

POLICY BRIEF

Women in Rural Businesses

Much focus is placed on promoting women led businesses in rural areas. Evidence shows, however, that the approaches to doing so need to be qualified. A true random sampled survey of 818 rural businesses registered and active in any of eight ENPARD municipalities¹ comprised 44% women-owned and run businesses. Regression analysis showed that, under otherwise equal circumstances (*ceteris paribus*), there are **no systematic differences between women and men when it comes to business performance** measured in the number of employees, employment growth, intentions to expand and a simplified business climate index (BCI) based on the highly regarded German IfO BCI.² The question arises why women led businesses nevertheless exhibit lower values in the indicated performance indicators (note: there are no statistically significant differences in employment- and capital-growth)?³

Educational attainment per se has no significant impact on business performance. But men with a bachelor's degree or higher have a better business performance than women with the same attainment, while not having a bachelor's degree does not influence the business performance for neither sex. This could allow the conclusion that, for whichever reasons, men more frequently study subjects that might facilitate improved business performance.

There are **no systematic differences in business performance depending upon the location of the business**: the share of male and female owned businesses operating at home, village and municipal level is statistically indistinct and women might only be slightly underrepresented in the small share (3%) of businesses operating outside their municipality.⁴

While the most important rural business sectors, trade and transport (accounting together for 67% of rural businesses), both have a negative impact on business performance, the trade sector, dominated by women, still performs slightly inferior to the transport sector, dominated by men. The only sector with a consistent positive impact on business performance is hotel and restaurants. **Sectoral bias thus explains some of the differences.**

The trade sector requires lower starting capital, but **women run businesses across all sectors start with a significantly lower capital endowment** than male run businesses. The amount of starting capital has however a significant positive impact on all performance indicators apart from the expansion plans:⁵ business capital obviously is a necessary but not sufficient condition for business performance. While not revealing the causes for the lower starting capital of women, the survey provides a hint: having the necessary financial resources was for significantly less women than men a reason to start a business.

Further regression results point at the possibility of a **systematic bias or unequal access to resources, perhaps additionally influenced by differences in social expectations regarding gender-specific role behavior and a resulting negative self-selection process**: There are statistically significant differences in giving as reason to start a business "having the right skills", "having a good idea" and regarding the business activity as "a hobby", as well as seeing "success and recognition" as important motivators. All of these have a mostly positive impact on business performance and are mentioned significantly more frequently by men than women. Note that typical gender role

¹ Keda, Khulo, Dedoplistskaro, Lagodekhi, Kazbegi, Akhalkalaki, Borjomi and Tetrtskaro

² The IfO BCI is a leading monthly indicator for economic activity in Germany, prepared by the IfO Institute for Economic Research in Munich. It is based on two simple questions: 1) How do you assess your current business situation? (poor/satisfactory/good) and 2) How do you expect your business to develop in the next 6 months? (worse/unchanged/better). In fact, the explanatory variable "women" was consistently one of the first ones eliminated in the regression analysis.

³ Statistically significant differences in terms of current employment (1.4 vs. 2.6 employees)*, starting and current capital category (1.65 vs. 1.97 and 2.35 vs. 2.65, wherein category 1 comprises capital up to GEL 1,000 and category 2 capital up to 10,000)**. Women reveal a BCI of 17.2 and men of 21.1, wherein higher is better and wherein no clear statement can be made in terms of statistical significance of the difference between both values.

⁴ 1% vs. 4%, but the small number of respondents of this category result in a high margin of error.

⁵ Note that there appears to be a tendency that women run businesses do less frequently lose business capital than male run businesses, potentially reflecting a more cautious approach. However, the number of available data is too small to allow strong conclusions.

distribution prescribes women to run the more “bread and butter” type of businesses while men run riskier undertakings.⁶

The fact that older women run marginally more successful businesses than both, men and younger women, might reflect the independence gained by the more frequent female headed households in older age.

Experience and knowledge count: A family member in business and own previous business experience do both positively influence business performance but are dwarfed by the positive impact of having received business management training.

In conclusion: A programme aiming at promoting women in rural business needs to consider that **most performance differences appear to be the result of choices made by women and men, which must be seen in light of social expectations.** Better, or socially less dependent, choices may be facilitated by reducing gender-specific business roles, nudging women into other sectors than trade and providing them with empowering training.

⁶ Contrary to general experience, having a good idea as reason to start a business (so-called “opportunity enterprise”) has mixed impact on business performance, while starting a business out of unemployment (so-called “necessity enterprise”) has on balance a slightly positive impact.