The Problem of Underinvestment in Women-Led Small and Growing Businesses in Latin America and the Caribbean: 

´The Most Missing of the Missing Middle (M4)´

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# Table of Contents

**Executive summary**  
1. Background to the Study  
   1.1. Definition of Small and Growing Business  
   1.2. SGBs and the missing middle  
2. Regional Background  
3. Objectives of the Study  
4. Research Methods  
   4.1. Phase I: Literature Review  
   4.2. Phase II: Interviews with Experts/Key Actors  
   4.3. Phase III: Focus Groups  
   4.4. Overall Caveats  
5. Key Findings from the Research Project  
   5.1. The entrepreneurs and their enterprises  
      5.1.1. Characteristics of Women Entrepreneurs Leading SGBs  
      5.1.2. Characteristics of Women-Led Enterprises  
   5.2. Barriers and Support Systems  
      5.2.1. Barriers  
      5.2.2. Capacity Development Services as a Key Support System  
   5.3. Evaluating Impact – Benefits, Risks and Ways in Which it is Measured  
      5.3.1. Benefits of Women Entrepreneurship  
      5.3.2. Risks Related to Women’s Entrepreneurial Activity  
      5.3.3. Measuring Impact - Metrics  
   5.4. What Can Key Actors Do To Contribute to Women Entrepreneurship Initiatives?  
6. Discussion and Recommendations  

**Appendix 1:** Areas Explored in Phase I: Systematic Review of Literature  
**Appendix 2:** Overview of Study Premises for Phase II: Interviews with Experts  
**Appendix 3:** Phase III Study Parameters: Focus Groups  
**Appendix 4:** Phase III - Financial needs of women entrepreneurs attending the focus groups  
References
Executive Summary

This report presents results of a three phased research project commissioned by Oxfam Great Britain, Oxfam America, Fundación Capital and Value for Women Ltd. The research investigates characteristics of women-led small and growing businesses (SGBs) in Latin America and the Caribbean Region, explores barriers faced by the entrepreneur with an emphasis on the reason for underinvestment in the 5,000-50,000USD investment range, and identifies capacity development services provided to this segment. Associated benefits and negative impacts of women’s economic empowerment were also analyzed. This research is based on data from three primary sources: systematic review of the literature, semi-structured qualitative interviews conducted with key actors in the ecosystem (NGO/capacity development practitioners and impact investors) and focus groups carried out with female entrepreneurs in Colombia, Guatemala and Haiti. Following qualitative research methods, results were analyzed looking for common themes emerging from the literature review, the interviews with experts and the different focus groups with women entrepreneurs in Colombia, Guatemala and Haiti. Differences in perceptions of the participants were also analyzed and contrasted.

The study results show that, on average, women-owned enterprises, although typically smaller, tend to be well organized. Women-led-businesses tend to be located in agriculture or food processing, textiles and handcrafts. With respect to the characteristics of women entrepreneurs in comparison with their male counterparts, a number of themes emerged. The study revealed that women are more collaborative and better team players. In addition, experts see them as more responsible, reliable and committed. Women, according to this study, are better managers, careful with money and innovative. Despite these favorable perceptions, the study found other impressions of women-owned businesses that may constrain women’s ability to access funding. These consisted of impact investors’ perceptions of women entrepreneurs as lacking financial literacy, categorization of women entrepreneurs as risk averse and less self-confident. In contrast, women entrepreneurs defined themselves as self-confident and risk-takers capable of navigating multiple barriers to advance their businesses.

In terms of barriers experienced, women entrepreneurs cited inadequate access to financial services and underinvestment as a major barrier to growth. Other barriers identified consist of difficulties to commercialize their products; chauvinistic cultural norms and gender-based discrimination; time constraints; unequal access to lands/assets/collateral; as well as lack of business education and information. Lack of support from government institutions and their informal status were also reported as barriers to growing their businesses. The study found evidence confirming a most missing of the missing middle (M4) on the 5,000 to 50,000USD capital range. While women entrepreneurs reported capital needs within this range, impact investors stated that they do not typically cover this range as the focus of their effort is on investing larger amounts of money. In general they saw this investment range as both risky and costly.

In relation to capacity development services, workshops and growth oriented mentoring programs emerged as the primary services provided. Women entrepreneurs highlighted the need for contextually relevant, long term training with a practical component.

With regards to benefits associated with the economic empowerment of women, benefits at the individual, household and community levels were highlighted. Primary among these were: women’s new sense of independence, improvements in the living conditions of the families including investments in the education of their children, as well as contributions to the economy through job creation and to the environment through environmentally friendly choices. Potential negative effects of women’s economic empowerment included gender based violence or marital conflict. Few programs/capacity developers indicated addressing the noted negative effects.
Drawing from these observations, a number of recommendations are advanced. These include the need for:

- Gender sensitive programs that take into account the specific barriers faced by women-led SGBs.
- Coordination between ecosystem actors to provide an integral support to women entrepreneurs.
- Specialized financial services tailored to the needs and capacities of women entrepreneurs.
- The need for Governments to better support the formalization/registration requirements for women-led SGBs.
- Capacity development and training programs tailored to the needs expressed by women.
- Communication and campaign initiatives to address possible misperceptions and raise awareness of the positive effects of the economic empowerment of women.
1. Background to the Study

A broad range of positive externalities are associated with investment in women-led enterprises. Not only does it stimulate economic activity and enhance productivity, women’s economic empowerment also increases family wellbeing and boosts future economic growth through improvements in children’s health, education and nutrition (World Bank, 2012 b).

Despite these observations, women led businesses continue to suffer from underinvestment due, among other reasons, to gender discrimination, limited ability to attract investments (as a result of their smaller size and location in slow growing sectors of the economy) and insufficient financial services tailored to the needs of women entrepreneurs. In recent years there has been a surge in effort to understand this segment, its correlates, as well as investment opportunities.

This has been prompted, in part, by evidence suggesting investment in women has multiple welfare benefits; it may be a roadmap to sustainable development and inclusion. However, the knowledge base on women-led enterprises and small and growing businesses (SGBs) is largely unexplored. Decisions, with respect to policy, programing and best practices continue to be made with limited guidance from empirical evidence from the field. As a contribution effort to rectify the observed gap in knowledge, this study documents the characteristics of women-led enterprises as well as societal, policy and technological constraints to their growth.

The study is based on data from three primary sources: systematic review of the literature, semi-structured qualitative interviews conducted with key actors in the ecosystem and focus groups carried out with female entrepreneurs in the study countries: Colombia, Guatemala and Haiti. The data is supplemented with information obtained from in-country program and policy design workshops with actors from the public sector, women entrepreneurs, financial institutions and capacity developers. The study focuses specifically on Latin America and the Caribbean Region (LAC). Major themes emerging from the research are presented along with program and policy implications.
1.1. Definition of Small and Growing Business

Several definitions for small and growing businesses exist (see e.g., ANDE, 2011; 2012; Ayyagari, Beck & Demirguc-Kunt, 2003; Leegwater & Shaw, 2008). The study draws upon the definition offered by The Aspen Network of Development Entrepreneurs (ANDE) for guidance. These growth-oriented enterprises have a small number of employees, usually in the range of 5 to 250 and investment capital needs from $20,000 to $2M USD (ANDE, 2012).

SGBs and small and medium enterprises (SMEs) are similar in terms of size, but the former one entails attributes such as having a high growth potential as well as the ambition to achieve it (ANDE, 2013). However, literature and anecdotal evidence from the in-country design workshops revealed significant challenges on how to conceptualize SGBs and SMEs in international and local contexts. For instance, at the international level the use of number of employees as a mechanism to characterize small enterprises may be problematic. The European Union law states that small enterprises may have from 11 to 50 employees (European Commission, 2012). The Inter-American Development Bank, on the other hand, defines them as businesses with a maximum of 100 employees while the World Bank assigns a maximum of 300 employees (Gibson & Van der Vaart, 2008). At the regional level for the Latin American Context, the term SGBs is not commonly used and the definition of SME varies per country. The Colombian 590 law, for example, defines micro enterprises as those with less than 10 workers, small enterprises as those with 11 to 50 and medium enterprise as those with 51 to 200 workers. The Ministry of Economy in Guatemala also distinguishes between micro, small and medium enterprises; however the number of workers differs. Micro enterprises have less than 10 workers, small enterprises between 11 and 25 and medium between 26 and 60 workers (Palacios, 2011). In addition, there is not a clear definition of SME adopted by the government of Haiti; the Haitian Association Professionelle des Banques identifies SMEs as enterprises having between 10 and 100 employees (Braun, 2012). As such, an enterprise with 40 workers might be considered small in Colombia but medium in Guatemala, and one with 150 employees would only be considered as an SME for the Colombian context.

While exploring local differences between SGBs and SMEs, the design workshop conducted in Colombia generated a discussion on how an enterprise should be defined; some actors argued that small enterprises should be divided between subsistence (with limited market opportunity) and growth oriented (with good market opportunity); other actors felt that the definition should focus on the businesses’ stage of development. During this discussion, one entrepreneur observed that ‘growth over time’ was a common goal for many small enterprises; hence, the division between SGB and SME may not be adequate in capturing this reality. In fact, similar sentiments were expressed by most entrepreneurs from the focus groups who saw growth and sustainability as their long-term objectives. Based on data collected at local level and results from the literature review, potential enterprises with capital needs between 5,000 and 50,000 USD would correspond to those classified as small enterprises. This research focuses in small enterprises led by women that want or have the potential to growth their businesses. The businesses selected for this study do not necessarily respond to rigid definitions of SGBs or SMEs with regard to number of employees or income. What they all share in common is that they are small but are growing. Oxfam and partners’ staff in the regional offices selected businesses run by women or by women’s organizations that had a growth potential and an ambition to achieve, that went beyond subsistence. The research then showed that the women entrepreneurs selected expressed capital needs in the 5,000 to 50,000 capital range, which could be considered the lower level of the “missing middle” of SME financing.

1.2. SGBs and the missing middle

Small and growing businesses usually have financial needs that are too big for microfinance lenders, yet too small for commercial bank debt and private equity. The observed financing gap is referred to as the “missing middle” (ANDE, 2012; Dalberg, 2011, pp. 9-10).
The foregoing review indicates that accurate definitions of the missing middle may be a challenge. This is further complicated by the absence of reliable data on both small and medium enterprise segment as well as their access to financial services (IFC, 2010). In addition, the ranges identified are extensively broad, indicating the need for further delimitation in order to attain a clear understanding of underserved markets and sectors. For example, according to Dalberg (2011), the missing middle may go from $25,000 USD to 2M USD depending on the context and purpose for which it is being defined (Figure 1). In contrast, another study from Dalberg (2011) conducted in West Africa found a gap in the 1,000 USD to 100,000 USD investment range. A study published by Oxfam Great Britain situated the missing middle in agriculture in the range of £5,000 to £500,000 -approximately 8.400 USD to 840.000 USD (Doran, McFadyen and Vogel, 2009).

**Figure 1: Different versions of the Missing Middle**

![Diagram showing different versions of the missing middle](image)

The present study explores a lower end of the missing middle: the 5,000 to 50,000 USD investment range. This lower level is perceived as having even more limited investment opportunities. Impact investors expressed their interest in higher investment targets, while focus groups with women entrepreneurs evidenced capital needs located in the lower level of the missing middle. As a result, we have deemed this capital need as “the most missing of the missing middle” (M4), an investment range almost unattainable for women leading SGBs given structural barriers they have to face.
2. Regional Background

During the past few decades, women in the LAC region have made great strides in achieving gender parity in educational attainment and health (World Bank, 2011). These advances and changes in family formation (later marriage and lower fertility) have contributed to a dramatic increase in the number of women entering the labor force (Chioda, 2011). Indeed, female labor force participation has risen faster in LAC over the last three decades than in any other region, going from roughly 36% in 1980 to more than 52% in 2011, and representing roughly 40 percent of the entire labor force (Chioda, 2011).

Despite these advances significant gender differences in earnings, control of productive resources and economic empowerment persist. Women are concentrated in low productivity sectors, are more likely to be wage workers than their male counterparts, and tend to operate small informal businesses in less-profitable sectors. Gross female labor income remains less than that of males, at around 60-90 percent (World Bank, 2012a), with the largest gender wage gaps appearing at the bottom and top percentile of the earnings distribution (Chioda, 2011). Even when better-paying employment opportunities for women have opened up in non-traditional export-oriented agro-industries, such as the flower industry, women have a much smaller share of managerial positions. Moreover, women are often replaced by males as profits margin increases (FAO, 2011). Furthermore, female-headed households bear the highest risk of poverty; urban households with female heads are more likely to be extremely poor compared to those headed by males (World Bank, 2012a). Since their growing involvement in paid work has not been accompanied by increased participation of men in unpaid domestic tasks, women are also at a disadvantage in terms of increased workload (UNDP, 2010).

Women business owners in LAC are concentrated in smaller firms – have fewer employees, lower sales and physical capital – and have lower profits, with average profits being 15 to 20 percent lower than that of male-owned firms (World Bank, 2012b). Women in the region also face greater constraints than men in stabilizing and growing their businesses (Magnoni & Powers, 2010).

Limited access to assets and productive resources (e.g., land and credit) further constrain women’s economic opportunities and represent obstacles towards attaining greater gender equality. In LAC, the gender distribution of land ownership is extremely unequal, with male farmers representing 70-90 percent of formal land ownership (World Bank, 2012b). This inequality in ownership is mainly due to male preference in inheritance as well as gender bias in state-sponsored programs of land redistribution (Deere & Leone, 2003). For example, in 13 Latin American land reform programs, the fraction of female
beneficiaries was only 11-12 percent (World Bank, 2012b). Significant gender differences also exist in access to credit, particularly in the formal financial sector, with women typically receiving loans from credit cooperatives and NGOs rather than commercial banks (Powers & Magoni, 2010).

3. Objectives of the Study

The primary objective of the research project is to understand problems related to underinvestment in women-led small and growing businesses (SGBs) in the 5,000-50,000USD investment range in the Latin America and the Caribbean Region. To this effect, the study explored the situation of underinvestment of SGB’s in the LAC region, contextual constraints faced by women entrepreneurs, special characteristics of female entrepreneurs along with characteristics of businesses that are led by women as well as forms of technical assistance offered to women-led enterprises. Lessons learned will inform the design and development of investment funds and support programs of sponsor organizations, including Oxfam America, Oxfam Great Britain, Fundación Capital, Haitian Hometown Associations Resource Group, the Calvert Foundation, the BiD Network, Mercy Corps, New Ventures Mexico and Value For Women Ltd.
4. Research Methods

This study is composed of three phases including: a systematic review of the literature, semi-structured qualitative interviews with “experts” (representatives of associations working with women entrepreneurs, impact investors and academics) and focus groups conducted with women entrepreneurs in three countries (Colombia, Guatemala and Haiti). A brief overview of methods guiding each area of study is presented in ensuing sub-sections.

4.1. Phase I: Literature Review

In order to understand the current state of knowledge with respect to the study area, a systematic review of the literature was conducted to document what is known and identify gaps in knowledge (areas covered are identified in Table 1 below). This review served as a basis for phases two and three of the study. The exercise was systematic and utilized specified key words (see Appendix 1). The literature search targeted social science indexes as well as publications from specialized agencies. The search was limited to Spanish and English publications. Literature searches were conducted until a saturation point had been reached (this was initially set at 50 journal articles and other publications). In all, over 50 manuscripts were reviewed. The geographic scope was mainly Latin America. Other countries covered by this review included Spain, Australia, Botswana, India, Greece, Nigeria and Indonesia.

**Table 1. Literature Review Topic Areas**

<table>
<thead>
<tr>
<th>Key topic areas covered</th>
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<tr>
<td>• Conceptual definition of women led enterprises.</td>
<td>• The missing middle and the problems of underinvestment.</td>
</tr>
<tr>
<td>• Characteristics of women entrepreneurs.</td>
<td>• Exploration of key actors in the ecosystem.</td>
</tr>
<tr>
<td>• Characteristics of women led enterprises.</td>
<td>• Services provided by key actors vs. societal, policy,</td>
</tr>
<tr>
<td>• Sectors in which women’s enterprise and entrepreneurs are located.</td>
<td>and technological constraints that women led enterprises face.</td>
</tr>
<tr>
<td>• Contributions of women to the economy Welfare impacts/effects of women-led enterprises.</td>
<td>• Existing and required technical assistance.</td>
</tr>
<tr>
<td>• The external environment of women-led enterprises. Challenges and constraints.</td>
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Additional topics explored in the literature review included scoping of existing approaches in women investment, and the ecosystem approach and investment. However, these topic areas were not the focus of discussion for Phases 2 and 3 of this study. Further research on such areas is recommended to continue building the knowledge base on women-led SGBs.

4.2. Phase II: Interviews with Experts/Key Actors

This phase of the study focuses on interviews conducted with key actors in the ecosystem in each study country. These consisted of: Impact Investors, Non-Governmental Organizations/-Capacity developers and Academics/researchers (N=20). This phase builds on the literature review and aimed at understanding the context of women’s led small and growing businesses in the LAC Region from the perspective of key actors (Appendix 2 provides a brief overview of the study premises).

Data collection. Semi-structured qualitative interviews were conducted with each stakeholder using a data collection instrument tailored for each group of actors. The questionnaires were translated into local languages by members of the research team to ensure language was not a barrier to participation in the research project.
Sampling. Snowball sampling – a non-probability sampling technique which utilizes the initial sample to identify other study participants (chain referral) – was used to select the sample for this study. Using this technique, the research team utilized the assistance of the initial group of participants proposed by Oxfam and Value for Women, to identify people with similar interest/characteristics. More specifically, two steps were used to create the study sample. First, Oxfam and Value for Women identified and recruited the initial sample of respondents based on a given set of characteristics including understanding of SGBs and women led enterprises in the context of Latin America. The initial sample was then asked to help identify people who may be willing to take part in the study. The process of nomination of subjects continued until the desired sample size was attained. Snowball sampling was preferred to other techniques because it enabled the research team to ensure that the right people were interviewed. The research team interviewed 20 experts (6 impact investors, 13 NGO experts and 1 university researcher).

Data analyses. Transcribed data from the interviews were read and coded by members of the research team using principles of grounded theory (Mizrahi & Abramson, 1994). Specifically, the research team identified themes emerging from the interviews; these were reviewed, coded and organized by category. All the primary themes are reported in ensuing sections.

4.3. Phase III: Focus Groups

This phase of the study builds on Phases I and II of the research project and presents data from focus groups conducted with women entrepreneurs from Colombia, Guatemala and Haiti (Colombia n=19; Guatemala n=15; Haiti n=18. Total=52 women). As with other phases of the research project, this phase aimed at understanding the context of women’s led small and growing businesses (SGBs) in the Latin America and the Caribbean Region. This phase of the project allowed the research team to listen to the voices of women entrepreneurs and learn about their expectations, needs, constraints and recommendations for the actors supporting them.

Data collection. An interview schedule was created reflecting key areas of focus (see Appendix 3 for study parameters). The same instrument was utilized in each of the study countries with minor modification to accommodate contextual variations. The questionnaire was also translated into Spanish and Creole to ensure accessibility to study participants. Two focus groups were conducted in each study country. Demographic data on focus group participants was also collected.

Sampling. Study participants were recruited using non-random sampling techniques. A brief description of techniques used in each country is presented below. Regional staff invited women entrepreneurs who had small businesses with a potential and aspiration to grow beyond subsistence.

Guatemala: Participants were drawn from a list developed by the Oxfam GB and Oxfam America country teams. Participants came from different sectors and businesses of varying sizes, to ensure a diverse group. Invitations were made by phone one month prior to the event. Follow-up calls were made to confirm participation. Women came from rural areas in Sololá region and were offered 10 USD to cover transport costs.

Haiti: Oxfam GB, Oxfam America and Zafen provided guidance with respect to focus group conducted in Haiti. The process was managed by the lead researcher in Haiti. Participants were drawn from urban and peri-urban regions of the metropolitan area of Port Au Prince. Women were given 25 USD to offset transport costs.

Colombia: Two different groups were identified according to size of the businesses. Most of the women had to travel to the study venue (their airfare and local transportation costs were covered). Partners involved in this process included Fundacion Capital and the Oxfam GB country team.
**Data analyses techniques.** These mirror the ones utilized in Phase II of the research project. Specifically, we drew from the principles of grounded theory and transcribed the data which were then translated into English for analysis. Key themes were identified for each question. Commonalities and differences among the study countries were documented. Themes emerging from the focus group are presented in the results section.

**Demographics characteristics of focus groups participants.** A diverse group of women participated in the focus groups. For instance, in Guatemala participants were Mayan while in Colombia the groups had indigenous, displaced, rural and urban women. The age of the participants ranged from 20 to late 50s with the majority being between 30 and 50. More than 70% of the women live with their husbands and/or families. Most of the women had attended primary school, some had attended high school (less than 50% in Guatemala and most of the respondents from Haiti and Colombia) and a few had even taken university classes (See Figure 2).

![Figure 2. Level of Education of Women Attending the Focus Groups](image)

While approximately 35% of entrepreneurs in Colombia and Haiti reported having contracted employees, just 7% of the women from Guatemala indicated this. At least a third of the enterprises were created in the past 5 years and the majority of entrepreneurs had not registered their businesses (registered enterprises were 33% in Colombia, 23% in Haiti and less than 50% in Guatemala). A considerable percentage of women from Guatemala and Colombia are part of associations; 47% and 60%, respectively. Regarding sales, most enterprises generate less than $1,000 USD per month. For example, sales over $1,000 USD were reported by just 13% of enterprises in Guatemala, 22% in Haiti and 31% in Colombia. Most of the women indicated that their enterprises were located in rural areas (80% in Guatemala and 63% in Colombia. In Haiti women were mostly situated in peri-urban areas)

### 4.4. Overall Caveats

A number of limitations are acknowledged. These relate to the sampling techniques used, lack of male representation in the study samples, challenges inherent in cross-country comparisons, and differences in the characteristics of female entrepreneurs across study countries. In this regard, coordination between Oxfam headquarters, and local offices and partners in relation to the desired characteristics of the entrepreneurs for the study sample is a major challenge also recognized. As a result, some women attending the focus groups were members of associative groups working on subsistence activities.
5. Key Findings from the Research Project

This section presents results from the research project; it brings together lessons learned from the review of the literature, semi-structured interviews and focus groups. Data from the workshops conducted in Colombia, Guatemala and Haiti with representation from the public sector, women entrepreneurs, financial institutions and capacity developers supplement study results. Themes emerging from interviews with key actors in the ecosystem are organized in three main areas: characteristics of women entrepreneurs and their enterprises, barriers they face as well as support systems, and impacts (see Figure 3). Where possible, themes common to all respondents are highlighted first followed by presentation of themes which are attributed to specified actors.

Figure 3. Women-Led SGBs, at the Intersection Between Entrepreneurship and Gender

5.1. The entrepreneurs and their enterprises

5.1.1. Characteristics of Women Entrepreneurs Leading SGBs

When asked about the characteristics of women entrepreneurs in comparison with men entrepreneurs, major themes coming from NGO practitioners/capacity developers included the following: “women are more collaborative and better team players”, “they are more responsible, reliable and committed”, “they are better managers, careful with the money”, “they reinvest in their families and communities”, “they are innovative” (see Figure 1). Some NGO/capacity development practitioners reported that women had low self-esteem while others indicated that women in their programs had high self-esteem, especially when they worked in groups or after they attained leadership positions. None of these respondents saw women entrepreneurs as risk averse compared to men. Other major themes identified by a significant percentage of NGOs/capacity developers was that “women entrepreneurs suffer from time poverty” and typically “have less financial literacy”. 

Toby Adamson / Oxfam • Haiti
With regards to impact investors, common themes reported include perception of women entrepreneurs as more “risk averse” and “less self-confident” (see Figure 4). Some impact investors related women's low levels of self-confidence to their low level of risk taking, and commented that this affected the size or potential of women businesses. One impact investor observed: “…because they are less self-confident, women create less ambitious business plans”. These themes are, in fact supported by the literature reviewed for this study. Indeed, scholars tend to agree with the view that compared to their male counterparts, female business owners have lower self-esteem (Verheul & Thurik, 2001); perceive themselves as less financially competent than men (Chaganti, 1986); and are less prone to risk taking (Watson, 2006). According to some scholars, this “risk aversion” may help explain the lower demand for bank loans and the restricted investment observed in women owned business ventures (Watson & Robinson, 2003; Watson, 2006). Other scholars, however, see no difference between female and male entrepreneurs in risk-taking propensity (see e.g., Bardasi et al., 2011).

Figure 4. Characteristics of female entrepreneurs in comparison with male entrepreneurs: Themes emerged from interviews with Impact investors and NGO/Capacity developers

In general, the views of NGO/capacity development practitioners’ are aligned with the perceptions of the women in the study. Women from the study countries see themselves as self-confident and risk-takers. For example, a woman from Haiti said “I don’t know if we have more self-esteem than men but we do have a lot of self-esteem and we believe in ourselves a lot”. Another woman from Haiti added “we always take risks because we are not scared to fail”. Women from Colombia defined themselves as “berracas” which means brave and courageous. Furthermore, women from Guatemala indicated that trust in themselves allowed them to overcome criticism and to be successful in their enterprises. They also added that their risk taking attitude is evident in their commitment to their enterprises regardless of obstacles such as lack of financial resources.
and support from their husbands and families. This view was also observed among indigenous women from Colombia who noted that women were generally shy before entering businesses but are now taking more risks. However, when compared to men, the indigenous women noted that men tend to be bigger risk takers.

Women from the study countries also perceived themselves as “good managers and organizers”. They claimed that this skill is a result of managing tight household budgets and navigating time constraints. Indeed, a woman from Haiti observed: “we are used to managing the household, the kids and everything else with only 24 hours. If we had 48 hours we would do wonders in this world.”

Persistence, resourcefulness and capacity to recover from crises were among other common themes emerging from the focus groups in relation to women’s resilience in the face of adversity. Women in Guatemala constantly used the word “fight” to describe the difficult path they had to walk in order to maintain their businesses and show that they were capable. Another theme that came out of the focus groups was the pride associated with ability to overcome barriers and capacity to provide for one’s family. Further, there was agreement with respect to motivation; with their main motivation being improving the wellbeing of their families.

5.1.2. Characteristics of Women-Led Enterprises

**Box 1. Characteristics of women-led enterprises**

- Small number of employees
- Well organized internally
- With needs of capital to grow business
- Informal businesses
- Operate through associative groups
- Sectors in which they work: agriculture, food processing, textiles and handcrafts

**Business Size**
Impact investors and NGOs/capacity developers reported that women-led businesses tended to be small. This observation, in fact, aligns with the literature reviewed (Bardasi et al., 2011; Bruhn & Love, 2011; Carter & Rosa, 1998; OECD, 1998; Stigter, 1999; IFC, 2011). In Colombia, women recognized the fact that their businesses were smaller than men’s, making it difficult for them to compete without the advantages of economies of scale. Women from Haiti, on the other hand, indicated that they perceived no difference between women-led enterprises and businesses led by men with respect to size, number of employees and/or revenue.

**Internal Structure and Performance**
Regarding internal organization and businesses performance, a common theme from NGOs/capacity developers was that women-led businesses tended to be well organized. This was supported by evidence from the focus groups – the women interviewed indicated that they were good managers of their businesses. Moreover, an impact investor observed that “the returns are higher when women are part of the decision making team”, providing further support for the women’s management capabilities. Support from the literature, regarding this theme is mixed. Although some studies found evidence of women’s underperformance, others show no difference between the productivity of male and female businesses (Bardasi et al. 2011).

**Capital Need**
Actors interviewed commented on the need for capital to support the growth of women-led enterprises. Impact investors and NGOs/capacity developers felt that women and men led businesses are not particularly different in their need for capital and support for growth. The majority of women entrepreneurs attending the focus groups located their capital need in the range 5,000- 50,000USD. This topic is further explored in section 5.2.1.
Legal Status
Another observation made was that the women in our study were clustered in informal businesses or enterprises with no legal recognition or registration. For example, in Guatemala, more than half of the women interviewed worked in informal businesses. This number was more than 65% in Colombia and over 70% in Haiti. This observation is in line with the literature reviewed which state that women are more likely than men to work in the informal economy (World Bank, 2011b).

Participation in Associations
A high percentage of women in the study reported working within bigger associations. For instance, more than 60% of the participants attending the focus groups in Colombia were members of associations with leadership position within them. However, associations are not seen as attractive investment vehicles. According to an impact investor interviewed “the association as a legal structure is not very attractive to the financial sector. Most of the banks and the investment/finance industry don’t feel comfortable giving a loan to an association of producers because the association is considered a conglomeration of small institutions”.

Sectors in Which They Work
In line with the literature reviewed, women in the study sample tend to be located in sectors traditionally associated with women (Bardasi, Sabarwal & Terrell, 2011). Indeed, the majority of women in the three countries reported working in agriculture/food processing (57%), and textiles/handcrafts (37%). It’s important to note that in the case of Haiti, food processing is considered an agricultural activity. Hence, although most participants from Haiti reported working in the agricultural sector, none of them were farmers or land workers.

With respect to investment, most investors (about 70%) expressed preference in investing in agriculture and food sectors, sectors which are commonly identified with women. In the words of an impact investor “these two sectors are the engines for the growth of human population.”

5.2. Barriers and Support Systems

5.2.1. Barriers

At the intersection between business barriers and gender-based discrimination
Extensive literature exists with respect to barriers women entrepreneurs face in growing their businesses. We focus particularly on barriers/constraints identified by the actors interviewed. Many of the barriers reported relate to the intersection between business barriers and discriminatory gender practices. Specifically, among the themes emerging from interviews with NGOs/capacity development practitioners were chauvinistic cultural norms, time constraints women face from managing multiple roles, women’s inadequate access to lands/assets/collateral, women’s unequal access to business education and financial information as well as women’s inadequate access to financial services (See Figure Four).

Impact investors expressed similar sentiments with regards to chauvinistic culture and time constraints as being among the primary barriers faced by women entrepreneurs. These actors also identified women’s lack of access to credit as another barrier. They also observed that women entrepreneurs tended to have limited access to financial and business education, information and networks (See Figure 5).
Similar views were expressed by the women entrepreneurs interviewed. Particularly, they perceived lack of access to credit, difficulties to commercialize their products and gender-based discrimination as barriers to growing their businesses. On the commercialization side, lack of information on market prices, marketing strategies and distribution channels were the most common topics. As noted, in general, these themes seemed to be supported by evidence from the literature reviewed. Indeed, scholars point to the fact that securing a bank loan is more difficult for women than for men (Brush, 2001; Carter et al, 2003 cited in Watson, 2006; FA0, 2011; Murayev, 2009). In Latin America about 36 to 44% of women owned SMEs were likely to report this as a constraint compared to 20 to 25% of male owned SMEs (IFC, 2011).

Underinvestment- Exploration of the Missing Middle

“If you go to a bank as a woman, they do not consider your request seriously, or they direct you towards a micro credit institution when what you really need is a $20,000 USD loan”. *Women attending a focus group in Haiti.*
The research explored the range of 5,000-50,000USD which corresponds to the lower level of the missing middle. Mixed reactions were observed with respect to whether or not the practitioners interviewed perceived this range as corresponding to the most missing of the missing middle for SGBs in LAC. Vague answers provided by capacity developers and NGO practitioners indicated a possible lack of information on this topic. More specifically, actors interviewed noted that definitions of the most missing of the missing middle may be determined by a number of factors including investment needs (capital, equipment), stages of the SGB (start-up vs advance stages), and sector in which the SGB operates. Conversely, impact investors confirmed they typically do not cover this range as the focus of their effort/attention was investing larger amounts of money. Investors also noted that this range represented a big risk, as it takes the same amount of time and due diligence costs to do a small deal as it does a larger deal and often the returns from the smaller deals don’t outweigh these upfront expenses. From their perspective, not much could be done within the suggested capital range.

Although women entrepreneurs were asked about their financial needs without suggesting any capital range, their answers were found to be directly related to the missing middle explored in this research. Indeed, most of their responses are located within the range 5,000-50,000USD. Entrepreneurs responded to the question using their own currencies in Guatemala (Quetzals) and Colombia (Colombian pesos), and in US dollars in Haiti (Appendix 4 presents responses from the focus groups on this question by country).

Overall, the entrepreneurs reported that they have problems accessing loans. Reasons attributed to this consisted of: unfair treatment of women by financial institutions, high interest rates of loans, lack of collateral and scarcity of credit models adapted to their needs and capabilities. One woman said “If you go to a bank as a woman, they do not consider your request seriously, or they direct you towards a micro credit institution when what you really need is a $20,000 USD loan”. Another entrepreneur described her loan request was denied and that later on was approved for her male counterpart presenting the same documentation. Women from Colombia also reported that a bank that works directly with women offered loans with interest rates that were even higher than traditional loan programs. This is in line with the literature which indicates that, in general, female-managed firms are required to pay higher interest rates than those of their male counterparts (Aidis et al., 2007; Muravyev et al., 2009). The patterns of gender bias observed in this study from financial institutions are consistent with results from previous research (see e.g. Cimadevilla, 2004).

Lack of Support from the State
Another common barrier expressed by women in Guatemala and Colombia was the lack of governmental support. A woman in Guatemala observed, “Women that are not working are receiving support from the state while women entrepreneurs are not receiving any kind of help”. In addition, bureaucracy, high taxes and corruption in the delivery of programs were mentioned in relation to constraints faced by women. Respondents from Haiti and Colombia reported that inadequate public infrastructure hampered their business efforts. Specifically, women from Haiti indicated electricity shortages as problematic while women from Colombia expressed frustration at the lack of a good road system to facilitate commercialization of their products.

5.2.2. Capacity Development Services as a Key Support System

Underinvestment- Exploration of the Missing Middle

“Initially, I did not receive support from my husband and neither from my family. I have had to overcome barriers on my own and capacity development services have been of great help to achieve so.” Woman attending a focus group in Guatemala.

Capacity development services may be seen as a key support system to increase women entrepreneurs’ skills and literacy levels. Common answers from the experts interviewed in regard to services provided included trainings, workshops and mentoring programs. Service areas covered were indicated as business skills, leadership and women’s rights.

While impact investors indicated focusing their capacity development programs in areas such as design and implementation of business plans, women entrepreneurs from the study countries felt this was an area in which they needed more support.
Other areas that women entrepreneurs felt required more attention consisted of management, accounting, contractual processes, and marketing (See Figure 6). Respondents from Colombia and Guatemala identified commercialization as a bottleneck. They indicated competitive prices, access to value chains and identification of buyers and channels as major problems in terms of commercialization. Additionally, the women in the study expressed interest in training in the use of technologies such as the internet, computers, and tablets. They added that they had little or no knowledge on how to interact with tools like mobile banking, although these may be useful for the development of their businesses. This sentiment is expressed in observations made by the women, e.g.: “I only know how to work in Word and would love to learn more”. In fact, most women in this study know of the existence of mobile banking services but just a small percentage knows how they work and has used them. This observation is in-line with evidence from the literature suggesting that technology may be an important element for the sustainability and growth of women-led enterprises (Cherie Blair Foundation for Women, 2012).

Even though investors and capacity developers recognized the importance of tailoring their capacity development programs, women that attended the focus groups in Guatemala and Colombia pointed out the fact that the training received, for the most part, is not tailored to their needs and characteristics in terms of level of literacy and/or languages spoken.

The length of capacity development programs varies between regions and actors. However, entrepreneurs who attended the focus groups expressed desire for long-term programs in which they could understand their enterprises from a systemic perspective instead of learning from fragmented short-term modules. Likewise, entrepreneurs expressed preference for practical learning that allowed them to apply lessons learned. With respects to mode of instruction, mentorship and peer learning were indicated as desirable.

Conflicting points were reported with regards the selection of capacity development services. On one hand, experts interviewed felt most of their programs allowed women entrepreneurs to define their needs in order to tailor their capacity development services to these; on the other hand, women entrepreneurs indicated that they often did not have enough information on organizations that would support their learning needs. This observation is noteworthy and suggests a gap in information between service providers and potential clients.
5.3. Evaluating Impact
Benefits, Risks and Ways in Which it is Measured

5.3.1. Benefits of Women Entrepreneurship

"A woman who is empowered through knowledge and economic opportunity generates prosperity for her family and her society. Women are better managing and controlling money consequently adding value to the people surrounding them." Women attending a focus group in Colombia.

Benefits of women’s economic empowerment are organized in table one. The most common theme mentioned by NGO/capacity developers when asked about the positive effects of women entrepreneurship was the empowerment women gained at the household and community levels (mentioned by 30% of NGO respondents). Some of the comments included: “Women gained more power in the dynamics of their households”, “there are changes in the power systems in the community” and “women start having a voice and being heard in associations”. These effects are aligned with the literature reviewed which connects ownership of businesses with possible changes in power dynamics in various domains including the family, the marketplace and the community or society at large (Kapitsa, 2008). These observations are further underscored by the Food and Agriculture Organization report (FAO, 2011, p. 43) arguing that “control over income gives women stronger bargaining position over economic decisions regarding consumption, investment and production.”

With respect to the women in the study, another common theme reported in relation to ownership of their own business was increased independence and autonomy. A woman from Haiti commented on her acquired independence: “men respect you more because you have your own money and you don’t depend on them. You don’t need to ask them every time you need something”.

Women in the focus groups also reported changes in power dynamics. They observed an increase in respect and support by members of their families and communities. Women from Haiti, for example, noted that their involvement in business brought them respect and enhanced their reputation in their community. Indeed, they mentioned that certain business women were held in high esteem and that people from their communities even entrusted them with their personal savings as they would a bank. They also commented that community leaders such as priests and pastors came to these women for advice. Women from Guatemala highlighted the fact that they perceived increased support from their husbands and family members and a higher awareness of women’s rights among men in their community. They said, “Now men understand that women have rights”, “this has made it easier for me to get permission from my husband to have my own business”. Women from Colombia also reported more support from their husbands once they realized that their wives were contributing to the wellbeing of the household.

Moreover, benefits of women entrepreneurship at the level of the community were indicated by women in the focus groups. More specifically, they reported that entrepreneurship provided them with jobs (women from Guatemala and Colombia emphasized “decent jobs”). Women from Guatemala highlighted the fact that by offering them job opportunities, entrepreneurship reduces the likelihood of women migration to big cities and the United States. Women from Haiti felt that entrepreneurship allowed them to contribute to the economy through job creation and to the environment through environmental sensitive choices (e.g., using gas instead of coal at their bakeries). They also felt that they were contributing to society by serving as positive role models. These observations are in line with the literature reviewed which suggests that women entrepreneurs contribute to national economies, even though their contributions are not well documented in official statistics (FAO, 2011, Campillo, 2003).
Additional benefits were reported by both women entrepreneurs and NGO/capacity developers. These consisted of growth in self-esteem and sense of empowerment. In the words of a woman from Haiti, “You feel as if you are growing and you gain self-confidence”. Women from Guatemala echoed this sentiment and commented, “…most women in this association do not have high literacy levels, but that does not mean that women are not capable of working”. An NGOs/capacity developer practitioner commented on the changes in attitudes women experience through their programs: “If you compare the first time that they come to the meetings to their attitudes 6 months later, you could think they are different people. They have accomplished something that they thought they would never be able to achieve. From subsistence to microenterprises, there is a huge change. They start dreaming and they start to achieve their dreams”. Another practitioner said, “Women are more self-confident. Now they believe they are capable”. According to UNIFEM developing a sense of self-worth, a belief in ones’ ability to create desired changes and the right to control one’s life are important elements of women’s empowerment (Cheston & Kuhn, 2002).

Another theme emerging from NGO/capacity development practitioners with respect to benefits of women economic empowerment were positive familial effects such as: improved living conditions and investments in children’s education. Similar sentiments were expressed by women in the focus groups. These themes are in fact, supported by evidence from the literature reviewed. For example, a FAO (2011, p. 43) report states that “when women have more influence over economic decisions, their families allocate more income to food, health, education, children’s clothing and children’s nutrition”.

### Table 2: Benefits of women economic empowerment reported by the actors interviewed

<table>
<thead>
<tr>
<th>To the women</th>
<th>To the families</th>
<th>To the community</th>
</tr>
</thead>
<tbody>
<tr>
<td>Empowerment at the household level</td>
<td>Improved living conditions</td>
<td>Job creation</td>
</tr>
<tr>
<td>Empowerment at the community level- “women start having a voice” “women’s rights are recognized”</td>
<td></td>
<td>Less migration of women to cities and the US</td>
</tr>
<tr>
<td>Growth in self esteem</td>
<td>More investments in children’s education, food and health</td>
<td>Positive contributions to the environment</td>
</tr>
<tr>
<td>Growth in independence/autonomy</td>
<td></td>
<td>Role modeling</td>
</tr>
<tr>
<td>More respect from men</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Box 2. Risks Related to Women’s Entrepreneurial Activity

- Gender-based violence
- Marital conflict
- Increase false testimonies at community level
- Difficulty achieving a work-life balance

With respect to possible risks related to women’s economic empowerment, NGOs/capacity development practitioners indicated a number of risks with gender-based violence or marital conflict being the most commonly mentioned. These risks are in line with the literature reviewed (see e.g., Kabeer, 2007). Kabeer (2007) notes that the balance of power in marital relationships relies on female dependence; therefore, when women gain economic independence they are likely to encounter resistance from their partners. This resistance can take many forms, including gender based violence.

An NGO practitioner observed, “Husbands get angry because women are not in the house accomplishing their domestic duties”. Another commented, “The fact of leaving their homes and their traditional tasks is risky. This leaves women at high risk of violence. People say that women leave their homes because they have love affairs. This generates fear in women, and they stop participating in the programs.” Although many NGO practitioners acknowledge this possible risk, only one reported having programs to mitigate gender-based violence. This practitioner explained: “one of the things we do is try to talk to the woman and if possible talk to the husband and explain to him why we would like to have a meeting with her and that he is very welcome to our meetings too. We try to let the husband see that the meetings that we have are to improve the lives or the living conditions of the families”. Another respondent noted, “We don’t have programs to prevent violence but we are working on that. We are developing tools that will allow us to be more aware of what is going on with women in their households. Women do not complain, when we ask them they always say that they are fine… but we know that is not always the case”.

Women in the focus groups did not say much in relation to risks/negative effects associated with the economic empowerment of women entrepreneurs; they focused more on the positive effects of their economic empowerment. However, a negative effect agreed on by all women in the focus groups was the difficulty involved in achieving a work-life balance and the constraints they faced while working for both the family and their business. The academic literature also demonstrates this fact. For example, Kabeer (2007) argues that although women contribute to family income through ownership of their enterprises, men are reluctant to contribute to household duties. Hence, women end up facing the double burden of working in both the productive and the reproductive spheres. Entrepreneurs who attended the focus groups described further negative stereotypes associated with women economic empowerment. Women from Guatemala, for example, mentioned “gossip and false testimonies” about them. Women from Colombia expressed fear that their husbands could leave them, forcing them, in some cases, to give up on their enterprises. They also mentioned the possibility of men wanting to boycott women’s initiatives. In contrast, women from Haiti did not report any risk associated with economic empowerment. In fact, some of them stated that “only positive things can come out of it for their families and communities.”

5.3.3. Measuring Impact - Metrics

Box 3. Ways in Which Impact is Measured

Common indicators:
- Sales, job creation and profits.
- Improved welfare of employees (wage increase, provision of health care, education funds, social services).
- Dollars accrued to the community per dollar invested.
How to capture the impact of investing in or otherwise supporting women SGBs? In the study, we identified metrics being used by impact investors, NGOs and capacity development providers. We highlight these along with lessons learned from women entrepreneurs in the focus groups. About half of NGO practitioners/capacity developers reported having some form of outcome measurement in place. The most common indicators are sales, job creation and profits. A respondent from an NGO focusing on networking activity stated that they measured the number of connections each business achieved through their programs and that effort was undergoing to link the number of connections with growth in revenues and employees. Two NGO/capacity developers mentioned efforts to disaggregate indicators by gender.

With regards to Impact investors, the focus was on financial and social returns expected from their investments. Common themes emerging with respect to impact include the following: increased income for the entrepreneur, employment generation, improved welfare of employees (wage increase, provision of health care, education funds, fair treatment and social services), women’s empowerment (women as board members, women as employees and services to women), positive impacts on the value chain (producers, suppliers and consumers), community as well as environmental impacts. Additional impacts measured were: growth rate, financial returns, and dollars accrued to the community per dollar invested.

To supplement the data on desired impacts, women entrepreneurs were asked about their initial motivations for starting a business as well as their expectations. Regarding their initial motivations, two common responses? (I’m not sure how gaining independence and autonomy are 2 themes. Either they are two separate responses or one common theme) reported by women entrepreneurs were: “gaining independence and autonomy”. Women from Guatemala and Colombia indicated a desire to generate income to improve the living conditions of their families as another motivation. Women from Haiti highlighted their desire to contribute to their communities as a motivating factor. Regarding their expectations, a common theme was desire to grow and improve their businesses. Improvement was understood as formalizing their businesses, moving their businesses to places with potential to attract more clients, obtaining better equipment, improving product quality, increasing sales and the number of employees.

5.4. What Can Key Actors Do To Contribute to Women Entrepreneurship Initiatives?

In the course of the research, impact investors, capacity developers, state officials and women entrepreneurs presented various recommendations for the success of women-led enterprises. These recommendations addressed challenges that hinder the creation of a sustainable environment of growth for women led businesses. Table 3 summarizes the suggested actions that state, capacity developers and financial institutions should play to improve programs design, decrease information gaps and facilitate a growth environment. Table 4 outlines cross cutting recommended actions for the ecosystem actors.
### Table 3. Suggested Actions per Ecosystem Actor

<table>
<thead>
<tr>
<th>Program Design</th>
<th>Information Gap</th>
<th>Facilitation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>State / Government</strong></td>
<td><strong>NGOs / Capacity Developers / Academia</strong></td>
<td><strong>Investors / Financial Institutions</strong></td>
</tr>
<tr>
<td>Create innovative, gender sensitive programs to overcome barriers of SGBs led by women such as lack of collateral and support for start-up stages.</td>
<td>Promote knowledge about market dynamics. For instance, how to identify market opportunities and how to develop effective strategies to have access to markets.</td>
<td>Adapt financial products in a creative way so that these fit the needs of women entrepreneurs. For instance, include grace periods.</td>
</tr>
<tr>
<td>Put in place inclusive policies so that discriminatory practices are abolished from state-owned programs and financial institutions. Ensure the enforcement of such policies.</td>
<td>Advocate for inclusive public policies aiming to support women-led SGBs.</td>
<td>Change strategies towards investing in start-up companies - focusing more on industries that are not capital intensive.</td>
</tr>
<tr>
<td>Promote incentives to increase registration and sustainability of women-led SGBs, e.g., simplification of registration processes, creation of subsidies, tax reduction.</td>
<td>Increase the scope of programs so more women entrepreneurs benefit from capacity development programs.</td>
<td>Partner with local organizations to better understand the context of women entrepreneurs in order to better isolate the business need and new product potential. This can help to maximize the return of the investment to be provided.</td>
</tr>
<tr>
<td>Work in collaboration with local financial institutions providing incentives to reach SGBs of women, especially those located in remote areas.</td>
<td>Partner with NGOs/capacity developers to create effective mechanisms to increase awareness of state programs among women entrepreneurs. This would maximize program success.</td>
<td>Partner with local organizations to better understand the context of women entrepreneurs in order to better isolate the business need and new product potential. This can help to maximize the return of the investment to be provided.</td>
</tr>
<tr>
<td>Create communication channels within government entities to articulate state programs.</td>
<td>Sponsor research on women-led SGBs to support the design of programs.</td>
<td>Encourage the state to support research on women-led SGBs. Knowledge from such research could guide/support programming decisions.</td>
</tr>
<tr>
<td><strong>Investors / Financial Institutions</strong></td>
<td><strong>NGOs / Capacity Developers / Academia</strong></td>
<td><strong>State / Government</strong></td>
</tr>
<tr>
<td>Adapt financial products in a creative way so that these fit the needs of women entrepreneurs. For instance, include grace periods.</td>
<td>Facilitate business conferences at regional, national and international level to enable networking between entrepreneurs and investors.</td>
<td>Collect disaggregated data on women-led SGBs and their contribution to the economy and include these in national statistics.</td>
</tr>
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<td>Change strategies towards investing in start-up companies - focusing more on industries that are not capital intensive.</td>
<td>Collect disaggregated data on women-led SGBs and their contribution to the economy and include these in national statistics.</td>
<td>Promote spaces in which women can create new networks, strength existing ones and share knowledge.</td>
</tr>
<tr>
<td>Partner with local organizations to better understand the context of women entrepreneurs in order to better isolate the business need and new product potential. This can help to maximize the return of the investment to be provided.</td>
<td>Foster comparative research between women and men in obtaining financing to highlight discriminatory practices.</td>
<td>Promote spaces in which women can create new networks, strength existing ones and share knowledge.</td>
</tr>
<tr>
<td>Collect disaggregated data on women-led SGBs and their contribution to the economy and include these in national statistics.</td>
<td>Create awareness on benefits and market potential of investing in women.</td>
<td>Invest in training opportunities for women entrepreneurs so as a way to enhance the use of financial resources provided.</td>
</tr>
<tr>
<td><strong>State / Government</strong></td>
<td><strong>NGOs / Capacity Developers / Academia</strong></td>
<td><strong>Investors / Financial Institutions</strong></td>
</tr>
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</table>
### Table Five –Cross Cutting Recommended Actions for Ecosystem Actor

<table>
<thead>
<tr>
<th>Public Sector, Capacity Developers and Investors</th>
<th>Cross Cutting Recommendations</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Reinforce networks between state, impact investors and capacity developers to consolidate knowledge networks to support women-led SGBs.</td>
</tr>
<tr>
<td></td>
<td>Create mechanisms to monitor the effectiveness of programs. This information would help to take informed and timely actions.</td>
</tr>
<tr>
<td></td>
<td>Be aware of the potential negative effects of women’s empowerment and bring in experts to assess and mitigate these risks.</td>
</tr>
<tr>
<td></td>
<td>Promote the use of context-oriented technologies including online tools to facilitate entrepreneurs’ access to information and operation of their businesses.</td>
</tr>
<tr>
<td></td>
<td>Include responses to shocks in order to decrease vulnerabilities and assure sustainability of programs.</td>
</tr>
</tbody>
</table>
6. Discussion and Recommendations

This section presents recommendations for program and policy designed to support women-led businesses, based on key findings from this research project.

- **The need for programs and policies that aim to support women-led businesses to take into account the different barriers that women entrepreneurs face.**

Women in the focus groups expressed strong aspirations to grow and to formalize their businesses but cited different barriers that hinder their intentions. Primary among these are: time constraints resulting from managing multiple roles in the business and household, chauvinistic cultural norms, inadequate access to land/assets/collateral and credit, unequal access to financial education and information as well as unequal access to networks. Effort could go into making programs and policies reflective of the realities of women. Attention could focus on addressing challenges at multiple levels including the household, community and national. At the level of the household, emphasis could be on achieving a fairer division of household responsibilities and more understanding and support for women entrepreneurs; at the community level, focus could be on addressing gender stereotypes and discrimination that contribute to the exclusion of women from networks and community resources; at the national/policy level attention could be on mechanisms to facilitate better access to different resources such as credit, land and other productive resources.

The different actors in the ecosystem of women-led SGBs – including NGOs, capacity developers, local and national governments, the financial community and other community organizations – may need to coordinate their efforts and combine their expertise to provide an integral support to women entrepreneurs taking into account all the different barriers women face.

- **The need for financial institutions to develop specialized financial services tailored to the needs and capacities of women so as to increase women entrepreneurs’ access to credit.**

Women in the focus groups cited inadequate access to credit as a major barrier to growing their businesses. This was also confirmed by the other actors interviewed. Indeed, women in the focus groups lamented that gender discrimination by financial institutions as well as the lack of financial services adapted to their needs and realities were primary obstacles. On the other side, women entrepreneurs were perceived by impact investors as lacking financial skills. These observations suggest the need for NGO/Capacity developers to work with women to better prepare them to navigate the demands of financial institutions. NGO/Capacity developers may also be required to play the role of broker, underscoring the value of women entrepreneurs to the ecosystem. On the other hand, financial institutions may need to tailor their products to the needs of women entrepreneurs. A starting point might be a better understanding of the SGB sector in terms of both its needs and potential returns.

- **The need for Governments to better support/facilitate the formalization/registration requirements for women-led SGBs.**

Our study shows that women-led-SGBs tend to be informal, small in terms of number of employees, with investment capital needs located in the lower end of the missing middle. Although they might be competing in sectors, like agriculture and food, in which investors interviewed see great potential, their smaller size and informality might make them appear less attractive and more risky. Women in the focus groups saw the benefits of formalization but observed that registration processes are long and expensive, restricting their ability to formalize. Effort is needed to remedy this situation. NGO/Capacity developers could consider supporting advocacy efforts to bring this situation to light. Indeed, greater involvement by governments may be needed in this area. For example, governments could support programs addressing the barriers women experience in formalizing their businesses. Alongside this, attention could go into designing simpler and more accessible formalization requirements.

- **The need for flexibility by financial institutions in dealing with associations: Change in perception of associations – they are much more than the sum of small individual businesses.**
In order to scale-up, many of the women interviewed had joined associations. These, however, face similar credit constraints. According to study findings, the legal structure of associations is not always recognized by the financial sector, which views them as a conglomeration of small individual businesses. This point underscores the need for programs and policies supporting women-led businesses to work towards connecting/linking associations to the financial sector. The financial sector may need to adopt a more favorable attitude towards associations; they may have more potential than they are given credit for.

- **The need for increased communication between women entrepreneurs and the financial community to facilitate better understanding and correct possible misperceptions.**

This study found that many of the positive characteristics of women entrepreneurs highlighted by NGO/capacity developers working in close contact with them were not reported by impact investors. While NGO/capacity developers saw women entrepreneurs as responsible, reliable, better payers and committed, impact investors did not associate these qualities with women entrepreneurs. This result suggests the need to provide investors with adequate information on the positive traits of women entrepreneurs, to facilitate informed decision making.

Directly related to the above, is the need for further research to help explain the observed differences in perceptions among the three actors: women entrepreneurs, capacity developers and the financial community. For example, impact investors’ perception of women entrepreneurs as risk averse may be explained by the fact that women tend to borrow less because they perceive existing financial products as not reflective of their needs and capacities. As noted, this observation may need further investigation.

We further propose increased networking and communication among these actors to facilitate knowledge sharing. Capacity developers are better positioned to play a role in bridging the knowledge gap; they work with women and have knowledge of women’s characteristics and realities. Academia can also contribute through research documenting the characteristics of female entrepreneurs and cases of success.

- **The need to make capacity development and training programs to support women-led enterprise growth more relevant to the special needs and preferences of women.**

This study indicates that women entrepreneurs are eager to learn and improve their skills. The challenge is to provide long-term programs that meet the needs and learning styles of women so as to effectively accompany their growth. The need to accompany business-oriented and technical trainings with a practical component in which lessons can be applied to their enterprises was highlighted by the women. The context in which women operate as well as their level of literacy could also be taken into consideration.

- **The need for programs and policies supporting women-led SGBs to be attentive to possible risks of women’s economic empowerment.**

Women’s entrepreneurship has the potential of challenging hierarchical gender models, provoking the resistance of men in the families and communities as well as of other women. Gender based violence and marital dissolution may be some of the unintended effects of entrepreneurship for women, although evidence of this is not widespread. This topic is of particular concern to Oxfam and partners in the region. Programs could consider educating women of these possible effects. They could also put in place mechanisms to help women navigate such challenges. Women in our study, for example, cited the importance of involving men in programs they are engaged in as a way of including their spouses in their activities as well as raising awareness of the women’s undertakings. Another suggestion made was provision of psychological support to spouses as they transition the processes of change. The women also discussed the need for education to promote a comprehensive understanding of gender roles and hierarchies. This could be delivered by community-based institutions and schools.

It is important to note that women in our study did not report gender-based violence as a result of their economic empowerment. It could be that the gender-based violence issue is not widely experienced by women in the programs reviewed. It could
also be that, for the women in our focus groups, the issue may have been too personal to be discussed in the context of a focus group. This observation points to the need for programs working with women to devote attention to exploring this result further. Indeed, failure to disclose gender-based violence may be attributed to a woman’s perception of her environment – safe/unsafe – as well as resources available to support the disclosure. Hence, we recommend developing referral relationships with gender based violence experts and taking steps to notify women of these resources.

**The need to promote women’s economic empowerment because it is beneficial for women, families and communities.**

Our study found that women entrepreneurs saw more positive than negative effects of their economic empowerment, improving not only their own conditions but also the living conditions of their families and development of the communities in which they operate. The positive effects of women’s economic empowerment should be communicated to encourage impact investors and other actors to support women led SGBs.

In conclusion, this research project set out to explore challenges related to underinvestment in women-led small and growing businesses (SGBs) in the 5,000-50,000USD investment range in the Latin America and the Caribbean Region. Results of this study have shed light on the complexity of women entrepreneurship and on the need for programs and policies tailored to address challenges experience by women entrepreneurs. A number of inferences, including the need for networking and coordination among the main actors in the ecosystem within which women entrepreneurs are located (NGO/capacity developers, financial institutions, the government, community institutions and families) are underscored. Lessons learned from this study have the potential to inform the design and development of investment funds and support programs directed by sponsor organizations. Further, these results have potential to guide policy and programming decisions as they relate to women in SGBs.
Appendix 1: Areas Explored in Phase I: Systematic Review of Literature

This section outlines the premises of the literature review:

• Conceptual definition of women-led enterprises
• Characteristics of women entrepreneurs
• Nature and scope of women-led enterprises
• Links to gender justice and social impact
• Welfare impacts/effects of women-led enterprise
• Contributions of women to the economy
• The external environment of women-led enterprises
• Sectors in which women’s enterprise and entrepreneurs are located
• The competitive environment in which women’s enterprises exist
• The missing middle and the problems of underinvestment
• Exploration of key actors
• Services provided by key actors vs. societal, policy, and technological constraints that women-led enterprises face
• Scoping of existing approaches in women investment
• Impact investment
• Existing and required technical assistance
• The ecosystem approach and investment
• Impact assessment
• Innovations, successful and unsuccessful models in financial services delivery
Appendix 2: Overview of Study Premises for Phase II: Interviews with Experts

Semi-structured interviews were conducted with impact investors, NGO practitioners and participants from academia. The questionnaires were tailored to each study group and contained questions on all research themes including:

- Factors associated with underinvestment in women led enterprise
- Exploration of the market gap – whether or not 5,000-50,000 USD is the ‘most missing of the missing middle’
- Characteristics of women led SGBs and of women entrepreneurs
- Understand actors focusing on this capital range (5,000-50,000 USD)
- Examine existing models that provide finance services to women’s enterprise and entrepreneur
- Exploration of innovative and successful models in financial services delivery
- Examination of forms of technical assistance currently offered to women’s enterprise or entrepreneur
- Examination of the effectiveness of collaborative solutions such as the ecosystem approach, value chains and multi-stakeholder approaches
- Exploration of the role of investment & technical assistance in influencing the psychosocial wellbeing of women
- Exploration of whether or not a link exists between economic empowerment of women and gender-based violence.

The data collection instrument consisted of 24-26 questions and was translated into Spanish, by members of the research team, to accommodate the needs of Spanish speakers; ensuring that language was not a barrier. Interviews were conducted either in English or in Spanish according to the preference of the interviewee.

Interviews took a maximum of one hour to complete and were conducted mostly by phone or Skype although in some cases interviewees could send their answers by email. The research team recorded the interviews (with permission from the respondents) and took hand notes. Upon completion of all interviews, information obtained was transcribed and organized in summaries using grounded theory as the organizing framework.
Appendix 3: Phase III Study Parameters: Focus Groups

Focus group questions were developed that covered the following areas:

- Characteristics of women led SGBs and of women entrepreneurs, in comparison with male counterparts.
- Sectors in which women led businesses work.
- Women expectations for their businesses, when they started and currently.
- Barriers that women face to start or grow their businesses.
- Perceptions of themselves as women entrepreneurs and feelings towards being entrepreneurs (pride, satisfaction, stress, guilt, etc.)
- Access to financial services. Availability and constraints.
- Positive and negative effects of women economic empowerment. Links between economic empowerment of women and gender-based violence.
- Strategies women adopt to gain support from their male partners and community.
- Self-reported needs for technical assistance.
- Recommendations of the women to different actors in their ecosystem.
Appendix 4: Phase III - Financial needs of women entrepreneurs attending the focus groups

The following table illustrates the investment capital needs reported by women entrepreneurs attending the focus groups in Guatemala, Haiti and Colombia. It includes a brief description of the use they would give to the quantities reported.

<table>
<thead>
<tr>
<th>Country</th>
<th>Quantity ($ USD)</th>
<th>Destination</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guatemala</td>
<td>2,000</td>
<td>Materials (textiles)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>7,000</td>
<td>2 greenhouses</td>
<td></td>
</tr>
<tr>
<td></td>
<td>12,000</td>
<td>Working capital for the association</td>
<td></td>
</tr>
<tr>
<td></td>
<td>25,000</td>
<td>Warehouse (to store textile products) and seed capital for the association</td>
<td></td>
</tr>
<tr>
<td></td>
<td>25,000</td>
<td>A coffee shop to grow the bakery</td>
<td></td>
</tr>
<tr>
<td>Haiti</td>
<td>5,000 - 27,000</td>
<td>Mainly for equipment, also for working capital</td>
<td></td>
</tr>
<tr>
<td>Colombia</td>
<td>5,000</td>
<td>5 cows and grass of better quality</td>
<td></td>
</tr>
<tr>
<td></td>
<td>10,000</td>
<td>Infrastructure (upgrade production plant)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>10,000</td>
<td>Infrastructure and products registration (INVIMA)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>18,000</td>
<td>Working capital for the association</td>
<td></td>
</tr>
<tr>
<td></td>
<td>25,000</td>
<td>General needs to grow business</td>
<td></td>
</tr>
<tr>
<td></td>
<td>165,000</td>
<td>Infrastructure for the association (buy land and build a production plant)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>5,000</td>
<td>This amount represents the money that each member of the association may need</td>
<td></td>
</tr>
<tr>
<td></td>
<td>20,000</td>
<td>Infrastructure and registration processes</td>
<td></td>
</tr>
<tr>
<td></td>
<td>25,000</td>
<td>Infrastructure, registration and working capital</td>
<td></td>
</tr>
<tr>
<td></td>
<td>25,000</td>
<td>To upgrade production plant and adequate a sales point</td>
<td></td>
</tr>
<tr>
<td></td>
<td>25,000</td>
<td>To sell to whole foods (their payments take 90 days)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>35,000</td>
<td>Materials (improve plant with specialized tools)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>58,000</td>
<td>Infrastructure and registration processes</td>
<td></td>
</tr>
<tr>
<td></td>
<td>100,000</td>
<td>Working capital</td>
<td></td>
</tr>
<tr>
<td></td>
<td>100,000</td>
<td>For the association (coffee and other organic crops)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>150,000</td>
<td>Infrastructure, registration and working capital</td>
<td></td>
</tr>
</tbody>
</table>
References


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