

Research Conference 2024

Accelerating Growth for Women-Led SMEs

Summary Deck

Overview

The Inter-American Development Bank (IDB), IDB Invest, the European Bank for Reconstruction and Development (EBRD), the Women Entrepreneurs Finance Initiative (We-Fi), the American University School of International Service, and the Institute for Business and Social Impact at UC Berkeley, convened the research conference on “**Accelerating Growth For Women-Led SMEs**” held on October 29th and 30th, 2024 at the IDB Group Offices in Washington, D.C.

The **objective** of the two-day event was to promote new research and evidence on gender, access to finance, and the “missing middle”, to discuss implications for practice and policymaking, and to strengthen research-practitioner collaboration by creating links between research findings and operations.

The event, which brought together nearly 50 speakers from over 20 different institutions, spanning academia, development institutions, think tanks, and others, was **structured into four main thematic sessions**:

- Access to Credit and Skills
- Innovative Financing
- Enabling Environment
- Care Economy

The conference also **featured sessions** on leveraging data for impact measurement, on MDB initiatives, as well as two **panel discussions** with high-level practitioners and policymakers from the public and private sector.

Summary of study presentations

This deck presents a quick overview of some of the studies presented during the conference and after receiving the consent from authors to share this information. For research work that is still ongoing, general results are only presented.

“Building Women’s Skills for Economic Inclusion and Resilience”

Author/Presenter: Megan Lang (World Bank)

Abstract: This paper evaluates the impact of a skills-based program for entrepreneurship in rural Uganda, which teaches both hard and soft skills. Women who participated in the program were 17% more likely to generate income from profitable businesses 18 months after completion, and they reinvested heavily in their businesses. Additionally, these women performed significantly better during the COVID-19 lockdown compared to the control group. The study also finds positive spillover effects within social networks, benefiting non-participants. The findings suggest that skills-based programs play a significant role in promoting women's economic inclusion.

Key findings:

- Women participating in the program were 17% more likely to generate income from profitable businesses and reinvest heavily in their businesses.
- Program participants demonstrated greater economic resilience during the COVID-19 lockdown, maintaining stable revenues.
- Positive spillover effects were observed within business networks, benefitting non-participants and reinforcing community-level impacts.

Policy implications:

- Tailored skills programs: designing programs targeting ultra-poor, rural women, ensuring they address specific barriers such as low literacy and lack of initial capital can be an effective tool for improving economic inclusion.
- Adopt innovative tools: using tools like photobooks especially in populations with low literacy or resource constrained settings, could help measure social networks accurately and enhance the design of interventions.

“Innovative Financing Using MicroEquity Contracts: Experimental Evidence from India”

Author/Presenter: Sanghamitra Mukherjee (IMF)

Abstract: This study examines whether microequity contracts, which allow microenterprises to purchase productive assets with performance-contingent repayments, can improve business performance while recovering the initial investment. In ongoing research in India, randomized women-led microenterprises were given access to these contracts. Preliminary findings suggest that treated firms utilized microequity to invest in productive assets, achieve significant improvements in business performance, and maintain full repayment compliance. These findings suggest that microequity contracts may effectively drive growth for women-led businesses, a group for which it has been difficult to unlock meaningful gains.

Key initial findings:

- There is high take-up for microequity contracts among a sample selected for their potential interest in the product, with all treated firms accepting the financing.
- Treated firms experienced significant increases in revenue and profits, indicating improved business performance.
- No missed repayments were recorded during the contract period, demonstrating strong repayment compliance.

Policy implications:

- Enhance women’s economic opportunities: microequity financing supports sustained growth in women-led microenterprises by addressing some gender-specific constraints, such as limited financial independence, and redirecting funds directly into productive assets.
- Encourage alternative financing models: scaling up microequity contracts offers a sustainable alternative to traditional debt, with potential for broader implementation through partnerships and digital tools.

“Incentivizing Lending to Women Entrepreneurs: Evidence from Vietnam”

Author/Presenter: Markus Taussig (Rudgers Business School)

Abstract: This study evaluates whether targeted incentives for loan officers can reduce the gender gap in access to finance by encouraging lending to women-owned small and medium enterprises (WSMEs) in Vietnam. In collaboration with a leading commercial bank, the study analyzes the effectiveness of two incentive structures: (1) a monthly multi-category contest rewarding top performing agents and (2) piece-rate incentives offering fixed payments per new WSME loan. The study tests how these incentives influence lending agent’s behavior, particularly in recruiting new WSME borrowers. The design involves 50 branches randomly assigned to either of the two incentive schemes or a control group. The research explores changes in lending behavior, loan portfolio composition, and overall lending outcomes while accounting for competition dynamics and gender-related attitudes.

Key initial findings:

- The initial results show that both incentive structures appear to increase the number of new WSME borrowers, although the mechanisms and agent behaviors driving these changes may differ.
- The multi-category contest design seems to encourage competition among agents while providing opportunities for new and previously underperforming agents to participate and succeed.

Policy implications:

- Tailored incentive structures: designing inclusive incentives, like multi-category contests, can encourage lending agents to target undeserved borrowers such as WSMEs while maintaining agent engagement.
- Address bias in lending: programs aimed at improving agent’s awareness of gender related barriers and attitudes toward women entrepreneurs can enhance the effectiveness of financial inclusion initiatives.

“Gender Gaps in Time Use and Entrepreneurship”

Author/Presenter: Faisal Sohail (University of Melbourne)

Abstract: This study examines why the prevalence of female entrepreneurs, particularly in low-productivity, non-employer businesses, declines more sharply than men's as economies develop. It investigates whether gender gaps in time spent on non-market activities, which narrow with economic development, explain this trend. The authors develop a quantitative model where individuals choose occupations based on their abilities and available time, incorporating gender-specific distortions and social norms around market work. Using cross-country data, the study finds that social norms are the primary drivers of gender gaps in time use and entrepreneurship. Through these channels, social norms significantly contribute to cross-country differences in productivity, firm size, and have important welfare implications for women.

Key findings:

- Women in poorer economies spend twice as much time on non-market work (e.g., household chores) as men, but this gap narrows as economies develop.
- Women in poorer economies are more likely to enter non-employer entrepreneurship due to time constraints.
- Social norms, which limit women's ability to participate in market work, are a key driver of the gender gaps in time use and entrepreneurship across countries.

Policy implications:

- Challenge restrictive social norms: through education, awareness campaigns, and role models to promote gender equality in market work.
- Reduce time constraints for women: by investing in affordable childcare and household support systems.
- Support women's transition to higher-productivity sectors with targeted access to training, credit, and market opportunities.

“Self-Employed Mothers: Child Penalties, Maternity Benefits, and Family Health”

Author/Presenter: Fabrizio Core (Erasmus University Rotterdam)

Abstract: This study examines how motherhood affects self-employed women and the role of maternity cash benefits. Using administrative data from the Netherlands, the authors find that childbirth leads to significant reductions in business revenue and labor supply for self-employed mothers. However, a maternity cash allows eligible mothers to scale down their business activities while leading to an overall increase in household income, as the benefit offsets business income losses. These mothers likely spent more time with their children, as formal daycare use dropped significantly. While there was no impact on household composition or maternal health, the benefit reduced children's health expenditures and medicine use in the first year after birth, although not in the long run.

Key findings:

- Childbirth significantly reduces business revenue for self-employed women, with a 50% decline in the quarter of birth and a 25% decrease thereafter.
- The introduction of a maternity cash benefit enabled eligible mothers to further reduce their labor supply, leading to decrease in business revenue, while household income increased due to the benefit.
- Eligible mothers were less likely to use formal daycare, and newborn child's health outcomes improve in the first year of life resulting in lower health expenditures, although these health benefits did not persist in the long term.

Policy implications:

- Cash benefits: providing cash benefits allows self-employed mothers to reduce their labor supply during childbirth without compromising household income. Expanding such programs can support women's financial stability during critical periods.
- Time spent with children: policies that provide financial flexibility during early childhood can help families prioritize caregiving while ensuring household economic stability.

“Minding Your Business or Your Child? Motherhood and the Entrepreneurship Gap”

Author/Presenter: Valentina Rutigliano (University of British Columbia)

Abstract: This study examines how childbirth affects women’s entrepreneurial activity and firm performance, using detailed administrative data from Canada. The results show that motherhood has significant and persistent negative effects on women’s likelihood to start or maintain a business. For existing firms, childbirth leads to sharp declines in sales, profits, and overall performance, while fathers’ outcomes remain stable. The impact extends to workers in these firms, who face income declines and increased unemployment risk. Key factors such as access to childcare, progressive gender norms, and credit availability can mitigate these adverse effects.

Key findings:

- Childbirth has persistent negative effects on women’s businesses, leading to 21% declines in sales and profits five years after childbirth.
- These effects are particularly severe for young firms, where the founder’s active involvement is critical for survival and growth.
- Childcare availability, access to credit, and progressive gender norms reduce the adverse impacts, highlighting key areas for policy intervention.

Policy implications:

- Enhance access to childcare: expanding formal childcare services and promote flexible family support systems would help women entrepreneurs to balance business demands and caregiving responsibilities.
- Promote gender equality norms: policies and programs that challenge traditional gender roles can help mitigate the adverse effects of childbirth on women entrepreneurs while fostering a more inclusive entrepreneurial environment.