

# GENDER DIFFERENCES OF ENTREPRENEURIAL CHALLENGES IN ETHIOPIA

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## ABSTRACT

*The study investigates perceived differences in challenges to entrepreneurship between genders. Women entrepreneurs are fewer compared to men, indicating lack of equity in the wealth creation process. Often it is generally believed women lack entrepreneurialism and have less favorable outcome from entrepreneurship; also it is believed that women in general have lesser endowments in terms of efficacy, family, social and wealth. This article investigates these factors in the emerging economy of Ethiopia. Self-reported, validated and reliable questionnaire of Likert Scale type responses are used to collect primary data from 350 young entrepreneurs within the age group of 18 to 29 years, of which 84 are women. Contrary to the belief, the study finds that women entrepreneurs are younger compared to their men counterpart, less educated, come from a non-business family background, have less working experience compared to men before entrepreneurship, and yet, they report equal revenue, employment in their organization, and have equal access to capital. Women do not underperform significantly less compared to men. However, they report significantly higher level of challenges to develop their business contact and develop network, administrative and bureaucratic burden, and also feel that tax subsidies are discretionary, as compared to men. Policy implications are indicated.*

**Keywords:** Entrepreneur, Business Challenges, Gender, Ethiopia, Women Entrepreneurs.

## INTRODUCTION

Women entrepreneurship is important for equity and diversity; however, men and women may have different set of socio economic endowments. Women participation in entrepreneurship remains a concern in most of the countries. Exclusion of women in development process renders the development efforts useless (Tertilt & Doepke, 2010). So, the reduction of gender gap in entrepreneurship becomes an objective to alleviate poverty. Different challenges faced by the women owners of Small and Micro Enterprises (SME) may cause such a gap. The sector of business, gender and experience of the owner, size of the business, legal structure, and age of the firm are indicated as few of the challenges (Fatoki & Asah, 2011). Though gender itself is indicated in few research, on its own, it is not associated with business outcome (Akinboade, 2015); but business-related experiences seem to vary between genders (Gottschalk & Niefert, 2013); such a finding however, is not consistent (Fapohunda, 2013). It is indicated that the entrepreneurial outcomes in case of women entrepreneur are lower compared with the male-entrepreneurs (Niefert, 2013). Thus, the gender divide in entrepreneurship remains debatable about its causes. However, it can be broadly argued that entrepreneurial challenges prevent entry or persistence resulting in the gender gap.

Entrepreneurial challenges are more likely to manifest in a developing economy with less ease-of-doing business factors and less social acceptability. Ethiopia is the second most populous

country in Africa, has a faster economic growth, one of the lowest income inequality, and agriculture dependence; it has favorable sex ratio, higher population growth and higher percentage of working age population (Central Intelligence Agency, n.d.). The context is suitable to study if there are substantial differences in perceptions between genders about different entrepreneurial challenges and a detailed purposive literature review was undertaken to assess extant literature.

## **LITERATURE REVIEW**

Despite the existing gender gap, the influx of females into entrepreneurship has become higher recently. Women do face their own entrepreneurial challenges (Smith-Hunter, 2006) and it has been analyzed in numerous studies. Hanson & Blake (2009) indicate that women entrepreneurs, in developing countries, encounter cultural constraints. Lack of business network, lack of societal acceptance, lack of adequate business ownership experience, gender discrimination, lack of education and management skills, type of business they operate, government regulations and cultural constraints are some of the major challenges that women entrepreneurs face, which significantly influence startup as well as continuation of business enterprises (Mayoux, 2001; Smith-Hunter, 2006; Moses & Amalu, 2010; Alam et al., 2012; Muhumad, 2016).

The male and female-owned business differ in performance related issues such as level of sales, profits, and employment creation; further, the female-owned business was found more likely to discontinue their business operations than male-owned firms (Robb, 2002; Robb & Wolken, 2002). The higher likelihood of discontinuation and poorer performance of female owned firms is also confirmed by other scholars (Hundley, 2001; Coleman, 2002; & Watson, 2002).

In developing countries young men are more likely to become self-employed than young women (Chigunta, 2002; Fatoki & Chigonda, 2011). This suggests gender bias at the entry level, which could be due to the existence of economic, social and cultural challenges. In fact, the existence of social-cultural constraints like; low entrepreneurial culture of the society, attitude, values and beliefs within a particular society that affect the engagement of women entrepreneur negatively are studied (Rosti & Chelli, 2005; Dzisi, 2014).

The literature review suggests various isolated differentiating factors. However, factors such as differences in education & training, business support, legal and administrative challenges as possible differentiators have eluded research. The research focus on young start up entrepreneurs wherein the challenges are likely to be higher has not been explicitly focused on. Thirdly, Ethiopia based research on young entrepreneurs are scant. Therefore, this research intends to address the gender gap in young Ethiopian entrepreneurs with respect to financial, education and training, business support, marketing, administrative and legal, and socio-cultural challenges. The research also aims to indicate any differences in demography, family and business performance factors between genders.

## **METHODOLOGY**

As indicated, the broad objective of the research was to identify significant gender gap in business demography, performance and challenges among Ethiopian young entrepreneurs. A self-reported and reliable questionnaire with Likert Scale responses (1 to 5) was used to collect responses. The items were collected from the literature review. The questionnaire had following

major challenges including demography and business details.

**Finance:** Major source of initial capital (Personal savings, Youth fund, Seed fund or subsidies (from government, or others), Loan from bank, or other financial institutions, informal money lenders, family and friends. Key constraints in financing: Lack of awareness about sources, High collateral requirement, Inadequate loan amount, Complex borrowing procedures, lack of micro lending or seed funding, High rate of interest, (Cronbach  $\alpha=0.86$ , 6 items)

**Training and Education challenges:** Inadequate curricula and study programs, Lack of trained/educated teachers, school environments is not sufficient to learn about entrepreneurship, No link between education and business community (Cronbach  $\alpha=0.859$ , 4 items).

**Business Assistance and Support challenges:** Lack of following items- tailor-made business skill training, counselor and support agencies, facility to extend business contacts or connections, facility or forums to exchange experience, ideas, information access, knowledge about available business support services (Cronbach  $\alpha=0.770$ , 6 items).

**Marketing Challenges:** Lack of market information and access, supply of input, marketing skills, stiff competition, inadequate space for operation and outlet, physical infrastructure, inadequate demand (Cronbach  $\alpha=0.845$ , 7 items).

**Administrative and Legal Challenges:** Complexity in registration and licensing, rules and regulations, coordination between Small and Medium Enterprises (SME) & government institutions, administrative and bureaucratic burdens, Inefficient tax subsidies, inadequate support for youth (Cronbach  $\alpha=0.777$ , 6 items).

**Socio-cultural challenges:** social acceptability, business Contacts/networks, age discrimination, gender inequalities, lack of product/service acceptability (Cronbach  $\alpha=0.812$ , 5 items).

Cronbach  $\alpha$  values indicated acceptable reliability for items of different challenges under the study. Final 350 usable responses could be obtained from entrepreneurs, of which 24% were women entrepreneurs.

## RESULTS

Mean age between genders was found to have significant difference (men=25.3, women=23.9,  $t=-4.07$ ,  $df=348$ ,  $p=0.000$ ). The mean level of education was also found to be significantly different (men=2.94, women=1.94,  $t=-3.45$ ,  $p=0.001$ ). Seventy percent of the women entrepreneurs come from a family of employed by others, but 58% of the men have their family business as occupation, the difference is statistically significant (female=0.3, male=0.58,  $t=-4.69$ ,  $df=348$ ,  $p=0.000$ ). Interestingly women entrepreneurs report a significantly higher family size compared to men (women=5.76, men=5.18,  $t=3.097$ ,  $df=348$ ,  $p=0.002$ ); though not significant, women were supported by higher number of family members on an average (women=1.02, men=0.76,  $t=1.848$ ,  $p=0.065$ ); parents income reported is not different significantly but very close (women=48654.76, men=53849.62,  $t=-1.9$ ,  $df=348$ ,  $p=0.054$ ). Similarly there is no significant difference between educational status of the parents (women=1.65, men=1.83,  $t=-0.896$ ,  $p=0.371$ ). The data indicates that 23% of the women entrepreneurs had prior work experience (5% of the total respondents) as compared to 29% of the men, though the average duration of prior work experience between gender (men=2.29, women=1.85) is not significantly different.

The Table 1 also indicates business related information. The number of employees at the start of business (women=3.15, men=3.06,  $t=0.348$ ,  $p=0.72$ ) is not found to be significantly different,

though women have indicated higher average number of employees during starting. The number of employees at present also does not show significant difference (women=3.55, men=3.96,  $t=-1.428$ ,  $p=0.154$ ) but both seem to have increased their number of employees from the start up days. Annual estimated sales in last year in Ethiopian Birr also has no significant difference between genders (women=69071.43, men=72545.11,  $t=-1.155$ ,  $p=0.249$ ). Total number of sources for the initial capital has no significant difference between gender (women=1.81, men=1.83,  $t=-0.250$ ,  $p=0.802$ ).

| <b>Table 1</b>   |                    |             |                 |                         |
|--|--------------------|-------------|-----------------|-------------------------|
| <b>DIFFERENCES IN DEMOGRAPHIC &amp; BUSINESS DETAILS BETWEEN GENDERS</b> |                    |             |                 |                         |
| <b>Items</b>   | <b>Mean values</b> |             | <b>t-values</b> | <b>p-Value (df=348)</b> |
|  | <b>Female</b>      | <b>Male</b> |                 |                         |
| Age of the respondent  | 23.9               | 25.3        | -4.07           | 0.000                   |
| Educational level of the respondent                                      | 1.94               | 2.94        | -3.45           | 0.001                   |
| Family occupation  | 0.3                | 0.58        | -4.69           | 0.000                   |
| Family size  | 5.76               | 5.18        | 3.097           | 0.002                   |
| Persons supporting entrepreneurial choice                                | 1.02               | 0.76        | 1.848           | 0.065                   |
| Parents income   | 48654.76           | 53849.62    | -1.9            | 0.054                   |
| Educational status of the parents  | 1.65               | 1.83        | -0.896          | 0.371                   |
| Employees at the start of business                                       | 3.15               | 3.06        | 0.348           | 0.72                    |
| Number of employees at present   | 3.55               | 3.96        | -1.428          | 0.154                   |
| Annual estimated sales in Ethiopian Birr                                 | 69071.43           | 72545.11    | -1.155          | 0.249                   |
| Number of sources of initial capital                                     | 1.81               | 1.83        | -0.250          | 0.802                   |

The Table 2 indicates the differences in responses regarding business challenges between genders. The facility to develop business contact or network (women=3.99, men=3.69,  $t=2.060$ ,  $p=0.040$ ) is found to be significantly different, though women have indicated higher average to develop business contact/network. The mean score of administrative and bureaucratic burdens was also found to be significantly different (men=3.99, women=3.62,  $t=2.399$ ,  $p=0.017$ ) between genders. Women entrepreneurs report a significantly higher perception about inefficient and discretionary tax subsidies compared to men (women=4.06, men=3.70,  $t=2.558$ ,  $df=348$ ,  $p=0.011$ ). Other challenges were not found to be significantly different between genders.

| <b>Table 2</b>   |                    |             |                 |                         |
|--|--------------------|-------------|-----------------|-------------------------|
| <b>DIFFERENCES IN RESPONSES OF CHALLENGE FACTORS BETWEEN GENDERS</b> |                    |             |                 |                         |
| <b>Items-Challenges</b>  | <b>Mean values</b> |             | <b>t-values</b> | <b>p-Value (df=348)</b> |
|  | <b>Female</b>      | <b>Male</b> |                 |                         |
| No awareness of finance possibilities                                | 3.65               | 3.70        | -0.250          | 0.803                   |
| High collateral requirement  | 3.63               | 3.52        | 0.701           | 0.484                   |
| Lack of adequate loan amount   | 3.42               | 3.40        | 0.090           | 0.928                   |
| Complex borrowing procedures   | 3.73               | 3.61        | 0.713           | 0.476                   |
| Lack of micro lending or seed funding                                | 3.82               | 3.72        | 0.692           | 0.490                   |
| High interest rate   | 3.79               | 3.59        | 1.357           | 0.176                   |
| Inadequate curricula and study programmes                            | 3.39               | 3.41        | -0.102          | 0.919                   |
| Lack of trainer or educator  | 3.43               | 3.59        | -0.983          | 0.326                   |
| Lack of good school environments                                     | 3.62               | 3.59        | 0.192           | 0.848                   |
| No linkages education and business community                         | 3.55               | 3.49        | 0.367           | 0.714                   |
| Lack of tailor-made business skill training                          | 3.56               | 3.78        | -1.520          | 0.130                   |
| Lack of counsellor or support agencies.                              | 3.92               | 4.00        | -0.660          | 0.510                   |
| Facility to develop business contact/network                         | 3.99               | 3.69        | 2.060           | 0.040                   |
| No forum to exchange experiences or ideas                            | 3.64               | 3.67        | -0.154          | 0.878                   |
| Lack of information access   | 3.71               | 3.73        | -0.112          | 0.911                   |

**Table 2**  
**DIFFERENCES IN RESPONSES OF CHALLENGE FACTORS BETWEEN GENDERS**

|  |      |      |        |       |
|--|------|------|--------|-------|
| Information about available support services     | 3.86 | 3.97 | -0.902 | 0.368 |
| Lack of market information access                | 3.90 | 3.72 | 1.186  | 0.237 |
| Lack of adequate input supply                    | 3.36 | 3.46 | -0.650 | 0.516 |
| Lack of access to marketing skill                | 3.44 | 3.66 | -1.437 | 0.152 |
| Stiff competition                                | 3.51 | 3.62 | -0.709 | 0.479 |
| Inadequate space for operation or outlet         | 3.75 | 3.66 | 0.655  | 0.513 |
| Inadequate physical infrastructure               | 3.71 | 3.95 | -1.715 | 0.087 |
| Inadequate demand for the product/services       | 3.55 | 3.50 | 0.325  | 0.745 |
| Complex business registration and licensing      | 3.87 | 3.89 | -0.164 | 0.870 |
| Many and complex rules and regulations           | 3.76 | 3.72 | 0.306  | 0.760 |
| Coordination between SME & Government            | 3.96 | 3.81 | 1.098  | 0.273 |
| Administrative and bureaucratic burdens          | 3.99 | 3.62 | 2.399  | 0.017 |
| Inefficient and discretionary tax subsidies      | 4.06 | 3.70 | 2.558  | 0.011 |
| Inadequate business support services             | 3.70 | 3.79 | -0.681 | 0.497 |
| Lack of good social acceptability                | 3.68 | 3.62 | 0.417  | 0.677 |
| Lack of business contacts (networks) with others | 3.50 | 3.64 | -0.866 | 0.387 |
| Age discrimination by suppliers or customers     | 3.35 | 3.61 | -1.744 | 0.082 |
| Gender inequalities                              | 3.38 | 3.24 | 0.913  | 0.362 |
| New product/service acceptance is low            | 3.50 | 3.45 | 0.313  | 0.754 |

## DISCUSSION AND CONCLUSION

The data analysis indicates that women entrepreneurs are significantly younger, have less level of education, less prior experience, mostly come from families with service background, have higher number of family members. Such background should have significantly influenced the business outcome but, no significant differences is observed in mean values of family support, number of employees, sources of finance, and revenue between genders. Contrary to the expectation, most of the challenges are found to be perceived same between genders. Only three challenges such as: (1) To develop business contact/network; (2) Administrative and bureaucratic burdens and (3) Inefficient and discretionary tax subsidies are found to be significantly different.

The challenge to develop business contact, is social in nature whereas, administrative and bureaucratic challenge and discretionary tax subsidy points to regulatory issues. Thus, the finding suggests gender based entrepreneurship policies and incentives. These findings are the contribution of this study to entrepreneurship literature. The finding negates earlier findings of Fatoki & Asah (2011), partially differs from Gottschalk & Niefert (2013) with respect to perceived challenges; and cultural constraints indicated by Hanson & Blake (2009); it also differs from the views (Robb, 2002; Robb & Wolken, 2002) with respect to revenue of female owned organizations. This study supports Akinboade (2015) findings of no association of gender on business outcome. The study findings are limited to the specific context and thus, needs validation in other environments.

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