

August 2015

No. 2015-03

# **International Development Group Working Paper Series**

## **Business Environment Constraints for Micro and Small Enterprises in El Salvador: Disparities between Male and Female Entrepreneurs**

**Estera Barbarasa and Anna Wetterberg**

A working paper of the  
Governance and Economic Development Division,  
International Development Group,  
RTI International

3040 East Cornwallis Road  
P.O. Box 12194  
Research Triangle Park, North Carolina 27709-2194  
USA







# **International Development Group Working Paper Series**

## **Business Environment Constraints for Micro and Small Enterprises in El Salvador: Disparities between Male and Female Entrepreneurs**

**Estera Barbarasa and Anna Wetterberg**

Governance and Economic Development Division,  
International Development Group (IDG),  
RTI International  
3040 East Cornwallis Road  
Post Office Box 12194  
Research Triangle Park, NC 27709-2194  
202-974-7891  
[ebarbarasa@rti.org](mailto:ebarbarasa@rti.org)

August 2015  
No. 2015-03

*IDG working papers allow staff of RTI's International Development Group to reflect on experience and data accumulated through project implementation and research. The analysis and conclusions in the papers are preliminary, intended to share ideas, encourage discussion, and gather feedback. They are a means of furthering the goal of translating knowledge into practice. The views expressed herein are the authors' and do not necessarily represent those of RTI or its clients.*

The following IDG working papers are available [here](#):

- No. 2013-01: *Strengthening Local Councils in Uganda*
- No. 2013-02: *The Political Economy of Adopting Public Management Reforms: Patterns in Twenty Indonesian Districts*
- No. 2013-03: *Capacity Development for Local Organizations: Findings from the Kinerja Program in Indonesia*
- No. 2014-01: *Strategies for Improved Delivery of Basic Services: A Concise Framework and Selected Cases*
- No. 2014-02: *Does Better Governance Improve Service Delivery? Evidence and Lessons Learned from the Guinea Faisons Ensemble Project*
- No. 2014-03: *From Supply to Comply: Gauging the Effects of Social Accountability on Services, Governance, and Empowerment*
- No. 2015-01: *Social Accountability in Frontline Service Delivery: Citizen Empowerment and State Response in Four Indonesian Districts*
- No. 2015-02: *Systems Thinking and Institutional Performance: Retrospect and Prospect on USAID Policy and Practice*

---

**TABLE OF CONTENTS**

---

|  |    |
|--|----|
| List of Tables .....   | iv |
| List of Figures .....  | iv |
| Abbreviations .....  | v  |
| Abstract .....   | vi |
| Acknowledgments .....  | vi |
| Introduction .....   | 1  |
| Background .....   | 1  |
| Business Characteristics .....   | 2  |
| Business Environment .....   | 2  |
| Past and Current Programs to Support Small Business and Women Entrepreneurs in El Salvador ..... | 4  |
| Data & Methods .....   | 7  |
| Findings .....   | 10 |
| Differences Persist in General Characteristics .....   | 10 |
| ...But there are signs of convergence .....  | 11 |
| Perceptions of the Business Environment .....  | 13 |
| Business Environment: Quality of Municipal Services .....  | 14 |
| Discussion .....   | 15 |
| Policy Implications and Recommendations .....  | 18 |
| Conclusion .....   | 21 |
| References .....   | 22 |

---

## LIST OF TABLES

---

|          |   |    |
|----------|---|----|
| Table 1. | Small business and (women) entrepreneurship projects in El Salvador .....   | 4  |
| Table 2. | Summary statistics for variables included in analysis.....  | 8  |
| Table 3. | Characteristics of interview respondents .....  | 9  |
| Table 4. | Characteristics of small businesses (<50 employees), 2009 and 2011 MCI, by owner's sex .....  | 11 |
| Table 5. | Business environment: Perceptions reported by small businesses (<50 employees), 2009 and 2011 MCI, by owner's sex.....                        | 13 |
| Table 6. | Business environment: Perceptions of municipal services reported by small businesses (<50 employees), 2009 and 2011 MCI, by owner's sex ..... | 15 |

---

## LIST OF FIGURES

---

|           |   |    |
|-----------|---|----|
| Figure 1. | Sex-based differences in business characteristics, 2009 and 2011 MCI..... | 12 |
|-----------|---|----|

---

## ABBREVIATIONS

---

|           |  |
|-----------|--|
| BPEACE    | Business Council for Peace   |
| CAMARASAL | Chamber of Commerce and Industry   |
| CONAMYPE  | <i>Comisión Nacional de la Micro y Pequeña Empresa</i> (National Commission for Micro and Small Enterprises)                   |
| EIU       | Economist Intelligence Unit  |
| EMPRE     | local business development unit  |
| FUNDES    | <i>Fundación para el Desarrollo Sostenible</i> (Foundation for Sustainable Development)  |
| FUSADES   | <i>Fundación Salvadoreña para el Desarrollo Económico y Social</i> (Salvadoran Foundation for Economic and Social Development) |
| FUSAI     | <i>Fundación Salvadoreña de Apoyo Integral</i> (Salvadoran Foundation for Integrated Support)                                  |
| GTZ       | <i>Deutsche Gesellschaft für Technische Zusammenarbeit</i> (German Agency for Technical Cooperation)                           |
| IADB      | Inter-American Development Bank  |
| IDG       | International Development Group  |
| IFC       | International Finance Corporation  |
| LAC       | Latin America and the Caribbean  |
| LEDA      | Local Economic Development Agency  |
| MCI       | Municipal Competitiveness Index  |
| MCP       | Municipal Competitiveness Program  |
| MIF       | Multilateral Investment Fund   |
| MSE       | micro and small enterprise   |
| MSME      | micro, small, and medium enterprise  |
| NGO       | nongovernmental organization   |
| PATI      | Temporary Income Support Program   |
| SEM       | Entrepreneurial Services for Women   |
| SME       | small and medium enterprise  |
| US        | United States  |
| USAID     | United States Agency for International Development   |
| VAT       | value added tax  |
| VVES      | Vital Voices El Salvador   |

---

## ABSTRACT

---

Because of the contribution of small businesses to women's incomes, support to micro and small entrepreneurs is an important means of alleviating poverty in Central America. However, although research has shown that the business environment in general is more punishing to small businesses, it remains unclear whether it is particularly harsh for women entrepreneurs. We draw from the existing literature on women-owned businesses to describe the potential challenges female entrepreneurs face and explore whether these predictions are borne out in the 2009 and 2011 El Salvador Municipal Competitiveness Index survey by comparing characteristics and perceptions between female and male entrepreneurs. We find that female business owners do not report significantly different challenges in the general business climate than do male entrepreneurs, regarding such challenges as licensing and regulatory procedures, government inspection, corruption, or crime. The analysis also shows that there is convergence in general characteristics of male- and female-owned enterprises in El Salvador, but in spite of this narrowing of differences, sex-based differences persist. These findings support the need for targeted and tailored support to women entrepreneurs to address specific business problems rather than general investment support or business environment reform specific to the needs of female entrepreneurs. Based on this analysis, we outline implications for policies and programs to support female micro-entrepreneurs in El Salvador and in other contexts.

---

## ACKNOWLEDGMENTS

---

The authors would like to thank Jennifer Bartlett, Blanca Imelda Jaco de Magana, and Brina Seidel for help at different stages of the research. Carlos Carcach kindly provided explanation of the data sets. We appreciate comments from Gary Bland, Julio Funes, Blanca Imelda Jaco de Magana, Ami Thakkar, and Peter Vaz. Financial support from the United States Agency for International Development (USAID) El Salvador Municipal Competitiveness Program (MCP) and the RTI International Development Group (IDG) Executive Vice President's office is gratefully acknowledged. The views expressed are solely those of the authors and should not be attributed to USAID, RTI, or any of the projects described herein.



---

## INTRODUCTION

---

In most Central American countries, self-employment and micro-enterprise jobs are the most significant sources of remunerated work for poor women (Vakis, Munoz Boudet, & Coello, 2011). Consequently, support to micro-entrepreneurs is an important means of alleviating poverty in the region. However, although research has shown that the business environment in general is more punishing to small establishments, it remains unclear whether it is particularly harsh for women entrepreneurs.

In this paper, we draw from the existing literature on women-owned businesses to describe the potential challenges faced in El Salvador. We explore whether these predictions are borne out in the 2009 and 2011 El Salvador Municipal Competitiveness Index (MCI)<sup>1</sup> surveys, complemented by a small number of in-person interviews, by comparing characteristics and perceptions between female and male entrepreneurs. The analysis shows a mixed pattern of distinctions and similarities; women business owners do not report significantly different challenges in the business environment and their establishments are becoming more like men-owned firms in some ways. However, important sex-based differences persist in business characteristics that have implications for policies and programs that support women entrepreneurs.

The paper proceeds as follows. After presenting background on the business characteristics and environment, as well as programs in El Salvador, we outline our data and methods. The next two sections outline and interpret our findings and draw out implications for policies to support female micro and small entrepreneurs. The final section discusses the broader relevance of this and future research.

---

## BACKGROUND

---

Women entrepreneurs have garnered increased attention from both development practitioners (see, for example, Blackden & Hallward-Driemeier, 2013; Duflo, 2012; Elborgh-Woytek et al., 2013) and the private sector (Global Entrepreneurship and Development Institute, 2013; Scott-Gall & Manohar, 2013). This interest is fueled not only by equity concerns, but also because the success of female business owners may have important ramifications for investments in human capital, alongside gains in economic growth (Heintz, 2006). However, understanding how to support women entrepreneurs in particular countries requires analysis of how local opportunities and constraints in the business environment differ for men and women (Blackden & Hallward-Driemeier, 2013, p. 19). Few studies have focused on El Salvador specifically, although the body of knowledge about women-owned businesses across Central and Latin America as a whole is growing. Below, we draw from the existing literature on the characteristics of women entrepreneurs in Latin America and beyond, and the constraints they face, to frame our analysis.

---

<sup>1</sup> The MCI ranks the business environments of 100 Salvadoran municipalities (see Data & Methods below).

## Business Characteristics

Approximately 40 percent of working women are self-employed in Central America (Vakis et al., 2011). According to Salvadoran government statistics, the majority of micro and small enterprises (MSEs) are women-owned (CONAMYPE, 2005). Establishments operated by women are typically smaller in El Salvador, with 1.58 employees on average, compared with 2.47 workers for establishments owned by men (CONAMYPE, 2005). This pattern is similar to those in the rest of the region (Bruhn, 2009; GTZ, World Bank, & IADB, 2010; Powers, Magnoni, & Fund, 2010; Weeks & Seiler, 2001). Worldwide, women entrepreneurs are less likely than men to formalize their businesses (Simavi, Manuel, & Blackden, 2010), a trend that also occurs in El Salvador (CONAMYPE, 2005; Vakis et al., 2011).

One reason for this pattern of smaller, more informal women-owned firms is that many women establish their businesses as a flexible way of contributing to household income, while also shouldering traditional, gender-based family roles such as childcare and housekeeping (GTZ et al., 2010; Powers et al., 2010; Vakis et al., 2011). Poor women with low levels of education also face limited opportunities to participate in the salaried labor force, making MSEs one of their few viable venues for economic participation (Powers et al., 2010; Vakis et al., 2011). In 2004, 50 percent of Salvadoran women entrepreneurs reported that they started their businesses due to a lack of economic opportunities, compared with 39 percent of male owners of micro, small, and medium enterprises (MSMEs) (CONAMYPE, 2005).

Consequently, many women-owned enterprises are small stores—about half of all working women in El Salvador are engaged in commerce (Vakis et al., 2011)—often operating out of or near their homes. Data from Mexico and Bolivia indicate that women are two to three times more likely than men to operate a home-based business (Bruhn, 2009). These businesses tend to draw a very local clientele, with women entrepreneurs reporting that 75 percent of their customers come from the same neighborhood (compared with 60 percent for men) (CONAMYPE, 2005). Women-owned businesses also tend to generate lower sales than men-owned businesses (Bruhn, 2009; Powers et al., 2010).

## Business Environment

Often, research on the business environment for enterprises focuses on the degree to which regulations facilitate or impede entrepreneurship. For example, the Doing Business surveys gather data on 10 areas of regulation—related to starting a business, dealing with construction permits, connecting electricity, registering property, obtaining credit, protecting investors, paying taxes, trading across borders, enforcing contracts, and resolving insolvency—that are aggregated into an index in which “a higher score indicates a more efficient business environment and stronger legal institutions” (World Bank, 2013b, p. 2).

Overall, El Salvador has mixed performance in terms of its general business environment for entrepreneurs. The country ranks 118 out of 189 global economies on the Doing Business scale for ease of doing business (World Bank, 2013a). In relative terms, El Salvador scores higher on business environment indicators related to obtaining credit, trading across borders, registering property, and enforcing contracts, and ranks lower on indicators related to starting a business, paying taxes, protecting investors, connecting electricity, and dealing with construction permits. The Salvadoran national

government has not passed any legislative reforms to simplify business registration or regulation in recent years, as measured by Doing Business.

Finally, El Salvador also has mixed performance on a new ranking index developed by the IADB's Multilateral Investment Fund (MIF) and Economist Intelligence Unit (EIU) that assesses the business environment factors affecting women entrepreneurs operating MSMEs in the Latin America and the Caribbean (LAC) region (Women's Entrepreneurial Venture Scope—WEVentureScope<sup>2</sup>). According to this index, El Salvador ranks 17 out of 20 countries for its overall environment for female entrepreneurs, but it has a much more favorable entrepreneurial business environment in terms of strong property rights, low total tax rate, and high business sophistication (the country ranks second on the Entrepreneurial Business Environment indicator) (EIU, 2013).

In this research, we take a somewhat broader perspective on the business environment, reducing the focus on specific regulations and also including interactions with officials and public support from municipalities (information and services). Further, we include perceptions of crime, which has been reported as an important business obstacle in the region. In Latin America, 67 percent of entrepreneurs reported that crime is an impediment to their businesses (compared with 22 percent in Organisation for Economic Co-operation Development countries), negatively affecting sales (Schiffer & Weder, 2001). In particular, small businesses in the region most frequently report crime, theft, and disorder as their biggest problems. Costs of security and losses due to crime are higher in El Salvador than in the rest of the region and in other lower-middle-income countries (World Bank & IFC, 2010), making it a particularly relevant issue for our study.

The evidence is mixed as to whether women find business regulations and engagement with public officials and programs more daunting than their male counterparts. Some studies have found that female entrepreneurs feel less prepared and have less information on how to negotiate complex registration procedures (GTZ et al., 2010). Working women face gender-based social, cultural, and legal barriers in the labor market (Powers et al., 2010). As a result, they may be more vulnerable to corruption and face higher levels of scrutiny from municipal agents (such as labor inspectors).

Because women's enterprises are frequently small scale, serve as supplementary sources of income, and are operated alongside household obligations, they tend to be less productive than larger, more specialized (and often men-owned) establishments oriented toward growth and profits. As such, women entrepreneurs, in particular, could benefit from training and business development programs to enhance productivity (Blackden & Hallward-Driemeier, 2013; Elborgh-Woytek et al., 2013). However, research has shown that, compounding the effects of generally lower levels of education, women face barriers to accessing programs that develop business skills such as financial literacy and business planning (GTZ et al., 2010). Even when they do participate, women see fewer benefits than men from these programs (Berge, Bjorvatn, & Tungodden, 2011).

Another means for entrepreneurs to glean information and other resources to improve productivity is through business associations and networking with other entrepreneurs, which can also

---

<sup>2</sup> WEVenture Scope is a dynamic benchmarking model that measures business operating risks, access to finance, capacity and skill-building opportunities, and the presence of social services: <http://www.weventurescope.com/>

serve an advocacy function. Women are less often involved in formal business organizations, compared with men, and generally report less access to networks that can help them identify market opportunities, new practices, and sources of credit (GTZ et al., 2010; Simavi et al., 2010). When they exist, women's business associations tend to be weak and are often absent from policy dialogues on the business environment (Blackden & Hallward-Driemeier, 2013; Elborgh-Woytek et al., 2013).

Contrary to the above studies, other research shows that women are no more likely than men to perceive business environment factors as barriers to firm operation and growth (Bruhn, 2009) and that male and female entrepreneurs report the same problems in growing their enterprises (Weeks & Seiler, 2001). A 2004 study of El Salvador indicates that women are *less* likely than men to report the business environment as a significant challenge (CONAMYPE, 2005).

## Past and Current Programs to Support Small Business and Women Entrepreneurs in El Salvador

Policies and programs to support small-business owners and women entrepreneurs in El Salvador are housed across several institutional actors in government ministries, donors, the private sector, and the nongovernmental organization (NGO) sector. **Table 1** provides an illustrative summary overview of different governmental, donor, and private sector programs at both national and local levels.

**Table 1. Small business and (women) entrepreneurship projects in El Salvador**

| Program Categories and Descriptions  |   |
|--|---|
| <b>National Government Policies and Programs</b>                                 |   |
| National Commission for Micro and Small Enterprises (CONAMYPE) National Programs | CONAMYPE, housed in the Ministry of Economy, functions as the Salvadoran governing body of policies that support MSEs, and it provides information, training, and advisory services to MSEs through its local branches. CONAMYPE's 2010–2014 Strategy Plan on Accompaniment to Micro and Small Enterprises guides the agency's support to the small business sector. CONAMYPE's strategic plan incorporates a gender-equality perspective, recognizing that the majority of micro-business owners are women.  |
| Ciudad Mujer Initiative  | The IADB and the Ministry of Social Inclusion of El Salvador launched the Ciudad Mujer (City of Women) Initiative in 2011 to improve the lives of Salvadoran women. Ciudad Mujer centers across the country offer social services for women in a one-stop facility: health treatment, job training, physical abuse protection, daycare services for children, and other services. Through collaboration with CONAMYPE, Ciudad Mujer supports women entrepreneurs through training, targeted support to artisanal women, and technical assistance to help women producers integrate in value chains. |
| Temporary Income Support Program (PATI)  | The Salvadoran government provides social protection support to the urban poor, particularly women, through PATI. This program, piloted in 2009 with support from the World Bank, provides US\$100 per month in economic support for six months and requires participation in infrastructure and community/social service projects in municipalities and 80 hours of training. Over 15,000 Salvadorans have enrolled in PATI, and 72 percent of beneficiaries are women. The program is currently being evaluated for impact by the World Bank.   |
| <b>Local Government Policies and Programs</b>                                    |   |
| CONAMYPE Regional Programs   | In 2010, CONAMYPE launched a pilot program of a one-stop shop window for promotion of women's entrepreneurship (Ventanilla de Empresarialidad Femenina) to provide services to women small-business owners at the territorial level in three municipalities in the departments of Sonsonate, Sonzacate, and Acajutla. As a result of this pilot, more than 700 women entrepreneurs received benefits in the form of business and entrepreneurship information, training, networking with other women entrepreneurs, consulting services, and technical assistance.                                  |

| Program Categories and Descriptions   |  |
|---|--|
| Sonsonate's Local Economic Development Agency (LEDA) Entrepreneurial Services for Women (SEM) Program | With support from the United Nations, the Department of Sonsonate's LEDA created a SEM Center to provide business development services, training, networking, and financial assistance to women in start-up and expansion stages of their businesses. An International Labour Organization case study showed that LEDA's SEM had a positive impact on women's participation in local governance. "By accessing services designed for their specific needs and participating in information sessions and training courses that are organized in a space where decision makers meet regularly, the women had the opportunity to build their networks, voice their concerns, and improve their representation in decision-making structures at the local level" (Urbina, 2007, p. 3).   |
| <b>Donor Programs</b>   |  |
| USAID Small and Medium Enterprise (SME)-Support Programs, 2003–Present                                | USAID has supported several programs to help SMEs improve finance, business development services, and export promotion services. <sup>3</sup> As one example, the USAID Financial Services Program (2006–2009) helped improve finance: the cumulative number of SME borrowers grew by 48 percent, the number of loans grew by more than 56 percent, and the volume of loans to SMEs has grown by 25 percent.   |
| USAID Municipal Competitiveness Program (MCP)   | USAID provided direct support to Salvadoran women entrepreneurs in the MCP (2010–2014) through a multi-faceted approach: strengthening women's business associations and networks, providing entrepreneurship and leadership training to women business owners, financing women entrepreneurs' business ideas, and designing business-friendly strategies for women entrepreneurs at the municipal level. MCP created formal channels for women business owners to participate in local public-private dialogue bodies, with over 300 women representatives participating in Municipal Competitiveness Committees (40 percent of total participants). MCP created local business development units (EMPRES) in municipal offices to provide support to local entrepreneurs in accessing business development services and tailored services to local women entrepreneurs.  |
| World Bank's National Programs  | The World Bank's Income Support and Employability Project (2009–2014) supports the Government of El Salvador in its short-term response to the economic crisis and the long-term establishment of an integrated social protection system in three areas: (1) temporary income support to urban vulnerable poor (the PATI program described earlier in this table—70 percent of beneficiaries are women), (2) labor intermediation and training services to urban vulnerable poor, and (3) institutional capacity building for the development of an integrated social protection system. Additionally, the World Bank/IFC's Doing Business provides information annually on the ease of doing business in El Salvador, and the World Bank's Enterprise Surveys for El Salvador in 2006 and 2010 provide firm-level data on business environment topics, including access to finance, anticorruption, infrastructure, crime, competition, and performance measures. |
| Inter-American Development Bank (IADB)'s National Programs  | The IADB is financing several programs in El Salvador that benefit Salvadoran women entrepreneurs: (1) Increasing Financing for Women-Led SMEs in El Salvador, 2013, MIF; (2) Community Savings Groups and Economic Empowerment of Rural Women, 2013, MIF; (3) development of a model for women's entrepreneurship, 2013; and (4) Ciudad Mujer Initiative (described earlier in this table). In addition, the MIF financed the development of the WEventure Scope, which assesses the environment for supporting and growing women's MSMEs in LAC (including El Salvador).   |
| <b>Nongovernment Programs and Initiatives</b>   |  |
| Vital Voices El Salvador (VVES) Programs  | Launched in 2009, VVES works with women leaders through capacity-building trainings and programs focused on entrepreneurship and professional development. VVES implements the Exports: A Pathway to Prosperity training for more than 500 female entrepreneurs to build their capacity to export internationally. VVES also implements Emprende Mujer, a peer-to-peer learning and dialogue event for women entrepreneurs and women business professionals.   |

<sup>3</sup> USAID Trade Development for Small and Medium Enterprises (2012–2017), USAID Financial Services for SMEs Program (2006–2009), and USAID El Salvador Export Promotion for MSME Program (2003–2009).



### Program Categories and Descriptions

|   |  |
|---|--|
| Chamber of Commerce and Industry (CAMARASAL) Programs | CAMARASAL, El Salvador's chamber of commerce, was established in 1915 and has more than 1,400 members—of which 90 percent are MSMEs and 30 percent are women-owned businesses. CAMARASAL supports MSMEs through training, technical assistance, and business-to-business linkages for MSMEs. In 1994, CAMARASAL established a Committee on Women and Leadership to promote and support professional business women and women entrepreneurs in El Salvador. |
|---|--|

There are no current Salvadoran government programs that provide tailored business support services directly to female micro-entrepreneurs. Rather, women micro- or small-business owners can receive a variety of training and technical assistance from general government entrepreneurship support programs that are available to both male and female entrepreneurs, but do not necessarily adapt the support to the specific needs of women. The Ministry of Economy's CONAMYPE is the main governmental body responsible for strengthening the development of MSMEs. Its training and direct business assistance offerings are available to both men and women. However, CONAMYPE does partner with other governmental and private sector programs that are specific to female entrepreneurs, such as in the case of its partnerships with the women's business association VVES and the Ciudad Mujer women's rights initiative (as presented in **Table 1**). There is little information available on the impact of the agency's general support to MSMEs or the effect of benefits to Salvadoran women entrepreneurs.

Another way the Salvadoran government channels support to women entrepreneurs is by providing training support in combination with other social protection and income support programs for women. For instance, the government's PATI provides direct income support for six months to low-income individuals for participation in projects and technical and soft skills training. PATI targets female household heads and low-income, self-employed women or micro-entrepreneurs in select municipalities. These women can receive training in a variety of vocational areas—such as agriculture, public works, food preparation, tourism, and fishing—that can help them gain formal employment or improve their technical production skills for their existing micro-businesses. However, this program is not designed to provide long-term business development support to women micro-entrepreneurs or help them grow their businesses. An impact evaluation is underway to measure the effects of the program on beneficiaries' welfare and employability.

Moreover, numerous private sector, donor, and social sector-based entrepreneurship initiatives exist alongside government programs to support Salvadoran business owners. Similar to government entrepreneurship programs, many private sector services support both male and female entrepreneurs through a combination of services: business plan competitions, training, financial support, and business development assistance services.<sup>4</sup> Two cases of private sector support illustrate examples in which women-specific support is offered to entrepreneurs. The Salvadoran CAMARASAL has a committee on women's leadership and provides capacity-building support to women's local producer organizations, and VVES provides training to women entrepreneurs in leadership and business topics (markets, exporting, business plans, etc.) and provides a networking forum for Salvadoran women entrepreneurs.

<sup>4</sup> Examples include NGOs such as Technoserve, Business Council for Peace (BPEACE), Oxfam, Agora Partnerships, *Fundación Salvadoreña de Apoyo Integral* (FUSAI), *Fundación Salvadoreña para el Desarrollo Económico y Social* (FUSADES), and *Fundación para el Desarrollo Sostenible* (FUNDES), among others.

There is little evidence of regular coordination and information sharing across these various government and private sector entrepreneurship programs; none of these programs offer comprehensive one-stop services to women entrepreneurs; and few programs operate at scale. These various private and public sector programs take different approaches to helping Salvadoran entrepreneurs, and there is no single entity that systematically tracks different entrepreneur services so that this information is streamlined and shared with entrepreneurs in need of these support mechanisms.

---

## DATA & METHODS

---

Given the discrepancies in the literature and the general dearth of recent research on women's MSEs in El Salvador, we seek to contribute an analysis that distinguishes male and female entrepreneurs' experiences in terms of business characteristics and perceptions of the general business environment. To this end, we rely primarily on data from the 2009 and 2011 rounds of the MCI surveys of business owners (detailed below). In addition, we elaborate on some of the findings by reporting from interviews with a small number of female entrepreneurs who participated in both rounds of the survey.

The MCI surveys have been carried out under the USAID-funded Promoting Economic Opportunities Program (2009) and MCP (2010–2014) in El Salvador. The surveys' purpose was to construct an index of the business environment that could be compared across the 100 most populous municipalities in the country.<sup>5</sup> These municipalities represented 81 percent of the Salvadoran population, but the data are not representative of all businesses in El Salvador—in particular, rural enterprises and those based in the smallest towns are not included.

The MCI actually drew from two face-to-face surveys; the first covered 4,000 businesses with a fixed location, of all sizes and from all economic sectors except agriculture. The second survey was focused on the mayors and municipal officials in the studied municipalities. Our analysis drew exclusively from the business survey, which gathered information on the businesses and entrepreneurs, municipal regulations, infrastructure and municipal services, transparency, transportation costs, municipal taxes, and public safety.

Respondents were selected through a two-stage process (RTI International, 2009). First, a systematic sample of blocks within a municipality was selected, with probability proportional to the block distance from the main business district. Secondly, establishments within selected blocks were systematically selected, with probability proportional to the number of establishments within blocks.<sup>6</sup> From the survey sample, we include all small enterprises (less than 50 employees per CAMARASAL definition,<sup>7</sup> 2 percent of sample) and micro-enterprises (less than 10 employees, 97 percent of sample) in the analysis. To compare the experiences of male and female business-owners, we draw on the variables specified in *Table 2*.

---

<sup>5</sup> The 2011 round added 10 municipalities, but these are not included in our analysis.

<sup>6</sup> For more information on the methodology, see RTI International (2009) and <http://www.municipalindexelsalvador.com>

<sup>7</sup> See <http://www.camarasal.com/pymes.php>

**Table 2. Summary statistics for variables included in analysis**

| Variable   | Definition  | Type of variable                    | Observations | Mean | Std. Dev. | Min. | Max. |
|--|---|-------------------------------------|--------------|------|-----------|------|------|
| <b>BUSINESS CHARACTERISTICS</b>                              |   |                                     |              |      |           |      |      |
| woman  | female ownership of business                        | categorical                         | 7,897        | 0.53 | 0.50      | 0    | 1    |
| size   | number of employees                                 | interval                            | 8,128        | 2.36 | 2.95      | 0    | 48   |
| salaried   | proportion of employees salaried                    | interval                            | 6,291        | 0.50 | 0.45      | 0    | 1    |
| registered   | registered in value added tax (VAT) register        | categorical                         | 8,119        | 0.39 | 0.49      | 0    | 1    |
| formal   | registered & using formal accounting*               | categorical                         | 8,128        | 0.36 | 0.48      | 0    | 1    |
| scope  | proportion of clients from same municipality        | interval                            | 8,081        | 0.86 | 0.22      | 0    | 1    |
| <b>PERCEPTIONS OF GENERAL BUSINESS ENVIRONMENT</b>           |   |                                     |              |      |           |      |      |
| licensing problems   | experienced problems getting licensed               | categorical                         | 2,627        | 0.10 | 0.30      | 0    | 1    |
| contacts   | contacts are necessary to get permits               | categorical                         | 7,973        | 0.44 | 0.50      | 0    | 1    |
| informal payments  | informal payments are common                        | categorical                         | 7,250        | 0.05 | 0.22      | 0    | 1    |
| extra payments   | has made extra payments                             | categorical                         | 363          | 0.15 | 0.36      | 0    | 1    |
| inspections  | business has been inspected in past year            | categorical                         | 7,982        | 0.22 | 0.42      | 0    | 1    |
| robbery  | experienced violent robbery during past year        | categorical                         | 8,124        | 0.10 | 0.30      | 0    | 1    |
| comparative crime  | crime is higher in this municipality than in others | ordinal (1=lower, 2=same, 3=higher) | 7,919        | 1.81 | 0.82      | 1    | 3    |
| higher crime   | crime is higher in this municipality than last year | ordinal (1=lower, 2=same, 3=higher) | 8,026        | 2.07 | 0.66      | 1    | 3    |
| <b>PERCEPTIONS OF MUNICIPAL SERVICES TO SUPPORT BUSINESS</b> |   |                                     |              |      |           |      |      |
| business promotion   | promotion of business opportunities                 | ordinal (1=bad, 2=regular, 3=good)  | 7,604        | 1.62 | 0.75      | 1    | 3    |
| association support  | support given to local business association         | ordinal (1=bad, 2=regular, 3=good)  | 7,550        | 1.47 | 0.69      | 1    | 3    |
| credit access  | support for access to credit                        | ordinal (1=bad, 2=regular, 3=good)  | 7,300        | 1.34 | 0.62      | 1    | 3    |

Source: MCI 2009 &amp; 2011 surveys.

\* Salvadoran government's definition of formal enterprise.



Because the MCI surveys were designed to gauge variations in the business environment across Salvadoran municipalities, data collection focused on entrepreneurs' experiences and perceptions rather than on variables that could distinguish different subsets of business owners. As a result, there are few data on the characteristics of the interviewed entrepreneurs (such as age, education, family structure, etc.) or on the businesses in question (such as sector, sales, profitability, etc.) that would be needed to serve as control variables in multivariate analysis. We therefore rely on more straightforward statistical tests to distinguish between outcomes for women- and men-owned businesses for individual variables.

To explore possible explanations underlying the results of the survey analysis, we conducted interviews with six women entrepreneurs. These interviewees were selected from a subset of female entrepreneurs who participated in both the 2009 and 2011 rounds of the MCI survey. From this subset, we chose interviewees based on their location (minimizing travel distance from San Salvador) and to reflect variation in formality. Interviews relied on semi-structured question guides covering business and entrepreneur characteristics, current and planned operations, and interactions with the municipality (programs, licensing, and inspections). **Table 3** summarizes the characteristics of the interview respondents. We include these respondents' insights in the analysis and interpretation of results, but urge readers to keep in mind the small number of such interviews conducted.

**Table 3. Characteristics of interview respondents**

| Name and Type of Business   | Business Profile   |
|---|--|
| 1. "Gloria," owner of general convenience store                               | Gloria has been a micro-entrepreneur for 40 years; she started her first shop out of economic necessity to provide income for her children and husband. Gloria completed grade 9. Today, the business income supports Gloria, her ex-husband, children, and grandchildren. She operates the business in a storefront out of her house. She sells a wide variety of convenience store goods, and in order to distinguish her business from growing competition, she has diversified to become a supplies distributor to other women-owned convenience stores in the municipality.   |
| 2. "Ana," owner of shoe store   | Ana opened her shoe store 38 years ago to provide supplemental family income after the birth of her first daughter, and now the business has become the primary income for Ana and her husband and supplemental income for their children and grandchildren. Ana completed grade 10. The store sells a variety of shoes, both manufactured and artisanal and a variety of fashion styles. Due to increasing competition from local formal and informal shoe stores and the economic crisis, Ana and her husband are considering closing the business.  |
| 3. "Maria and Teresa," owners of convenience and paper arts store (papeleria) | Teresa is the day-to-day manager of her sister Maria's convenience store, which opened three years ago. They are a family of four sisters, and Maria and the two other sisters are also full-time professionals who benefit from the side income from the family store. Teresa enjoys commerce and is the family entrepreneur, and the business revenue is her main family income. Teresa completed grade 9. The convenience store sells a variety of typical convenience products, paper arts and flowers (from family artisans), and school supplies. The store is centrally located by the main market square and is near a few schools. The sisters are considering closing the business due to the impact of the economic crisis. |

| Name and Type of Business                                | Business Profile  |
|--|---|
| 4. "Lina," owner of convenience and dairy products store | Lina opened her business four years ago when she bought the store (at which she used to be an employee) from the previous owner. The store is the main source of income for Lina, her husband, and their young daughter. Lina completed grade 9. The store sells both traditional convenience products and fresh dairy products (cheese, cream, milk). Her store is the only store in the community that sells dairy products, and her business sales are strong. Lina attributes her business success to good customer service and strong social networks. |
| 5. "Julia," owner of pharmacy and convenience store      | Julia bought the convenience store from her former employer more than six years ago and expanded the store to include a pharmacy. It is the main source of income for Julia and her family. Julia learned about medicine by working in a pharmacy for many years, and she has completed one and a half years of university. She gains new business ideas for expansion from participating in government-sponsored trainings and business group meetings with other entrepreneurs.   |
| 6. "Diana," owner of general convenience store           | Diana's father passed the family store to his daughter in 1974. The convenience store sells traditional products, and it is operated out of Diana's family house as a storefront. Diana completed grade 9, and she learned how to manage the business by working with her father. She has not diversified into other product lines. The store is the main source of income for Diana, her sister, and her son. Diana's store is suffering from increased competition and a difficult economic crisis.   |

## FINDINGS

In this section, we analyze the differences between men- and women-owned businesses in terms of their general characteristics and the owners' experiences with the local business environment. We compare our results to the predictions in the literature and, in the subsequent section, interpret these comparisons and draw out implications for policy and programs in El Salvador.

### Differences Persist in General Characteristics...

Based on the MCI data from 2009 and 2011, women-owned micro and small businesses in El Salvador share many characteristics with similar establishments in other contexts. As **Table 4** shows, firms run by women tend to be smaller, more informal, and more local than their men-owned counterparts. Across both waves of the survey, the differences between men's and women's establishments are highly statistically significant. This consistency with the broader literature (Bruhn, 2009; GTZ et al., 2010; Powers et al., 2010; Weeks & Seiler, 2001) and with available data from El Salvador (CONAMYPE, 2005) supports the robustness of the data.

**Table 4. Characteristics of small businesses (<50 employees), 2009 and 2011 MCI, by owner's sex**

| Variable   | Year | Men  | Women | Difference | Statistical Significance <sup>1</sup> | N     |
|--|------|------|-------|------------|---------------------------------------|-------|
| Size (average number of employees)                           | 2009 | 2.76 | 1.79  | 0.97       | ***                                   | 3,806 |
|  | 2011 | 2.50 | 1.96  | 0.54       | ***                                   | 4,091 |
| Salaried (average percentage of employees receiving salary)  | 2009 | 45%  | 28%   | 17%        | ***                                   | 3,803 |
|  | 2011 | 74%  | 66%   | 8%         | ***                                   | 2,274 |
| Registered (percentage registered in VAT register)           | 2009 | 51%  | 27%   | 24%        | ***                                   | 3,806 |
|  | 2011 | 46%  | 31%   | 15%        | ***                                   | 4,083 |
| Formal (percentage registered and using formal accounting)   | 2009 | 46%  | 22%   | 24%        | ***                                   | 3,806 |
|  | 2011 | 42%  | 27%   | 15%        | ***                                   | 4,091 |
| Scope (average percentage of clients from same municipality) | 2009 | 84%  | 90%   | -5%        | ***                                   | 3,796 |
|  | 2011 | 85%  | 88%   | -3%        | ***                                   | 4,058 |

<sup>1</sup> T-tests and chi-squared tests used as appropriate for each type of variable (see Table 2).

Notation \*\*\* indicates  $p < 0.01$ .

The interviews with women entrepreneurs highlight some of the reasons behind these persistent distinctions. As suggested in the literature review, our interview respondents tended to start their businesses out of necessity rather than in response to a unique business or market opportunity or to fulfill a professional aspiration. Four of the six women interviewed stated that the need for a source of income was the primary reason they started their businesses, and the need for an income/employment was a secondary and important reason for the other two women interviewed (Julia from the pharmacy and the convenience shop run by a family of sisters). For most of the women interviewed, their business income was the primary source of income for themselves and their family dependents—in all cases children, and oftentimes spouses (including an ex-husband) and grandchildren. Only Julia (the owner of the pharmacy store) initiated her business based on a need and market opportunity she saw in her local economy.

Low levels of education limited the interviewees' opportunities for wage labor and their visions for the scope and sectors for their enterprises. The majority of women interviewed had a ninth-grade education or lower (four of the six women). Most of them (four of the six) also had the same type of business: a convenience store (and one of the other two businesses was a pharmacy that was a hybrid with a convenience store). This type of economic activity lends itself to local clientele.

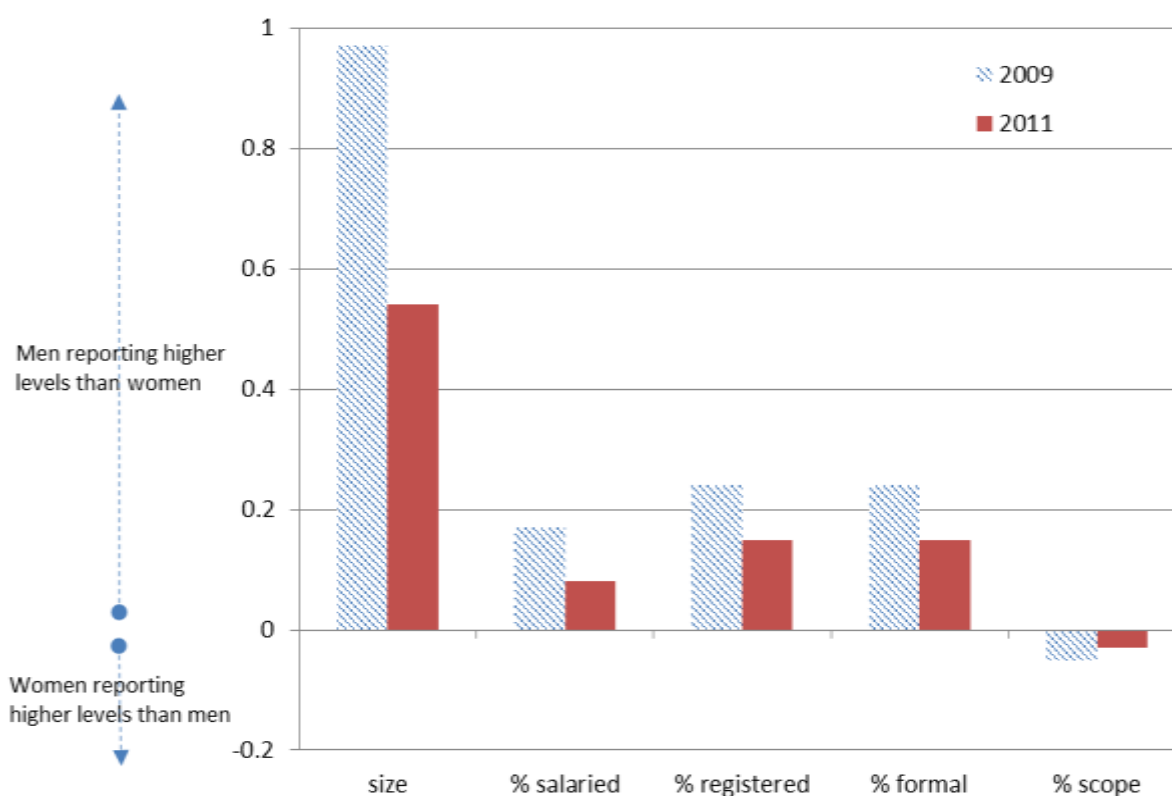
### ...But there are signs of convergence

Although the general contrasts between men-owned businesses and women-owned businesses persist across the two time periods, there were some notable changes in business characteristics between 2009 and 2011 (*Figure 1*). In terms of the number of employees, men- and women-owned businesses saw different directions of change between 2009 and 2011. On average, the number of employees in businesses owned by men fell by 0.26 workers, while the number in businesses established by women grew by 0.17 employees. As a result, while men employed roughly one more worker than women in 2009, the gap had shrunk to 0.5 workers by 2011. Looking at the proportions of these workers that

received a salary, all businesses showed an increase during the two years between surveys, but the number of salaried workers at women-owned businesses increased more than the number at men-owned businesses, again shrinking the distinction between the two categories.

Turning to the proportion of registered businesses, we see similar patterns. In 2009, about half of men-owned firms reported that they were registered, compared to roughly a quarter of women-run businesses. By 2011, the proportion of registered women-owned firms had increased slightly, while the proportion for men-owned businesses had dropped. Although female entrepreneurs were still less often registered, the gap between them and their male counterparts had shrunk substantially (from 0.24 to 0.15.) The same direction of change is apparent using the Salvadoran government's definition of formality, which combines registration with the use of standard accounting practices.

**Figure 1. Sex-based differences in business characteristics, 2009 and 2011 MCI**



Note: Bars are a graphical representation of the differences between male- and female-operated establishments reported for each type of business characteristic (see “difference” column in Table 4). Recall that for all characteristics except scope, numbers for men were higher than for women.

Finally, the women-owned businesses in the sample tended to have a more local clientele than their male-owned counterparts. Although all analyzed firms drew the vast majority of their clients from the municipality where they were located, male business owners pulled 16 percent of customers from other municipalities in 2009 while women drew only 10 percent. By 2011, men-owned firms had become slightly more local, while women-owned businesses had gained a few more external customers. These changes were quite small, but they conform to the general pattern of shrinking differences in general characteristics between firms owned by female and male entrepreneurs. Overall, although contrasts

between men- and women-owned firms fit with predictions based on prior research, the tendency toward convergence suggests that women and men entrepreneurs are becoming more similar over time.

## Perceptions of the Business Environment

When respondents were asked about select aspects of the business environment, there were few differences between the perceptions of female and male business owners. These patterns suggest that differential treatment of men and women seen in some other contexts—in specific areas such as business registration and regulatory procedures—is not borne out in the municipalities included in the MCI survey.

With the exception of perceptions and experiences of crime, the similarities in perceptions are also stable over time, with any changes moving in similar directions for both male and female entrepreneurs. For example, 20 percent of both men and women reported problems with obtaining licenses in 2009, but there were sharp declines in these perceptions, such that by 2011, almost no respondents noted such issues (*Table 5*). In spite of the marked drop in reported problems, there have been only slight declines (of two percentage points for both men and women) in the rates of respondents reporting that contacts were needed to get permits and that informal payments were common,<sup>8</sup> suggesting that bureaucratic procedures are not always followed. The results show, however, that there were no statistically significant differences between women's and men's perceptions of the need for such connections and payments, in contrast to gaps in prior studies (Bruhn, 2009; GTZ et al., 2010; Simavi et al., 2010).

**Table 5. Business environment: Perceptions reported by small businesses (<50 employees), 2009 and 2011 MCI, by owner's sex**

|   | Year | Men | Women | Difference | Stat. Sign. <sup>1</sup> | N     |
|---|------|-----|-------|------------|--------------------------|-------|
| Experienced problems in getting licensed          | 2009 | 20% | 20%   | 0%         | -                        | 1,222 |
|   | 2011 | 2%  | 1%    | 1%         | -                        | 1,350 |
| Contacts are necessary to get permits             | 2009 | 46% | 44%   | 2%         | -                        | 3,806 |
|   | 2011 | 44% | 42%   | 2%         | -                        | 3,941 |
| Informal payments are common                      | 2009 | 7%  | 6%    | 1%         | -                        | 3,526 |
|   | 2011 | 5%  | 4%    | 1%         | -                        | 3,511 |
| Has made extra payments                           | 2009 | 17% | 11%   | 6%         | -                        | 214   |
|   | 2011 | 20% | 15%   | 5%         | -                        | 140   |
| Business has been target of inspections           | 2009 | 22% | 21%   | 1%         | -                        | 3,806 |
|   | 2011 | 25% | 22%   | 3%         | *                        | 3,949 |
| Favoritism is shown towards big business          | 2009 | 19% | 18%   | 1%         | -                        | 3,634 |
|   | 2011 | 22% | 22%   | 0%         | -                        | 3,885 |
| Has experienced violent robbery during prior year | 2009 | 14% | 10%   | 4%         | ***                      | 3,806 |
|   | 2011 | 9%  | 9%    | 0%         | -                        | 4,087 |

<sup>8</sup> Note that very few respondents were willing to answer this question, likely due to its sensitive nature. We report results for it here, given its relevance to the literature, as part of the general pattern of conformity between male and female entrepreneurs. We wish to make readers aware of its low statistical reliability and suggest that the result should not be taken out of the present context.

|  | Year | Men | Women | Difference | Stat. Sign. <sup>1</sup> | N     |
|--|------|-----|-------|------------|--------------------------|-------|
| Crime is higher in this municipality than in others        | 2009 | 29% | 24%   | 5%         | **                       | 3,806 |
|  | 2011 | 25% | 24%   | 2%         | -                        | 3,886 |
| Crime is higher in this municipality than it was last year | 2009 | 29% | 28%   | 1%         | -                        | 3,806 |
|  | 2011 | 22% | 22%   | 0%         | -                        | 3,996 |

<sup>1</sup> T-tests and chi-squared tests used as appropriate for each type of variable (see Table 2). Notation \*\*\* indicates  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.10$ .

Some studies have also found that women face higher rates of scrutiny or interference from authorities (Simavi et al., 2010). Consistent with the general pattern in our data, there were no statistically significant differences in 2009 between men's and women's reports of inspections. By 2011, however, men were slightly more likely to report inspection than women, and the difference was statistically significant, suggesting that women were *less* often subject to official scrutiny.

There were also some differences in the extent to which male and female entrepreneurs experienced and perceived crime as a problem. In 2009, men were 5 percentage points more likely than women to report violent robbery in the past year and to perceive the crime rates as being higher in their own municipality than in others (*Table 5*).<sup>9</sup> By 2011, however, the rates of reported and perceived crime had dropped for both men and women, and the difference between the two groups was no longer statistically significant for either of the two indicators. The qualitative data indicated that although crime may not have been a general problem for female entrepreneurs, it did impact some businesses. Three interviewees stated that crime negatively affected their businesses or the local business community, mostly in indirect ways. For example, in some municipalities, respondents reported that their suppliers had to pay fees to gang members to do business in the local community. Referred to as “extortion express,” these practices increased the cost of doing business and were passed to the local business owner.

## Business Environment: Quality of Municipal Services

In terms of municipal governments' support for small businesses, there were almost no differences in quality reported by female and male business owners. Prior research has shown mixed evidence of public programs' support to entrepreneurs, with some studies indicating that women have less access to training and business development activities (GTZ et al., 2010)—possibly due to discriminatory treatment by authorities (Simavi et al., 2010)—and others showing no difference in available services for men and women (Bruhn, 2009; GTZ et al., 2010).

<sup>9</sup> This goes against the prediction in the literature that smaller firms are more likely to report crime as a problem (than larger firms) (IFC, 2001). To the extent women own smaller businesses, they should therefore report crime as a bigger problem.

Survey respondents were asked to evaluate the quality of a range of municipal services; **Table 6** shows results for three that were relevant to the business environment.<sup>10</sup> In general, the most consistent finding was the low opinion that entrepreneurs had of municipal services to support businesses. The highest approval rating was by women entrepreneurs in 2011, 22 percent of whom characterized their municipality's promotion of business opportunities as "good" (with the remainder reporting either "regular" or "bad"). All other approval ratings were below 20 percent, with some substantially lower. There has been improvement over time, however, with more men and women respondents approving of each service in 2011 than in 2009.

In terms of contrasts between male and female entrepreneurs, the only statistically significant difference seen was for promotion of business opportunities in 2011; women were significantly *more* likely than men to approve of the service provided. In general, women did not perceive that they were provided with poorer quality or fewer services than men. In fact, as perceptions of services have improved overall, women's impressions of some services have become more favorable than men's.

**Table 6. Business environment: Perceptions of municipal services reported by small businesses (<50 employees), 2009 and 2011 MCI, by owner's sex**

|   | Year | Men   | Women | Difference | Stat. Sign. <sup>1</sup> | N     |
|---|------|-------|-------|------------|--------------------------|-------|
| Promotion of business opportunities<br>(% reporting "good")         | 2009 | 13.12 | 11.96 | 1.16       | -                        | 3,806 |
|   | 2011 | 18.63 | 21.62 | -2.99      | *                        | 3,581 |
| Support given to local business<br>association (% reporting "good") | 2009 | 8.56  | 8.27  | 0.29       | -                        | 3,806 |
|   | 2011 | 14.04 | 13.85 | 0.19       | -                        | 3,530 |
| Support for access to credit<br>(% reporting "good")                | 2009 | 6.39  | 4.78  | 1.61       | -                        | 3,806 |
|   | 2011 | 10.14 | 9.94  | 0.20       | -                        | 3,288 |

<sup>1</sup> T-tests and chi-squared tests used as appropriate for each type of variable (see Table 2). Notation \* indicates  $p < 0.10$ .

## DISCUSSION

While our research confirmed many of the posited distinctions between men- and women-owned firms, the patterns of convergence were unexpected. Rather than reflecting a change in the status of women entrepreneurs or growth in their operations, however, a more likely explanation is the fall-out from the global economic crisis that began in 2008. Although the crisis started before the 2009 survey, its full impact was felt between the two waves of the MCI survey. El Salvador was severely impacted by the crisis, due to both lower demand for the country's exports and a decline in migrants' remittances (Duryea & Morales, 2011). In a 2010 regional survey, more respondents in El Salvador reported that the crisis was severe than did respondents from 20 other countries (Seligson & Zechmeister, 2010). In the same year, 35 percent of survey respondents in El Salvador reported that one or more household members had lost a job in the past two years (Duryea & Morales, 2011).

<sup>10</sup> Other services included infrastructure provision and maintenance, sanitation, and disaster prevention and mitigation, among others.



As wage earners lost jobs during the downturn, some of them started to help out in family-members' small businesses. Because men are more likely than women to be wage earners, and women-owned enterprises are more often home-based and therefore could readily accommodate the labor of a spouse who no longer had a job to go to, the women entrepreneurs likely absorbed a greater share of these newly unemployed (male) workers. This explanation is supported by a number of the interviews. Several women entrepreneurs cited the economic crisis in their communities and discussed family situations in which they experienced the increased involvement of their spouses, and in some cases children or other family members, due to their unemployed status. One woman also reported keeping paid employees on because they needed the income.

In these ways, female entrepreneurs were more likely than their male counterparts to act as a safety net by providing work to recently laid-off wage earners. The quantitative data also support this interpretation. As noted above, men lost workers overall, although they increased their number of paid employees on average by 0.6 workers. In contrast, women gained workers overall, and took on an additional 0.79 paid workers. All small businesses thus helped to provide opportunities for paid employment, and women absorbed more workers (both paid and unpaid) than men.

The shrinking gap in formality between male- and female-owned businesses may also be attributable in part to the increasing size of women-owned establishments. As female entrepreneurs have taken on more workers, they may have become more prominent in the eyes of municipal staff who actively promote registration. Our interviewees' businesses were all registered;<sup>11</sup> those that had started their enterprises relatively recently indicated that municipal representatives sought them out soon after operations started to ensure they completed the appropriate paperwork for the VAT registry. Several interviewed business owners also reported that these representatives visited annually to help calculate income and collect taxes.

Another part of the explanation may be that the rate of new business establishment slowed since 2009, with the result that a greater proportion of firms were registered. In 2009, 7 percent of businesses had been established in the past year, and over half of those were women-owned. At the time of the survey, municipal inspectors had not yet reached all of these start-ups to

encourage registration, or they may have granted them an extended period of time before requiring them to pay their taxes or fees (see **Box 1**). As a result, 80 percent of new firms were unregistered (compared to 59 percent of businesses that were at least one year old). In 2011, 4 percent of surveyed establishments were less than a year old, and 72 percent of these start-ups were unregistered. As the average age of

**Box 1. Entry costs no problem for San Rafael Cedros Bakery**

"When we opened in November 2007, the municipality was gracious enough to allow us a 'test month,' without charging taxes or fees, to give us the opportunity to find out whether we could sell enough to make a bread business feasible. After the end of the test period, we went to the cadastre office to register the business. Two days later, after the appropriate inspections, we received our business classification and were assigned an amount of fees and taxes to pay monthly. There was not a single problem or delay in starting up our operations."

Source: RTI International (2009)

<sup>11</sup> Note that not all were considered formal by the Salvadoran government's definition, however, because they did not use formal accounting practices.



women-owned businesses increased<sup>12</sup> with the smaller proportion of start-ups, inspectors caught up with a greater number of them; this shift helps to explain increased registration and formality rates.

As with the shifts in employment numbers, the convergence in formality could thus be linked to the economic crisis. Facing a generally bleak economy, in which interviewed women entrepreneurs already report stiff competition, there have been fewer new businesses established. When the economy picks up, it is possible that the tendency toward convergence could reverse, if workers leave women-run businesses to pursue wage labor and more new entrants are enticed to start their own ventures.

Whether or not the tendency toward convergence continues, the data showed that there were real and persistent differences in characteristics between women- and men-owned businesses. It was therefore somewhat surprising that there were very small differences in women's and men's perceptions of the business environment. For instance, women-owned businesses in the Salvadoran MCI survey do not appear to be more vulnerable to corruption, government scrutiny, or crime. In fact, female respondents were significantly *less* likely than men to report inspections (in 2011) and crime (in 2009). During interviews, few of the women entrepreneurs complained of excessive government visits, inspections, or regulations.<sup>13</sup> They stated that the interaction with government officials was minimal and typically limited to annual meetings with municipal officials to determine income levels for taxation purposes.

In general, there were also no statistically significant differences in male and female respondents' perceptions of municipal support for business; overwhelming majorities of small and micro-entrepreneurs had negative perceptions of these services. Based on our interviews, we speculate that these perceptions were based less on bad experiences with such programs than on a lack of access to them. Almost all of the women entrepreneurs interviewed did not receive any business support services from their municipality (training, financing, etc.) and were not aware of any existing business promotion or support activities from their local governments.

Moreover, in the absence of municipality-organized business development services, it seems that NGOs and other providers did not fill this service gap to Salvadoran women business owners, or that coverage was uneven across Salvadoran municipalities. The literature review suggests that Salvadoran women entrepreneurs faced serious difficulties in finding support networks for their businesses and learning about and participating in business training programs. None of the interviewed women were members of women's associations; only one was part of any type of business association/network; and two reported discussing business problems with friends who were also entrepreneurs or asking them for advice. Generally, the women we interviewed relied primarily on their spouses and families for their support network.

The interesting exception was Julia, who owns a pharmacy. Her business was the largest and most sophisticated business of those observed, and she was the only entrepreneur interviewed who participated in municipality-sponsored business support services. Julia attended training sessions and

---

<sup>12</sup> From 8.7 years (2009) to 9.2 years (2011), with an increase from 9.2 years to 9.5 years for men-owned businesses.

<sup>13</sup> The exception is Julia, the owner of the pharmacy, who experiences more regulations and inspections from the Ministry of Health due to the sale of medicine and medical products.

small-business groups that met regularly to share ideas. From these meetings, she acquired new ideas for her business, such as setting up a mini-bank inside her pharmacy for the community.

Julia provides an encouraging example of the benefits that support programs and associations could potentially provide to women entrepreneurs. The challenge for governments, however, is how to reach women who run smaller and less sophisticated businesses that currently are not exposed to such efforts.

## Policy Implications and Recommendations

The policy implications and recommendations presented in this section relate to three general areas: reform of procedural aspects of the business environment, channels for reaching women business owners, and the content of targeted interventions for female entrepreneurs. Our recommendations are intended for consideration by Salvadoran national and local governments, NGOs, private sector organizations, donors, and other stakeholders with a focus on supporting Salvadoran women entrepreneurs. These recommendations also have wider applicability and relevance for LAC regional initiatives working to improve the business environment for female entrepreneurs.

**First, there is little need to tailor content of business registration and regulation procedures and reforms to women business owners.** As presented in the findings, women entrepreneurs in the Salvadoran context do not find business licensing more difficult, expensive, or opaque compared with their male counterparts. Echoing this finding, most of the interviewed Salvadoran women micro-business owners stated that registering their businesses in the local municipal cadastre was a relatively straightforward and easy process, and they did not experience significant time or cost complications.<sup>14</sup> They did not perceive the municipal process of registering their businesses to be an obstacle to formalization.

These findings and observations suggest that policy and programs do not need to differentiate between women and men when designing business registration, regulation, and inspection processes. For example, business licensing or regulation reforms—such as streamlining the number of steps to business registration or finding ways to reduce the cost and time of business regulations and inspections—may not be needed specifically for women.

---

<sup>14</sup> The exception was Julia, the owner of the pharmacy, who reported that it took a lot of steps and time to register her business and that the process was cumbersome. This difference could be because her business is larger and more sophisticated than those of the other women, as well as because there are additional procedures required of her pharmacy due to health and safety regulations.

**Second, our analysis suggests that local and municipal channels present an untapped opportunity for supporting women entrepreneurs.** As previously discussed, the quantitative findings show that both men- and women-owned businesses had low approval ratings of their municipality's services, particularly in the area of promotion of business opportunities: the majority of respondents characterized the municipality's performance as "regular" or "bad." This finding is supported by the interviews with Salvadoran female entrepreneurs, most of whom indicated that they did not receive any business support services from their municipality and were not aware of any entrepreneurship promotion or business development services in their local communities. Local governments and service providers can clearly improve their outreach and information dissemination services to local entrepreneurs in their community, particularly to women who, compared to their male counterparts, tend to be less well-networked and less mobile due to household obligations.

In municipalities where there are public or private programs in place to support small businesses, our recommendation is that Salvadoran municipal governments take a more proactive approach to disseminating information about available business support services in their local communities to women-owned businesses. Existing means of interacting with women entrepreneurs may be a missed opportunity

**Box 2. Models for local government support**

The USAID El Salvador MCP offered an interesting model for how local governments can take a proactive approach to supporting female entrepreneurs in their local economies. MCP created business development units (EMPRES) in select municipal offices to provide support to local entrepreneurs in accessing business development services. EMPRE offices provided targeted support to women entrepreneurs by giving them basic business guidance and information and connecting them with public and private business development service providers such as CONAMYPE and women's business associations. From August to December 2013, the six EMPRE offices helped over 570 entrepreneurs, and of these, 71% were female. In El Salvador, 96 of 262 municipalities have women's units, and future expansion of the EMPRE model could include liaising with these offices that have a dedicated focus on Salvadoran women. This model has potential to be replicated across the country and in other LAC countries.

to share such information. For example, the inspectors that are responsible for overseeing business registration in their municipalities represent a low-cost channel for information dissemination. As previously mentioned, four of the six interviewed women micro-entrepreneurs (with businesses in fixed locations) indicated that they had received an onsite visit to their businesses from a municipal official to discuss the business registration process and, in some cases, help the women navigate the required steps to register their businesses. These onsite business visits present an existing means for municipal government representatives to share information on local government support with female entrepreneurs, as well as information about

business development services from NGOs and other independent providers.

A likely consequence of more proactive information dissemination is that women micro-entrepreneurs will see more direct and clear benefits gained from registering their businesses, which could potentially lead to higher rates of registration. Some recent research (Bruhn & McKenzie, 2013) shows that informality rates are high for small and low-scale enterprises and that business owners rationally weigh the potential benefits of being formal against the costs of formalizing; those small firms that see little benefit to formalizing will likely remain informal. One recurrent theme among five of the six interviewed women was that they did not see any direct benefit to registering their businesses other than complying with the law and being able to practice their business operation openly. They could not articulate examples of getting any direct support services from their local governments and only rarely

knew about local governments' business festivals and fairs. Largely, the sentiment was that there is an absence of assistance and services from their municipal governments. This suggests that local governments might dedicate greater effort to communicating the benefits of formalizing and providing more information about support services available to micro and small entrepreneurs in their local communities. As mentioned above, municipal inspectors could proactively convey important entrepreneurship promotion information during routine registration visits. In addition to this low-cost approach, a more developed model is summarized in **Box 2**; additional avenues for information dissemination and support are an area for further research.

**Finally, our findings suggest that targeted interventions to female entrepreneurs should focus on alleviating barriers specific to women in starting, running, and growing their businesses.** Although our findings noted convergence in certain characteristics of Salvadoran men- and women-owned businesses, gaps persist in formality, size, and scope. These distinctions are likely caused by gender differences in family roles, educational expectations, and access to business networks. We therefore recommend that government policy address the specific barriers that women face in growing and increasing the productivity of their enterprises. For instance, greater subsidies or direct support for childcare would provide support for both nascent and existing female entrepreneurs (Elborgh-Woytek et al., 2013). As noted earlier, women in the Salvadoran and LAC context typically face greater household and childcare time and responsibility demands as compared with their male counterparts, which limits their time to manage their businesses and restricts them to activities that are closer to home and usually subsistence-oriented. Therefore, subsidized or free childcare could arguably contribute to broader options for women entrepreneurs by freeing time and resources to grow their businesses. El Salvador could look to examples in the LAC region from Brazil, Chile, Colombia, or Mexico for legislative models on the promotion of affordable childcare.

Moreover, the clustering of women in certain sectors, such as commerce and retail, and the lack of access to business networks (borne out both in our interviews and in the literature) present two clear examples of gender-based differences that policy interventions could target. Also, the entrepreneurs interviewed generally had low education levels and lacked basic business management skills and strategies for exploiting opportunities to differentiate their businesses. Policies and support programs—in training, mentoring technical assistance, and outreach—should take these characteristics into account by differentiating methods and approaches for delivering such programs to women entrepreneurs.

Targeted interventions to women entrepreneurs could consist of the following:

- Training in leadership and entrepreneurship to expose women to business potentials beyond subsistence-level orientation.
- Business planning training to teach women how to identify viable business and market opportunities in their local economies and gain exposure to diversified business ideas beyond models in commerce and retail.
- Support for women in obtaining information about available entrepreneur networks and women's business associations in their local communities.

These interventions can be coordinated with efforts from municipal government offices to increase outreach and information dissemination to female entrepreneurs in their municipalities, as presented in our earlier recommendation.

---

## CONCLUSION

---

These findings address a gap in the literature on women's entrepreneurship regarding whether the impact of the business climate—licensing procedures, regulations, corruption, government inspections, and scrutiny—differs for female and male entrepreneurs in El Salvador. Our findings suggest that, at least for micro and small businesses in El Salvador interviewed in the MCI survey, women business owners do not report significantly different challenges in registering their businesses; facing cumbersome government regulation procedures; or being more susceptible to the negative impact of corruption, crime, or government scrutiny.

Differences in female and male entrepreneurs' experiences with their local business climate—in terms of registration, regulations, and other procedural aspects—merit closer study in future research. Because the MCI survey data collection focused on entrepreneurs' perceptions of the business environment rather than impact of the business environment on business variables, future research could build on our analysis and conduct additional investigations into differences in procedural and regulatory aspects of the business environment.

Our conclusions argue for targeted and tailored support to women entrepreneurs to address specific business problems rather than the need for general investment support or business environment reform specific to the needs of female business owners. Our policy recommendations suggest the following: first, there is little need to tailor content of business registration and regulation procedures and reforms to women business owners. Second, local and municipal channels present low-cost avenues to share information on local government business support with women entrepreneurs. And third, targeted interventions to female entrepreneurs should focus on alleviating barriers specific to women in starting, running, and growing their businesses.

---

## REFERENCES

---

- Berge, L. I., Bjorvatn, K., & Tungodden, B. (2011). Human and financial capital for microenterprise development: Evidence from a field and lab experiment. *Norwegian School of Economics, Department of Economics Discussion Paper*(1).
- Blackden, M., & Hallward-Driemeier, M. (2013). Ready to Bloom? *Finance & Development*, June.
- Bruhn, M. (2009). Female-owned firms in Latin America: Characteristics, performance, and obstacles to growth. *Policy Research Working Paper* (Vol. 5122). Washington, DC: World Bank.
- Bruhn, M. & McKenzie, D. (2013). Entry regulation and formalization of microenterprises in developing countries. *Policy Research Working Paper* (Vol. 6507). Washington, DC: World Bank.
- Deutsche Gesellschaft für Technische Zusammenarbeit, World Bank, & Inter-American Development Bank. (2010). Women's economic opportunities in the formal private sector in Latin America and the Caribbean: A focus on entrepreneurship. Washington, DC: Author.
- Duflo, E. (2012). Women empowerment and economic development. *Journal of Economic Literature*, 50(4), 1051–1079.
- Duryea, S., & Morales, M. (2011). Effects of the global financial crisis on children's school and employment outcomes in El Salvador. *Development Policy Review*, 29(5), 527–546.
- Economist Intelligence Unit. (2013). Women's entrepreneurship venture scope. London: Author.
- Elborgh-Woytek, M. K., Newiak, M. M., Kochhar, M. K., Fabrizio, M. S., Kpodar, K., Wingender, M. P., ... Schwartz, M. G. (2013). *Women, work, and the economy: Macroeconomic gains from gender equity*: International Monetary Fund.
- Global Entrepreneurship and Development Institute. (2013). The Gender Global Entrepreneurship and Development Index: A 17-country pilot analysis of the conditions that foster high-potential female entrepreneurship. Washington, DC: Author.
- Heintz, J. (2006). *Globalization, economic policy and employment: Poverty and gender implications*. Geneva: International Labour Office.
- Comisión Nacional de la Micro y Pequeña Empresa. (2005). Dynamics of MSMEs in El Salvador: Basis for decision-making. Sectoral Monitoring Survey 2004. San Salvador: Author.
- Powers, J., Magnoni, B., & Fund, M. I. (2010). *A business to call her own: Identifying, analyzing and overcoming constraints to women's small businesses in Latin America and the Caribbean*. Washington, DC: Multilateral Investment Fund, Inter-American Development Bank.
- RTI International. (2009). The El Salvador Municipal Competitiveness Index 2009: Measuring local economic governance to create a better business environment. San Salvador: Author.

- Schiffer, M., & Weder, B. (2001). Firm size and the business environment: Worldwide survey results. *Discussion Paper*. Washington, DC: International Finance Corporation.
- Scott-Gall, H., & Manohar, S. (2013). Women's work: Driving the economy. *Equity Research: Fortnightly Thoughts*, 53. New York: Goldman Sachs Global Investment Research.
- Seligson, M. A., & Zechmeister, E. J. (2010). AmericasBarometer Insights: 2010. *Insights Series*, 53. Nashville: Vanderbilt University.
- Simavi, S., Manuel, C., & Blackden, M. (2010). Gender dimensions of investment climate reform: a guide for policy makers and practitioners. Washington, DC: World Bank.
- Urbina, W. (2007). Fostering women entrepreneurship to fight poverty. *Local Economic Development in El Salvador: LED Story No. 10*. Geneva: International Labour Organization.
- Vakis, R., Munoz Boudet, A. M., & Coello, B. (2011). A Gender (r)evolution in the making? Expanding women's opportunities in Central America: A decade in review. Washington, DC: World Bank.
- Weeks, J. R., & Seiler, D. (2001). Women's entrepreneurship in Latin America: An exploration of current knowledge. *Sustainable Development Department Technical Papers Series*. Washington, DC: Inter-American Development Bank.
- World Bank. (2013a). Doing Business 2014: Understanding regulations for small and medium-size enterprises. Economy profile: El Salvador. Washington, DC: World Bank Group.
- World Bank. (2013b). Doing Business 2014: Understanding regulations for small and medium-size enterprises. Washington, DC: World Bank Group.
- World Bank & International Finance Corporation. (2010). El Salvador Country Profile 2010 *Enterprise Surveys*. Washington, DC: Author.