

# Female Entrepreneurship in Albania: Analysis of Incentives and Disincentives

**Ermira Kalaj, PhD**

Belgrade  
November 2019

# Overview

- Background and motivation
- Data
- Methodology
- Regression results
- Discussions

# Background

The relationship between gender and entrepreneurial performance is interesting, partly because of the opposing perspectives on the subject.

The literature argues that there are substantial gender-specific barriers to entrepreneurship that constrain the performance of female entrepreneurs.

These barriers relate to difficulties that women might face:

- in obtaining credit,
- in cultivating business networks,
- in dealing with government and other officials, etc.

# Differences in business performance

According to the empirical literature, the reasons for the gender based gap in entrepreneurial performance can be structured under the two main directions above:

- Constraint-driven gaps:
  - Barriers to female entrepreneurship can arise from existing cultural and institutional structures.
- Preference-driven gaps:
  - The combination work and family responsibilities may differ by gender.

# Constraint-driven gaps

It has been hypothesized that the gender differences may come from discrimination in accessing finance:

Women may have more difficulties in securing a loan than males, because they tend to:

- Start smaller businesses,
- Concentrate in the service sector,
- Work part-time.

All of which may not encourage banks to lend to women

# Preference-driven gaps

It has been hypothesized that the gender differences may be driven by fundamental differences in the motivations and approaches toward businesses:

It has been empirically illustrated that women may prefer:

- More flexible work schedule,
- To take fewer risks than men,
- To establish their businesses in the small scale sector.

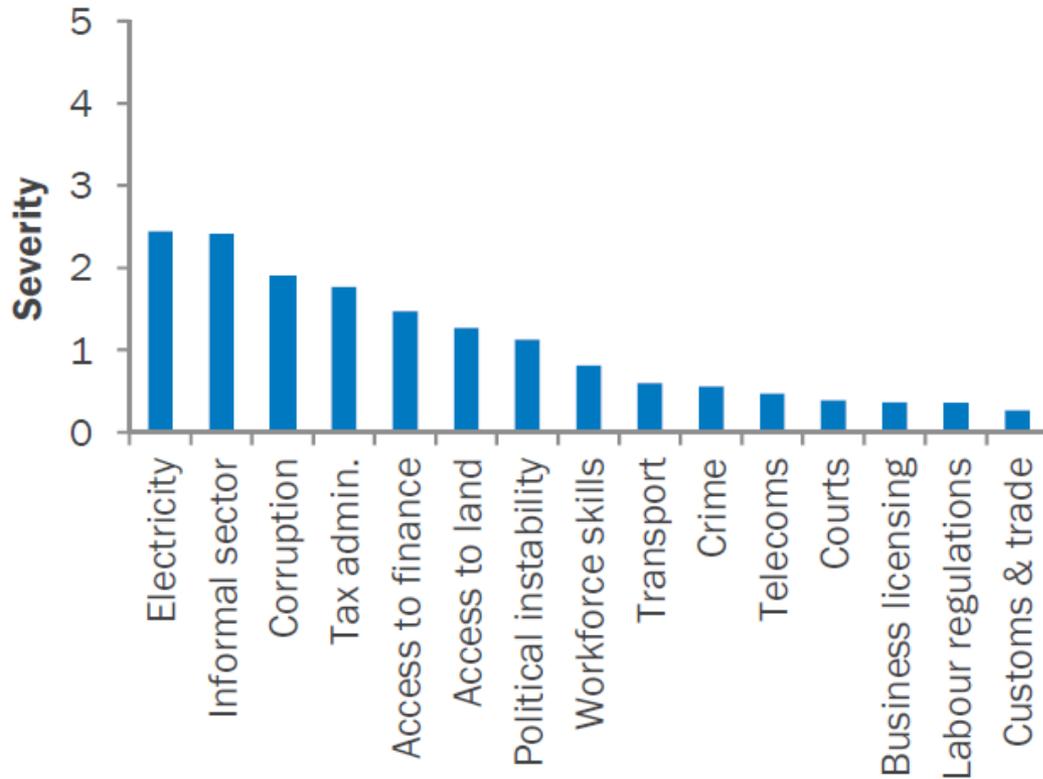
# Business Environment in Albania

According to the Business Environment Enterprise and Performance Survey (BEEPS) V, the top three business environment obstacles identified by Albanian firms were:

- electricity issues;
- competitors' practices in the informal sector;
- corruption.

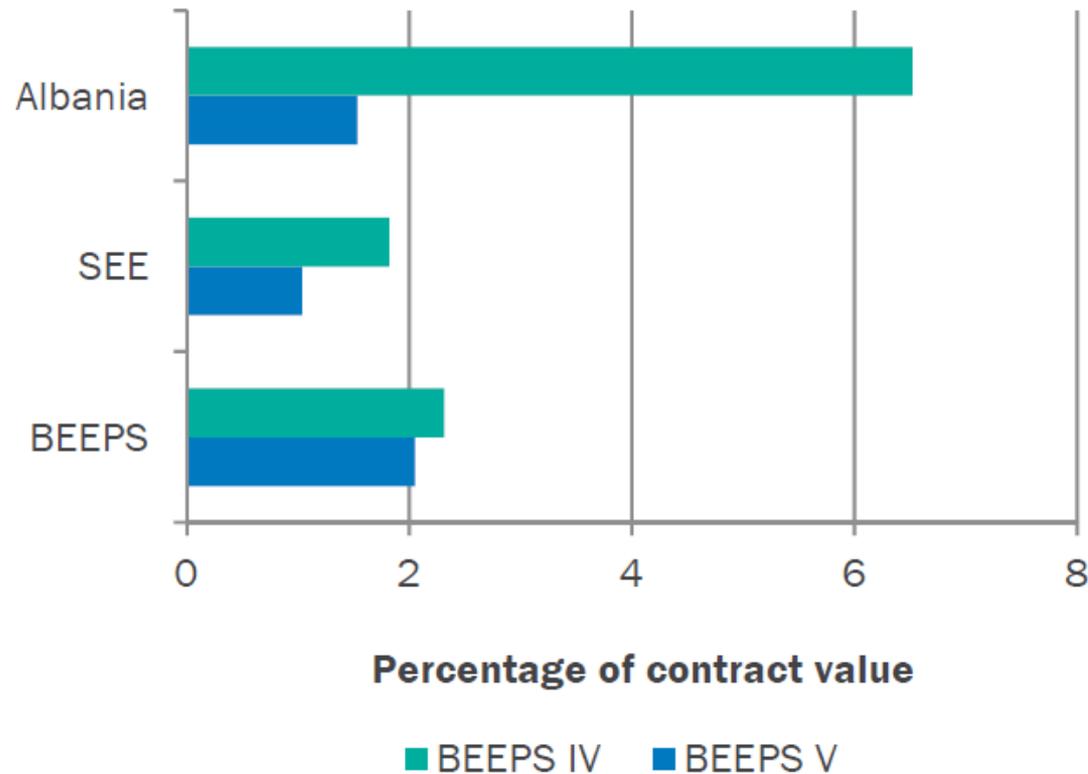
Competitors' practices in the informal sector were the main obstacle for SMEs, while corruption was more problematic for large firms. Tax administration and access to land were among the chief constraints for young firms. In Albania, around 26.8% of all businesses are female-owned.

**Fig. 1. Business Environment Obstacles**



*Source:* European Bank for Reconstruction and Development (2019)

**Fig. 2. Informal payments to secure a government contract**



*Source:* European Bank for Reconstruction and Development (2019)

# Data (1)

To explore the relationship between gender and access to credit, we use the Business Environment and Enterprise Performance Survey (BEEPS)

The survey was part of a joint project of the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB) and the World Bank Group (WBG).

The objective of the Enterprise Survey is to gain an understanding of what firms experience in the private sector.

# Data (2)

The data were collected in Albania between January and May 2019.

Questionnaires have common questions (core module) and respectfully additional manufacturing- and services-specific questions. The eligible manufacturing industries have been surveyed using the Manufacturing questionnaire. Retail firms have been interviewed using the Services questionnaire and the residual eligible services have been covered using the Services questionnaire (includes the core module).

There are three levels of stratification: industry, size and region.

**Fig. 3. Achieved interviews**

		<b>Manufacturing</b>	<b>Retail</b>	<b>Other Services</b>	<b>Grand Total</b>
<b>Northern Albania</b>	Small (5-19)	6	10	21	<b>120</b>
	Medium (20-99)	9	23	7	
	Large (100 or more)	25	3	16	
<b>Central Albania</b>	Small (5-19)	15	25	30	<b>133</b>
	Medium (20-99)	18	11	12	
	Large (100 or more)	7	9	6	
<b>Southern Albania</b>	Small (5-19)	13	13	23	<b>124</b>
	Medium (20-99)	12	22	3	
	Large (100 or more)	22	3	13	
		<b>127</b>	<b>119</b>	<b>131</b>	<b>377</b>

*Source:* European Bank for Reconstruction and Development (2019)

# Methodology (1)

In order to evaluate the access to finance along with other dimensions of the entrepreneurs we evaluate the following Probit regression;

$$Y_i = \beta_0 + \beta_1 Fem_i + \gamma X_i + \mu_i \quad (1)$$

Where,

$Y_i$  is the access to financial service measured by (1) formal banking services and (2) informal financial services,

$Fem_i$  is a dummy to indicate ownership,

$X_i$  is vector of variables including: the size, age, status, foreign ownership, location, exporter, and R&D expenses

# Methodology (2)

Moreover a multivariate regression is estimated in order to capture the factors affecting investments;

$$Y_i = \beta_0 + \beta_1 Fem_i + \gamma X_i + \mu_i \quad (1)$$

Where,

$Y_i$  is measured by (1) the share of investments financed by institutional institution and (2) the share of working capital financed by financial institutions,

$Fem_i$  is a dummy to indicate ownership,

$X_i$  is vector of variables including: the size, age, status, foreign ownership, location, exporter, and R&D expenses

### Table 1: Regression Results on the Access to Finance

	Formal Financial services (1)	Informal Financial services (2)
Small (< 20)	.221 (.023)***	.014 (1.35)
Medium (20-99)	.587 (.087)***	.104 (1.24)
Large (>100)	.499 (.140)***	-.034 (0.28)
Female owner	.090 (.019)***	-.035 (0.013)***
Age of the firm	-.034 (.029)**	-.005 (6.86)***
Sole proprietorship	.008 (.003)**	1.106 (1.22)
Partnership	.068 (.013)***	.007 (2.34)***
Corporation	.083 (.031)*	-.112 (0.95)
Foreign ownership	-.302 (.121)	.187 (1.07)
Location	.128 (.123)	.071 (2.73)***
Exporter	.005 (.129)	.005 (0.64)
R&D	.814 (.117)***	0.002 (3.06)
Cons	-.306 (.674)	4.12 (3.43)
# Firms	377	377
R <sup>2</sup>	0.47	0.32

Note: \*\*\*, \*\*, and \* indicate statistical significance, respectively at the 1, 5 and 10 per cent level, or better.

**Table 1: OLS regression results on Investments**

	Share of investments (financed by financial institutions)	Share of working capital (financed by financial institutions)
Small (< 20)	.302 (.121)	2.014 (1.35)
Medium (20-99)	.128 (.123)	1.104 (1.24)
Large (>100)	-.005 (.129)	.002 (0.75)
Female owner	<b>-0.099</b> (.025)***	.006 (0.65)
Age of the firm	-.478 (1.75)*	-.005 (6.86)***
Sole proprietorship	.026 (3.21)***	1.106 (1.22)
Partnership	.005 (2.80)***	.007 (2.34)***
Corporation	.046 (1.63)	.112 (0.95)
Foreign ownership	.003 (0.62)	-.187 (1.07)
Location	.039 (2.81)***	.071 (2.73)***
Exporter	.012 (4.43)**	.001 (0.44)
R&D	.044 (1.52)	.003 (2.07)
Cons	-.439 (.524)	5.12 (4.43)
# Firms	377	377
R <sup>2</sup>	0.38	0.42

Note: \*\*\*, \*\*, and \* indicate statistical significance, respectively at the 1, 5 and 10 per cent level, or better.

# Discussions (1)

- Empirical results show that there are little differences on the access to finance for the female entrepreneurs. Female ownership means more propensity to obtain formal financial services and less informal financial services.
- Female enterprises tend to be smaller, located to the capital or central area of the country.
- According to the regression results larger firms tend to be more likely to finance their investments with external resources.

# Discussions (2)

- There is a statistically significant difference in the share of investments and working capital for the firms located in the capital or central area of the country.
- Moreover older firms, foreign, and exporting firms are more likely to access external formal financial service
- Female entrepreneurs prefer formal financial services in contrast to the informal ones. This difference is statistically significant.
- However further investigation is needed in order to evaluate if the access to the financial market is more related to the female participation in the modern market economy.

Thank you!

Questions?