

# Access to Trade and Growth of Women's SMEs in APEC Developing Economies:

## Evaluating Business Environments in Malaysia – Philippines – Thailand

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in APEC Developing Economies:  
Evaluating Business Environments in  
Malaysia – Philippines – Thailand

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APEC Policy Partnership on Women and the Economy



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### III. Executive Summary

It is increasingly recognized that women's full and equal participation in business has important repercussions for domestic and regional economies. Asia-Pacific Economic Cooperation (APEC) –the premier Asia-Pacific economic forum dedicated to supporting sustainable economic growth and prosperity in the Asia-Pacific region – has made women's economic inclusion a top priority. To that end, APEC commissioned a research study designed and implemented by The Asia Foundation to increase understanding of the factors that encourage or deter access to trade and growth for women-run or owned small and medium enterprises (SMEs), in three Southeast Asia APEC economies – Malaysia; the Philippines; and Thailand. SMEs are critical engines of growth for economies and for the region. Often viewed as the core of economic development in Asian economies, SMEs comprise the majority of businesses in the region and are a significant source of employment. In Malaysia, for example, SMEs account for 99% of all businesses and contribute 32% of the economy's gross domestic product. The number of women-owned SMEs in the three APEC economies studied is expanding at a significant rate. In Malaysia, women's SMEs are growing at a rate of almost 10% annually. In the Philippines and Thailand, women already account for a significant portion of the SMEs.

Despite this positive trend, women SME owners and exporters face distinct challenges that constrain women in starting businesses and expanding businesses. Because of the high potential of growth of women-owned SMEs in the APEC region and the critical role they can play in accelerating development and trade, there is an important role for regional and economy-level policy reforms that will foster women-friendly business environments where women-owned SMEs can thrive.

Research for this project aimed to illuminate the complex array of factors affecting women in business through a mix of quantitative and qualitative methods. A quantitative survey targeted SME owners in domestic and exporting firms, half of whom were women. Qualitative methods included focus group discussions, semi-structured interviews and case studies. Study findings are presented with accompanying policy recommendations designed to address the specific challenges identified in the research with the aim of accelerating the number and size of women owned SMEs in the APEC region while fostering greater cross-border and regional trade.

The research examined a range of factors that affect women's ability to start and grow SMEs including:

- Barriers in accessing finance;
- Business management and operational challenges, including employee hiring and training;
- The lack of access to critical information on key issues such as land titling;
- The impact of social support systems for businesswomen including childcare, education and family background;
- The role of safety and security;
- The importance of networking;
- The role of family for women in starting and growing businesses;
- The role of government in promoting or deterring women in business; and,
- The role of regional organizations, such as APEC, in expanding the growth and trade capacity of women's SMEs.

In line with APEC’s goals, the recommendations in this report support bringing women-owned SMEs and exporters into the innovation economy through training, mentorship, and access to technology, as well as expanding business opportunities through access to networks, improved financial literacy, transparent and user-friendly government regulations and processes, and more support for businesswomen in achieving a positive work-life balance. Key findings and recommendations for APEC economies and other regional actors are highlighted in the table below.

**Table 1: Summary of policy recommendations**

<i>Business Networks</i>
<b><i>Finding:</i></b> Networks are recognized as important to success in business, but women-owned firms lag in formal networking.
<i>Recommendation</i>
<b><i>Build the capacity of SME business associations and networks to reach women-owned firms. Support exchanges among business women in different economies to promote the sharing of best practices and the development of their regional networks.</i></b>
∞
<i>Finance</i>
<b><i>Finding:</i></b> Complexity of the loan application process is a key problem for women-owned SMEs.
<i>Recommendation</i>
<b><i>Collaborate with the private sector, including SME business associations and networks, to promote financial literacy, business plan development and an understanding of the loan application process among women entrepreneurs.</i></b>
∞
<i>Government support</i>
<b><i>Finding:</i></b> Women business owners in Malaysia and Thailand perceived low levels of government support.
<i>Recommendation</i>
<b><i>Build opportunities for more constructive interaction between business women and the public sector through activities such as public-private dialogues, forums, and trade fairs to improve public-private relationships and encourage a business environment more responsive to business needs.</i></b>



### *Technology*

**Finding:** Women firm owners lag behind men in their knowledge and use of technology.

*Recommendation: Malaysia; the Philippines; and Thailand*

***SME business associations and networks should establish training programs to help women business owners more effectively use technology.***



### *Corruption*

**Finding:** Informal payments are a problem for business owners, especially in the Philippines.

*Recommendation: Malaysia; the Philippines; and Thailand*

***Governments should streamline processes for business registrations and permit applications to reduce the number of transaction points and help curb corruption.***



### *Security*

**Finding:** In Malaysia and the Philippines security is a serious concern for business women and a hindrance to potential entrepreneurs.

*Recommendation: Malaysia and the Philippines*

***Governments should take steps to respond efficiently to business owners' security concerns, establishing clear avenues for complaints and dedicating police officers to high threat areas.***



### *Social Support*

**Finding:** Social and cultural expectations and responsibilities can play a role in deterring or limiting women's ability to achieve success in the export sector.

*Recommendation: APEC; Malaysia; the Philippines; and Thailand*

***Promote the image of women as important contributors to economies through working groups composed of men and women stakeholders from the public and private sectors committed to closing the gender gap.***

## CHAPTER ONE: Constraints to women in business

### Key Points

- The purpose of this study was to increase knowledge of the factors that encourage or deter access to trade and growth of women-run/owned SMEs in APEC economies, specifically focusing on:
  - *Malaysia:* Despite Malaysia's strong economy and low unemployment, women's participation in the workforce and level of entrepreneurial activity is relatively low. However, over the last decade, the number of women SME owners has grown rapidly, with an annual average growth rate of almost 10%.
  - Cultural norms regarding the woman's role in the family and labour practices are perceived as major restricting factors for businesswomen in Malaysia.
  - *The Philippines:* Low employment growth has been a chronic problem in the Philippines, yet (or perhaps consequently) it also has one of the highest rates of entrepreneurial activity among women in the Asia-Pacific region.
  - The Philippines is ranked relatively low in terms of 'ease of doing business' by the World Bank Doing Business Index, and high levels of corruption and limited access to finance limit women's ability to start and grow businesses.
  - *Thailand:* Thailand's business environment is comparatively supportive of SMEs and business women, however there are still strong biases against women working in some sectors and women are often excluded from certain networks important for business opportunities.

This report, *Evaluating Business Environment to Foster Access to Trade and Growth of Women's SMEs in Southeast Asian APEC Developing Economies*, presents findings from a research project conducted by The Asia Foundation (TAF) and commissioned by the Asia-Pacific Economic Cooperation (APEC). The research was carried out in three Southeast Asian APEC economies: Malaysia; the Philippines; and Thailand with the aim of increasing knowledge of the factors that encourage or deter access to trade and growth of women-run/owned small and medium enterprises (SMEs). Research identified specific economic, legal/policy and social and cultural constraints to women's entrepreneurship with a focus on trade. Based on these constraints, the report presents specific practice and policy recommendations that could encourage greater entrepreneurship and ownership by women.

Research implementation and data analysis in the three economies surveyed was conducted by research firms in each economy studied in collaboration with The Asia Foundation. This report is based on the consolidated results and comparative analysis of survey data and qualitative research across the three economies surveyed.

## 1.1 Purpose

The purpose of this project was to:

- 1) Conduct research to enhance understanding of constraints to women's entrepreneurship and trade in three APEC developing economies (i.e. Malaysia; the Philippines; and Thailand); and
- 2) Develop policy recommendations for APEC and its member economies to improve women's capacity to fully participate in the economy and expand trade within APEC.

## 1.2 Background

Constraints to women's full participation in Asian economies have direct repercussions for economic growth, regional development and the well-being of societies and individuals. The United Nations estimates that the Asia-Pacific economy would grow by an additional \$89 billion annually if women were able to achieve their full economic potential.<sup>1</sup> The World Bank estimates that output per worker would increase from 7-18% if female entrepreneurs and employees in the East Asia Pacific region worked in the same sectors, types of jobs and activities as men with similar levels of access to productive resources.<sup>2</sup>

However, according to the World Bank, the average female-owned and run enterprise is smaller than male-run enterprises in terms of total employees, sales and profits.<sup>3</sup> In addition, these enterprises are more likely to be in the informal sector and be based either in the home or temporary premises. Female-owned and managed enterprises are not inherently less productive, but research suggests that instead a set of institutionalized constraints limit women's ability to thrive in business. Addressing the specific economic, financial, legal, policy, social, and cultural constraints that limit women's entrepreneurship would have important positive repercussions on women's ability to thrive in business and, by extension, the strength of APEC economies.

This report builds on existing knowledge about constraints to women in business in Malaysia; the Philippines; and Thailand through presenting findings from the research detailed in Chapter Two. The following is a brief overview of background literature in women and business in each of the surveyed economies.

### 1.2.1 Malaysia: The growth of women’s entrepreneurship

According to Malaysia’s most recent *Census on Establishments and Enterprises*, SMEs account for 99% of all businesses and contribute 32% to the economy’s GDP.<sup>11</sup> SMEs also represent 19% of total exports and 56% of the workforce. However, overall entrepreneurial activity of women in Malaysia is only 9% (this is over 30% less than in the Philippines and Thailand), and despite strong economic growth, the World Bank estimates that only 44% of working-age females participate in the labor market in Malaysia.<sup>12</sup> Yet at 9.7%, the growth rate of women’s SMEs in Malaysia is the highest of the three economies in this study, and approximately 2% higher than that of men’s SMEs – suggesting the significant potential contribution of women’s SME’s to the Malaysia’s economy.<sup>13</sup>

A recent study by the Rotman School of Management at the University of Toronto highlighted the role of cultural norms related to women’s business activity in Malaysia. These norms dictate and limit women’s modes of operation in business spheres by expecting them to “lead as if they were mothers or teachers,” rather than taking on what is perceived to be the more traditional masculine role of formal leadership.<sup>14</sup> Research has also noted a trend of Malaysian women entrepreneur’s microenterprises often being taken over by the woman’s husband or a family member when the businesses grow to become larger enterprises.<sup>15</sup>

In response to these limiting factors, the government of Malaysia actively promotes women’s entrepreneurship through capacity building initiatives to develop women’s SMEs. The government has also worked with ministries and agencies to offer programs for women entrepreneurs. These initiatives have helped contribute to an increasing number of female-owned SMEs in Malaysia, which rose to 17% of the total SME population in 2008, up from 12% in 2000.

### 1.2.2 Philippines: Women entrepreneurs hitting a glass ceiling?

SMEs play a crucial role in the Philippines’ economy, representing 99.6% of all registered businesses. SMEs account for 32% of GDP in the Philippines and employ almost 70% of the workforce.<sup>22</sup> In the Philippines, opportunities for starting businesses exist for both men and women as evidenced by the greater percent of women owners of nascent businesses and women’s relatively high level of entrepreneurial activity (40%). Although the 2006 Philippine survey on entrepreneurship conducted by the Global Economic Monitor found that Filipino women own 45% of business enterprises, these are generally nascent businesses (69%), while men more often own established businesses (66%).<sup>23</sup>

Therefore, despite these trends and enabling mechanisms, there remains an underrepresentation in the numbers of women entrepreneurs among established businesses, suggesting a set of factors

**Table 2. Snapshot of SMEs & women in Malaysia**

Ease of doing business ranking <sup>4</sup>	18
SMEs contribution to GDP <sup>5</sup>	32%
SMEs contribution to total exports <sup>6</sup>	19%
% of workforce employed by SMEs <sup>7</sup>	56%
Women’s economic opportunity index ranking <sup>8</sup>	53
Female labor participation rate <sup>9</sup>	44%
Annual growth of women’s SMEs <sup>10</sup>	10%

**Table 3. Snapshot of SMEs & women in the Philippines**

Ease of doing business ranking <sup>16</sup>	136
SMEs contribution to GDP <sup>17</sup>	32%
% of workforce employed by SMEs <sup>18</sup>	70%
Women’s economic opportunity index ranking <sup>19</sup>	74
Female labor participation rate <sup>20</sup>	50%
Annual growth of women’s SMEs <sup>21</sup>	3%

that limit women when it comes to managing and operating a business. Researchers have found that while women play a strong role in starting a business, family responsibilities put time constraints on the amount of time they can put into their businesses. Furthermore, social services available to women to enable them to continue putting time into their business with a family were “generally insufficient.”<sup>24</sup> As such, women are typically found in activities that permit them to balance family responsibilities with income generating activities such as retail trade, food preparation or home-based piecework. In particular, younger women with small children tend to start businesses that allow them to remain close to their home.<sup>25</sup>

### 1.2.3 Thailand: Women as major drivers of the economy

SMEs are a critical component of Thailand’s economy, comprising 78% of employment, 43% of non-agricultural GDP and 30% of exporters.<sup>30</sup> Thailand’s proportion of working-age females participating in the labor market, 64%, is also significantly higher than that in Malaysia and the Philippines. Women constitute 47% of Thailand’s business people and, as such, are a driving factor in these figures. A 2010 study by MasterCard Worldwide found that women-owned SMEs in Thailand contributed approximately 38% of I GDP and that their businesses had an annual growth-rate of 2.25% compared to 0.31% among SMEs owned by men.<sup>31</sup>

According to the *Global Entrepreneurship Monitor 2007*, social and cultural mores in Thailand have long encouraged and supported female participation in the workforce, which explains the high prevalence rates of women’s entrepreneurship.<sup>32</sup> In Thailand, gender is not necessarily perceived as an impediment to success in business. However, despite this commonly held perception, research reveals that women still face a wide range of barriers to starting, sustaining and growing their businesses. For example, while women technically have the same legal rights as men, married women need their husbands’ consent for critical legal transactions, including bank loans.<sup>33</sup> In addition, industry restrictions and cultural expectations mean that Thai women’s businesses tend to be in the lower-earning sections of sectors such as retail, hospitality and personal services.<sup>34</sup>

**Table 4. Snapshot of SMEs & women in Thailand**

Ease of doing business ranking <sup>26</sup>	17
SMEs contribution to GDP	43%
SMEs contribution to total exports	30%
% of workforce employed by SMEs	78%
Women’s economic opportunity index ranking <sup>27</sup>	47
Entrepreneurial activity of women	47%
Female labor participation rate <sup>28</sup>	64%
Annual growth of women’s SMEs <sup>29</sup>	2%



## CHAPTER TWO: Research overview

### Key Points

- *Quantitative research:* Approximately 150 SME-owners / managers were interviewed in each economy. The interviewees were balanced by gender and approximately a third of them were exporters.
- *Qualitative research:* Semi-structured interviews were conducted with public officials and entrepreneurs in each economy. Focus group discussions and case studies were conducted with male and female entrepreneurs.
- *Special characteristics of the sample:* In order to achieve a balanced gender ratio of respondents, female respondents were oversampled. Additionally, in order to focus interviews with small and medium enterprises, only firms with an employee range between 5 to 200 individuals were interviewed, essentially excluding microenterprises from the research.

For the study, research teams were assembled in Malaysia; the Philippines; and Thailand with management by research coordinators based in the United States. The research methodology and special characteristics of the sample are briefly described below.

### 2.1 Methodology

This report builds on previous research to assess the experience of business women in Malaysia; the Philippines; and Thailand. In each study economy, local research teams worked closely with Asia Foundation research coordinators in the United States throughout the project design and implementation phases.

The research methodology consisted of both qualitative and quantitative research. Quantitative research included approximately 150 survey interviews in each economy, and qualitative research included focus group discussions, semi-structured interviews and case studies with public officials and entrepreneurs. To supplement the research, The Asia Foundation also produced a video with interviews which elaborated on the factors which affect women in business and trade in each economy. The research was standardized across the study economies to the extent possible. However, some variations in research methodology occurred because of variations in the sampling frames available in each economy.

Figure 1: Overview of research methodology

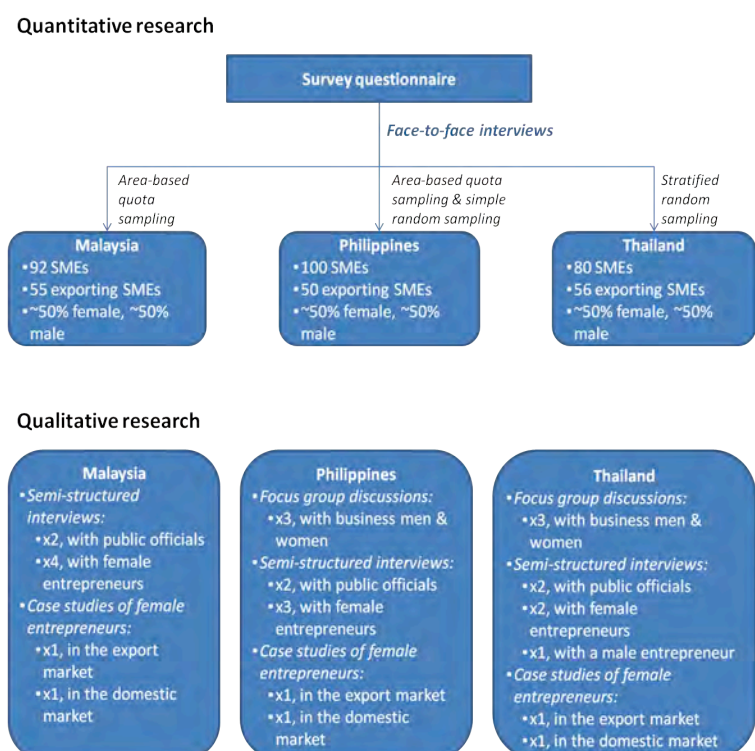


Figure 1 provides an overview of the research undertaken for this study. More detail on the methodology can be found in Appendix One.

## 2.2 Special sample characteristics

This section details sample characteristics which impacted the survey findings. In order to effectively compare answers between male and female respondents, enumerators interviewed approximately equal numbers of men and women. Consequently, the survey oversamples female respondents from each of the study economies since all three have estimated female entrepreneurship rates under 50%.<sup>35</sup>

For each firm surveyed, owners were interviewed whenever possible. Over 80% of firm respondents interviewed were owners while the remaining 20% were managers or other firm delegates. In Malaysia and the Philippines, the proportion of female and male owners interviewed across the sample was approximately equal at over 80%. In Thailand, 63% of female respondents, and more than 80% of male respondents, were owners.

In addition, only firms with employee numbers between a predefined lower and upper limit were surveyed (i.e. firms which had between 5-200 employees). These boundaries enabled the survey to capture small and medium enterprises and exclude both micro-enterprises and large firms. This focus on the population of SMEs rather than microenterprises ensured that the research captured growth-oriented firms rather than those established by micro-entrepreneurs for alternate reasons such as self-employment.

Lastly, several sectors, including agriculture, public administration and household activities, were purposefully excluded from the survey since they are special sectors largely outside the purview of mainstream SME activities.

Given these qualifications, the typical firm represented in our sample is not representative of the overall population of firms in the surveyed APEC economies, primarily due to the exclusion of micro-enterprises and over-sampling of women firm owners. Instead, it is a distinct sample meant to capture important trends of male and female-run SMEs on a comparable basis. Due to the predetermined sampling biases, certain trends characteristic of the overall population of firms in this region did not emerge. For example, the tendency of women-owned firms to be smaller than men-owned firms did not emerge in this sample as microenterprises firms were purposefully excluded.<sup>36</sup> A more in-depth discussion of the sample characteristics can be found in Appendix Two.

## CHAPTER THREE: Management and operational capacity of women-owned SMEs

### Key points

- SME owners cited high interest rates as their greatest borrowing challenge. In addition, finding, obtaining and completing the paperwork to apply for a formal bank loan is a significant hurdle for all business owners, but particularly for women.
- Despite the recognized beneficial effects of interacting with business associations, a greater proportion of women than men have never actually done so. Women business owners do, however, interact with other businesses through informal networks and in social settings as frequently as men.
- Most SMEs are struggling to hire and train employees with rising costs. Women SME owners are hiring more women than men owners.
- Women use computers less than men for their business and have a lower level of awareness of new technology.

In order to help established firms grow, it is essential to understand how they operate and what factors contribute to their growth. Analysis of survey findings suggests that differences in operational factors between women's and men's firms in the sample are due to the unique challenges that women's firms face rather than simply firm-level factors such as sector, size or age.

### 3.1 Women entrepreneurs often find it more difficult to access finance

Women often face formidable barriers in starting businesses such as high start-up and financing costs. Moreover, women often lack the same level of resources as men to overcome such barriers.<sup>37</sup> In the formal financial sector, obstacles such as cumbersome paperwork and high interest rates can be daunting for aspiring entrepreneurs.

#### *Financial catch-22 spurs innovation in Malaysia*

*An entrepreneur based in Kota Domansara, Malaysia described a Catch-22 situation in financing her firm. In her experience, banks were often reluctant to approve loans to new entrepreneurs, especially those in her manufacturing business, given the significant amounts of capital required to purchase start-up industrial equipment and secure manufacturing space. Banks often requested some kind of proof of concept or track record before granting a loan approval, but this would require the borrower to already have capital in order to meet these requirements.*

*In response, this entrepreneur sought creative solutions that required less capital. She turned to low-technology alternatives such as building preliminary models out of cardboard (see picture), buying equipment from bankrupt firms and offering her factory space to nearly bankrupt firms to house their equipment in exchange for allowing her employees access to this equipment. These innovations have attracted several foreign companies that have approached her as a local partner to develop high-value manufacturing products. Currently, for example, she is partnering with an aerospace technology company based in Germany where her company is learning and utilizing technology to produce surfacing for industrial items.*



### 3.1.1 A common complaint among all entrepreneurs is high interest rates

Bank loans constitute the second most important source of starting and operating capital for both men and women SME and export firms after individual or household savings. The majority of men and women business owners in the sample (52% and 63% respectively) reported trying to borrow funds from either a formal or informal source to support their business. Among the respondents who reported that they had never borrowed funds (43% of total respondents), 24% reported that they had tried and failed to borrow funds formally or informally, highlighting constraints in the borrowing process.

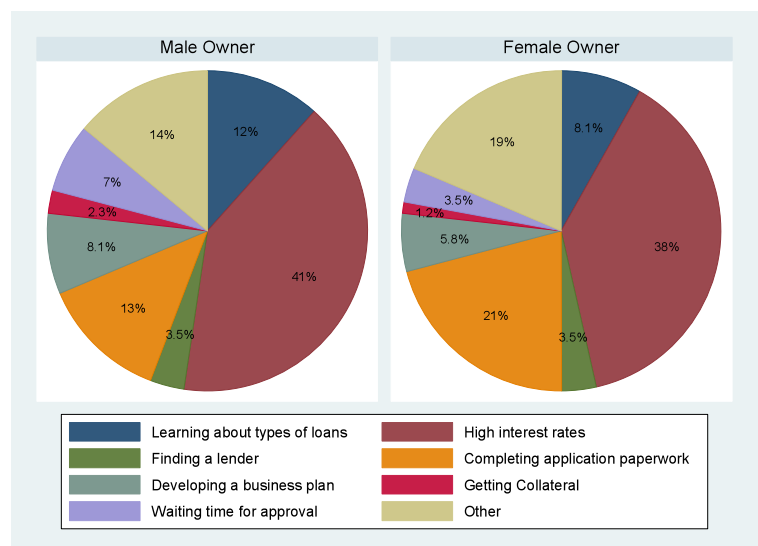
As Figure 2 shows, the most challenging part of the loan process was high interest rates for both women and men, cited by 38% of women owners and 41% of men owners. However, it is important to put these figures in the context of common interview trends. Across firm samples, respondents, when asked about interest rates, have a tendency to say that they are too high. Moreover, the notion of high or low interest rates varies from one sector to another, from one business model to another, and depends on expected profit. Although interest rates in Malaysia; the Philippines; and Thailand have been significantly higher in the past, they are currently very low (at 3%, 3.75% and 2.75% respectively).<sup>38</sup> Thus, the perception that the cost of finance is too high is fairly common for SMEs, even when interest rates are low by historical standards.

Previous research has suggested that high interest rates disproportionately affect women’s firms in developing APEC economies, particularly smaller firms which are not able to absorb the costs of finance.<sup>39</sup> While this study sample only included established SMEs (which is perhaps why both men and women cited finance as a problem at similar rates), it was clear that the cost of finance is still a

real concern for women-owned firms in the APEC study economies. For example, in Malaysia, women entrepreneurs mentioned that bank loans were risky because any initial profits would need to service their loan. This perception may also imply a lack of business and financial planning skills that would help women better forecast for both costs and benefits of utilizing a loan for a business investment.

In contrast to the cost of finance, obtaining collateral for loans was not a major concern for businesses in the sample. While 60% of firms who obtained loans needed collateral, only 2% of firms cited it as the most challenging part of the loan process. This is counter to problems of credit access for microenterprises in which collateral requirements are often cited as a critical barrier.

Figure 2: Most challenging part of the loan process



### 3.1.2 Loan application paperwork is a greater problem for women than men

Application paperwork, including procuring supporting documents, was cited as the second most common challenge in the loan process. This was noted by 21% of women-owned and 13% of men-owned SMEs. Similarly, 29% of women-owned export firms cited application paperwork as a challenge compared to 14% of men-owned export firms. The problem was particularly pronounced in Malaysia, with approximately 28% more women business owners and 47% more women exporters citing completing application paperwork as their most significant challenge in the loan process compared to their male counterparts. Businesswomen in Thailand noted the length of the application process to obtain a loan as a major constraint. In Thailand, the process to obtain a loan from the public SME bank was longer than from a commercial bank, highlighting a constraint of the SME bank and thus a limitation in the government's efforts to support SMEs.

Findings related to challenges businesswomen face in completing loan application paper work are consistent with findings from other economies in the region. For example, the 2010 *Economic Opportunities for Women in East Asia and the Pacific Study* found that women entrepreneurs in Vietnam rated complicated paperwork as the biggest barrier to accessing credit.<sup>40</sup> The widely reported lack of support for women-owned firms in this technical aspect of the application loan process emphasizes the significant impact of lack of information on women's businesses in APEC study economies.

#### ***Requirement of husband's signature poses a barrier for women's access to capital in the Philippines***

*One women-specific challenge that surfaced during a focus group discussion was the need for married women to have their husbands as co-signatories when applying for a bank loan. Mylene Abiva, a participant of the focus group and president/owner of Felta Inc. in the Philippines, observed that this requirement poses a serious challenge for women, especially those separated from their husbands, seeking capital to grow their businesses. According to Abiva, some women who are not divorced but are separated do not even apply for a loan because they do not want to contact their estranged husbands. This is particularly challenging in the Philippines where there is no divorce law and the process to annul a marriage is costly, complex and lengthy.*



*Participants in a focus group discussion held on March 22, 2012 with the research team.*

### 3.2 The role of networks for women in business

Networking is an important factor for business growth.<sup>41</sup> Evidence suggests that networks are important not only to make connections with other business people, but also to impart skills and knowledge related to running a business effectively.<sup>42</sup> This may be even more important for firm owners in emerging economies since the business environment is often more fluid than in developed economies.<sup>43</sup> However, there is some evidence to suggest that women in emerging Asian economies are less networked than men due to time constraints associated with additional domestic and family responsibilities.<sup>44</sup>

**Thai businesswomen networking workshop:** On October 1, 2012, the Thai Chamber of Commerce hosted a one-day Asia Foundation-supported Women’s Access to Trade networking forum. The meeting was the first of four Asia Foundation-supported networking meetings for women in trade, building on the research presented in this report. Women stated that they often struggled to balance duties to both family and business, and faced negative stereotypes and prejudice in traditionally male-dominated sectors like construction and manufacturing. By the end of the day, the women decided they would like to formalize and build this network further, electing a president and vice-president from among themselves and individuals volunteering to take on follow-up actions like starting a Facebook group.



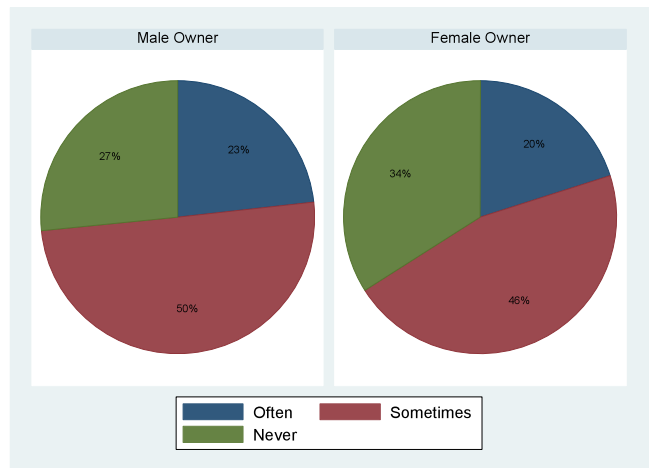
*“I’m very glad to attend the workshop conducted by the Thai Chamber of Commerce in October. We don’t have many interesting workshops or meetings for SMEs owners. At the workshop I met many business women from different business industries. I also suggested a jewelry business owner from the workshop to my clients and gained a lot of practical knowledge, especially on exporting issues even though they didn’t export flowers like me.”*

- Miss Suda – Flower Exporting Business, Bangkok

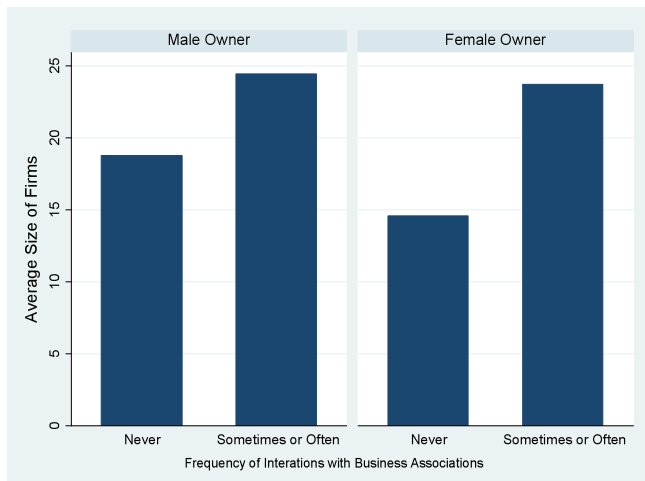
### 3.2.1 Women lack formal networks

Evidence from the survey sample shows that women owners in the economies studied were generally less networked than men. As displayed in Figure 3, approximately the same percentage of women and men owners reported to interact with formal business associations “often.” However, a higher percentage of women owners—34% compared to 26% of men owners—never interact with business associations. This difference was even greater among exporters, with only 23% of women often interacting with business associations compared to 38% of men. In the Philippines, membership levels of men and women were

**Figure 3: Frequency of interactions with formal business associations**



**Figure 4: Average firm size by frequency of interactions with formal business associations**



similar but men tended to be more active members of the associations. In Malaysia, the study showed that businesses join associations when their companies grow larger or start exporting.

Interacting with business associations had positive effects for women. Women firm owners who said that they interacted with business associations at least sometimes were 24% more likely to say that they would increase their operations in the next three years, controlling for firm age, size and sector. Moreover, interaction with business associations was significantly

correlated with increased firm size for women’s business. Women-owned firms that interacted with business associations were on average 38% larger than those that did not, compared to 25% for men-owned firms (Figure 4).

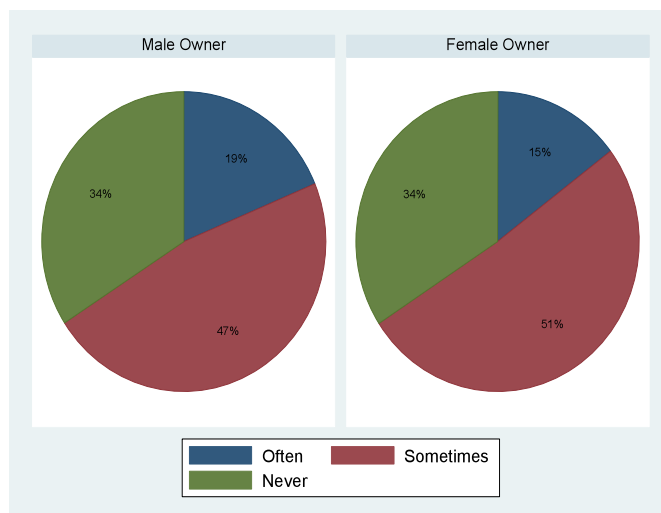
In the case of Malaysia, most businesses reported the greatest benefits of joining an association were access to information as well as training on regulations, policies and taxes. Membership in a business association was also considered to be useful in facilitating relationships between business people and government agency officials. SMEs surveyed who had interacted with the Malaysian External Trade Development Cooperation (MATRADE) held it in high regard for the support it offered exporting SMEs. They said the most useful services it provided were business matching following trade inquiries and strategies for marketing exports. However, only larger SMEs tended to be members of MATRADE, and although there was a high level of awareness among all SMEs, only 17% of those who are aware were also members.

In the Philippines, focus groups noted membership in business associations was useful in terms of financial benefits as some business associations were able to obtain loan packages from banks and other lending institutions which they in turn made available in loans their members. Business associations were also reported to provide an additional credential to business owners applying for bank loans.

In all three study economies, women tended to report finding new clients to be more difficult than men. A possible explanation for this is that businesses mentioned personal connections, referrals and gift giving as critical to both accessing and securing clients. This again highlights that women often lack the formal networks that could enable them to be more successful in cultivating clients.

### 3.2.2 Women and men are equally connected to informal networks

In contrast to participation in formal networking activities, survey findings demonstrated that women were just as likely as men to connect with other businesses through informal networks and in social settings. Both women owners and exporters reported to benefit greatly from these interactions. Women owners who engaged in them were 24% more likely to say that they would increase their operations over the next three years while men owners were 15% more likely to say the same controlling for firm size, age and sector. These findings indicate that informal networks are important to future growth of women-owned businesses.



Approximately 66% of both men and women owners engaged in informal networking, although men engaged slightly more often than women—19% to 15% respectively (Figure 5). This was also true for exporters. Seventy percent of both men and women’s export firms engaged at least sometimes with informal networks, while more men said they engaged often (28%) compared to women (15%).

Considered by economy, informal networking was shown to be a boon for businesswomen, particularly for those in Malaysia and Thailand. In Malaysia, women owners who engaged in informal networks were 25% more likely to say that they would expand their operations over the next three years controlling for firm size, age and sector. And, in Thailand, women owners engaged in informal networks were 54% more likely to report that they had a profit in the last year. In Thailand, women tended to have one-on-one meetings more frequently than men, whereas the opposite was true in the Philippines.

Like informal networks, women and men owners interacted in social settings at approximately the same rate (80%), with slightly more men owners saying they engaged often (20%) compared to women owners (15%). The same was true for exporters, with approximately 80% of all owners saying that they interacted with other businesses in social settings.

While it was encouraging that women were engaged in informal

networking at approximately the same rate as men, the fact that they were less formally networked was of concern. While informal networks allow firms to cooperate along the value chain, formal networks often provide access to larger businesses, as well as to management and business skills that are critical for firm growth. Formal networks also increase the capacity of women's firms to effectively advocate for government reform. Thus, not being part of formal networks can cost women-owned firms in the long run.

#### ***Women-to-women mentoring program facilitates networking***

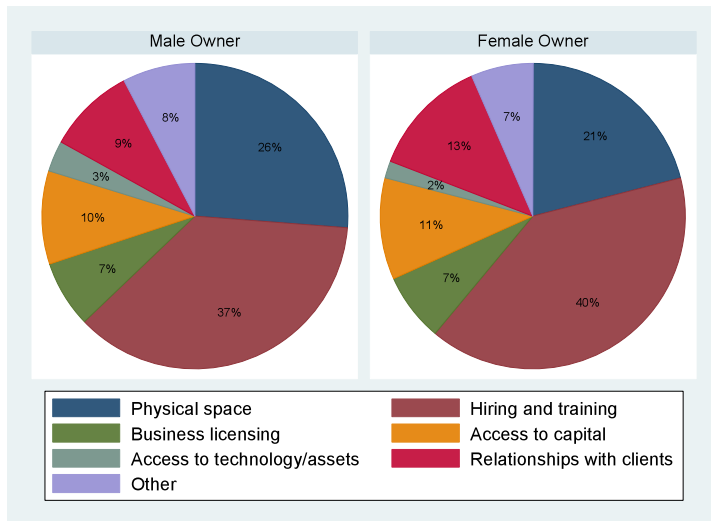
*Ms. Pacita "Chit" Juan is the President of the Women's Business Council of the Philippines (WBCP). Ms. Juan was previously involved in several businesses, including Tavern on the Square, Figaro Coffee Company and Binalot Fiesta Foods, and is now one of the co-owners of ECHO store, a pioneering social enterprise firm. Formed in 1997 with the endorsement of then President Fidel V. Ramos, the WBCP is an advocacy group providing a platform to discuss women's business issues and possible government policies that would help women through business-focused solutions. Although its members are mostly high-profile and highly successful women entrepreneurs, WBCP reaches out to women small business owners through its Women-to-Women mentoring program. This way, Ms. Juan hopes, "The WBCP is able to influence people...that you can be someone big."*

### **3.3 Employee hiring and training is a critical challenge for all entrepreneurs**

Finding skilled employees is a particularly critical challenge for SMEs in the study economies, all of which are trying to transition from middle-income to high-income economies. In order to do this, these economies are trying to move up the value chain in manufacturing while providing high-quality services. These efforts require a higher number of highly skilled workers in niche specialties, and such workers are becoming increasingly difficult to find at competitive wages for many business owners.<sup>45</sup> A woman entrepreneur interviewed in Malaysia who specializes in office furnishings noted that Malaysia's low unemployment rate, at just over 3% as of September 2012, means that employees enjoy considerable bargaining power. Therefore, an enterprise of her size finds it very difficult to retain employees without adding further benefits.



**Figure 6: Biggest overall business challenge**



**Figure 7: Biggest overall business challenge in the Philippines**

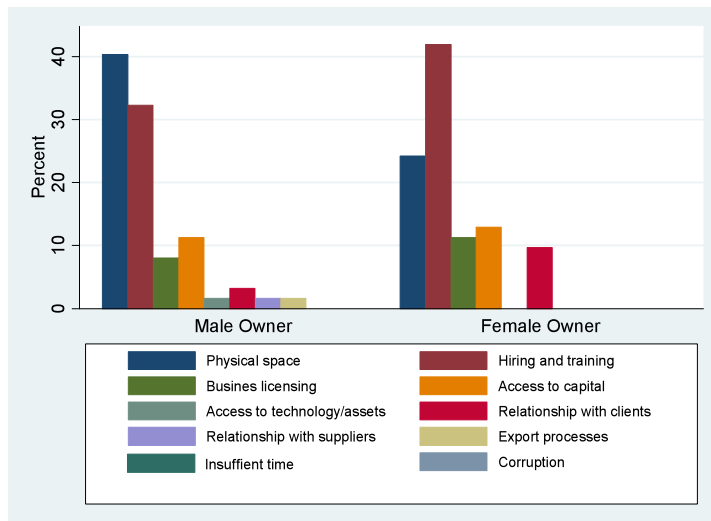


Figure 6 shows that among women and men owners, employee hiring and training is the biggest overall challenge for businesses, at 40% and 37% respectively. While exporters have a more diverse set of challenges, both women and men exporters cite employee hiring and training as their primary challenge, at 29% and 26% respectively.

Moreover, when examining the data by economy, it is clear that while employee hiring and training is an issue for all firm owners, it is particularly challenging for women owners and exporters in the Philippines. Forty-two percent of female firm owners in the Philippines cited hiring and training as their biggest challenge compared to 32% of men (Figure 7). Similarly, 44% of women exporters in the Philippines cited it as their biggest challenge compared to just 17% of men exporters.

Clearly, hiring and training presents a large challenge for all entrepreneurs, but may be of particular concern to women. Lingering gender biases with

regard to women’s leadership in business may be among the factors fueling this concern. Numerous studies highlight that women can often be perceived as poor business leaders due to cultural stereotypes which are predisposed to men operating in such roles. Strong women business leaders can thus be viewed as excessively “masculine.”<sup>46</sup> This tendency, along with the more limited access to business networks, may make it more difficult for women employers to attract skilled employees.

*“Actually, Thailand is such an open country for women, I think it’s okay for the woman. But in some businesses, like my own business, I do business where I have to manage men, and the less educated male labor is quite hard in terms of respect and listening. You have to have a lot of confidence.”*

*-Woman entrepreneur in Thailand*

### 3.3.1 Women hire more women

Across the survey economies, women owners were found to employ more women overall than men owners. Women owners hired 17% more women employees controlling for firm sector. This finding is also consistent in export firms where women export owners hire a majority of women at their firms.

This tendency was also evident in firm interviews in which women-owners continually mentioned that they were inclined to hire other women. One businesswoman in the Philippines who worked in handicrafts said she regularly hired women from the squatter areas surrounding her production locale. She explained

#### *Single mother owner creates family-friendly policies at work*

*An entrepreneur in Kota Domansara, Malaysia, discussed how her professional life has contributed to immense pressure in her personal life. She is currently a single mother raising two boys. In her sons' early years, she had the support of her immediate family, living with her parents after divorce. But she decided to move out of her parents' home when her sons entered their teenage years, a decision that led to a period of intense personal challenges. She shared that her challenges raising children as a single mother have made her a more understanding employer, cognizant of the child-raising responsibilities that her female staff disproportionately bear at home. She now allows flexible working hours for her female staff without pay deductions.*

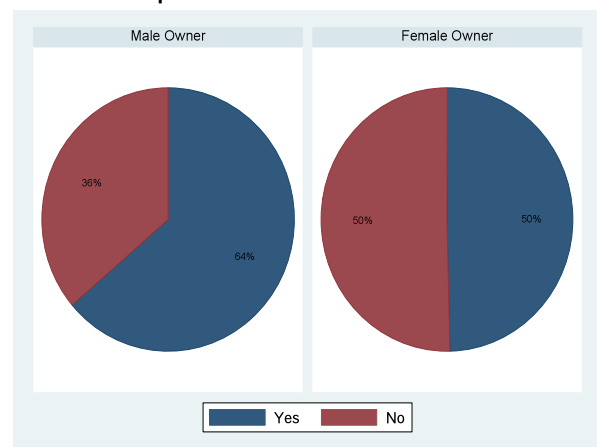
that she was happy to learn that these women were now more self-reliant and no longer had to depend solely on their husbands for income. In Thailand, businesswomen reported finding it harder to manage and build rapport with their male workers compared to their female workers, and that managing male labor required a constant effort to prove oneself. While literature in this area is minimal, findings in this survey were consistent with prior research findings that indicated women entrepreneurs were more likely to hire other women.<sup>47</sup>

### 3.4 Business-related technologies are less accessible for women

There is a growing body of evidence to suggest that information technology has a direct influence on SME innovation, and therefore also impacts firm performance.<sup>48</sup> However, women often do not have access to the same overall level of inputs as men, including technological inputs. This puts women-owned firms at a disadvantage in the market place and may lead to lower overall productivity.<sup>49</sup>

Ninety-one percent of male business owners surveyed reported that their business uses a computer while only 81% of female owners reported doing so. Controlling for firm age, size and sector, gender of the owner did not affect computer use. However, there was a statistically significant difference in the mean percentage of computer use between men and women when these factors were uncontrolled. This suggests that women were clustered in different sub-sectors across the sample (as there was no difference between men and women owners across major sector categories in the sample) that did not require a computer. This was not surprising as the clustering of men and women in different occupations and sectors is widely acknowledged.<sup>50</sup> Male bias is marked in areas that require higher technical background such as engineering. In about two-

Figure 8: Awareness of technologies that would make business more profitable



thirds of the world's countries, men outnumber women in science.<sup>51</sup> According to the World Bank, this type of "gender streaming" in education contributes to persistent inequalities between women and men in access to economic opportunities.<sup>52</sup>

In addition to being clustered in sectors that required less computer use, women were further constrained in access to technology in their level of knowledge in emerging technologies. The data found that, controlling for firm age, size and sector, women owners were 12% less likely to be aware of new technologies that would help them (Figure 8). This lack of awareness was a major concern, particularly in the fast-changing APEC study economies. Women without knowledge of important competitive and emerging technologies may be missing out in both efficiency-enhancing and innovation-enhancing tools that would improve business performance.

## Key Recommendations

### For APEC and Regional Entities

1. While interest rates are governed by macroeconomic policy and market forces, **APEC and other regional entities can work with the private sector, specifically SME business associations and networks, to build programs to support potential women entrepreneurs to better evaluate the risks and benefits of credit, develop business plans, provide business management support and help members acquire skills to better manage loan repayment.** In addition, these associations can also **work with banks to help them understand what kind of services and financial products meet the needs of their business women members which may be different from male business owners.**
2. The difficulty of the loan application process is also a key issue for women entrepreneurs. **APEC and other regional bodies can collaborate with the private sector, including SME business associations and networks, to help alleviate this problem by working with potential women entrepreneurs on financial literacy and the loan application process.** In particular, business associations can help women entrepreneurs negotiate with banks on aspects of the loan application process where they may not have the prescribed supporting documentation, but have alternative documentation that would mitigate the perceived risk for the bank (i.e. encourage an outcome rather than prescriptive, process-based approach with banks).
3. Formal networking enables businesses to acquire needed skills and connections, but women-owned firms lag behind men-owned firms in formal networking. **APEC and other regional entities can help build the capacity of SME business associations and networks to reach out to women-owned firms and help them engage more effectively, at the local, national and regional level.** This includes seeking out women-owned firms to be part of forums, trainings, seminars and other activities organized by associations and networks. In order to effectively recruit women, associations and networks may think about crafting outreach campaigns for women-owned firms. They may also set-up women-only networking forums to help women better network among themselves, and target services that effectively meet the needs identified by women business owners in each of the study economies.

### For Economy-level Policy

4. **SME business associations and networks can facilitate information and improve access to both formal and informal financing as well as advocate for women-friendly policies to improve access to financial services.**
  
5. Employee hiring and training is a key operational issue for firm owners. While the labor market is governed primarily by market forces, in the long term APEC study governments will have to invest more in education and training of their workforce. In the short term, **governments can work with educational institutions and business owners to create short-term training programs to meet the needs of employers.** Such programs could not only focus on needed job skills, but also aim to help potential employees understand diversity in the workplace, including working with and for women.
  
6. Women firm owners lag behind men in their use and knowledge of technology. In the long term, governments must address this by encouraging both boys and girls to pursue math, science and technology programs equally. In the short term, **SME business associations and networks can help women business owners by establishing training programs to help them use and incorporate technology more effectively into their businesses. Exposure to new technologies linked to their sector would also assist business women in their choice of production equipment.**

## CHAPTER FOUR: Government support for women entrepreneurs

### Key Points

- Women SME owners in Malaysia and Thailand have a particularly negative perception of government accessibility and support of businesses.
- There are high levels of participation in government-supported trade fairs among both men and women SME owners, indicating a demand for exposure, interaction and developing connections.
- There is a lack of access to information on land titling for all business owners. In contrast, accessing information on business licensing and taxes was perceived as unproblematic.
- The majority of SME owners have experienced corruption and have had to make informal payments for their business.
- The majority of respondents in Malaysia and the Philippines believe women's businesses have to worry more about crime and physical security than do men's businesses.

Economic policy and the business environment have a significant impact on the formation and growth of SMEs. Unsurprisingly, research in this area suggests that a business-friendly policy environment supports business growth and development.<sup>53</sup> Moreover, case studies conducted by the World Bank in East Asia found that women entrepreneurs who had success at negotiating the business environment indicated that this was an important factor in their overall success.<sup>54</sup>

*"I would say that the challenges that I encounter when I started the business and even now...even if the business is 39 years old...the greatest challenges is not because I am a woman. The greatest challenges is our government, our bureaucracy, red tape, the inefficiency...everything...The political environment is very unfriendly to investors. We changes rules, we change forms, we call numbers and nobody answers, we send emails and nobody answers...Our biggest problem...is the people in the government."*

-Mrs. Harvey Chua, owner of Adphoto Inc. in the Philippines



### 4.1 SMEs surveyed generally have negative perceptions of government

Survey respondents generally reported negative perceptions of government and felt that government officials were inaccessible. The majority of respondents (52%) reported that government officials were difficult or impossible to access, and 23% reported government to be 'unsupportive/hostile.' Some 31% of survey all respondents reported their government was 'indifferent' to business. There was not a large difference between the percentage of women and men owners who felt that the government was indifferent or unsupportive/hostile, at 58% and 55%, respectively. However 57% of women exporters felt this way compared to 47% of men exporters.

In Malaysia, over 40% of respondents found government to be unsupportive or hostile, with women owners being 18% *less likely* than men owners to say that government was 'supportive' or 'very supportive.' This finding was even stronger among women exporters in Malaysia, who were 38% *less likely* to say that government was very or somewhat supportive of their business than male exporters. Similarly, in Thailand, women owners were 21% *less likely* to think that government was

very or somewhat accessible than men owners. Again, this effect was even stronger among women in export, who were 61% *less likely* to think that government was very or somewhat accessible than men.

These high rates of dissatisfaction with government and perceptions of inaccessibility among women owners and exporters in Malaysia and Thailand could be due to a lack of constructive interaction between women and government officials. Research from the World Bank indicates that men in the Asia Pacific region interacted with government officials more frequently than women.<sup>55</sup> This lack of interaction could be due to many factors, including time constraints and social norms dictating that only men should interact with officials (who also tend to be predominately men). Whatever the cause, the lack of such interaction could be detrimental to women's businesses, as that limits their ability to advocate on behalf of their businesses

In Malaysia, business owners expressed dissatisfaction with a lack of government support for research and development activities (e.g. product testing, international certification) which they said were critical to increasing their competitiveness through innovation and quality service offerings. Government officials and business owners who belonged to business associations said that the government offered a wide range of services to SMEs, but that the government only engages with the SME sector through business associations. Therefore, unless the SME was a member, it was difficult for them to be aware of government support for their business. One business woman said, "In my industry, I know there is certain grants for creative businesses, but it was very hard to find out more about them. I don't know who to talk to. It's not published, not like highly advertised."

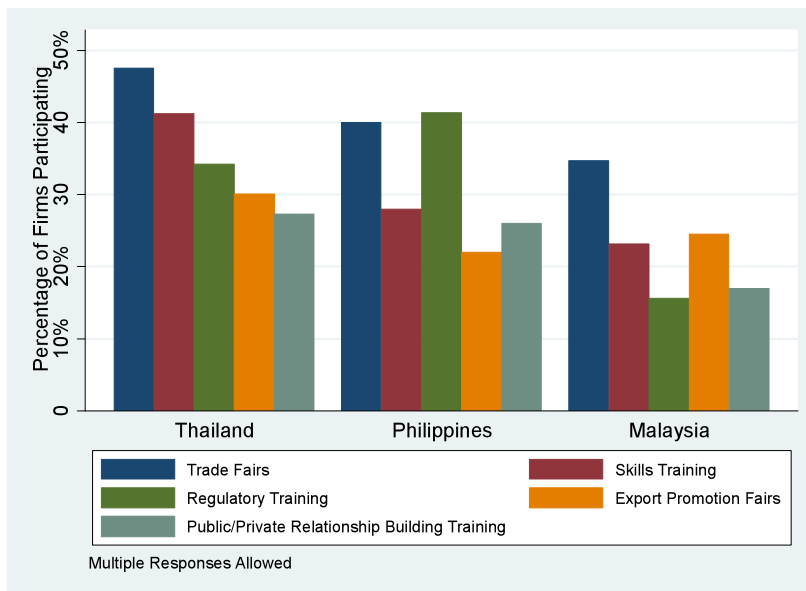
In Thailand, many SMEs have trouble accessing government services and support schemes because of very specific legal and registration requirements, and investment limits, which actually exclude the majority of Thai SMEs from eligibility. SMEs also reported not knowing which government agencies to contact, and when they did find the right government agency, they found the services offered slow and complicated.

In contrast to Malaysia and Thailand, in the Philippines, male and female respondents perceived relatively high levels of government support. Sixty-seven percent of women owners and 55% of men owners reported that they felt that their government was 'supportive' or 'somewhat supportive' of business. Moreover, women exporters were 38% *more likely* to say that government was very or somewhat supportive of business than men. Consistent with this, respondents in the Philippines also reported higher rates of the accessibility of government officials than in Malaysia or Thailand. Reasons for these relatively high levels of positive perceptions in the Philippines might be attributable to government programs and prevalent attitudes among business owners. The Filipino government, for example, recently launched a number of process and system initiatives to simplify the business environment (e.g. Simplified Business Registration System), so respondents may have experienced significant improvements in government services over the last several of years.

#### 4.1.1 Business women participate in government-provided services

Although across the sample, women business owners had a largely negative perception of government, a significant number participated in government provided-services to help build their businesses. Thirty-eight percent of women owners participated in trade fairs; 32% in trainings on regulatory environment or tax policy and 26% in skills training. Among women exporters, at least

Figure 9: Participation in government provided services



70% in each economy reported participation in trade fairs. These numbers are similar to the participation numbers for men-owned SMEs and exporters.

Trade fairs are particularly beneficial to businesses as they provide opportunities for businesses to expand their market reach through participation in events that display their services or products and enable connections with potential buyers and suppliers. As

such, the demand for opportunities provided through trade fairs is clear and presents a valuable chance to enhance the relationship between government and business owners.

#### 4.2 Access to information a prerequisite, but not a major issue

Access to and transparency of business-related information is vital for a business community to thrive. It has long been known that the efficient and equitable functioning of markets depends heavily on the transparent flow of information. However, in many emerging economies basic information on the laws and regulations that govern businesses is often opaque and difficult to obtain. This is especially true for women entrepreneurs, who may not have access to the types of networks and connections that help them gather the information they need to run and grow their firms.

##### 4.2.1 Access to land titling information is difficult for business owners

In the survey, access to information on land titling was reported to be a significant problem for both men and women surveyed. For businesses that own their land, ownership of a secure land title reduces the risk of land expropriation by authorities and helps to ensure that the rightful owner can secure his or her property in a land dispute. Further, the Organization for Economic Cooperation and Development (OECD) highlights that land titling allows land owners to use their land as collateral – a factor which aids in business development. The OECD rightly notes that land titling and registration processes need to be transparent, unbiased towards either gender and should be developed to support women’s access to land.<sup>56</sup>

**Table 5. Ease of getting information on land titling**

	Philippines	Malaysia	Thailand
Very difficult	20%	43%	7%
Difficult	48%	35%	34%
Easy	29%	21%	43%
Very easy	3%	1%	17%

Sixty-three percent of the firms in the overall firm survey reported access to land titling to be ‘difficult’ to ‘very difficult.’ Women firm owners found the process more cumbersome than men with 67% saying that they thought it was difficult or very difficult compared to 59% of men. Similarly, among export firms, 68% of female export owners and 61% of male export owners reported access to land titling to be difficult to very difficult.

In Malaysia, this problem was most pronounced with 78% of respondents reporting ease of access to information on land titling to be difficult or very difficult and only 1% reporting it to be ‘very easy.’ Likewise, the majority of respondents in the Philippines (68%) found ease of getting information on land titling to be difficult or very difficult. While in Thailand access to information on land titling was a less frequently reported problem with only 40% of firms reporting that information was difficult or very difficult to obtain, women owners were 18.5% more likely and women exporters 52% more likely than their male counterparts to report that it was difficult or very difficult to obtain information on land titling.

#### 4.2.2 Accessing information on business licensing and taxes is relatively easy for most business owners

In contrast, access to information on policy issues related to business licensing and taxes was generally perceived as easy. Sixty-three percent of respondents reported access to information on business licensing/registration to be ‘easy’ or ‘very easy,’ including 62% of male owners and 56% of female owners. Similarly, the majority of respondents in export also noted ease of access to information on these topics, with no difference in responses between men and women export owners. However, women exporters in Thailand were 26% more likely than men exporters to say that it was ‘difficult’ or ‘very difficult’ to get business tax information.

*“In Malaysia, I think some of the guidelines are not so clear. Like when you want to set up a manufacturing company, what are the requirements? I remembered I had called many customs officers, everyone will give you different advice...I think probably the officer’s knowledge needs to be improved. I think it’s not the policy, the policy is right already, but the people who give advice sometimes are inconsistent.”*

-Christine Ng, from Bumblebee Consultancy in Malaysia

#### 4.3 Corruption and informal payments are a common problem

Business owners and entrepreneurs in the Asia-Pacific region commonly identified corruption as a significant business constraint. Research shows that corruption can create an unpredictable business environment and raise the cost of doing business.<sup>57</sup> Moreover, endemic corruption erodes confidence in government and the business environment.

In order to assess perceptions of corruption, survey respondents were asked about the burden of informal payments on businesses similar to their own. The majority of overall respondents (59%) identified these payments to be a ‘severe’ or ‘moderate’ problem while only 18% reported that such payments were ‘no problem.’ Fifty-nine percent of women-owned firms, and 62% of men owned



firms, thought that it was a severe or moderate problem, while 47% of women exporter and 58% of men exporters felt the same.

**Informal payments “facilitate” paper processing**

*Ms. Rosalea B. Reyes, Owner of LBR Philcrafts experienced making an informal payment when she had to register her business. The assessor asked for PhP 10,000 and she agreed to pay for it just so not to be bothered with it anymore. Some of the government agencies that she has to deal with if she wants to get her products delivered openly ask for informal payments to “facilitate” and fast track the processing of papers. According to Ms. Reyes, non-payment is not an option because only those who pay have their papers processed.*

Respondents were also asked to comment on the degree to which informal payments pose problems for male versus female run firms. This was prompted by research from the region indicating that corruption may affect women-owned firms more severely than men-owned firms because officials may exploit some women’s lack of knowledge about laws and regulations.<sup>58</sup> However, across the economies surveyed the large majority of respondents, including export respondents, reported that women’s businesses *do not* generally

need to pay more bribes than men’s.

When considered by APEC economy, the Philippines had the highest rate of corruption, with 73% of respondents citing corruption as a severe or moderate problem. Women exporters in the Philippines found informal payments to customs officials to be significantly more problematic than men (64% said it was a severe or moderate problem, compared to 48% of men). Moreover, during interviews, some SME owners in the Philippines reported having to pay to ‘facilitate’ and fast track the processing of papers; otherwise they would not be processed. On average, they also allotted about 10% in contracts for informal payments.

**Table 6. Severity of corruption problem for exporters**

	Malaysia	Philippines	Thailand
<b>Severe problem</b>	14%	37%	40%
<b>Moderate Problem</b>	27%	28%	11%
<b>Minor Problem</b>	42%	17%	29%
<b>No Problem</b>	16%	17%	21%

Corruption was also a severe or moderate problem for about half of Malaysian and Thai respondents. In focus group discussions, Malaysian owners mentioned that enforcement officers often requested bribes when coming for periodic business premise inspections: “They’ll say the festive season is coming. They need some sponsorship. Very direct.”

These findings are reinforced by Transparency International’s “Corruption Perceptions Index” which ranks these economies in the same order of level of corruption.<sup>59</sup> Consistent with survey findings, on a scale of 0-10 with 10 being ‘very clean’ and 0 being ‘highly corrupt,’ Malaysia was the least corrupt of the economies studied with a score of 4.3, followed by Thailand with a score of 3.4 and the Philippines as the most corrupt with a score of 2.6.

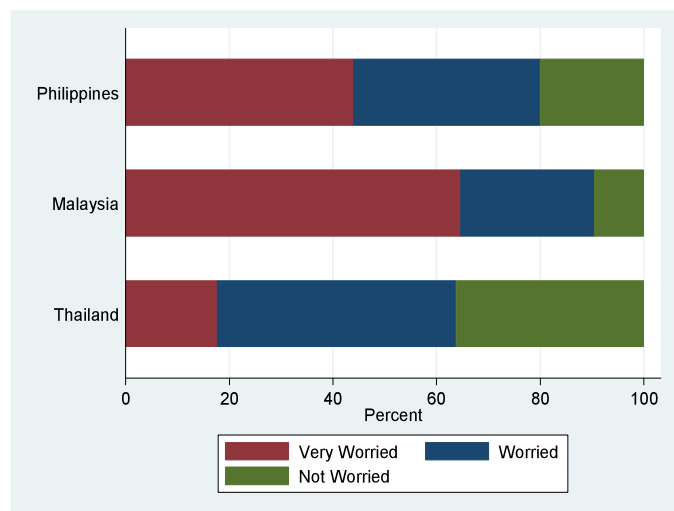
**4.4 Business owners in Malaysia and the Philippines worry about safety**

Crime and physical security are serious concerns to business owners given that safety is a prerequisite for fully functioning business operations. Uncertain safety conditions act as a deterrent for new business formation and existing businesses have additional costs to ensure safety.

The majority of business owners reported high levels of concern related to crime and physical security. Interestingly, higher levels of men owners in Malaysia (67%) reported that they were ‘very worried’ than women owners in Malaysia (60%). Only 10% of women owners and 7% of men owners reported that they were ‘not worried’ about this issue. Among exporters in Malaysia, these high levels of concern remained consistent with an average of 67% reporting they were very worried about crime and physical security.

These levels of concern were also reflected in answer to the question of whether women’s businesses generally have to worry more about crime and physical security than do men’s businesses. Eighty-three percent of respondents in Malaysia agreed with this. The Asia Foundation’s *Malaysia Business Environment Index 2012* report looked at crime and security in Malaysia and found varying levels of crime across districts studied. On average, 13% of businesses across all districts experienced losses from crime last year and 9% of respondents found it necessary to pay ‘protection money’ to local police.<sup>60</sup>

**Figure 10: Extent of worry about crime and physical security**



Compared to Malaysia, a lower but still significant percentage (44%) of business owners reported that they were very worried about crime and physical security to business in the Philippines. Approximately equal numbers of men and women reported this to be a concern. Similarly, among exporters an average of 43% of exporters expressed that they were very worried about issues of physical security. The majority (52%) of firms in the Philippines reported that women’s businesses had more to worry about than men’s. Furthermore, 20% of businesses reported paying protection payments to gangs or crime groups to ensure the safety and security of their businesses. This figure was actually higher among men’s businesses than women’s.

***Petrol Station in Kuala Lumpur experiences multiple robberies***

*Ms. Wan Rakiah Wan Yaacob, an operator of a petrol station (pictured) in the neighborhood of Desa Pandanin Kuala Lumpur, noted that her petrol station has been an attractive target for robberies because of the existing public perception that running a petrol station is a lucrative business. In the last two years alone, she has reported five robberies. Security is a major issue, but she cannot afford to provide her own security aside from passive measures such as installing a closed-circuit television and posting notices for patrons to not cover their faces with their motorcycle helmets. So far, the police have yet to apprehend any suspects related to the robberies.*



In Thailand, more men (36%) than women (14%) reported that they were very worried about crime and security, which represents the lowest levels in the economies surveyed. In line with this, a smaller percentage of owners surveyed (39%) agreed with the perception that women’s businesses generally have to worry more about crime and security than do men’s.

## Key Recommendations

### For APEC and Regional Entities

7. Trade fairs and similar opportunities to interact with clients, suppliers and potential partners, have been demonstrated to be a well-utilized resource by businesswomen SME owners domestically and in export. **Trade fairs and similar events stimulating professional interaction could be expanded to encourage greater women's participation in regional and domestic trade fora**, which will bolster women's networks and opportunities for women to expand their businesses regionally.
8. A lack of access to appropriate documentation on land titling was an obstacle for business women across the economies surveyed. Work with the private sector to promote efficient and transparent procedures around this system through activities including **informational sessions on land titling procedure and making documents readily accessible on relevant web sites**.
9. Informal payments are a problem, especially in the Philippines. Working with governments to **streamline their processes (e.g. business registration, license or permit applications) to reduce the number of transaction points can reduce corruption while providing efficiencies for governments themselves**. Furthermore, enabling processes and interactions to be completed, submitted and approved through online systems can make them much more transparent and fewer demands for informal payments. In many instances, better informed business people as well as stronger and better recognized, business associations have proved to be effective ways to counteract demands for bribes.

### For Economy-level Policy

10. Survey findings revealed a perceived lack of support from the government amongst businesswomen in both Malaysia and Thailand. **More constructive interaction between the business women community and the public sector** would not only help improve the relationship, but also foster a more women-friendly business environment (by creating platforms for regular interaction and consultation such as public-private dialogues and forums). **Dedicated and well trained government officials should be identified with whom business women can meet on a range of issues to build the relationship between government and women in the private sector**. These officials should make themselves known through meetings with business women's networks and associations.
11. In Malaysia and the Philippines security is a serious concern for business women and a potential deterrent for women who might otherwise go into business. **Governments should take steps to respond efficiently to business owners' security concerns through, for example, clear avenues for complaints to be registered and addressed and dedicating police officers to high threat areas for businesses**.

## CHAPTER FIVE: Social environment and background of women entrepreneurs

### Key Points

- There is a correlation between a woman starting and growing a business and having a female relative in business. This highlights the value of female role models for women entrepreneurs.
- Business owners tend to have a higher level of education than the national average, and this trend is even more pronounced among exporters.
- It is harder for younger women SME owners to engage in trade and grow their business with the additional roles and responsibilities of wife and mother. Furthermore, men entrepreneurs are more likely to hold the perception that a woman's job is to look after the family and that family life will suffer if she has a fulltime job.

Understanding the social factors that help and hinder the formation and growth of women's SMEs is a critical step in assisting women in business. According to The World Bank, women face many more constraints to their productive time than men, as they bear most of the burden for household activities even when they are engaged in the labor market.<sup>61</sup> These time constraints can affect their ability to pursue entrepreneurial activities. In addition, women also face 'soft barriers,' such as lack of role models and connections that can constrain business formation and growth.

### 5.1 Role models influence women in business

The literature on the characteristics that define entrepreneurs suggests that social capital may be an important factor influencing entrepreneurial behavior. Indeed, according to the *Global Entrepreneurship Monitor*, people that start businesses are more likely to know other entrepreneurs than those who do not.<sup>62</sup> Thus, having role models or connections in the business community is important in helping potential business women create new businesses.

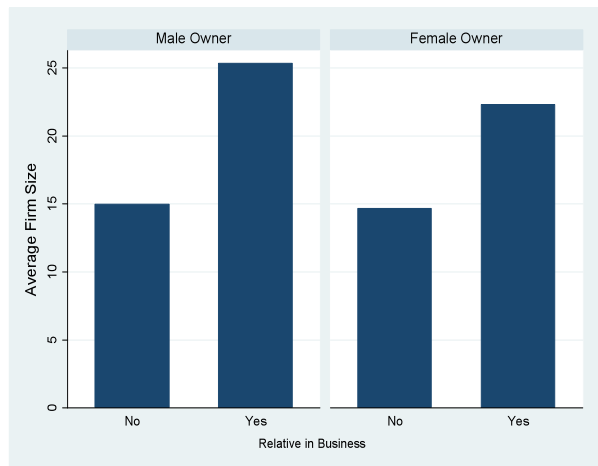
However, the same study notes that while those who start firms know more entrepreneurs, women who start businesses tend to know fewer entrepreneurs than men. In other words, men have more social connections that enable them to access business opportunities, information and contacts than women.<sup>63</sup> Thus, women are disadvantaged from the start, having fewer professional connections and fewer role models and mentorship opportunities, which can adversely affect women's business formation.

#### 5.1.1 Most business owners have a relative in business

The survey findings illustrate that family role models are important for business owners with 76% of female owners and 75% of male owners reporting at least one relative who ran their own business. This was even more pronounced among exporters, with 82% of female exporters and 83% of male exporters having a relative engaged in business. In each of the survey economies, over 50% of male and female respondents in both the SME and export sectors had at least one relative in business.

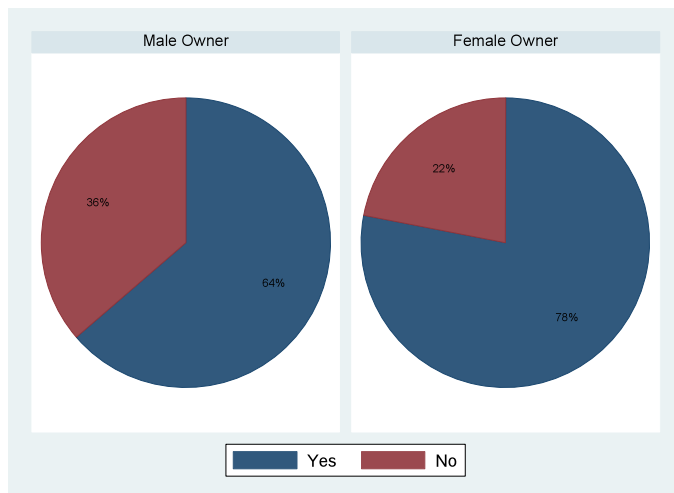
Further underscoring the importance of connections and networks, there was a large and significant correlation between firm size and having a relative who ran a business among both men and women firm owners. As Figure 11 illustrates, for men-owned firms, those with a relative in business are 66% larger than those without. Among women-owned firms, those with a relative are 46% larger than those without. Such high numbers in the sample suggest that having such easily accessible business connections is very important to business formation and growth in the APEC study economies. These connections provide potential entrepreneurs with insight and information about business, finance, markets and opportunities that would not otherwise be available or accessible.

**Figure 11: Average firm size by whether owner has a relative**



### 5.1.2 Women role models make a difference to women

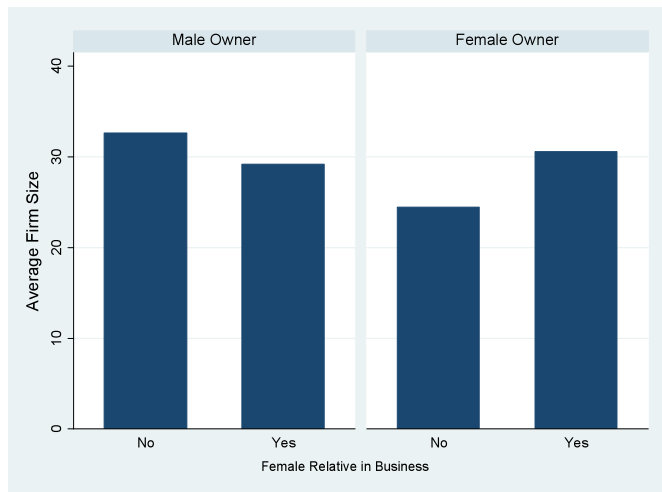
**Figure 12: Do you have female relatives who have run their own business?**



In addition to having relatives involved in business, having a female relative in business in particular, can be a big boost for women owners. The survey found that 78% of women owners had a female relative in business compared to 64% of men (Figure 12). Similarly, 84% of women exporters had a female relative in business compared to 70% of men exporters. Controlling for firm size, sector and age, a woman firm owner was 14% more likely to have a female relative in business than a man, and a woman exporter was 20% more likely.

In Malaysia, the effect of having a female relative in business on women’s business formation was particularly pronounced, with women owners 26% more likely to have a *female relative* in business. Moreover, women exporters in Malaysia were 52% more likely to have a woman relative in business. In the Philippines, having a female relative in business was associated with larger firm sizes for businesswomen. As Figure 13 illustrates, findings in the Philippines demonstrated a significant positive correlation between having a female relative and firm size for women owners (8%), but significant negative correlation for men owners (-5%).

**Figure 13: Average firm size by whether owner has a female relative in business in the Philippines**



This finding strongly suggests that having a female relative in business is an important variable in the decision for women to start and develop their businesses. Indeed, a study by the Massachusetts Institute of Technology commented on this phenomenon, noting the strong impact that exposure to women in leadership roles has on girls’ and women’s future trajectory. The report found that “seeing women in charge persuaded parents and teens that women can run things, and increased their ambitions. Changing perceptions and giving hope can have an

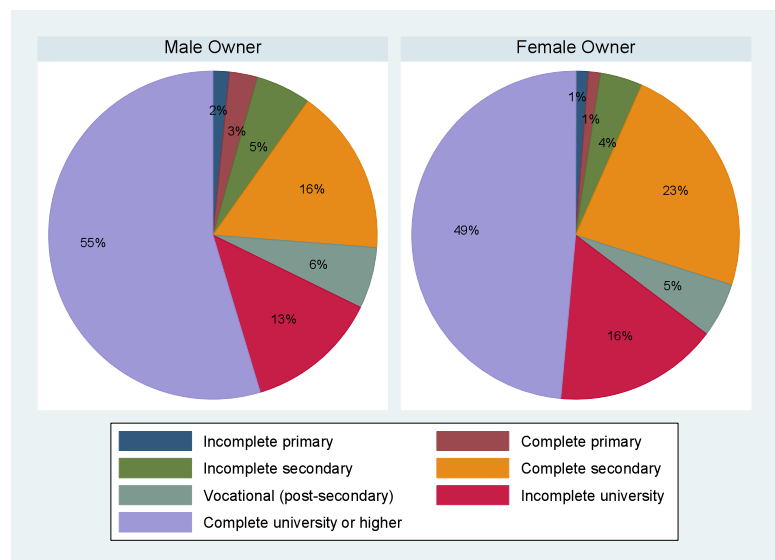
impact on reality.”<sup>64</sup> Consistent with this, women entrepreneurs from Malaysia noted that knowing female relatives who have run their own businesses, and having the presence of women normalized in the business sector, increased their confidence in starting and growing their own business.

### 5.3 Business owners tend to be highly educated

Education is recognized as an important factor determining individual career paths and opportunities. It is well established that SME entrepreneurs tend to be better educated than non-entrepreneurs.<sup>65</sup> Thus, education levels directly influence entrepreneurship and business growth.

Across the sample, men and women business owners were highly educated. As Figure 14 illustrates, 65% of women firm owners and 68% of men owners completed at least some tertiary level education. The results were even more pronounced among exporters, with 82% of women exporters and 77% of men exporters completing at least some tertiary level education.

**Figure 14: Highest level of schooling completed**



In the Philippines and Thailand, the percentage of women and men owners with at least some university training was extremely high. In the Philippines it was 84% and 87% respectively for women and men owners, and in Thailand it was 91%

for both men and women. These rates were much higher than the average rate of overall tertiary education attainment in those economies, which stand at 28% and 48% respectively.<sup>66</sup> In Malaysia, education levels for women and men owners were 25% and 31% respectively, which was just above the average in Malaysia of 21%.<sup>67</sup>

These findings imply that education is an important factor in assisting both men and women who wish to start and operate firms. Indeed, research has shown that levels of formal education are an important determinant of entrepreneurial activity among potential business people looking to launch growth-oriented businesses.<sup>68</sup> Moreover, as the World Bank describes, ensuring that educational opportunities are equal for men and women is important given that education is a valuable input to overall productivity and gender differences in educational attainment continue to contribute to uneven outcomes for women.<sup>69</sup>

## 5.2 Family responsibilities and women’s entrepreneurship

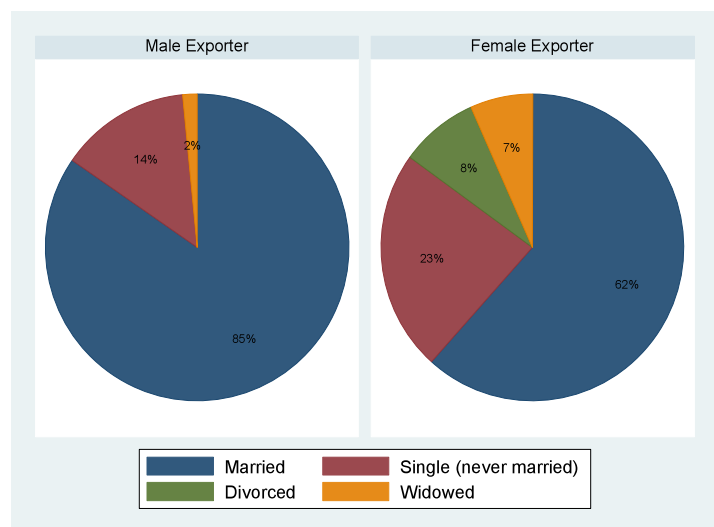
For women, family dynamics have a powerful effect on their career choices and trajectories. According to the World Bank, two salient facts about family life significantly impact women’s choices about work outside the home. First, women bear most of the burden for household and care work, while men are more responsible for market work. However, when all work is taken into account (household, care and market) women work more than men.<sup>70</sup> This ‘double burden’ can place severe time constraints on women entrepreneurs and business owners.

### 5.2.1 Married women have less time to engage in trade and grow their business

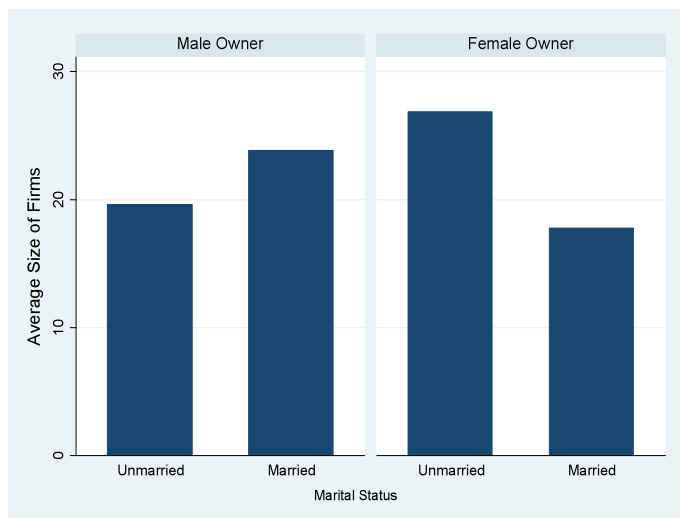
Research has shown that gender differences in time use patterns are impacted greatly by family formation. For example, marriage has been shown to significantly increase household work for women, but not for men. In fact, literature shows that married women spend an average of 30% more time on housework than men.<sup>71</sup> Such expectations can put a strain on women business owners trying to balance responsibilities at home and with their businesses.

Across overall firms surveyed, nearly three-quarters of all owners (73%) were married (Figure 17), with 74% of men owners married and 70% of women owners married. While rates of singles are approximately the same between the two groups (22% for women and 23% for men), women owners were divorced at a slightly higher rate (4%) than men owners (1%). Among men and women exporters, there was a statistically significant difference in marriage rates. As Figure 15 shows, 85% of male exporters were married, compared to a 62% of women exporters.

Figure 15: Marital status of exporters



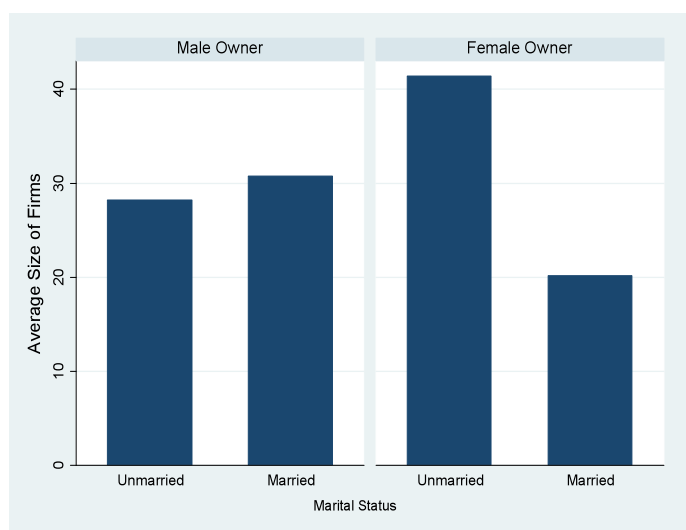
**Figure 16: Average firm size by marital status**



owners of export firms were married.

The disparate rates of marriage between men and women exporters may stem from a number of causes. First, with a predominance of men in export, women who choose to go into export may have less opportunity for a work-life balance, particularly in the economies studied in which predominant attitudes dictate that a married woman’s role is to care for the family. A second possible explanation is that women export owners may be a self-selected group who choose not to conform to traditional expectations of marriage. *The Economist*, in an article entitled “The Decline of Asian Marriage,” noted lower marriage rates for women in business across Asia, describing how “women are retreating from marriage as they go into the workplace.” The article attributed this to the fact that marriage was challenging for a working woman who, as a wife, was also expected to act as a primary caregiver for the entire family.<sup>[i]</sup>

**Figure 17: Average firm size by marital status in the Philippines**



Employment, meanwhile, offers women an opportunity to choose their own trajectory and to be financially independent.

As Figure 16 illustrates, there was a negative correlation between firm size (-18%) and marriage for female business owners, while for men there was a positive correlation (7%). This finding was consistent in the Philippines, where marriage was negatively correlated with firm size for women (-35%) and positively correlated with firm size for men (3%) (Figure 17). The same pattern emerged from the Thailand data, where firm size was negatively correlated with firm size for women (-2%), whereas it was positively correlated with firm size for men (13%). The only economy in which there did not appear to be a ‘marriage penalty’ for women’s business was in Malaysia, where marriage was positively correlated with firm size for both men and women. While this research determined



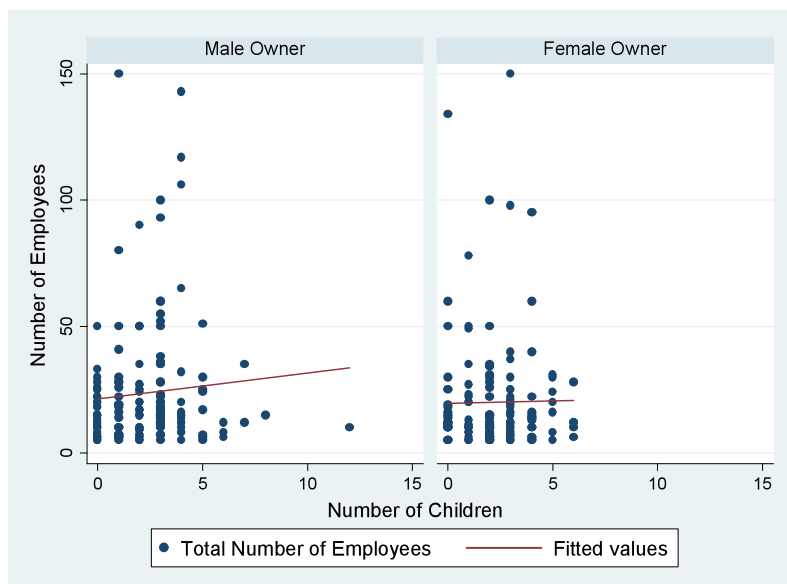
only correlative evidence between the gender of a business owner, firm size, and likelihood of marriage, findings point to a connection between these factors which is an important area of future research. Further research in this area can work to highlight causal relationships between family and business which inform policy and actions to help both men and women in business to strike a more optimal work-life balance.

### 5.2.2 Women with more children often have smaller firms compared to men

In addition to expectations about household work for women, there are also increased expectations related to childcare. According to the World Bank, the presence of children, particularly young children, significantly increases the amount of care for both parents in a family, but more so for women. Across economies, women spend more than twice as much time caring for children as do men.<sup>72</sup> Similar to marriage, these burdens may place time constraints on women business owners that affect their businesses.

The average number of children reported across women and men owners of all firms in the sample was 2.25. Eighty percent of women and men business owners had at least one child. While there

**Figure 18: Firm size by number of owner's children**



was no statistically significant difference between the number of children of male and female owners, 54% of female firm owners reported having primary responsibility for the children, while only 7% of male firm owners did so. Indeed, three-quarters of all male firm owners reported that their spouse took care of the children, whereas only 10% of women did.

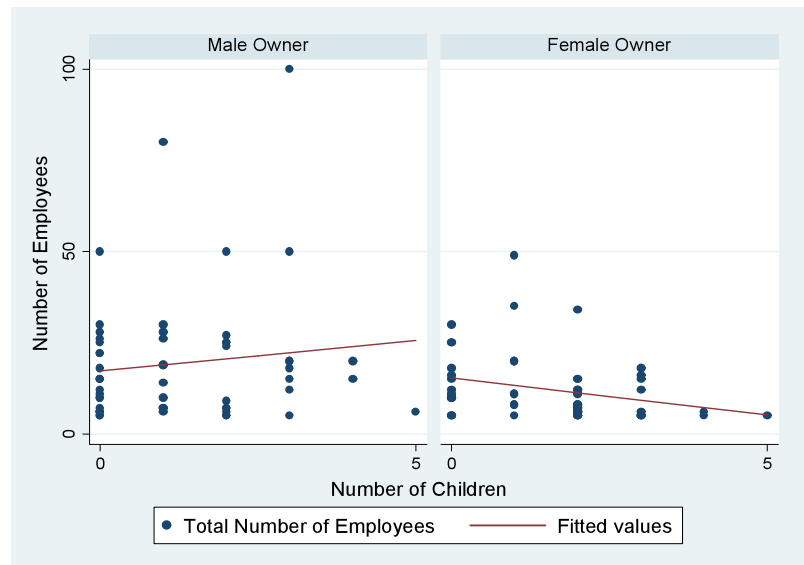
Overall, women owners relied more heavily on other childcare options, such as family and domestic help than did men

owners simply because they did not rely on their spouses to take care of children the same way men owners did. Domestic help was considered crucial to enable women to conduct business in the three study economies. In Malaysia, 61% of respondents thought domestic help was necessary if a woman was working fulltime, and 35% said the cost of domestic help would be a deterrent for women to work. A third of single women business owners in the Philippines reported having domestic help to take care of their children. However the cost of domestic help is rising, and availability becoming more limited. In Malaysia, domestic help tends to come from Indonesia, but after a number of cases of abuse, there is a now a new agreement in place to protect Indonesian workers, which has negatively affected labor supply. Therefore, structural alternatives in the form of public-provided

childcare centers and flexible regulations for parents of both genders are likely to become increasingly important.

Another notable finding was the correlation between number of children and firm size. Firm size for men actually increases slightly the more children he has, while women’s firm size stays flat. As Figure 19 illustrates, when the age of the owner was taken into account, the findings were even more striking. For women owners under 40 years old, the negative correlation between firm size and number of children was very significant at -25%. For men under 40, this trend was reversed (12% correlation).

Figure 19: Firm size by number of owner’s children for owners 40 and under



In the Philippines, there was a negative correlation between the number of children and firm size for women owners (-1%), but a positive correlation (14%) for men. Similarly, in Thailand, there was a -11% correlation between firm size and number of children for women while there was a slightly positive correlation for men (.1%). Malaysia was the only economy where there was a positive correlation between number of children and firm size for both men (7%) and women (12%) owners.

Like the findings on marriage, these findings are only correlative, not causal. We cannot rule out the possibility that women who run larger firms simply choose to have fewer children. However, the findings are in line with other research showing that there is a ‘motherhood penalty’ for working women. Mothers tend to earn less over their lifetime controlling for other factors.<sup>73</sup> The same could be true for women business owners when it comes to various aspects of firm growth. While more research needs to be done in this area, the findings indicate that time constraints due to childcare responsibilities could limit women business owners’ ability or desire to expand their firms.

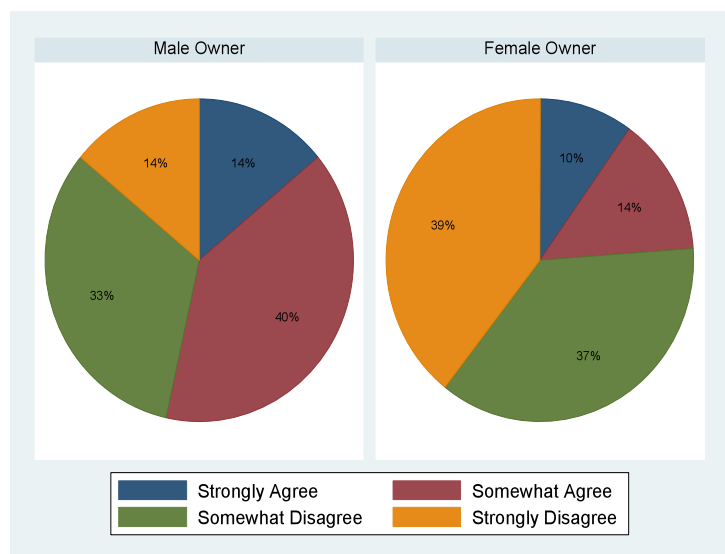
### 5.2.3 Perceptions highlight a traditional view of the woman’s role in family life

When asked about level of agreement with the statement: “A man’s job is to earn money; a woman’s job is to look after the family,” highly statistically significant disparities emerged between men and women business owners (Figure 20).

Controlling for firm size, age and sector, women business owners surveyed in the Philippines were 40% less likely to agree with this statement than male business owners, while women owners in Malaysia were 24% less likely to agree with this statement than their male counterparts. Respondents gave similar findings when asked about their level of agreement with the statement, “Family life suffers when a woman has a full-time job.” Controlling for firm age, size and sector, women owners in the Philippines were 30% less likely than their male counterparts to agree with this statement. In Malaysia, there was no disparity between male and female business owners related to this statement.

Another common perception expressed by entrepreneurs was that there are inherent skills and qualities that differ between men and women, making women less suited to working in particular sectors (like automobiles, electronics and construction) compared to men. In the Philippines, many women and men contributed women’s success in business to their nurturing nature. Furthermore, due to the traditional views and perceptions regarding women, negotiations were often seen as a man’s job.

**Figure 20: A man’s job is to earn money; a women’s job is to look after the family**



Differing perceptions between men and women highlight attitudes that shape the context in which many women and men strike their work-life balance. Many women across the three study economies stated that one of the reasons they started their business was because they felt it would allow them flexibility in their work and enable them to spend more time at home. As one female entrepreneur in the Philippines said, “family will be more solid when the woman is visible at home. Being an entrepreneur should allow me to be home at the time I want to be home.”

These findings help to highlight disparities between women and men when it comes to marriage and children. Findings indicate men and women in business balance their work and family life differently, either by choice or by necessity given cultural expectations.

## Key Recommendations

### For APEC and Regional Entities

1. Role models, like mentors, are important to encourage and support women starting businesses. While women who have family role models are particularly advantaged, not all potential women entrepreneurs have relatives to serve as mentors or role models. **APEC and other regional bodies can promote regional networks for women business owners, which link women to experienced mentors in similar fields. Exposure visits and exchanges between economies are a valuable way for women to observe successful women run businesses in action. This can promote sharing of best business practices and help women to develop their regional networks.**
2. Findings show that social and cultural expectations and responsibilities can play a role in deterring or limiting women's ability to achieve success. **APEC and other regional bodies should promote the image of women as important contributors to economies through convening working groups in each economy committed to closing the gender gap.** Working groups can consist of men and women stakeholders from the public and private sectors who develop decisive actions to address gender inequalities and combat stereotypes.

### For Economy-level Policy

1. APEC Member economies can further support women's access to role models. For women business owners, **mentorship programs, run through business associations or networks, or through government programs could pair potential women entrepreneurs with role models** to help them start their own businesses. Moreover, **exposure visits and internships could be arranged for young women to visit and work in successful women-run businesses.**
2. In order to support women in local business, business associations should work with government and their members to **communicate information about gender stereotyping** (e.g. what it is, problems it creates and how to change attitudes in order to encourage men and women to share the workload associated with having a family).

## CHAPTER SIX: Key challenges for women in export and lessons for regional integration

Women in the export sector face a number of challenges which have implications for domestic and regional economies. Survey findings identified critical challenges for women exporters related to finance, government support, access to information and networks, employee hiring and socio-cultural factors.

*“As an owner of orchid farm and exporter, we have many more advantages than any other SMEs with no export products.”*

*-Mr. Chaibaworn, entrepreneur of an orchid farm business in Thailand*

**In each survey economy studied, significant key challenges were identified by women in export.** As Table 7 below shows, in Malaysia, the most frequently cited key challenge for business women was ‘access to capital.’ In the Philippines, it was ‘employee hiring and training’ and in Thailand it was ‘access to market and relationship with clients.’ **Efforts to address these and other issues should incorporate the interconnectedness of many of these issues into their approach to ensure holistic shifts in business environments toward gender inclusivity.**

**Table 7. Biggest challenges in running a business for women exporters**

	Philippines	Malaysia	Thailand
Physical space/premises	13%	29%	11%
Employee hiring & training	44%	18%	21%
Business licensing & administrative procedures	13%	12%	5%
Access to capital	9%	35%	5%
Access to market / relationships with clients	22%	6%	32%
Export processes			16%
Public sector relationships			11%

Effective approaches will enhance **women exporters’ reliance on relationships and networks to assist their business formation and development.** These efforts should take into account both the high demand among women exporters for exposure to new products, clients or suppliers (notably through trade fairs) as well as women’s under-representation in business

**associations.** Seventy percent of women in export participated in trade fairs, which highlights the value of opportunities to showcase services and connect with other businesses. In addition, supporting women exporters’ participation in business associations would further their opportunities to expand connections. As discussed, business associations have the potential to make significant contributions to areas in which women exporters fall short including access to finance, relationship building opportunities and increased information accessibility. The survey findings showed that women exporters were less likely to be members of business associations than men, and those women that were members were often less involved in the associations. In Thailand, in particular, women exporters were much less likely than their male counterparts to participate in business associations – a finding that may be a serious limitation to women exporter’s ability to reach their full potential.

**In addition to network expansion, social impacts on women are important to consider in policies and efforts to support women-led export firms.** Survey findings revealed a set of challenges related

to work-life balance for women exporters. In both Malaysia and the Philippines, a significantly lower proportion of women exporters reported being married than men in export. There was also a statistically significant difference between the number of children men and women exporters have in both of these economies, with men having disproportionately more children.

Part of these disparities may arise from cultural biases that influence women's choices. For example, when respondents were asked to respond to the statement "A man's job is to earn money; a woman's job is to look after the family," 54% of men in export and 54% of all men surveyed agreed with this statement. Meanwhile, only 32.5% of women in export agreed. If societal expectations hold that a woman should take care of the family, it may be difficult for her to enter the export business which would likely require significant time commitment and travel. Given that this sector requires women to break from gender norms, it is not surprising that it is associated with factors such as marriage and children.

In addition to these primary challenges, administrative issues were cited as a concern for exporting SMEs. For example, in the Philippines, women had particular trouble finding qualified assistance in writing international legal contracts and documents. In Thailand, SMEs mentioned language difficulties as a significant challenge to engaging in trade negotiations as well as challenges with understanding associated regulations and documentation, which are often in English. Another commonly reported barrier was meeting product and organizational standards required for exporting to Europe and America. Governments and regional organizations can play a key role in building the capacity of the women in export through, for example, running relevant skills trainings and establishing support mechanisms such as government staff dedicated to implementing relevant enabling policies.

Given the many challenges faced by women in export, it was not unexpected that **perceptions of government support among women in export are significantly lower than that of men in export's support in Malaysia and in Thailand.** Twenty-eight percent of women exporters said they found the export process to be very difficult compared to 12% of men. **Limitations which restrict women in export have serious implications for the women themselves, for domestic economies and for regional trade and integration**

**Organizations such as APEC and ASEAN can play pivotal roles in building the role of women in trade and export in the region.** Survey findings showed that the majority of owners interviewed were aware of APEC (69% of women; 75% of men) and ASEAN (70% of women; 72% of men) while only a minority were actually involved with them. As such, building participation in these regional organizations and awareness of the value of such participation is key. Effective efforts to enhance regional integration of women in business can include advocating for policies to strengthen women entrepreneurs' capacity, building access to finance, incentivizing governments to establish inclusive business environments and encouraging regional networking between women and men in business across economies. APEC's Women and the Economy Summit, for example, is a high level policy dialogue that brings together senior stakeholders from the public and private sectors to discuss areas related to women's economic empowerment in the APEC region in recognition that "sustained economic development in the APEC region is unattainable without the direct contribution of women."<sup>74</sup> At the 2012 summit Secretary of State, Hilary Clinton, announced a new initiative to work "to train central and commercial banks throughout the Asia Pacific in inclusive lending practices so

that women can access finance and capital.”<sup>75</sup> Such regional commitments which target constraints to businesswomen across APEC economies are critical for building stronger and more integrated economies.

## CHAPTER SEVEN: Conclusion

The study findings show that women SMEs owners and exporters have a diverse set of challenges that are distinct from men owners. These include challenges related to financing, formal networks, business operations, security and corruption and social support. The evidence has shown that these factors discourage potential women entrepreneurs and impact the growth and operations of women-owned businesses. Because of the growth potential of women-owned businesses in the APEC region, there is an important role for regional and economy-level policy reforms targeted specifically to help the development of women-owned firms and to promote gender equitable business environments. APEC has recognized this role and released a statement at the second APEC Women and the Economy Forum in St. Petersburg, Russia in 2012, urging government officials and business leaders to “recognize the crucial role that women play in innovative economic development and business expansion through promotion of policies and actions which further women’s economic participation across the APEC region.”<sup>76</sup>

In line with APEC’s goals laid out at the Forum, the recommendations in this report support bringing women-owned SMEs and exporters into the innovation economy through training, mentorship and access to technology, as well as expanding business opportunities through access to networks, improved financial literacy and more support for work-life balance.

As APEC has recognized, closing the gender gap between women’s and men’s economic participation has important effects for the people and economies across the region. Further, economies that invest in women see important returns beyond economic benefits. Economically empowering women builds better-educated, healthier families, stronger communities and decreases poverty. Thus, continued efforts to better understand and address the barriers that limit women’s economic potential is vital for the growth of the APEC region.



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## APPENDIX ONE: Methodology

### A1.1 Quantitative survey

In each of the study economies 150 face-to-face interviews were conducted in the greater capital city area with approximately 100 general SMEs and 50 export firms. Both samples were balanced between male and female respondents. For the sample of 100 SMEs, the research teams used modified definitions for small and medium-sized enterprises in each of the economies to classify the lower and upper bound sizes for enterprise included in the study as outlined in Table A1.1.

Initially, each of the research teams planned on obtaining sampling frames from government agencies in order to take a stratified random sample of the 100 SMEs based on size and sector. Stratified random sampling is generally considered the best method to obtain an unbiased, representative sample of a population.<sup>1</sup>

**Table A1.1 Definition of SMEs across APEC economies**

	Small	Medium
<b>Malaysia *</b>	5-50 Employees	51-150 Employees
<b>Philippines</b>	10-99 Employees	100-199 Employees
<b>Thailand*</b>	5-50 Employees	51-100** Employees
*Based on definition of manufacturing firms in these economies. **Modified from an upper bound of 200.		

In Thailand, the research team was able to obtain a proportional list of 400 firms from a list of 218,656 firms from the Department of Business Development. From that initial sampling frame of 400, they were able to stratify by sector to create the sample of 100 firms.

In Malaysia and the Philippines it proved impossible to obtain sampling frame lists. In Malaysia, the research team attempted to obtain lists from the Malaysian Companies Commission, which is a registration for all firms in the economy. The research team wanted a sampling frame at least 10 times the size of the sample (at least 1,000 firms listed) to account for firm closures and other potential inconsistencies in the frame. Unfortunately, the Companies Commission could not supply a frame that large to the research team. In the Philippines there are no available economy-wide listings of SMEs. Instead, the research team obtained lists of registered businesses from the Business Permits and Licensing Offices (BPLOs) in 14 of the cities/municipalities of the greater Manila capital region. However, the lists contained a very large number of micro businesses, closed business and non-locatable businesses, which significantly delayed fieldwork. In both cases, the research teams then switched to an area-based quota sampling method. Under this method, research teams in Malaysia and the Philippines used economy-wide statistics to determine the distribution of small and medium sized enterprises then established a quota for the number of interviews that needed to be obtained across different sizes of firms. In order to lessen location biases, each of the research teams made sure that interviewers started their work from pre-determined sampling points from around greater capital regions. From these sampling points, they then used systematic sampling systems (eg. at the end of the first street, take the right turn and continue to approach business entity and at the end of the next street, take left turn and so on) with random starts. While this type of sampling cannot be considered totally unbiased because it does

<sup>1</sup> Kalton, Graham. *Introduction to Survey Sampling*. Sage Publications, University of Michigan: 1983. Pg. 19.

not use a probability sampling method (random sampling), the quotas attempt to limit selection bias in the sample.<sup>2</sup>

**Table A1.2 Sampling methodology across study economies**

	100 SMEs	50 Exporters
<b>Malaysia</b>	Quota Sample	Quota Sample
<b>Philippines</b>	Quota Sample	Simple Random Sample from List
<b>Thailand</b>	Stratified Random Sample from List	Stratified Random Sample from List

For the sample of 50 exporters, both the Philippines and Thailand were able to utilize sampling frame lists. In Thailand, the team obtained a proportional sample of 400 firms from a list of 16,576 from

the Department of International Trade and Promotion. From this list, they stratified by size and sector to create a list of 50 firms. In the Philippines, the research team created a mixed sampling frame from several sources including the Philippine Confederation of Exporters, members of Home Accents Philippines and Manila Fame (an international trade show) from which they chose a simple random sample. Lastly, in Malaysia, the research team obtained lists of exporters from MATRADE, the National Malaysian External Trade Promotion Corporation and from the National Association of Women Entrepreneurs of Malaysia (NAWEM), but like the Companies Commission lists, these lists did not have enough oversample. Therefore, it employed the quota sampling system described above to obtain the sample of 50 exporters.

In each economy studied for this research, interviews were conducted with owners when possible and, when not, with managers. In cases where firms declined to be interviewed or could not be reached, replacement firms were interviewed after a pre-determined number of attempts to reach the firm. In order to expedite the interview, it was allowable for the interviewer to show the interviewee the survey instrument during their conversation.

The survey instruments were developed by the Research Coordinators in collaboration with each of the research teams. The survey instruments were developed in English and translated into Thai in Thailand, Malay and Chinese in Malaysia and Tagalog in the Philippines. The language translation then underwent cognitive pretests to make sure that the messages were conveyed accurately. Survey enumerators then received thorough training on the survey instruments.

### **A1.2 Focus group discussions**

Research teams in the Philippines and Thailand organized and convened three focus group discussions of business women and men. Research Coordinators provided research teams with a sample focus group script including topics such as financial challenges, export challenges, experiences with business associations and perceptions of public sector support. Respondents interviewed in the survey instrument were allowed to be part of the focus group discussions. The Malaysia research team was unable to complete any focus group discussions due to time and resource constraints.

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<sup>2</sup> Ibid. Pg. 92

### **A1.2.1 Semi-structured interviews**

Each research team completed several semi-structured interviews with stakeholders in the private and public sectors to get their perspectives on challenges to women-owned firms, particularly in the export sector. Research teams were provided with a series of questions for public service officials and business associations to guide the interviews. The Thailand research team completed five interviews with two public officials, and two female entrepreneurs and one male entrepreneur. The Philippines research team also conducted five interviews with two public officials and three female entrepreneurs. The Malaysia team conducted six interviews with two public officials and four female entrepreneurs.

### **A1.2.2 Case studies**

Lastly, each research team wrote detailed case studies of two women entrepreneurs based on in-depth interviews. For each study economy, one case study featured a women involved in export activity and the other focused on a women operating in the local, regional or economy-level market.

## APPENDIX TWO: Basic sample characteristics

This section describes the basic sample characteristics of the surveyed small and medium enterprises (SMEs) in Malaysia; the Philippines; and Thailand. As outlined in Chapter Two, in order to most effectively capture firms involved in export and to obtain consistent average answers between men and women-owned firms, enumerators interviewed approximately equal numbers of male and female respondents which enabled a more effective method to collect and compare

**Table A2.1 Summary gender, export status and firm size**

	Malaysia	Philippines	Thailand
<b>Gender of Respondents</b>			
Female	72	75	76
Male	75	75	67
<b>Export Status*</b>			
Local SMEs	92	100	80
Exporters	55	50	56
<b>Firm Size</b>			
5 to 10	90	16	48
11 to 25	32	89	50
25 to 50	10	26	45
50 to 75	8	4	0
76 to 100	7	6	0
101 to 125	0	4	0
126 to 150	0	4	0
151 to 175	0	1	0
176 to 200	0	0	0

\* Due to the use of the quota sampling system used in Malaysia, the research team was not able to get a pure 100-50 split between the SMEs and exporters in Malaysia. In Thailand, the forced resampling of firms threw off the SME-exporter splits.

the overall population of SMEs in the surveyed APEC economies. Instead, it is a special sample that is meant to capture important trends of male and female-run SMEs. Due to the predetermined sampling biases, certain trends characteristic of the overall population of firms in this region did not emerge. For example, the tendency of women-owned firms to be smaller and younger, as literature indicates, was not demonstrated in this analysis as smaller firms were purposefully excluded from the survey. Exclusion of microenterprises from this survey meant that firms interviewed were generally more well-established than their smaller counterparts who might be experiencing different challenges. Table A2.1 provides details on the breakdown of respondents and firms sampled by gender, export status and firm size.

answers between male and female respondents. Thus, the survey effectively oversampled female respondents. In addition, only firms with employee numbers between a predefined lower and upper limit were surveyed. These boundaries enabled the survey to capture small and medium enterprises and exclude both micro enterprises and large firms. Lastly, several sectors including agriculture, public administration and household activities were purposefully excluded from the survey since they are special sectors largely outside the purview of mainstream SME activities.

Given these qualifications, the sample is not representative of

### A.2.1 Firm ownership

Over 80% of firm respondents were owners while the remaining 20% were managers. Owners were targeted for the interviews where possible, but were often unavailable or had to delegate to a manager on the day of the interview. As Table A2.2 illustrates, in Malaysia and the Philippines the proportion of female and male owners across the sample was approximately equal at over 80%. However, in Thailand, only 63% of female respondents were also the owners of the firm, whereas more than 80% of male respondents were also owners.

**Table A2.2: Percentage of female and male owners in sample across APEC economies**

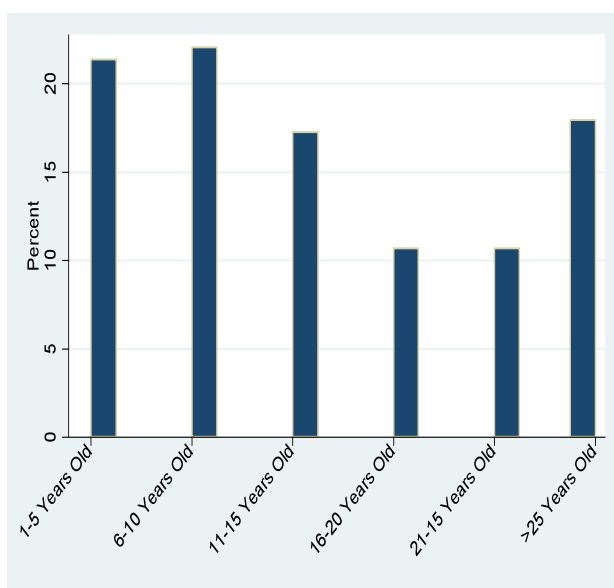
	Malaysia	Philippines	Thailand
<b>Female</b>	83%	83%	63%
<b>Male</b>	89%	83%	81%

This was not due to significant differences in firm age or size across male and female owned firms in Thailand, as these are approximately the same for both groups in the sample. Rather, the difference in the response rates for female owners could be due to a variety of factors including time constraints.

### A.2.2 Firm age

The mean firm age in the sample was approximately 15 years old, which indicates that firms across the sample were well-established. However as Figure A2.1 shows, approximately 43% of firms interviewed were in their first 10 years of operations.

**Figure A2.1: Age of firms across sample**



approximately 43% of firms interviewed were in their first 10 years of operations. The finding that there are a substantial number of young firms in the sample is consistent with the fact that there is generally a lot of dynamism in the SME sector and SME have lower rates of survival.

Although there was no significant difference in firm age by gender, as Table A2.3 shows, the exporting firms sampled were found to be generally older than non-exporting SMEs. This could indicate that SMEs begin to exporting after a period of becoming more established.

**Table A2.3: Average age of firm by export status**

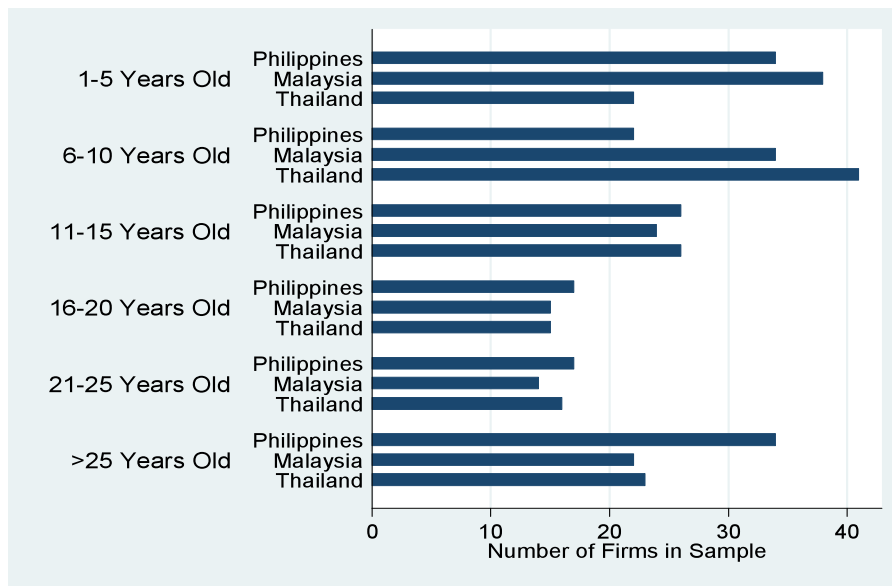
<b>Local SME</b>	13.5
<b>Exporter</b>	17.8

The age of firms across the

economies varied. As Figure A2.2 shows, firms in Malaysia were concentrated in younger firm categories. Firms in the Philippines, on the other hand, were concentrated in both in the youngest and the oldest firm categories, with fewer firms in the middle. Firms in Thailand were spread more evenly across age categories.



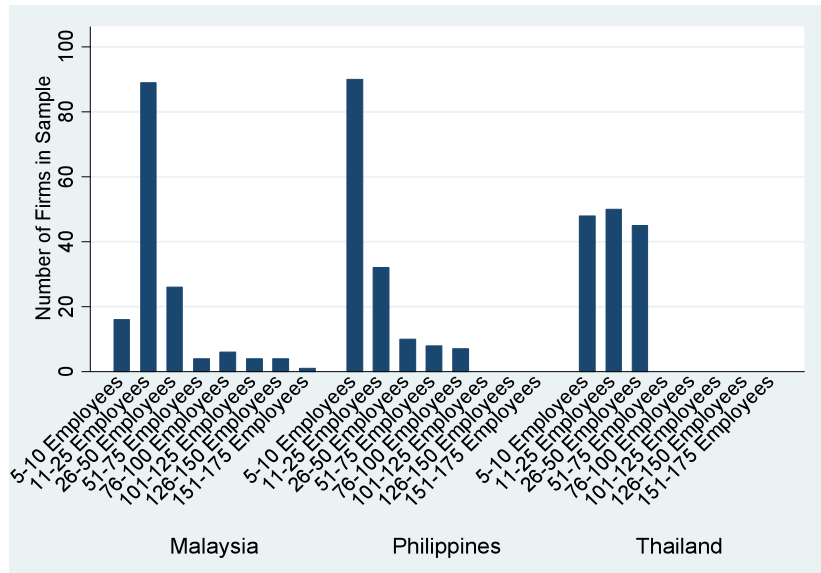
**Figure A2.2: Age of firms across APEC economies in sample**



### A.2.3 Size of firms

The mean size of firms in the sample was approximately 23 employees, although it should be noted the SME size varied by economy-level definition. As Figure A2.3 shows, over 90% of firms in the sample were small businesses with 5–50 employees. Again, there was no significant difference in the size of women and men-owned firms sampled. There was a difference between exporting and non-exporting firms, with exporting firms being much larger overall, with exporting having an average of 31 employees compared to 19 employees for SME firms.

**Figure A2.3: Size of firms across APEC economies**



Much of the concentration of firms into the smallest employee categories was partially due to the lack of any larger firms in the Thailand sample. As Figure A2.3 shows, while firms were concentrated in smaller firm categories in Malaysia and The Philippines, they were much more evenly spread across the three smallest categories in Thailand. This could be due to the fact that the Thailand sample was chosen using a stratified random sample, rather than a quota sample, which may have

led to a sample that was much more evenly spread across the first three categories than in the other two economies.

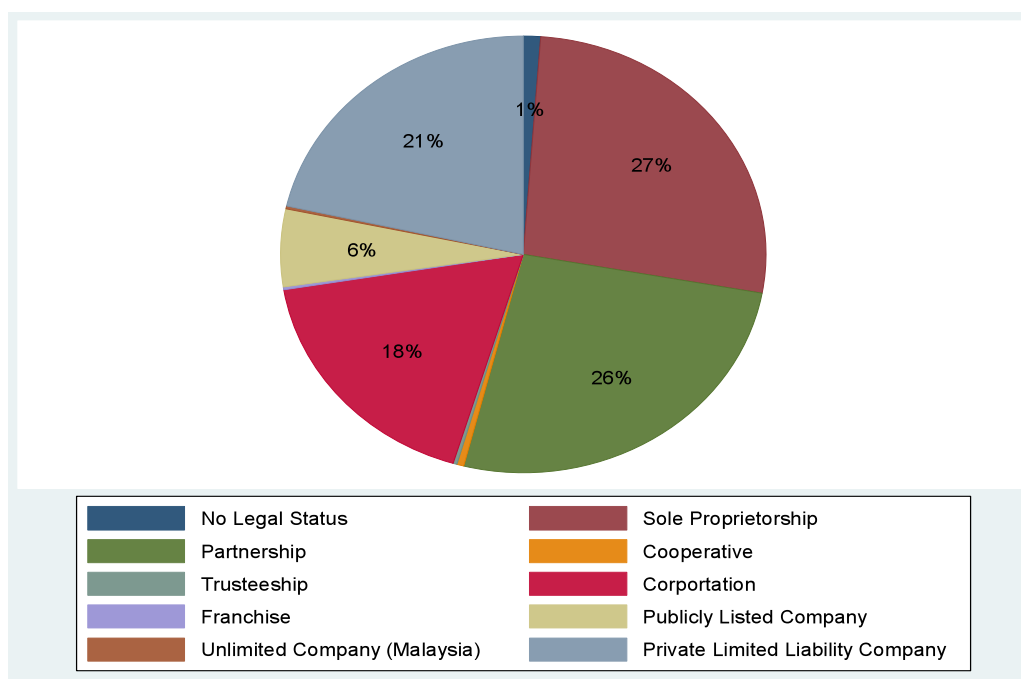
### A.2.4 Legal status of firms

Figure A2.4 shows that more than 50% of firms surveyed were either sole proprietorships or partnerships. This finding was consistent with previously literature on SMEs showing that such firms are more likely to have less complex legal structures than larger firms. There was no significant difference between the legal status of men's and women's businesses in the sample. However, Table A2.4 shows notable disparities between the legal status of exporters compared to non-exporting SMEs sampled with exporters tending to have more complex and sophisticated legal statuses (i.e. corporation or publicly listed company rather than sole proprietorship) than non-exporters.

**Table A2.4 Legal status of firms by exporters and SMEs**

	Exporters	SMEs
No Legal Status	0%	1%
Sole Proprietorship	19%	32%
Partnership	31%	24%
Cooperative	1%	0%
Corporation	23%	15%
Franchise	0%	0%
Publicly Listed Company	9%	4%
Private Limited Company	16%	24%
Unlimited Company (Malaysia Only)	1%	0%
Trusteeship	1%	0%

**Figure A2.4: Legal status of all firms in sample**



## A.2.5 Sector

In the total sample, as Table A2.5 illustrates, firms were concentrated largely in the manufacturing and services sectors. As Figure A2.5 shows, there was no significant difference between the sectors among women-owned and men-owned firms.

**Table A2.5 Firms in sample by sector**

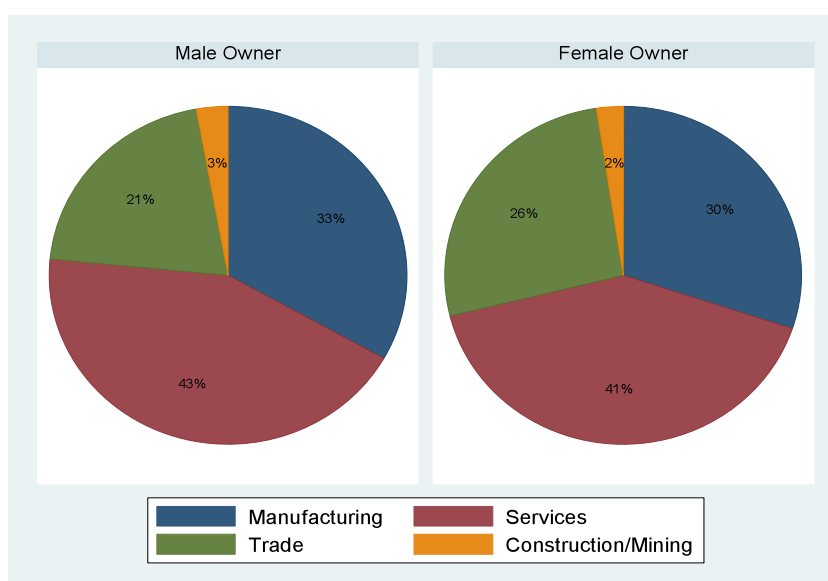
	Freq.	Percent
Manufacturing	141	33%
Services	169	40%
Trade	105	25%
Construction/Mining	12	3%

However, a closer look at sub-sectors shows that specific service sub-sectors had particularly higher rates of women-run firms including food service, education and training and wholesale and retail trade illustrated in Table A2.6. The concentration of women in these sectors is consistent with literature which highlights that women are often in services which have low barriers to entry in lower value added sectors including the food service and textiles.<sup>3</sup>

**Table A2.6: Percentage of firms concentrated in sub-sectors by owner**

	Women-Owned	Men-Owned
Food Service	11%	5%
Education and training	4%	1%
Wholesale and Retail Trade	25%	18%

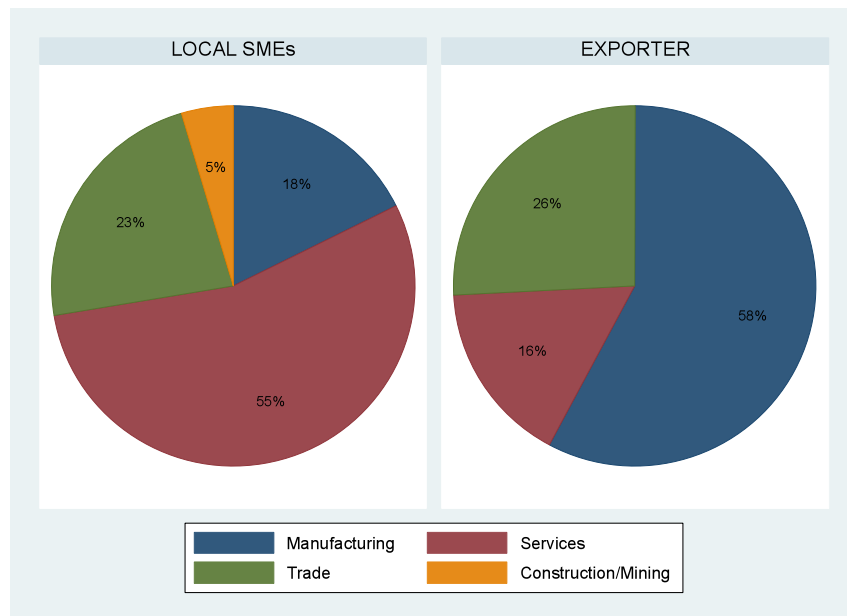
**Figure A2.5: Firm sectors by owner**



<sup>3</sup> Andersson, Ingrid, Ananya Raihan, Milagros Rivera, Idris Sulaiman, Nidhi Tandon, and Friederike Welter. (2007). Handbook on Women-Owned SMEs: Challenges and Opportunities in Policies and Programmes. International Organisation for Knowledge Economy and Enterprise Development (IKED) and Global Knowledge Partners (GKP). Pp.8-9.

Moreover, there were significant differences among sector concentrations between exporting firms and SMEs. Unsurprisingly, export firms were much more concentrated in manufacturing (58%) than local SMEs (18%). This meant that they were much less concentrated in services (16%) than local SMEs (55%) and did not engage in construction or mining at all as it is a special service category that cannot be exported.

**Figure A2.6 : Firm sector by export status**



### A.2.6 Overall picture of firms in sample

These basic characteristics lead to a picture of the typical types of firms in the sample. Overall, the typical firm in the sample was about 15 years old, with approximately 23 employees and engaged in either services or manufacturing. It was most likely a sole proprietorship or partnership. These characteristics were true for both women-owned and men-owned firms, except that more women-owned firms were concentrated in lower-value service sub-sectors.

However, there were substantial differences between SMEs and exporters. Exporting firms were much more likely to be older, have more employees and be concentrated in manufacturing than SME firms. There may be several reasons for this. First, manufacturing firms are larger, on average than other types of firms due to the economies of scale it takes to manufacturing many types of goods. Second, the fact that exporting firms are older and have more complex legal statuses may also indicate that exporting firms must first obtain a certain size and maturity before being able to enter the export market.

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