

Challenges and Opportunities Female Entrepreneurs Face in Ethiopia

Rapid Evidence Review, [August, 2024]



Key Findings

The major challenges that female entrepreneurs face can be categorized into five areas:

- ❖ **Individual level Challenges:** include lack of starting capital, lack of collateral assets, lack of education and information, fear of failure, and external locus of control
- ❖ **Family and social Challenges:** These include social and cultural pressures, low land ownership, and low access to capital
- ❖ **Environmental-related Challenges:** High rent of working areas, insufficient infrastructure, lack of technology and raw materials
- ❖ **Institutional Challenges:** include low trust of financial institutions in females, lack of credit facilities, bureaucratic obstacles, and low market access and information.
- ❖ **Policy-related Challenges:** Includes high tax and interest rates and the requirements set for borrowing.

Opportunities identified for female entrepreneurs are good institutional support, availability of business infrastructure, loan facilities, support from society, taxation policy, and peace and security.

What is Rapid evidence synthesis?

Rapid evidence review addresses the needs of policymakers and managers for research evidence that has been appraised and contextualized to a specific context in a matter of hours or days. This rapid evidence review goes beyond research evidence and integrates multiple types and levels of evidence

For whom is this Rapid Evidence Review?

This document was developed in response to the question raised by participants from different ministries, institutions and academia during a sensitisation and Prioritization workshop on rapid response service. It aims to provide the best available evidence to inform the Ministry of Women and Social Affairs, regional offices and gender offices.

+ Included:

- **Key findings** from the available studies

✗ Not included:

- Recommendations
- Detailed descriptions



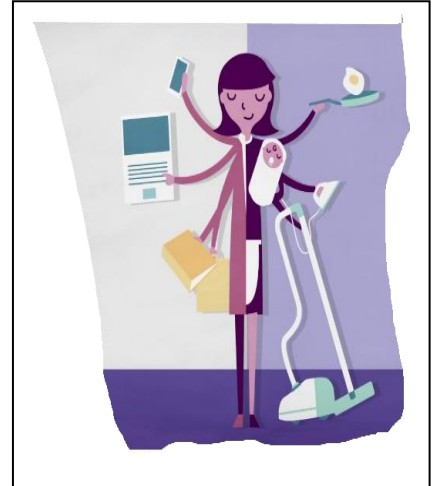
1. Introduction

Despite making nearly half of the world's population, women are underrepresented in every industry. A nation's overall development greatly depends on the economic empowerment of women. Despite this, prejudice, a lack of funding, issues with local councils, having many responsibilities, having limited access to the legal system, and a lack of education present obstacles for female-run businesses (1). Compared to men, women are less confident in their ability to succeed and are more impacted by family issues. Their external locus of control and fear of failure are higher. In addition to relying more on government assistance, female entrepreneurs reported having fewer business and entrepreneurial abilities (2).

Women's access to finance is essential to decreasing poverty and promoting inclusive, sustainable development since it encourages women to start their businesses and acquire assets.

But, as is the case in other economic opportunities, there is gender disparity in accessing finance. While funding is thought to be the primary barrier to starting a company in Ethiopia, women entrepreneurs face particularly severe financing challenges. The percentage of women who own assets and manage their enterprises is disproportionately low, especially for women in rural areas. Only about 24% of women are self-employed as compared to 54% of men (3).

Women's integration into the labour market faces multiple obstacles: they are overrepresented in less productive sectors of the economy: face access barriers to decision-making positions, are concentrated in informal jobs and small businesses, and have lower salaries. In addition, they face more difficulties accessing and using financial and investment services, which limits their ability to deal with the crisis. The inability of women-led businesses to obtain profitable loans restricts their ability to make investments and their potential for expansion (4).



3. HOW THIS EVIDENCE REVIEW WAS PREPARED?

Evidence indicates that women prefer to be employed by others over creating jobs for themselves. They are often forced to start businesses and entrepreneurial activities when the necessity arises due to unemployment or low family income rather than being motivated to start a business based on creativity of self-interest. Women-owned businesses are usually weaker in economic performance and success. They tend to be smaller in size, are less profitable, grow more slowly if succeeded and have higher closure rates. They are less likely to be externally financed (5–8). Thus, it is highly important to know the underlying reasons for these issues concerning women's entrepreneurship.

Objective of the review

This review summarizes the best available evidence on the major challenges female entrepreneurs face in accessing finance and markets in Ethiopia.

Findings

According to the analysis of the included studies, factors that influence female entrepreneur activity are categorized into two major areas: Barriers and Facilitators.

1. Challenges

Barriers to female entrepreneurship are categorised into eight groups/sections based on the evidence from the included studies. Economic issues of women, skill-related factors, social and cultural barriers, education and access to information, technological and raw material constraints,

A rapid evidence synthesis approach adapted from the SURE Rapid Response Service was applied to search and summarize the best available evidence on factors that influence female entrepreneurs. To answer the questions under review researchers searched for relevant studies from databases including ScienceDirect, SCOPUS (Scimago Research Group), Taylor and Francis, Web of Science, Google Scholar, JSTOR, Genderwatch, EBSCO and AJOL. From these databases 615 papers were identified according to the search criteria set. We applied the PICO (Population, Intervention, Comparator and Outcome) method for searching. Search terms including Female entrepreneurs, Women entrepreneurs, Women lead businesses, MSE (micro and small enterprise), Female lead businesses, female business owners, business women, female founders, Challenge, Limitations, barriers, obstacles and hurdles were applied. Then papers were selected for review. Filter applied based on geographic region (Ethiopia) and not year of publications. Only papers that were published in English language were included in the review.

We found 615 articles through search of data bases mentioned above. After screening for the titles and abstracts of 48 papers, 17 studies that satisfy the inclusion criteria were included in the final review.

Inclusion and exclusion criteria

All published papers that address female entrepreneurship were included for this review. The included studies were filtered for English language. The last search was made on July 25, 2024, with no date restriction. Non-transparent reviews (e.g. news, letters, editorials, reports, communications, comments, and correspondence) were excluded.

administrative barriers, competition in the market, and the psychological and confidence of females were identified as factors that act against female entrepreneurs (2,8, 9–16, 17–21).

1.1 Economic Constraints

Female entrepreneurs in Ethiopia face significant economic constraints that hinder their business activities. High rent in working areas, insufficient infrastructure, and a lack of workspace contribute to an inadequate working environment where low property and land ownership among women exacerbates these challenges. Financial barriers are particularly severe, with many women lacking the necessary starting and working capital. The lack of collateral assets and the low trust financial institutions have in female entrepreneurs further restrict access to credit facilities, making it difficult for women to secure the financial resources needed to start or expand their businesses.

1.2 Skill Deficiencies

The skill-related challenge is another important barrier for female entrepreneurs. Many women lack training in both entrepreneurial and managerial areas, resulting in lower business and entrepreneurial skills. This lack of expertise is often coupled with limited experience and a shortage of qualified human resources. Furthermore, the absence of adequate training opportunities hinders their ability to develop and sustain successful businesses.

1.3 Social and Cultural Barriers: Social and cultural barriers also significantly impact female entrepreneurs in Ethiopia. Women often face verbal abuse and multiple responsibilities, including a lack of support from spouses, which adds to their work burden. Additionally, many women come from non-business family backgrounds, which limits their exposure to entrepreneurial activities and experience. The combination of these cultural and social challenges creates an environment that is not conducive to female entrepreneurship.

1.4 Educational and Information Barriers: Educational limitations are another key barrier for female entrepreneurs. Many women have poor educational backgrounds, which limits their ability to acquire the knowledge and skills necessary for entrepreneurship. Furthermore, there is a lack of access to information, which hinders women from staying informed about market, legal requirements, and opportunities that could support their business.

1.5 Technological and Material Constraints: Female entrepreneurs in Ethiopia also struggle with technological and material constraints. The lack of access to up-to-date technology and raw materials is a significant challenge, with high technology expenses further exacerbating the problem. Additionally, the supply of raw materials is often unpredictable, making it difficult for women to maintain consistent production and meet market demands.

1.6 Legal and Administrative Barriers: Legal and administrative challenges present additional obstacles for female entrepreneurs. Issues such as high tax and interest rates, collateral requirements for borrowing, and a lack of government support are significant barriers.

Bureaucratic obstacles in stakeholder offices and poor access to policymakers further complicate the ability of women to navigate the legal and administrative landscape. Limited networks with administrative bodies and a lack of incentives for female entrepreneurs also contribute to these difficulties.

1.7 Market and Competition Challenges

Female entrepreneurs face stiff competition in the market, which is made more difficult by a lack of promotion facilities and market ties. Developing business contacts is another significant challenge, making it difficult for women to establish a strong market, limiting the growth potential of female-owned businesses, and reducing their ability to compete. The challenges in developing business contact is another critical area for female entrepreneurs.

1.8. Psychological Barriers: Psychological factors, such as a fear of failure and an external locus of control, hinder female entrepreneurship. Women entrepreneurs often exhibit lower confidence in their abilities, which can negatively impact their decision-making processes and overall business performance. These psychological barriers, coupled with other external challenges, create a formidable obstacle to the success of female entrepreneurs in Ethiopia.

The above-mentioned factors were again re-grouped and presented in the following diagram following different scopes and hierarchies that are related to individual, family and social factors, business and entrepreneur environment, and institutional and policy-related factors.

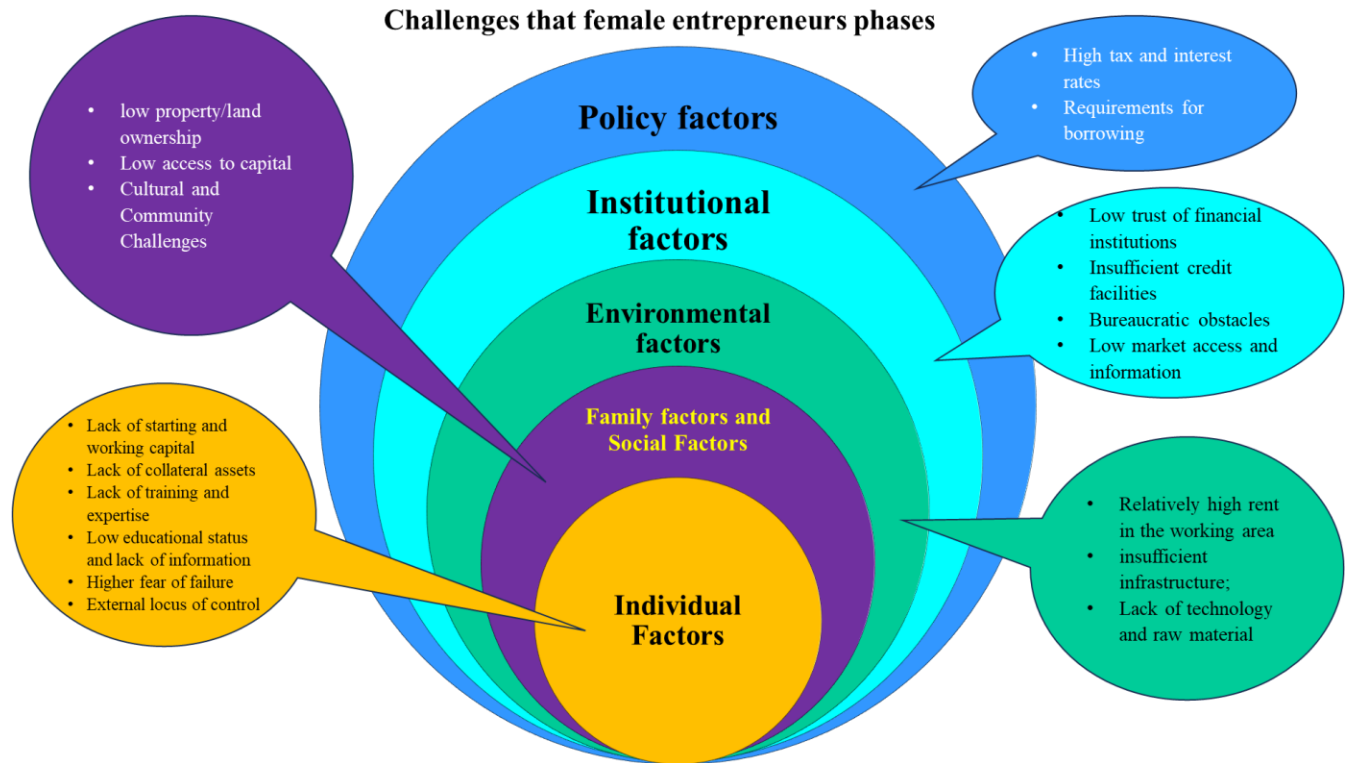


Fig 1. Challenges that female entrepreneurs face at different levels and scop

2. Opportunities

Despite these barriers, some opportunities could be helpful for female entrepreneurs in Ethiopia.

Support from organizations and government, training and education by different training institutions, business, social and moral support, taxation and legal environment, information networking, and land and property ownership are factors identified as facilitators for female entrepreneurship (9,11–14,16,17,19–21). Although most literature reported a lack of government support, access to land ownership, and low education and training by females, some categorized these issues under the opportunity that female entrepreneurs have. This may be due to the difference in policy implementation, geographic variation and difference in time the study was conducted.

First, there are available institutional and government support through supportive institutions and favourable government initiatives aimed at promoting female entrepreneurship, particularly for Micro and Small Enterprises (MSEs).

Educational and training support is also accessible through Technical and Vocational Education and Training (TVET) programs, which provide essential skills. Business support services,

including consultation and advisory services, as well as the provision of business infrastructure and initial business support, offer additional resources to women entrepreneurs.

Despite the barriers identified there are also different instances where social and moral support from society play a critical role in encouraging female entrepreneurs. Additionally, the taxation and legal environment offers some relief, with businesses either being free from formal taxation or subject to reasonably levied taxes.

Though not sufficient, information and networking opportunities further enhance the capacity of women entrepreneurs to succeed. Finally, access to and ownership of land for business purposes provide an advantage, enabling women to establish and expand their businesses more effectively.

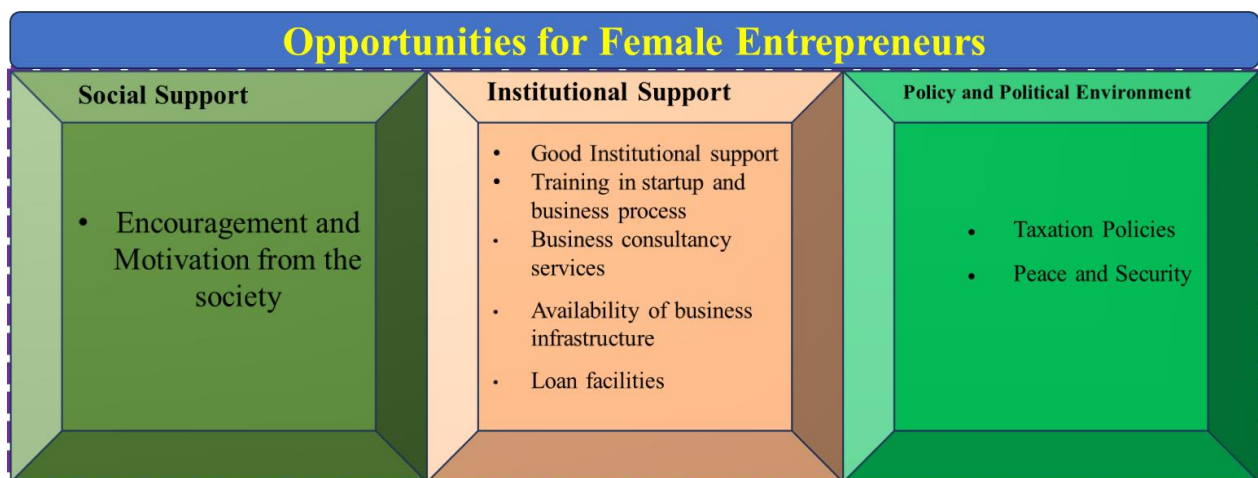


Fig 2. Opportunities or supports that female entrepreneurs have at different levels

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- All authors equally contribute to the development of the brief.

Conflict of interest

- There is no conflict of interest to declare.

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