

BUSINESS ENVIRONMENT CONSTRAINTS IN THE CARIBBEAN: IS THERE A GENDER GAP?

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BACKGROUND

- ✘ Female firms underperform in private sector
 - + Female-owned firms are smaller, have lower employment growth and are less productive and profitable than male owned firms (Amin, 2014; Chagnati and Parsuraman, 1996; Coleman, 2007; Watson, 2002; Loscocco and Robinson, 1991; Robb and Wolken, 2002; Aterido et al., 2011; Bruhn, 2009; and, Sabarwal and Terrell; 2008).
 - + Female firms also tend to be disproportionately concentrated in less well performing labour-intensive sectors such as retail and other services industries rather than in capital-intensive manufacturing and high technology sectors (Klapper and Parker 2010, Amin and Islam 2014, Bates 1995, Kallegerg and Leicht 1991, Du Rietz and Herekson 2000, Loscocco and Robinson 1991, Verheul et al. 2004, Mayoux 1995 and Hundley 2001)
- ✘ Takeaway: inferior performance of female firms may suggest that women face a more burdensome business climate than male firms
 - + Limits their ability to grow their business, create jobs, and increase productivity
- ✘ Does gender matter in private sector?

IMPORTANCE: DOES GENDER MATTER IN PRIVATE SECTOR?

- ✘ Reducing gender barriers and having full participation of both men and women in the private sector represents a significant opportunity to fully develop the productive potential of a country
 - + Increasing economic growth, reducing poverty and inequality.
 - + Benefits all within economy
- ✘ Private sector plays an important role in creating economic opportunities for women,
 - + Productive potential of women may be thwarted because of barriers faced
 - + Limits female participation
- ✘ Particularly important in SIDS context – two major constraints
 - + Private sector engagement
 - + Limited human capital

RECENT LITERATURE ON GENDER GAP

- ✘ Focus on financial constraints as main barrier
 - + Idea: Women have less access to capital and credit than men – limits performance of female-owned firms
 - + Empirical studies finds that access to finance no more of a constraint for women than men (Aterido et al., 2011; Moore, 2016)

- ✘ Question not well understood – cannot conclude that gaps don't exist

- ✘ Institutional constraints can arise from
 - + Formal structures (gender equality laws, labour market legislation, tax legislation and child care facilities)
 - + Informal structures (discrimination against women, traditional attitudes and religious beliefs, perceptions of entrepreneurship as a male activity, social attitudes towards women and employment and family values) (Welter and Smallbone, 2003; and, Aidis et al., 2007).

MAIN INNOVATION IN THIS PAPER

- ✘ We assess whether and to what extent there is a gender gap in non-financial business environment barriers in the Caribbean
- ✘ The investigation of gender issues is important when considering strategies to improve Caribbean private sector development and international competitiveness
- ✘ Allow for more targeted policies to improve the livelihood of females in the private sector through measures explicitly addressing relevant business climate barriers

METHODOLOGY & ESTIMATION

- ✘ $Y_{ic} = \beta_0 + \beta_1 Female_{ic} + \beta_2 X_{ic} + e_{ic}$
- ✘ Y - dependent variable of interest and takes the value 1 if the firm faces business environment barriers; measured at the level of the firm i in country c
- ✘ Y - 17 obstacles faced by firms in their current operations
 - + 1) telecommunications, 2) electricity, 3) transportation, 4) access to land for expansion/relocation, 5) tax rates, 6) tax administration, 7) customs and trade regulations, 8) labour regulations, 9) inadequately educated workforce, 10) business licensing and permits, 11) access to finance, 12) cost of finance, 13) political environment, 14) macroeconomic environment 15), corruption, 16) crime, theft and disorder 17) practices of competitors in the informal sector
- ✘ $Female$ is our independent variable of interest and takes the value 1 if the firm is female for firm i in country c , that is, if the firm's top owner is female or if the firm's top manager is female and 0 otherwise
- ✘ X is our vector of other explanatory variables for firm i in country c and are size measured as the log of the number of employees; age; dummy variable equal to 1 if the firm exports; dummy variable equal to 1 if the firm is foreign owned; dummy variable equal to 1 if the firm is part of a larger establishment; dummy variable equal to 1 if the firm is a sole proprietor; dummy variable equal to 1 if the firm is a partnership; dummy variable equal to 1 if the female owner is related to other owners
- ✘ Includes country and industry specific effects
- ✘ Estimate using probit regressions

DATA

- ✘ PROTEqIN survey completed by Compete Caribbean in collaboration with the Inter-American Development Bank and the World Bank in 2014
- ✘ Survey was conducted in 13 Caribbean SIDS including Antigua and Barbuda, the Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, St Kitts and Nevis, St Lucia, St Vincent and the Grenadines, Suriname and Trinidad and Tobago
- ✘ Survey comprises of 1,900-2,000 firms from wide cross-section of manufacturing and services sector

RESULTS: UNCONDITIONAL REGRESSIONS

Variables	(1) Telecommunications	(2) Transportation	(3) Access to finance	(4) Corruption
Female ownership	0.0385*	0.0420*	0.0466	0.0435*
	(0.0245)	(0.0242)	(0.0288)	(0.0260)
Observations	1,960	1,966	1,966	1,966

Notes: (1) Robust standard errors in parentheses *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$, (2) sector and country dummies not shown.

RESULTS: CONDITIONAL REGRESSIONS

Table 1: Unconditional Regression Results

Variables	(1) Telecommunications	(2) Transportation
Female ownership	0.0461* (0.0252)	0.0401* (0.0240)
Size	0.0159* (0.00856)	0.0129 (0.00821)
Export	-0.0130 (0.0213)	-0.00922 (0.0202)
Foreign ownership	-0.00274 (0.0238)	-0.0113 (0.0227)
Age	-0.00585 (0.0110)	-0.0174 (0.0111)
Part of a larger firm	-0.00831 (0.0228)	-0.0240 (0.0213)
Sole proprietorship	0.00454 (0.0239)	0.0475* (0.0257)
Other	0.0118 (0.0227)	0.0309 (0.0220)
Family	-0.0123 (0.0218)	-0.0145 (0.0210)
Private	-0.102 (0.107)	-0.197* (0.114)
Observations	1,960	1,966

NEXT STEPS

- ✘ Heterogeneity across sectors, firm types for telecommunications and transportation?
- ✘ Why are female firms disadvantaged by these barriers in particular?