

Entrepreneurship in Emerging Economies: Do Gender Differences Matter?

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Female entrepreneurs are the leading part of socio-economic growth worldwide. According to the Global Entrepreneurship Monitor Women's Report, 163 million women across 74 countries worldwide were starting up or operating new enterprises, and an estimated 111 million were running established businesses in 2016. Female-led businesses have become pioneers across multiple vertical sectors. Women entrepreneurs play significant roles in increasing family incomes, creating employment for their societies, and providing value-added products and services to the world. In addition, female owners are more likely to hire female employees, which lessens the gap between gender equality and discrimination and pays a significantly larger level of tax per employee than their male counterparts. Despite their significant contributions to job creation, income generation, and gender equality, the barriers preventing female entrepreneurs from doing business remain and even become wider in recent decades. Among the challenges, dealing with bureaucratic complexity and corruption is one of the most impactful business obstacles that women entrepreneurs encounter. Motivated by this paradox, this study provides fresh evidence on how bureaucratic complexity impacts entrepreneurship in emerging economies where corruption and bureaucratic complexity are of serious concern.

Employing data from a comprehensive survey covering 16,560 enterprises in 32 emerging economies in Eastern Europe and Central Asia, this study finds that female-led firms account for 19.2% of all enterprises, which is approximately four times lower than the share of male-led firms in the sample. Female entrepreneurs spent around 16.3% of their time working on addressing government regulations, which is 0.7% higher than their male counterparts, suggesting that time cost and bribery engagement is higher in female-run firms than that in male-run firms. In addition, the impact of gender on firm bribery and the time cost of dealing with regulatory hassles is more pronounced among firms located in countries that are more corruption-prone and becomes weaker among countries with higher female educational levels.

In searching for a mechanism underlying the positive association between female entrepreneurs and the time costs of dealing with bureaucratic complexity, this study finds that, relative to their male counterparts, female-run firms have a lower likelihood to obtain a construction permit by 2.9%, to secure a government contract by 4.7%, or to hold an operating license by 1.6%. Further, female-run firms tend to be visited more frequently by government officials. To the extent that the engagement in bribery might ease bureaucratic hassles, potentially alleviating business failures, the bribe-to-survive motive serves as a possible explanation for the higher level of bribery and the time cost of addressing government regulations in female-led firms than in male-led firms in emerging economies. In addition, as the time cost is an important factor in the decision-making process by economic entities in transition economies, bribe engagement can serve as a hedging instrument against risks derived from bureaucratic burdens, particularly for female entrepreneurs in emerging markets, so that they can stay focused on their firms' core business activities.

This study provides several implications for practitioners and policymakers. *First*, as corruption remains one of the largest business constraints hampering corporate performance and economic growth, policy recommendations should be towards releasing these obstacles faced by enterprises in general, and by female-led firms in particular, in order to support women entrepreneurs in running businesses. Given the impact of regulatory hassles on entrepreneurs is manifested by the presence of poor market-supporting

institutions, as this study's findings suggest, the regulators might consider lessening business regulations and enhancing the transparency of the legal system. *Second*, regulators can consider investing more in female education, as this study suggests that education can help mitigate the adverse consequences of bribery on female entrepreneurship. *Third*, policymakers might consider forming business networks that allow female entrepreneurs to improve their start-up capital, business experience, and business human capital, and gain better access to new policies so that they can reduce the time cost of dealing with bureaucratic regulations. *Finally*, the global financial crisis (2007- 2008) and the recent Coronavirus pandemic have had far-reaching impacts on start-ups and entrepreneurship around the world. Policymakers can consider the findings of this study when designing policies for a more resilient business in times of crisis.