensive structural changes and international opening of its economy, first of all, towards the EU and neighbouring countries. Namely, after a long period of stagnation, wars, low economic rate of growth, high rate of inflation (in 1993). It was the highest rate in the world), high rate of unemployment and low national income per capita, Serbia is on path of accession to the EU in the near future.

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## Chapter 10

### The Role of Entrepreneurship Policies in Africa: The Senegalese Women Experience

Chantal Ahoefa Hales

#### Introduction

Women are playing an increasing role as drivers of growth in many of the world's economies (Jalbert, 2000; UNIDO, 2001; Greene *et al.*, 2003; Minniti *et al.*, 2005), although it seems that little is known about the gendered influences on the experiences and the subsequent contributions of growth-oriented female entrepreneurs at country level (Brush *et al.*, 2006). In Africa it seems that most female entrepreneurs are particularly found in agriculture and informal businesses (Charmes, 2000; Chen, 2001; Stevenson, 2004). Their ability to establish businesses and grow new ones, generate employment and improve productivity is often hampered by formal and institutional constraints that affect both male and female enterprises, but to a different degree (Rogerson, 2000). SME policies and entrepreneurship policies have been adopted by African institutions to stimulate entrepreneurial behaviour and encourage men and women to establish and develop sustainable enterprises. But how effective are these policies? This paper explores the role of SME and entrepreneurship policies in West Africa, using evidence from the author's doctoral study into female entrepreneurs in Senegal.

The study investigated the rise and role of female entrepreneurs in Dakar and identified a number of limitations which have significant impacts on Senegalese female entrepreneurs' abilities to establish businesses, generate employment and contribute to local economic growth. The study was not intended to explore policy or to make policy recommendations on the state of female entrepreneurship in Senegal. However, it had unearthed a number of issues that affect SMEs run by women (including micro enterprises), especially in the agribusiness and textile sectors, which have direct policy implications. As globalisation impacts on Senegal and West Africa more generally, and as governments are expected to adopt market principles in the management of their economies, the study has shown that there are significant constraints on women's business efforts that need to be addressed by policy. Also, there are all types of coping strategies that female entrepreneurs adopt as they and their families strive to make a living in such difficult circumstances. For these reasons, it is crucial for the government to adopt policies to create a better environment for these women to establish viable businesses. After the introduction, the second section discusses the methodology. The remaining sections of this paper explore the role of SME and entrepreneurship policies in business support, highlight the key issues identified in the study as having policy implications and propose a number of policy recommendations relevant to the understanding of female entrepreneurial policies in Africa.

## **Methodology**

Data was collected in Dakar from October to December 2005, following an initial three weeks preliminary visit to the field in order to establish contacts and have an overview of the researched. Access to the entrepreneurs was done using the snow balling technique also known as the network approach. Although there are some limitations with the snow balling method<sup>8</sup> it was extremely useful in reaching the population

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<sup>8</sup> The Network technique is often used when the precise number and the location of the group studied is unknown (Burgess, 1994:75) or if the target is "out of

sample of female entrepreneurs required in this study. Forty semi structured interviews were carried out with female entrepreneurs from both the agribusiness and textile sector in Dakar. The choice of the agribusiness and textile sectors reflected the concern of the lack of sectorial empirical research on female entrepreneurs. In addition the two sectors are among a number of sectors that have been chosen by the Senegalese government as sector that will enable economic growth (Republic of Sénégal, Politique Sectorielle). Data analysis was carried out using Descriptive statistics and correlations analysis to test the complete data set.

### **The role of policy in business support**

SME policies and entrepreneurship policies are complementary. SME policies focus on already existing enterprises and emphasise measures that are geared to the latter stages of enterprise development. Entrepreneurship policies focus on entrepreneurs who may be at different stages of the process of development of the business; they are broad in their objectives and tend to promote entrepreneurship as a career choice; they stimulate entrepreneurship culture and provide support to nascent entrepreneurs (Lundstrom and Stevenson, 2002). The increasing awareness of the role of female entrepreneurship in poverty reduction and economic growth has resulted in a number of policy instruments been utilised around the globe by governments and non-profit organisations to address some of the pressing issues affecting female entrepreneurs.

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reach" to the researcher (McQueen and Knussen, 2002:74). In this research, this technique was efficient because the researcher mainly got access to the researched through the informants (Burgess, 1994). Limitations include: there is a danger that the coverage of the research is determined by the starting point; all the suggested interviewees have to be interviewed to avoid bias; the chain may also be biased because of a particular network chosen, although this can be avoided by probing investigation; and Mcqueen and Knussen, (2002:72) argue that it would hardly lead to a representative sample).

Whilst some entrepreneurship policies have been imported from one country to another, evidence has showed that because the context of entrepreneurship varies with national culture and economic circumstances some of these policies may not be effective (Kayanula and Quartey, 2000). Thus, it is crucial that any imported policy measure is adopted with significant local consideration. Policy programmes that have been adopted worldwide have included programmes designed to enhance individual entrepreneur's skills, use the educational system to nurture and encourage female entrepreneurship, provide appropriate tax and improve the regulatory climate and the infrastructure (Verheul *et al.*, 2002). Whatever policy interventions are used, it is important that they take into account both environmental conditions and individual entrepreneurs' characteristics.

### **Female Entrepreneurship in Senegal**

The empirical evidence gathered from the study has shown that female entrepreneurs in Senegal have different aspirations, talents, traits and experiences, and are faced with a variety of constraints (i.e. administrative constraints, lack of access to finance and training, to land and business premises and to information). Dealing with these constraints requires significant attention from both governmental and non-governmental institutions as they have an imperative role in providing entrepreneurs with the basic tools to develop sustainable businesses. In Senegal, there are a number of policy instruments that is designed by the government to assist female entrepreneurs. Because policies that succeed in one sector may fail in another, it is important that policy programmes are specifically tailored to individual entrepreneurs' diverse needs.

### **A holistic approach to female entrepreneurship in Senegal**

Having a policy is one thing; implementing it is yet another. Implementation may require a change in mindset, the construction of

new structures, relationships and partnerships. Thus, it is crucial that policies that are relevant to business establishment and development are centred on how best to build competitive and world-class entrepreneurs that can operate in a global context. This said policy initiatives should be individually tailored, rather than directed at SMEs as a whole, hereby providing micro enterprises assistance to grow their businesses beyond the micro level whilst providing growth-orientated enterprises with the tools to turn their businesses into highly competitive global entities. Adopting comprehensive or holistic entrepreneurship policies will allow the government to use the educational system to nurture and encourage female entrepreneurship and, to design programmes to enhance individual entrepreneur's skills and to support them in the establishment of new enterprises. In Senegal and West Africa more generally, governments can set policy objectives that promote an entrepreneurial culture. Entrepreneurship education should be integrated in school curricula. Emphasis should be put on increasing start-ups, reducing exit barriers and developing strategies to better support nascent entrepreneurs.

### *Regulatory environment*

The regulatory environment is important for the private sector to operate effectively. Simplifying existing business regulations would reduce the administrative burdens that women's enterprises face (UN, 2003). The government need to examine the impact of administrative, legislative and regulatory burdens on SMEs, and especially new entrants, and identify measures to minimise those impacts. In Senegal, in particular, there are various laws and regulations that address SMEs and women's rights and social status. However, it is important that these are thoroughly reviewed on a continual basis in order to identify their weaknesses. Best practice inside and outside Africa must be identified and transferred to revamp laws, regulations and procedures in a manner that encourages SME growth. Furthermore, understanding the limitations of the current business environment policy system will allow

the government to distinguish between the policies targeted at all enterprises (regardless of size) and SMEs in particular. A regular review of SME policies will also allow the Senegalese government and West African states more broadly to determine the effectiveness of their policies and to introduce modifications where appropriate. Successful policy implementation will also enable the coordination of activities between government and non-government institutions, hence reducing any overlap, particularly when providing and accessing entrepreneurial support.

One of the problems that the introduction of new policies may bring is the inability of some female entrepreneurs to understand the laws and policies affecting their businesses. This is mainly as a result of a lack of or the varying level of education and the inability to read or understand policy materials which are mostly available in the French language. Consequently, it is important that policy materials are written and available in local languages and dialects. Additionally, in areas where the literacy rate is particularly low, other forms of media such as video, radio and television should be available at various entrepreneurial support institutions, for entrepreneurs to listen to and watch to keep them up to date with new laws and regulations affecting their businesses. This is a problem that is not specific to Senegal. It is a critical issue that may be observed in other part of West Africa. It can be resolved by allocating sufficient resources to the departments and Ministries concerned to ensure that policy and training materials are available to entrepreneurs in the languages that they can understand.

#### *Promoting female entrepreneurship in Senegal and West Africa*

The area of promotion of entrepreneurship is argued to be one of the more underdeveloped strategic areas of entrepreneurship policy development (Lundstrom and Stevenson, 2002). Increasing the rate at which women establish businesses is important in stimulating innovation and employment in African economies. Achieving this goal

will involve adopting strategies to make information available to women and provide them with the adequate support to develop competitive businesses. A strategy to increase the awareness of entrepreneurship in society may be to raise awareness about the role of female entrepreneurship in the economy and to tell stories about role models and successful female entrepreneurs. This could be done through conferences and seminars on female entrepreneurship and, most importantly, the information provided must be disseminated in the language(s) that the female entrepreneurs can understand. The sponsorship of entrepreneurship awards is commonly used in many countries and may be applied in various parts of Senegal.

#### *Developing and maintaining an enterprise culture through education*

The existence of an enterprise culture is also part of the enabling environment. Education can transmit entrepreneurial values and can provide a more positive societal attitude towards entrepreneurship (Verheul *et al.*, 2002). Inculcating an entrepreneurial culture at an early stage in the educational system through to higher education will enable the government build a nation of entrepreneurs (Gibb, 2000) where entrepreneurship is no longer seen as simply a way out of poverty, but also a rewarding career option. In Dakar the enterprise culture is already being inculcated into the educational system, allowing young people to be entrepreneurially aware. However, the main problem in maintaining this at the national level may be the lack of coordination mechanisms between education and economic affairs or industry sectors. For this purpose, national curriculum guidelines must be set. Hands-on activities must be developed. Specific budgets must be allocated, and ministries of both education and industry (specifically the *Ministère de l'Éducation*, and the *Ministère des PME, de l'Entrepreneuriat Féminin et de la Microfinance* of Senegal) and must be fully committed to the policy programmes. Reinforcing this culture will stress the view that being enterprising is part of Senegal's culture.

### *Business support infrastructure for nascent and established female entrepreneurs*

It is important to provide adequate support to nascent entrepreneurs. This support needs to be both enterprise related and product/sector specific. Senegal has a business support infrastructure which consist of business development centres, enterprise service and promotion centres run by government and non-profit organisations (for instance, *ADEPME* and the *ONFP*), which provide a range of services to new and existing small businesses in the form of financing, access to markets and technology etc. In the agribusiness and textile sectors, female entrepreneurs have stressed a number of issues which are impeding the development and growth of their businesses (chapter six). It is therefore of crucial importance that improvements are made to provide:

#### *Better access to finance for women in the agribusiness and textile sectors*

A major problem expressed by women in Dakar was the inability to access business finance. Within that problem were two compounded issues. First, bankers do not trust the female entrepreneurs because their businesses are perceived to be a riskier investment. Second, the female entrepreneurs are unable to construct good business plans to demonstrate the efficacy of their businesses. It is therefore important to increase the capacity of local women by creating appropriate policies to allow them to convince bankers that there can be great returns to loans they provide. Additionally, there is a need for an adequate mechanism to improve the bankers' understanding of female entrepreneurs and their contributions to national economy. This can be done through seminars and conferences and with training materials accessible to the female entrepreneurs in local languages.

There is also strong evidence from the study to suggest that female entrepreneurs use the services of informal lenders who provide loans at very exorbitant interest rates, making it difficult for the entrepreneurs to repay the loans, hence finding themselves in severe debt, which they

sometimes require further loans to repay. This cycle of obtaining loans to repay other loans makes it impossible for these entrepreneurs to engage in profitable business ventures. Loan guarantee schemes that are offered by the government do not always reach the entrepreneurs that need them the most as the loans often tend to be distributed to enterprises that have regular access to financial institutions. For these reasons there need to be firstly, a system to monitor and control the activities of informal lenders. By doing so, the government may be able to regulate interest rate charges, facilitating borrowing for those women who are unable to borrow from the mainstream banks. Secondly, a mechanism must be put into place to ensure that funds are distributed in an efficient manner so that they reach those female entrepreneurs who depend on it the most.

*Better mechanism to allow micro female entrepreneurs to move beyond the micro level*

It has become clear in several studies on female entrepreneurship that African female entrepreneurs are having immense difficulties developing firms beyond the micro level because of the lack of access to finance (see for example, Tshikuku, 2001; Kiggundu, 2002; Richardson *et al.*, 2004; Sriram and Mersha, 2006). In Dakar, mainstream banks are a “no go area” for most micro entrepreneurs, especially those operating in the informal sector. MFIs only supply micro funds. Formalisation is an option but there is no guarantee that it will result in access to financial and training support. Additionally, informal sources such as friends/relatives funding support and ROSCAs or *tontines* are simply not enough to allow the enterprises to develop into growth businesses. Joining business and trade associations does not always work in the favour of the members and government supported funding schemes for developing enterprises (for instance the Economic Promotion Funding scheme in Senegal) can not provide sufficient resources to cater for all entrepreneurs. The micro entrepreneur is simply stranded in the “micro bubble”. Obtaining a loan from other female entrepreneurs who have

established their own credit institution may be the last resort, but these women often charge exorbitant interest rates, leaving the debtor to turn to other female entrepreneurs' credit institutions for another loan at an even higher rate to cover the previous debt. For many female entrepreneurs the search for credit and funding continues until they are unable to get out of the "vicious circle". For the above reason, it is crucial that a mechanism is in place to support micro entrepreneurs to allow them to operate beyond the micro level and contribute to local economic development. For many of these entrepreneurs who have lost faith in the system and in their fellow female entrepreneurs who are extorting them, the government needs to monitor and evaluate the current support measures that are available. This cannot be achieved overnight. Firstly, the government needs to initiate intensive discussions with the micro entrepreneurs to probe their opinions and views on current schemes and support available to them to identify the underlying problems. Secondly, the government needs to pay particular attention to each problem identified. Thirdly, the government needs to initiate a dialogue between themselves, the micro entrepreneurs and other financial and non-profit support institutions to find the best and cost effective solutions to the problems. It is only by focusing on micro entrepreneurs' individual problems and separating these from difficulties affecting all SMEs that the government will begin to find the solutions to the "micro bubble" problems and allow micro enterprises to develop slowly into growth orientated enterprises.

*Better mechanism to release funds to growth-orientated female entrepreneurs*

Most female entrepreneurs in Africa (whether micro, small or medium) have difficulties accessing credit (Valodia, 2001; De Groot, 2001; Lawrance, 2003; Richardson *et al.*, 2004; Stevenson and St-Onge, 2005). Those aiming to develop growth-orientated enterprises are further constrained by inadequate funds from Micro Finance Institutions, especially when they are unable to access funds from

mainstream banks. Resolving this critical issue requires an improved mechanism for realising more capital for entrepreneurs who operate beyond the micro level to respond quicker and better to their needs. For those growth-orientated entrepreneurs that require land as collaterals to secure finance, it is important to improve property ownership policies to allow them to use their assets as collateral especially that property ownership in Senegal is influence by both legal and customary laws. Additionally, it is important to be aware that there are other constraints such as the lack of access to raw materials and to markets and unfair competition, which are equally important and also limit the growth and success of these businesses. Therefore, it is suggested that entrepreneurs should be advised not to place too much emphasis on the importance of credit (Kuzilwa, 2005).

#### *Improved, controlled and monitored training*

Skills, knowledge and resources can be acquired through education and training. It is therefore, the role of the government to provide the relevant business information to newly established businesses to raise their chances of survival in the market place. In Dakar there are mechanisms in place, either through government, private sector-led schemes, grassroots organisations or through development partners' programmes, to provide training to entrepreneurs so that they are equipped with the necessary skills and competencies to establish and develop sustainable businesses. However, as evidence from this research has shown, female entrepreneurs still lack significant training. This may be because of the lack of basic literacy and numeracy skills or the lack of business skills to write a business plan, to manage a business and monitor its performance. According to Greve (1996) basic education is a fundamental prerequisite for women to have access to the higher order skills and know-how associated with more productive and efficient enterprises. Thus, improving women's economic status may depend on the type of education they receive. In this study many of the respondents are operating businesses but are

unable to work out costs, revenues and profit. It is therefore important that they have basic literacy and numeracy skills training, which can be supplemented by enterprise management related training. Whilst some training is already being offered to female entrepreneurs, its quality is highly criticised by the respondents of this study. Consequently, it is important to increase women's trust in the usefulness of training by reinforcing it, assessing the skills of the trainers and monitoring the training outcome to ensure that it has been successful. For the purpose of reinforcing trust, role models may be used as case studies in the training or be trained and then asked to deliver some of the courses. Ensuring the effectiveness of training also means putting together training models that are flexible, adaptable and consistent with the changing needs of the entrepreneur.

For those entrepreneurs with special needs (e.g. lack of time, language barriers) one-to-one mentoring programmes could be developed to allow them to acquire those crucial skills and know how. Elsewhere, special training sessions could be organised for those entrepreneurs who have multiple roles (which make it difficult for them to attend training on a continual basis) so that they can learn to manage their diverse roles in a more effective manner. Furthermore, collaboration between the various bodies (both public and private) which deliver entrepreneurial training inside and outside the country will ensure consistency in the delivery the delivery of the courses and could also promote exchange programmes and knowledge transfer.

#### *Better access to land and business premises*

Lack of access to land as collateral is a great impediment for female entrepreneurs' access to credit, and the lack of adequate business premises to establish and expand a business is also a major problem which makes it costly for small and would-be entrepreneurs to transform ideas into economically viable enterprises (Deininger, 2003). In Senegal access to land is governed by both customary and legal practices.

Because land-related institutions are deeply rooted in a country's history and culture, the solution to the lack of access to land may not be imported and has to be developed locally. Given the severity of the problem faced by female entrepreneurs in Senegal and in West Africa more broadly in terms of access to business premises, particularly in agribusiness, the gradual development of low cost start ups business premises in well-serviced areas by enterprises themselves could be a solution. Mechanisms could be put into place to ensure that the businesses are able to share some resources and learn from each other. Additionally there is a need to monitor land policies in order to evaluate their effectiveness, improve them when necessary, and scale them up widely across the country.

*Better communication to improve access to information*

Lack of access to information is a barrier that was only experienced by entrepreneurs in the textile sector. For many of these entrepreneurs, who mostly operate their business from their homes, the consequence may be that they do not have direct information on the market (e.g. costs of materials) and hence may have to rely on middlemen or women from their network for information. This often leaves them open to exploitation. Also, because of the lack of education, time and information, women often do not carry out adequate market surveys before embarking on business start-ups, making them vulnerable to failure. These difficulties accessing the appropriate business information may be observed in other countries across the continent. With advances in information technology, information can be transferred through e-mails and cyberspace (as the case study of Madame Samba has demonstrated) allowing businesses to become more competitive. Unfortunately in Senegal however, there are not many female entrepreneurs that are able to take advantages of ICTs, often due to lack of education and training.

Dealing with the lack of access to information within the textile

sector may require synergistic collaboration between the different agencies and institutions that provide information to entrepreneurs. This will allow the institutions to identify where the problems come from and to target measures to eliminate them. Elsewhere, just as some institutions are already doing in Dakar, entrepreneurs could be informed about the location of the support institutions where they can access all types of information regarding the enterprise. Popular media such as radio and television can be used for this purpose. Lack of access to information is often caused by lack of communication between women in networks, business and professional associations (as evidenced in this thesis in chapter seven). Consequently, close in-group communication between women in associations will facilitate access to information, especially in terms of keeping women up to date with new laws and regulations affecting the entrepreneurial environment and information about markets and prices.

*Making "building entrepreneurs' networks" a key policy issue: Association and collective action*

Associations have an important role to play in providing a voice for female entrepreneurs in the policy making process, especially in raising awareness of difficulties and obstacles presented by legislations and regulations (Jalbert, 2000; Jones, 2004; Dixon, 2006). The evidence gathered from this study has shown that female entrepreneurs' associations in Senegal are not always effective in equipping members to reap the rewards of expanding into the international arena. Instead, members (especially smaller enterprise owners) are often left wondering whether they would ever learn to play the international trade game. They lose faith in these networks and this limits their abilities to fully utilise the resources and take advantage of easier access to finance, information and markets, to international organisations and advocacy work that such collaborative arrangements can bring. Thus, it is very important for the government to establish transparent criteria for monitoring female entrepreneurs' associations' activities to ensure that

they are established for the right purposes. Additional training (as suggested in chapter seven, p.214) could be provided to the association management team on organisational and governance issues regarding the association. This could be followed by publication of a national association newsletter, in the official and/or local languages, which discusses association management strategies and other related issues such as marketing and promotion. Finally, more exchange between associations could be encouraged to allow different groups to learn from each other and to share experience and expertise. Also there is a need to reinforce partnership between the associations and private/public institutions to ensure that data and information obtained from associations is valuable in developing policy that affect female entrepreneurs' businesses.

*Better competition and better access to regional and international markets*

Globalisation has allowed businesses (both small and large) to exploit opportunities and integrate into the world markets. This has increased competition, often putting some smaller enterprises at a disadvantage. Evidence from this study has revealed that many female entrepreneurs aspire to operate their businesses at the global level, but are unable to do so despite Senegal's membership to numerous trade agreements in both regional and international markets. The difficulties are often caused by the entrepreneurs' poor quality products, because products that cannot be traded easily, and a lack of knowledge and information on how to trade at the international level. International lessons from SMEs have demonstrated that external factors such as inter-firm relations and cooperation and institutional support can play a role in establishing vertical and horizontal inter-firm linkages, especially with global players. For Senegalese female entrepreneurs, interacting with institutions other than the ones they are already operating with through a mix of channels and ensuring that they have a good quality product would allow them to be prepared to target global markets.

For the agribusiness female entrepreneurs in particular, this may entail working closely with the Institute of Food Technology to identify new and better ways to improve the packaging and conservation of their products. Perhaps all female entrepreneurs need to begin this process by establishing strong relationships with potential partners at the national level; this will allow them to establish further linkages, such as joint ventures through networking and business partnerships at the global level.

To assist female entrepreneurs who are contemplating embarking on international ventures or those already operating in international markets, training programmes aimed at providing skills on how to identify and access markets, and how to operate a business at the global level should be made available on a regular basis. It is also important to note that necessity entrepreneurs and opportunity or high growth entrepreneurs have different roles to play in the economy, with necessity entrepreneurs contributing mostly towards poverty reduction and opportunity entrepreneurs contributing to enhancing the competitiveness of the economy and to local economic development. For these reasons it is important that the government devises separate policy approaches and training programmes to meet their individual needs.

#### *Improved physical infrastructure for a better entrepreneurial environment*

To promote female entrepreneurship, the government must focus on developing and sustaining an appropriate infrastructure. Urban areas such as Dakar would attract small businesses because of the existing infrastructure which consists of financial institutions, support services and educational institutions. Whilst the Senegalese government has attempted to improve the infrastructure for businesses, evidence from the study has suggested that physical infrastructure, especially roads needs to be improved to facilitate the transport of raw materials and the movement of entrepreneurs and their goods to local and regional markets. Consequently, it is highly important that the transport system

in the region of Dakar is improved so that the transport of raw materials and products from one district (e.g. from Pikine, Rufisque or Guediawaye) to another (e.g. Dakar) can be done speedily. Furthermore, the upgrading of roads in rural areas will facilitate a more reliable delivery of agri-products or perishable goods to the city.

## Conclusion

This chapter has presented the role of SMEs and Entrepreneurship policies in a West African context using evidence from research on female entrepreneurs in the agribusiness and textile sectors in Senegal. It has been clear from the outset that policy instruments must specifically target those areas that are crucial to the promotion, development and sustainability of female-led enterprises. Key policy recommendations have been made based on some critical issues that the study has revealed. Fully implementing these recommendations may take time and may require significant resources (money and physical infrastructure) and commitment from all the ministries and industries concerned. For these reasons, some of the key issues such as better access to finance and training could be introduced now whilst others (e.g. basic education for all entrepreneurs) could form a part of a long-term policy strategy.

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## **Chapter 11**

### **Government policies on female entrepreneurship development in Turkey and Arab world**

**Kemal Yıldırım**

#### **Introduction**

This chapter provides a new theoretical insight into the interconnections and relationships between women, management and globalization in the Middle East (ME). The discussion is positioned within broader globalization debates about women's social status in ME economies. Based on case study evidence and the UN datasets, the article critiques social, cultural and economic reasons for women's limited advancement in the public sphere. These include the prevalence of the patriarchal work contract within public and private institutions, as well as cultural and ethical values which create strongly defined gender roles. The discussion examines the complexities of conceptualizing women's equality and empowerment in Islamic states. The chapter reveals that there have been significant achievements in advancing women in leadership and political roles, but that there are still institutional and cultural barriers embedded in business systems. Linking feminist, development and management theoretical strands a development framework is proposed which is sensitive to the Islamic Shar'ia encompassing government, organization and individual level strategies. It is suggested that scholars should integrate literatures from gender and management, development and Middle East studies, and in particular that critical scholars of gender and organization should consider the interrelations of the national and transnational in critiques of

contemporary global capitalism to understand the complexity of women and social change in the ME

## **Towards the Rise of Women in the Arab World: Concepts and Problematic issues**

### *The state of women in the Arab World and Turkey*

The state of women in Arab countries results from, and contributes to a number of cultural, social, economic and political factors which interact to affect levels of human development. Some factors are problematic in nature and thus call for a close analysis of various components of Arab society. The Report examines the situation of women in the region by tracing a basic axis of human development: the acquisition and utilisation of human capabilities and resulting levels of well being. It probes levels of health and education in particular. It also assesses experiences in the advancement of women by reviewing two factors crucial for the success of such a movement: the extent of Arab society's desire for such progress and the forms of social action adopted to pursue it.

Entrepreneurship has become a defining business trend in many countries throughout the world. The Arab countries confront a major challenge how to successfully employ a large cohort of young people reaching work age. Apprehensions about the availability of employment opportunities together with disaffection with the region's unstable political life raise certainly a very fundamental question regarding the political stability in the region. Whether aimed at targets either foreign or domestic thus raises the risk profiles of the region and finally significant implications may exist for its economic performance to sum up Arab world risk being left behind in global competition precisely when they need to accelerate growth to create employment opportunities.

The economic performance of the Arab world has been middling over the past four decades it has been worst than East Asia but better than sub-Saharan Africa. The region has suffered no major crisis but faces a major imminent challenge namely demographic imperative to create employment opportunities for the large cohort of young people reaching their workage. On the other hand, rapid growth of labour force

in major Arab countries has contributed to despair among young people about their job prospects and consequent worries about political stability.

The ranks of entrepreneurs contain a sizable contingent of women. As a result, research into the pathways of entrepreneurship as a general phenomenon as well as a career option for women has flourished in recent years. However, very little of this research has focused on women entrepreneurs in Arab countries, particularly those around the Gulf of Arabia, where private enterprise is viewed as a way for these nations to reduce their reliance on oil and their dependence on expatriate (foreign) workers. This study of the business start-up experiences of ten Arab women from Bahrain and Oman can serve as a starting point for such research. Although based on a non-representative sample, it suggests that the experiences of the Arab women entrepreneurs studied generally parallel those of their counterparts from other parts of the world with a few distinct differences. These differences relate to securing start-up capital and other resources, networking, and work/family balance. Infused with Arab and Islamic values, the unique cultural milieu played a major role in shaping the entrepreneurial experiences of the Bahraini and Omani business owners studied.

The rise of woman in the Arab World as a concept and problematic issue as human beings, women and men have an innate and equal right to achieve a life of material and moral dignity, the ultimate goal of human development. It thus views the rise of women in the joint framework of human rights and human development. In terms of human rights, the advancement of women is to be achieved as part of society's advancement to freedom, in its most comprehensive definition. This definition includes not only civil and political rights, the mainstays of citizenship, but freedom from ignorance, disease, want, fear and all else that diminishes human dignity.

On the other hand, Complete equality of opportunity between women and men in the acquisition and employment of human capabilities; as well as the guaranteed rights of citizenship for all women on an equal footing with men; Acknowledgement of, and respect for differences between the sexes. Women are different from men, but that in no way implies they are deficient. Under no conditions is it acceptable

to use gender differences to support theories of inequality between the sexes or any form of sexual discrimination.

Historically, various women's nongovernmental organisations have focused on different objectives. Some have concentrated on promoting women's equal rights and the elimination of discrimination embedded in Arab laws, whether these concern personal status issues or social guarantees. Others have targeted charitable development activities, providing loans and income-generating projects for women or services in health, education and other sectors. Relatively few however, have focused on women's empowerment as the collective goal and undertaking of society as a whole. There is no commonly accepted definition of the middle east Turkey shares many links to the region but is not classified as a middle eastern country and is a member of only the broader pan-islamic organizations.

The spread of the concept of "women's empowerment" in class and ethnic identities function as a separator among middle class woman , particularly in their traditional values and furthermore expectations related to their children They may have interactions with woman and men from lower classes or other ethnic groups in other aspects of their lives such as domestic service without any complaint To be employed either by government or any other private sector is rather important part of upper middle class working woman's self identity and it is usually perceived by them as a social responsibility.

There might be a number of different disciplines such as teaching or working as an engineer or doctor, nurse,lawyers etc Most of the women believe that they have invested a lot to train themselves social and emotional satisfaction may also be widely felt by the woman of middle class when compared with the labour class Upper middle class women use intensively market services by hiring women from lower classes to do domestic chores such as cooking,nursery,The quality of service providers is one of the major concern of women in this class Rothmann (1989) argues , upper class women are " mother-managers" they both enjoy and take advantages various benefits and status of being mothers with the presence of another woman as a care-provider .As to the woman's work related strategies accross classes in Turkey illustrate varying kinds of strategies.

Working class woman "rules" of patriarchal systems including values about gender, roles or honour are rather strict."Control and care dynamic" of the family ,kin and community are central in the middle eastern context (Joeseeph 2000: charrad 2001)these certainly prevail in turkish society accross social classes with varying practices .Family which has an important function in women's life is not free from control mechanisms,power relations ,violence and abuses.

Women's limited social and economic autonomy push them to act clandestine measures what and why they conceal show varieties Upper middle class woman employ a very similiar strategy of being 'gender'-neutral at their work places to protect themselves from slander and gossiping. Macro economic changes in Turkey such as increasing social inequality and cutting government expenditures in services ,the rising political and social conservation favoring the traditional roles of women ,push women to create ways in order to cope with constraints The lack of education ,training cheap and good quality childcare ,social insurance safe transportation and legal sanctions preventing gender discrimination and sexual harrasment in the workplace restrict the capabilities of women to develop "gender"strategies in Turkey.women should find both personal and practical ways tgo develop themselves .These acts ,embedded in their socio-cultural settings Women's work related strategies do not question or change the existing patriarchal values .Probably engendered socio-economic policies focusing on woman's economic,social and political rights may bring about influential 'resources' for woman to develop their capable agencies.

The arab economies directly and indirectly benefit from increases in the price of oil.Obviously the exporters of oil benefit immediately while contiguous resource-poor nations realize greater repatriated earnings increased tourism from other oil based countries and financial inflows allow the expansion of real investment in the recipient .In the past, such short-term gains have not been transformed into sustained growth as much of the new investment went into nontraded sectors or into inefficient investment in traded goods What we understand from all these long or short term gains indicates that Arab countries confront a major challange : How to successfully employ a large cohort of young people reaching work age .The stakes are high : Apprehensions about the availability of jobs together with disaffection with the region's

undemocratic political regimes raise fundamental questions regarding political stability. Terrorism, whether aimed at targets foreign or domestic, raises the risk profile of the region and thus significant implications for its economic performance. Such concerns contribute to a revival of the neo-weberian attribution of economic prosperity to religious tradition, though in this new rendition, instead of calvinism acting as a catalyst, islam is recast as an inhibitor. This notion may also have some surface plausibility; Muslims around the world are, on the whole, poorer than non-muslims. and islam is associated with distinct institutions and practices that could serve as the casual links between theological belief and economic performance.

However, some also argue that the all-encompassing nature of islamic belief may also contribute to political cultures that give the rise to unresponsive authoritarian governments, which ultimately impede economic development. Obstacles to change governments face throughout the region may not be unique. and comprehending the difficulties of implementing reforms may not require an analysis of spiritual evolution in the last millenium. in sum, we may have the idea that the region faces a significant demographic imperative, a globalization challenge, and a deep uncertainty surrounding its politics. Responses to these forces are to varying degrees conditional on the price of oil determined in global markets. Contrary to rhetoric that claims the Arab countries of interest are sui generis, closer scrutiny employing standard modes of economic analysis suggests they share important commonalities with appropriately identified comparators from outside the region. Nothing immediately suggests that Arab economies of the Middle east have a particularly onerous heritage that is inimical to successful development. in this light, the reform experiences of other countries are germane. from those of some relatively successful Asian countries to examples from Latin America, Eastern Europe, and other regions with more varied economies.

An Arab renaissance integrates the rise of women, in thought and practice, as a solid pillar.



No serious political power in the Arab world can ignore the fact that religion particularly Islam, is an essential wellspring of the cultural and spiritual life of the Arab world.

In the UAE , the Government has instituted a comprehensive social welfare system operated by the Ministry of Labour and Social Affairs. The Ministry also makes specific allocations to the country's women's organizations to ensure that all those in need, particularly women in rural areas, have access both to an economic safety net and to assistance in adapting to a fast-changing world. Social welfare assistance is extended in accordance with the Social Security Law which came into effect in 1977. According to official statistics the Ministry of Labour and Social Affairs spent Dh 5,860 million on social welfare from 1986 to 1997. The total cost in 1997 was Dh 660 million. Of the families receiving social assistance, 25 per cent were in Abu Dhabi, 23 per cent in Dubai, 21 per cent in Sharjah, 7 per cent in Fujairah, 5 per cent in Ajman and 3 per cent in Umm al-Qaiwain. Among those who benefited from the assistance the elderly were the largest group representing 43 per cent of the total. They were followed by widows, divorcees, the deserted, the unmarried, expatriate wives, orphans, families of prisoners and married students. Today almost 40,000 nationals benefit from social security and nearly 9,000 receive pensions totaling Dh 720 million annually.

In July 1999 the Federal National Council approved new legislation regulating social security benefits. Under the new law people entitled to monthly social benefits include national widows and divorced women, the disabled and handicapped, the elderly, orphans, single daughters, married students, relatives of a jailed dependent, estranged wives and insolvents. Under the law all widowed and divorced national women who were married to foreigners are also eligible for social security benefits.

The region's political regimes are alike: some such as Morocco , Kingdom of Saudi Arabia and Jordan are monarchies of varying historical duration and liberalism; others such as Algeria , Tunisia and Yemen are authoritarian states with security services forming the core; and Arab Republic of Syria and Egypt Libya and Iraq (under Saddam Hussein) combine both authoritarian and dynastic tendencies. Lebanon is *sui generis* , a fragmented democracy subject to Syrian influence that has varied over time. The Palestinian authority might similarly be described as an unconsolidated democracy in a state of semiautonomy in relation to Israel. However I am unsure political trajectory of post-Saddam Iraq is highly uncertain whatever their formal institutional characteristics , a number of these regimes are dominated.

In short, the Arab countries risk being left behind in global competition precisely when they need to accelerate growth to create jobs. According to Kathleen Dechant (1) Entrepreneurship has become a defining business trend in many countries throughout the world. The ranks of entrepreneurs contain a sizable contingent of women. As a result, research into the pathways of entrepreneurship as a general phenomenon as well as a career option for women has flourished in recent years. However, very little of this research has focused on women entrepreneurs in Arab countries, particularly those around the Gulf of Arabia, where private enterprise is viewed as a way for these nations to reduce their reliance on oil and their dependence on expatriate (foreign)

workers. This study of the business start-up experiences of ten Arab women from Bahrain and Oman can serve as a starting point for such research. Although based on a non-representative sample, it suggests that the experiences of the Arab women entrepreneurs studied generally parallel those of their counterparts from other parts of the world with a few distinct differences. These differences relate to securing start-up capital and other resources, networking, and work/family balance. Infused with Arab and Islamic values, the unique cultural milieu played a major role in shaping the entrepreneurial experiences of the Bahraini and Omani business owners studied.

The model that the modern Turkey chose for the reconstruction of its society was in fact based upon the capitalistic production relationships. One of the hallmarks of this transformation was the adoption of the Swiss "civil code" in 1926. This was also a significant date for the woman's rights movement. Turkish women got most of their civil and political rights through a process of transformation which was dialectically determined by the class struggles of the western world. Therefore Turkish women had no actual ground to fight in order to gain their rights, which they did in a comparatively very short period of time, whereas the women in the capitalist countries had to struggle for a long time(1)

Kemal Atatürk, the founder of Turkish Republic cherished the ideals of equality between the sexes equal opportunity for education and family life not based upon a lifelong tie of one-sided bondage. These ideals led Atatürk to focus his attention mainly on the elimination of polygamy, sex differentiated legislation and traditional Islamic ethical norms even though he did not interfere in the inner sphere of woman's private lives by prohibiting the veil, for example he devoted most of his time and energy to the introduction of a series of legal and administrative reforms including the right to vote.

According to Atatürk , the emancipation of woman would come about of itself with the help of egalitarian legislation. However , a balance sheet of the last fifty years clearly indicates that the revolutionary efforts through law have only resulted in partial changes in both the status and role of woman in Turkish society .Republican reform has not been able to remove essentially wide national disparities.a comparison of Turkey with other middle eastern countries in terms of women's place in society and their economic and social influence shows that this country no doubt represents a vanguard .The policy to make full use of educational facilities, which has been systematically followed, has led to a sizeable women elite,especially visible in the area of academic disciplines and liberal professions art and literature as well as in the different echelons of managerial and clerical activities.

Turkish boys and girls share many common values, it was expected that they go through different self-validation processes as a result of culturally defined gender role attitudes and practices. In Turkish society, where women's social status is inferior to that of men, the segregation of the sexes strongly reinforces traditional gender role expectations among Turkish adolescents. Especially in rural areas, lack of sharing between males and females and same-sex friendship contribute to the separation of the sexes.

When we look at the position of the women in Turkey , it is the first muslim country eliminating rules of shariah,the muslim legal code which advocates sex segregation and unequal legal treatment. such deep and entrenching reforms obviously cleared the path for comprehensive and measurable changes in the status of its womanhood.when we look at various sociological,anthropological or socio-psychological theories ( Goode 1963,Bett 1957) all seem to show that shifts in sex roles or changes in the status of woman are directly dependents on changes in the economic system.A different approach ,however ,centered upon social crisis furnishes an additional dimension.According to this approach

,rapid modernization and crisis, for example war often seem to bring woman into 'male 'positions at least for a time (Boulding 1966,under the guise of national mobilization of all resources.In other words, during periods of crisis ,economic or military demands may, at least,temporarily , lead to a breakdown of cultural norms and ideals pertaining to men's and women's tasks.The crisis theory is usefull in that it illustrates the importance of the time element necessary for change as well as the positions and limitations for a change in a society with deeply rooted sex roles.This approach is also quite useful for making a sharp distinction between the effects of unifying nationalistic movements versus ideologically oriented action geared at permanent structural changes.

The Turkish case, which can be evaluated partly with the help of the crisis theory, contains a large variety of factors among which class formation undoubtedly takes first place Other major factors may be classified as the impact of national liberation war, the decrease in woman's seclusion and exclusion from public life, systematic educational efforts as a part of a comprehensive western oriented modernization program, the shift towards a capitalist economic system, the introduction of a new technologies leading to a growth in the industrial and service sectors. the ellaboration of national development plans and the persistence of cultural dualism.

### **The Question of the “Internal” and the “External”**

#### *Women's empowerment in Turkey and in A rab world*

The spread of the concept of “women's empowerment” in the Arab region has excited the rancour of certain socio-political forces. They have tended to see it as “imposed” by the West and not emerging from either the realities or needs of Arab societies, which are based on the entrenched role of the family as society's basic building block. This has driven some to resist development plans that adopt the gender perspective and to resist the governments and the women's organisations which work in accordance with it.An enforced anatomic

separation between what is deemed local and what is deemed foreign is no longer possible in this age. GAT we call "foreign" culture actually thrives within Arab societies - particularly in terms of values and modes of behaviour - owing to the increasing globalisation of Arab societies.

Nor is such a separation beneficial for the aspiration for progress in the Arab world- which is an authentic aspiration- and which has continued, since the beginning of the Arab Renaissance, to be positively influenced by the best human accomplishments of the prevailing Western civilisation. To be more precise, there is a largely beneficial collaboration between the struggle for women's emancipation in Arab countries as a liberating dynamic in society, and women's movements around the world, including those in the West. The efforts of international organisations are particularly important here, especially the agreements, resolutions, mechanisms and international activities aimed at protecting women's rights and equal treatment.

However, the crassness of the call from outside for reform, sometimes imposed by force, has elicited a negative reaction among some segments of society. This reaction, directed against a dominant Western-imposed women's empowerment agenda, is considered by such segments to be a simultaneous violation of Arab culture and of national independence.

On the other hand, the current statistics indicate that the rise of women, in both intellectual and practical terms, remains an essential axis of the Arab project for a human renaissance. The advancement of women - viewed both as struggle against despotism on the inside and appropriation from the outside - is part of the construction of a renaissance that will bring about freedom, pride and vigour for all Arabs, men and women on an equal footing.

#### *Despotic authority and the rise of women*

Paradoxically, repressive regimes, for their own reasons, have encouraged women's rights in ways that might not have been possible if matters had been left to the natural progress of society, given its imposed and inherited constraints. The mechanisms of political oppression have even served at times to accelerate the rise of women. But the Report notes that this imperious, top-down style of "progress," however enlightened, inevitably encounters objections and resistance from the

popular base. It argues that a shift to free and well-governed societies in Arab countries would be quite capable of realising those historic breakthroughs required for women to advance, while also attracting broad social support that will guarantee the movement popular strength and sustainability.

#### *The undervaluation of women's participation in economic activity*

Arab society does not acknowledge the true extent of women's participation in social and economic activities and in the production of the components of human well being, and it does not reward them adequately for such participation. Since most women work without pay for their families, their contributions are not recognised as economic activity. This historical prejudice is reflected in the undervaluing of women's contributions to different types of human activity in general, and to economic activity in particular.

A proper evaluation of women's contribution to producing the elements of human welfare requires a creative theoretical foundation that goes beyond the national accounts' system, restricted as it is to market exchange and the cash valuation of goods and services. This can be done by using a broad definition of human welfare that is commensurate with the concept of human development. From a procedural perspective, this will require diligence in developing research and statistical tools that aim to measure accurately women's contribution to the production of human welfare and the construction of human development. This is a field that remains open to research.

### **Acquiring Capabilities: The Denial of Opportunities to Women**

#### *Health*

Women in Arab countries, especially the least developed countries, suffer unacceptably high rates of risk of morbidity and mortality connected with pregnancy and reproductive functions. The maternal mortality rate in Arab countries averages 270 deaths per 100,000 live births. This rises to over 1,000 deaths in the poorest Arab countries (Mauritania and Somalia) and falls to levels such as 7 for every 100,000 births in Qatar.

Women lose a larger number of years to disease, and this appears to be unconnected to standards of living, risk factors, and deaths linked to pregnancy or childbirth, indicating that this relatively greater loss is attributable to general life styles that discriminate against women.

The Arab region remains one of those relatively least affected by HIV/AIDS at present. Despite this, women and girls are increasingly infected by the disease and now represent half the total number of people carrying the virus in the Arab world. Women are at greater risk of catching the virus and contracting the disease: the probability of infection among females from 15 to 24 years of age is double that of males in the same age group.

### *Education*

Despite the tremendous spread of girls' education in Arab countries, women continue to suffer more than men do from a lack of opportunities to acquire knowledge. This occurs despite the fact that girls excel in knowledge pursuits, outstripping boys in competitive academic performance. In terms of basic indicators, the Arab region has one of the highest rates of female illiteracy (as much as one half, compared to only one third among males). It also displays one of the lowest rates of enrolment at the various levels of education. This is in spite of the success of some Arab states, most notably those in the Gulf, in increasing the percentage of girl's enrolment and narrowing the gap between the sexes at the three levels of education. The relatively greater denial of educational opportunities to girls contrasts with Arab public opinion. The Report's field study indicates that the majority of people believe that girls have a right to education on an equal footing with men.

Female enrolment in university education has risen, yet women are still concentrated in fields such as literature, the humanities and the social sciences where they constitute the majority. These are the subjects in least demand by employers. By contrast, enrolment rates for females in fields that lead to jobs, such as engineering and science, are noticeably lower. Again, this trend runs counter to Arab public opinion which favours letting women students choose their fields of specialisation.

International data indicate that girls in the Arab region perform better in school than boys. Drop out rates for girls are lower than those for boys in all the countries for which data are available. Notwithstanding

this, discrimination against women in Arab countries continues to limit their access to knowledge despite the mass of statistical and other evidence indicating that Arab girls are the better learners, especially on the first rungs of the educational ladder. The share of girls among top scoring students in all Arab countries where data is available is over 50 percent. Since, on average, girls account for fewer than half those enrolled in education, this achievement underlines their academic ascendancy. Such achievement is all the more remarkable given the unhelpful societal and familial environment that some face arising from the myth that a girl is destined for the house and that education and work are basically male domains.

The statistics indicate that Arab countries stand to reap extraordinary benefits from giving men and women equal opportunities to acquire and utilise knowledge for the advancement of society.

In 1990 only 9.46 percent of the males, but 29.18 per cent of the females were illiterate despite the fact that five-year elementary education was compulsory since the proclamation of Republic in 1923. Nevertheless, in 1980 the proportion of illiterate females (56.25 per cent) had been much higher than those in 1990. (3) The illiteracy rate varies with the age group: the younger the person, the higher the rate of literacy.(4) However, this is more applicable to the male population.(4) The literacy rate is also related to other variables: rural or urban residence, regional location and migration. In the rural areas the female illiteracy rate is much higher than that in the urban areas. It is higher amongst the women who migrated to city from a rural milieu.(5) The illiteracy rate is also higher in the eastern and southeastern provinces where it was 42.2 per cent in 1990, while it was 22.3 per cent in the Western Turkey.(6)

The enrolment ratio also varies with gender, not much at the primary level. However, at the secondary level the gender difference in the enrolment rate becomes more discernible, yet it has narrowed

through time. In 1991-1992-education term, the enrolment rate at the primary level was 85.38 per cent for girls and 91.1 for boys. At the secondary level, in 1991-1992 education term, in the middle school the enrolment rate was 47.74 per cent for girls and 71.26 per cent for boys. In the high school it was 31.06 for girls and 47.29 per cent for boys. (7) In 1994-1995 education term in the middle school the rate was 54.5 per cent for the girls and 76 per cent for the boys; in the high school it was 39.5 per cent for the girls and 59 percent for the boys. (8) The lower level of female enrolment in the secondary education is related to three interrelated factors: discrimination against the girl child when the family provides educational opportunities to the children, poverty and child labor. (9) The economically disadvantaged families (10) and those with more than four children (11) always give priority to the education of the male child. Families more often utilize the girl child's labor outside the home as well as in the economic activities conducted in the house. In addition to them, the girl child assumes housework. (12)

At the tertiary level of education there was a significant increase in the female enrolment rate. However, in 1990-1991 academic term, it was still 8.9 percent for the females, but 16.5 percent for the males; the same figures rose to 13.8 percent for the females and to 21.3 percent for the males in the 1994-1995 academic term. (13)

The discrepancy between the levels of formal education obtained by the females and males is mainly the result of poverty and discrimination against the girl child because of "harmful" traditional practices and favoring the education of the boys, who would take care of the family in their old ages, when the family allocates its limited resources. The recent statistical data show one million children in the age group of 12-14 years are out of school, and 785.000 of them are females (14)

## **The use of Human Capabilities both in Turkey and Arab World**

### *Economic activities:*

Slow growth in the region predisposes economies towards low demand for female labour. In addition, the traditional view that the man is the breadwinner blocks the employment of women and contributes to an increase in women's unemployment relative to men. Women thus encounter significant obstacles outside family life that reduce their potential. Most limiting of these are the terms and conditions of work: women do not enjoy equality with men in job opportunities, conditions or wages let alone in promotion to decision-making positions.

Starting from a low base, between 1990 and 2003, the Arab region witnessed a greater increase in women's share in economic activity than all other regions of the world: the increase for Arab women was 19 per cent compared to 3 per cent for the world as a whole. Despite this, Arab women's economic participation remains the lowest in the world: not more than 33.3 per cent of women fifteen years and older in contrast to the world average of 55.6 per cent. Furthermore, their participation does not exceed 42 per cent that of men, again the lowest rate in the world compared to a global average of 69 per cent. Except in low-income economies where women work primarily in agriculture under conditions of poverty, they tend to find jobs in the services sector, which in the Arab world is characterised by low productivity and low remuneration. Women thus commonly experience low returns on work.

The causes of Arab women's weak economic participation include but are not confined to the prevailing male culture where some employers prefer to employ men, the scarcity of jobs in general, employment and wage discrimination between the sexes, and high reproductive rates. Laws hindering women, including those designed for their "protection," such as personal status and labour legislation, also restrict women's freedom by requiring a father's or a husband's permission to work, travel or borrow from financial institutions. Additionally, women's job opportunities have been undercut by weak support services and structural adjustment programmes.

Dependency ratios in the Arab region remain the highest in the world, with each worker supporting more than two non-working people, compared to less than one in East Asia and the Pacific. The principal

reason for this is the low rate of participation by women. The situation becomes even graver when this high level of family maintenance occurs in combination with an absence of pension plans and of a National Insurance network covering all worker cohorts. With the increasing expansion of the informal sector, where worker coverage is low, family support becomes a tremendous burden for the small number of those working. The strains on women in providing care for children and the sick, elderly, disabled and handicapped without sufficient social support also continue to grow.

The failure to use human capital, especially highly educated women, curbs economic development and squanders important energies and investments, which might otherwise contribute to greater economic development for all. From the other hand when we look at the position of the women 's employment history in Turkey, while the population grows, the rate of economic growth markedly decelerates during the 1990s, and in turn, creates unemployment problem and fall in real wages. This particularly hit the female labor force whose supply was found to be growing 1.60 percent annually in the mid-1990s. The labor force demand is behind the labor force supply for many young men and women in Turkey. As a result, women's labor has become increasingly concentrated in the informal, non-registered economy and there has been a significant and steady decline in the rates of the female labor force participation (as elaborated below), and higher level of female unemployment.<sup>29</sup>

The mechanization of agriculture in Turkey since the 1950s has prompted a massive rural-to-urban migration. In the 1960s and 1970s, the relatively high growth in industry was able to absorb this growing urban labor force and it provided employment for an increasing number of urban women. The number of women in the urban labor force grew by 1.1 per cent per year, reaching 12.8 per cent of the non-agricultural labor force by 1980.<sup>30</sup> However, in the 1980s, industrial growth slowed, and the continuing migration from rural to urban areas produced an increase in the urban labor market that the formal sector could not absorb.

Migration to the cities -- from the troubled East and Southeast regions and from the Black Sea region where the shortage of land compels people to migrate -- has an impact on the female labor force participation. The majority of the migrating women are not prepared for the formal labor market in terms of language, formal education and skill training. As the economy became increasingly unable to offer urban employment in regular salaried jobs, especially to those who lacked needed skills; women began to turn to micro enterprises as a possible means to earn a living. The majority of these women have found their places in the urban informal economy. Declining rural employment for women and under-reporting of the urban informal sector has resulted in an apparent drop in women's labor force participation from 72.0 per cent in 1955 to less than 42.8 per cent in 1990.<sup>31</sup> The same figure was much lower in the late 1990s, as given below.

Participation in formal labor force decreased in the early 1990s for men and women. For example, male labor force decreased from 76.5 per cent in 1988 to 71.2 per cent in 1994; and female labor force participation declined from 43.9 per cent in 1988 to 31.9 per cent in 1994,<sup>32</sup> and the same figure for 1998 was 27.9 percent.<sup>33</sup> Therefore, rural-urban migration and urbanization had negative consequences for the educationally and professionally disadvantaged from the lower social classes. However, women at the highest echelons of society have made great progress. For example, the percentages of doctors and lawyers who are women in Turkey are 15% and 18.7%, respectively.

The profile of the female labor force shows that many women have been exploited. According to the Household Labor Force Survey (1996 April), 21,376, 000 people were employed: 14,827,000 males and 6,550,000 females.<sup>34</sup> Out of a total number of 6,550,000 employed females, 70 percent (4,585, 000) of them were unpaid family workers;

18.93 percent (1,240, 000) were regular employees; 3.3 percent (221,000) were casual employees; 0.7 percent (46,000) were employers; and 7.0 percent (458, 000) were self-employed whose proportion was 8.8<sup>35</sup> per cent in 1998. The overwhelming majority of the unpaid family workers were employed in the agriculture and animal husbandry occupational category (4,433,000 female agricultural and animal husbandry workers out of a total number of 4,585,000 female unpaid family workers).<sup>36</sup>

Despite the decline in women's participation in formal economy, the export led growth paradigm has enhanced the small and medium scale enterprise (SME) development and brought positive consequences for women, favoring women's entrepreneurship in Turkey. Female entrepreneurship (in terms of business activities as both employers and self-employed persons) increased significantly from 5.9 per cent of the economically active female population in 1990 to 11.1 per cent in 1994.<sup>37</sup> But it registered a slight decline to 7.0 percent in 1996 and it was 8.8 percent in 1998 (as given above), due to slow down of economy.<sup>38</sup> Their number is more likely to grow faster if they are given support in the form of credit allocation of tax reduction and education. The Prime Ministry Directorate General on the Status and Problems of Women has started a number project to provide technical education and assistance with an aim of encouraging the self-employed and the employer females. Credit policies have provided incentives to women entrepreneurs. Furthermore, training programs for increasing women's financial literacy levels have been systematized in the frame work of the National Program for the Enhancement of Women's Integration in Development that was launched in 1993 by the Directorate General on the Status and Problems of Women. It was financed jointly by the Government of Turkey and the United Nations Development Program (UNDP) to address the disparity

between women's contribution to productivity and their share of developmental benefits

Educationally and professionally qualified from the upper echelons are largely represented in the public (where women occupy 27.5 percent of middle to upper level public management cadres)<sup>39</sup> and private sector, and women in small and medium size enterprises have been benefiting from the credits and advancing. The major problem of female labor force participation is in the informal economy. The growth of the informal sector was the result of the economic policies that were geared towards debt reduction. This directly or indirectly supported the informal sector. These policies rested on increasing the competitiveness of the export industries through shifting the production mechanism to labor intensive operations of small to medium scale sub contracting arrangements. The increased shift of production to the labor intensive informal sector has had the following consequences: (1) women have begun to enter the labor force at increasingly younger ages and some even at childhood; (2) women have been employed at substandard labor conditions with no social security; (3) due to low wages and difficult labor conditions in general, and due to pressures of household production (under the increasingly prevalent household production subcontract arrangements), women's recreational and sleep times have been reduced drastically.

Statistics on women in the informal sector are not directly compiled or reported by any statistical source in Turkey. There is under-reporting of female informal sector activities, either because male heads of household provides the responses or because women themselves do not regard their home-based income generating activities as work. For example, my survey study on the socio-economic characteristics of Balat-Fener in Fatih district of Istanbul showed that the latter is the case. During the fieldwork<sup>40</sup> in

September-October 1997, many women were observed doing various types of handicraft to sell. However, when one asked them whether they work or not their answer, was, "no".

Changes in the economic policies have had implication for female labor force participation. Since from the second half of the 1970s, Turkey has gone through changes in its economic policies in the course of reforms. In the late 1970s it abandoned its import substitution industrialization policies in favor of export led growth policies to overcome the debt crisis and the accompanying budget deficit and high inflation rates. In 1980, the first Structural Adjustment Policies (SAPs)<sup>41</sup> were implemented. Its consequent deregulation of the money market, followed by deregulation in the labor, goods and services markets and wage limitations impacted, albeit indirectly, women's equal participation in the economic and social spheres. Women's labor concentration in the free trade zone multinational corporate operations - as in the SAP experiences of South Asia and South America - did not take place in Turkey. Instead, women's labor has become increasingly concentrated in the informal economy and the female participation in formal economy has progressively declined in the 1990s.

The falls in income and consequently living standards, compel women to take on marginal jobs to supplement the falling earnings. Falling income levels also compel women to spend more time on household production activities - spending more time in the market to buy cheaper goods. Several studies indicate a negative correlation between income level and time spent on household production. Income losses due to sustained high inflation have the impact of increasing poor women's household labor. While not specifically treated in any empirical study, it is also argued that women's nutritional intake levels are declining as women prioritize the nutritional intake of other family members (especially of their

children) and give up on their own nutritional needs to compensate for the low purchasing power.

Although the share of the agricultural sector in the national economy continues to shrink<sup>42</sup>, this sector is still the largest employer of women. Women in this sector often work as unpaid family workers. Nevertheless, agricultural work has empowered women by increasing their participation in decision-making processes at the village context. However, increasing levels of urbanization (internal migration) and increased urban unemployment of women have led to marginalization of women and their isolation from decision-making mechanism in the city.

### **Arab and Turkish Women in the political sphere**

Arab public opinion clearly endorses the right of women to participate in political activity and to hold the highest executive positions. Yet these are areas from which women are often excluded. In most Arab countries (with the exception of the Gulf States) women obtained the right to vote and be candidates in parliamentary elections in the fifties and sixties of the past century. Lebanon was the first Arab country to grant women these two rights, in 1952. Later, the adoption of quota systems increased women's parliamentary participation in Jordan and Morocco. Despite these favourable changes, the proportion of women representatives in Arab parliaments remains the lowest in the world at under 10 percent.

Arab women have shared in executive power in some Arab countries since the middle of the last century. The first woman minister was appointed in Iraq in 1959, in Egypt in 1956 and in Algeria in 1962. The number of Arab countries that appoint women as ministers has increased in the last three years to the extent that women now participate in all governments except that of Saudi Arabia. Such appointments do not however reflect a general trend towards women's empowerment. Women in power are often selected from the ranks of the elite or appointed from the ruling party as window dressing for the ruling regimes.

*As to the case of Turkey, it is the world's most secular Muslim nation, has enacted revolutionary changes in its family law code, declaring women and men equal in marriage and giving women equal rights in divorce and property ownership. Issues remain, however.* In Turkey, the 1926 code, which replaced the Ottoman system, prohibited both polygamy and repudiation. Republicans led by Mustafa Kemal passed the code three years after they proclaimed their secular state. The Republicans were determined to keep religion out of the political sphere, a task that successive Turkish governments, backed by the country's staunchly secular armed forces, have worked hard to maintain. So hard at times that ironically the Turkish government's repression of Islamist groups is one of the reasons that the European Union has so far kept the nation's membership pending.

For example, while women in Saudi Arabia and Iran must wear state-imposed Islamic dress in public, Turkish women are not allowed to wear headscarves in public offices or on state-run university campus. Turkey's military-led establishment sees headscarves as a challenge to its secular system. Some students at Turkey's public colleges get around the ban by wearing wigs. Turkey's ban on the headscarf made the headlines in 1999 when an Islamic lawmaker, Merve Kavacki, caused an uproar by appearing at her swearing in session in parliament wearing a head scarf. Prosecutors launched an investigation against the U.S. educated computer scientist, on possible charges of inciting religious hatred.

In the 1990s Turkish women seems to participate in politics more actively than before. This may attributed to rapid modernization and eradication of the patriarchal, traditional social structure. Women are more active in local than national politics. In civil service, occupation and career opportunities are improved but still unequal. In political parties, women remain as "vote gatherers" rather than "decisionmakers." Still, many--if not all--women have discovered their status outside of the kitchen and entered the political as well as the socio-economic realm.

## Outstanding Achievements of Arab Women

Certain Arab women have realised outstanding achievements in various fields, including those in which women do not receive training on an equal footing with men, such as athletics and the natural and precise sciences.

*Literary creativity:* Women writers have proved that they can write and are capable of equalling and, at times, surpassing their male colleagues.

Artistic creativity, with the cinema as an example: Arab women have played an outstanding role in the effective foundation of the cinema.

*Social sciences:* The works of pioneering feminists such as Nawal al-Sa'dawi and Fatima Mernissi evince a joy in the discovery of unknown "continents" in the history, heritage, beliefs and renaissance of the Arab world. Though such writers set up a sharp and divisive dualism based on male/female antagonism, the following generation transcended the issue and its writings reveal a more balanced scholarly tone without the loss of a feminist orientation.

*Natural and exact sciences:* Despite severe barriers to women's entry into scientific fields, a galaxy of Arab women has made stellar contributions to the natural and exact sciences. Indeed, when Arab women scientists and technicians have been given an opportunity to use their abilities at the international level, they have succeeded in producing exceptional results.

*Athletics:* In the last six Olympic Games (1984-2004), six women from the Arab world, five from the Maghreb and one from Syria, carried off one of the three top prizes in track and field events. Two-thirds of these are gold medal winners, a relatively high figure given that only a quarter of male Arab Olympic medallists won gold.

*Business:* The region's movement towards free market economies, together with growing advocacy for the empowerment of women in Arab countries, have combined to increase the contributions of women entrepreneurs in Arab economies and to augment their influence in private sector business organisations. It has given rise to their own

business organisations, even in those Arab countries most conservative on women's issues.

*Levels of Well-being:* No clear scientific indicator exists for the feminisation of poverty defined as lack of income. However, women apparently suffer higher levels of "human poverty" as measured in terms of deprivation of the three dimensions of the human development index, namely, health, knowledge and income. Specifically, women suffer from a noticeable impairment of personal liberty.

### **The spread of poverty and the disempowerment of women**

The Report indicates that the spread of income poverty generally leads to women's disenfranchisement in the areas of parliamentary participation, professional and technical employment, and control of economic resources. Human poverty results in the wide disempowerment of women and the exclusion of women from upper-level legislative, administrative and organisational jobs as well as from the professional and technical arenas.

#### *The impairment of personal liberty*

The forms of violence practised against Arab women confirm that Arab legislators and governments, together with Arab social movements, face a large task in achieving security and development in its comprehensive sense. The mere discussion of violence against women arouses strong resistance in some Arab countries. The most important step to oppose violence in the Arab world is to fight against its concealment, to remove the cloak of silence surrounding it and to expose it wherever it occurs, whether in public or in private. Continued silence on the subject will incur a heavy cost for individuals, society, and even the state. It is equally important to place forms of violence that many women affected have come to accept as natural in the category of unacceptable behaviour. Such forms of violence range from honour killings, in which a woman is killed on the pretext of protecting family honour, to domestic violence, which is found and condemned in many areas of the world.

Additionally, the high incidence of female circumcision in some Arab countries leads to serious health complications for women. Women

living in difficult circumstances, especially those in areas of conflict or under occupation, suffer additional difficulties. Women living in desert and marginal regions and in informal settlements are often unaware of their rights and of the services available to them. Often, they do not possess the papers, such as birth certificates, that would permit them to receive such services. Many of them endure violence in some form. Foreign female domestic workers in Arab countries are often victimised. Labour laws do not protect their work, they endure unspecified working hours, and they are denied freedom of movement and residence. Some female workers in this sector are also exposed to physical and mental violence from their employers, including sexual assault.

Fortunately, Arab public opinion as indicated by the Report's field survey overwhelmingly condemns violence against women of any form.

### **The Arab Women's movement: Struggles and Experiences**

The most influential factor in the history of the women's movement may have been its involvement in the struggle for liberation from imperialism before it embarked on the struggle for women's liberation within Arab societies. The first generation of women's associations (formed at around the end of the nineteenth century) was focused on charitable work. They emerged amid the wealthy classes and their standard was carried by aristocratic women, or women from ruling families.

The colonial period impacted the women's movement by dislocating the structure of occupied Islamic countries. Traditional Arab economic, social, cultural and moral frameworks were shaken. It thus became necessary to marshal national sentiment and consciousness in order to conduct national struggles of liberation as the overriding priority. As a result, social development, and the rise of women as a part of it, remained hostage to the drive for national independence, falling much lower on the list of priorities. The 1940s and 1950s were rich for the moulding of women's discourse. Political parties started to form women's associations under their own banners, thereby bringing men into the women's movement. Thus, immediately following the Second World War, another set of women's associations emerged throughout the Arab world.

The Arab women's movement went through a host of transformations during the colonial period as a result of social changes. The Report cites the spread of education among females; the entry of many women into the higher professions as doctors, university faculty, engineers and lawyers; the accession by some women to positions of power in the leadership of political parties and governments; the development of a well rooted consciousness of the situation in which women were living; and an increase in societal sympathy for women's issues.

Governments attempted to bring women's associations together into "unions," in line with a common phenomenon in the Arab world, namely, the confinement of women within a framework monitored and directed by the male power structure. Some scholars describe this as the feminisation of the ruling discourse. This trend coincided during the last three decades with another significant development, the rise of Islamic movements and the spreading influence of proselytisers urging a return to the Islam of the "venerable forebears" (Salafism). These movements held women responsible for the difficulties that society was undergoing. They based their attacks on the idea that equality in public life would, by its nature, reduce men's opportunities in the job market and that the man was the master of the family and the woman his dependant.

Starting with the 1975 UN Conference in Mexico and under the influence of international organisations working for the rise of women, new instances of the so-called "feminisation of the state" began to emerge. A number of Arab regimes saw in the Islamic groups a means to weaken leftist and labour forces. This led to the growth of the Islamic revivalist movement, whose concerns extended to all spheres of public and private life and whose discourse attracted broad segments of youth, especially young women. In response, a call emerged for the restriction of Islam to the realm of personal belief and spiritual value. Some groups were obliged to modify their stance, asking that the door to independent religious thinking (ijtihad) be opened on questions connected with women in the belief that enlightened readings of the regulatory Qur'anic verses would establish a new discourse on women nourished by the Islamic heritage.

The second half of the 1970s saw the founding of women's organisations independent of official political organisations. Debate

centred on the inadequacy of, and loopholes in, the Personal Status Code in terms of achieving equality, notwithstanding its pioneering nature compared with family legislation in many other Arab countries. Attention also concentrated on forms of violence inflicted upon women and on how this violence was reflected in their status in society.

The women's movement saw a qualitative upswing in the 1980s in the establishment and extension of associations. Politically active associations emerged, linked to parties. The eighties were also a crucial period in the transformation of the women's movements, especially in the Maghreb countries. It is no coincidence that the names of the new women's associations included words such as "democratic," "progressive," and "rights." Their independence and courage distinguished these movements as they trod a path strewn with obstacles, under siege from, and beset by the ruling regimes. The new generation of women's associations is distinguished by its qualitative closeness to the topic of women and women's issues. It considers these as central questions no less important than those of democracy, development, and human rights.

The international discourse on women has been a significant influence on the Arab women's movement and a driving force in the latter's perseverance and reformulation of its goals. The new consciousness was reinforced at international conferences, chiefly those convened under the auspices of the United Nations. The new approach aimed to dislodge traditional views still clinging to the women's question. Thus, personal status laws were the most important priority among these goals, followed by the enactment of legislation guaranteeing the equality of women and men in political and economic life. Women's associations were also active in urging Arab governments to implement the international agreements that they had approved, especially the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW).

The 1990s are considered to have been difficult years for Arab society, filled with contradictions, tribulations, and successive, bitter disappointments. The Report observes that it lies beyond the power and resources of the women's movements to affect such an entangled politico-social situation by themselves, which confirms that the fight for women's freedom is the fight of Arab societies as a whole.

## Evaluating achievements for women

The participation of women in national movements helped women to articulate their case and enhanced their legitimacy in society's eyes. Nevertheless, and despite some palpable gains by women, the postponement of the resolution of their social and political demands had regrettable consequences after independence (Algeria is an excellent example of this). For, in most cases, the new nationalist governments pretended to forget or ignored some or most of these demands, especially those related to the Personal Status Codes. In general, and with the exception of the modifications made to the personal status laws in Tunisia, unequal relations of power within the family survived.

The impact of women's movements in Arab countries has varied from one country to another. Their principal achievement may have been to increase awareness among women of the lesser status accorded to them and the need to work to change it. By concentrating public scrutiny on Personal Status Laws, the movement has impelled Arab states to take tangible steps to improve family law and legislation on marriage and divorce in general.

The Tunisian experience: Tunisia remains a model among the Arab states in terms of women's emancipation. Half a century has passed since the issuing of its Personal Status Code, through which Tunisian law gave legal effect to the principle of women's equality with men. The changes to family law instituted by President Habib Bourguiba soon after independence sprang from a reformist movement that viewed the rise of women positively on the social, economic and political levels. Likewise, it is important to note that the laws of the Personal Status Code sprang from an initiative undertaken by two schools of Islamic jurisprudence, the Maliki and the Hanafi.

However, progressive changes in family laws have coincided with restrictions on the freedom of action of activist women and with state monopolisation and monitoring of the movement's discourse. This leaves only a limited field for women's initiatives and demands. The tendency to transform the rise of women into a political tool that may be

used to enhance the image of the state abroad, even at the expense of women, has become very clear.

*The Moroccan experience:* The Moroccan women's movement has become acutely conscious that amendments to the legal code are the key to women's ownership of their own issues. Its struggle in that area was crowned by the new Family Code, issued in 2004.

Looking at experiences in other Arab countries, at the present time, Egyptian women have only managed to win the right, granted in 2000, to initiate divorce proceedings ('khul'), after waiving certain financial rights entailed in other forms of divorce. They have also won the right to travel without their husbands permission and to obtain Egyptian nationality for their children by a foreign husband.

*Jordan* has raised the legal age for marriage to eighteen years for both spouses and granted women the right to obtain a passport without their husbands' permission.

*In Algeria*, the Family Law still remains in force. However, there are positive signs in the difference between the form the latter took in 1984 and the modifications issued in 2005.

The Report concludes that re-evaluating the position of Arab women today is a sine qua non for a stronger civil society, one that demands a conviction that overrules pretexts for inaction that reject all forms of women's development as part of the culture of "the Other".

## **The societal context of the state of women**

### *Culture:*

The Report considers social patterns that contribute to shaping the position of women in Arab societies today. It focuses on three central sources of influence: religious heritage, popular culture and Arab intellectual, artistic and media production.

*Religious heritage:* gender bias in juristic interpretations In Arab Islamic history, religious culture is not built on sacred texts of indisputable authority, but, rather, on differing interpretations of the content, substance, forms and views of multiple writings and sayings in the collective memory of society. It is also based on customs and traditions that have been consolidated to preserve a specific order for the family and society. General principles of

interpretation enable us to infer the broad outlines of a social system that responds to the objectives accepted by the Islamic community in order to live a life of interdependence and consensus, while recognising the equality of all human beings, males and females. On the other hand, juristic interpretations, crystallised in some schools of Islamic jurisprudence, contributed to the establishment of a number of norms approving the principle of discrimination between the sexes.

The strictness of legislation in Islamic jurisprudence conceals other matters that originate in Arab Islamic society itself, particularly since jurists deliberately read the canonical provisions through the lens of custom. They believed that any other kind of readings would disrupt the continuity of the social order in its reinforcement of social cohesion, which, in their view, was congruent with "the order of nature".

Men have always been given priority and preference in jurisprudential studies related to women. This predisposition entrenched itself as a result of reading the Qur'an with a bias in men's favour. Nonetheless, enlightened legal interpretations did exist. Because the dynamics of transformation in contemporary Arab societies are different from those in Arab societies at the time when the schools of jurisprudence were established, earlier endeavours are no longer appropriate to either the nature or pace of current social transformations. Rather, it is a right to try to open the gates of interpretation anew and to seek further understanding of the spirit of the Qur'anic text in order to produce jurisprudential texts based on values of equality. Such texts will seek to embody a jurisprudence of women that goes beyond the linguistic and historical equation of what is feminine with what is natural (pregnancy, childbirth, breast feeding, upbringing and cooking). They will contribute to the promotion of feminine cultural values and transform them into a general attitude.

### **The Arab woman in popular proverbs**

Arab popular culture projects contradictory images of women, girls and wives at different stages of their lives. Proverbs dealing with women are repeated in most Arab social classes and generally provide clear examples of the perception of women as inferior, indicating that

popular awareness is isolated from the fundamental transformations taking place in Arab societies. The proverbs create several myths about the conditions and state of women, which often conflict with women's actual circumstances.

Hundreds of popular proverbs project an attitude akin to that which led to the burying of girls alive. In order to justify their retrograde spirit, these proverbs use moral and other arguments expressed in the language of tales and myths. Some also rely on psychology. In their various forms, these proverbs serve to underline the inferior social and moral position of women in society. Some go even further, considering a woman to have only half a mind, half a creed, and half an inheritance, and to be worth only half a male. Their general drift is to limit women's biological and domestic life and denigrate their worth and independence.

Yet several popular traditions and texts render another image of woman, a woman who is intelligent, articulate and, indeed, something of an enchantress but in the positive sense of the word.

## **Women in Contemporary Arab thought**

### *Towards the emergence of new sources of authority*

Contemporary Arab thinking on women and the theories supporting it are closely tied to the Arab Renaissance movement and its struggles against all forms of inherited traditional authority. At the outset of the social transformation that led to this renaissance towards the end of the nineteenth century, reform-minded political thinkers and intellectuals recognised that European societies had specific features that accounted for their strength and progress. An excellent representation of this particular moment is the reform project of Shaykh Rifa'a Rafi' al-Tahtawi.

### *First attempts to restrict gender-biased jurisprudence*

Reformers such as Qasim Amin, Nazira Zayn al-Din, and later al-Tahir al-Haddad and others, were acutely aware of the necessity for change in the position of women. These thinkers did not believe that any significant contradictions existed between European society, the values and lifestyle emerging in contemporary Arab society and the principles

of Islamic law. They also initiated a debate on the reinterpretation of certain Qur'anic verses, with the aim of unmasking biased interpretations. Their efforts stand out in Arab cultural history because they succeeded in opening wide a door for women at the centre of the solid wall of Arab society.

The participation of women in civil society organisations for legal and political action further helped to re-educate society to accept an active female presence. It contributed to replacing the traditional feminine stereotype with an image of women engaged in other activities that rested on much greater freedom of action, production and creativity. Today, the type of dissent expressed by women in the Arab world transcends what is expected of women in society and embraces a more comprehensive position in step with the major transformation taking place in Arab societies involving questions of renaissance, development and progress. Arab women have made the project of political and economic reform, and positive interaction with the human rights system, part of their direct objectives. This is also reflected in the increasing presence of women in the organisations of civil and political society.

#### *Women and the media*

The Report observes that the women's movement has benefited from new media forms such as the Internet, chat rooms, and television channels and their specialised programmes, all of which generate perspectives based on the power of dialogue. These media forms have facilitated a new discourse of liberation by enabling women to occupy public spaces that they could not have entered through the use of written material and newspapers alone. They have helped to promote gender awareness oriented towards social cohesion, equality and the principle of equity as the appropriate alternatives to discrimination between the sexes.

The broadcast media, notably satellite channels, and print media, are employing more women in some countries yet, a few exceptions notwithstanding, the ownership of political and hard news media remains a male bastion. Women play no role in planning media policy or making media decisions.

The Report questions the extent to which the increased number of Arab women in the media positively influences the general orientation of programming and the popular image of women.

#### *Women in the Arab novel*

The Report illustrates that there are four main images of women to be found in women's novels - the woman deprived of her rights, the militant woman, the rebellious woman, and the 'multiple' woman. The term "multiple" refers to splitting and fragmentation, and highlights multiple identities within one being. Most of these novels reflect the expansion of the image of Arab women into the space once occupied by uniform stereotypes which are inadequate vis-à-vis the social transformations which these works portend. In building new linguistic and aesthetic sensibilities, these writings support values capable of breaking down such stereotypes.

Arab novels also shed light on aspects of women's oppression as well as their role as accessories in perpetuating male dominance. The confusion and contradictions that many novels reveal point to conditions of cultural refraction that may be interpreted in the context of the global environment and the transitional historical stage through which Arab societies are passing, both of which frame the world of fiction.

#### *The image of women in the cinema*

Arab cinema plays an important role by raising public awareness of women's issues and the injustices that befall them from harsh traditions or unfair laws. Among the most important contributions of Arab cinema to challenging society's sexual hierarchy is its visual exposure of the mechanics of women's submission. However, Arab cinema, like all arts, plays a dual role stemming from its commercial nature. On the one hand, using the power of moving images, it generalises values of sexual discrimination. And, at the same time, the new cinema emerging in more than one Arab country is sending messages that reflect the wishes of new generations of women seeking freedom and full selfhood as complete and independent human beings.

### *Other forms of cultural production*

Television serials are especially influential in challenging or entrenching the traditional image of women, as are TV commercials that portray women through different images and settings. This is true not only of Arab television channels but of that vast network of channels that enter Arab homes and present Arab families with images and attitudes containing more disparities than similarities.

The Arab living room has become a veritable battleground in the war of information. Like the wars over the interpretation of Islamic jurisprudence, the clash of popular proverbs and the struggles of Arab civil society to promote the values of freedom and equality, it is a conflict that confronts citizens with different and confusing choices. For example, most Arab satellite channels produce religious programmes aimed at spreading an Islamic culture. The scholars that are charged with issuing fatwas are careful to preserve the prevailing patriarchal system of Arab societies and make little effort to bring Islamic jurisprudence up to date. An increasing number of conservative channels are consolidating the image of women on the lower rungs of the gender hierarchy. At the same time, numerous channels that claim modernity in fact project a demeaning portrayal of women, seen mainly as physical bodies and mere commodities.

This Arab media operates in societies governed by strong central powers where the worlds of money, authority and the media intermingle in the shadow of fierce competition among media channels for a constrained advertising market. This makes the industry run after a large Arab public with significant purchasing power, in particular the Arab Gulf public, about whom it has preconceived ideas.

### **Social structures**

#### *Triabalism and Patriarchy*

Arab tribal society understood very well the structural and functional importance of women to its existence. It viewed honour, respect and protection as a unity linking any one of its members with the whole and thus also the women with the whole. This made any interference with the status of women a matter touching the very heart of

her kinfolk's security and standing. Islam brought with it the concept of the umma (the Islamic community) as an expression of collective identity to replace that of the tribe. However, the Arab tribes, primarily the Bedouin but also the urban-rural tribes, preserved their authoritarian structures unchanged. Although Islam established the notion of individual responsibility for both men and women, and emphasised respect for both sexes and their rights, the socio-cultural and economic-political formation of the conquests imposed limits on these broad vistas that the new religion had opened for women.

The emergence of the modern authoritarian system played a large role in curtailing the growth of civil institutions. Though European capitalism brought with it new values relating to the state, politics and society, these did not originate in local conditions. Hence the cycle through which the foundations of a law-based state and an independent civil society resistant to oppression might have been established was never completed.

Initially, the all-encompassing Arab state contributed to a greater participation by women in the public sphere, professional fields and social services, as well as to the relative protection of motherhood and childhood. But in the end, bureaucratic rigidity, the expropriation of different social and civic initiatives and the system of the local dignitary (a man, of course) as the sole intermediary between authority and society held women's rights hostage to the nature and vicissitudes of power. The symbiotic relationship between state authority and patriarchy saw to it that these early achievements soon became opportunities for personal gain. The position of women thus continued to deteriorate with the retreat of citizenship rights and the return of organic patriarchal rights as the final means of self-defence of a society forbidden to engage in the various forms of civic activity.

Relations within the family have continued to be governed by the father's authority over his children and the husband's over his wife, under the sway of the patriarchal order. Changes to which this authoritarian family framework has since been subjected cannot be considered far-reaching. Nor have they appreciably affected the functional nature of the relationship between the sexes. While they have had an effect on some forms of discrimination between men and women, they have not effected a qualitative change in the nature of the

relationships between them except in limited circles. Male control at the economic, social, cultural, legal and political levels remains the abiding legacy of patriarchy.

The belief that women must be controlled remains, of course, subject to variation across different countries, social classes, standards of living and general consciousness. It shows itself particularly among the poor whose marginal position in society affords them less legal and social protection and leaves them exposed to the dominant patriarchal culture.

Yet despite lacking political freedoms, women have been able to manoeuvre under traditional social conditions to defend their rights by establishing charitable, medical or literary women's or family organisations. They have formed delegations to demand their rights, benefiting from the social space allowed them in some countries that nevertheless restrict their ideological space. Some resourceful women activists have taken advantage of this narrow latitude to establish civil society groups for women's rights, ironically creating social change out of the very structures that have restrained it.

In some societies, the qualitative accumulation of small victories by women has caused patriarchal hegemony to retreat, to varying degrees. And women often rise to the challenge of coping with harsh changes and have proven to be the protectors of social existence in exceptionally tough situations as is the case with women under siege and sanctions in Iraq, and under the multi-faceted violence afflicting Sudan, Lebanon, Iraq, and Palestine. In this sense, social structures have not prevented women, in different degrees and forms, from becoming active players in the historical transition that some Arab countries are undergoing.

### **The family and the status of women**

The family continues to be the first social institution that reproduces patriarchal relationships, values and pressures through gender discrimination. Such pressures on women increase in violence at times of crisis when a woman becomes subject to surveillance. The man's right of disposal over her body, his watch over it, his use of it, his concealment, denial and punishment of it all become more blatant. This

violence in turn comes into play to intensify the feminisation of poverty, political misery, dependency, domination and alienation. To date, personal status laws constitute the most emblematic and profound embodiment of this problem.

Matrimony is the first and foremost form of the relationship between women and men whether in the conscious or unconscious mind, in religion or society, in terms of the permissible or prohibited and the sacred or the desecrated. These laws may well represent the most pronounced embodiment of the relationship between Arab patriarchy and the forbidden and the taboo. Key laws relating to gender discrimination find refuge in that relationship, allowing family laws to become the lair protecting culture, traditions and customs, religious as well as popular.

Elements of modernity have reached into Arab traditional culture, within and across countries. Nevertheless, large social sectors still remain closer to tradition than to innovation. A girl pays a heavy price for asserting her independence in milieus where individualisation in both the human rights and economic senses is weak.

Yet the Arab family is too complex to be summed up in one generalised and absolute characterisation; nor should society succumb to a negative stereotype of fatherhood. Such one-sided images lead individuals to surrender to authority figures and give credence to the notion that rebelling against authoritarianism or changing the status quo is impossible. Additionally, the assertion that women are repressed denies value to their lives, implying that these are wasted. Under the shadow of any harsh environment, a woman can yet take possession of her freedom by taking decisions that will give her unexpected happiness. This freedom is the source of the inspiration for change.

## **Socialisation and Education**

School systems under authoritarian rule rarely give sufficient encouragement to initiative, discovery or the development of creative and critical faculties or personal aptitudes. Despite the inroads Arab women have made in political, social and economic fields, the gap between such progress and the stereotypical images of women in school

curricula is enormous. Those images invariably confine a woman to the roles of mother, homemaker and housekeeper.

As a result, pedagogy specialists have demanded that some curricula be modified, and that new guidelines and concepts be formulated for content that rescues girls from the superficial setting to which they are still confined. They have also called on Arab women to participate in drawing up educational policies, a task from which they have been almost completely excluded. Female participation in the setting of school subjects was estimated at less than 8 per cent in a random sampling of Arab curricula.

### **Legal structures**

Many laws in the Arab countries discriminate against women. Constitutional provisions for the protection of women's rights exist in nearly all countries but are often flouted, contradicted by other legislation or not enforced. The Report illustrates a range of discriminatory provisions and practices that reveal the bias of the Arab legislator against women.

#### *Attitudes towards the convention on the elimination of all forms of discrimination against women*

Most Arab states have signed and ratified CEDAW and are thus bound by its provisions, reservations excepted. Those reservations entered by Arab states (and they are many) give cause for concern; they put in doubt the will to abide by the provisions of CEDAW. Particularly worrying are their reservations with regard to Article 2, which establishes the principle of equality of men and women: reservations to this crucial article effectively render the ratifications meaningless.

Arab states based their reservations to the provisions of the Convention on one of two grounds: that the articles concerned contradicted national legislation or that they conflicted with the provisions of Shari'a (Islamic Law). On occasion this reservation was intended generally so as to absolve the state of its commitment to any provision of the Convention that it considered conflicted with Shari'a. In certain cases, a state would provide no justification for its reservation. In a number of Arab states, and at the urging of civil society and some

national institutions, legislative reviews are under way to reconsider the state's stand on reservations. This positive move deserves to be encouraged, along with greater efforts to raise awareness of the Convention in public and legislative circles and law enforcement agencies.

## **Constitutional conditions**

### *Equality in the law*

Most Arab constitutions contain provisions affirming the principle of equality in general and the principle of equality between men and women in particular. Some contain specific provisions for equality of men and women in, for example, employment in public office, political rights, and rights and duties. Some also contain provisions stipulating the right to equal opportunity; affirming the state's obligation to preserve the family, to protect motherhood and children, and to guarantee a proper balance between women's duties towards their families and their work in society; and prohibiting the employment of women in certain types of industries or at specified times of day. Much to their credit, Arab legislators, and constitutional lawmakers in particular, have respected the principle of gender differences and have made provision for regulating the effects of these differences legislatively. Unfortunately, in many areas of law, legislators have leaned so heavily towards the principle of gender differences that they have codified gender discrimination, thereby violating the principle of equality, which is sanctified in religious canons and rendered an international obligation under international treaties.

### *Women's political and public rights*

National legislation in many Arab states contains provisions guaranteeing women's political rights and stipulating the principle of equality of men and women in the exercise of the right to participate in electoral processes and to stand for public office. Nevertheless, despite these constitutional and legislative guarantees of women's right to political participation, the actual extent of this participation is still meagre. The paltry representation of women in parliament in the Arab Mashriq (eastern Arab world) should impel states of this region to

seriously consider emulating the example of the Arab Maghreb (North Africa), where most states have adopted quota systems to ensure a significant representation of women in their parliaments.

#### *Parliamentary quota systems for women*

Even when laws provide for gender equality in political participation, such formal equality has been of little aid to women in a cultural and social environment inimical to women's acquisition and free exercise of their political rights. Affirmative legislative intervention to allocate a quota of parliamentary seats for women would help society to make amends for its historical injustice against women. Such action would also make up for lost time in giving effect to the principle of equal opportunity enshrined in many Arab constitutions. The Report firmly supports such steps.

#### *Incrimination and punishment*

Negative discrimination between men and women can be found in the penal codes of some Arab states. For example, in some Arab penal codes, in the crime of adultery, men are held guilty only if the act takes place in the marital home. Women are guilty regardless of where the act takes place.

Arab legislators have made inroads towards eliminating gender bias in Arab penal codes, but their approach remains ad hoc and piecemeal. Attention must be given to developing a more intensive and comprehensive approach.

#### *Personal status laws*

Arab personal status laws, with regard to Muslims and non-Muslims alike, are witness to legally sanctioned gender bias. This stems from the fact that personal statutes are primarily derived from theological interpretations and judgements. The latter originate in the remote past when gender discrimination permeated society and have acquired a sanctity and absoluteness in that confused area where the immutable tenets of religious creed interact with social history.

Nonetheless, evidence from the report's public opinion survey indicates that the Arab public is moving towards a more liberal

perspective on personal status issues, such as asserting women's right to choose a spouse.

#### *The lack of codification in some States*

Arab personal status laws remain conservative and resistant to change because a number of Arab States are reluctant to develop a national personal status code. Instead, they leave matters entirely to the judiciary, which is heavily influenced by the conservative nature of classical Islamic jurisprudence (fiqh). Some Arab states, such as Egypt, Lebanon, Qatar and Bahrain lack a unified personal status code entirely, whereas others have unified personal status codes for Muslims. Personal status regulations for non-Muslims are derived from the canons of their respective religious sects or denominations. For the most part, these regulations sharply curtail the right of both spouses to divorce and, in some cases, prohibit it altogether.

In general, personal status law in the Maghreb is more progressive and less discriminatory than that in the Mashriq.

#### *Nationality*

In general, in Arab legislation, native nationality is determined by paternal descent. If a father is a citizen of a particular Arab country, his children acquire his nationality automatically. The children of a female national only acquire their mother's nationality if the father's identity is unknown or if he is stateless. Recently Arab lawmakers have been working to counter the inhumane consequences of Arab states' long-held refusal to grant nationality to the children of female citizens married to foreigners (Egypt, Algeria, Lebanon).

#### **Away from Official Law**

The social environment is a crucial factor in discrimination against women, regardless of what the law may say. Because of what is commonly considered appropriate or inappropriate behaviour for a dutiful, decent and virtuous wife, recourse by a woman to the courts to demand her rights, or those of her children, is widely frowned upon as a form of public indecency. As a result, many women refrain from pursuing their family rights through official legal processes. Instead,

matrimonial disputes in many Arab societies are resolved either within the family or through the unofficial channels of tribal arbitration. As these mechanisms evolved in the context of a male-dominated culture and male-oriented values, their biased outcomes are often a foregone conclusion.

### **Awareness of Gender equality among Arab practioners**

Arab tribal culture, which sanctions discrimination against women, has strongly influenced juristic interpretations that establish the inferiority of women to men. Otherwise put, the male-dominated culture has been a crucial factor in shaping juristic judgements and endowing them with religious sanctity. Some Arab legislators evince hostility towards gender equality, despite the provisions of their national constitutions and the international conventions to which their states are party. Frequently, the application of the principle of gender equality founders on the reservations of Arab judiciaries, a resístanse fuelled by the growth of fundamentalist trends and their increasing impact on the legal consciousness of Arab judges. The depth of male chauvinism among members of the judiciary in some Arab states can be seen in their opposition to the appointment of female judges.

Discrimination by the legal community against women is also evident in the way judges use their discretionary authority to deliver lighter or harsher sentences in cases where a woman is one of the litigants. Many interpreters of legislation echo this discriminatory tendency when faced with the principle of equality before the law. In contrast to such views there exists a body of enlightened Islamic jurisprudence that interprets such texts in their context and inclines to the espousal of the principle of gender equality. However, the first - conservative - school of thought still finds a sympathetic ear in practice and still appeals to the man on the street because of the support it receives from conservative clerics.

### **Political Economy**

The extent to which women in Arab countries are empowered is significantly influenced by the political economy of the region. The mode

of production in Arab countries is dominated by rentier economies and levels of economic performance marked by weak economic growth. The combination of these two characteristics results in weak production structures in the Arab economies and a paucity of means of expansion, laying the groundwork for the spread of unemployment and poverty.

The overall result is a pattern of economic activity that has disastrous results for human economic empowerment, with other social circumstances multiplying the harshest results when it comes to women because of their economic weakness. These unhealthy effects include rising rates of unemployment in Arab countries, particularly among graduates, and the inevitable and consequent increase in poverty and misdistribution of income and wealth, since the labour market is the most important economic resource for most people in the least developed economies. Since this mix of factors means a narrow labour market throughout the Arab world and low rates of expansion through creation of new job opportunities, rates of unemployment of the less-skilled labour force in the Arab world are affected disproportionately. This in turn, results in reliance on foreign labour. Naturally, the weakest social groups, including women, suffer most.

A tight job market, slow job creation and the spread of women's education, along with society's irrational preference that men should take what jobs there are, have combined to increase the unemployment of women, especially educated women, even in Arab countries that import non-Arab workers. The state also has withdrawn from economic and service activity and limited government employment, which had previously represented the preferred form of employment for women and a bastion of their rights. As a result, the region is witness to an abundance of qualified female human capital suffering from above average rates of unemployment.

Another factor that disempowers women economically is the bias in labour practices against women when they do work, particularly in the private sector, which has reduced women's relative earnings.

## **Government institutions and the liberation or marginalisation of Arab women**

Appointing a woman to a ministerial position has been a general rule in most Arab governments since at least the 1990s, and the practice has grown steadily since then. However, the nature of women's participation in government has generally been either symbolic (one or two female ministers in most cases), social (usually ministries of social affairs or ministries related to women), or conditional (the number of female ministers fluctuates with numerous changes of government). Undeniably, women have achieved representation in Arab government bodies, whether as a result of internal or external pressure, or both. Nonetheless, such progress remains limited. Women in decisionmaking positions tend to be sidelined in a predominantly male-oriented executive culture.

While women's membership in parliament has taken off, and while equality of the sexes appears as one of the principles of Arab constitutions, their empowerment remains relatively partial; and some states still fail to apply the principle of gender such as human rights, women's and minority rights and democratic change. Demands for change in women's status globally pressured Arab countries to respond. But for many Arab rulers, the issue of women's political rights became a type of democratic façade. Women offered an easily manipulated symbol for countries that wanted to escape political criticism of their undemocratic conditions at a time when human rights reports and reports on women's affairs were pressing for change.

The Report observes that the new wave of Western interest in advancing the position of women has led donors to support projects solely because a visible women's or feminist institution puts them forward; or to support any projects to strengthen the status of women that seem topical. Seldom are proper studies carried out to measure the effect of these projects on the status of Arab women in their society, in the family or in relation to the state. Western pressure and the ready accommodation of it in some Arab countries are particularly clear with respect to the representation of women in the political framework, such as parliament and the cabinet.

The Report goes on to cite a series of positive developments in the consciousness and situation of Arab women flowing from the acceleration of the global women's movement after the 1995 Beijing International Conference on Women.

### **A strategic vision: Two wings for the Rise of women**

#### *Key Features*

The rise of Arab women must go beyond a merely symbolic makeover that permits a few distinguished Arab women to ascend to positions of leadership in State institutions. Rather, it must extend to the empowerment of the broad masses of Arab women in their entirety.

In human development terms, the rise of Arab women requires, first, that all Arab women be afforded full opportunities to acquire essential capabilities firstly and essentially in health. As a primary requirement, all Arab girls and women must also be able to acquire knowledge on an equal footing with boys and men. Second, full opportunities must be given to Arab women to participate as they see fit in all types of human activity outside the family on an equal footing with their male counterparts. It is also essential that the appropriate social value be given to women's role in the family as an indispensable contribution to the establishment of a sound social structure capable of supporting a project for the renaissance of the Arab world. From that follows the pivotal importance of the reform of education in Arab countries in order to ensure that all girls are guaranteed opportunities to acquire knowledge and to utilise it, within and outside the family.

In line with the calls in previous Reports for comprehensive, rights-based societal reforms, the rise of Arab women entails:

- Total respect for the rights of citizenship of all Arab women.
- The protection of women's rights in the area of personal affairs and family relations.
- Guarantees of total respect for women's personal rights and freedoms and in particular their lifelong protection from physical and mental abuse.

The achievement of these rights requires extensive legal and institutional changes aimed at bringing national legislation in line with CEDAW.

This article also calls for the temporary adoption of the principle of affirmative action in expanding the participation of Arab women to all fields of human activity according to the particular circumstances of each society. This will allow the dismantling of the centuries-old structures of discrimination against women. This article shortly envisages these societal reforms as one wing of the bird symbolising the rise of women in the Arab world.

The second wing is the emergence of a widespread and effective movement of struggle in Arab civil society. This movement will involve Arab women and their male supporters in carefully targeted societal reform on the one hand, and, on the other, empower all Arab women to enjoy the fruits of changes that serve the rise of both women and the region as a whole.

### **The First Wing: Societal reform for the rise of women**

#### *Towards the rise of women in the Arab world –Concepts and problematic issues*

This will address attitudinal shifts and the reform of cultural frameworks. In particular, it will modernise religious interpretation and jurisprudence through the widespread adoption of the enlightened readings of ijtiḥād. The latter must escape the thrall of existing religious institutions and personages to become the right and duty of every Muslim of learning, woman or man, who has the capacity to engage in the study of her or his religion. Efforts to overcome attitudinal obstacles will extend to new syllabi and techniques in social education that promote equal treatment between the sexes. They will associate the media in educating the public to understand the significance of CEDAW.

Efforts to overcome structural obstacles will include deep-seated political and legislative reforms in the areas indicated in this Report. The latter relate particularly to the functions of the judiciary at all levels, and all political, administrative, local, academic and other leadership functions. In particular, a culture of equal treatment and respect for human rights should be encouraged among men in the judiciary and all those responsible for enforcing the rule of law.

The first wing will also address the issue of social justice, aiming to reduce the spread of income poverty by supporting economic growth, and achieving greater justice in income distribution. It will simultaneously seek to reverse the spread of human poverty, which refers to the denial to people of opportunities to acquire and effectively exercise their essential capabilities. Among the most important mechanisms for the attainment of social justice is expenditure on education, health and social safety nets.

A final priority under this wing is to confront reductions in women's personal liberties. This calls for inculcating an understanding that violence against women in all forms is a degradation of their humanity. It extends to the enactment of laws that criminalise violence against women and the provision by states and civil society of safe sanctuaries for women victims of violence.

Paradoxically, repressive regimes, for their own reasons, have encouraged women's rights in ways that might not have been possible if matters had been left to the natural progress of society, given its imposed and inherited constraints. The mechanisms of political oppression have even served at times to accelerate the rise of women. But the Report notes that this imperious, top-down style of "progress," however enlightened, inevitably encounters objections and resistance from the popular base. It argues that a shift to free and well-governed societies in Arab countries would be quite capable of realising those historic breakthroughs required for women to advance, while also attracting broad social support that will guarantee the movement popular strength and sustainability

### **The Second Wing: A Societal movement fit to bring about the rise of Women**

The Report maintains that the rise of women cannot be separated from a wide and effective movement in Arab civil society aimed at achieving human development for all. Such a movement will be the means by which Arab women may empower themselves and their male supporters. It will have two levels. The first is national and will involve all levels of society in every Arab country. The second is regional: it will

be founded on trans-border networks for the co-ordination and support of regional efforts to achieve a comprehensive Arab movement for the rise of Arab women, benefiting from modern information and communications technology. The movement will give birth to active civil society organisations in the Arab world linked to politically neutral international and UN organisations working for women's advancement.

This movement will begin by focusing on two sets of priorities:

**1. Eliminating women's legacy of deprivation in health and in knowledge through education**

► *Health*

This requires guaranteeing that all women enjoy good health, in the positive and comprehensive sense. Thus, the general trend to ensure positive health for all, which is an integral part of human development, extends automatically to the provision of special care for the needs of the weak in general and of women in particular. Implementation of the Report's recommendations for the elimination of poverty, and especially human poverty, are relevant here.

► *Ending the denial of education to girls and Women*

Ending once and for all the denial to girls and women of their human right to education over a period of, say, ten years is an indispensable requirement. The movement will be called upon to embark on a serious programme, with official and civic dimensions, as well as regional and national ones, over a finite decade, which would ensure all girls and women a complete basic education.

The goal will be to achieve, by 2015, the eradication of Arab female illiteracy, and to ensure that every Arab girl completes twelve years of basic schooling.

**2. Eliminating stubborn obstacles to women's use of their capabilities as they see fit**

Priorities in this focus area include:

- Accelerating the rate of economic growth to enable the creation of employment opportunities on a large scale. The significant increase in the price of oil over the last few years constitutes a revenue source that may enable Arab economies to develop and diversify their productive infrastructure.
- Resisting the cultural obstacles facing women's employment of their full capacities in all areas of human development as freely chosen by them.
- Guaranteeing in Arab constitutions, legislation and implementation mechanisms equality of employment opportunities for all regardless of gender.
- Guaranteeing women's enjoyment of appropriate working conditions consistent with human dignity, and when necessary, providing some aspects of positive discrimination, protective of their family roles, without making them pay for this preferential treatment, by decreasing their work privileges vis-à-vis men.
- Building the mechanisms of an efficient and modern labour market both at the regional and national level, equally open to both women and men.

### **The state of Women in the Turkish and the Arab World**

The state of women in Arab countries results from, and contributes to a number of cultural, social, economic and political factors which interact to affect levels of human development. Some factors are problematic in nature and thus call for a close analysis of various components of Arab society. The Report examines the situation of women in the region by tracing a basic axis of human development: the acquisition and utilisation of human capabilities and resulting levels of well being. It probes levels of health and education in particular. It also assesses experiences in the advancement of women by reviewing two factors crucial for the success of such a movement: the extent of Arab society's desire for such progress and the forms of social action adopted to pursue it. The movement of Turkish women's efforts to develop themselves in early 1980's during military coup in Turkey also helped create the political milieu conducive to the establishment of a political democracy. The movement extended the political space allotted to civil

society. In the context of a statist polity, A number of feminist women in Turkey organized independent of and in opposition to the state. They generated power through civil society as they established feminist institutions. Their movement was a secular front against Islamic revivalism, one that mostly tolerated and even influenced the Islamists. consequently, by the end of the 1980 decade, political parties which worked to consolidate political democracy in Turkey had heard women's voices, even though their response was far from satisfactory.

Despite Turkey's long record of electoral democracy its system has failed to provide the expected continuity and stability. Because of the factors behind shortcomings in Turkish democracy. The public attitudes, party organization, political participation, the rule of law, patronage, and protest increased in 1980's thereafter to develop their position for future improvements.

## **Conclusion**

This article argues both the rise of woman is in fact a prerequisite for an Arab renaissance inseparably and casually linked to the fate of Arab world and its achievements of a human development despite the Arab woman's equal rights under.as well as a ttheoretical insights into the interconnections and relationships between women, management and globalization in the Middle East (ME). The discussion is positioned within broader globalization debates about women's social status in ME economies. Based on case study evidence and the UN datasets, the article also critiques social, cultural and economic reasons for women's limited advancement in the public sphere. L also try to argue that the rise of women is in fact a prerequisite for an Arab renaissance, inseparably and causally linked to the fate of the Arab world and its achievement of human development. Despite Arab women's equal rights under international law, their demonstrated talents and achievements in different spheres of human activity and their priceless contributions to their families and society, many are not encouraged to develop and use their capabilities on an equal footing with men. In public life, cultural, legal, social, economic and political factors impede women's equal access to education, health, job opportunities, citizenship rights and representation. In private life, traditional patterns of upbringing and

discriminatory family and personal status laws perpetuate inequality and subordination.

At a time when the Arab world needs to build and tap the capabilities of all its peoples, fully half its human potential is often stifled or neglected. In the short run, time-bound affirmative action to expand women's participation in society and dismantle centuries-old discrimination is both legitimate and imperative. However, the comprehensive advancement of Arab women requires accelerating and expanding past achievements through a collective renaissance project: a historic transformation that encompasses all of Arab society and aims to secure the citizenship rights of all Arabs, women and men equally.

The authors (1) hope that the transformation they call for will be carried out under their preferred future scenario by taking the path of a vibrant human renaissance (izdihar) based on a peaceful process of negotiation for redistributing power and building good governance. Guaranteeing Arab societies the key freedoms of opinion, expression and assembly will facilitate the emergence of a dynamic, effective civil society as the vanguard of such a peaceful process that will avoid the impending disaster whose dark clouds are gathering in more than one key Arab country at this time.

Arab civil society organizations have demonstrated stronger solidarity with political movements and, at times, the *ağabeylity* to assume leadership roles in pursuit of political change. While Arab governments announced a spate of reforms, the situation of the individual and collective human rights worsened during the period under review as violations continued to increase.

An improvement in the conditions of the palestinian woman will require a total commitment to gender sensitive national policies, comprehensive national renewal and ending the israeli occupation.

Progress towards a political reform, on the other hand, continues to be erratic and the gap between reality and the aspirations of the vital forces in the Arab countries continues to widen as a result of both the slowness of reform and the invigoration of the civil society. The latter, having broken through the barrier of fear that has held it in check for too long, is now formulating its demands for reform more clearly and with greater daring. Most of those ballots that have been held, despite being a step forward by comparison with earlier practices, remain far from the

free and fair elections for which civil society has been agitating. Only timid and limited steps have been taken towards the programmes of political reform announced by numerous regimes

Civil and political freedoms continue to be abused unimpeded and the right to political participation, though it may have broadened slightly, remains restricted in the face of legal and other limits to its practical exercise. Reformers and human rights activists remain targets of repressive measures that endanger not only their well-being but also often their very lives as they seek to obtain freedoms and rights. Turkey's overall poor human rights record, including its harsh crackdown on its Kurdish minority, has also earned it censure from the European Union. Human rights groups denounce Turkey for its use of torture and accuse it of being behind the disappearances of political dissidents.

Women in the western world struggled fiercely for their emancipation and their political rights. This lasted in some countries for a century and in others even longer but in Turkey, woman's emancipation was embedded in a process of a change that could be rightly called the process of 'secularization' and 'westernization'. The Ottoman empire was a pre capitalist and colonialist socio-political formation. The paradox of the modernization process was that the Ottoman state was led to reform its basic structures to meet the challenge of survival that had been posed by the development of capitalism in Europe. Finally, this process ended with the complete disintegration of the old social structure.

Despite the positive impact of the political modernization on the women's rights and on the women's participation in the modern economic sector and political institutions, women are still very much behind the men. Women's share in decision-making in the private and public domain is limited, but progressively increasing. It is limited because male dominance is accepted and internalized by many men and women in Turkey. The traditional perception that men are powerful and in charge of women is one of the important cultural factors that fosters domestic violence and women's unresponsiveness to it. Financial difficulties in a country like Turkey, where the gap between the rich and the poor have been widened since the mid-1980s, is a factor that creates pressure on the family and on the men, the provider. The feeling of deprivation and the economic frustration mitigate men to use violence against the wife and the children. The economic hardship disables

women to leave home and search for a solution. The economically disadvantaged women cannot leave the home, as they are not capable of starting a new life. Another factor, a psychological one that motivates men to use violence, is the feeling of jealousy and the anxiety over the likelihood of wife's extra-marital relations.

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4. For example, in 1990, only 5.2 percent of the women in the age group of 15-19 were illiterate, but the same figure for the women above 60 years old was 45.1 percent. See T.C. Başbakanlık Kadının Statüsü ve Sorunları Genel Müdürlüğü. 1998. Cumhuriyet'in 75. Yılında Türkiye'de Kadının Durumu ("the Situation of Women in Turkey in the 75th Anniversary of the Turkish Republic"). Ankara: TAKAV Matbaası. P. 6.
5. For the difference in the male and female illiteracy rate by age group, see Ibid. p.27, Graphic 29.
6. For the characteristics of the women migrated from rural to urban areas, see The State Statistical Institute (SIS), Social Structure and Women Statistics Office. 1996. 1990'larda Türkiye'de Kadın ("Women in Turkey in the 1990s"). Ankara: (SIS). pp. 52-55.
7. Ibid. p. 56.
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9.6 percent, in izmir it is 19.5 percent. See UNICEF. 2000. Türkiye'de Bölgelerin Gelisimi 2000. Taslak Nisan. Tablo 23.A ve Tablo24.A.

10. The State Statistical Institute (SIS), Social Structure and Women Statistics Office. 1996. 1990'li Yillarda Türkiye'de Kadın ("Women in Turkey in the 1990s"). Ankara: (SIS). p. 31, Table 6.2.

11. Turkey has over 1.5 million working children. According to the State Statistics Institute, in 1994, one million of the 12 million children between six and 14 worked full-time, while another 500,000 were part-time or full-time unpaid domestic workers. A total of 77 percent of working children are employed in farming, 11 percent in industry, seven percent in services and five percent in trade, while most of the children work in small or medium businesses with less than 10 employees. Most child exploitation is practiced in country's key export oriented sectors like agriculture, textiles, metal, earth works and leather. However Turkish law formally bans child employment. See [www.globalmarch.org/child\\_labour-today/clns-may.1.html](http://www.globalmarch.org/child_labour-today/clns-may.1.html).

12. For example, in the case of the lower income families (families earning less than 3,000,000 TL per month. in 1994 ) the 23.8 percent of the female children, but 14.8 percent of the male children did not go school. See T.C. Basbakanlik Kadinin Statusü ve Sorunlari Genel Müdürlüğü. 1998. p. 11, Table 6.

13. For example, in 1994 the education disparity between the female and male children increased with the number of the children in the family. In the families with five and more than five children, 24.6 percent of the girls, but 15.6 percent of the boys did not go to school. T.C. Basbakanlasi Kadinin Statusü ve Sorunlari Genel Müdürlüğü. 1998. p. 11. Table 7.

14. For example, the proportion of the female children used in the housework doubled that of the male children in 1994. T.C. Basbakanlik Kadinin Statusü ve Sorunlari Genel Müdürlüğü. 1998. p. 37.

15. Ibid. p. 31, Table 6.2.

16. According to the UNICEF report, 31.9 percent of the female children in the age group of 7-13 do not attend school in 1997-8. The

rate is higher in the provinces where the level of human and economic development level is low. For example the proportion of the girl child out of school in Diyarbakır is 61.4 percent; in Erzurum 59.4 percent, in Şanlıurfa 46.3 percent. In Ankara it is 17.6 percent and in İstanbul

17. In the last two decades, unemployment levels in general, and women's unemployment in particular have risen significantly. Women's unemployment, on the other hands, is continuously higher than that of men's. Official statistics place urban women's unemployment rate at 19 percent. Recent studies, however, reveal that urban women's unemployment rate for the four major cities (İstanbul, Ankara, Adana, İzmir) runs in the environs of 35 percent. The unemployment rates are highest among young women of secondary school level education.

## **Section IV: The alternative forms of Female Entrepreneurship in Developed Economies**

## **Chapter 12**

### **Ways of Knowing, Ways of Leading: American Indian Female Entrepreneurship**

**Linda Sue Warner**

#### **Introduction: The Heart of the Exploration**

In this chapter, I propose to look at the impact of stereotyping on American Indian<sup>1</sup> women's interests in entrepreneurship and self-determination from the perspective of the changing roles of American Indian women. American Indian women's interests in sovereignty and self-determination have changed remarkably since the 1970s and the results include a transformation emphasizing autonomy and preservation: this autonomy intersects with cultural stereotypes about both American Indians and gender for American Indian business women. The results include a transformation of roles; roles which now more readily exemplify tribal autonomy and cultural preservation.

Today there are more than 550 federally recognized tribes. This figure contrasts with the nearly one thousand tribes and bands estimated to have occupied what is now the contiguous United States at the time of European conquest (Swanton 1971). The decline of the number of tribes is the result of many factors: disease, war, forced migration, political, economic and social disorganization. However, contemporary American Indian communities are not simply surviving remnants of pre-contact societies. They are the combined result of 1) political policies enacted by the U.S. federal government and 2) American Indian efforts to resist, shape, or accommodate those policies. Twentieth century federal

policies will be discussed with an emphasis on the roles available to American Indian women entrepreneurs. Policies such as removal, land management, tribal recognition, urban relocation, termination and self-determination all intersect with stereotyping.

While many factors affect the process of role construction in any culture, the emphasis here is on stereotyping. Stereotyping often acts as a set of external constraints on choices creating an environment which American Indian women must confront as they seek resources, and in some cases, economic survival. Strategies for success as entrepreneurs can produce cultural role dissonance. For example, as a business owner or supervisor, an American Indian women could find cultural role constraints if she is required to supervise a male. In a study in 1993, Warner found that certain aspects of American Indian culture were characteristically in conflict with the role of the supervisor. A female American Indian supervisor raised in a traditionally patriarchal tribe found it difficult to modify the behaviors of an older American Indian male whose place in the tribal community was established, not only because of gender role expectation, but solidified by age. The older male was a considered an elder and culturally would not be subject to supervision by a younger female.

American Indian women's style of leadership is not investigated enough. Johnson's (1997) review of the literature on American Indian leadership shows that Native women's leadership experiences in both historic and contemporary times has been largely overlooked. As a result, the research literature describes American Indian women's role in terms such as "invisible" or "hidden" and, often includes references of "mystical" behaviours. Studies on the "double bind" of minority women, including American Indian women, appear as well. As recently as 2005, Fitzgerald characterizes the silence surrounding indigenous women and leadership as "deafening." Her characterization of the research of leadership behaviours of indigenous women represents

efforts which invite mainstream researchers to consider different views. This essay seeks to illuminate the complexities of the relationships in tribal communities, putting the entrepreneurship role of American Indian women at the heart of the exploration.

The analysis of the material introduces perspectives from the theoretical perspectives of stereotyping; this essay does not seek to answer the cultural questions about wealth in tribal communities, nor does it explore the differences between the indigenous definitions of wealth and mainstream definitions of wealth<sup>iii</sup>. This work does raise questions about the nature of gendered identities and power relations in tribal communities and how they might relate to wider discourses on economic reform. Some of the existing literature conceptualizes American Indian women as marginalized, yet the evidence from narratives and experiences presented in this paper suggests that gender relations are not so simply and universally determined, unless we apply just one lens. Indeed, it points to alternative discourses and practices and to the evidence of clear resistance to a dichotomy of stereotypes of “princesses” or “squaws.”

After a general review of writings about and by American Indian women leadership, I propose lens for indigenous leadership which will enable a more focused research approach to look at stereotyping for American Indian female entrepreneurs. As an example, contemporary tribal governments operate business ventures and function as successful mainstream corporations. The Alaska Native Claims Act 1971 created thirteen Native corporations. As such, these corporations require job descriptions and personnel performance evaluation consistent with standard business practices. Is it possible to use these business tools in a tribal context? In a Wisconsin Indian corporation, the use of such standardized business operations was modified to incorporate American Indian core values so that budget and job performance were linked directly to the corporate mission. This corporation was founded by three

American Indian women in the late 1970s and its history would indicate that the use of cultural values contributed to the success of its mission. In 2008, the corporation is worth an estimated \$250 million dollars (Denning 2008). In 2003, Susan Applegate Krouse and Hether Howard-Bobiwash traced this corporation's history in an article entitled Keeping the Campfires Going: Urban American Indian Women's Community Work and Activism. They note that "Native women have adapted traditional approaches and concepts to the contemporary contexts..."

Policies that can shape the roles available to American Indian women entrepreneurs, making some categories more viable than others, include: officially recognized groups (e.g., those counted in censuses or for other official purposes, such as evidence of cultural diversity), resources linked to tribal group membership (e.g. minority contracting or hiring), and special treatment for members of a particular tribe with tribal business communities (e.g., immigration rights or restrictions, affirmative action, internment), land rights attached to tribal affiliation (e.g., American Indian trust lands and reservations. While many factors affect the process of role construction in any culture, I propose that it is not enough to reframe these roles in contemporary social constructions with comparisons to other minority women's roles. I am suggesting that ways of viewing the world and one's role in it are decidedly different for American Indian women who honor their traditions and their cultures by navigating issues of success in community terms. And I am further suggesting that the lessons of this leadership style have value for disparate cultures, specifically those found in corporations. White Eurocentric male descriptions shaped the literature and public perceptions of American Indian women through an identity controlled by forces of capitalist patriarchy and theology. It is tempting to dismantle these conceptual frameworks as a reassuringly critical stance in relation to those found in the academic literatures of feminism and the world of work; however, the connections among identity, power, and

gender in American Indian communities are more complex than the collective and deterministic descriptions provided to date.

### **A Research Evolution: Stereotyping and Leadership**

So while I currently propose to rethink role acquisition and its connection to leadership from an indigenous perspective, I did not start this inquiry at that point. The inquiry began with the same quantitative lens designed by mathematicians for hypothesis testing, moved to a more holistic perspective (still bound by conventional design) and evolved (is evolving) as a process to bridge naturalistic inquiry with native ways of knowing, teasing out the similarities and highlighting the rigor in language usage in an exploration of stereotyping and the effects on American Indian females. The focus on American Indian women entrepreneurs isolates a narrow, limited number of American Indian women business owners and the results are discussed later in this paper.

In the late 1980s, a quantitative, correlation study of American Indian women supervisors was designed to test the relationship of gender, race, and job satisfaction (Warner 1989). This study was a correlational study of ethnic stereotypes, gender stereotypes, and job satisfaction based on Festinger's (1957) hypotheses on dissonance avoidance<sup>iv</sup>. The interaction of gender and race created contradictory roles, especially when compared to similar research on other minority women. The dissatisfaction with stereotypes was higher in gender specific roles than with stereotypes of ethnicity; yet over all, the 144 women who participated in the study did not indicate high levels of dissatisfaction as supervisors in positions in education, law, health care, governmental services and social services —at least not statistically significant results. In fact, compared to the literature at the time on other minority women at the time, it appeared as if American Indian women supervisors fared well in comparisons of job performance and salary. The substance and strength of stereotypes shape the identities of American Indian women outside tribal communities, yet within their

own tribal and inter-tribal interactions, specific roles are acknowledged and accepted.

A later ethnographic study describes six American Indian women living and working as supervisors in a higher education setting. The analysis provides theoretical insights into notions of self and the construction of identities within the context of the federal workplace; so while this study lends some insight into the complexities of supervision and stereotyping, it is grounded in an educational bureaucracy not a business enterprise (Warner 1993). The study found that identities of gender, race, and leadership intersect, often producing dissonance within the workplace. Role-modeling emerged as a theme throughout the interviews and this theme has the most direct correlation to organizations operated by American Indian women. These American Indian women valued their contributions to the community in terms of their ability to impact other American Indian women's career choices. This study did produce conclusions that mirrored previous results which minimized or negated the "double bind" for American Indian women. These perspectives on gender, race, and identity combine to represent strong connections with narratives examples provided by participants on identity construction. However, what is particularly relevant about this later work is that the discussion is framed through standard, traditional contexts for academic research. The dissonance described by these women was produced when the requirements of work conflicted with the constructs of tribal community traditions. For example, in a case where an American Indian female supervising an elder American Indian male, she resisted using organizational sanctions for poor performance because of his status as an elder in the community. The roles within the community constrained her corporate, bureaucratic behaviour.

In 2005, I developed an entrepreneurial project for the Institute of American Indian Arts and Culture in Santa Fe, NM. The project proposed to provide opportunities for face-to-face interaction among

individual artists from various indigenous cultures. It provided the opportunity to share stories and to realize individual and tribal passions about a specific culture's art; however, it was designed to move into the actualization of such indigenous collaborations for economic development. By linking marketing, production, research and development to customers in a value coalition, the project moved local economic development into a global marketplace. One rationale for the development of this project is the ever widening gap between indigenous economies and mainstream entrepreneurship. The project outcomes allowed participants to collaborate on methods, processes, and creative opportunities. Many indigenous artists are unable to realize a real economic gain from their art because they lack the skills or incentives to market their work effectively. We were able to identify a core of extremely talented female indigenous artists and provide them with the opportunity to exchange knowledge and practice so that they could impact the world market-place.

### **Insights from Recent Research**

A discussion of inter-tribal issues, such as the one focusing on stereotype, necessitates the conventions of comparison and this discussion on the role of American Indian women entrepreneurs is no different. In spite of assertions, and personal beliefs about differences among tribes, this discussion relates to similarities across tribes with which I am familiar through experience or scholarship. Despite the range of environments and narrative myths surrounding indigenous women, they have made, and continue to make, essential contributions within their communities by assuming leadership roles in both for profit and non-profit organizations. The United Nation's Platform for Action Committee's (UNPAC) essay on aboriginal women and the economy provides a compelling narrative of indigenous perspectives on women's work, discrimination based on the basis of gender, race, and tradition, and the resiliency of indigenous women in today's market economy.

Details can be viewed at <http://unpac.ca/economy/awe.html>. The report includes efforts to develop alternatives to exploitative economics. Clearly situated in native ways of knowing, UNPAC advocates economic models based on sustainability acknowledging indigenous women's place in the informal economy.

As early as 1995, Dana studied entrepreneurship in a remote sub-Arctic community, primarily initiating an exploratory field study to determine how and why entrepreneurs exist in this remote community characterized most often as subsistence living. Sixty-five entrepreneurs were interviewed; twenty-one individuals of the population were female. The study uses the term population because it was designed to be narrow in focus and everyone who met the definition of entrepreneur was included. Only two of the females interviewed with Native. The author did note in his review of literature that often indigenous cultures do not value entrepreneurial behaviour. He notes, too, that "the Weberian entrepreneur is not attracted to entrepreneurship because of its risk; instead, such a person is pulled to entrepreneurial activity because it is compatible with the cultural values to which the individual was previously conditioned (p.4)." This conclusion suggests that the more culturally assimilated an individual is, the more likely the individual would participate in entrepreneurial activities. The study purposely excluded the local native corporation because of the Eskimo preference for a communal form of organization which supports traditional values such as working collectively and sharing collectively. Both of these concepts are the opposite of entrepreneurship. His suggestions for further research mirror those of the findings reported in this chapter, as well. If one seeks to encourage entrepreneurship, one must have a clear understanding of the cultural values and cultural definitions of wealth.

In 2002, Chaganti and Greene proposed that the term "ethnic entrepreneur" should be defined by the levels of personal involvement of the entrepreneur in the community, rather than defined by the

ethnicity or race of the entrepreneur. This study hypothesized that significant differences in personal and business characteristic would surface using community involvement as the dependent variable. T-test were done on 112 on two groups, one Asian and the other Latino. Results reported several significant differences between the two groups on such variables as business-related goals, cultural values, business strategies, and business performance. Isolating cultural values, we find that the study reports that the more ethnically involved business owners tended to be slightly less individualist and had a somewhat greater belief in equality: both of these tendencies would mirror American Indian values.

The work previously reviewed is linked to indigenous communities more than to gender and does not look at stereotyping. Wilson, Kickul, and Marlino (2007) studied the relationships between gender, entrepreneurial self-efficacy, and entrepreneurial intentions using two samples. They found that many factors continue to the disparities between genders in entrepreneurial career interests and behaviors. The researchers chose entrepreneurial self-efficacy because they determined that the effects appeared consistently to differ based on gender. The researchers indicate in the conclusions that they were motivated by a belief in the importance of a pipeline for future female entrepreneurs. They found strong gender effects which mirrored previous studies. The researchers recommended entrepreneurship education to reduce the effects of gender expectations, positioning education as the equalizer with the ultimate goal of increasing the changes for successful venture creation by women.

The study reported in this chapter takes a broader look at variables of gender, ethnicity and stereotyping with a sample of American Indian women entrepreneurs. It is important to note that this sample is relatively small because the population under study is quite small. Extrapolated from larger samples by state or by region, the

number of American Indian female entrepreneurs is limited. It is, however, still a sample. While the population may not exceed a few hundred, the relative size of this sample is large enough to sustain the statistical use of correlation.

### **American Indian Female Entrepreneurship**

This study was designed to investigate the relationship between job satisfaction and gender and ethnic stereotyping among female supervisors who identified themselves as American Indian women. The study included thirty participants selected randomly from an identified group of over two hundred potential respondents. Data was collected using a three-part questionnaire to determine job satisfaction, gender stereotyping, and ethnic stereotyping. The instrument has been used in previous studies and reliability and validity have been established.

The perceptions of stereotyping as framed in the theoretical work of Festinger (1957) and Bruner and Tagirui (1954) provided a basis for the initial conceptual and operational analyses of ethnic stereotyping, sex-role stereotyping, and job satisfaction. The interactive correlation of perceptions of ethnic and sex-role stereotyping to job satisfaction may be viewed through the shared variance. The analysis indicated that there is a significant correlation between perceptions of ethnic stereotype and perceptions of sex-role stereotype; for this group, however, there was no significant relationship to the variable of job satisfaction. The interaction of the two may have tended to eliminate some of the negative effects of the sex-role stereotype in favor of the ethnic stereotype. It was evident that an individual who tended to report perceptions of ethnic stereotype also tended to report perceptions of sex-role stereotype. The study did not attempt to delineate between the sample's assessment of a stereotyped role as positive or negative, yet from the relationships reported, it appears that American Indian female entrepreneurs feel it has not influenced them negatively to be seen in the role of female American Indian supervisor.

<b>TABLE I</b>		
Correlations of Stereotyping and Job Satisfaction for American Indian female Entrepreneurs		
	R-Square	Job Satisfaction Multiple R
Ethnic Stereotype	0.0486	.2206203
Sex-Role Stereotype	0.1381	.3717533
Ethnic Stereotype Sex-Role Stereotype	0.1381	.3716731
N= 30		F 18.2700

The multiple R represents the maximum correlation between the dependent variable of job satisfaction and a weighted combination of ethnic and sex-role stereotyping. As illustrated in Table I, ethnic and sex-role stereotype produced a multiple R of .3716731. The variables of ethnic and sex-role stereotype have a .60 correlation with each other. They appear to be much the same and the contribution of ethnic stereotype to the correlation of job satisfaction is minimal. No significant differences were found.

This result mirrors the previous studies which also found that gender and ethnic stereotyping had no relationship on job satisfaction for the sample. Both the previous quantitative and qualitative studies found that American Indian women did not perceive themselves caught in the “double bind” described in feminist literature on other minority women. These studies need to be replicated and the sample size expanded to

determine if the education pipeline that Wilson et al described is a viable solution for Indian Country.

**Red Women, Gold Collar**

Corporate managers in the U.S. comes in all colors. Initially the Industrial Revolution produced a metaphor of white collar and blue collar workers; in 1977 Louise Kapp Howe coined the term “pink collar” workers to describe the female equivalent of the blue collar worker. In 1985, Robert E. Kelley at Carnegie Mellon used the term “gold collar” worker to describe corporate, highly skilled individuals. None of these terms describes American Indian women in corporate management; unless the corporation is tribal owned and operated. It is unlikely that we can find a group of such American Indian women, although it is acknowledged that we may find cases. American Indian women in leadership roles typically are found in tribal services, government services, and education. They are more often found in leadership roles in service organizations which provide support to tribal communities. Johnson (1997) characterizes this in her research as “life and leadership are woven into one.” The women in this sample represent a very elite group of individuals who are moving to the cutting edge of business entrepreneurship in the 21<sup>st</sup> century.

The following table represents the demographic variables that describe this sample. The variables of most interest in this table are those in the range; the span of age, for example, is wide. The span of salary is considerable and the span of the number of employees supervised is also a wide range. This would indicate that there is no clear type of female American Indian entrepreneur; this is most likely produced by the low numbers surveyed and extant.

<b>TABLE 2</b>		
Demographic Variables for American Indian Female Entrepreneurs		
	Range	Average
Age	28-59	42
Salary	\$25K-\$151K	\$46,034
Years as Supervisor	1-39	8.0
Educational Attainment	High School equivalent Ph.D.	Baccalaureate
# of Employees	3-251	26*
N= 30		
*High number removed from average calculations		

### Revisiting the Double Bind

The conclusions drawn from the correlations of this study elicit further questions about the link to the “double bind” as a focus of inquiry. This research established the strength and weaknesses of various relationships within the “double bind” for American Indian women entrepreneurs. Clearly, the question regarding ethnic stereotype and the interaction with sex-role stereotype may have tended to eliminate some of the negative effects of the sex-role in favor of ethnic stereotype. It is evident that an individual who tended to report perceptions of ethnic stereotype also tended to report perceptions of sex-role stereotype. Clearly, further study in the area of inferential

relationships would provide a stronger link to the practical questions generated from this study. The framework and concepts, as well as the evaluations and conclusions, studied here represent American Indian female entrepreneurs. The next logical inquiry involves the concepts of wealth within tribal communities as tribes establish themselves as corporations in the 21<sup>st</sup> century.

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## Notes

I use American Indian, Alaska Native, or Native Hawaiian when referring to indigenous people in the United States in my scholarship. When other authors use Native, Native American, or First Nations, I cite those as found. In citing individual membership, I use defer to the individual, i.e., Linda Sue Warner (Comanche) rather than Linda Sue Warner (Nunumuh).

*Double bind* is that set of conflicting expectations which may be created when an individual is considered to have membership in two distinct groups; including references to dual discrimination of race and gender; also, referred to as "double jeopardy." A term coined in 1972 by Frances Beale and referenced in the literature as "interactive discrimination."

It is important to note for the conversation that indigenous people often do not see the accumulation of goods or money as an indication of individual wealth.

Festinger's hypothesis of dissonance avoidance proposed that pressure to reduce dissonance appeared as soon as the dissonance was manifested.



## Chapter 13

### **'To be or not to be?': Characteristics of Academic Entrepreneurs and the Role of Government and Higher Education Institutions in Developing Academic Entrepreneurship in Ireland**

**Almar M. Barry**

#### **Introduction**

In the global economy, knowledge has become the driving force of economic growth and social development and the primary source of competitiveness for industry (Organisation for Economic Co-operation and Development (OECD), 1999). Higher education institutions (HEIs) and firms are immersed in a period of rapid and significant transformation as they struggle to respond to the economic and social demands of a knowledge-based global economy. Both have been forced to change their behaviour towards innovation. Internationally there is a widespread view that HEIs have the potential to incorporate a culture of collective learning, innovation and entrepreneurship within regional and national economies, thereby enhancing the competitiveness and sustainability of economic growth (Jones-Evans and Klofsten, 1997; Jones-Evans, D., *et al.*, 1998; Cooke, *et al.*, 2000; Jones-Evans, 2000; Charles, 2003; Glasson, 2003; Lindholm Dahlstrand and Jacobsson, 2003). Firms are recognising that HEIs can provide a stimulus to industrial innovation, thereby enhancing their competitive advantage (OECD, 1999a; Santoro and Chakrabarti, 2002). Alliances between HEIs and industries are said to be proliferating in a climate of declining government resources for research, increasing demands for new products and more intense global competition (Tomes and Phillips, 2003).

Since the 1970s there has been a significant increase in the scale, number and variety of links established between industry and HEIs

(Vedovello, 1998). This has aroused a growing interest in governments and policy makers, from both developed and developing countries, who regard university-industry (U-I<sup>9</sup>) interaction as an under-utilised technological resource which has the potential to improve industrial competitiveness (Vedovello, 1997). U-I links have, thus, become widely recognised as one of the most effective engines for innovation and they constitute an important component of government policy, particularly in the field of science and technology (S&T). Such links emerge through research collaboration, provision of consultancy services, commercialisation<sup>10</sup> of HEI research and in the proactive role of HEIs in meeting the specific requirements of industry through links established during teaching/training. The necessity for an accurate analysis of U-I links has been recognised by policy-makers and promoting the development of U-I links is now a high priority in most OECD countries (Vedovello, 1995; OECD, 1999). However, the pursuit of this objective is often hampered by an inadequate understanding of the factors which promote and impede the development of U-I links from the perspectives of both industry and academia. Such additions to the existing literature would seem particularly important given the framework of the salient role being attributed to technological co-operation and its perceived potential to promote industrial and economic competitiveness (Geisler, 1995).

On a global scale the emergence of the 'knowledge economy' (Cooke and De Laurentis, 2002), driven by competitiveness and technological innovation, has encouraged HEIs to redefine their economic and social role. HEIs have undergone a series of changes over

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<sup>9</sup> In the abbreviation U-I, the term 'university' refers to both universities and Institutes of Technology. When the abbreviation U-I is used it refers to academia and industry links equally. The term 'academic-industry links' refers to links from the perspective of academia, while the term 'industry-academic links' refers to links from the perspective of industry.

<sup>10</sup> Commercialisation can be defined as the process of converting research into successfully marketed products and industrial processes (Botham, 1997).

the last decade, particularly in relation to their roles and responsibilities in supporting regional and national innovation systems (PREST, 1998). The increasing focus of HEIs on industrial and regional development emerged through the restructuring of the role of the HEI. Such restructuring has resulted in internal changes to HEIs, especially in terms of their core functions, and in alterations to their external activities in terms of their relationship with the public and private sector. It is generally recognised (OECD, 2000, 2002; Skilbeck, 2001; Waagø et al., 2001) that the academic community has a role to play in economic and regional development through its contribution to technological innovation. Despite this, relatively little attention has been focused on the role that the academic community plays in enhancing regional development through links with industry. Similarly, relatively little is known about academics who refrain from industrial interaction.

To date, there has been no systematic assessment of the characteristics of academic researchers who engage in links with industry. The one area where there has been some research completed on these characteristics relates to academic disciplines which contribute to industrial innovation (Mansfield, 1995; Lee, 1996; CURDS, 2001). This research, however, tends to audit the frequency of interaction between certain disciplines and industry and is descriptive rather than analytical. CURDS (2001) stipulate that many HEIs are now focusing on particular sectors of their business interaction. Corroborated by Mansfield (1995), the contribution of academic research to industrial innovation is most prevalent in the drugs, instruments and information processing industries. While HEIs are targeting specific industrial sectors, it is important to emphasise that in certain academic disciplines engagement with industry occurs more frequently. Lee (1996) confirms this by stating that academic disciplines which exhibit a high propensity for links with industry are engineering and applied science (chemical engineering, electrical engineering, computer science and materials science). In the late 1990s, CURDS (2001) initiated a survey investigating HEI interaction with industry. All 168 HEIs in the UK were requested to participate through a questionnaire survey, with 149 HEIs responding. Of this total, 48 HEIs identified biotechnology, life sciences and pharmaceuticals as one of their three most important academic disciplines in terms of links with industry. A further 52 HEIs identified

various permutations of information and communication technologies (ICT), digital technologies, new media and telecommunications.

Despite some focus on the role of certain academic disciplines there has been no attention directed to other characteristics of the academic community (Barry, 2004). In particular, there has been no analysis in the literature of the following: age profile; sex; educational attainment; previous employment if any outside academia; employment history in academia; type of academic post held; and main work activities in HEIs discharged by academics. There has been no empirical evidence to assess the role that these characteristics may play in the propensity of academics to engage in links with industry. A greater awareness of the characteristics of academics with and without industrial links and of their attitudes towards the role of HEIs and government in instigating an environment for entrepreneurship in HEIs would address potential barriers to academic entrepreneurship in geographically peripheral countries such as Ireland where the industrial/manufacturing base has moved to cheaper global locations and whose economies now need to become more focused on the commercialization of innovation.

This research seeks to address this gap in the literature and analyses research undertaken on the characteristics of academics with and without links with industry in Irish HEIs in 2002. Ireland is a particularly interesting case-study because at the time of the investigation, Ireland had been experiencing unprecedented levels of economic growth since 1994 and public expenditure in research and development (R&D) in Irish HEIs had increased throughout the late 1990s and into the new millennium creating what might be considered to be the right type of entrepreneurial environment in Irish HEIs for the effective commercialization of HEI research and the development of links with industry in R&D, teaching and training and consultancy. The purpose of such funding was to develop entrepreneurial enterprises based on academic research as a means of achieving sustainable and balanced economic growth.

The aim of this chapter is to analyse how economic transition in Ireland's from the 1980s to the present instigated government-based initiatives aimed at creating an entrepreneurial environment in Irish HEIs. Within this environment, it is important to understand the characteristics of academics with and without industrial links and to

analyse the perceptions of academics on the role of government and HEIs in creating an environment for entrepreneurship in Irish HEIs. The key research question focuses on the degree to which the characteristics of academics with links to industry differ from those without links. The aspects discussed fall into six categories: (1) the development of a policy background for U-I in Ireland; (2) level of R&D activity in Ireland; (3) Government funding for research in Irish HEIs; (4) the characteristics of the academic respondents, (5) the role that a government development agency such as Enterprise Ireland (EI) should undertake in order to encourage the development of U-I links and (6) the role that Irish HEIs should undertake in order to encourage higher levels of U-I interaction from the perspectives of the academic community.

### **(1) Development of Policy Background of U-1 Interaction**

In the mid 1980s, national policy statements, including the *White Paper on Industrial Policy* (Government of Ireland, 1984) and the *Programme for Action in Education 1984-1987* (Department of Education, 1984), highlighted the need to increase technology transfer from Irish HEIs to industry. The need to strengthen the interface between HEIs and industry based on the application and exploitation of scientifically derived knowledge was recognised in a report, *Barriers to Research and Consultancy in the Higher Education Sector*, published by the National Board for Science and Technology (NBST<sup>11</sup>) (1986). Following an examination of the barriers to commercial research and consultancy in Irish HEIs, the report found that the development of such activities was dependent on the achievement of two distinct objectives involving the:

- creation of a climate in which academics will be able and willing to interact with industry;
- establishment of new institutional mechanisms and structures at college and national level to facilitate the development of links with industry.

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<sup>11</sup> In operation from 1977 to 1988, NBST was the chief body responsible for advising the government on policy and planning in S&T (Quinlan, 1995).

The recommendations for the achievement of the first of these objectives were directed specifically towards the Department of Education and HEIs. It was recommended that the Department of Education should highlight its support for commercial research and consultancy and provide HEIs with guidelines on the implementation of such activities. In relation to HEIs, the report recommended the development and implementation of appropriate policies, procedures and practices facilitating technology transfer from HEIs to industry. In 1987, NBST published a second report *The Limited Liability Company as a Vehicle for Technology Transfer from the Higher Education Sector* (NBST, 1987a). This considered, in part, a number of measures to meet the second of the two objectives listed above. In particular, it described a structure designed to enable HEIs to provide commercial services and create spin-off ventures. This was significant in terms of providing Industrial Liaison Officers (ILOs) in HEIs with much needed direction in terms of providing advice supporting the creation of HEI spin-off companies.

Following the publication of the report, *Barriers to Research and Consultancy in the Higher Education Sector* (NBST, 1986), HEIs requested that NBST provide advice on the implementation of HEI policies and procedures for technology transfer. This resulted in the publication of a third report by NBST (1987b) entitled *Higher Education-Industry Co-operation and Technology Transfer: College Policies, Procedures and Structures*. The main emphasis of this report was on the commercialisation of HEI research and it did not consider any other form of U-I interaction (e.g. teaching/training). The purpose of this report was to:

- respond to HEIs seeking advice on HEI policies and procedures for technology transfer;
- persuade HEIs that a systematic and structured approach to collaboration with industry is both worthwhile and necessary;
- highlight the principal issues to be faced in drawing up appropriate policies and procedures, and to offer guidelines

which would be helpful to HEIs in drawing up such policies and procedures;

- provide models of specific structures, which have been developed in light of practice in other countries and which HEIs might use in developing their structures.

The advice provided by NBST (1987b) was general and lacked specific direction in the implementation of a structure within HEIs conducive to industrial collaboration and technology transfer. In particular, while it stated the important role played by ILOs, it failed to outline a strategic plan which would effectively integrate ILOs into an academic structure focused on effective technology transfer. For example, there was no mention of a support structure or defined educational programme which would enable ILOs to evaluate and assess technology for commercialisation. Instead, the report merely mentioned that training programmes should be made available to enable ILOs to familiarise themselves with new responsibilities in relation to the development and exploitation of IP. Furthermore, there was no mention of how ILOs would be trained to initially identify IP. To date, no such training has been made available to the ILO community in Ireland with the result that two ILOs from ITs in this research highlighted their lack of proficiency in relation to identifying and assessing technology with commercial potential.

By the early 1990s, Ireland's increasing dependency on FDI allied with a declining indigenous sector prompted the government to reformulate its industrial policy. The Report of the Industrial Policy Review Group, *A Time for Change: Industrial Policy for the 1990s* (Culliton, 1992) recognised that fundamental changes in industrial policy had to be implemented if industrial development was to evolve successfully to meet the challenges of the Single European Market (SEM), and increased global competition. With unemployment reaching 260,000 in 1991, the main objective of the group was to provide a systematic and structured plan to improve the effectiveness and competitiveness of the economy and to generate sustained employment growth.

In order to achieve this, the Culliton Report made a number of recommendations to condition the development and direction of future industrial policy. One of its main recommendations included the reorganisation of the Industrial Development Authority. Under the

Industrial Development Act of 1993, Forfás with two sub agencies, Forbairt and IDA Ireland, was established and became responsible for the promotion of industrial development in Ireland. In 1998, Forbairt was renamed EI and is responsible for promoting the development of indigenous industry, while IDA Ireland caters specifically for the attraction and development of the foreign sector.

The report emphasised the failure of previous policies to articulate a multifaceted approach to economic development, and create an effective environment for investment and growth. It recommended, therefore, a broader strategy be adopted to include an extensive range of policies in the areas of taxation, infrastructure, education and training and monetary, fiscal and budgetary allocations. The report, in particular, laid considerable emphasis on measures which would invoke a culture of innovation in the indigenous enterprise sector.

The publication of the Culliton Report (1992) coincided with the passing of the Regional Technical Colleges (RTC) (now ITs) Act and DIT Act, both of 1992, permitting these HEIs to undertake research and engage in commercialisation activities. This facilitated the potential for increased interaction between these HEIs and industry and recognised the role ITs play in economic development (Forfás, 1997<sup>12</sup>).

Established by the government in 1994, STIAC (1995) completed a report (referred to as the Tierney Report) highlighting the need for greater use of HEI resources and expertise by industry, in order to foster an NSI. The Tierney Report proposed that:

- curriculum development and research endeavour be linked to the needs of businesses in Ireland to the greatest extent possible;
- businesses, individually or collectively, define their research needs and communicate them to HEIs.

The report proposed that the traditional flow of knowledge from HEIs to industry be aligned with a flow of research ideas directed from industry to HEIs. A number of reasons were identified for developing U-I linkages. These included:

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<sup>12</sup> Forfás (1997) conducted a survey of the attitudes of ILOs and Deans of Research to links with industry. The findings concur with those of Pandya and Cunningham (2000).

- HEIs should be regarded as an integral part of regional economic development;
- commercialisation of HEI research can lead to the formation of spin-off companies;
- Vibrant research activity in HEIs attracts high quality lecturers, thus enhancing the quality of graduates and research support for industry.

This analysis was significant as it set S&T policy for the first time in Ireland in the context of industrial innovation and growth (Royal Irish Academy, 1997). In particular, it equated the exploitation of Ireland's S&T base with industrial competitiveness. Recognising that knowledge is central to innovation-led development, the report stressed the need for a coherent national policy focused on the effective transfer of knowledge from HEIs to the commercial arena for the benefit of society. A number of recommendations were made in order to meet this aim. These included:

- measures to encourage increased levels of R&D activity in firms;
- increased public expenditure on basic research and enhancing research infrastructure of HEIs;
- a refocusing of the management structure of the PATs around a single entity.

In 1996, the government published *Science, Technology and Innovation: The White Paper* (Government of Ireland, 1996). This incorporated the government's response to the recommendations of the Tierney Report. While the White Paper gave approval for the development of a number of initiatives, such as the restructuring of the management profile of the PATs, it provided no attention towards the implementation of specific policy objectives designed to create an environment of U-I interaction. In all, there was only one reference to U-I links in the White Paper, in which it stated:

*The Department of Education and the Department of Enterprise and Employment will explore, in consultation with the third level institutions, how best to maximise technology transfer out of the colleges (Government of Ireland, 1996, 113).*

In the mid 1990s, it is significant that Ireland did not have a coherent policy document focused on initiatives designed to promote U-I interaction and the development of a knowledge-based economy. The need for a policy framework document to align S&T with industrial innovation at this time cannot be underestimated, in light of the recent downturn in the economy allied with the mass exodus of multinational production facilities to cheaper locations in the Far East. Such disappointment is echoed also by the Royal Irish Academy (1997) when it stated how extensive consultation preceding the White Paper was not sufficient to prompt the government to plan and implement a much needed strategy for improving Ireland's R&D infrastructure and climate for S&T.

### **Level of R & D Activity in Ireland**

During the 1970s and early 1980s, high-tech multinational firms located in Ireland in general failed to incorporate strategic business functions such as R&D and marketing while the existing indigenous sector did not engage in such activities (NESC, 1982). While R&D activity remains low in Ireland's manufacturing base relative to some countries, since the early 1990s the country has experienced a notable increase in R&D expenditure (Quinlan, 1997). In particular, a positive correlation has emerged between investment in R&D and increases in output and employment (NESC, 1998). For example, total R&D expenditure in Ireland increased from 0.85% of GDP in 1989 to 1.4% of GDP in 1995. However, such expenditure is concentrated within the major urban centres of Dublin, Cork, Galway and Limerick, which together account for 63% of total expenditure. Since the late 1990s, there has been a strong effort by the Irish government to encourage firms to engage in R&D. According to Forfás, the level of government expenditure on R&D in 1999 was 5.1% of Business Expenditure on

Research and Development (BERD) (Sweetman, 2002). In the same year, BERD as a percentage of GDP was 0.88%, while actual public expenditure on R&D amounted to €187.5 million.

By 2000, the budget allocation for R&D amounted to just over €295 million, with BERD at 1.02%<sup>13</sup> of GDP in comparison to an OECD average of almost 1.5% (Sweetman, 2002). These low business expenditures can be explained in part by the state's limited success in encouraging Ireland's multinational high-tech manufacturing base to engage in R&D activities in Ireland and by an indigenous high-tech manufacturing sector which has yet to fully integrate R&D into its profile of activities (Sweetman, 2002). In 2000, despite the fact the EI provided an additional €14 million (from the Department of Enterprise, Trade and Employment), to fund its Research and Development Capability Initiative and the Research Technology and Innovation (RTI) Competitive Grants Scheme, the uptake from indigenous companies was lower than expected. According to Sweetman (2002), three key factors contributed to this situation. First, the schemes were in their start-up phase in 2000 and it takes time for them to reach full expenditure. Second, during the boom period of 2000 companies were too busy meeting market demands to invest in R&D projects. Third, indigenous companies face competition from the multinationals and HEIs in attracting high calibre researchers to work with them. One of the key challenges facing Ireland will be the ability to grow and retain the human capital necessary for creating and sustaining research and innovation in the indigenous high-tech sector in a context of increasing global competition. Overall, each of these factors contribute to low levels of R&D performance in Ireland's indigenous industrial sector.

Forfás conducts an Annual Business Survey of Economic Impact. This is a questionnaire survey administered by Forfás to all client companies under the remit of EI, the IDA, Shannon Development and Údarás na Gaeltachta. It is important to note that the firms under the remit of the IDA are foreign firms. The main purpose of this survey is to record details on the levels of sales, exports and R&D expenditure among the total population of client companies from each of the four specified government development agencies. In 2000/2001, Forfás

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<sup>13</sup> By 2001, while this figure had increased to 1.2%, it was still below the EU average of 1.9% (EI, 2003).

conducted the questionnaire survey on a target population of 3,997 firms<sup>14</sup> and obtained information for 1999 and 2000 (latest years available). A total of 2,147 firms responded, a response rate of 53%. Of this total, 982 (45%) engaged in some form of R&D expenditure in 1999. In 2000, this had increased to 1,049 (49%). Of the firms which engaged in R&D expenditure in 1999, 346 spent in excess of €127,000 on R&D per annum, increasing in 2000 to 409 firms. In 1999, 948 (44%) respondent firms had an in-house R&D facility; in 2000 this increased to 1,013 (47%). In relation to expenditure on in-house R&D in 1999, 316 (15%) respondent firms spent in excess of €127,000 on in-house R&D. In 2000, this increased to 367 (17%) firms.

Overall, these figures suggest that a slight increase is occurring in the number of development agency-assisted firms in Ireland which are engaging in R&D expenditure and in the establishment of in-house R&D facilities. It is important to note, however, that these figures may be negatively skewed by the inclusion of foreign IDA-assisted companies in the target population. In general, R&D intensity of indigenous firms is higher than that of foreign subsidiaries (OECD, 1999). While foreign firms are more likely than indigenous SMEs to have a greater financial capacity to engage in R&D expenditure, foreign firms are not focused on engaging in R&D expenditure locally in their host country (OECD, 1999). Instead, foreign-owned enterprises in Ireland obtain their primary entrepreneurial impetus and R&D capability from their parent companies abroad (European Commission, 2001). Similarly, the multinationals located in Scotland do not undertake R&D activities in their host country, and instead their R&D decision-makers are located elsewhere (Downes and Eadie, 1998). In analysing the R&D capabilities of firms in Ireland, it is more effective to analyse separately the populations of firms assisted by each of the four main industrial economic development agencies and then compare the results using industry-specific and firm-specific factors.

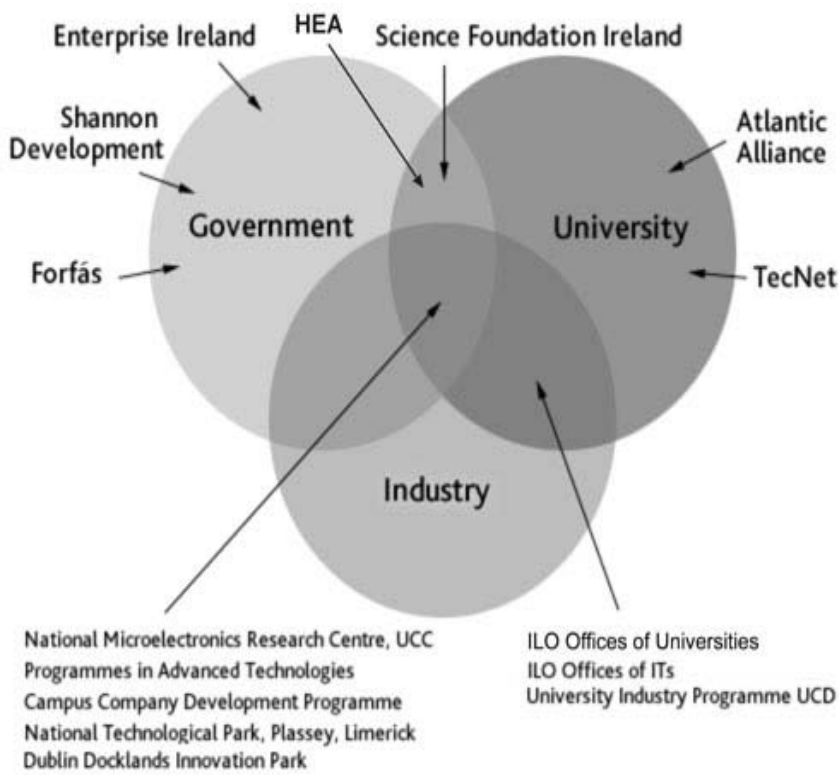
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<sup>14</sup> The results of the Forfás survey are not published. However, access to and permission to quote these figures was acquired from Forfás.

**Government Funding and Supportive Framework**

Historically, funding for research from public funds has been limited (ICSTI, 2001). However, between 1997 and 2003, the government provided substantial funding through a range of programmes in an effort to promote the development of Ireland’s S&T base and create an environment conducive to the creation and sustainability of U-I partnerships. In light of the recent downturn in the global economy, such expenditure is expected to decline in the coming years.

**Figure 1. Government-university-industry interaction in Ireland: key players**



Public finance was central to instigating a range of partnerships between the government, HEIs and industry (Figure 1). In particular, it facilitated the creation of partnerships at the interface between each of these key players. In Ireland, the two main bodies which fund R&D in the universities are Science Foundation Ireland (SFI) and the HEA.

The HEA is the government agency which administers government policy and funds for university level higher education in Ireland. Established in 1997, the HEA's Programme for Research in Third-level Institutions (PRTLTI) provides financial support for priority research facilities, infrastructure and equipment in Ireland's educational research centres, as well as administering the combined teaching and education budget for HEIs (ICSTI, 2001; Sweetman, 2003). Under the PRTLTI, the HEA has invested more than €600 million in equipment and facilities in Irish HEIs during the period 2000-2003. The disciplines supported include medicine, biotechnology, environmental science, marine science, neuroscience, information technology, food and health science, humanities and business. In 2000, SFI was set up to administer a fund of over €635 million which is to be invested in basic research in the areas of biotechnology and ICT during the period 2000-2006 (Sweetman, 2003). This amount was allocated on the recommendation of the Technology Foresight Reports and resulted in the formation of the Technology Foresight Fund (Sweetman, 2003). SFI was formed to administer this fund. While the finance provided by the HEA and SFI is critical in terms of enhancing the research profile and activities of HEIs, funding agencies such as EI and Shannon Development play an equally important role in terms of dispersing public funds through a range of programmes in order to develop partnerships between HEIs and industry.

During the 1980s and much of the 1990s, the government failed to provide a policy framework focused exclusively on the exploitation of Ireland's S&T base in order to enhance industrial innovation and competitiveness. It was not until the late 1990s that a concerted effort was undertaken in this area as a measure towards ensuring Ireland's participation in the emerging global knowledge economy. By this time FDI into Ireland had declined significantly while existing multinational manufacturing facilities were in the process of relocating to cheaper locations in the Far East. At this juncture, the development of an

indigenous enterprise sector focused on innovation and interaction with HEIs became a priority. It is within this environment of economic transition and the Government's changing attitude towards academic innovation that this paper analyses the perspectives of Irish academics on the effectiveness of the environment created for academic entrepreneurship in Ireland.

### **Characteristics of Respondent Academics**

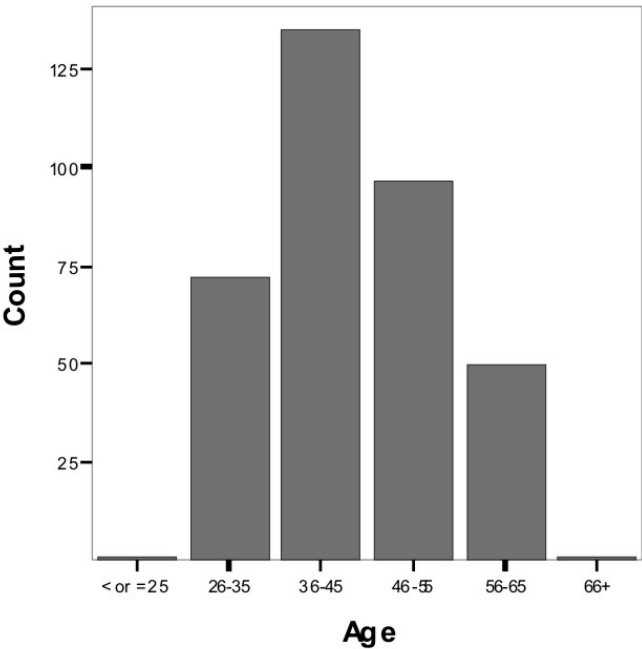
In analysing the data on the characteristics of academics, two points are worthy of attention. First, there were no relevant data with which to compare the findings of this research. This is in contrast to the data collected on the characteristics of firms. Second, industrial links are not a stated feature of the working life of an academic. In the sample of academics with industrial links, it is important to note that links with industry do not constitute their main work activity. Therefore, it is more difficult to assess the likelihood that certain characteristics of academics make them conducive or not to establishing links with industry. Firms are more transparent in this regard as links with HEIs can prove fundamental to their business development. It is, therefore, easier and more appropriate to assess the characteristics of firms in relation to their links or lack of links with HEIs.

In November 2002, a questionnaire was posted to 2,973 full-time and part-time academic staff from S&T-based disciplines in each of the Irish universities and Institutes of Technology. The academic departments targeted were Chemical and Physical Sciences Engineering (Electrical, Civil and Mechanical), Health and Life Sciences and Information Technology (Computer Science). The questionnaire was sent to all academics in each of the departments. A total of 636 academics returned completed questionnaires yielding a response rate of 21% from the survey. Of these, 356 academics had links with HEIs while 280 academics stated that they did not have links with HEIs. Data pertaining to personal characteristics (age and gender), academic position, education and previous employment outside of academia were collected. This facilitated an analysis of the profiles of academics with and without industrial links.

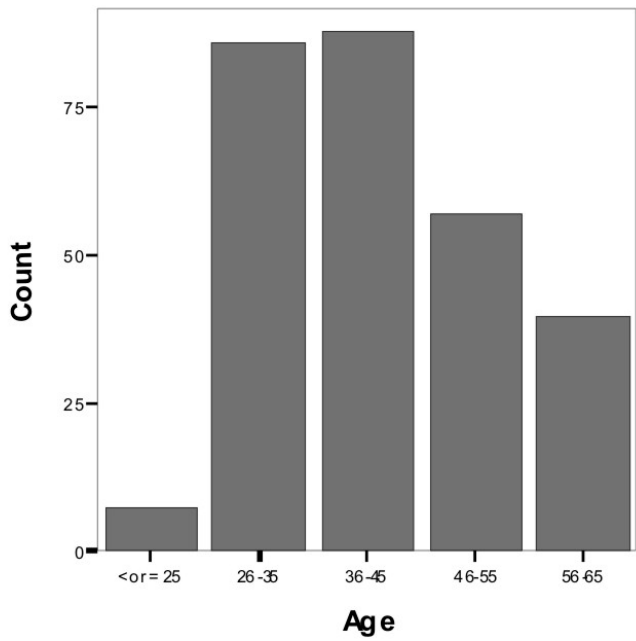
Age and gender

An analysis of the overall age profile and gender of academic respondents was undertaken. The purpose of this was to ascertain if a certain age cohort is more likely to have industrial links than others. Similarly, an analysis of the gender profile of respondents was undertaken to assess whether male or female academics engage more in links with industry.

**Figure 2 Age profile of academic respondents**  
Academics with links



Academics without links

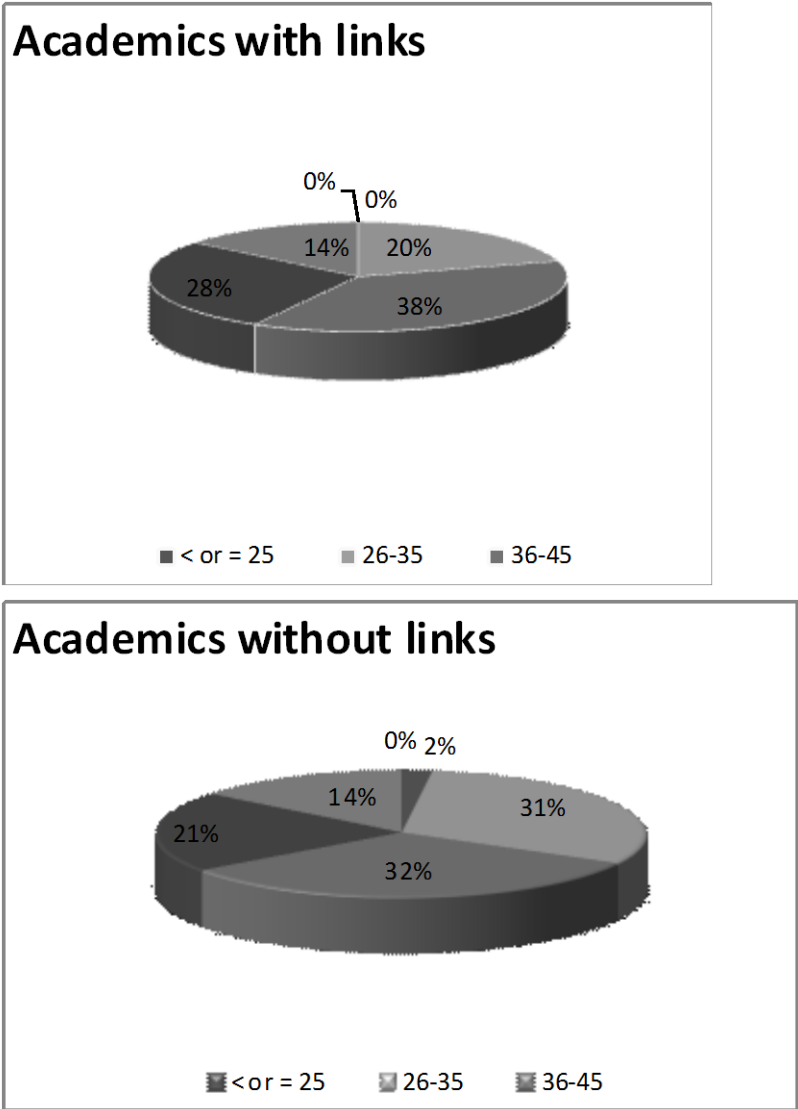


Source: Academic questionnaire survey (2002)

The majority of respondents were in the age cohorts 26-35 (24% of total), 36-45 (35% of total) and 46-55 (24% of total) (Figure 2). This was followed by a significant drop in the number of academics in the age cohort 56-65 (14% of total). A small proportion of academics were found in the age categories of  $\leq 25$  (1% of total) and 66+ (2% of total). These figures are clearly representative of the overall age profile of academics, the majority of whom are between the ages of 26 and 55 years. In the age cohort  $\leq 25$ , a significantly low proportion of academics was expected given the number of years academics must commit to their education and training for academia. Lower proportions were also expected in the

age cohorts 56-65 and 66+ which are affected by retirement. Overall, the figures also reflect the expansion and growth of Irish HEIs since the mid 1980s with the majority of academics being employed in the 1990s with the expansion of the ITs in particular (McCarthy, 1998; Skilbeck, 2001).

**Figure 3 Age profile of academics with and without industrial links**



Source: Academic questionnaire survey (2002)

Sou

There were some significant differences between the proportion of academics within each age group with and without industrial links (Figure 3). Statistically significant differences were found in the age cohorts  $\leq 25$  ('prob-value' = .02), 26-35 ('prob-value' = .00) and 46-55 ('prob-value' = .04). Of these cases, it was only in the age category of 46-55 that the proportion of academics with industrial links was significantly greater than without links. Of the academics with industrial links, 28% were aged between 46 and 55 compared to 21% of academics with the same age but without such links. In the remaining age categories, there was not enough statistical evidence to suggest that there were significant differences between both samples. Younger academics are less likely to have links with industry due in part to the fact that they have not yet had developed contacts with industry as they are more likely to be focused on publishing their research in order to enhance promotions prospects.

Of the total number of respondents 119 were female (18.8% of total) and 517 were male (81.2% of total). The low proportion of females reflects the low proportion of females in the overall population of academic staff in Irish HEIs. Academia is still predominantly staffed by males, this situation has changed albeit at a slow rate. Women, however, are still under-represented in academia even though there is equal representation of both males and females on postgraduate courses. While there are many gender-specific theories which attempt to explain the lack of female representation in the higher professions (Barry and Brunt, 2002), there is no evidence to suggest that certain factors preclude female appointments to academic positions in HEIs.

In the sample of 356 academics with industrial links, 13% were female and 87% were male. The data relates to academics in the S&T sectors. One explanation for the higher numbers of males in the sciences is that some have previously worked outside of academia in manufacturing industry. Another explanation may be that significantly fewer female academics are found in the science disciplines.

While in the sample of 280 respondents without industrial links, 27% were female and 73% were male. Furthermore, there were

statistically significant differences between the proportion of female respondents with and without links ('prob-value' = .00). Evidently, male academics are more likely than their female colleagues to engage in links with industry. It is likely that the responsibility of child care for those academics in the sample with children is factor which adversely affects the level of interaction of female academics in interaction with industry.

### Academic position

Respondents were asked to specify the type of department they worked in and to highlight a number of features relevant to their academic position. The purpose of this was to assess whether or not certain characteristics associated with the academic's position within the HEI play a role in their involvement with industry.

**Table 1 Departments**

Department				Academics with links (%)	Academics without links (%)	Independent samples t-test  'Prob-value'
Chemical Sciences	and	Physical Sciences	19	19		.93
Engineering			46	27		.00
Health and Life Sciences			13	21		.79
Information Technology			20	27		.69
Other			2	6		.49

Source: Academic questionnaire survey (2002)

In relation to departments, the hypothesis tested was that there should be no difference between the proportion of academics with and without industrial links in each department. With the exception of

engineering ('prob-value' = .00), there was not enough evidence to suggest that there was a statistically significant difference in the proportions (Table 1). Engineering emerged as the only department which had a significantly higher proportion of academics engaged in industrial links compared to those without such links. One likely reason for the prominence of engineering as sector in this regard is that in Ireland in recent years has undergone significant infrastructural developments reflected in the number of new housing developments and upgrading of transportation systems. An increase in need for engineering expertise is reflected in high levels of interaction between the engineering industry and relevant academic expertise in civil, structural and electronic engineering.

**Table 2 Type of post**

Type of post	Academics with links (%)	Academics without links (%)	Independent samples t-test 'Prob-value'
Research assistant/research fellow	0	2	.05
Postdoctoral researcher	0	1	.31
Lecturer	55	75	.00
Senior lecturer	26	16	.00
Professor	13	2	.00
Other	6	4	.08

Source: Academic questionnaire survey (2002)

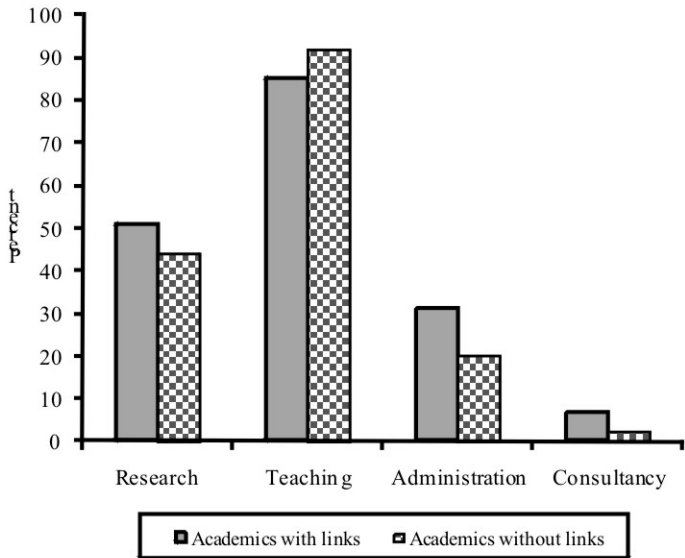
The independent samples t-test was conducted on the proportions of academics with and without links by type of post held. Statistically significant differences were found in the categories of research assistant/research fellow ('prob-value' = .05), lecturer ('prob-

value' = .00), senior lecturer ('prob-value' = .00) and professor ('prob-value' = .00) (Table 2). A statistically significant higher proportion of academics without industrial links were lecturers (75%), while a significantly higher proportion of academics with industrial links were senior lecturers and professors. Despite the assumption that links with industry are not important in terms of career advancement in academia, the results from this research indicate that the opposite is the case with a higher proportion of senior lecturers and professors having industrial links.

This is further reinforced by the data on permanent versus temporary employment. It was found that 92% of academics with industrial links have permanent positions compared to 84% of academics without links. An independent samples t-test was conducted and the resultant 'prob-value' of .00 indicates that there is enough evidence to suggest a statistically significant difference between the two proportions. Overall, the evidence suggests that academics with industrial links are more likely to have permanent positions in academia. It is presumably more difficult for temporary staff to establish links based on the short-term nature of their contracts and an associated inability to make long-term commitments to creating and maintaining links with industry. Furthermore, temporary academic staff are younger and, therefore, have had less time in which to establish industrial links.

Linked somewhat to the issue of career advancement is longevity of employment within the HEI. In terms of length of time employed in the HEI, academics without links were employed an average of 10.9 years while those with links were employed an average of 12.8 years. A t-test produced a 'prob-value' of .00 highlighting a statistically significant difference between both samples. A significantly higher proportion of academics with industrial links have been employed longer within the HEI. Similarly, 98% of academics with industrial links are employed full-time compared to 96% of academics without such links. A t-test 'prob-value' of .09 highlights a statistically significant difference between both samples.

**Figure 4 Main work activities of academics**



Source: Academic questionnaire survey (2002)

Respondents were asked to indicate their main work activities. They were given the opportunity to indicate more than one variable. An independent samples t-test was conducted to ascertain in the case of each type of work activity whether or not significant differences existed between the proportions of those with and without links engaging in the activity. The resultant ‘prob-values’ indicated that there was enough evidence to suggest a statistically significant difference in each of the main work activities (Figure 4). Teaching was the only main work activity in which the proportion of academics without industrial links was significantly greater than that of academics with links (‘prob-value’= .01). In the case of research (‘prob-value’= .09), administration (‘prob-value’= .00) and consultancy (‘prob-value’= .01) a significantly higher proportion of academics with industrial links engaged in such activities. Overall, the evidence would suggest that academics who consider their teaching commitments to be one of their main work activities are less

likely to have industrial links. It could also be the case that academics with heavy teaching loads have less time to engage in research or in the creation and maintenance of industrial links.

*Education and previous employment outside of academia*

Respondents were asked to indicate the highest level of education which they had achieved and if they had been employed in a full-time capacity outside of academia. The purpose of the question on education was to assess the level of educational attainment and to deduce if a relationship exists between this variable and whether respondents have industrial links or not. Information relating to full-time employment outside of academia was sought in order to examine if a difference exists between academics who have worked in academia all of their working lives and those who were previously employed in a full-time capacity outside academia in relation to their level of interaction with industry. The independent samples t-test was conducted on the data from both questions.

**Table 3 Highest level of education achieved**

<b>Qualification</b>	<b>Academics with links (%)</b>	<b>Academics without links (%)</b>	<b>Independent samples t-test 'Prob-value'</b>
<b>Doctorate</b>	<b>56</b>	<b>48</b>	<b>.06</b>
Masters Degree	31	34	.40
Postgraduate Certificate or Diploma	1	3	.08
Both a degree and a			

professional qualification	5	6	.46
Professional qualification	1	1	.47
Primary Degree	6	6	.11
Other	0	2	.07

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Source: Academic questionnaire survey (2002)

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In relation to the question on educational achievement, significant differences between the proportion of academics with and without links in the case of those with a doctorate ('prob-value' = .06), postgraduate certificate or diploma ('prob-value' = .08) and other ('prob-value' = .07) (Table 3). A significantly higher proportion of academics with industrial links (56%) have a doctorate which is significant when it is considered that this has become increasingly important for securing a permanent academic position in Irish HEIs (particularly in universities) in the last 20 years. Evidently, academics with a doctorate and a permanent position are more likely to engage in links with industry.

Results on previous employment outside of academia revealed that 73% of academics with industrial links and 63% of those without such links had been previously employed outside of academia. A 'prob-value' of .00 indicates that a significantly higher proportion of academics with industrial links had previously been employed outside of academia. This is almost certainly related in part to the fact that such academics are more likely to have research interests in areas relevant to industry.

**Table 4 Sectors in which previously employed**

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Sector	Academics with links (%)	Academics without links (%)	Independent samples t-test 'Prob-value'
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<b>Agriculture</b>	<b>1</b>	<b>2</b>	<b>.53</b>
Manufacturing	52	20	.00
Service Sector	19	21	.56
Public Sector (Not a HEI)	22	32	.03
Other	6	25	.00

Source: Academic questionnaire survey (2002)

An independent samples t-test was undertaken on the difference between the proportion of academics with and without links employed previously in each sector. Sectors in which a significant difference was found were manufacturing ('prob-value' = .00) and the public sector ('prob-value' = .03) (Table 4). A significantly higher proportion (52%) of academics with industrial links had worked in manufacturing compared to their counterparts without links (20%). Evidently, previous employment in manufacturing plays a significant role in encouraging academics to combine their academic careers with continued interaction with industry. In relation to the public sector, the opposite was the case. A significantly higher proportion of academics without links (32%) had previously worked in the public sector. It is most likely that both samples of academics worked either in the civil service, in second-level teaching or in a publicly-funded research institute.

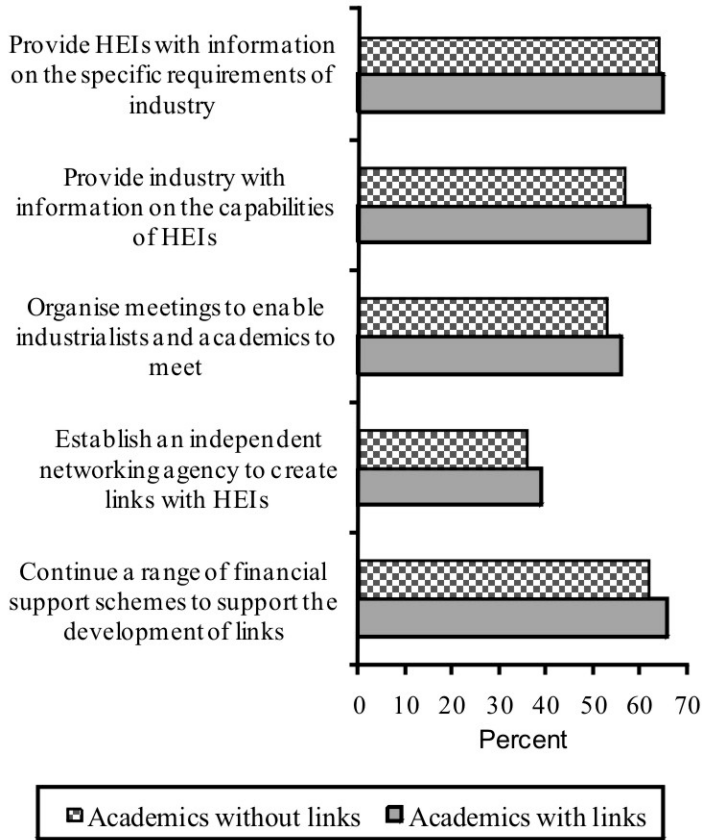
### **Role of Government in Developing U-I Links**

EI is the Irish government agency with responsibility for the development of indigenous industry. The key focus of EI is to develop high value added companies which are competitive in the international knowledge-based global economy. Its client companies are drawn from: manufacturing and internationally traded services (with 10 or more people); entrepreneurs (often owner-managers) with internationally competitive enterprise ventures; and Irish-based food and natural resource companies.

In recognition of the fact that innovation is central to indigenous enterprise development and enterprise growth, EI in partnership with the HEI sector in Ireland has introduced a number of initiatives aimed at stimulating technology transfer and enhancing the innovative capacity of indigenous enterprise in Ireland. Interviews conducted by the researcher with EI-assisted firms found that there are two main criticisms of these initiatives. First, these initiatives are nothing more than sources of finance rather than specific programmes aimed at creating links between academia and industry. Second, there are a large number of these initiatives which are not marketed effectively leading to a lack of knowledge of their existence amongst both industry and academia. Such finance would be utilised more effectively if it was to be strategically directed into a specific programme with targets designed to create U-I links.

The academic questionnaire survey provided respondents with a number of suggestions which EI might implement in order to develop U-I links. While the response categories were the same both for academics with and without links, there was a slight variation in the way the question was phrased in each questionnaire. Academics with links were asked what they considered EI should do in order to encourage the development of more successful relationships between HEIs and industry. Those without industrial links were asked what they considered EI should do in order to encourage them to establish links with industry.

**Figure 5 Role of EI in developing U-I links**



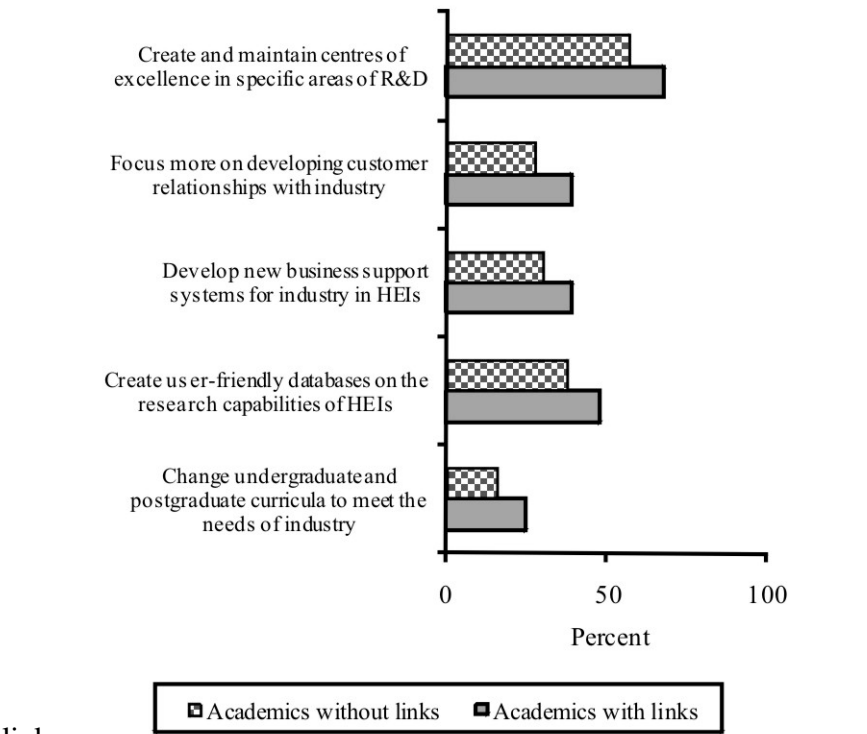
Source: Academic questionnaire survey (2002)

Measures which received the highest level of support from both samples were ‘provide HEIs with information on the specific requirements of industry’ and ‘continue a range of financial support schemes to support the development of links’ (Figure 5). The initiative with the lowest level of support was ‘establish an independent networking agency to create links with industry’. In the case of each policy initiative, an independent samples t-test was conducted on the proportions of those with and without links citing the factor. None of the resultant ‘prob-values’ were below .10, indicating that there was not enough evidence to suggest any significant differences.

The Role of HEIs in Developing U-links

The purpose of this section is to highlight what Irish HEIs could do in order to create or develop links with industry from the perspective of both samples of respondent academics. Again, while the response categories were the same for both samples, there was a slight variation in the way the questions were phrased. Academics with industrial links were asked what they thought HEIs should do in order to encourage the development of more successful relationships between HEIs and industry. Their colleagues without industrial links were asked what they considered HEIs should do in order to encourage them to establish links with industry.

Figure 6 Role of HEIs in developing



links

Source: Academic questionnaire survey (2002)

A test for the difference in the proportion of academics with and without links citing each factor yielded 'prob-values' for each of the five measures provided below .10. Furthermore, a significantly higher proportion of academics with links cited each factor (Figure 6). The measure which received the highest level of support from both independent samples was 'create and maintain centres of excellence in specific areas of R&D'. Sixty-eight percent of academics with links and 57% of those without indicated that HEIs should implement this initiative. The resultant 'prob-value' was .00. It is also very significant that both samples of academics stated the need for such centres despite the existence of the Programmes in Advanced Technologies and recent increases in government expenditure to promote excellence in R&D in specialist research areas in Irish HEIs. SFI is a case in point.

Receiving the lowest level of support from both independent samples was 'change undergraduate and postgraduate curricula to meet the needs of industry'. It is significant that this measure also received the lowest level of support from both independent samples of firms. Twenty-five percent of academics with links and 16% of those without links stated that such changes would encourage the development of U-I links. With a 'prob-value' of .00, a higher proportion of academics with industrial links considered the need to change the curricula of HEIs to meet the needs of industry. From the perspectives of both the firms and academics the evidence would suggest that the educational curricula provided by HEIs should not be driven by the agendas of industry.

It is interesting that a quarter of academics with industrial links and one-sixth of those without felt that changing the curricula which they teach would benefit HEI interactions with industry. While there is an on-going debate in relation to the role of HEIs in economic development and the perceived positive and negative outcomes of designing an educational curricula to meet the needs of industry, there is some merit in evaluating existing curricula and assessing their appropriateness for the education and training of graduates who will enter industry. It is not the case that the entire curricula of HEIs should be restructured and driven to meet the needs of industry; rather those subjects which have direct relevance to industry should be examined to

assess ways in which some elements of those courses could become more industry-relevant.

## **Conclusion**

In 1958, Ireland directed its industrial policy to the attraction of FDI focused on export-orientated development. Following accession to the EU in 1973, Ireland became one of the most attractive locations in Western Europe for multinational firms focused on standardised manufacturing production and employing unskilled labour to conduct assembly-based activities. By the early 1990s, Ireland was experiencing unprecedented levels of economic growth. However, it was not until the late 1990s that the Irish government focused on developing policies directed towards the exploitation of Ireland's S&T base in Irish HEIs. Emphasis was then placed on the development of a competitive, export-orientated indigenous sector. EI had already implemented a number of initiatives aimed at instigating links between industry and academia in Ireland, but it was not until the late 1990s that a significant level of government funding was directed towards the enhancement of such initiatives. While Ireland has a HEI sector with a highly developed S&T base it does not have a large number of technologically sophisticated indigenous firms with the potential to absorb and utilise the expertise of HEIs to enhance industrial innovation, increase competitiveness and encourage the spread of new technologies. The challenge now for the Irish Government is to create an effective collaboration between EI, industry and the HEIs in order to develop a profile of indigenous high-tech companies whose business is focused on the exploitation of the S&T base of Irish HEIs.

In the development of entrepreneurial environments in Irish HEIs, the findings from this research suggest that despite government investment a very small proportion of academics in S&T are engaging in links with industry. The greatest number of academics with industrial links was in the age cohort 46-55 years and were male. In relation to academic position, Engineering emerged as the only department in which a significantly higher proportion of academics engaged in links with industry. The position of lecturer emerged as the only academic post which had a significantly higher proportion of academics without

industrial links. The opposite was the case for senior lecturers and professors. Evidently, there is some correlation between the academic who engages in links with industry and promotion within academia. This was further reinforced by the fact that a significantly higher proportion of academics with industrial links are permanent. In relation to main work activities, a significantly higher proportion of academics without links consider teaching to be one of their main work activities. Research, administration and consultancy were considered to be the main work activities of a significantly higher proportion of academics with industrial links. An analysis of highest level of education achieved found that a significantly higher proportion of academics with industrial links have a doctorate. Furthermore, the survey data revealed that a significantly higher proportion of academics with industrial links have been previously employed outside academia. Manufacturing was the most common source of such employment. In relation to the various initiatives which EI should implement, there was not enough evidence to suggest a significant difference between both samples. However, significant differences did emerge in the responses to what HEIs should do in order to encourage the development of U-I links. A significantly higher proportion of academics with industrial links placed particular emphasis on the need to 'create and maintain centres of excellence in specific areas of R&D'. Overall the evidence would suggest low levels of linkages between academics and industry in Irish HEIs at a time when government expenditure in HEI research was at its highest.

Ireland is currently experiencing an economic downturn, with high levels of unemployment already experienced in the construction industry and with future projected losses in professional services and high-tech industries, sectors largely responsible for the high growth rates during Ireland's Celtic Tiger economy. In light of such decline, the search is now on for a new 'Celtic Tiger' and while as this research has shown, both government and HEI initiatives in the past have failed in terms of creating an environment for entrepreneurship in HEIs, the source of new business creation in Ireland will be academic entrepreneurs. In the field of entrepreneurship, academic entrepreneurs remain an under-studied population of interest. The aim of this chapter has been to analyse the characteristics of academics both with and without industry links in Irish HEIs in order to understand the

stimulants and barriers to U-I collaboration from the perspective of the academic community. The evidence presented would suggest a requirement by HEIs and government to include 'links with industry' as one career promotion track for academic staff. Only then will Ireland really benefit from the funding directed at the existing range of initiatives aimed at creating U-I links. This would inevitably lead to the creation of a stock of high-tech indigenous firms and enhance the implementation of programmes aimed at developing the HEI-industry interface in Ireland. This will lay the foundation for long-term sustainable growth in the Irish economy and will help to ensure that Ireland has a competitive edge in the attraction of value-added foreign investment in the knowledge-driven global economy.

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## **Chapter 14**

### **Forms of Business Ownership: A Nigerian Perspective**

**Muhammed A. Omolaja**

#### **Introduction**

Although this book is devoted to issues relating to women entrepreneurship and local economic growth in transitional economies, a discussion of nature, forms and scope of business would not be out of place if included in the books of this and similar nature. After all, for the target readers to fully understand and appreciate the roles and impacts of women as entrepreneurs in nations building and national development, one must be clear of the fundamental ideas of nature, scope and forms of business in all ramifications especially in the transitional capitalist economies of the African states like Nigeria.

#### **Nature of Business**

A thorough study of business enterprises anywhere in the world must be preceded by, at least, a simple definition of the term "Business". However, there is no single generally agreed-upon definition of business. This implies that there are as many definitions of business as there are business experts. Hence, to start with, let us define business simply as "any venture that leads to exchange of goods and services (or ideas) for 'a consideration". The consideration here may be in the form of monetary value, goods, services or goodwill.

Business may also be defined as the commitment of resource to a productive end or venture, with a view to reaping benefits (financial or

otherwise) there-from in a determinable future. This definition considers the term "Business" as a productive process or simply as production. It is, however, important to note that business is an investment, and in most cases, it is more often than not, undertaken with profit motive in mind; although in some cases the determinant of the principal objective for which a business venture is undertaken depends on whether the venture is undertaken by private sector or public sector.

Having defined business, what then is a "Business Enterprise". Again the definitions of a business enterprise follow the analogy of the definitions of business. In this case a business enterprise is simply a business unit. That is, it is a business organization. A business organization is the one that does business so as to create value for profit. It must be noted however that there is no limit to the type of businesses in which Nigerians especially women can lawfully engage themselves although restriction had been imposed on foreign businesses by the Indigenous Enterprises Promotion Decree of 1972. This Decree also known as Indigenization Decree of 1972, takes care of the indigenization of the economy by which it is ensured that Nigerians own and control their businesses. Under the Decree, Nigerian enterprises have been classified into two schedules. Schedule ONE contains enterprises that were to be wholly owned by Nigerians by March 1974 and Schedule TWO those to be owned 40% by Nigerians by the same date.

As it is usual to evaluate the implementation or execution of a policy after some years of operation, the Nigerian government in 1976, set up a panel to study the operations of the Decree and as a result, the Nigerian Enterprises Promotion Decree of 1977 was passed. These new Decrees replace the former two schedules with three new schedules. Schedule ONE spells out the enterprises which are to be owned exclusively by Nigerians as in the previous Decree of 1992, Schedule TWO contains enterprises in which Nigerians; individuals and/or organizations must have 60% or more interests while schedule THREE contains all

enterprises not included in the first two schedules and which belong to the private sector. According to the decree of 1977, Nigerian participation in the latter private sector enterprises must not be less than 40% by end of 1978.

There are several other laws and legislations which directly or indirectly have bearing on establishment and general operations of business enterprises in Nigeria. These include the Bills of Exchange Act, Bills of Sale Act, and the Nigerian Standards Organisation Decree. Therefore anybody wishing to set up a business enterprise must comply with the appropriate legislations relative to the type of business in mind.

In addition, there are legislations by which (he government of Nigeria intends to provide incentives and inducements to Nigerians in order to encourage setting up of business enterprises. The legislations in this regard include the Customs (Drawback) Regulations of 1959, Industrial Development (Income Tax relief) Act of 1958 as amended by the Decree No. 22 of 1971, the Customs Duties (Dumped and Subsidised Goods) Act 1958 and the Income Tax Amendment Act 1959. For instance, the Drawback Regulation allows for repayment of duties in full for goods which are exported as they were imported or for goods that were imported for use in production of goods which are later exported. On the other hand, special duties apply on goods dumped or subsidized from overseas countries under the Customs Duties (Dumped at subsidized Goods Acts) 1958. However, the greatest incentives emanate from the Industrial Development (Income Tax Relief) Act 1958. This Act provides tax relief in the early years public enterprises that were engaged in pioneer industrial organizations.

### Business Ownership

The various business organizations responsible for production and distributions of goods and services may be categorized into several groups depending on the interest and orientation of the person making

the classification as well as the motive behind such an exercise. However, Teriba (1985, P. 67) divides business enterprises into two: that is, the private sector and the public sector enterprises. In Nigeria, about 50% of all business transactions take place in the private sector while the rest is undertaken by the government at whatever level. The prime line of demarcation between these two groups of business enterprises in Nigeria, as mother countries, is just a matter of ownership. For instance, while in the private sector, individuals own the business enterprises, business organizations found in the public sector are owned partly or wholly by the government. The various difference between private and public business enterprise in Nigeria are presented in Table 1.21

Private Business Enterprises

Private business enterprises in Nigeria as elsewhere are generally classified into sole proprietorship, partnership, limited liability companies and cooperative societies. Sole proprietorship is the earliest and simplest form of business enterprises. This implies that the one-man business is the oldest and most common of business organizations. The person who enters into business on his own account is called the sole trader or sole proprietor.

Table 1 Differences between Nigerian Private and Public Enterprises	
Criterion	
Public Enterprises	
Private Enterprises	
Ownership	
Belong to the government	
Belong to the private Individuals jointly or severally	
Capital	

Provided by the government
Provided by private individuals or organizations (Associations)
<b>Principal objective</b>
To provide/procure products (goods-and services) at reasonable prices for the benefit of the masses
To maximize profit
<b>Financial losses are met by</b>
The taxpayer
The private owners
<b>Control of the enterprise is by</b>
The government and its agencies
Board of directors appointed on behalf of the owners

Hence, the sole-trader business is owned, managed or controlled by the single owner who takes full responsibility for his firm. He can make and execute decisions without referring to other people. The fact that there is only one owner however does not exclude the fact that there could be numerous customers, clients or employees. Sole traders are found in retail trade as peddlers, hawkers, stall-holders, shop-keepers, hairdressers, farmers welders, plumbers, etc. This implies that sole trade businesses are common in retailing, services, and farming as well as in professions like the medical doctors, accountants, engineer, and management consultants

A sole proprietorship is easy to set up and organize. The sole owner is his own boss and hence quick decision can be arrived at. This is because the owner does not depend on anyone in running his business. Since he

is the sole owner of the business, he is entitled to all the profits of the undertaking as well as bears all the losses. Consequently, it is to his own interest to make business as efficient, effective and successful as possible. Again, customers receive personal attention. This is because the proprietor knows them personally can assess their credit worthiness and hence the cases of bad debt are usually reduced.

The fact that -employees are personally known and supervised ensures effective organization and performance. The sole-trader can go to work any time he wishes and can decide never to go on holidays. Since he is working under nobody, he has every incentive to work hard and please himself. He can provide after-sales services such as repairs and deliveries. The sole-trader can operate in local area, and corner-side areas. Finally, the business of a sole trader can be kept private to other individuals, groups or organizations.

However, one-man businesses, all over the world including Nigeria are faced with some problems. For instance, the, sole owner has unlimited liability, the business is not a separate legal entity (not persone at law) and expansion may be difficult since his capital\*base is too small to that effect. However rich a sole trader might be, he is only one man and his capital is limited to the amount he can personally provide. Also long hours have to be worked and he rarely takes holiday as this could imply closing down the business. The sole trader has every incentive to work hard to please himself. This may result in over-stressing himself and hence becomes detrimental to his health. Just as he enjoys all profits, so does he bear all losses alone. Again, the future of a one-man business is never certain due to illness, or death. In sole proprietorship, bulk-buying is impossible for inadequate finance in the form of capital and storage facilities (warehousing).

In addition, customers cannot be provided with variety of products by a sole trader. Finally, only a few changes can be made, for instance, change pertaining to placement of order for new products maintenance or

improvement on the layout and appearance of the shop or office. The next form of business enterprise in Nigerian private sector is partnership. When a sole proprietorship grows and expands, the owner may find it convenient to share the risks and management of the business with other people. Those people who will be willing to cooperate with him and share in the profits, losses and risks of the enterprise are said to be his partners.

Consequently, partnership is a form of business enterprises in which two or more individuals, enter into a legal agreement to own and run a business together. In particular, a partnership is defined by the Partnership Act, 1890 as "the relation which subsists between persons carrying on business in common with a view of profit". In partnership, the partners have joint responsibility for the risks, profits, or losses of such a business. That is, they are severally and jointly liable for the misfortune of the business.

The number of partners ranges from two (2) to twenty (20). However, in the business of banking, the maximum number of partners is ten (10). The company Act of 1967 has however, exempted businesses like accountancy, stock-broking and stock-jobbing from such maximum limit. The partners pool and share the required capital and/or skills to, and receive in return an agreed share of the profits. In Nigeria as elsewhere there are usually different types of partners that can run a partnership together. These are active or general partners (Partners who take part in the management of the enterprise), sleeping or dormant partners (partners who do not interfere or take active part in the management of the firm) and limited partners (those who invest capital in the business and have their liability limited to what they have invested). Partnerships are found mostly in professional businesses apparently among lawyer, doctors, accountants, engineers, architects and management consultants. However, in some cases, they are also found retailing and wholesale businesses although they are very rare in manufacturing enterprises.

To form a partnership, the partners usually draw up a form of written agreement known as the partnership deed. This written agreement governs and regulates the activities of the enterprise. The deed of partnership normally sets out the nature or type of enterprise, ways of winding up or dissolution of the business, admission of new members), partnership capital ratio, management and operation of the enterprise, profits and/or losses sharing ratio formula, and arrangement as to how partner may draw money for personal expenses. The major advantages of partnership business abound. For instance, it is possible to raise more capital by just asking each partner to contribute large sums of money. This, unlike the sole proprietorship, mitigates or alleviates the problems associated with capital shortage. There is also the possibility of growth and expansion by making use of the additional capital from the partners. In actual fact, max case of ordinary partnership, the amount of capital can be varied at will. This makes more capital available.

Partnership involves the injection of new blood into the business, which brings about specialization in the management of the enterprise as each partner may have a special skill. There is cordial and close relationship between customer or clients and partners, which may also be extended to the employees of the enterprise. Partnership also allows privacy, as the partners are not legally required to publish the annual account of their business except to the Inland Revenue Office. Again, partners may take holidays or rest due to illness without harming the enterprise contrary to what obtains in the case of the sole proprietorship. Furthermore, decisions and responsibilities are taken by up to 10, 20, etc members as the case may be. Hence the partners are able to take better decisions than in the case of the sole-trader.

Partnership is able to raise money quickly. Apart from contribution by members, a lender may have more confidence in a group of people compared to one person. Finally, greater continuity is achieved because the death of one partner may not automatically lead to the dissolution of

the business. On the other hand, business enterprises; that are run as partnerships also have their own demerits. For instance, like the sole-trader, partners (especially ordinary partners) have unlimited liability and as such they are personally liable for all the debts and obligations of the enterprises as the firm is not a separate legal entity. The number of partners is limited to 10 in the banking industry and 20 in others except in enterprises formed by Accountants, Solicitors, Stockbrokers, etc, where the number of partners is not specified.

Again, the manner in which profits or losses will be shared may not be favorable to all partners. Arguments could occur between partners, and this may have to be taken to a court of law for settlement if they fail to agree among themselves. For instance, there may be difficulty in securing agreement on the admission of a new partner. Furthermore, petty quarrels or misunderstanding among the partners could cause the dissolution of the partnership. Each partner has the power to bind the other partners by all contracts concluded by him. This implies that partners are jointly and severally liable for contracts by any partner. Hence, every partner has to be consulted. So decisions may take longer to arrive at contrary to what obtains in the case of limited liability companies. Also, inadequate capital may spell doom for the enterprise. This is because the amount of capital available for the partnership may not be as large as may be required for possible expansion.

As the success of the enterprise largely depends on the degree of unity and responsiveness of the partners, the failure of any of them would lead to the failure or collapse of the total system. The fragmentation of profit is another demerit of partnership enterprise. Each year, the partners expect some share of the annual profits. The continuity of the partnership business may not be completely guaranteed. This is because the death, retirement or otherwise the withdrawal of a partner may spell doom for the enterprise (e.g., the death or retirement of an active partner may wreck the enterprise). Also, the high death duties, which the

enterprise has to pay on the death of each partner, may affect the business adversely. More so, limited partners do not have adequate opportunities to share in the management of the business. He cannot also withdraw his capital easily. Finally, enterprises that are run as partnership do not command high favour from investors and contracts awarding firms because they prefer joint-stock companies to this type of business organization

The next class of private sector enterprises in Nigeria is the Joint Stock Companies. A Joint-Stock Company, also known as limited liability Company, may be defined as a group of individuals who associate themselves for the exclusive purpose of undertaking some form of business activity. According to Teriba (1985) joint stock means "the total assets of a company; machines, equipment, goods in stock, buildings and money in the bank. The total value of these assets is divided into a number of equal shares which are owned by shareholders". The major differences between private limited liability companies and their public counterparts are shown in the Table that follows. Experts in Limited Liability Enterprises have classified them into two categories. These are private and public limited liability companies.

Limited liability companies can be established by Royal Charter in United Kingdom. Acts of Parliament in a Parliamentary System like Nigeria or even simply by registration under the companies Act 1948 as amended by the Companies Act 1968. The major merits of the limited liability companies include the fact that their shareholders enjoy limited liability, the companies are separate legal entities (personale at law), and it is always possible for people who have not got enough money to start their own businesses to invest their small sums in a company and earn profits.

<b>Table .2: Distinction between Private and Pub Tic Limited Liability Companies.</b>	
<b>Criteria</b>	
Private	
Public	
<b>Membership Number</b>	
2 to 50 excluding past and present employees	
7 to infinity	
<b>Transfer of shares</b>	
Shares cannot be transferred without the consent of the other shareholders	
Shares can be transferred without the consent of the other shareholders	
Shares acquisition	
Has no right under the Companies Act to offer its shares to the public for subscription	
Can offer its shares for public subscription by advertisement	
<b>Stock Exchange</b>	
Shares cannot be bought or sold at the stock exchange	
Share can be bought or sold at the Stock Exchange	
Publication of Accounts	
Not required	
By law, a public limited liability company must publish its accounts annually and send a copy of the balance sheet to the Registrar of Companies	

They can also raise more capital compared to the cases of the sole proprietorship and partnership. Due to their bigger sizes, they can do businesses more economically. A company is an on-going concern. It has a continuous existence beyond the life of its founders. The death or retirement of a member may not necessarily bring the business to an end. In the case of public limited liability companies, more capital can be raised by issuing more shares (see table 2.23 for the various classes of shares and their relationship) money can be borrowed more easily because of large assets, and more people of repute in terms of skills and abilities can be attracted. Finally, due to the transferability of shares, public companies can carry on doing business smoothly without interruption unless they go. On the other hand, limited liability companies also have their own disadvantages. For instance, the shares of a private company cannot be sold directly to the public. Also, a shareholder will be unable to transfer shares without the consent of the other shareholders. In many countries like Nigeria, Ghana United Kingdom, etc. company affairs cannot be kept private since annual accounts have to be rendered.

In the case of public companies, they require very costly expenses to be met before they can be formed. Also, shareholders do not normally have any real say in the running of the enterprises. Because of the large army of shareholders, there may be delay in decision making. Again, employees may not be able to enjoy adequate personal contact with their employers. Finally, because of the fact that their affairs are made public, another rival company may decide to buy up the majority of the shares in the companies. In this case, the new management may introduce changes, which could cause some employees to lose their jobs. A typical example of this situation occurred in the Savannah Bank (Nigeria) Plc, when Jim Nwobodo and his foreign partners took over the over-riding (majority) shares of the bank in the early 2000. As a result 900 employees of the bank lost their jobs while some favorable and unfavorable transfers were made among the remaining senior staff. However, the

majority of the staff relieved of their employment were non-graduates although some of them were still kept for sometimes on contract basis. In addition there is bureaucracy in very large enterprises.

<b>Table 2.3:      Classification of Company Shares and Debentures</b>
<b>Types of shares</b>
Reward earned
Risk bearing
Bought by
Issued by
<b>Ordinary share (or Equity share)</b>
Equal share of profit
Bear the major risk
(a) individual rich investors (b) Institutional investors (c) Speculators, i.e., people expecting quick returns
Private and Public
<b>Deferred ordinary shares</b>
Share of Profits after ordinary shares have had some
Same as for the ordinary shares
Business owners who sell off their business ventures to allow the buyer to be confident
Public and Private Company
<b>Preference share</b>
Fixed rate of dividends on profit after tax

Less than ordinary shares
Investors looking for security rather than high profit
Public and Private Companies
<b>Cumulative Preference shares</b>
Fixed rate of dividend. However if there is no profit in a year, the dividend accumulates and paid in another year when business is good
Same as above
Same as above
Same as above
<b>Participation reference shares</b>
Fixed rate plus extra dividend after payment to ordinary shares
As above
As above
As above
<b>Debentures (This is a loan; not shares)</b>
Fixed rate of interest, whither business is good or bad!
Very small
People looking for very safe investment
Public and Private Companies if allowed by their Articles of Association

The last form of private business enterprise which we must mention, is known as the cooperative societies. A cooperative society may be defined as a voluntary, non-profit making organization engaged mostly in retail trade and controlled by the members who are also, in most cases, customers. A cooperative society is a self-help enterprise formed either by consumers or producers to provide services to its members. The idea of forming cooperative societies started in Great Britain<sup>^</sup> 1844 by the Rochdale Pioneers which was made up of 28 flannel weavers at a time when the price of goods was so high that ordinary workers could not make ends meet. Since then many co-operative societies, have been formed in many parts of the world including the countries of West Africa (Boateng and Boteng 1982, P. 87).

Three major types of cooperative societies have been identified. These include consumers cooperatives, which buy consumer goods in bulk and at wholesale prices and resell them to their members. The second type is the producers' cooperatives which are formed when producers of related products join together to market their products. Finally, the credit and thrift cooperative are formed to make it easy for their members with low income to save thereby increasing the amount of money available for lending to members. According to Teriba (1985. P. 76) membership of a cooperative society is voluntary and is open to all willing persons. Members are at liberty to leave at will. They bear the full risks and enjoy all the benefits of the enterprise. A cooperative society is a democratic organisation. Hence, members elect a management committee to govern the affairs of their society, but they retain the ultimate control of the association.

The major advantages of cooperative societies in Nigeria are numerous. For instance, there is a high degree of democracy as all members have equal rights in the management of the society. Secondly, marketing cost is reduced because of bulk sales of output. This is due to the fact that many cooperative societies undertake joint transportation and

distribution of members' products. Thirdly, the quantity of output tends to improve because members tend to market their products through careful grading and storage. The cooperative societies also provide education and encouragement to members to improve the quality of their products. In addition improved standard of living is provided for members through higher and stable income. Cooperative societies also encourage thrift by providing facilities for savings. There are many cooperative thrift societies in Nigeria and other West African Countries today. They are able to raise loans easily and quickly. Cooperative banks have been established in many part of West Africa of which Nigeria is a part, to assist cooperative unions in raising loans.

Furthermore, a cooperative society protects its members against the exploitation by middlemen. In such a society, the customer is at the same time the profit receiver. The more one buys, the more profit he earns. For instance, by eliminating the middlemen, profits are passed on to members and this helps to improve their standard of living. Finally, members of a cooperative society have a sense of loyalty to their associations, thereby enhancing stability of business. In summery, the major differences in membership of the various forms of private business enterprises may be demonstrated as contained in the following Table 2.34.

### **Public Business Ownership**

Public enterprises or corporations are the types of business organisation which are owned, controlled and operated with the principal intention of benefiting the whole community. The business enterprises are established by Special Acts (or Ordinances) of parliament under a civilian administration or by Decree under a military regime. Some activities of the enterprises are managed by government departments while others are run within the local or state governments. Public enterprises therefore represent direct involvement of the state in

productive and commercial activity of the economy of a country through creation of statutory authorities by special Acts of parliament.

Table 2.34: Member ship of Private Business Enterprises
Business Unit
Number of Owners
Liability of Owners
Sole proprietorship
1
Unlimited
Partnership
2 to 20 (2 to 10 for banking business or 2 and above for professionals)Unlimited and not equal
Private Limited Liability
2 to 50
Limited
Company
Public Limited Liability Company
7 and above
Limited
Cooperative
Any number
In most cases unlimited

Public enterprises providing such services as electricity, airways, railways, water supply and broadcasting are usually organized as independent enterprises and called public corporations. On the other hand, marketing boards and some financial establishments are often classified as part of the public sector. In Nigeria, typical examples of public corporations are Ogun State Water Corporation, (OGWC), Lagos State Broadcasting Corporation (LSBC), Nigerian Television Authority (NTA); Nigerian Railway Corporation (NRC); and Natural Electric Power Authority (NEPA). In Britain, the public Corporations will include the British Broadcasting Corporation (BBC) British European Airways (BEA); British Overseas Airways(BOA) and the Port of London Authority (PLA).

Besides public Corporations, there are enterprises established as limited liability Corporations in which the government is either the Sole owner or has a majority (or controlling) shares. By this, the government is able to own and operate enterprises along purely commercial lines. Government may also decide to establish joint ventures with private individuals in manufacturing, agriculture, transport and communication, mining and commerce, in order benefit from private capital and management. Public enterprises are therefore all the enterprises, which are owned or operated directly or otherwise by the state or regional authorities. Usually, a manager or administrator is put in charge of the business under the supervision of a Board of Directors who in turn is accountable to a Minister, Commissioner or Supervisory Counsellor, as the case may be of the government, and finally to the parliament.

The main features of public enterprises in Nigeria include the fact that they are usually set up and funded by government, commercial viability as obtained in private establishments is not a necessity in them, they are not set up to maximize profit and they do not distribute or share profit. However, they may have to meet interest charges at fixed rates on stock issued to previous owners of the industries concerned and those who

have purchased stock. Other features include the fact that public enterprises are usually engaged in economic activities that are of great importance to the community but which offer little chance of profit to the private businessmen. Again, the market for the commodity supplied by public enterprises is restricted or monopolized locally and the enterprises often operate below their full or optimum capacity (or efficiency).

However, there are several rationales behind establishment of public enterprises by government in Nigeria as in other countries. The most important reasons include their high cost of establishment, which may be difficult for private investors to procure the danger of monopoly by private investors and low level of profit margin by these enterprises. Again, government establishes public enterprises because there are some projects) in which private competition may not ensure fair and even distribution.

To sum up, government may set up public enterprises to provide public utilities, take care of essential industries and services, take care of heavy capital involvement provide for foreign monopoly control, economic development and employment opportunities. However, some of the demerits of the public enterprises in Nigeria presently include the fact that they are run in such ways that there could be diseconomies, decisions take long to make and cost of production could be high because they do not normally produce for profit making. Also, the owners of public enterprises (the tax-payers) may not have equal opportunities for criticizing their operations. Again, some of the enterprises tend to be too slow in bringing about improvements and some produce poor quality products. Finally, there is the danger of undue political interference on the part of the government in the management of such enterprises.

However, because of the vague manner in which the term public or statutory corporation is used in many countries including Nigeria,

experts in Public Administration have proposed subdivision into Public Utility Corporations, Development and Finance Corporations and Welfare and Social Service Corporation. Typical examples of Public Utilities are Nigerian Ports Authority (NPA), National Electric Power Authority (NEPA); Ondo State Water Corporation, (OSWC); and Central Water Transport Company (CWTC). Also included in this category are Nigerian National Petroleum Corporation (NNPC); Nigerian Steel Development Authority (NSDA); Nigerian Telecommunications Limited (NITEL); Nigeria Airways and Rural Electrification Board (NAKED). Others are Nigeria Mining Corporation (NMC); Nigerian Coal Corporation, (NCC); Defense Industries Corporation (DIC.) and Nigeria Railways Corporation (NRC).

Examples of Development and Finance Enterprises include Nigerian Industrial Development Bank (NIDB); Central Bank of Nigeria, (CBN); Kano Urban Development Board (KUDB) (Kano State) and Ajoda New Town Development Corporation (ANTDO) (Oyo State). These are followed by Agricultural Development Corporations (ADC) (Benue State), Federal Mortgage Bank of Nigeria (FMBN), and National Insurance Corporation of Nigeria (NICON), River Basin Development Authorities (RBDAS) and Export Credit Guarantee Corporation (ECGC). Others are Lotteries, Pools, Betting and Gambling Promotions and Control Board (Imo State), Mercantile Bank of Nigeria Ltd., (Cross River State) and Kaduna State Rural Development Authority (KSRDA). Examples of Welfare and Social Services enterprises are Federal Radio Corporation of Nigeria, Nigeria, (FRCN); Nigerian Television Authority (NTA), Pilgrims Welfare Boards, Health Management Boards and Federal Housing Authority (FHA). Others are Library Boards, Sports Councils, Boards or Commission Hospital Management Boards, Scholarship Boards, Housing Corporations and Councils of Arts and Culture.

As for the state owned companies or enterprises, the common examples are Nigerian National Shipping Line Ltd., Delta Steel Company PLG, Nigeria Produce Marketing Company Ltd., New Nigeria Development Company PLC, Port Harcourt Oil Refinery (PHDR) and Peugeot Automobile Nigeria PLC. Also included are Bond Bricks Industry Ltd (Ondo State), Cross River Breweries PLC., Star Printing and Publishing Company PLC., Plateau Food Processing Company (PFPC), Bacita Sugar Company (BSC) And National Root Crops Production Company PLC, National Grains Production Company (PPC); Nigeria Hotels PLC., and Coconut Industries PLC., (Lagos State). Finally there are also Riverine Furniture Marketing Comply (RFMC), and Asaba Textile Mills PLC. However, in the area of Mixed-economy enterprises, the common examples in Nigeria are Chase Merchant Bank (Nigeria) PLC., Nigerian - Romanian Wood Industry (NIROWI), Agip (Nigeria) Ltd., Union Bank of Nigeria PLC. and National Oil Nigeria PLC.

The above classification is no more than an attempt to structure the discussion of the variety of organization that come under the umbrella term of public enterprises. Several sources of confusion still persist. For example, in Nigeria, the legal distinction between an enterprise established by statute and another established under company law is not consistently respected in the classification of enterprises. For instance, while a banking institution established to promote industrial development, the Nigerian Industrial Developmental Bank (NIDB) is a corporation with its own statute, the Nigeria Bank for commerce and Industry (NBCI) established for practically identical purposes, is a state company. Also, some public utilities are established under company law but for reason of consistency we classify them as Public Utility Corporations.

A second possible source of confusion that deserves to be highlighted is the case of the Nigerian National Petroleum Corporation (NNPC), which is at the same time a public utility and a regulatory agency charged with

the responsibility of regulating the functioning of its competitors. The untidiness in this arrangement has become obvious to government and the situation is likely to change. The existence of single companies, which are really a family of numerous district companies, constitutes another possible source of confusion. The New Nigeria Development Company is a family of more than 130 companies while the Odua Investment Company is a family of more than companies. It will therefore be totally misleading for either of the two companies to be compared to most of the other examples listed under the category of state-owned companies. Another clarification that should be made under the category of state-owned companies is the existence of inter-state ventures. The New Nigerian Development Company is owned by the ten states (now eight states) in the northern part of the country, while the Odua Investment is owned by Ogun, Oyo, Osun, Ondo, and Ekiti States. Another example is the Nigerian Cement Company (NCC), owned by the Anambra, Enugu, Bayelsa and Imo states.

It must however be emphasized that the classification attempted here is specifically related to the concrete realities of the Nigerian experience, which are similar to the situation in several African and other third world countries. In the British context, all public enterprises are referred to as nationalized industries. Of more fundamental significance is the situation in socialist states where the twin problem of definition and classification with which we have been grappling so far are practically unknown. The entire economy is managed by the central government and what are called public enterprises in the non-socialist states are managed within normal central government ministries and departments or within field organisation units. In some cases aspects of these economic management functions are decentralised to the level of local authorities.

Instead of the pre-occupation of non-socialist states with special conditions to facilitate the functioning of their public enterprises, the

socialist states expect their entire administrative organisation at headquarters, in the field and at the local level to function within the assumed broad ideological guidelines. The Peoples Republic of China, The Soviet Union and Cuba are examples of socialist states, where the national economy is managed along the lines summarized above.

### **Justification for Public Ownership of Business**

It is a fact that the expansion of the scope of government activities led to a situation in which central government ministries as conceived under certain governmental notably the British style parliamentary system - were considered inappropriate for managing some of the new activities for which governments have assumed responsibility. While the political heads of ministries form part of the government executive that is directly accountable to parliament, the chief executives of public enterprises do not form part of the government executive and they are only indirectly responsible to parliament, usually through government ministers. It is claimed that the arrangement guarantees considerable autonomy for public enterprises, which still remain under some form of public control. In Nigeria the earliest examples of public enterprise organization emerged under colonial rule in the form of marketing in the immediate years after the Second World War.

### **Women Entrepreneurship and Economic Development Nigeria**

Having examined the nature, scope and various forms of business in Nigeria as a transitional economy, attention in this section shall be focused on how involvement and more participation of female gender in the development of the economy. Development in this case shall be looked at as the total growth of the system which includes economic, social, political, cultural and industrial variables that contribute to overall national development. If women as entrepreneurs are given their premier roles to play in industrial sector, they can contribute tremendously to economic or industrial development as well as their

men counterparts if not better. For instance, there are many women of great honor in Nigeria as well as in other transitional African economies who occupy positions of authority. Typical examples are women as managing directors, commissioners, ministers, deputy governors, Rectors of polytechnics, Permanent Secretaries, Director Generals of banks and even as President as in the case of Liberia. Many women in Nigeria have business of their own. Such women would feel dissatisfied if the right opportunity is not provided for them to contribute their own quota to nation building as entrepreneurs.

### **Revision Questions**

1. Explain the term "Business". In your own opinion, in what range of businesses do you think women can lawfully engage themselves particularly in Nigeria?
2. Outline and discuss the full implications of the major legislations, which govern the establishment and management of business ownership in Nigeria. Of what importance is your presentation to the Nigerian women entrepreneurs?
3. In what ways would you like to classify Business Enterprises in your country? What factors do you think are responsible for such important exercise? And of what use is the exercise to women in management positions?
4. Highlight the major differences between (a) Private and public business enterprises in your country, and (b) In which sector of your country's economy do you think women are most likely to dominate as managers and as entrepreneurs?
5. Elucidate the main features of business ownership in your country, and explain the merits and demerits of each alternative you have mentioned (a) to the women, and (b) to their men counterparts..

6. Advance reasons for government participation in Business in your country. What are the main problems of public business enterprises and discuss the positive roles of government towards women empowerment in corporate governance and administration in your country?

7. Discuss the main problems of business, organizations in Nigeria. Critically appraise the performance of Nigerian Business Enterprises during the post-independent era, and compare this with what obtains during the colonial era. Is there any hope for Nigerian Business

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