Supporting Women-led Businesses in Low- and Middle-Income Countries Through the COVID-19 Crisis and Beyond

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Executive Summary

Small and medium enterprises (SMEs) around the world have been negatively impacted by the COVID-19 pandemic. Women-led businesses have suffered disproportionately from the slowing pace of business activity. A gender-intentional approach to short-term mitigation and long-term recovery could address some of the gender-specific dimensions of COVID-related shocks and protect gains made on gender equality in recent years. In this brief, Innovations for Poverty Action has compiled key policy-relevant findings for the short- and long-term recovery from the COVID-19 crisis of women-led businesses in low- and middle-income countries.These insights may help inform the design of programs and policies to support women-led businesses in the context of the current pandemic and beyond.

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INTRODUCTION

COVID-19 and Business Activity

The COVID-19 pandemic, in addition to its massive toll on health and human life, has immensely slowed the pace of business activity around the world. Containment measures like physical distancing, curfews, and lockdowns, have led to a pervasive drop in incomes.[1] This, in turn, induced a massive demand shock to most businesses. The World Bank's Business Pulse Surveys (WB BPS), conducted between April and August 2020 in low- and middle-income countries, showed that 84 percent of firms experienced a reduction in sales in the last thirty days before the interview, compared to the same period in 2019.[2] On average, across countries, sales dropped by 49 percent compared to the same period of the previous year, and the reduction persisted even 10 weeks after the peak of the crisis.[3] In response, many firms made supply-side adjustments by reducing the working hours or wages of their employees, while others incurred temporary or permanent layoffs.[4] These local disruptions were aggravated by a global supply shock and interruptions in value chains[5] resulting from closed factories and border and reduced working hours globally.[6] High levels of uncertainty and a pessimistic view of the world further impacted expectations and the willingness of firms to invest in their businesses and retain or hire staff.[7] **This unprecedented economic crisis requires policy interventions that support not just the immediate response to the shock but also the longer-term recovery of businesses.**

Women-led businesses have suffered disproportionately. At the height of pandemic-related lockdowns at the end of May 2020, there was a 7 percentage point gap in closure rates between women-led (27 percent) and men-led (20 percent) small and medium businesses around the world.[8] Gender gaps in temporary business closures have been largest in countries with the strictest lockdown policies in place.[9] The long-term effects of the pandemic on women's economic and productive lives will be disproportionate and different compared to men's,[10] and the path to recovery will need to be tailored. Before 2020, the world had made significant progress towards gender equality by bridging almost 58 percent of the gender gap in economic participation and opportunity.[11] **Without a gender-intentional approach to short-term mitigation and long-term recovery, the pandemic could intensify structural gender inequalities and eliminate many of the gains made in recent years.**

Ensuring that women entrepreneurs can participate in and benefit from policies supporting SMEs may have broader positive impacts—gender equality benefits entire economies.[12] Research indicates that addressing gender discrimination in social institutions can increase per capita incomes with stronger effects in low-income countries.[13] Gender gaps in entrepreneurship and workforce participation negatively affect income and aggregate productivity, causing an average income loss of 15 percent in OECD countries.[14]

In this brief, Innovations for Poverty Action has compiled **evidence-based insights for the short- and long-term recovery of women-led businesses in low- and middle-income countries from the COVID-19 crisis**. The pandemic has negatively impacted many businesses. Given emerging data on the gender-dimensions of the crisis, this brief focuses specifically on how to ensure that women and women-led businesses are included in the economic recovery from the pandemic. This is not meant to be a comprehensive evidence review, but rather a synthesis of key policy-relevant findings that may help inform the design of programs and policies to support women-led businesses in the context of the current pandemic and beyond. While all interventions mentioned here have been or are currently being rigorously tested, solutions that work in one context may not work as well in another. In addition, while many of these interventions improve the performance of women-led businesses in trial settings, delivery at scale might be more challenging. Careful monitoring and evaluation as these programs are adapted will help stakeholders understand whether programs produce the intended results.

Summary and Key Policy Lessons

FROM RESEARCH

The COVID-19 pandemic has been an unprecedented economic shock to businesses in low-and middle-income countries. Women-led businesses have been particularly affected due to the sectors they typically operate in, their average size, their levels of informality, as well as women's increased care responsibilities, social norms, and existing structural disadvantages.

For COVID-19 relief programs to work for women entrepreneurs they need to take into account underlying gender-specific contextual factors like social norms, time-constraints, imbalances in care responsibilities, and the dynamics of intra-household ownership and control of assets.

01 Liquidity support programs need to consider the unique constraints that women face in accessing and benefiting from them. **Design features that give women more control and agency, flexible credit products, and alternative means of screening women applicants** could expand access to finance for women-led businesses.

02 **Targeted information campaigns, peer support, simplifying the application process, and de-linking support from tax registration** could encourage women-led businesses (many of which operate in the informal sector) to access and participate in support programs.

03 **Access to reliable childcare arrangements** and **stress management training programs** show promise in helping women manage work-life balance and improving the performance of their businesses.

04 Interventions that **promote the participation of women-led businesses in new markets**, like training on the use of **digital platforms or facilitating access to large buyers**, can have positive and persistent effects on their performance and growth.

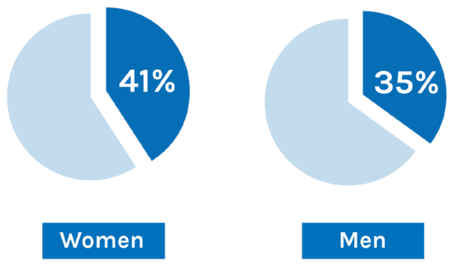
05 **Soft skills training and innovative business training programs with gender-intentional content** show promise in building women entrepreneurs' skills to innovate and adapt.

06 Women entrepreneurs who **cross over into sectors dominated by men** could increase their relative profits, but more research is needed on the best ways to facilitate such a transition, both for young women entering the labor force and those already running businesses.

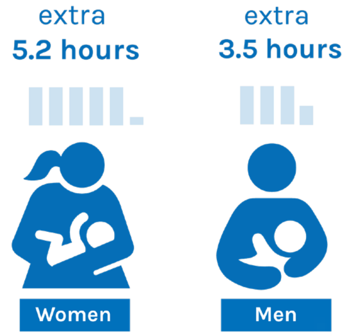
BACKGROUND

Understanding the disproportionate impacts on women

Several factors explain the disproportionate impact of the crisis on women-led businesses. **First, the economic crisis accompanying the COVID-19 pandemic is different from other crises in that the demand shock has mainly affected sectors in which women entrepreneurs typically operate.** Women tend to run businesses that require face-to-face interaction, like food preparation or childcare services, which customers have avoided and may continue to avoid for some time for fear of contracting the virus. According to the International Labour Organization (ILO), globally the four sectors that are most at risk of being affected by the current crisis are accommodation and food services; real estate, business, and administrative activities; manufacturing; and wholesale/retail trade. In 2020, these sectors comprised 41 percent of total employment among women, compared to 35 percent of total employment among men.[15] Most women working in these sectors were self employed or owners of micro and small businesses.[16]



In 2020, percent employed in sectors classified as most at risk of being affected by the COVID crisis



Since the beginning of the pandemic, women have on average added an extra 5.2 hours per week for childcare responsibilities, while men have added 3.5 extra hours.

Second, containment measures such as remote work and increased care responsibilities due to school closures and sick family members have exacerbated pre-existing gender differences in time use. As formal and informal sources of childcare support were reduced due to physical distancing and other risk mitigation strategies, women spent more time on unpaid domestic and caregiving work within their households, leaving less time to allocate to their businesses. This has been particularly harmful in the COVID-19 context, where investing time to pivot and adapt businesses to a rapidly changing market has been key for survival. Before COVID-19, women were already spending more than three times as many hours on unpaid domestic work and care work as men.[17] While the pandemic has increased the domestic burdens and care responsibilities of both men and women, women are still dedicating more time and are more likely to leave paid work opportunities to manage these increased demands.[18] Childcare responsibilities alone took approximately 26 hours per week for women prior to COVID-19, compared to 20 hours for men. Since the beginning of the pandemic, women have on average added an extra 5.2 hours per week for childcare responsibilities, while men have added 3.5 extra hours.[19]

Third, existing gender gaps and structural disadvantages have also affected the ability of women-led businesses to adapt to the disruption in economic activity. For instance, women-led businesses have experienced challenges in making the shift to digital operations due to existing gender gaps in digital connectivity and skills.[20] In low- and middle-income countries, 300 million fewer women than men access the internet on a mobile phone, possibly because smartphone ownership is 20 percent lower for women than men. There are substantial regional variations: the gender gap in mobile phone ownership is widest in South Asia at 51 percent and second largest in Sub-Saharan Africa at 37 percent.[21]

Designing gender-intentional programs to support businesses through the crisis

In response to the pandemic, governments around the world have put in place policies to support the survival and recovery of small and medium enterprises (SMEs). The most common measures have included initiatives to ease liquidity constraints such as credit guarantee schemes, direct lending, subsidized interest rates, and deferral of tax payments.[22] In addition, some governments have implemented measures and programs to ease the wage burden of SMEs (e.g. paid sick leave), help find new and alternative markets (e.g. virtual business matchmaking events), and support digitization and innovation (e.g. fostering the adoption of new technologies and business models).[23]

For COVID-19 relief programs to work for women entrepreneurs they need to take into account underlying gender-specific contextual factors like social norms, time-constraints, imbalances in care responsibilities, and the dynamics of intra-household ownership and control of assets.[24]

This might require modifying and/or strengthening existing COVID-19 relief programs to ensure women can access and benefit from them. This could entail, for example, not making support conditional on formalization or registration of business or, in the case of credit, relying less on physical collateral and traditional credit scoring models. It might also require different types of support for women entrepreneurs relative to men entrepreneurs. For instance, while access to credit is typically reported as the most needed policy by business owners overall, women business owners with children younger than 5 years old report that support for taking care of household members would be the most helpful. For men business owners in the same situation, taking care of household members ranks sixth in their list of priorities for pandemic support.[25]

01

Liquidity support programs need to consider the unique constraints that women face in accessing and benefiting from them. Design features that give women more control and agency, flexible credit products, and alternative means of screening women applicants could expand access to finance for women-led businesses.

Ensuring liquidity support programs benefit women-led businesses

On average, women's businesses are smaller than men's[26] and are concentrated in sectors with lower profit margins.[27] This makes them more vulnerable to negative shocks as they have little cushion to survive and recover from a significant disruption. The COVID-19 liquidity support programs that governments are implementing around the world can be helpful for both men- and women-led businesses to tide over temporary business closures and drops in cash flows. However, **to ensure that liquidity support programs are inclusive and accessible to women-led businesses, policymakers should consider the unique constraints women face in accessing and benefiting from such programs:**

- **Intra-household economic dynamics matter for how women-led businesses make investment decisions.** Women entrepreneurs face pressure from their families to share their economic resources. In households where multiple members have businesses, a woman's financial resources might get redirected to her husband's businesses.[28] A study in Kenya shows that strong pressure on high-productivity women entrepreneurs to share resources with friends or family, or "kinship tax", may impede business growth and investment.[29] Design features that give women more control and agency over their assets can ensure greater returns to their business. For example:

i. **The form in which capital is delivered and the size of the grant might influence how the money is spent.** A study in Ghana found that in-kind grants show a higher impact on profits relative to cash grants, especially among women. A larger number of women-owned businesses with scope to grow kept the in-kind grants invested in their businesses relative to those who received a cash grant.[30]

Clients who received the loans with a grace period had 30 percent higher profits after nearly three years.

30 %

ii. **Transferring money directly to mobile wallets** may give women more control over how the loan is used. In Uganda, women who received microfinance loan disbursements in their mobile money account were able to control how the loan was used and had higher profits and levels of business capital compared to those who received their loan in cash.[31]

iii. **Access to a secure individual savings account for women entrepreneurs** may be necessary for women to counter social pressures to share resources and to fully benefit from capital injections in the form of grants or loans. When men and women small business owners in Kenya were offered non-interest-bearing bank accounts with high withdrawal fees, a large proportion of women used the accounts compared to very few men. The women increased

savings, increased productive investment, and increased expenditures.[32] Also in Kenya, women entrepreneurs who received a cash grant saw short-term increases in new business activity, income, and employment. However, these effects dissipated in the long term, suggesting that the lack of secure savings options might have prevented women from smoothing their expenditure.[33]

- **Flexible credit products may help women make stronger investment decisions, especially when the government can serve as a guarantor to financial institutions.** In India, a grace period contract where loan repayments started two months after disbursement, rather than immediately after, allowed women entrepreneurs to invest more of the loan in their business. Clients who received the loans with a grace period invested approximately 6.5 percent more in their businesses, were more than twice as likely to start a new business, and had 30 percent higher profits after nearly three years, relative to those who received the classic contract.[34]

- While progress has been made in reducing the gender gaps in access to finance, women-led businesses[35] on average get approved for much smaller loans than men-led businesses because they have less access to physical collateral and have limited credit history.[36] **Alternative means of screening women applicants, like psychometric tests or using mobile bill payment histories, are promising tools that should be studied more.** The psychometric credit scoring model involves a short interactive assessment that predicts the likelihood of default using big data and machine learning methods.[37] In Peru, using a psychometric test to screen unbanked entrepreneurs helped expand access to credit without increasing the bank's portfolio risk.[38] **Further research should be done to ensure these tests, just like any other gender-neutral tool, are not inadvertently leading to potential gender bias in the assessment of the entrepreneur's creditworthiness.** In the Dominican Republic, researchers are currently working with a large bank and mobile phone operator to study the impact of a women-specific credit-scoring model, built from bill payment histories, on women's access to credit, control over assets, work activity, and individual well-being.[39]

- **Business plan competitions are emerging as a promising solution to address the capital constraints of growth-oriented small and medium businesses.** In Nigeria, a business plan competition with a large cash prize had positive impacts on the performance of women-led businesses.[40] However, more research is needed to understand how to encourage women to participate in such competitions. Ongoing research in Kenya is studying the impact of business plan competitions for women and whether the size of the grant matters for business performance outcomes.[41]

After 8 months, women who received their microfinance loans on mobile money account had 11% higher levels of business capital and 15% higher business profits compared to a control group who received their loan as cash.

02

Targeted information campaigns, peer support, simplifying the application process, and de-linking support from tax registration could encourage women-led businesses (many of which operate in the informal sector) to access and participate in support programs.

Encouraging participation of women-led businesses in existing programs

Data from the World Bank's Business Pulse Survey show that while low- and middle-income countries have many COVID-19 relief programs for businesses, those that need it the most—smaller and informal firms, as well as those in low-income countries—are the least likely to receive them.[42] About seventy-four percent of firms in low-income countries report lack of awareness as the main obstacle for accessing available support.[43] **Women-led businesses are disproportionately represented in the informal sector,[44]** which might complicate their ability to access and participate in existing relief programs. In Africa, for instance, women own half of all firms but only a third of formal firms have any ownership by women.[45] In Sub-Saharan Africa, the average share of informal employment of women in the non-agricultural sector is 83 percent. For men, this share is 72 percent.[46] This makes it challenging for governments to identify and target women-led businesses for relief. It also increases the likelihood that women entrepreneurs are unaware of their eligibility. **Targeted information campaigns, peer support, simplifying the application process, and de-linking support from tax registration show promise in encouraging women-led businesses to access and participate in new programs.**

- **Targeting women directly with marketing campaigns** could be a promising solution that encourages adoption of new products. In Uganda, targeting women farmers directly with information through video-enabled messaging increased their knowledge and adoption of recommended products that increased their production.[47] In addition, the **social identity of the communicator** may matter in convincing people to participate in a new program.[48] **Behaviorally- informed gender-sensitive messaging campaigns** that challenge pre-existing social norms or use social influence strategies show promise in expanding the participation of women in programs. In Pakistan, sending behaviorally-informed and "gender-centric" text messages increased referrals, particularly by women, to join a new digital payments platform.[49]

- **Peer support may be useful for encouraging women business owners to participate in new programs and share information about them.** In India, women business owners who attended a business training with a friend doubled their demand for business loans and increased their business activity and household income. Women with more severe restrictions around mobility due to social norms particularly benefited from this approach.[50]

- **Understanding the barriers to take-up and simplifying the process could be helpful in ensuring adoption of new products.** In Kenya, providing information about a financial product technology and **eliminating the paperwork to get started**—filling out registration forms, taking the forms to the bank, delivering, setting up and demonstrating the new tool—helped increase willingness to adopt and use the product.[51]

Seventy four percent of firms in low-income countries report ***lack of awareness*** *as the main obstacle for accessing available COVID-19 relief programs.*

74%

- **Decoupling government support from tax registration could lead to more participation.** In Malawi, 3,000 informal firms were randomly assigned to receive one of three forms of assistance: support for obtaining a business registration certificate; assistance with business registration along with tax registration; or business registration assistance with a bank information session that included the opportunity to open a business bank account. Both women-led and men-led businesses that were assigned business registration assistance along with a bank information session increased the use of formal financial services, but women-led businesses assigned to this package had a larger percentage increase in sales and profits than men's businesses. This highlights that without the worry of tax registration —a bigger commitment and cost for small firms, which are disproportionately women-led—it is possible for women entrepreneurs to register, participate, and benefit from government programs.[52]

03

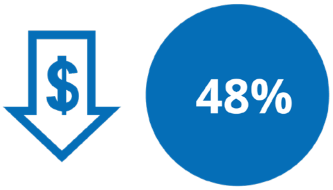
Access to reliable childcare arrangements and stress management training programs show promise in helping women manage work-life balance and improving the performance of their businesses.

Helping women manage stress and work-life balance

The pandemic and related containment measures like school closures have increased women's household responsibilities, including taking care of children and sick family members.[53] The additional burden of the pandemic on women's time has had implications for their mental health[54] and wellbeing, reducing their ability to engage in productive work. While outside the scope of this brief, women have also been exposed to increased risk of gender-based violence during COVID-19 lockdowns,[55] which further affects their well-being and ability to engage in productive activities. **Access to reliable childcare arrangements is important for women's work and entrepreneurial activities. The evidence is limited on how best to support the mental well-being of women entrepreneurs and help them manage the different pressures they juggle. Stress management training programs show promise in reducing stress levels and boosting the motivation of women entrepreneurs.**

- **Access to childcare is important for women's work and economic empowerment.** A recent study from Uganda documents that women are much more likely than men to bring a child to work, which indicates that childcare is a substantial and gendered obligation for women entrepreneurs. Moreover, this childcare responsibility is associated with a "baby-profit gap"—a business where a child is present earns 48 percent lower profits than even other women-led businesses where a child is not present.[56] More research is needed on how best to help women balance their childcare and work responsibilities. In Kenya, women who received vouchers for subsidized childcare were more likely to engage in paid work and work at better paying jobs.[57]

A business where a child is present earns 48 percent lower profits than even other women-led businesses where a child is not present.



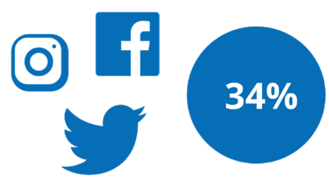
- **Stress-management training may help women entrepreneurs manage the impacts of the crisis and resulting pressures on their mental well-being.** In Bangladesh, a training program incorporating Cognitive Behavioral Therapy (CBT) reduced short-term stress levels for women entrepreneurs.[58] In Pakistan, a five-week group-based CBT program called Problem Management Plus for Entrepreneurs, offered in addition to a cash grant, improved the mental health of participants beyond the period of the training compared to entrepreneurs who only received the cash grant.[59] In Colombia, an ongoing IPA study is examining the impacts of entrepreneurship training programs using imagery techniques—encouraging participants to envision future scenarios or adopt the perspectives of others—to assess if it is effective in boosting motivation for entrepreneurs who have experienced a challenging life circumstance or traumatic event.[60]

04

Interventions that promote the participation of women-led businesses in new markets, like training on the use of digital platforms or facilitating access to large buyers, can have positive and persistent effects on their performance and growth.

Facilitating access to new markets and opportunities

Around 34 percent of firms increased or started using internet, social media, and digital operations in response to the pandemic.



Physical distancing and containment measures have caused a massive demand shock to women-led businesses. Per the WB BPS, around 34 percent of firms increased or started using internet, social media, and digital operations in response to the pandemic, with larger firms more likely to make this change.[61] Existing gender gaps in digital connectivity and skills and their relatively smaller size may have constrained women-led businesses in making the transition to digital operations. **Interventions that facilitate women's participation in new markets through new digital platforms or access to larger buyers could have positive and persistent effects on business performance. More research is needed on how to encourage women-led businesses to participate in digital platforms and support them in overcoming barriers to growth once they join these platforms.**

- **Winning contracts through auctions can increase SME growth and employment, even beyond the contract period. Training programs that teach SMEs how to sell to government and large private sector corporations can benefit firms, but ICT access is crucial.** In Brazil, firms that won government contracts through auctions increased firm growth.[62] This is not only because they were likely to get more contracts in the future, but also because they entered more valuable auctions, penetrated more markets, and increased the variety of products they sold. The effects of winning a contract were more pronounced for retail firms, smaller firms, and younger firms.[63] In Liberia, small firms that participated in a training program on how to market their products to larger buyers won about three times more contracts than those that did not receive training.[64] However, only firms with internet access benefited from the training as ICT access is crucial to access contracts that are published online and to search for and be found by buyers.[65] **Identifying the best ways to encourage and train women to participate in these auction opportunities and expand their access to digital tools could be a powerful means to improve access to markets for women-led businesses.**

- **E-commerce platforms are a promising way to expand access to new markets for women-led businesses. Beyond getting women to join these platforms, training on how to market and make the most of their online presence might be necessary to see an impact on income.** In China, new sellers who participated in a training program focused on practical skills specific to online business operations earned higher revenues and attracted more consumers to their sites.[66] In the referenced study, the e-commerce platform provided a tailored online training program using administrative data on seller performance and action to dynamically match trainees with the most appropriate training tasks for their specific challenges.[67]

05

Soft skills training and innovative business training programs with gender-intentional content show promise in building women entrepreneurs' skills to innovate and adapt.

Building managerial skills for long-term resilience and success

On average, women entrepreneurs lag behind men in the education, skills, and work experience necessary to run successful businesses.[68] Having low levels of managerial capabilities is a challenge for firms because it can limit how managers use existing resources and how they plan the use of new inputs.[69] Addressing these capability gaps may allow women to manage and adapt their businesses through their long-term recovery from the COVID-19 crisis. **Soft skills training and other innovative business training programs with gender-intentional content show promise in building the skills that women entrepreneurs need to innovate and adapt to the COVID-19 crisis. Consulting services and facilitating access to a market of skilled professionals could increase the productivity and performance of women-led businesses, but more research is needed on how to create a market for such services.**

A study in Togo showed that women who received personal initiative training saw their profits increase by 40%, compared to 5% for traditional business training.

- **Business training can improve business outcomes for entrepreneurs.** A recent meta-analysis of more than 15 studies on business training programs for micro and small firms in developing countries found that training increases profits and sales on average by 5 to 10 percent.[70] In particular, training programs that incorporate elements of gender, kaizen methods,[71] localization and mentoring, heuristics, and psychology show promise in improving business performance for both men-and women-led businesses.[72] The impact of traditional training programs focused on business practices like accounting or marketing can depend on the characteristics of the trainee.[73]

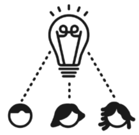
- **Soft-skills training programs show promise in building the skills that women-led businesses need to adapt and respond to the challenges brought by the COVID-19 crisis. They can help entrepreneurs develop a more proactive, innovative, and problem-solving mindset which can lead to improvements in business outcomes.** In Togo, a personal initiative training program that aimed to develop a more entrepreneurial mindset led to a boost not only in innovation, but also in women-led businesses' profits.[74] Women who received personal initiative training had an increase in profits of 40 percent compared to a 5 percent increase in profits of those who attended business training with more traditional curriculum.[75] This personal initiative program involved classroom instruction and on-site follow up by the trainer for the following four months to answer questions and assist with the implementation of concepts from the training.[76] Results from Jamaica and Togo indicate that this personalized follow up might be necessary for such a program to have a sustained impact for

women-led businesses.[77] Evidence from Ethiopia shows the importance of carefully selecting trainers, and that the intervention may be more effective if the trainer has a shared identity with the trainee.[78] Charging a small price for the training programs (below the full cost) can increase attendance among those who pay and the value of such a program for entrepreneurs. A price increase can lead to a sharp fall in demand for these programs, especially among poorer, older, and more risk-averse business owners and those who expect to benefit less from training.[79] Ongoing studies are investigating whether **participation in such soft-skills training programs in the past or during the pandemic can help women-led businesses navigate the challenges of the crisis.** In Nigeria, an ongoing IPA study in partnership with the World Bank and the Nigeria Ministry of Agriculture and Rural Development pivoted in the COVID-19 context to examine the impact of a socio-emotional skills messaging campaign. The research study will examine if these messages, meant to mitigate the gender-related effects of the crisis, can have an impact on mental health, self-efficacy, sharing of household duties, and business resilience.[80] In Uganda, researchers are currently studying if the benefits of participating in a leadership and entrepreneurship training program as a secondary school student translate into better coping and adaptation to the current crisis.[81]

- **Innovative business training programs catering to the unique challenges experienced by women and customized to their skills levels can improve business performance.** In Kenya, women entrepreneurs who participated in ILO's Gender and Entrepreneurship Together (GET Ahead) training program had higher profits and wellbeing three years after the program. The GET Ahead program highlighted entrepreneurial skills from a gender perspective.[82] Also in Kenya, an agency-based women's empowerment training led women to be three times more likely to actively sell products from their business compared to a traditional business training.[83]

- For larger women-led businesses, it might be more desirable to facilitate **their access to a market of skilled professionals or consulting services.** In Nigeria, providing a subsidy to firms to recruit a pre-screened accounting or marketing services provider to either join as an employee or provide support on specific functions expanded the ability of firms to use higher-quality practices, innovate, and increase their sales relative to those who attended business training. Women-led businesses participating in the study were more likely to choose a marketing specialist (versus accounting) and benefited from increased digital marketing, especially using newer social media technologies.[84] **High-quality, intensive consulting services can improve managerial capacity and firm performance.** Studies from Mexico[85] and India[86] show that customized consulting services can be effective in improving the short and long-term productivity and performance of small and medium firms. A study from Colombia indicates that group-based consulting can be a cost-effective way to scale up consulting services for micro, small and medium enterprises.[87] More research is needed on the impact of such programs for women entrepreneurs, the most effective delivery model, and how to create a market for such specialist services.

06



Women entrepreneurs who cross over into sectors dominated by men could increase their relative profits, but more research is needed on the best ways to facilitate such a transition, both for young women entering the labor force and those already running businesses.

Crossing over into new sectors and more profitable activities

The pandemic and the disproportionate impact of the demand shock on women-led businesses has brought attention to the concentration of women-led businesses in certain sectors like retail trade and food preparation services.[88] Women-led businesses are concentrated in sectors with low profit margins, making them particularly vulnerable to negative shocks like a pandemic or economic crisis. Women entrepreneurs who cross over into sectors dominated by men could increase their relative profits, but more research is needed on the best ways to facilitate such a transition both for young women entering the labor force and those already running businesses. Networking programs show promise in increasing firm performance through facilitated learning and partnership development.

- Studies looking at the returns to men- and women-dominated sectors conclude that **choice of sector might explain some of the gender gaps in firm performance** as women who cross over into sectors dominated by men are able to narrow some of these gaps.[89] A study in Uganda found that women who cross over into men-dominated sectors make as much as men in the sector and three times more than women who stay in women-dominated sectors.[90] Social factors (e.g. exposure to the sector, information, availability of role models) seem to be key in influencing the decision of women entrepreneurs to operate in non-traditional sectors.[91]

- **Apprenticeship programs and technical and vocational training that expose young women to less traditional sectors** could influence their choice of sector and possibly reduce the number of future women entrepreneurs in traditional sectors.[92]

For current women entrepreneurs, more research is needed on the best ways to start businesses or engage with more profitable sectors and how to support women who do cross over into sectors dominated by men.[93]

- Women's networks are also less diverse, largely composed of members of the same gender and family and kin relationships, with limited access to resources like capital.[94] **Networking programs could create the business networks needed to increase firm performance through facilitated learning and partnership development.**[95] Adapting these programs for women requires more evidence on how to accommodate pressures on their time and what format would be most beneficial for women entrepreneurs (e.g. group composition). In Kenya, ongoing research is evaluating the impact of digital business development services and WhatsApp-based peer networking groups for women. These digital tools were designed for women to participate when convenient, thus addressing some of the time-use constraints that prevent them from participating in such networking activities.[96] There is indication from a pan-African study that virtual and face-to-face interaction in parallel with an online business course can have positive impacts on submission of business plans and their quality, with the diversity in the composition of network mattering for the quality of business plans.[97]

Conclusion

The COVID-19 pandemic has constituted an unprecedented shock to businesses around the world, especially SMEs. Women-led businesses have been particularly affected due to the sectors they typically operate in, their average size, their levels of informality, as well as women's increased care responsibilities, social norms, and existing structural disadvantages. The evidence-based approaches outlined in this document suggest some ways in which existing COVID-19 programming can be strengthened to benefit women entrepreneurs and women-led businesses. It also includes suggestions for new evidence-backed programming that policy makers could consider to address other key barriers that women-led businesses face in operating and growing their businesses. The pandemic has generated considerable attention to the inequalities and vulnerabilities that can constrain women's entrepreneurship. It has also highlighted the urgency of avoiding backsliding in gender equality through support to women entrepreneurs that allows them to reach their full potential. **Applying a gender lens to recovery activities and using data and evidence to guide those efforts is an opportunity to create sustainable systems that facilitate women's entrepreneurship and empowerment.**

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