

INVESTING IN WOMEN-RUN SMEs: AN OPPORTUNITY TO EMPOWER WOMEN THROUGH TRADE

Women constitute half of the global working population and integrating them in trade is essential to ensure a country's inclusive development. Empowering women through trade stimulates social development facilitating improvements in health, nutrition, and education for their families, communities and country. A virtuous cycle is created: female spending develops human capital, which in turn fuels economic growth. One specific trade sector with tremendous opportunity for women empowerment is the enhancement of women-run Small and Medium Enterprises (SMEs) in international trade.

● Women-run SMEs : Unleashing Growth of Women's Potential in the Economy

A 2013 study on *gender equality and women's employment in developing countries* found that women run SME's who took part in international trade were able to increase employment opportunities, as well as provide higher pay, better working conditions, and greater job security for women than other domestic employers.¹ According to Pamela Hamamoto, the US Ambassador to the UN and creator of *the Future She Deserves* initiative, "Women firms that export tend to employ five times more people, and to have higher average sales and revenue."² Increased female employment allows for increased economic independence and opportunity to increase decision making power of women, leading to more gender equality in trade and overall better livelihoods of people.

86% of women run SMES are micro businesses employing only 1 to 9 employees and have lower average turnover rates than SMEs as a whole.³ In terms of scale of operations and involvement in global value chains, the majority of women run SMES are financially and economically excluded. International trade is necessary for sustainable development and SMEs involved with trade in some way are proven to be important drivers of growth across Sub Saharan Africa; a region where 90% of all businesses are SMEs.⁴

● Tackling Challenges and Facilitating the Expansion of Women-Run SMEs

Women face a disproportionately larger number of challenges than their male counterparts in running businesses.

▶ QUICK FACTS

» In emerging markets, women run SMEs are more likely to cite access to finance as severe constraint in comparison to their male counterparts.⁵

» Research exists to indicate that female businesses are more innovative than male counterparts. They use newer technology and provide the market with new goods.⁶

» According to Trade Mark East Africa's 2015 report on *gender and trade*, "Women traders in East Africa have witnessed a 25% increase in access to health insurance due to higher incomes, along with experiencing a 28% improvement in their nutrition."

CUTS Action alerts are to draw attention and call for action on key trade and development-related issues. Readers are encouraged to quote, reproduce and distribute this paper for advocacy purpose.

CUTS International, Geneva

37-39, Rue de Vermont
1202 Geneva, Switzerland
Ph: +41.22.734.6080
Fax: +41.22.734.3914
Email: geneva@cuts.org
Web: www.cuts-geneva.org

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¹ Gender Equality in Global Value Chains and the role of Aid for Trade, Johanna K. Silvander, Ministry for Foreign Affairs of Finland, 2013

² 5th Global Review Aid for Trade, Plenary Session 16: "Empowering Women through Inclusive Value Chains."

³ Women's Business Council: Women and Enterprise: Evidence Paper

⁴ IFC, World Bank Group http://www.ifc.org/wps/wcm/connect/region_ext_content/regions/sub-saharan+afrika/advisory+services/sustainablebusiness/sme_initiatives/sme_initiatives

⁵ www.ifc.org/womensmeopportunity

⁶ <http://www.isbe.org/ivl/iaits>



The most significant barriers they face include; social and cultural barriers underlying gender biases, tendency for women-run SMEs to be smaller in scope, and limited access to business networks, markets and opportunities. But women-run SMEs are also facing financial barriers such as high costs and inadequate financial infrastructure.

Despite the growth and contribution of women run SMEs, a tremendous gap still exists in their access to finance. An estimated 70% of women run SMEs are either unserved or underserved financially.⁷ Acharna Bhatnagar, CEO of Haylide Chemicals in India, an environmentally friendly range of cleaning detergents, explains her greatest challenges to be financing and obtaining loans.⁸ According to Bhatnagar, at the start of her business, bank managers refused to cooperate with her and left her no choice but to mortgage her husband's house for a meagre loan.⁹ Despite the actual great expansion of her company, she still faces great challenges in terms of funding, and thus finds it especially difficult to obtain the necessary certifications to expand her enterprise.

● **Ways forward to develop women-run SMEs and empower women and communities through trade**

To overcome financial and non-financial challenges faced by women-run SMEs two key recommendations are presented below:

► *Policies to Enhance Investment and Trading Opportunities*

Investments need to acknowledge the barriers faced by women entrepreneurs' thereby investing a certain percentage exclusively in women-run SMEs. For instance, the government of Liberia passed a law, which states that twenty-five per cent of government's budget and services will be invested in SMEs, out of which five per cent will specifically be for women entrepreneurs¹⁰.

It is imperative that trade policies aiming to remove obstacles to trade by reducing tariff barriers, promoting transparency, and making permits and

certifications easily accessible, be adapted to women and their specificities in order to enhance their capabilities in international trade.

Moreover, policies should help women combine work and family life. For instance, social policies such as maternity protection and childcare assistance will attract and retain women workers and promote equal participation by both sexes.

► *Technology as a means for Growth and Expansion*

It was found in 2013 that Ugandan women who had male role models were 55-74% more likely to cross over to higher productivity business sectors.¹¹ Webinars and other online tools can be used to link with successful entrepreneurs around the world who can serve as mentors, role models, and a valuable source of knowledge.

Furthermore, e-commerce and online business can reduce many business costs, allow for greater flexibility in terms of working hours, and reach a greater global market. According to Google Indonesia's Head of public Affairs, Shinto Nugroho, women entrepreneurs who use technology in their processes are most successful, and 80% of them are able to expand and export. Provide training workshops to women in developing countries and elsewhere in technology can thus strengthen business prospects.

USEFUL RESOURCES



Ministry for Foreign Affairs of Finland (2013).

Gender Equality in Global Value Chains and the Role of Aid for Trade in Promoting Gender Equality and Women's Employment in Developing Countries.

Report on Gender segregation in global value chains, challenges, effects, and good Practices specific to developing countries.



International Finance Corporation (2014).

Women Owned SMEs: A Business Opportunity for Financial Institutions. A Market and Credit Gap Assessment and IFC's Portfolio Gender Baseline.

► www.ifc.org/womensmeopportunity



5th Global Aid for Trade Review (2015)

Plenary Session 16: Trade and Gender: Empowering Women through Inclusive Value Chains.

Event at the WTO discussing women empowerment through supply chains.



Sadika Hameed, Julie Halterman (2014)

Funding Empowerment: The Missing Middle, Women led SMEs, the Assumption Trap.

► <http://goo.gl/d4JU97>

⁷ <https://www.womensworldbanking.org/news/blog/six-best-practices-best-serve-women-led-smes/>

⁸ 5th Global Review Aid for Trade, Plenary Session 16

⁹ http://articles.economictimes.indiatimes.com/2007-10-09/news/28469877_1_women-entrepreneurs-indian-women-male-bastion

¹⁰ Alex Marcel 5th Global Review Aid for Trade, Plenary Session 16

¹¹ 5th Global Review Aid for Trade, Plenary Session 16