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Gender and constraints to entrepreneurship in Africa: New evidence from Swaziland

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ABSTRACT

This paper contributes to closing a knowledge gap on gender, entrepreneurship and development by linking the entrepreneurial productivity to start-up capital and skills. The empirical analysis of a survey of entrepreneurs in Swaziland confirmed the importance of start-up capital for sales. Women entrepreneurs have smaller start-up capital and are less likely to fund it from the formal sector than their men counterparts, pointing to a possible room for policy interventions. Further, business training is positively associated with sales performance of men entrepreneurs, but has no effect on women. However, this does not call for abolishing training programs for women entrepreneurs. Instead their design and targeting should be revisited.

1. Introduction

Policy makers in developing countries, including in Africa, have become well aware of the positive impacts that productive entrepreneurship can have on structural transformation and poverty reduction (Acs and Varga, 2005; Brixiová, 2010; Baliamoune-Lutz, 2011). Interest in entrepreneurship as a source of job creation in Africa, especially for women or youth, has also grown (Amin, 2010; Hallward-Dremier, 2011; Baliamoune et al., 2014, Brixiová et al., 2015). For women globally, besides economic benefits productive entrepreneurship presents an opportunity for empowerment and better integration into the society (Blomqvist et al., 2014).

Utilizing a recent survey from Swaziland, this paper contributes to literature on gender and entrepreneurial performance in Africa. It first identifies performance disparities (in terms of sales levels and growth) between the early stage men and women entrepreneurs. Two reasons motivate our interest in the early-stage entrepreneurship: (i) the definition of entrepreneurship which emphasizes the start-up process, as in the Global Entrepreneurship Monitor and (ii) hypothesis from Bardasi et al. (2009) that gender barriers to entrepreneurship are likely to be more pronounced during the entry stage of the entrepreneurial process.

Our empirical analysis of a survey of entrepreneurs in Swaziland confirmed the importance of start-up capital for

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entrepreneurial performance, measured in sales. We also found that women entrepreneurs have smaller start-up capital and are less likely to fund it from the formal sector than their men counterparts, pointing to a possible room for policy interventions. Further, while business training is positively associated with sales performance of men entrepreneurs, it has no effect on women. However further research is needed to draw policy conclusions from the latter finding. For example, the underperformance of female entrepreneurs who received training can stem from lower previous education and work experience among women than men.

The paper is organized as follows. Section 2 reviews the literature. Section 3 outlines definition of entrepreneurship used in this paper and discusses methodology. Section 4 presents the results of empirical analysis. Section 5 concludes with policy recommendations.

2. Review of literature

In recent years, research on gender and entrepreneurship experienced rapid expansion and ventured in new directions. Some of the traditional topics of research in this area include access to finance, financial literacy, and property rights as constraints as well as comparing entrepreneurial performance between men and women. The more recent research focuses on the intersection between youth andgender, entrepreneurship and development (Blackburn and Kovalainen, 2009 and others). In this paper, we seek to contribute to knowledge on gender differences in entrepreneurial performance in Africa, with evidence from Swaziland.

Policy studies have identified unconditional performance gaps between men and women entrepreneurs in advanced economies (Organization for Economic Cooperation and Development, 2013). In a related work, Robb and Watson (2012) have not found a gap in performance of female- and male-owned new ventures provided that performance is appropriately measured, that is adjusted for gender differences in risk aversion and firm size. Similarly, Justo et al. (2015) used a sample of 219 former entrepreneurs in Spain to determine reasons for their exits and determine whether female entrepreneurs are more likely to fail than their male counterparts. Their key findings were that (i) female entrepreneurs are more likely than males to exit voluntarily and (ii) female entrepreneurs exited more often than men for personal reasons. Sabarwal and Terrell (2008) demonstrated gender performance gaps in terms of scale of operations and total factor productivity in Eastern Europe. They posited that small size of female-owned firms stems from women being both capital constrained and concentrated in industries with small firms. Others have also noted that women firms are concentrated in crowded, low-value-added sector in services and exhibit limited growth of employment, profitability and market share (Carter and Marlow, 2007).

Evidence on gender differences in entrepreneurial performance in Africa is scarce. Bardasi et al. (2009) examined gender gaps in performance in established businesses in several African countries, but have not found major gender differences. In contrast, Hallward-Dremier (2011) found that women operate disproportionally in the smaller firms, the informal sector and low value-added industries. However, this study has provided useful, but mostly anecdotal evidence, including on the access to finance. Asiedu et al. (2013) examined empirically the importance of gender of the firm's owner as a determinant of the firm's access to finance in developing countries, with a focus on SSA. Their results suggest that gender of the firm's owner is an important determinant of financing constraints faced by firms in SSA, and more so than in other regions. Utilizing data from the World Bank Enterprise Surveys, Aterido et al. (2013) studied financial inclusion and documented the existence of unconditional gender gap in Sub-Saharan Africa. They explained the lower use of financial services by women through gender income and education gaps as well as women's household and marital status.

The findings of the empirical literature on the impact of training on entrepreneurial performance are mixed. For example, Fairlie et al. (2015) have not found any evidence of longer run effects of training on sales, earning or employees in advanced economies. Giné and Mansuri (2014) found that business training in rural Pakistan improved men's business practices, but not their sales or profits. In contrast, de Mel et al. (2015) showed positive effects of business training on women start-ups in urban Sri Lanka. Similar gaps exist in the literature on gender and start-up capital. Most of the literature finds differences between men and women entrepreneurs in both amount and composition of start-up capital. Verheul. and Thurik (2001) carried out study of entrepreneurs in the Netherlands and found gaps in the amount, but not debt-to-equity ratios.

This paper contributes to the links between gender and entrepreneurial performance in Africa. Drawing on evidence from Swaziland, a small middle income country in Southern Africa that exhibited low growth for more than a decade, we pay special attention to capital and skill shortages as constraints to start ups. We also look into the effectiveness of training programs to address them. This empirical evidence contained in this paper can lay foundation for further theoretical research on the topic and inform policies.

3. Data and empirical methodology

3.1. Data source

The empirical analysis utilizes data from the survey of entrepreneurs in Swaziland, carried out by the UN Swaziland in November 2012 (UN Swaziland, 2013). The sample included 640 small and medium-sized enterprises (SMEs) in the urban