LACGIL
Gender Innovation Lab

TURNING KNOWLEDGE TO ACTION

Supporting Women Entrepreneurs in Emerging Economies

Women-owned businesses in emerging economies tend to be less profitable than those owned by men. Understanding the challenges women entrepreneurs face is essential to help them increase their profits.

This note shares lessons learned from interventions piloted by the LAC Gender Innovation Lab in Mexico. These interventions help small women retailers to compete more effectively with big retailers, thus improving their livelihoods.

Innovative approaches to support women entrepreneurs

Mexico has one of the lowest rates of female labor force participation in Latin America and the Caribbean (44%) and one of the largest gender gaps in labor market participation in the region (after Guatemala and Honduras). Many women who do work are self-employed, often operating microenterprises. Indeed, women account for 51% of the entrepreneurs in the country.

A recent LACGIL report entitled Promoting Women Entrepreneurs in Mexico, authored by Iacovone, Cucagna, and Rubiano Matulevich, examines the effect of two innovations used in entrepreneurship programs to increase the growth and profitability of women-owned businesses.

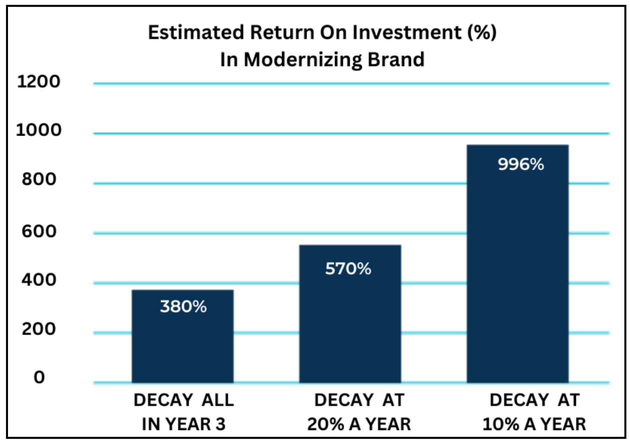
The first innovation (called *Mujeres Moviendo México*) consisted of incorporating both soft skills (i.e., personal initiative skills) and business literacy skills in an entrepreneurial training program offered to women-led businesses. The second innovation (called *Mi asesor*) is the development of low-cost consulting services to support the modernization of both male and female-owned enterprises.

High returns on investment

Personal initiative matters. The soft skills complement to the business training program resulted in a significant increase in profits through an improvement in organizational practices as well as an increase in the level of personal initiative.

Modernizing small retail businesses' brand value (e.g., appearance to clients) and advancing their internal management systems with simple mechanisms can boost sales. In the LACGIL Mexico study, external and internal modernization enhanced brand equity, increased monthly sales, and improved product management capacities.

The returns on investment are high. Calculating the returns on investment to these innovations requires some assumptions, including the longevity of measured impacts. However, the returns on both innovations are estimated to be high. Even in conservative scenarios, the soft skills innovation was estimated to have a return on investment of about 380 percent. Similarly, modernization of brand value had a return on investment of 200 to 800 percent.



If the return on investment is high, why do women (and men) entrepreneurs not invest in these services? There are evident market failures, and many women entrepreneurs face difficulties investing in such programs. One reason is that they lack credible information about trustworthy service providers. Another is that they face uncertainty about the return to investing in such services and skills. Hence there is a clear case for public provision of these services or mechanisms of financing that are recovered ex-post through some profit-sharing mechanism.

In short, boosting the profitability of women-owned businesses is possible and has significant positive effects.

This Knowledge to Action Note was prepared by Raquel Melgar Calderon and Kavell Joseph under the direction of Carlos Rodriguez Castelan and Jacobus Joost De Hoop. The team is grateful for the support from Leonardo Iacovone. The Latin America and the Caribbean Gender Innovation Lab (LACGIL) supports impact evaluations and inferential studies to find out what works to close gender gaps in human capital, economic participation, social norms, and agency. The LACGIL works in partnership with units across the World Bank, aid agencies and donors, governments, non-governmental organizations, private sector firms, and academic researchers.

This work has been funded in part by the World Bank Group's Umbrella Facility for Gender Equality (UFGE), a multi-donor trust fund administered by the World Bank to advance gender equality and women's empowerment through experimentation and knowledge creation to help governments and the private sector focus policy and programs on scalable solutions with sustainable outcomes. The UFGE is supported by generous contributions from Australia, Canada, Denmark, Finland, Germany, Iceland, Ireland, Latvia, the Netherlands, Norway, Spain, Sweden, Switzerland, United Kingdom, United States, the Bill and Melinda Gates Foundation, and the Wellspring Philanthropic Fund.

Visit our LACGIL website