



Asia-Pacific  
Economic Cooperation

## Gender-related Constraints Faced by Women-owned SMEs

By Huani Zhu and Carlos Kuriyama

Small and medium enterprises (SMEs) have long been recognised as one of the engines of growth in the APEC region, given their significant contribution to economic growth and employment. Having recognised the importance of unlocking the full potential of women, the APEC's Policy Partnership on Women and the Economy (PPWE) has set women's economic empowerment and greater inclusion of women in the economy as a priority on its agenda. This Policy Brief aims to examine the intersection of these two issues by highlighting gender-specific constraints faced by female entrepreneurs in developing their businesses and participating in exports market. Policy recommendations to tackle these constraints will also be provided.

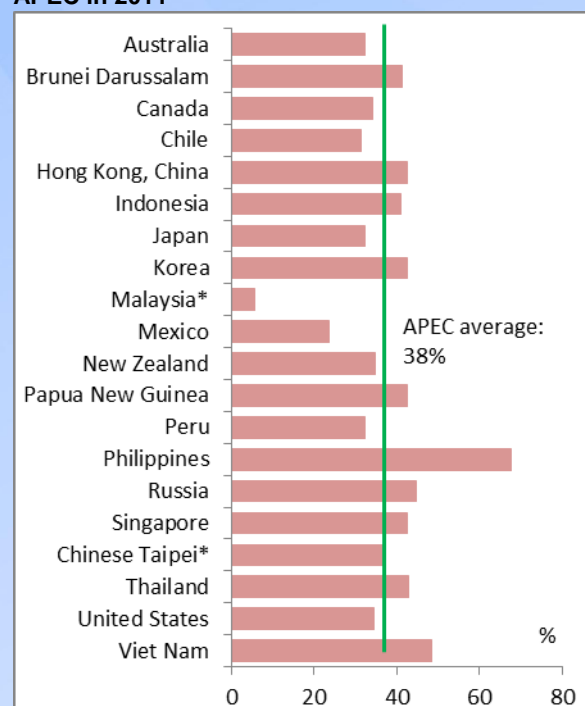
### I. OVERVIEW OF WOMEN-OWNED SMEs IN THE APEC REGION

SMEs play a vital role in economic development with their potential to create job opportunities, enhance competition, introduce innovative technologies and ultimately boost productivity.<sup>1</sup> Women have been disadvantaged compared to men in terms of labour market participation and wages in many APEC economies. In this context, women's entrepreneurship becomes particularly important since it gives them the option to pursue better economic opportunities by working in their own businesses.

The economic potential of advancing gender equality is enormous, with one study estimating that as much as 12 trillion USD could be added to world GDP by 2025 by improving gender equality.<sup>2</sup> The need to advance gender equality is relevant for all economies, regardless of their development levels. In the case of developing economies, the untapped potential of advancing women-owned SMEs means that more businesses and employment could flourish if women entrepreneurs are given the same opportunities than their male counterparts.

While SMEs account for a large fraction of all enterprises across APEC economies, on average, only 37% of these SMEs are owned by women as of 2011.<sup>3</sup>

Figure 1: Percentage of Women-Owned SMEs in APEC in 2011



Note: No gender-specific data were available for China. The majority of SMEs in Malaysia did not respond to gender-specific questions and therefore the data is based on a smaller sample. Data for Chinese Taipei is provided by its relevant ministry and may not be strictly comparable. SMEs include Very Small (5-9 employees), Small (10-49 employees) and Medium (50-250 employees) enterprises from the formal sector. An enterprise is women-owned if it has at least one female owner.

Source: IFC Enterprise Finance Gap Database, Chinese Taipei's Ministry of Economic Affairs and APEC PSU calculations.

Table 1 shows that the size of women-owned SMEs tends to be smaller relative to male-owned ones, which results from the fact that women are disproportionately affected by certain constraints. For example, gender-disaggregated data show that women are more likely than men to operate in the informal sector – with 85.1% of women-owned SMEs being informal vis-à-vis 76.7% of men-owned SMEs being informal in the APEC region. Women-owned SMEs also tend to concentrate in industries that are smaller in scale, face further competition and generate lower returns on average. An OECD study noted that women-owned SMEs have a relatively stronger presence in trade, transport, accommodation, and support services industries while

men-owned SMEs were more likely to operate in manufacturing, mining and utilities industries.<sup>4</sup>

**Table 1: Distribution of SMEs by Size in APEC in 2011**

Size (% of SMEs firms)	Owned by male	Owned by female
Very small (5-9 employees)	65.1%	72.9%
Small (10-49 employees)	28.9%	24.2%
Medium (50-250 employees)	6.0%	2.9%

Note: Data for Chinese Taipei are not available and no gender-specific data were available for China. All enterprises considered here are in the formal sector. An enterprise is women-owned if it has at least one female owner.

Source: IFC Enterprise Finance Gap Database and APEC PSU calculations.

Likewise, an IFC (2014) study showed that the gender gap in SME ownership is more pronounced in the retail and wholesale category with nearly 41% of women-owned SMEs belonging to this sector compared to 30% for men-owned SMEs. Besides, women entrepreneurs tend to underperform in terms of sales, profitability and growth compared to their male counterparts.<sup>5</sup> The IFC study also indicated that the median annual sales for men-owned SMEs was 42% greater than for women-owned SMEs. A similar pattern of gender disparity was also observed for firm's total assets – the median number of assets for men-owned SMEs was 44% greater than those SMEs owned by women.

## II. MAIN CONSTRAINTS AFFECTING WOMEN-OWNED SMEs

### 1) Lack of Relevant Skills and Networking Opportunities

Education, networking and managerial experience all play a vital role in business operations. Knowledgeable SME owners tend to recognize the opportunities to expand into the global marketplace and are therefore more inclined to participate in the global value chain. Figure 2 shows that in general, a higher percentage of men tend to spot opportunities and participate in early-stage entrepreneurial activities in comparison to women due to a combination of economic, cultural and societal reasons. Data for the APEC region shows that the differences between men and women could be significant in this area.

**Figure 2: Percentage of men/women perceiving opportunities of early-stage entrepreneurial activities in APEC (%)**



Source: GEM Global Entrepreneurship Monitor 2014 Global Report.

While the gender gap in terms of formal education is narrowing, women still lag behind in certain areas such as IT literacy, financial literacy and management skills. Nevertheless, although the attainment rates of women in tertiary education are now close to men, the gender bias in the choice of subject persists. As shown in Table 2, women are still largely underrepresented in the STEM fields (science, technology, engineering and mathematics). This hinders women from entering into knowledge-intensive or technologically advanced industries, sectors which tend to benefit from higher margins, as they tend to contribute with higher value added in the economy.

**Table 2: Average Percentage of Female Graduates in APEC from Selected Tertiary Education Programs**

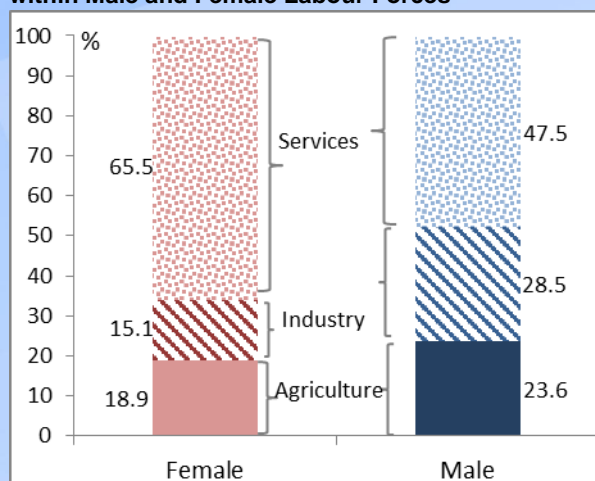
Subjects	% of female students
Health and welfare	73.1
Education	72.4
Humanities and arts	63.5
Social sciences, business and law	57.2
Agriculture	48.0
Services	47.7
Sciences	40.5
Sciences and technology	33.1
Engineering, manufacturing and construction	26.4

Note: Simple average was used across APEC economies with available data. The sample includes 12 APEC economies: Australia; Brunei Darussalam; Chile; Japan; Korea; Malaysia; Mexico; New Zealand; Philippines; Chinese Taipei; United States; and Viet Nam.

Source: World Bank – Gender Statistics, data provided by Chinese Taipei and APEC PSU calculations

The lower participation of women in STEM fields could partly explain the difference in the employment pattern of women and men across different industries. The percentage of women working in services sectors (i.e. health and welfare, education, humanities and arts) which provide lower return margins is higher than that of men, as shown in Figure 3. While female-owned SMEs tend to concentrate in specific services industries, male-owned SMEs are more likely to be found in manufacturing, mining and utilities industries.<sup>6</sup>

**Figure 3: Employment Share by Sector in APEC within Male and Female Labour Forces**



Note: Data are from each economy's latest year, in 2013 or 2014. Note: The sample includes 15 APEC economies: Australia; Brunei Darussalam; Canada; Chile; Indonesia; Japan; Korea; Malaysia; Mexico; New Zealand; Philippines; Russia; Chinese Taipei; Thailand and Viet Nam.

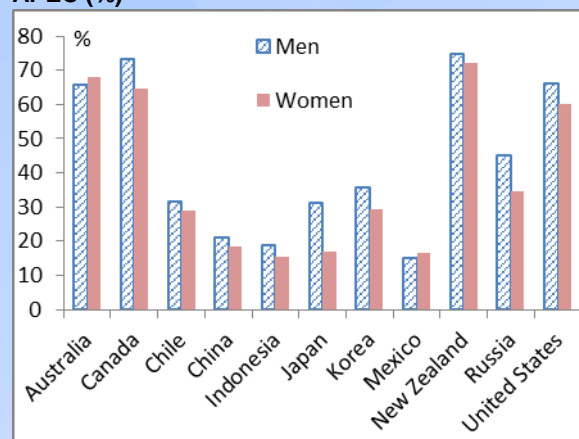
Source: World Bank – Gender Statistics, Directorate-General of Budget, Accounting and Statistics, Executive Yuan of Chinese Taipei and APEC PSU calculations.

Furthermore, studies have found that women tend to have less relevant skills required, such as commercial awareness, to start a business. For instance, a survey by ANZ found that women were less proficient than men in financial knowledge and numeracy due to less exposure to financial products and usage of financial education materials. Similarly, Atkinson et al. (2012) found that a larger proportion of male survey respondents scored higher in financial knowledge than female respondents in most countries. As noted by the OECD (2009), the lack of managerial knowledge and limited resources are critical constraints to SME internationalisation. These limitations seem to be particularly prevalent among micro and smaller firms, which are precisely mostly owned by women.

The difficulties in getting training in business-related issues is also higher among women. Figure 4 shows that

female entrepreneurs in many APEC economies feel that their access to relevant training in business-related issues is lower in comparison to male entrepreneurs.

**Figure 4: Percentage of Men/Women with Access to Training on How to Start or Grow a Business in APEC (%)**

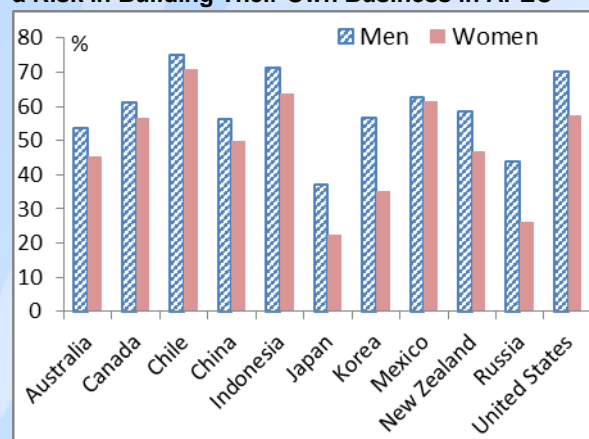


Note: Data are from 2013.

Source: OECD – Entrepreneurship Database and APEC PSU calculations.

The lack of relevant skills, limited access to trainings and women's under-representation in business ownerships and managerial positions all together put female entrepreneur in a disadvantaged position. Moreover, this lack of experience could further affect women SME owners' willingness to take risk in expanding their businesses. The evidence in APEC and in cross-economy studies indicates that women are less confident in their entrepreneurial skills and subsequently are more averse to taking business risks.<sup>7</sup>

**Figure 5: Percentage of Men/Women Willing to Take a Risk in Building Their Own Business in APEC**



Note: Data are from 2013.

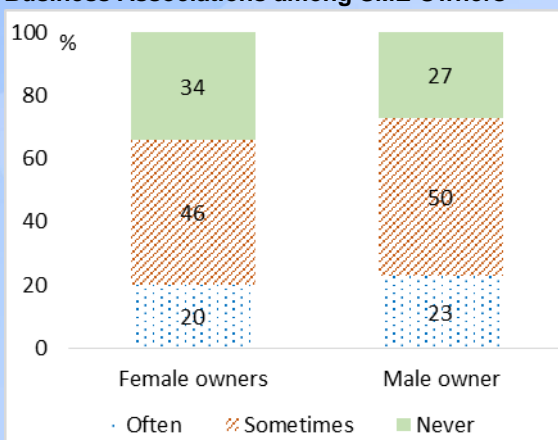
Source: OECD – Entrepreneurship Database and APEC PSU calculations.

Networks are important for the development of SMEs since they provide information, know-how and experience in navigating through domestic and international markets. Many studies noted that women are less likely to know other entrepreneurs than men

when they start their businesses and therefore are more disadvantaged from having fewer professional connections and mentorships.<sup>8</sup> Limited social networks also results in reduced potential business opportunities.<sup>9</sup> Networks are also critical to stimulate SME internationalization by providing social ties to assist in the identification of value chains and cement relationships with larger firms.

The Asia Foundation (2013) surveyed entrepreneurs from Malaysia, Philippines and Thailand and found that access to networks such as formal business associations is lower among women, as shown in Figure 6. Among SME exporters, 23% female SME owners interact with business associations in comparison to 38% of male SME owners.<sup>10</sup>

**Figure 6: Frequency of Interactions with Formal Business Associations among SME Owners**



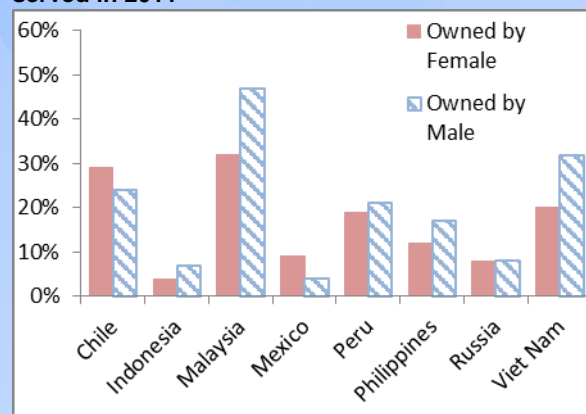
Note: Sample includes approximately 150 survey interviews from SMEs in Malaysia; Philippines; and Thailand.  
Source: The Asia Foundation (2013).

## 2) Financial Constraints

Given the smaller size of women-owned SMEs in general, the lack of proper access to credit is usually one of the hurdles preventing women-owned SMEs from growing.

With respect to access to credit, more than half of the APEC economies (12) do not have any law that prohibits gender-based discrimination as of 2015.<sup>11</sup> IFC data shows that women-owned SMEs tend to face more problems than men-owned SMEs in meeting their credit needs in some APEC economies (see Figure 7).

**Figure 7: Percentage of SMEs Financially Well-served in 2011**



Note: SME indicates Very Small (5-9 employees), Small (10-49 employees) and Medium (50-250 employees) enterprises from the formal sector. An enterprise is women-owned if it has at least one female owner.

Source: IFC Enterprise Finance Gap Database and APEC PSU calculations.

Table 3 shows that, on average, women tend to borrow less from financial institutions in the APEC region, despite the fact that similar proportions of both men and women own savings accounts. Weaker credit history and fewer assets to be used as collateral by women may explain this finding. Wignaraja and Jinjarak (2015) found that when it comes to types of collateral used for SME borrowing from banks, personal assets of SME owners carry a significant weight.

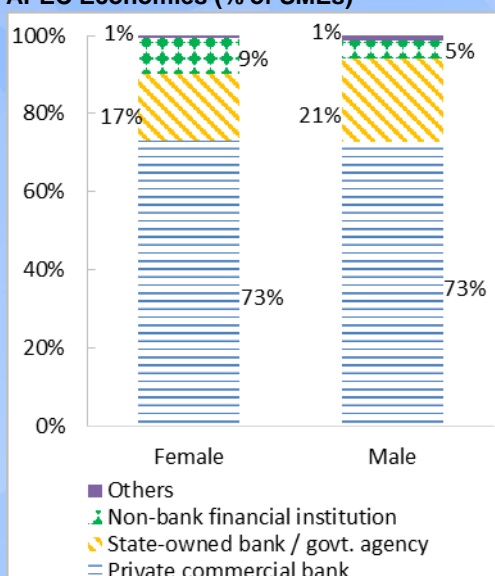
**Table 3: Financial Market Participation in APEC in 2014 (% of age 15+)**

Market Activity	Female	Male
Labour participation rate	59.3%	76.9%
Account at a financial institution	72.1%	73.9%
Saved at a financial institution	38.5%	38.6%
Borrowed from a financial institution	11.7%	14.2%
Saved to start, operate, or expand a farm or business	14.0%	21.0%
Borrowed to start, operate, or expand a farm or business	5.6%	7.4%

Source: World Bank – Gender Statistics, Directorate-General of Budget, Accounting and Statistics, Executive Yuan of Chinese Taipei and APEC PSU calculations

Figure 8 shows that female SME owners received less funding from state-owned banks or government agencies than their male counterparts. Instead, female SME owners used more non-bank financial institutions which includes microfinance organizations, insurance firms, pawn shops, and others. Previous literature also found that female entrepreneurs are more likely to tap into their own savings, or rely on funding from family, friends or community groups to fund their start-ups.<sup>12</sup>

**Figure 8: SMEs' Sources of Funding in Selected APEC Economies (% of SMEs)**

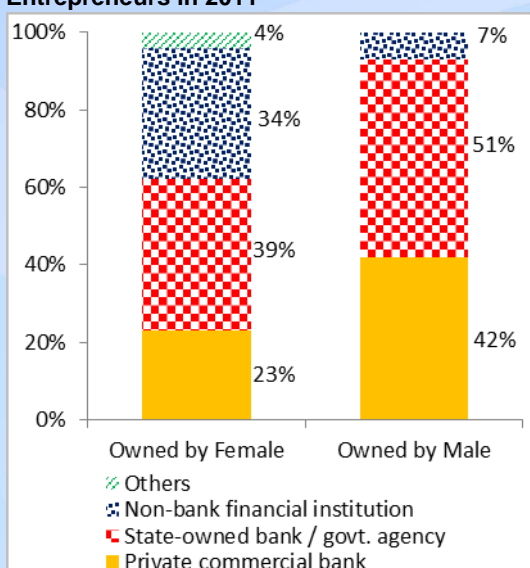


Note: Only APEC economies with available gender-disaggregated data are included, i.e. Chile; Indonesia; Mexico; Peru; Philippines; Russia and Viet Nam.

Source: IFC Enterprise Finance Gap Database and APEC PSU calculations.

The use of non-bank financial institutions (NBFI) among women-owned SMEs to obtain funding is very noticeable in Indonesia. The Asia Foundation (2013) found that access to capital was a notable concern for both male and female entrepreneurs in Indonesia, but a larger proportion of female SME owners reported usage of NBFIs such as microfinance institutions.<sup>13</sup> Overall, women faced more difficulties than men with access to traditional credit institutions.

**Figure 9: Sources of Funding for Indonesian Entrepreneurs in 2011**



Note: All enterprises are in the formal sector. An enterprise is women-owned if it has at least one female owner.

Source: IFC Enterprise Finance Gap Database and APEC PSU calculations

### 3) Unfavorable Institutional and Regulatory Framework

APEC still face gender gaps in legal matters, such as property rights, which continue to affect female entrepreneurs. For example, while all 21 APEC economies grant equal ownership rights to property between unmarried men and women, three APEC economies do not grant the same equal rights between married men and women.<sup>14</sup> In terms of inheriting assets, three APEC economies have different rulings between sons and daughters and between female and male surviving spouses.<sup>15</sup>

Failure to grant equal property rights may further impede women's ability to seek funding in the capital markets since they cannot collateralize their assets effectively to obtain credit. OECD data shows that the problem is not just limited to land and assets. Not all APEC economies give equal and secure access to financial services, public spaces and workplaces to men and women (see Table 4).

**Table 4: Gender-Related Institutions in APEC in 2014 (% of APEC economies)**

The law...	Guarantees same rights	Guarantees same rights, but there are some other practices that discriminate against women	Does not guarantee the same rights
Secure access to land	45%	50%	5%
Secure access to non-land assets	60%	40%	0%
Access to financial services	75%	25%	0%
Access to public space	80%	20%	0%
Workspace rights	21%	74%	5%

Note: The sample includes all APEC economies except Brunei Darussalam. Data for Chinese Taipei are provided by its relevant ministry and has been adjusted for compatibility.

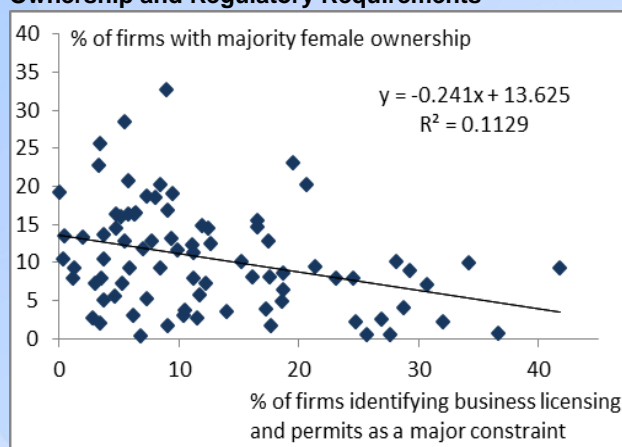
Source: OECD – Gender, Institutions and Development Database 2014, data provided by Chinese Taipei and APEC PSU calculations.

Sometimes rules implicitly affect women's participation in economic activities. For instance, two APEC economies have laws in place that require women to obey their husbands and disallow married women to travel outside their home or to choose where to live in the same way as

married men; another APEC economy prohibits married women from applying for a passport in the same way as married men do.<sup>16</sup> As a result, these gaps in legal framework might deter women from participating in entrepreneurial activities. Also, laws prohibit women to work in certain industries such as mining and construction activities, which subsequently hinder women-owned SMEs to operate in those industries or participate in services related to those sectors.

Excessive or cumbersome regulatory requirements tend to discourage firms from entering the formal sector. Previous studies have identified various regulatory constraints discouraging female SME owners from formalizing their businesses. For instance, running a legally registered firm might have higher associated entry costs, more procedures as required and more cumbersome tax matters to deal with. Female SME owners will likely be affected by these regulations since they tend to own smaller SMEs, and have fewer resources to deal with formal procedures.<sup>17</sup> Evidence shows that excessive business licensing requirements are likely to be associated with a lower proportion of firms with majority female ownership (Figure 10).

**Figure 10: Inverse Relationship between Female Ownership and Regulatory Requirements**



Note: The sample includes 82 economies using their latest available data.  
Source: World Bank – Enterprise Surveys and APEC PSU calculations.

Kitching et al. (2005) interviewed around 100 female entrepreneurs from the Shanghai, Suzhou and Wenzhou, as well as another 50 from Yunnan, to identify problems women SME owners were facing. Some of the most cited problems are related to the regulatory environment.

**Table 5: Top Four Most Common Problems Identified by Women SME Owners in China**

Yunnan	Shanghai, Suzhou, Wenzhou
1.Lack of qualified staff	<b>1.Difficult to establish a new business</b>
2.Lack of access to capital	2.Lack of access to capital
<b>3.Changes in government policy</b>	<b>3.Government regulations – taxation</b>
<b>4.Licenses</b>	<b>4.Licenses</b>

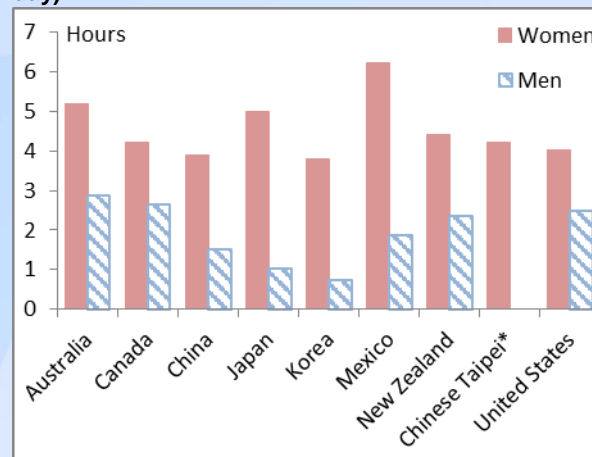
Source: Kitching et al. (2005)

Note: The list shows the four most frequent problems faced by women SME-owners in four cities in China. Those problems referring to legal and regulatory frameworks appear in bold font.

#### 4) Cultural and Social Norms

Another barrier faced by female SME owners is related to misconceptions on the woman’s role in housework and her presumed inferior leadership skills. The prevalent gender division of labour results in women having fewer hours per day to engage in entrepreneurial activities due to heavy demand in household tasks. Figure 11 shows that women spent considerably more time on domestic tasks such as routine housework, shopping and caring for household members. This trend of gender division of housework is widespread across both developing- and developed-APEC economies.

**Figure 11: Time Spent in Unpaid Work (hours per day)**



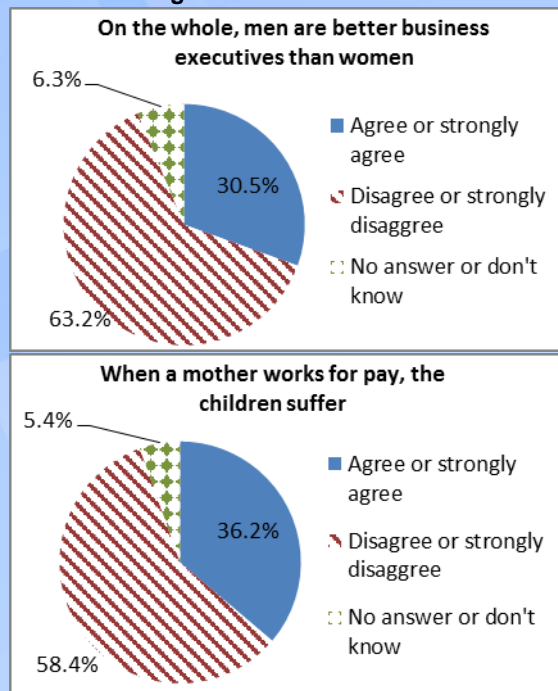
Note: Data are based on latest year available. Corresponding data for men is not available for Chinese Taipei.

Source: OECD – Employment Database, Directorate-General of Budget, Accounting and Statistics, Executive Yuan of Chinese Taipei and APEC PSU calculations.

Society tends to underrate women’s leadership skills and hold the traditional view on women’s homemaker role in the family. The World Values Survey comparing the perceptions in the capability of men and women in the business sector shows that the majority of respondents

think that men and women are equally capable executives in business environment, but a significant proportion of respondents, around 30%, expressed less confidence on women's business leadership (Figure 12). More than one-third of respondents responded that women should shoulder more childbearing responsibilities.

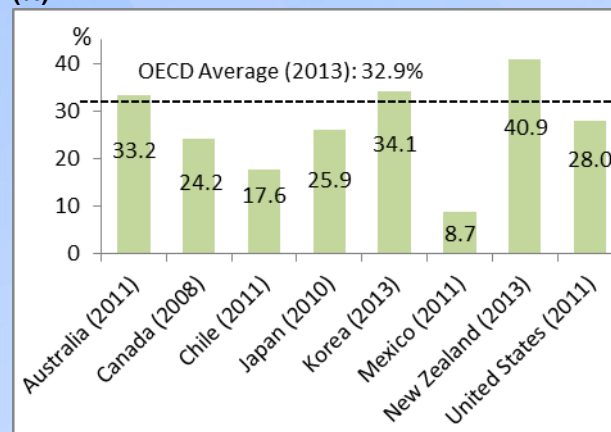
**Figure 12: Survey Results of Views on Gender Issues in APEC during 2010-2014**



Note: The sample includes 16 APEC economies: Australia; Chile; China; Hong Kong China; Japan; Korea; Malaysia; Mexico; New Zealand; Peru; Philippines; Russia; Singapore; Chinese Taipei; Thailand and United States.  
Source: World Values Survey and APEC PSU calculations.

In economies where women take on considerably more childcare responsibilities, female entrepreneurs struggle to find time to grow their businesses. Access to affordable formal childcare helps parents, especially mothers, to participate in paid work, including engaging in their own business. As shown in Figure 13, the participation rates for 0-2 year olds in formal childcare and pre-school services in Mexico is very low compare to other APEC economies. In Mexico, 75% of mothers with children between 1 and 4 do not have access to public childcare centres or could not afford private care.<sup>18</sup> This mirrors the significant role that women play in raising young children against foregone employment opportunities. To address this issue, the Mexican government launched a national child day-care program in 2007, which jumpstarts and subsidises the provision of home- and community-based care services. The program has grown rapidly with more than 9000 day-care centres in operation by December 2010.<sup>19</sup>

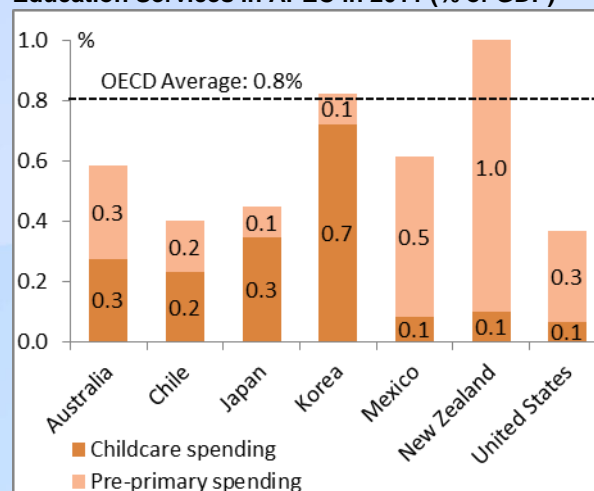
**Figure 13: Participation Rates for 0-2 Year-Olds in Formal Childcare and Pre-School Services in APEC (%)**



Source: OECD – Family Database and APEC PSU calculations.

While more efforts are required to change people's mindset on women's homemaker role, government can play a vital role in providing affordable childcare and early education services. As shown in Figure 14, there is plenty of scope for government to step in and give more opportunities to women to engage in the labour market.

**Figure 14: Public Expenditure on Childcare and Early Education Services in APEC in 2011 (% of GDP)**



Source: OECD – Family Database and APEC PSU calculations.

### INTERNATIONALISATION OF WOMEN-OWNED SMEs

According to OECD's Trade by Enterprise Characteristics Database, SMEs' under-representation in the international markets is prevalent across developed and developing economies. Larger firms account for the majority of exports.<sup>20</sup>

Gaining access to global markets is one of the ways for women-owned SMEs to expand their businesses. Furthermore, global expansion does not just expose them to a larger customer base, it also provides them opportunities, such as learning from and engaging with

large firms, exchanging information, having access to a wider range of suppliers, among others.

The aforementioned gender-related constraints faced by female entrepreneurs also hinders the internationalisation of women-owned SMEs. Besides that, the motivation to start a business is also linked to the decision to internationalize. In the case of start-ups with a clear motivation to grow, internationalization seems to be a natural step ahead. However, in the case of SMEs created by mere necessity, the immediate priority is to survive and the initial focus may be exclusively in the domestic market. Across the APEC region, women start a business more often due to necessity than men (Figure 15).

**Figure 15: Percentage of Men/Women Starting a Business Because of Economic Necessity in APEC (%)**



Source: GEM Global Entrepreneurship Monitor 2014 Global Report.

### III. FINAL REMARKS

Overall, expanding women’s SME ownership and internationalising women-owned SMEs face multifaceted challenges. Various constraints, ranging from financing, regulatory to cultural norms affect their development. Nevertheless, the potential return of fostering female entrepreneurship is enormous given their role in supporting inclusive and sustainable growth. For women-owned SMEs to realize their potential, a holistic and consistent approach is required when crafting policies focusing on inclusiveness, fair institutional frameworks, equal access to finance, and affordability and accessibility of social services.

Creating a mechanism for domestic support, such as family-friendly working conditions and increasing

accessibility to childcare services, will enable women to devote more time in economic or entrepreneurial activities. Governments can design tax policies that incentivise mothers to work; introduce labour policies to encourage working fathers to take childcare leave; and divide the parental leave entitlement equally between mothers and fathers. Regulatory reforms simplifying administrative procedures could also encourage business ventures opening childcare services.

To address discriminatory attitudes affecting women’s entrepreneurship, more campaigns should be conducted to raise awareness of the problems brought by gender stereotyping. In addition, it is important that government monitor the impact of policies and collect gender-disaggregated data to fine-tune policies and introduce measures to encourage a more equal stance between women and men.

Access to finance plays an important role in helping SMEs to expand to foreign markets. This Policy Brief highlights the importance to shore up the financial resources for both female and male entrepreneurs through appropriate interventions and targeted programs. Action plans ensuring equal access to government-backed finance programs and credit support schemes targeting SMEs would be useful. For example, in the Philippines, a mandatory credit allocation of 8% and 2% of the banks’ total portfolio was put in place in favour of micro, small and medium enterprises, respectively (Republic Act 9501)<sup>21</sup>. In parallel, it is also vital to increase awareness of available financial sources and tools among female SME owners and provide them financial advice.

The availability of skilled labour has been identified as one of the factors that determine the success for SMEs to integrate into the global value chains, especially since it is crucial for achieving high productivity and efficiency.<sup>22</sup> For instance, targeted training for women on business, management and IT skills would enable them to tap into e-commerce opportunities and expand their businesses. Governments should consider developing capacity-building programs to help women to address their training needs. Public-private partnership can also facilitate business associations to reach out to female SME owners and encourage networking and experience-sharing.



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<sup>1</sup> Kritikos (2014)

<sup>2</sup> McKinsey Global Institute (2015)

<sup>3</sup> Indeed, the proportion of self-employed workers account for more than half of total employment in several APEC-developing economies. (70.5%, 60.3% and 59.3% for Viet Nam, Indonesia; and Thailand respectively as of 2013)

<sup>4</sup> OECD (2012)

<sup>5</sup> IFC (2014) and Fairlie et al. (2009)

<sup>6</sup> OECD (2012)

<sup>7</sup> Koellinger et al. (2011), Dawson et al. (2013) and Kepler et al. (2007). The Global Entrepreneurship Monitor report also concluded that female entrepreneurs expressed more fear of failure than their male counterpart as a result of lack of confidence.

<sup>8</sup> The Asia Foundation, Networking Essential to Women Entrepreneurs in Asia, <http://asiafoundation.org/in-asia/2013/02/27/networking-essential-to-women-entrepreneurs-in-asia/>

<sup>9</sup> Kepler et al. (2007)

<sup>10</sup> The Asia Foundation (2013). Nevertheless, the same survey found that female and male SME owners are equally connected to informal networks.

<sup>11</sup> World Bank – Women, Business and the Law, 2016

<sup>12</sup> Data from the IFC Enterprise Finance Gap Database also found that women-owned SMEs obtain smaller loans relative to their revenue could face higher interest rates than men-owned SMEs.

<sup>13</sup> Female-owned SMEs also used general financial services less – lower percentage of female SME owners have checking account, loan or access to credit. Furthermore, high interest rates were cited as a significant challenge by 34% of female SME owners and 21% of male SME owners in Indonesia.

<sup>14</sup> World Bank – Women, Business and the Law, 2016

<sup>15</sup> Ibid

<sup>16</sup> Ibid

<sup>17</sup> Fairlie et al. (2009)

<sup>18</sup> OECD (2011)

<sup>19</sup> Ibid

<sup>20</sup> For APEC economies with available data, SMEs in Canada and the United States accounted for less than 30% exports, in terms of exports value, based on the latest available data.

<sup>21</sup> Shepherd, B., Cattaneo, O. and Tsai, C. (2015)

<sup>22</sup> Asian Development Bank (2015)