

WOMEN'S ENTREPRENEURSHIP

AN ANALYSIS ON DOING
BUSINESS IN KOSOVO



2017



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EXECUTIVE SUMMARY

The importance of women's entrepreneurship is evident to the business community itself, but even more so to Kosovo's economy. In order to achieve the growth potential of the economy, women need to take a more active role in the economy, be it as entrepreneurs, or as workers. As entrepreneurs, women in Kosovo's economy represent only 10% of the business owners, and that is, largely owners of micro and small businesses.

Following the first report on women in the workforce, Riinvest has conducted a study with women 313 entrepreneurs, in an attempt to evaluate women-owned businesses across Kosovo. The survey contained questions on the business characteristics, performance, barriers to doing business, financing, and socio-economic issues. This report analyzes the data collected, to provide insights on the unique characteristics, current role, and opportunities for growth of women entrepreneurs.

The main findings of the survey are as follows:

- 01** Of the surveyed women, the highest share, that is 48 percent have completed a high school degree 29 percent have completed a bachelor's degree and have completed a master's degree in roughly 10 percent of the cases.
- 02** Almost 94 percent of the women-owned businesses represent individual businesses. More specifically, 29 percent are businesses with no workers and around 64 percent micro businesses with less than 5 workers. Only 7 percent of the surveyed businesses are small.
- 03** In terms of sectors, women-owned businesses are predominantly oriented towards services, trade, and production sectors. Particularly, 31 percent offer services; 29 percent engage in trade; and roughly 15 percent engage in production. Of those in service sector, the majority offer beauty services, such as hairdressing.
- 04** As much as 88 percent of women entrepreneurs have established the business on their own, and more than half have used their own capital to do so.
- 05** When it comes to the business facility, 21 percent of women own the business facility themselves, 15 percent use the property owned by their husbands or families, whereas the majority rent the space they operate their business in.
- 06** The primary motivator to start a business for the surveyed women is the potential for financial gain, followed by unwillingness to work for someone else, and unemployment.
- 07** In terms of turnover, 98 percent of women-owned businesses have generated sales up to 100,000€, of which more than 70 percent have had a turnover of less than 10,000€, and only 1.4 percent have recorded sales above 100,000€.
- 08** Even though their turnover remains on the lower end, about 10 percent of the interviewed businesses have successfully entered foreign markets and among those, exports represent on average 30 percent of their sales.
- 09** The majority of women-owned businesses, 94 percent of them, generate revenues from the end user, i.e. households, and very few from other businesses, government, and donor organizations.
- 10** Only 38 percent of women entrepreneurs have invested in their businesses during the past year. These investments have mainly been concentrated in capital investments, followed by marketing, and human capital. Only 12 percent of the women-owned businesses have made use of loans from banks or other financial institutions for their investment purposes.
- 11** Asked about their hiring practices, women claim the most important criteria is work experience, followed by proven skills, and educational attainment. Based on these criteria and the needs of their business, around 60 percent of the women claim to be satisfied with what the existing labor force offers.

12 However, in legislative terms, only 42 percent believe the law on labor is respected, however, most women, do not believe the implementation of the law has impacted their businesses.

13 Around 64 percent of the surveyed women businesses owners believe that workers employed by their competition do not take maternity leave as per the law with the main reason being the fact that their competition does not offer paid maternity leave. Of those 36 percent that take maternity leave the average duration is 7 months.

14 However, 86 percent of women entrepreneurs believe that the law should in fact guarantee paternity leave for father. Moreover, four out of five women entrepreneurs have expressed readiness to compensate men for the paternity leave.

15 Assessing the percentage of annual sales a competing firm declares for tax purposes, 49 percent of the interviewed women business owners believe that their competitors declare between 70 percent and 100 percent of their annual sales. Moreover, 51 percent believe that firms in their sector declare between 70 and 100 percent of their employees.

16 The top three ranked barriers by women surveyed are tax rates, small market, as well as administrative burden, all three with an intensity above 50. Of the rest, barriers specific to women business owners, such as lack of time for specific trainings and family and care responsibilities, rank highest. In general, women, compared to men business owners, rank barriers in lower intensity points.

17 Despite socio-cultural issues women face, the majority claim they attend business or institutional meetings alone. Moreover, the majority of women claim they have the support of their family for operating a business. In terms of their positioning in the business world, most women believe it is not more difficult for them to close deals, negotiate with institutions, or hire qualified staff, than it is for their male counterparts.

18 When it comes to trust in institutions and others, women place the highest level of trust on their own staff, their suppliers, and their buyers. The lowest level of trust is placed on the central government and courts.

This study is structured as follows: the first section includes an overview of the existing studies and literature in the field; the second section covers the survey methodology; the fourth section presents detailed survey findings, arranged into subsections that cover specific areas of study; finally, the last section contains the concluding remarks from the analysis.

1. OVERVIEW OF EXISTING RESEARCH

Today, entrepreneurship is considered the driving force of economic development and sustainability. Entrepreneurs create employment not only for themselves and their employees but also benefit their investors, suppliers and communities they are active in. On a larger scale, entire societies prosper from entrepreneurs' innovations, creative problem solving and identifying new industries. Still, entrepreneurship among women remains meagre, with women commonly being less likely to start a business than their men counterparts. Businesses started and run by women generally are smaller, quite prevalent in the informal sector and less likely to operate in high added value sectors with growth potential. This is mostly attributable to the difficulties women encounter in gaining access to credit, information, potential markets and technology, while, in the meantime dealing with family obligations and social norms in their communities. Apart from its role in stimulating economic development, the private sector contributes to job creation and improving living standards. This makes it indispensable for enabling women, who represent half of the overall population, to actively engage in economic activities in their environments. Enabling and inclusive entrepreneurship provides economies with the opportunity to benefit from the ideas and potential that women bring to the labor market.

Individually, women have achieved significant advancements in economy, however, collectively the overall economic impact remains moderate. Women own around 37 percent of firms globally; however, they hold top management positions in roughly 18 percent of companies; and are CEOs in fewer than 5 percent of the world's biggest companies.¹ According to the Global Entrepreneurship Monitor, 126 million women have recently started new businesses and another 98 million women are running well-established companies, making up a combined 224 million women actively contributing in economies around the world. From these, 112 million businesses employ more than one person and 12 million² plan on employing up to six more in the next few years.

As mostly non-employer businesses, that is a business with no employees other than the owner, these businesses owned by women are an important component of the economy, being a source of employment and income for the entrepreneur as well as a potential source of employment and income for future employees. Nonetheless, when compared to businesses owned by men, differences in employment as well as revenues become evident. Around 22 percent of men-owned businesses represent employer businesses, opposed to 10 percent of women-owned businesses. When an employer business, women employ on average fewer people; that is for every 10 employees at a business owned by a woman, a men-owned business employs 15. The same holds true for revenues – women earn less on average; for every dollar of revenue at a business owned by a woman, a man-owned business earns \$2.30.³ Here, age of the firm generally is a factor; businesses owned by women tend to be newer, as such have a smaller number of employees and earn less revenue than more mature businesses. The sector in which the business operates also plays a role – women-owned businesses are more concentrated in industries with lower numbers of employees, than in higher employment industries. Similarly, enterprises run by women are represented mostly in the lower sales industries and less so in the higher sales industries.⁴ According to the RBS Group, women entrepreneurs establish the business under-capitalized, which is correlated to early business closure. Under-capitalization reduces women's business prospects by constraining critical investments in for instance technology and employees essential to firm growth.

Women-owned businesses are predominantly active in the consumer-oriented sector, that is more than 67 percent, compared to 45 percent of men-owned businesses, a sector generally characterized by ease of entry, but high competitiveness. However, women-owned companies promoting organic, conscious and local products in for instance the food and textile industries are increasingly gaining importance and make these businesses stand out, persist and what is more make a difference.⁵

1 ILO 2015, Women in Business and Management: Gaining Momentum.

2 U.S. Small Business Administration, 2017 Women's Business Ownership.

3 Ibid.

4 U.S. Small Business Administration, Women's Business Ownership, 2017.

5 GEM Special Report: Women's Entrepreneurship, 2015.

The principal motivators that drive women towards starting a business are the opportunity to provide for additional family income as well as additional flexibility to manage both family and work-related responsibilities. Women are five times more likely than men to pursue a business undertaking due to family reasons, with the intention of creating an optimal work-life balance. This is in line with data confirming that women on average also work more often from home, namely 30 percent of women compared to 8 percent of men. On the contrary, men are twice as likely as women to pursue a business undertaking to earn more money for themselves.⁶

Another study confirming this, has recently found that when it comes to their own income, women entrepreneurs reinvest an astounding 90 cents of every earned dollar in their families, i.e. their education and health; in comparison to men, who reinvest only 30-40 cents.⁷ In general, women are greater contributors to their communities' welfare either by reallocating their business profits or by acting as mentors to other women entrepreneurs. What is more, women are more direct contributors to their economies, since around 20 percent of women become entrepreneurs from a state of unemployment as opposed to around 7 percent of men.⁸

This is especially true where good business venture opportunities are perceived by women. More specifically, early-stage entrepreneurial activity among women is higher in economies with higher numbers of women entrepreneurs. This is due to the fact that in societies with more women engaged in business, there is a higher likelihood of other women knowing one. These entrepreneurs act as role models, besides, knowing and associating with them enables the sharing of valuable advice, information and connections. This effects the perception of and actual opportunities of women contemplating entrepreneurship, which lead to higher business startup rates.⁹

Compared to men entrepreneurs, women are practically just as likely to perceive business opportunity around them, however, gender differences persist in capability perceptions. Whereas, perceptions of opportunity are associated with the external environment, perceptions of capability are by nature intrinsic, one's self-perceptions. Capabilities are entrenched not only in education, but also in societal support. Societies that promote and support women entre-

preneurs tend to motivate more women to initiate a business endeavor. Also, even though educational attainment is almost equal between women and men entrepreneurs (33 percent of women entrepreneurs with a secondary or tertiary degree, compared to 36 percent of men) and in some economies the former even surpass the latter, women are less likely to believe in their entrepreneurial capabilities.¹⁰

Low self-esteem and fear of failure by women entrepreneurs are confirmed by many studies as a reason for lower entrepreneurial activity amongst females, regardless of education and skills. Women might fear failure when considering potential risks that come along with starting a business, or lack of family and community support. Moreover, they might fear the possible consequences of lost income if their businesses do not turn out successful.¹¹ Here, programs specifically designed to improve business skills and capabilities, benefit women with the intention of entering the business world. Moreover, mentoring and training on how to act on a business opportunity and manage risks help women in building their confidence, which ultimately leads to the narrowing of the gender confidence gap. In general, women entrepreneurs seek out guidance from business support more often than men do, especially in the business initiation phase. Women are also more inclined to seek all types of business support, be it public or private, compared to men. In fact, entrepreneurs who have undergone business training become three times more confident in their skills and capabilities to run a business.¹²

Moving from startup to sustainability is an even tougher task. There are not only less women establishing new businesses compared to men, but even less so maintaining them. Entrepreneurship is a multifaceted endeavor that depends on support in the initiation phase as well as or even more so in the period following startup. Research shows that women-owned businesses face great difficulties in transitioning into a sustainable firm. These can be internal by nature, such as having trouble forming strategic partnerships and transforming ideas into reality, or linked to external factors, such as experiencing impediments in accessing funds for business expansion. Indeed, getting access to finance is acknowledged to be one of the most persisting barriers that are evidently hindering the growth of women-owned businesses.¹³

6 Office for National Statistics, Women in Business, 2009.

7 Vanderbrug, J., The Global Rise of Women Entrepreneurs. Capital Acumen, Issue 25, 2013.

8 Promoting Female Entrepreneurship' SBS/ DTI, 2005.

9 GEM Special Report: Women's Entrepreneurship, 2015.

10 Ibid.

11 Exemphas, Women Entrepreneurs – Issues and Barriers, 2004.

12 GEM Special Report: A Global Perspective on Entrepreneurship Education and Training, 2010.

13 GEM Special Report: Women's Entrepreneurship, 2015.

Access to finance is indispensable at all phases of business development for women entrepreneurs, not only for further business expansion but also for generating new jobs. Women themselves are ten percent more likely than men to identify access to finance as their primary obstacle to doing business. This is evidenced by the fact that women-owned businesses, worldwide, receive merely four percent of the dollar value of all business loans.¹⁴ Regardless of business sector or size, women have only 33 percent of the value of finance of their male colleagues when starting a business. Moreover, women make use of fewer forms of funding.¹⁵ Studies report that women who start and run businesses mostly use informal sources of financing, such as their own or family savings, household income, equity from inheritance and credit from friends and family. Men who start and run businesses make widely use of traditional financing means, i.e. business loans from banks. This is true also when investing in business expansion, again men-owned business use loans from financial institutions more often than women-owned businesses.¹⁶

According to the Women Entrepreneurs – Issues and Barriers report, women's business start-up capital is made up of 80 to 99 percent of personal savings, compared to men's that is between 30 to 59 percent.¹⁷ While a commendable attribute of women entrepreneurs, this often has consequences for the business. Businesses established with less venture capital have been shown to experience lower sales and employment numbers. Especially for non-employer firms it is almost impossible to progress into an employer firm with lower initial financing sources. Lasting business success for women entrepreneurs is conditional to sufficient capitalization and financing possibilities.¹⁸ In general, however, women feel discouraged from applying for credit, although studies confirm that loan repayment rates among women are higher than among men. When they do apply, women are more likely than men to apply for smaller loans, which in turn leads to credit denial quite frequently. This occurs due to the fact that lenders prefer to give out larger, more profitable loans, as opposed to the contrary belief that they are simply denied credit because they are women.¹⁹ Moreover, many women who turn to banks for loans are rejected due to absence or insufficient collateral, which is a correlated barrier women face as well, i.e. lack of private property and assets.

Another barrier women face when starting up and running a business is associated with the traditional view of women's role. Research has shown that families generally play a central role in women's decision to engage in a business activity. They essentially have the ability to influence a woman's choice and behavior in a positive or negative way. More often than not, women's choice to open a business can also come from sheer necessity, rather than individual aspirations. Besides, families' attitudes towards entrepreneurship can have an effect not only on business start-up, but also on overall business experience and performance, ultimately affecting success or failure of the business. This is dependent on the role family members choose to play in the women's endeavor, restrictive or supportive.²⁰

When women have the aspirations, the free choice and support to start a business, they usually do so to have more independence, financial gain and especially flexibility in working hours so as to balance their work and family commitments. Even though work schedule flexibility is perceived as empowering, it often interferes with overall business performance.²¹ Research shows that women entrepreneurs work fewer hours per week than men do, and they also work more from home, while at the same time taking care of family commitments.²² These family commitments mostly entail child care, due to the fact that affordable child care is scarce, as such it remains an inescapable barrier of women entrepreneurs. As such it is much more difficult for women entrepreneurs to run a successful business, while at the same time balancing family responsibilities, than it is for men. To this reason, a significant number of women consider entrepreneurship as a transitory thing in a particular period in life, i.e. to link the care for children with income generation, and as such often tend to go back to employment when the time is right and opportunities arise.²³

In Kosovo it is no different, women bear a great number of challenges when starting and running a business. The slow economic development and the unfavorable business environment mostly affect women, yet almost nothing is done to alleviate the situation and barriers remain unaddressed. While women entrepreneurs represent an important contributor to the economy, most of them operate in informality, as such their true impact remains unnoticed for the most part. Women-owned businesses in Kosovo typi-

14 Cantwell, M., 21st Century Barriers to Women's Entrepreneurship, 2014.

15 Carter, S., & Shaw, E., Women's Business Ownership, 2006.

16 U.S. Small Business Administration, Women's Business Ownership, 2017.

17 Exemphas, Women Entrepreneurs – Issues and Barriers, 2004.

18 U.S. Small Business Administration, Women's Business Ownership, 2017.

19 Exemphas, Women Entrepreneurs – Issues and Barriers, 2004.

20 Cesaroni, M. & Paoloni, P., Are Family Ties an Opportunity or an Obstacle for Women Entrepreneurs?, 2016.

21 Exemphas, Women Entrepreneurs – Issues and Barriers, 2004.

22 European Commission, Statistical Data on Women Entrepreneurs in Europe, 2014.

23 Jayawarna, D., Rouse, J., & Kitching, J., Entrepreneur Motivations and Life Course, 2011.

cally employ informal workers, have outdated equipment and mostly engage in traditionally female activities, like, aesthetics, tailoring and food preparation.²⁴ In the last two decades government institutions as well as donor organizations have invested both efforts and financing in small business support, skill development and technological advancement; however, only minimal progress has been marked with regards to women-owned businesses. The country still has no comprehensive long-term strategy on how to integrate women in the business world and narrow the gender participation gap. What is more, no incentives are in place to encourage women to engage in a business activity and this is why the share of women-owned business in the private sector remains so small.²⁵ As a result, based on the Kosovo Agency of Statistics (KAS) and Riinvest data from SME surveys in various years, women own less than 10 percent of the businesses in Kosovo, face barriers beyond the regular doing business problems in the market, and operate in sectors that do not provide growth opportunities. More specifically, women's economic activity is concentrated in services and trade sectors while manufacturing and information technology sectors remain dominated by men.

An earlier survey conducted by the women's business association She-era with women entrepreneurs across Kosovo revealed that the highest number of women-owned businesses are active in the trade sector (selling of food products, clothes and cosmetic products); followed by the service sector (such as hair and beauty salons, health service providers and day care centers); and production activities (like textile, dairy, vegetables and pastry production). The survey also sheds light on employment among women-owned businesses and foremost that the majority of women-owned businesses do not hire employees. More specifically, more than half of the women run the business on their own, with no employees, and most of the remaining only employ up to four people. The primary reason that influences Kosovar women to start a business,

according to the survey, is the need for income generation. Women accounted for the highest percentage of workers in the former socially owned enterprises, and after the privatization process most of them faced unemployment. In an attempt to financially contribute to the family income they have engaged in economic activities. Besides, other business motivators include the possibility of generating secondary income; perceived entrepreneurial ability; or lack of employment possibilities.²⁶

Barriers to doing business for Kosovar women are quite highlighted and are of external as well as internal nature, namely family obligations combined with lack of access to credit. Most of the Kosovar women entrepreneurs do not possess property of their own, usually their husbands, fathers or brothers do, as such they have no collateral to declare as warrant for their loan. Likewise, access to property and inheritance is considered a serious barrier in itself, since it is estimated that only 8 percent of women entrepreneurs own property. A considerable number of women entrepreneurs feel inexperienced in managing their business, due to lack of adequate knowledge and training, and as such face constant difficulties in running their business. Another evidenced obstacle that is linked more to the external environment is the limited demand for the offered products and services, i.e. lack of market.²⁷

Besides, barriers specific to running the business, women in a developing country like Kosovo, are exposed to societal attitudes and stereotypes that are unsupportive of women entrepreneurship, especially across sectors traditionally dominated by men. Such attitudes and prejudices that women have not the necessary capabilities of managing a successfully business while at the same time taking care of family duties impede the day-to-day business immensely. This has started to change, however, only because women have stepped up and proved themselves, not because they are encouraged so much by their families and the society.²⁸

24 She-era, Women Entrepreneurs in Kosovo, 2006.

25 She-era, National Platform for Women Entrepreneurs in the Republic of Kosovo, 2013.

26 She-era, Women Entrepreneurs in Kosovo, 2006.

27 She-era, Women Entrepreneurs in Kosovo, 2006.

28 ILO, Women in Business and Management: Gaining Momentum, 2015.

2. METHODOLOGY

This section provides a general description of the methodological approach used in this study. In order to analyze women entrepreneurs in general, specifically focusing on the conditions of the business environment and barriers to doing business for women in Kosovo, Riinvest research team used primary data gathered through a survey of women-owned businesses. Moreover, the team has also used literature review and comparative analysis of qualitative data as a combination of research techniques to provide the most comprehensive research results.

The core data were collected through a survey including women-owned businesses throughout Kosovo. The sample was constructed based on the database of active businesses owned by women in Kosovo and stratified according to municipality and sector.

To ensure that this research study produces representative data, the overall sample has included 313 respondents (women entrepreneurs) throughout Kosovo, who were selected randomly. Calculations have shown that a sample of 313 respondents is sufficient to generate representative results with a 95 percent confidence level and a 4 percent margin of error.

Geographically, the sample of the women surveyed reflects an approximation of the actual distribution, as reported by the Kosovo Business Registration Agency (KBRA). The highest percentage of women-owned businesses are concentrated in the Pristina region with around 38 percent, followed by the regions of Prizren, Gjilan, Ferizaj and Peja. The geographic distribution of the enterprises is depicted in Table 1.

TAB. 1 DISTRIBUTION OF WOMEN-OWNED BUSINESSES BY MUNICIPALITY

Municipality	Percentage
Prishtina	38.3%
Prizren	10.9%
Gjilan	10.2%
Ferizaj	9.00%
Peja	8.3%
Gjakova	6.4%
Vushtrri	5.4%
Podujeva	4.8%
Rahovec	3.2%
Mitrovica	2.6%
Lipjan	0.6%
Fushe Kosova	0.3%

SOURCE: AUTHORS' CALCULATIONS

After constructing the sample, the next step was drafting of the questionnaire according to the sections which were pre-determined based on both academic and policy research conducted by Riinvest research team. The questionnaire contains generic questions regarding the profile of the women-owned businesses, more specifically questions on the ownership and business activity. The main part of the questionnaire consists of questions aimed at obtaining information (quantitative as well as qualitative) about sales and business performance, employment, business finance, fiscal issues, socio-cultural issues and barriers to doing business.

The survey was conducted by engaging our experienced enumerators who were trained on the specifics of the survey. All enumerators underwent a three-day training, where they were informed about the content and importance of the survey; were trained on the survey methodology (contact with the respondent, ways of gathering information, ways of completing the questionnaire); and were tested on their ability to conduct surveys by simulating a sample survey.

Before the start of the survey, the questionnaire was tested by the Riinvest research team to ensure the efficiency of time and a logical sequence of questions. Small groups of 2 to 5 enumerators have worked under the supervision of one team leader. Besides monitoring the enumerators in the field and conducting logical control, verification of the surveys was also done through phone calls made by the research team and the project leader. Around 40 percent of the survey questionnaires, selected randomly, were re-verified by the research team, who contacted the

respondents to make sure that the answers correspond to those that were filled in by enumerators. In addition, each questionnaire has been verified by the researchers to ensure correctness of questionnaire completion and to see if it contains any non-logical response. This methodology improves the quality of data and helps avoid potential defects within the survey.

Once collected, the data was encoded by experienced researchers using the operating software especially designed for the purposes of the project. Next, the data were analyzed and pre-interpreted using SPSS to identify responses outside of expected ranges, including potential inconsistencies across variables. Changes were made as appropriate. Additionally, periodic checks were made by the project leader, primarily through comparing variable means and distributions across files, to ensure that the data have not been altered, intentionally or otherwise. The research analyses in this report are predominantly based on descriptive statistics using cross tabulation techniques. Once the data was tabulated and cross-tabulated, the experienced research team has been engaged in interpreting and analyzing the findings.

Beside the survey, relevant studies and research reports have been utilized to complement on the primary research. Moreover, secondary research has been conducted in order to verify and consolidate the information received from the questionnaires. Following the data collection, from both primary and secondary research, a detailed report has been prepared, entailing analysis and providing recommendations on the findings.

3. SURVEY RESULTS

This section describes and analyses the output of the quantitative part of the study, the survey conducted with 313 women-owned businesses in Kosovo. Subsection 3.1 portrays the general profile and overview of the enterprises, while subsection 3.2 outlines the performance of the businesses and their expectations for the future. Subsection 3.3 presents and analyzes the findings related to the workforce of the businesses owned by women, while the subsections 3.4 and 3.5 address financial and fiscal issues. The last two subsections identify and examine socio-cultural issues as well as barriers to doing business as a woman entrepreneur in Kosovo.

Throughout the report cross tabulations are performed to analyze the findings in more detail and to see if there is correlation between specific factors such as company size and industry and certain aspects of the firm. The findings are, in addition, analyzed and compared with data of male-owned businesses stemming from the 2017 Riinvest survey with 600 SMEs across Kosovo.

3.1. Profile of the women-owned businesses

The survey data with 313 women-owned businesses draw a picture of the general profile of the women entrepreneurs in Kosovo. They reveal the average age of the women entrepreneurs that is 40 years; their civil status - around 79 percent are married, while around 18 percent are single; and their highest level of completed education - high school degree in about 48 percent of the cases, bachelor's degree in about 29 percent and master's degree in roughly 10 percent of the cases. The general profile of the women entrepreneurs is illustrated in Figure 1.

FIG. 1 GENERAL PROFILE OF WOMEN ENTREPRENEURS IN THE SURVEY

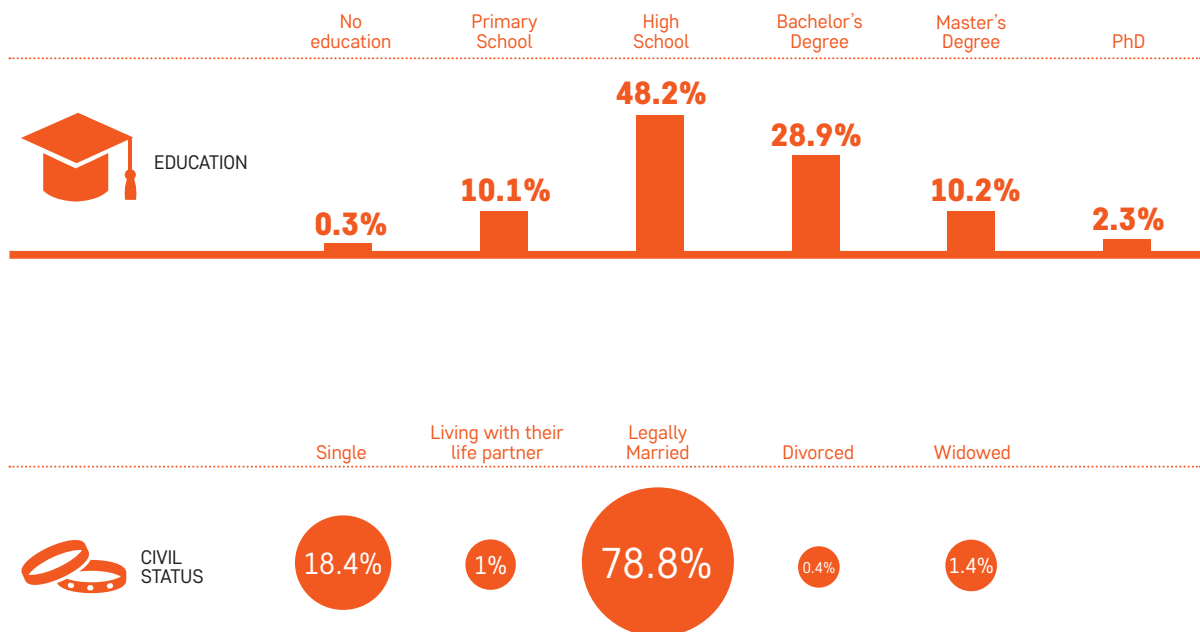
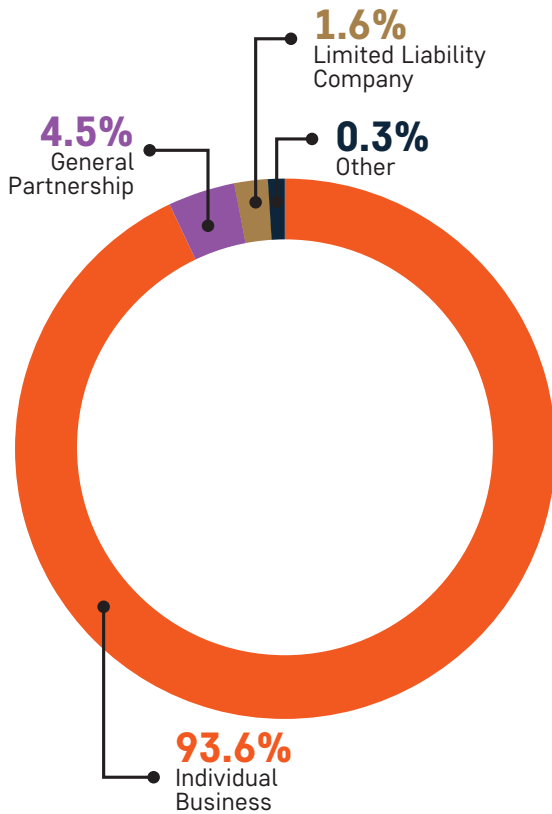


FIG. 2 LEGAL STATUS OF THE WOMEN-OWNED BUSINESSES



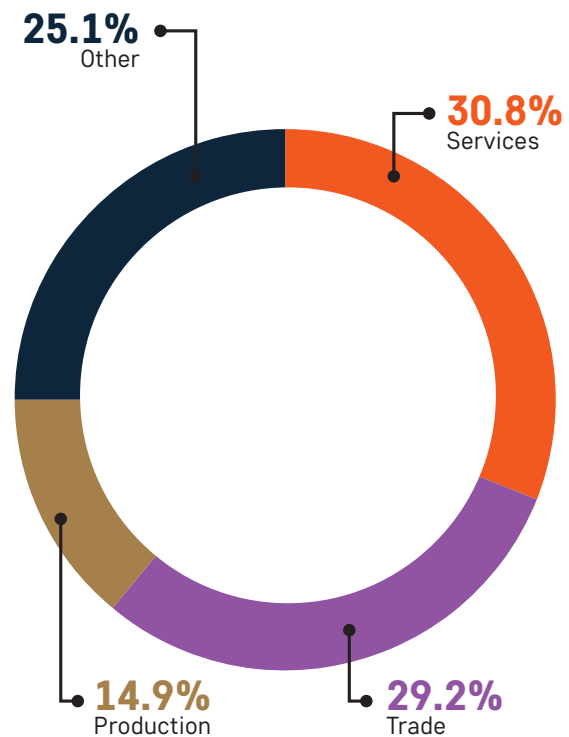
SOURCE: AUTHORS' CALCULATIONS

The survey results reveal that the most common legal status of the businesses owned by women is the individual business. Almost 94 percent of the women-owned businesses represent individual businesses, more than male-owned businesses. The Riinvest data collected from 600 SMEs shows a representation of individual businesses in 84 percent of the cases among male-owned businesses. On the contrary, less than 5 percent of the women entrepreneurs run a general partnership and even less so a limited liability company (roughly 2 percent). In comparison, the male counterparts run a general partnership in around 10 percent of the cases and a limited liability company in around 6 percent of the cases. Most enterprises in Kosovo are registered as individual businesses, however, viewing data throughout the years, shows a change in the structure of businesses regarding legal status, especially among male-owned businesses. Annual Riinvest data on SMEs owned by men reveal a decreasing trend of registration of individual businesses, while on the other side a positive trend of registration of general partnerships and limited liability companies. The share of limited liability companies has increased to 6 percent from 2.8 percent, while the share of partnerships to 10 percent from 6 percent in 2013.

Moreover, the vast majority of the women-owned businesses have established their business after the year 2000, that is about 95 percent. Only 5 percent have founded their business in the years between 1984 and 1999. The percentage of male-owned businesses operating before the year 2000 is comparatively higher, namely 23 percent.

Looking into the sectors of operation, shows that the women-owned businesses are predominantly oriented in services and trade sectors, and to a lesser extent production sectors. In particular, about 31 percent of the surveyed women entrepreneurs offer services; about 29 percent engage in trade; and roughly 15 percent engage in production. The data on SMEs owned by men shows a slightly different picture. Roughly 26 percent on male-owned businesses engage in trade; around 13 percent engage production; and contrary to the women, men entrepreneurs engage in services only in 8 percent of the cases.

FIG. 3 MAIN SECTORS OF OPERATION



SOURCE: AUTHORS' CALCULATIONS

Analyzing the different activities within the sectors reveals the most popular career choices among women entrepreneurs. It appears that women are predominantly engaged in the business of hairdressing and other beauty treatments, with 29 percent. Second in order is the retail sale of clothing in specialized stores, with around 11 percent; third is the manufacture of wearing apparel, with around 9 percent; and fourth is the retail sale of textiles in specialized stores, with

roughly 9 percent as well. Table 2 below depicts the 10 most common business activities among the women-owned businesses, according to data disaggregated at NACE 4-digit level (Rev. 2). Even though in sectors with high growth potential, such as the service industry, the businesses owned by women largely operate in stagnant subsectors, such as hairdressing and retail, which have little to no expansion potential.

TAB. 2 TOP 10 ACTIVITIES OF OPERATION AMONG WOMEN-OWNED ENTERPRISES

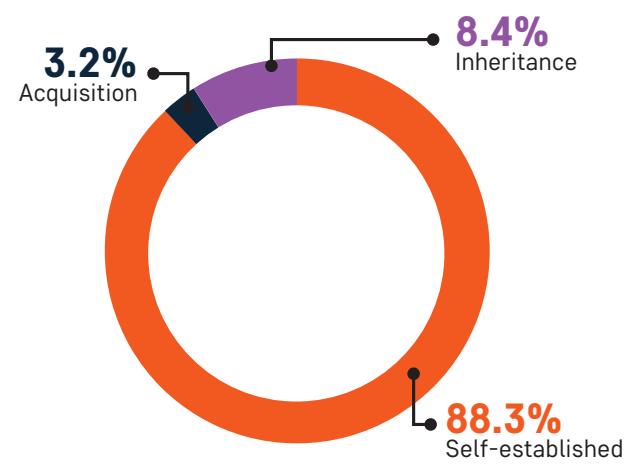
Sector	NACE	Percentage
Hairdressing and other beauty treatment	9602	29.2%
Retail sale of clothing, footwear in specialized stores	4771	10.7%
Manufacture of wearing apparel	1413	9.4%
Retail sale of textiles in specialized stores	4751	9.1%
General and specialized medical practice activities	8620	6.5%
Event catering activities (and event planning)	5621	3.9%
Manufacture of bread; manufacture of fresh pastry goods and cakes	1071	3.6%
Other education n.e.c. (driving schools, foreign language schools, etc.)	8549	2.9%
Retail sale of goods in specialized stores (watches, jewelry, etc.)	4773	2.6%
Retail sale in non-specialized stores	4710	2.6%

SOURCE: AUTHORS' CALCULATIONS

The surveyed women entrepreneurs mostly stated to run their businesses by themselves, only around 9 percent have stated to have a business partner. Out of this number, the majority of business (65 percent) partners are men and only 35 percent are women. The business partners mostly represent either colleagues or husbands, with 26 and 22 percent, respectively. In less instances business partners reportedly are female friends of the women-entrepreneur, brothers or other family members. With about 38 percent, the foremost role of the business partners is the leading role in the business. Additionally, around 33 percent of the business partners hold a managerial position; while roughly 17 percent have administrative responsibilities and the remaining represent silent partners. The vast majority (93 percent) of the surveyed businesses are led by the owner, i.e. the women entrepreneur, showing a high level of independence in running their own businesses for these women. Only in around 4 percent of the instances does the executive director or manager hold the leading position and in merely 3 percent of the cases do the owner and director/manager jointly hold the leading position in the firm. From the declared executive directors or managers who lead the business, around 62 percent represent family member, while around 38 percent hold no family ties with the owner.

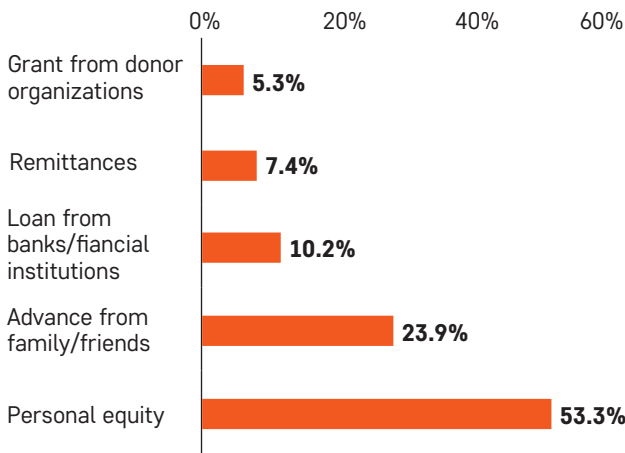
Out of the surveyed women entrepreneurs, as much as 88 percent have established the business on their own, while merely 3 percent have bought off the business from someone else. Another 9 percent of the women entrepreneurs have stated to have inherited the business from the family.

FIG. 4 WAYS OF STARTING THE BUSINESS



SOURCE: AUTHORS' CALCULATIONS

FIG. 5 SOURCE OF START-UP CAPITAL



SOURCE: AUTHORS' CALCULATIONS

The women entrepreneurs have made use of different types of initial capital to establish their new venture; nonetheless, own personal equity has been utilized in most instances. This was confirmed by about 53 percent of the entrepreneurs, while about 24 percent admitted to having taken an advance from their families or friends. In less instances, loans from financial institutions (10 percent), remittances (7 percent) or grants from donor organizations (5 percent) were utilized to start their businesses. The low level of reliance on loans from financial institutions and grants from donor organizations (only 15 percent) shows a gap between various schemes that promote support to women entrepreneurs and the actual number of women benefiting from them. Besides, capital from different sources combined has been utilized, such as own personal equity and bank loans, or own personal equity together with advance from family/friends and remittances. In comparison, the male-owned businesses, have made use of their own equity in comparably more instances, that is in 84 percent of the instances. Regarding bank loans, however, male-owned businesses have utilized them almost twice as many instances, that is in 17 percent of the cases.

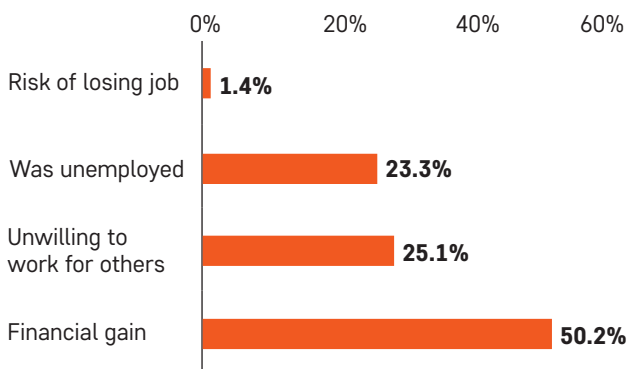
The primary motivator to start a business turns out to be the perceived financial gain from the venture, with about 50 percent of women giving this as a primary reason. In around 25 percent of the cases the initiative resulted from the unwillingness to work for someone else, whereas in around 23 percent of the cases the women were motivated to start a business due

to being unemployed. Merely 1 percent established a business out of the fear of losing their current job. The motivation behind their businesses show an increasing number of women being driven by their intrinsic entrepreneurship, rather than external circumstances in pursuing their businesses endeavors.

Regarding their business venture, the women entrepreneurs have also been asked on the ownership of their business facility. Approximately, 21 percent have declared that they own the business facility themselves, while 15 percent have admitted that their husbands or families own the facility. Nonetheless, the majority of 65 percent have stated that they rent the space they operate their business in. Another one percent operate from home, as such have no business facility to declare. In contrast, roughly 61 percent of the male-owned businesses own their business facilities themselves, while around 39 percent rent them. This is in line with the low level of real estate owned or inherited by women in Kosovo.

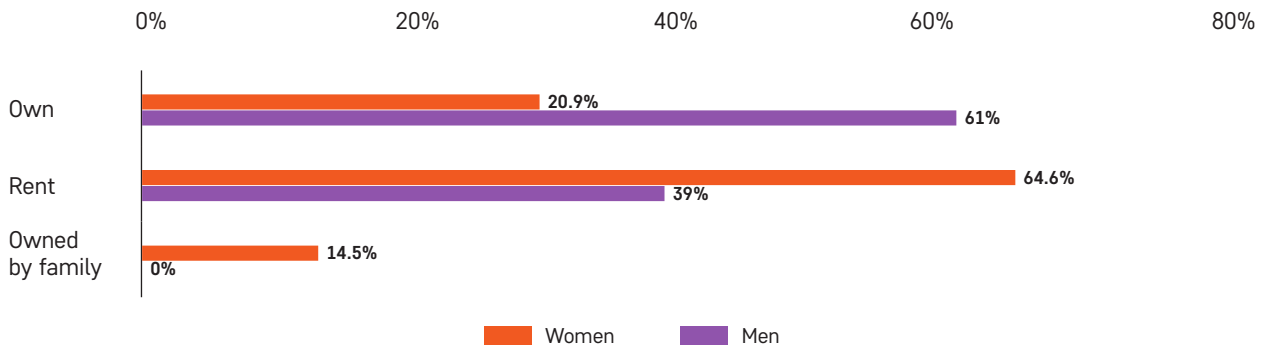
When asked about the costs of renting the facility, women entrepreneurs predominantly consider the rates to be moderate (with 61 percent), while about 35 percent consider them high or very high. Only four percent of the entrepreneurs consider the rent prices to be low or very low. These opinions are shared very similarly also by the male-owned businesses.

FIG. 6 MOTIVATION TO START THE BUSINESS



SOURCE: AUTHORS' CALCULATIONS

FIG. 7 OWNERSHIP OF BUSINESS FACILITY AMONG WOMEN AND MEN ENTREPRENEURS



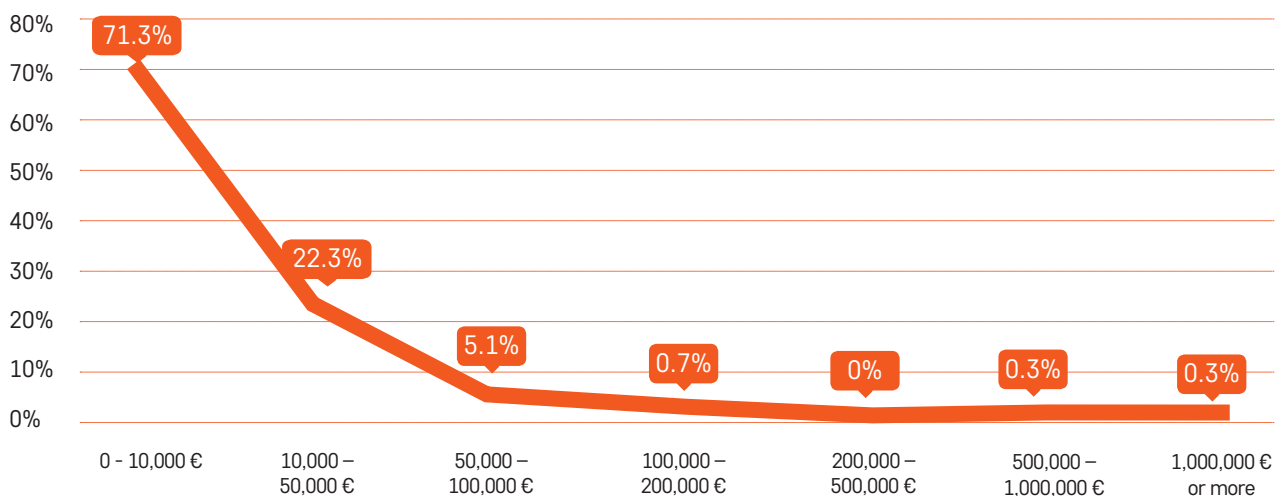
SOURCE: AUTHORS' CALCULATIONS

3.2. Performance of women-owned businesses

This sub-section draws on performance data of the 313 surveyed women-owned businesses, i.e. their sales and operations. It turns out, nearly 71 percent have generated less than 10,000€ in sales for 2016. Around 22 percent have generated sales ranging from 10,000€ to 50,000€ and only 5 percent have generated sales between 50,000€ and 100,000€. A mere 1.4 percent have recorded sales above 100,000€ in 2016. While more than 98 percent of women-owned businesses have generated sales up to 100,000€, this holds true only for 79 percent of the male-owned busi-

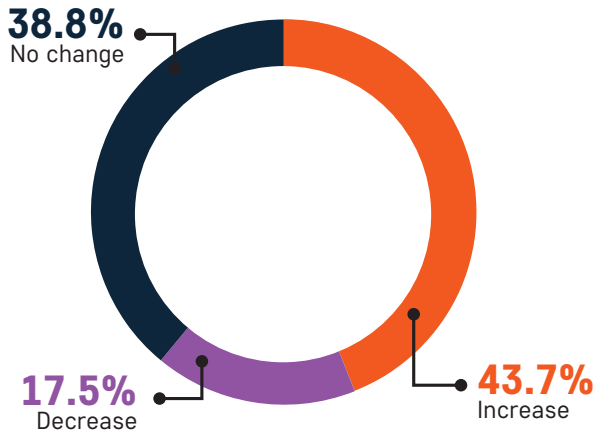
nesses. Also, while only 1.4 percent of women-owned businesses have recorded sales above 100,000€, their male counterparts have recorded such high sales in more than 21 percent of the cases. Comparing the lower and upper bounds of sales alone shows the widest discrepancies between men and women-owned businesses. That is, only 23 percent of male-owned businesses have recorded sales less than 10,000€ in sales (contrary to the noted 71 percent of women-owned businesses), while more than 5 percent of male-owned businesses have recorded sales above 1 million € (contrary to as little as 0.3 percent of the female counterparts). The Figure below illustrates the level of sales of women-owned businesses.

FIG. 8 WOMEN-OWNED ENTERPRISES ACCORDING TO YEARLY SALES



SOURCE: AUTHORS' CALCULATIONS

FIG. 9 SALES FORECAST



SOURCE: AUTHORS' CALCULATIONS

Around 38 percent of the women entrepreneurs have stated that their sales level have increased from the previous year. Nonetheless, more than 41 percent have not marked any changes, meaning their sales have remained the same and around 21 percent have reportedly even experienced a decline in sales from the preceding year. Experiences similar in percentage have been reported by their male counterparts.

Whereas, regarding sales forecast, the women entrepreneurs do not appear very optimistic. Not even half of the business women (44 percent) believe they will experience sales growth, while a bit more than 17 percent even anticipate that they will mark lower levels of sales. The same sales expectations have been witnessed among male-owned businesses.

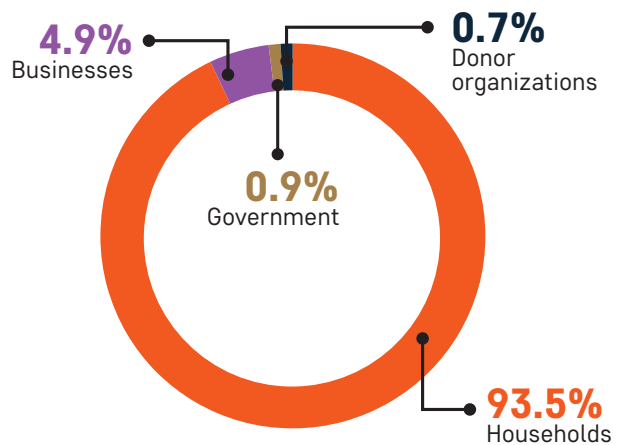
The average net profit margin reported by the women-owned enterprises is around 33 percent for 2016. This percentage is on average 11 percentage points higher than male-owned enterprises have reported. Looking into sectors, reveals that in industries characterized by heavy competition between male and women-owned businesses, net profit margins declared by the businesses run by women are quite low. On the other hand, in some industries, increasingly pursued by women entrepreneurs, that have constant demand for their specialized services while at the same time have few incurring costs, the net profit margins are significantly higher. These high value added services generating higher net profit margins include event planning, specialized handcrafting firms, as well as dentists, physicians, bookkeeping and legal services.

The end consumer of products is a strong indicator of the level of competitiveness and development of the enterprises

run by the women. Despite the fact that the number of exporting enterprises is constantly rising, only a handful of the interviewed women entrepreneurs have declared that they export their products or services. Women entrepreneurs are predominantly operating in low-value added services, which almost by design are non-tradable sectors. In particular, only 10 percent of the interviewed businesses have successfully entered foreign markets and among those exports represent on average 30 percent of their sales. Firms engaging in activities such as manufacture of wearing apparel, event catering activities and specialized handcrafting represent the highest share of exporters. Nonetheless, exports still represent only 3 percent of total sales of the sample of women-owned enterprises interviewed. A similar scenario prevails among male-owned businesses.

The majority of women-owned businesses (94 percent) generate revenues from the end user, i.e. households, and very few from businesses (4 percent), government (less than 1 percent) and donor organizations (also less than 1 percent). This hints to the fact that businesses owned by women are characterized with very low production of intermediary goods or raw materials, that is, goods to be utilized further by other businesses in higher value added production. Moreover, it indicates that for the most part the enterprises produce low value added products and suggests that these firms offer low employment and growth prospects. Furthermore, the low percentage of income generation from the Government points to the low participation rate of women-owned enterprises in public procurement. There is also evidently low support from donor organizations, which proves that they represent an unsustainable source of income for the businesses owned by women that in most instances occur only at one point in time.

FIG. 10 SOURCES OF REVENUE



SOURCE: AUTHORS' CALCULATIONS

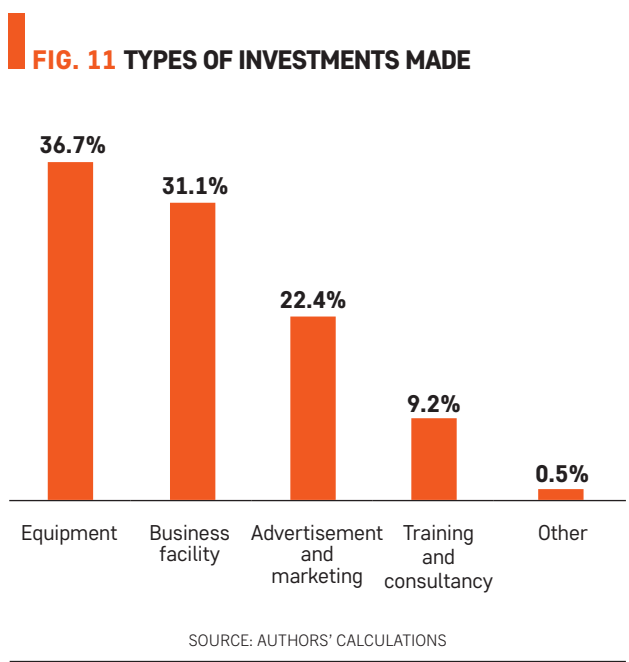
The women entrepreneurs were also asked about sales on credit, since it remains a widespread occurrence among businesses in Kosovo. Nonetheless, it turns out that only 10 percent of the sales of women-owned enterprises are realized on credit. Male-owned businesses report a higher percentage of sales on credit, which also increases proportionally with business size. Besides, the delays in payments are not considered hindering to the operation and development of the businesses by around 53 percent of women entrepreneurs, while 21 percent consider them disruptive to the business in one way or another (the remaining have no particular opinion on the matter). Some of the women entrepreneurs also think that the occurrence of payment delays varies between women and male-owned businesses. Roughly, 17 percent are convinced that their male counterparts are paid back more quickly than they do.

Yearly investments are also an indicator of business progress and the intention for growth of an enterprise, hence the women entrepreneurs were asked about the total value of their investments for 2016 as well as the purpose and financial source of their investments. It turns out, the average value of investments made for 2016 was only 5,242 € among the interviewed firms. The percentage of businesses that made investments was around 38 percent. In comparison, around 49 percent of male-owned businesses have declared to having made investments in 2016 and the average value of investments was as much as 55,258 €. This level of investment that men have made, which is more than 10 times higher than that for women, highlights two important features. First, considering that the businesses owned by women are predominantly micro businesses, explains the fact that capital investments are relatively low. Second and worryingly, the low level of investment shows a continuous small scale operation and stagnation in growth either due to lack of financing or intention for growth for women entrepreneurs.

With regard to the kind of investment made by the women-owned businesses, capital investments (in business facilities and equipment) dominate with around 68 percent of all investments in 2016. Around 22 percent of the investments have been in advertisement and marketing and only 9 percent have been allocated to human capital, i.e. training and consultancy. This relatively low investment in human capital may be explained by sectors in which these businesses operate, that is sectors in which knowledge and skills required are easily acquired and transferable, thus not prompting a high level of investment. Figure 11 illustrates the structure of investments among wom-

en-owned businesses for 2016. On the contrary, a higher percentage of businesses owned by men have declared capital investments. Data analysis of the survey shows that the level of investments are positively correlated to company size, turnover and the years in business. High value-added services, such as consulting activities, and manufacturing appear to have a positive impact on the level of investment, contrary to low value-added services.

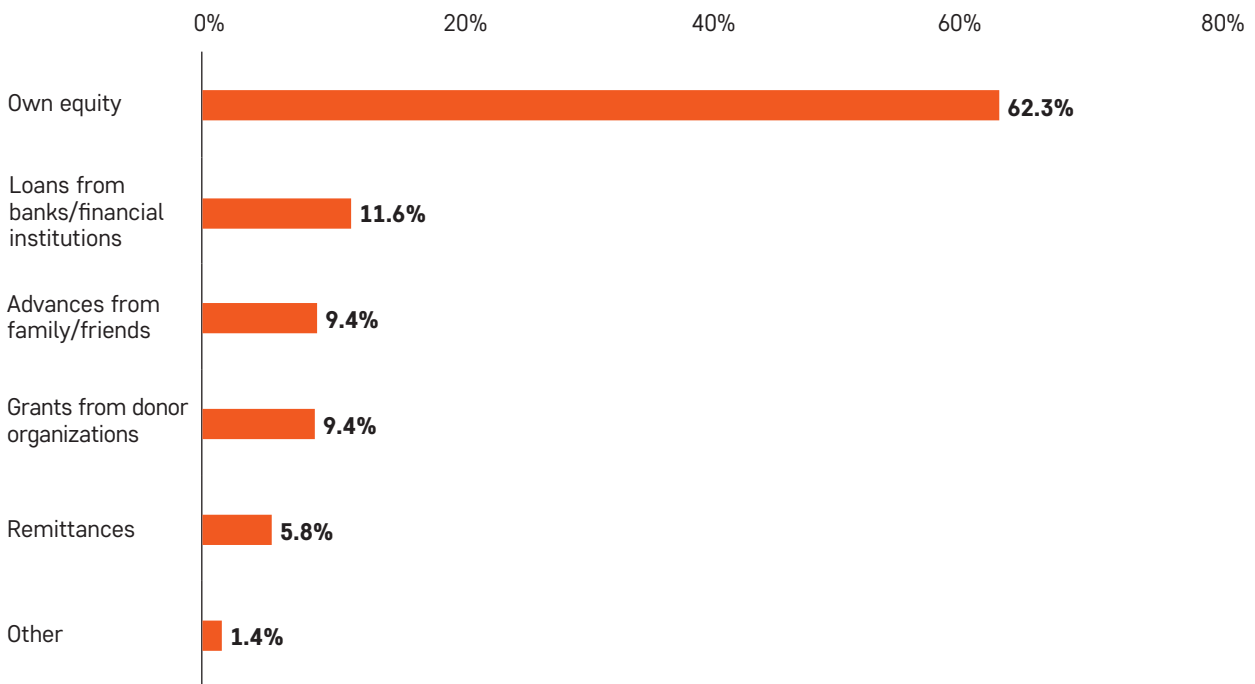
Comparatively, investment in human resources is almost twice as high for women entrepreneurs than for their male counterparts, 9 compared to 5 percent respectively. Considering that the average number of workers in women owned businesses is 4.2 compared to 8.8 in businesses owned by men, investments on human resources show both a different approach in doing business for men and women, but also reflect the high concentration of women owned businesses in the service industry, where training is crucial to development. However, the low levels of investment in human capital for both suggests that the business environment leaves little room for building competitive advantage based on human capital. Moreover, women-owned enterprises invest more in advertising, marketing and branding compared to their male counterparts, which can be explained by their size and years in business, making it essential to invest in product development (branding/packaging) and heavily promote their product or service in order to gain market share and improve competitiveness.



In the majority of cases (62 percent), the source of investment is own personal equity of the owner. Around 12 percent of the women-owned businesses have made use of loans from banks or other financial institutions for their investment purposes; whereas roughly 9 percent of the firms

have been awarded grants by different donor organizations. Family and friends remain an alternative source of financing as well, with around 9 percent of businesses depending on advances from close relatives or friends and an additional 6 percent on remittances from relatives living abroad.

FIG. 12 SOURCES OF INVESTMENT



SOURCE: AUTHORS' CALCULATIONS

“ The low level of investment in women owned businesses shows a continuous small scale operation and stagnation in growth either due to lack of financing or intention for growth

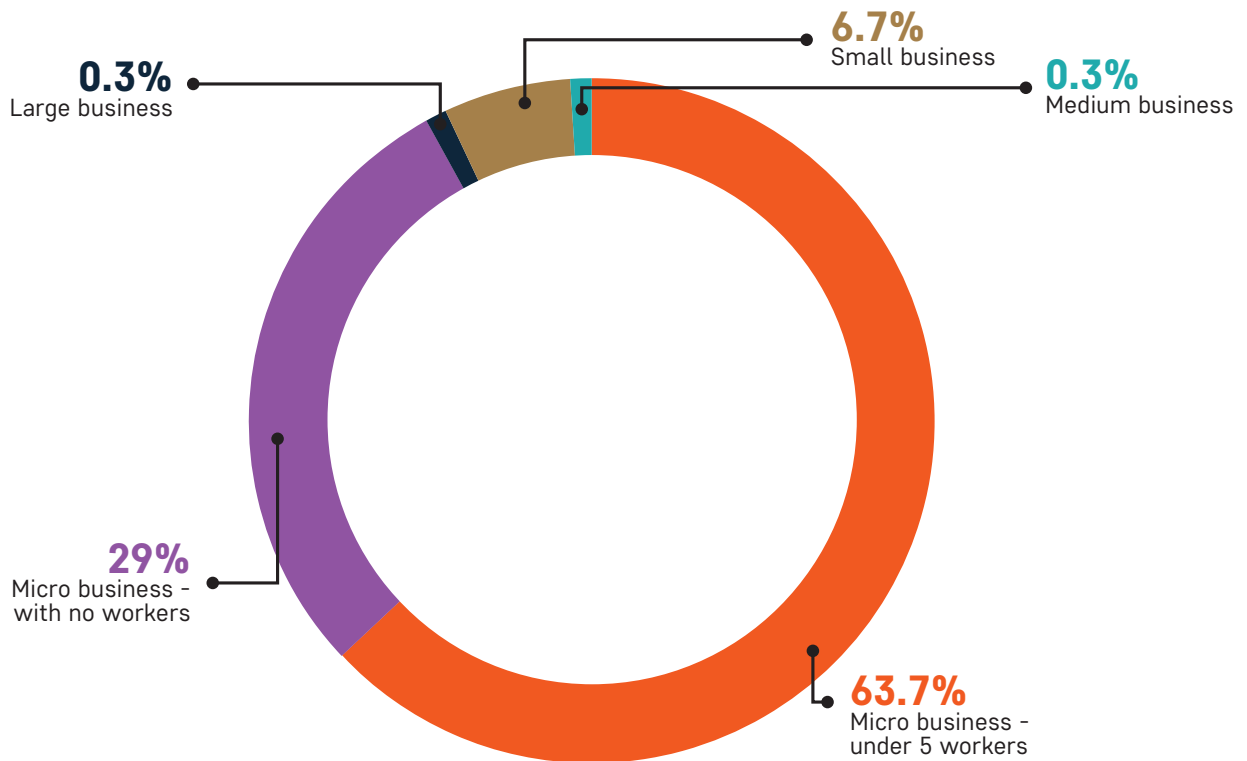
3.3. Labor force issues in women-owned businesses

Women entrepreneurs are mostly owners of micro and small businesses. From the total of 313 women businesses surveyed, the vast majority are micro businesses, of which 29 percent are businesses with no workers at all and roughly 64 percent are micro businesses with under 5 workers. Only 7 percent of the surveyed businesses are small; one is a medium sized business and another one is large (0.3 percent each) – in terms of employees.

The total number of employees by the surveyed businesses, excluding one large business employing 330 workers, is

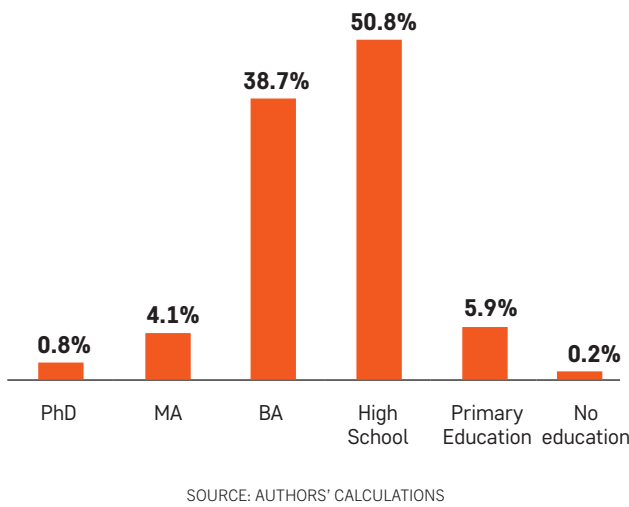
656 employees. This gives an average of a little more than 2 workers per businesses. A more detailed breakdown of the workforce shows that most of the employees in the surveyed businesses were women. Of the total 659, 128 employees (that is 20 percent) are men, and 528 (that is 80 percent) are women. In terms of education, the majority of workers have either finished High School or have a Bachelor's Degree. In total, less than 1 percent of workers employed by women entrepreneurs have a PhD, around 4 percent have a Master's Degree, 39 percent have a Bachelor's Degree, the largest share – 51 percent have a High School diploma, 6 percent have completed their primary education, and only 0.2 percent with no education at all.

FIG. 13 NUMBER OF WORKERS AMONG WOMEN-OWNED ENTERPRISES



SOURCE: AUTHORS' CALCULATIONS

FIG. 14 EDUCATION LEVEL OF THE LABOR FORCE



The total number of employees by the surveyed businesses, excluding one large business employing 330 workers, is 656 employees. This gives an average of a little more than 2 workers per businesses. A more detailed breakdown of the workforce shows that most of the employees

in the surveyed businesses were women. Of the total 659, 128 employees (that is 20 percent) are men, and 528 (that is 80 percent) are women. In terms of education, the majority of workers have either finished High School or have a Bachelor's Degree. In total, less than 1 percent of workers employed by women entrepreneurs have a PhD, around 4 percent have a Master's Degree, 39 percent have a Bachelor's Degree, the largest share – 51 percent have a High School diploma, 6 percent have completed their primary education, and only 0.2 percent with no education at all. However, the disproportionately high number of women employed in businesses owned by women does not reflect the same difference in the level of the educational attainment of the staff. A gendered breakdown of the educational attainment shows that the higher the education level, the higher the share of men becomes, even though the number of men employed in these businesses is relatively low. For example, while men consist 20 percent of the total workforce in these businesses, the share of men in workers with primary and high school education is 23 percent and 17 percent respectively. This share is 20 percent for those holding a Bachelor's degree, in line with the share of total employed men. However it jumps to more than double the total share, to 44 percent and 40 percent for those holding a Master's degree and a PhD respectively.

FIG. 15 EDUCATIONAL ATTAINMENT OF THE STAFF BY GENDER

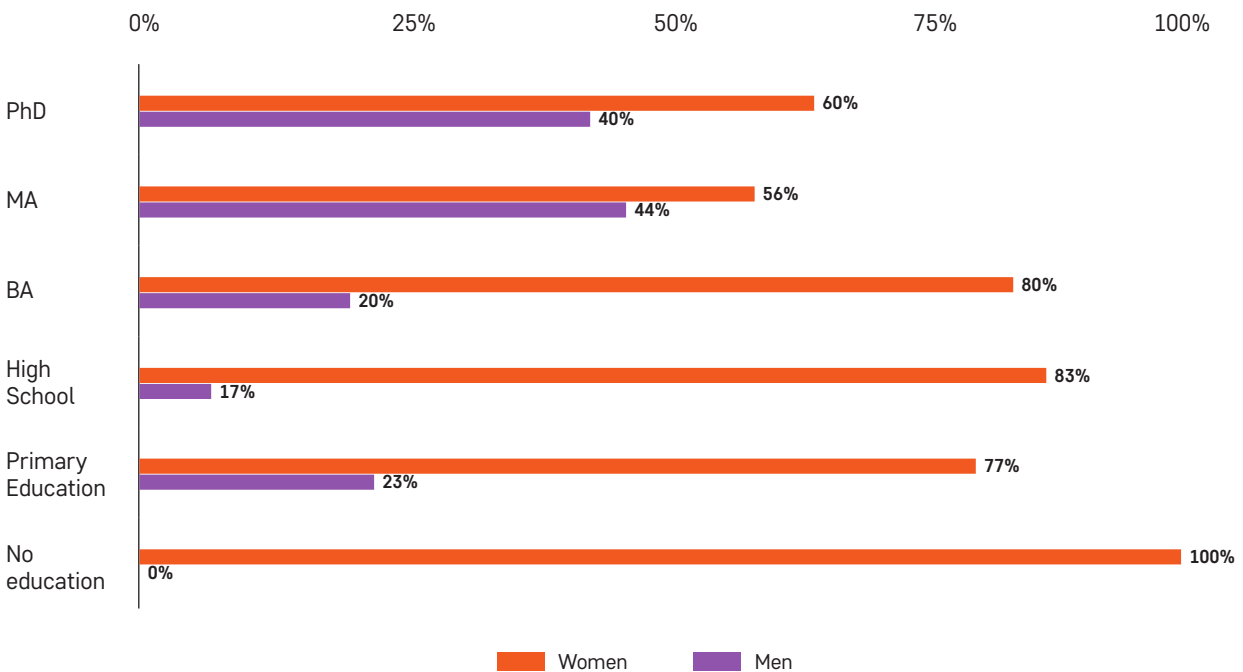
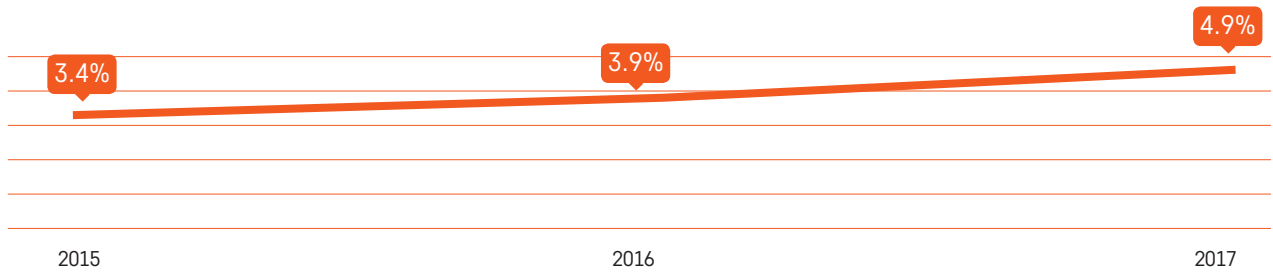
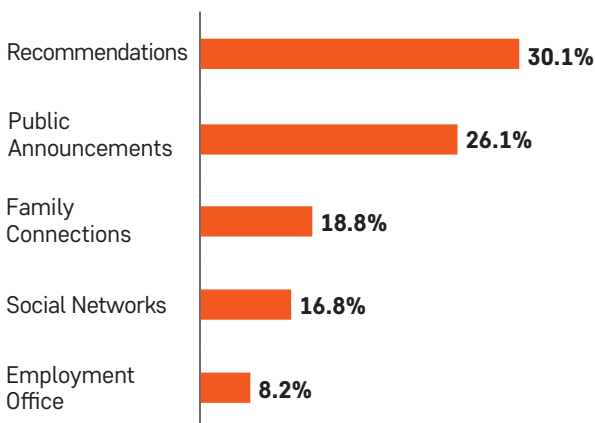


FIG. 16 AVERAGE NUMBER OF EMPLOYEES PER BUSINESS THROUGH THE YEARS



SOURCE: AUTHORS' CALCULATIONS

FIG. 17 METHODS USED FOR HIRING THE WORKFORCE



SOURCE: AUTHORS' CALCULATIONS

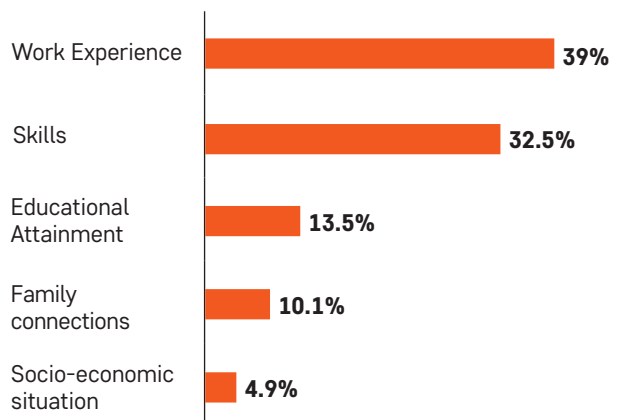
Considering the low number of the labor force women businesses employ, it is important to analyze the employment trends for these businesses through the years. The positive trend shows a growing number of employees in the businesses owned by women in total and on average. However, this increase in the number of workers is mainly as a result of the large and medium businesses hiring, rather than a steady increase across the board.

In terms of methods of hiring their labor force, most women businesses owners rely on recommendations from friends or business partners 30 percent of the time, followed by public announcements 26 percent, and family connections 19 percent. This is similar to businesses owned by men, where the most frequent method of hiring is through recommendations, followed by family connections, with public announcements ranking third. The difference between men and women is the importance placed in family connections for recruitment,

where men show a higher reliance on this method, compared to women.

Apart from the methods used for hiring, women entrepreneurs were asked about the criteria they use for hiring their employees. The most important criteria used was work experience, with 39 percent of women using it as a criteria for hiring their staff, followed by skills as the second most important criteria with 33 percent claiming to use it for hiring staff. Educational attainment has been listed as a criteria in only 13 percent of the cases, followed by family connections with 10 percent. These criteria differ in terms of importance placed in them when compared to men's businesses in Kosovo. For men, the most important criteria when deciding to hire their staff are the severity of the socio-economic situation of those applying for a job, followed by family connections, and educational attainment. The previous work experience of the candidate and their skills are ranked as least important of the criteria.

FIG. 18 MOST IMPORTANT CRITERIA CONSIDERED WHEN HIRING

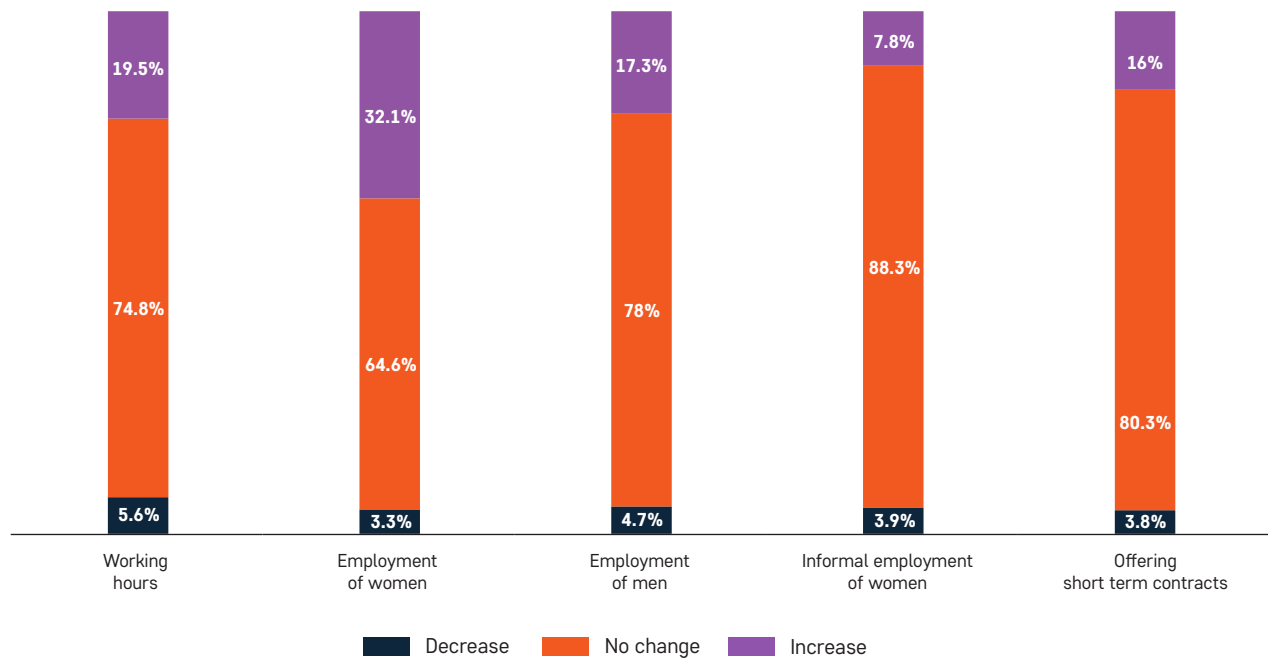


SOURCE: AUTHORS' CALCULATIONS

This shows an important difference between men and women in their hiring practices. The official criteria when applying for a job, such as the experience and the skills the candidate goes a long way with women entrepreneurs, whereas when they are applying for jobs in businesses owned by men, this criteria matters least. With work experience and skills of the workforce playing a major role in the hiring process, women entrepreneurs were also asked to assess the compensation practice of their business, in comparison with competitors. Most of the surveyed women business owners, around 86 percent claimed that the compensation level in their firm was similar to that of competitors, 11 percent believe the compensation is higher, whereas 3 percent believe their competitors pay their staff higher salaries. In assessing the level of satisfaction with the labor force, most of the women appear satisfied with the labor force supply, namely 32 percent of women are very satisfied and another 27 percent are satisfied. Of the rest, 31 percent are neither satisfied or dissatisfied, and only

11 percent are dissatisfied with the quality of the workers in the labor market. This shows a good match between the expectations of women business owners for the labor market and the offer of the labor market, which is also reflected in the assessment of the compensation. However, while compensation plays an important role in the attractiveness of the jobs, it is important to assess the working conditions as per the Law on Labor in these companies. Asked on what level the Law on Labor is respected by their competition, compared to men, women consider it is respected less. Around 6 percent of women believe that the law is not respected at all by their competitors, compared to only 2 percent of men who share the same opinion. Moreover, 12 percent of women believe it is rarely respected and 40 percent believe that the law is somewhat respected, compared to 10 and 32 percent of men respectively. However, 22 percent believe it is respected most of the time, whereas 20 percent believe it is always respected, compared to 18 percent and 26 percent of men respectively.

FIG. 19 THE IMPACT OF THE LAW ON LABOR

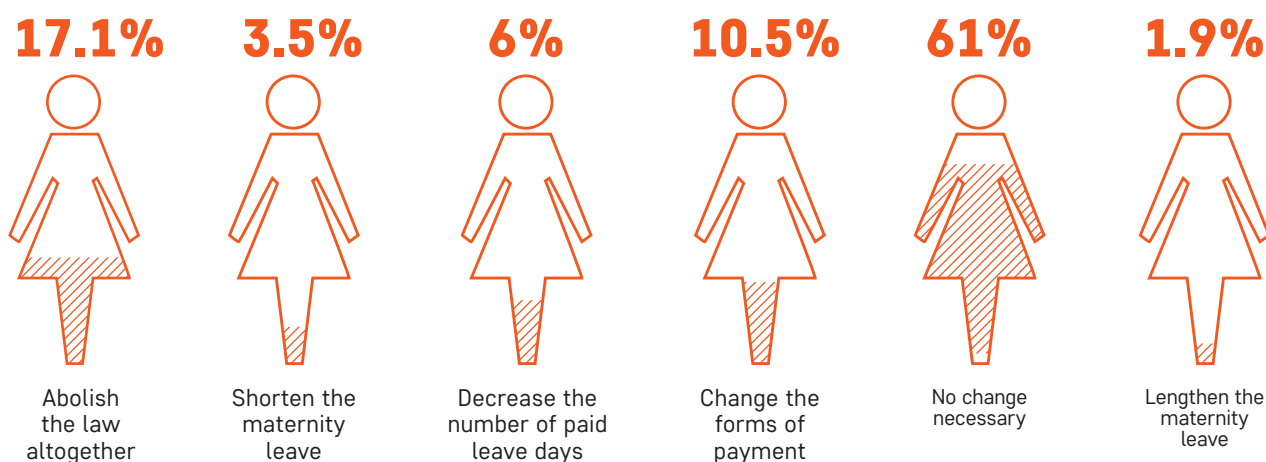


SOURCE: AUTHORS' CALCULATIONS

The Law on Labor, even though considered to be respected at a lower level than desirable, plays an important role in the working conditions in the private sector. Women entrepreneurs in this survey were asked to assess how the Law on Labor has impacted different aspects of businesses in their sector of operation. Most of the women have claimed that the law has not changed any aspects of the work. However, one important thing to note is that 32 percent of women entrepreneurs believe that the Law on Labor has increased the number of women employed in their sector. Another important finding is that 16 percent of women believe that the law has also increased the offer of short term contracts.

Although there are no major changes women believe that the law has imposed on the work conditions, considering there are certain provisions of the law that are currently being amendment, women entrepreneurs were asked to evaluate what should be changed in the law. The majority, two in three women believe there is no need for changes in the law. Of the rest, 17 percent believe the law should be abolished altogether, 10 percent believe that the forms of payment to the employees should be changed, 6 percent would decrease the number of paid leave days, 3 percent would shorten the maternity leave, and 2 percent would in fact extend it.

FIG. 20 SUGGESTED CHANGES TO THE LAW ON LABOR



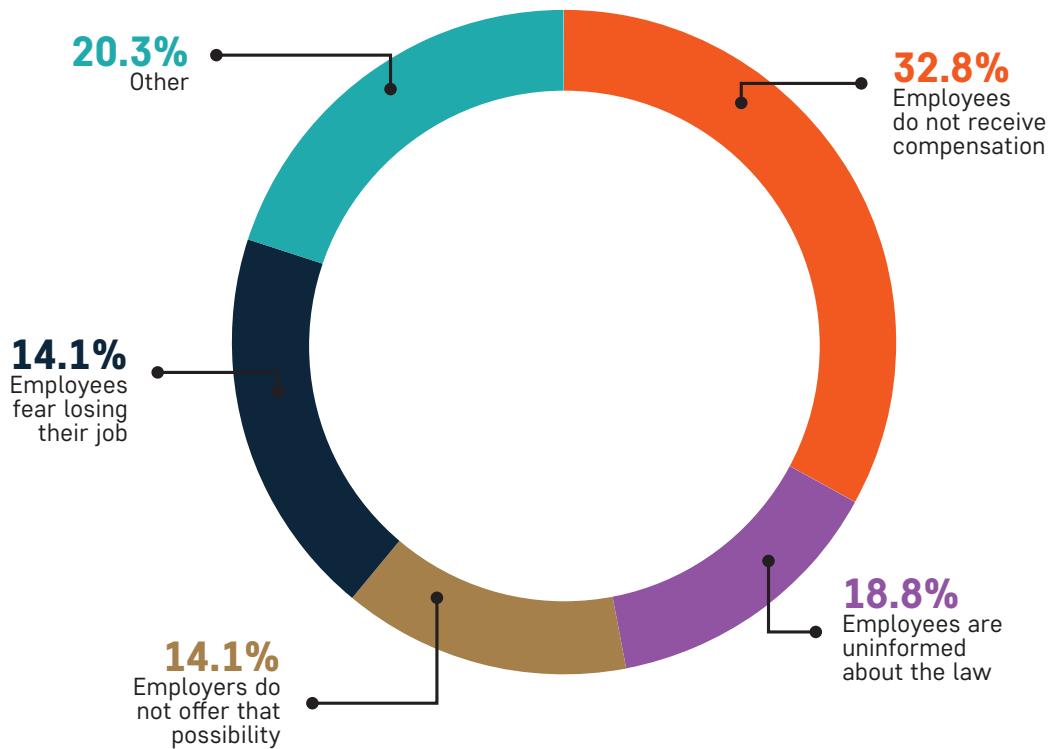
SOURCE: AUTHORS' CALCULATIONS

One of the most important issues being amended in the Law on Labor is the provision on the maternity leave, which is in the process of being amended to provide a more gender-equal legal basis for parents to take their leave. One important step in this is changes in the length of the maternity leave, such that they accommodate the potential for parental and paternal leave. The current provision foresees a 12-month maternity leave for mothers, of which 6 are paid by the employer, 3 are paid by the state, and 3 months are offered without pay. The expectations of women entrepreneurs is important in this aspect, given the fact that they are impacted by both sides of the issue – being women who have or potentially can take maternity leave, and at the same time, employers who have to provide the leave to their staff. Asked what they believed the length of the leave should be, on average, they believed that it should be around 7 months 2 weeks.

In cross reference with the time employed women spent on maternity leave, who were surveyed by Riinvest Institute in

a previous study, there is a match, since women employed in the private sector, across Kosovo spend, on average 7 months 3 weeks in maternity leave. However, in terms of implementation of the maternity leave provisions, around 64 percent of the surveyed women businesses owners believe that workers employed by their competition do not take maternity leave as per the law. Only 37 percent believe they do take maternity leave, with an average duration of 7 months. The women business owners who claimed that those employed by their competitors do not take the maternity leave, were asked to give assessments of why this is the case. The most frequent issues arising were the fact that maternity leave is not paid, the lack of information of employees about the legal provisions on maternity leave, and the rest include the fact that the workers are worried to lose their job, and that the employers do not offer such a possibility to their staff. This is worrying, considering that it shows a clear lack of respecting the Law on Labor, which leads to an unfair treatment towards employed women.

FIG. 21 REASONS EMPLOYEES DO NOT TAKE MATERNITY LEAVE



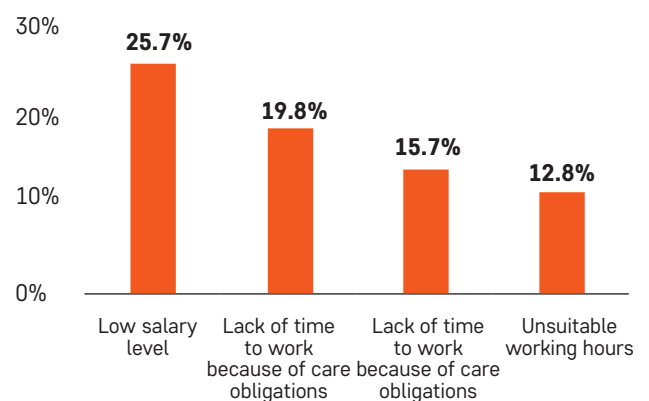
SOURCE: AUTHORS' CALCULATIONS

However, even with the low level of belief that their competition allows their staff to take maternity leave, more than 86 percent of women entrepreneurs believe that the law should in fact guarantee paternity leave for fathers. The remaining 14 percent do not agree. The high level of agreeableness by women entrepreneurs to grant fathers paternity leave shows a positive step towards making these changes a reality. Moreover, four out of five women entrepreneurs have expressed readiness to compensate men for the paternity leave. In fact, one of the surveyed businesses owners has taken an own initiative in offering paid paternity leave to their staff, albeit it is still not foreseen by the law.

In line with the working conditions their businesses offer, women entrepreneurs were asked on the reasons why women workers quit their jobs in businesses similar to theirs. In line with the biggest workplace barrier ranked by employed women – low salary level, women entrepreneurs believe that is the number one reason why women leave their jobs in similar businesses. This is followed by the lack of time to work for women due to their family caring obligations, irregular compensation payments, and the lack of a flexible work schedule – all barriers that are considered problematic by employed

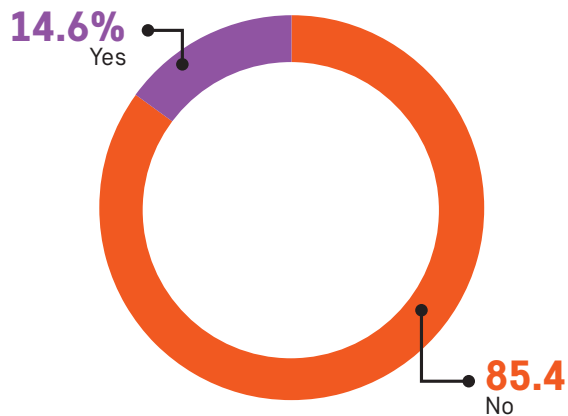
women as well. Moreover, one of the most problematic issues women face when working in the private sector – the lack of long term contracts – is clear in this survey as well, where the average length of the contracts in businesses owned by women is less than a year.

FIG. 22 MOST COMMON REASONS WOMEN QUIT THEIR JOBS



SOURCE: AUTHORS' CALCULATIONS

FIG. 23 SHARE OF WOMEN WHO TOOK LOANS IN 2016



SOURCE: AUTHORS' CALCULATIONS

3.4. Financing

Kosovar businesses among many other challenges face difficulties in terms of business financing. Consequently, the financing of Kosovo businesses has been supported either by the family, our diaspora through remittances, or financial support from donors. Since the majority of Kosovo's enterprises are micro and small, their capacities are limited as well. The portfolio for micro and small enterprises of Kosovo commercial banks is limited, part of which may be explained considering the low level of investment in women-owned businesses, especially capital investments that require higher level of financial commitment. Moreover, the relatively high interest rates, have led businesses to seek alternative and less costly financing opportunities for their businesses, such as advances from family and friends.

Data from this survey have shown that women owned businesses rarely seek financing for their businesses through loans. While there are several reasons behind this, the main obstacle is the cost of financing. Only about 15 percent of the interviewed enterprises confirmed that during 2016 they applied for and obtained loans from commercial banks in Kosovo. As it has been previously stated by relevant institutions in Kosovo, another problematic issue is still the lack of financing start-ups by banks. Kosovo enterprises still have to consider other financing sources when they enter a market. Another problematic issue is the lack of support from relevant governmental institutions for start-ups and motivating women to develop a successful and sustainable business.

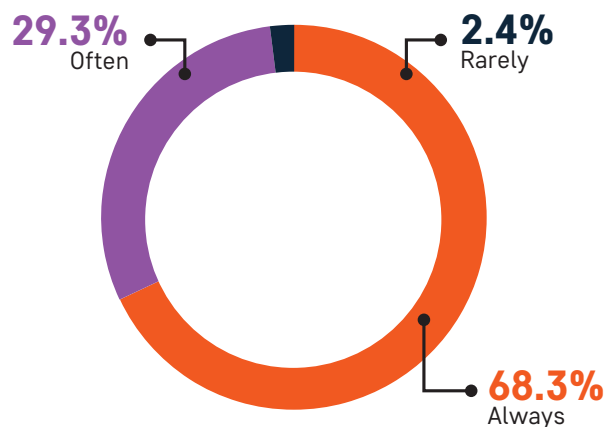
Despite the fact that all Kosovo businesses face problems with cash flow and financial stability, the results of this survey provide insights into specific financing issues

women face. About 85 percent of businesses surveyed in this study have not made use of the possibility of obtaining loans from commercial banks. Thus, women owned enterprises represent only a symbolic share of loan applications.

The sectors and the size in which women's businesses operate, in the majority of cases, do not require substantial investments beyond the initial capital of starting the business. Thus one explanatory variable for the low number of loan applications by women business owners appears to be the size of the firm, another factor is the sector of operation. Moreover, the size of the firm also suggests women's reluctance to apply for a loan, considering the higher probability of refusal due to a higher perceived risk of loaning to micro businesses. The importance of good credit rating when doing business may influence a risk-averse approach of women entrepreneurs when applying for loans. These possible explanations to the low number of women entrepreneurs applying for loans, combined with their potential risk-aversion, results in a self-selective process of women who end up receiving loans. A considerably high number (68 percent) of women entrepreneurs who claim they always manage to pay their bank installments on time suggests this as well. On the other side only about 2 percent of the enterprises participating in the survey highlighted difficulties in paying loan installment on time.

Despite the fact that there is a very small number of loan applications from women entrepreneurs, only around 7 percent of those participating in this survey have declared that their applications were in fact rejected by the banks.

FIG. 24 FREQUENCY OF PAYING BANK INSTALLMENTS ON TIME



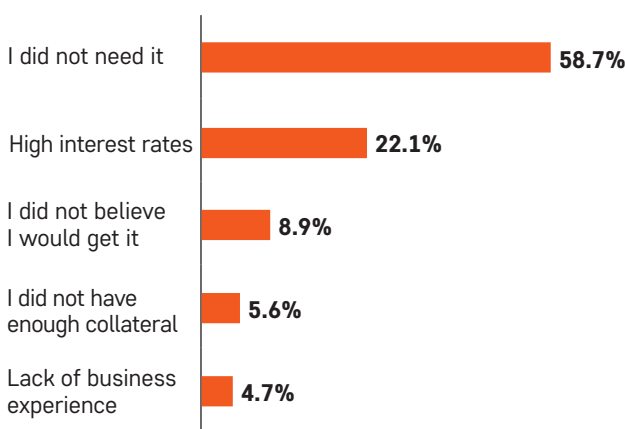
SOURCE: AUTHORS' CALCULATIONS

Excluding the cases when the entrepreneurs did not need a loan (59 percent), among the reasons they did not apply for loans is the high interest rate (22 percent). Lack of confidence is the second reason for not applying for a loan, specifically 9 percent of women entrepreneurs said they did not believe their application will be approved; around 6 percent of them did not have enough collateral and around 5 percent said they lack business experience. The cost of bank financing, more specifically the rigorous criteria of commercial banks on covering the loan risk, plays a major role in the low level of financing through commercial banks for women entrepreneurs.

The situation is similar when it comes to financial support schemes, grants and subsidies either from banks, government, or donors. Only around 15 percent of the interviewed enterprises have applied for the above mentioned financial support opportunities. Of those who have applied for and have benefited from financial support schemes either from the government, donor organizations, or banks, the majority (89 percent) highlighted the positive impact of the grants in their businesses.

Around 85 percent of the surveyed women entrepreneurs stated that they have not applied for any financial support schemes. Lack of information about such opportunities is ranked as the foremost reasons for not applying (60 percent), followed by lack of trust in such schemes (26 percent) and lack of necessary documentation to complete the application (5 percent).

FIG. 25 REASONS FOR NOT APPLYING FOR COMMERCIAL LOANS

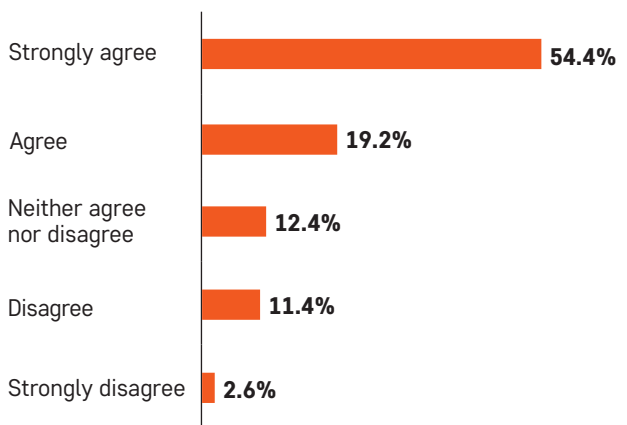


SOURCE: AUTHORS' CALCULATIONS

3.5. Fiscal related issues

Despite various attempts at improving the business environment in Kosovo, as well as the commitment of institutions in gender equality, women in Kosovo still face gender-specific barriers in running a business. As can be seen from Figure 26, the perception of the women owned enterprises on discrimination by the legal framework in Kosovo is very low. More than half of the women entrepreneurs surveyed have stated that they fully agree with the statement “the legal system treats me as a woman business owner the same as a man business owner”. Only around 3 percent of women hold a strong conviction that the Kosovo legal system is discriminatory towards women.

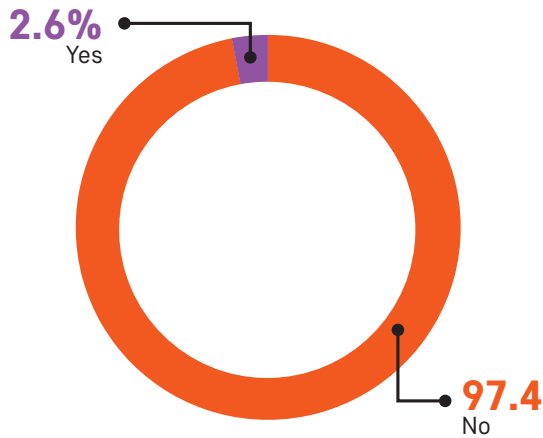
FIG. 26 AGREEMENT WITH “THE LEGAL SYSTEM TREATS ME AS A WOMAN BUSINESS OWNER THE SAME AS A MAN BUSINESS OWNER”



SOURCE: AUTHORS' CALCULATIONS

“For women-owned businesses the median level of reported sales is 60%, compared to 70% for businesses owned by men”

FIG. 27 HAVE YOU EVER BEEN ASKED FOR A BRIBE BY INSTITUTIONAL OFFICIALS?

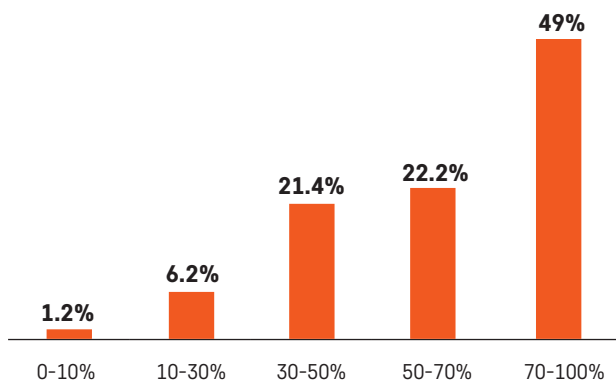


SOURCE: AUTHORS' CALCULATIONS

Given that corruption and fiscal evasion are sensitive issues, this survey has used the method of indirectly asking the entrepreneurs to assess the questions pertaining to these issues, through questions regarding competing firms in their line of business. This method has proven to be the most appropriate to obtain information from companies that provides a realistic overview of the situation.

As a phenomenon hindering business development and growth, corruption impacts women and men alike. Around 39 percent of the women stated that corruptive activities such as giving gifts and illegal payments are part of their day to day operations. Based on assessments from the business community these favors are requested by customs officials, representatives of the tax administration and public agencies usually when dealing with licensing or standardization.

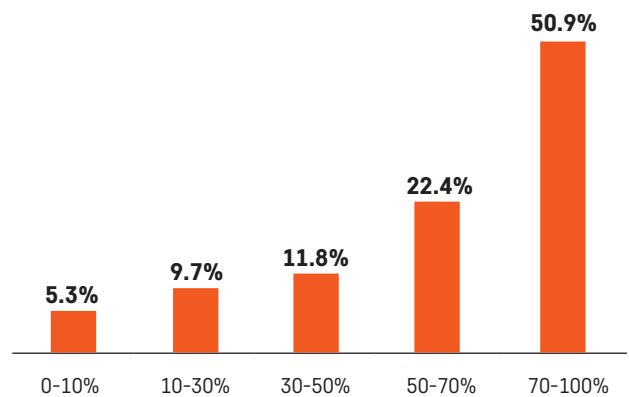
FIG. 28 THE PERCENTAGE OF SALES DECLARED FOR TAX PURPOSES



SOURCE: AUTHORS' CALCULATIONS

Only a small share of enterprises (3 percent) claim they were directly asked for bribes by official authorities. About 97 percent of the women surveyed claim they have never been asked for a bribe. This, however, is controversial, considering the fact that around 39 percent of women claim corruption negatively influences their businesses. There are three possible explanations to this: a) either businesses do not talk openly about corruption, especially corruption involving them directly, therefore coming to terms with corruption as a way of doing business; b) corruption as an instrument is helping them be more competitive, eliminating barriers, accelerating procedures, or improving their market position; or c) there is a high level of corruption perception, often fueled by media and public statements.

FIG. 29 THE PERCENTAGE OF EMPLOYEES DECLARED FOR TAX PURPOSES

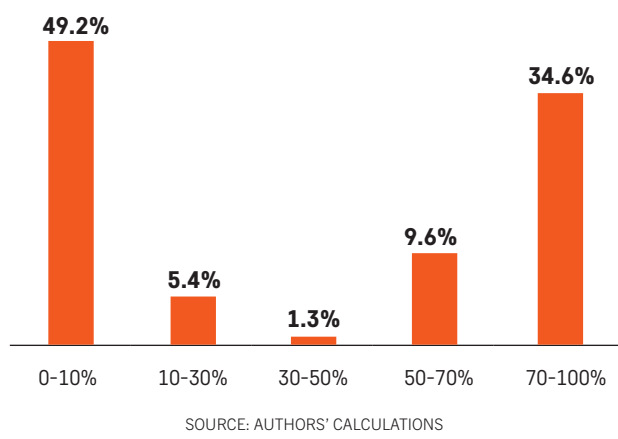


SOURCE: AUTHORS' CALCULATIONS

When asked to assess the percentage of annual sales a competing firm declares for tax purposes, 49 percent of the interviewed women business owners believe that their competitors declare between 70 percent and 100 percent of their annual sales. Of the rest, 22 percent believe competitors declare between 50 and 70 percent of their sales. What is notable is the fact that only 1 percent of the surveyed women entrepreneurs think their competitors declare none to 10 percent of their sales. Compared to their male counterparts, women business owners appear to declare less of their sales for tax purposes, by around 10 percentage points. A similar situation is assessed in terms of declaring the employees. Around 51 percent believe that firms in their sector declare between 70 and 100 percent of their employees, 22 percent think competing firms declare somewhere between 50 and 70 percent of their employees to the Tax Administration, whereas 5 percent believe that only up to 10 percent of the employees are declared by their competition. In this respect as well, women business owners declare less of their employees for tax purposes, by around 10 percentage points, compared to men.

Regarding salary payments through banking services, about 35 percent of the women business owners stated that 70 to 100 percent of their employees are paid through bank transactions. On the other hand, more than 49 percent of women entrepreneurs, admitted that the monthly compensation are made through banking for only up to 10 percent of their employees, highlighting a high level of informality in the labor market.

FIG. 30 THE PERCENTAGE OF EMPLOYEE SALARIES PAID THROUGH BANKING



3.6. Barriers to doing business

In Kosovo, the societal prejudice is inherently one of the main factors that discourage women to engage in doing business, especially women living and operating in rural areas. However, specific barriers that impact the business community in general in Kosovo, and women in particular, need to be assessed in detail to have a better understanding of the issues. This section provides an analysis of the barriers as ranked by women business-owners in Kosovo.

In order to identify barriers, the survey with 313 women business representatives across Kosovo has tried to test the severity of 27 potential barriers to women owned-business start-ups and business development. Surveyed women business owners were asked to evaluate these barriers in terms of intensity. The intensity for each barrier may vary from a minimum of 20 to a maximum of 100, where high intensity indicates a higher level of negative impact of the barrier on businesses.

The top three ranked barriers by women surveyed are tax rates, small market, as well as administrative burden, all three with an intensity above 50. More specifically, to include a comparative basis for barriers among themselves, as well as with those as ranked by men business owners,

the barriers will be grouped into Fiscal Barriers, Financial Barriers, Market Barriers, Barriers pertaining to Informality, and barriers specific to women-owned businesses.

3.6.1 Fiscal barriers

Fiscal barriers include tax rates, the efficacy of the tax administration, and Kosovo customs – that is high customs rates. The barrier ranked as most problematic by women, overall, is the high tax rates, with an intensity of 55.6. This barrier is considered among the highest by men business owners as well, ranked with an intensity of 57.3. The efficacy of the tax administration is considered problematic with an intensity of 41.4 by women, compared to 53.8 intensity points by men. Finally, Kosovo customs, are ranked with an intensity of 35.0 by women, compared to 47.0 intensity points by men.

3.6.2 Financial barriers

Barriers in this grouping include administrative burden, cost of financing, access to credit, and collection of debt. Of these, women have ranked administrative burden highest with 51.0 intensity points. This barrier is considered more problematic by men business owners, with an intensity of 54.3. The second highest barrier in this group is the cost of financing, with an intensity level of 45.8 for women business owners, compared to a high 56.8 for men. Furthermore, access to credit and collection of debt, are ranked with 40.2 and 39.6 intensity points by women. Both these barriers are considered as a bigger problem by men.

3.6.3 Market barriers

Barriers included in this grouping are the small market size – that is low local demand, access to new markets, access to raw materials and equipment, as well as access to information and business services. The small market size in Kosovo, which results in low local demand for goods and services is considered one of the highest barriers by business owners across the board. For women business owners, this barrier is ranked with an intensity of 52.6 (second highest barrier), the same barrier is considered as the highest hindrance to doing business by men, with an intensity of 61.3. It is important to state that this barrier, itself, cannot be improved, since the market size in Kosovo remains similar across years, however, one way to deal with the low demand is to export and access new markets. Nonetheless, access to new markets is also considered a problem by women business owners, ranked with an intensity of 46.4. In terms of ensuring raw materials and equipment, women rank access to them as a barrier with an intensity of 42.0, a ranking similar to men. Finally, women consider access to information and business services as a relatively low barrier, with an intensity of 34.0.

3.6.4 Barriers pertaining to unfair competition

Considering the high level of perception on informality in Kosovo, it is important to analyze the perception of businesses in Kosovo to specific barriers in this grouping. These barriers include fiscal evasion and informality, corruption, as well as racketeering. Women business owners consider fiscal evasion and informality – including unfair competition, as a whole, a relatively problematic barrier, ranked with 44.8 intensity points, compared to a high 57.0 intensity by men. Corruption, for women business owners, ranks on the lower scale of barriers, with only 36.6 points. For men, this barrier is second highest overall, with 58.9 intensity points. Finally, racketeering, as a barrier is ranked the lowest by women, with an intensity level of 33.4, compared to 47.3 for men. These discrepancies in ranking barriers in this grouping between men and women show two important differences between these businesses. First, women are owners of smaller businesses, which rarely, if ever, engage in bids for public procurement or seek exporting opportunities, where they are more likely to be exposed to these barriers. Second, in line with literature and expectations, women seem to be less likely to engage in unfair business practices themselves, thus impacting their general perception on these issues as well.

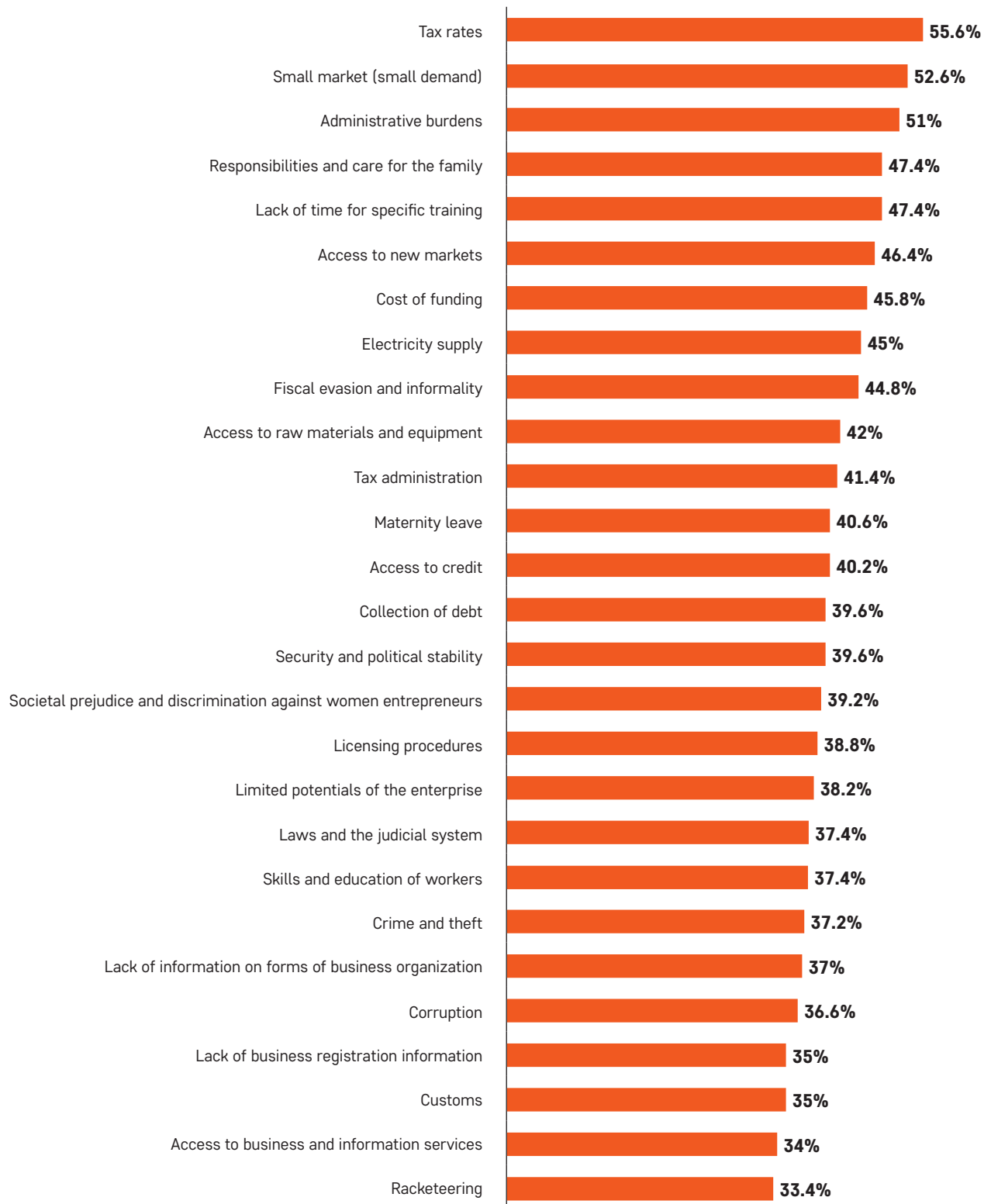
3.6.5 Barriers specific to women-owned businesses

Apart from general doing business barriers women face, they are also hindered with specific problems stemming from socio-cultural norms in Kosovo. To assess additional barriers for women in the market, they were surveyed on issues that often impact women specifically, that is time constraints due to family and care responsibilities, lack of time to attend specific trainings, maternity leave, as well as societal prejudice and gender discrimination. The highest ranked barrier in this category, as well as the joint fourth highest barrier overall, is the constraints women face in engaging in business practices due to the responsibilities of caring for family, with an intensity of 47.4. Following this, the lack of time to attend specific trainings, is also ranked joint fourth highest, with the same intensity. Maternity leave presents a relatively problematic barrier for women, with an intensity of 40.6. Lastly, societal prejudice and gender discrimination has an intensity of 39.2. Having in mind that running a business requires engagement beyond regular working hours, as well as considering the findings from Riinvest's previous study which found that women holding a full time job spend 3 additional hours working at home, shows that time poverty often impacts women in their pursuit for economic empowerment. However, the moderate intensity assigned to all of these four barriers, shows that even though faced with such burdens, women still persist in their economic engagements.



The top three barriers to doing business for women entrepreneurs are tax rates, small market, as well as administrative burden

FIG. 31 BARRIERS TO DOING BUSINESS



SOURCE: AUTHORS' CALCULATIONS

3.7. Socio-cultural aspects of being a woman entrepreneur

Considering the socio-cultural mindset in Kosovo, women entrepreneurs face additional barriers in navigating a market that is dominated by men. To see the extent to which these social and cultural expectations have impacted their business, women entrepreneurs were asked questions on their role in the market, their relations with partners and other business associates, as well as in terms of the social and family support they have received.

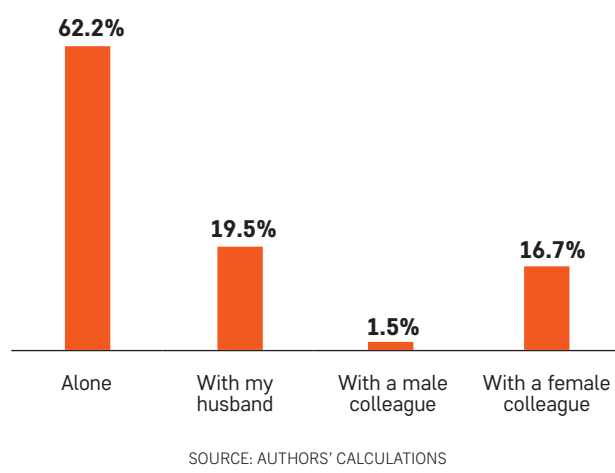
In developing countries, especially, when it comes to business negotiations and meetings with outside parties, due to the considerable lack of respect, women are often reluctant to attend meetings and make deals alone, since the counterparties they encounter often fail to take them seriously. To assess this in Kosovo, women entrepreneurs were asked to respond on whether they attend meetings alone or with someone, be it meetings with relevant institutions, or business counterparts. The answers to both these questions yield same results. The majority of women, namely 62 percent go to these meetings alone, around 20 percent go with their husbands, and roughly 17 percent take a female colleague with them.

Although a higher number of women attend these meetings alone, the high number of women who go to these meetings with their husband remains problematic, since it may suggest to be a product of the expectations that the counterparties have when dealing with women entrepreneurs but even more so, it is a deeply rooted conviction that in this sample 1 in 5 women believe they need to have the support of their husbands to conduct business meetings.

Furthermore, 93 percent of these businesses are not part of any business association or chamber of commerce. Of those that are part of such structures, they are mostly members of specialized associations – those pertaining to their specific business activity.

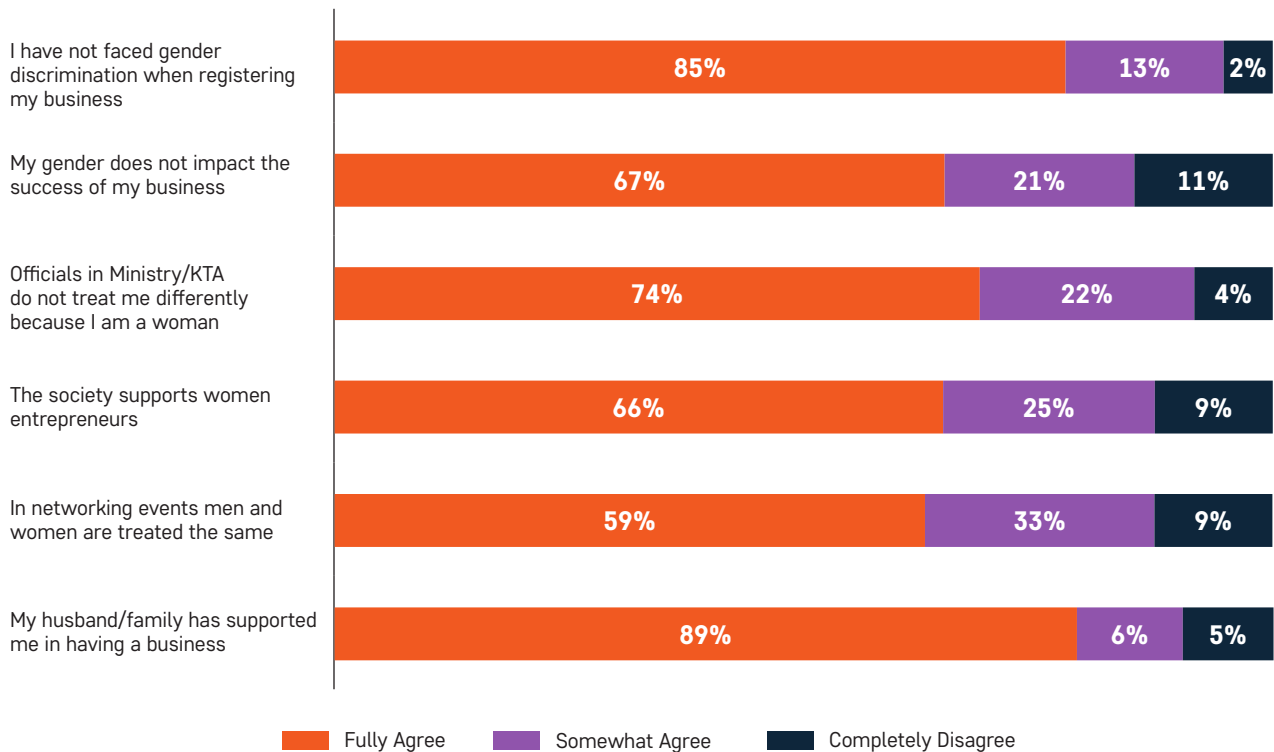
To further assess the societal barriers women face in the business sector, they were asked to respond on potential discriminatory actions they face. The overall responses provide a closer look into the situation as perceived by women entrepreneurs. Of the surveyed women, an overwhelming 89 percent claim that they have had the support of their husband and family in opening their own business. During the registering phase and the interaction with ministry and TAK officials, 85 percent and 74 percent of women respectively claim they did not face any discrimination. When it comes to the societal support, two in three women agree with the statement that the society supports women entrepreneurs. A similar share of women (that is 67 percent) also believe that their gender does not impact the success of their business. Moreover, when it comes to networking and similar events, around 60 percent of women agree, at least to some extent, that men and women are treated equally. This however, may result from the fact that they are already established entrepreneurs who have overcome at least the initial barriers of having a business.

FIG. 32 ATTENDING MEETINGS



“ An overwhelming 89% of women entrepreneurs claim that they have had the support of their family in opening their own business

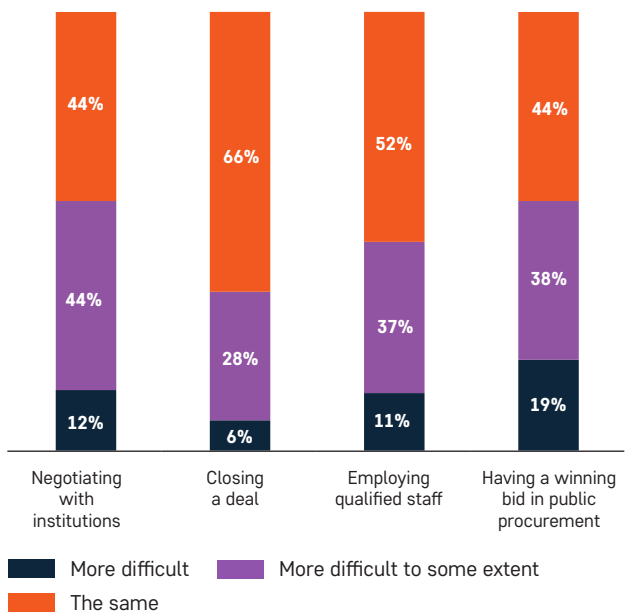
FIG. 33 LEVEL OF AGREEMENT WITH THE FOLLOWING STATEMENTS



SOURCE: AUTHORS' CALCULATIONS

Apart from the general obstacles, women were also asked on issues specifically hindering them compared to their male counterparts. Special focus has been put on issues pertaining to the doing business practices that aid in business growth. In this sense, women are less positive in their assessment. More specifically, one in three women believe to at least some extent that they have more difficulties to negotiate with institutions and submit winning bids in public procurement, compared to their male counterparts. One in two women believe it is more difficult for them to close a business deal. Whereas one in three women believes that at least to a certain extent, it is more difficult for them to hire qualified staff. The perception in these issues results from direct experience in the market, showing that women often are disadvantaged in practical issues of doing business.

FIG. 34 LEVEL OF DIFFICULTY IN BUSINESS PRACTICES COMPARED TO MEN



SOURCE: AUTHORS' CALCULATIONS

Nonetheless, business growth also incurs some risk taking in itself, something that often is claimed women are reluctant to do. To assess this, the questionnaire posed the question to the women entrepreneurs themselves. Of the surveyed women, 35 percent completely disagree that women do not take risks, 43 percent agree to at least some extent, and the remaining 22 percent in fact fully agree. This reflects an interesting stance considering the fact that these women are business owners themselves, ones that have taken at least the risk of entering the business world as an entrepreneur.

However, despite the hindrances, most women (87 percent) claim they have the full support of their family when they have to fully dedicate their time to the business, whereas the remaining claim that they have the support when the time allows them. No women have disagreed with the statement that their family supports them when needed. This shows a positive sign of support that starts at the family level. However, the support of the family has mainly come in terms of moral support. Of the surveyed women, 67 percent (that is 2 in 3 women) have not received or expect to receive any inheritance. And of those who have claimed that they have either received or expect to receive, most of them are younger in age, meaning that there is a high probability that this stems from the expectation of inheritance.

In terms of barriers faced at the onset of their business, the highest number of women claimed that they faced no obstacles – namely 44 percent of the surveyed women. Of those who have faced obstacles, 25 percent claimed that the main obstacle was related to finding the financial capital, whereas another 13 percent have had trouble balancing their personal and professional lives. Only 2 percent of the surveyed women have faced obstacles related to their gender.

Businesses surveyed were asked to indicate their trust in these institutions on an intensity scale from 20 to 100 where 20 means low intensity and consequently low confidence. Assessing the confidence level on institutions, both local and central, women and men share differing opinions. Women appear to be a little more trusting towards the institutions and significantly more trusting towards their staff. Women and men place similar levels of trust on most institutions. Two differences are notable, one is the fact that women trust courts more than they trust the central government, while the opposite is true for men. Another difference is the trust placed on buyers and suppliers, where women trust buyers incrementally more than suppliers, while the contrary is true for men. The highest divergence between men and women is in the trust placed on the staff, with women ranking the trust on their staff at 92.9 intensity points, com-

FIG. 35 MAIN OBSTACLES FACE WHEN STARTING A BUSINESS



SOURCE: AUTHORS' CALCULATIONS

pared to men at 85.2. The gap is smallest when it comes to the trust placed on the central government, where women trust the government less than one percentage point more than men.

It is clear that women and men, similarly, apart from their staff, trust those they do business with (buyers and suppliers) more than any institution. In this scale, women and men business owners, place moderate trust in the KTA, customs, and inspectorates, still, higher trust than on the judicial and executive institutions. One notable difference is evident in a regional comparison, where the trust placed on the local government differs greatly depending on the municipalities where the businesses operate. This is true for both men and women.

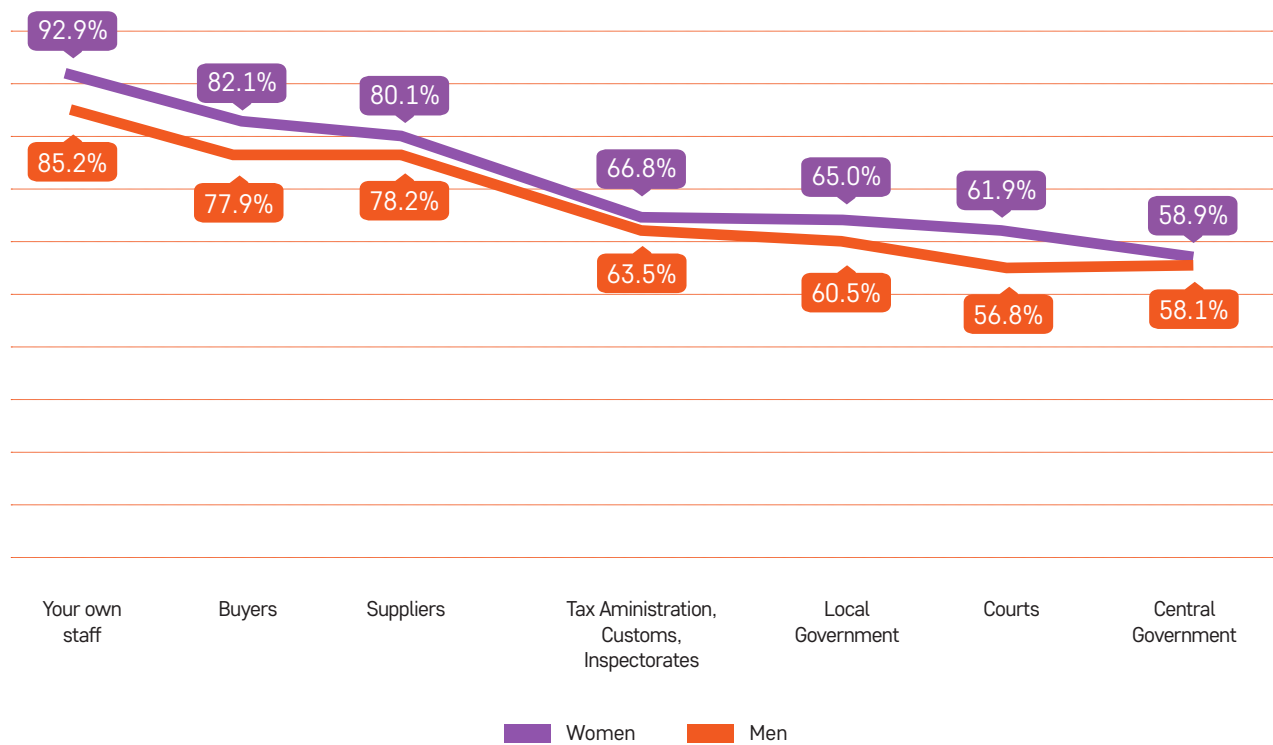
“ 2 in 3 women entrepreneurs have not received nor expect to receive any inheritance, despite family support for opening a business”

Apart from dealing with institutions, women entrepreneurs were asked to assess the relationship they have with male counterparts. The approach of men business owners in their relationship with their female counterparts in general, and more specifically in terms of negotiations or cooperation between businesses, provide the basis for understanding the gender relations in the market. When asked what the approach of their male counterparts was towards them in general, the majority of women, 72 percent, claim it is equal, and another 18 percent claim it in fact is supportive.

However, 10 percent of women feel discriminated against by their male counterparts when dealing with official business. Specifically, when doing business deals, women entrepreneurs believe that their negotiating power is equal to that of men in 78 percent of the cases. As for the rest, an equal number of women believe their negotiating power is lower or higher, at 11 percent each.

Finally, when asked whether their male counterparts hesitate to cooperate with them in business deals, only 15 percent of women said yes, the rest, that is 85 percent, claimed this was not the case. Of those who believe their male counterparts hesitate to cooperate, the highest number of women believe the reason is the fact that men do not consider women able to do business, or that they hesitate to work with women since they have not had prior experience in this, at 35 and 31 percent respectively. The rest, 24 percent of women give the reason that in general, men trust men more than they do women, thus preferring to work with them, and only 10 percent believe that this hesitation for cooperation is a result of their own lack of experience in business. Thus, even though the number of women who have experienced men hesitating to cooperate with them is relatively low, the reasons behind this hesitation show a problematic mindset in the market in Kosovo. The perception that women do not know how to do business needs to change, so that women are encouraged to not only do business but in fact grow their business and add to the Kosovo economy.

FIG. 36 TRUST IN INSTITUTIONS



SOURCE: AUTHORS' CALCULATIONS

CONCLUSION AND RECOMMENDATIONS

This report provides an in-depth view of women entrepreneurs in Kosovo through the analysis of the data collected from 313 women-owned businesses. While the findings of the report give interesting insights to the current state of women-run businesses, the report also provides leads to guide future research on the topic. More specifically, analysis and recommendations for policy initiatives, support programs, and awareness raising campaigns, which have emerged from this report, will be advocated for in the future. One of the most important aims of this report is building the basis which will foster an encouraging environment for women's entrepreneurship in Kosovo, giving both women and policy makers the research-based knowledge to do so.

Women's empowerment is a close function of their economic empowerment, be it in terms of employment (as was found in Riinvest's previous research) or in terms of entrepreneurship. Albeit women in Kosovo represent only a fraction of the business owners, this report shows that their businesses are an integral part of the socio-economic structure in Kosovo. Findings of the survey show that women businesses owners have a relatively low turnover, are concentrated in low value-added sectors, and employ fairly little number of workers. However, the upside to this, is the fact that the majority of women have started their business themselves, relying on their own equity, motivated predominantly by the income to be received by such ventures, and despite challenges faced show determination in advancing their business.

The report also provides comparisons with men-owned businesses from previous Riinvest studies, which show interesting differences as well as similarities between men and women. Most notably is the approach they have

towards the labor force and their staff. Women invest almost twice as much as men in human capital and use more standard criteria when hiring staff, such as work experience and skills. On the other hand, women and men have similar attitudes towards institutions, putting less trust in public institutions, and more in their own staff and those who they do business with.

In terms of evaluating barriers they face while doing business, women, in general, assign lower intensity to all barriers, compared to men. While for women tax rates are considered the highest barrier, men rank this barrier only in their top five. However, for both, women and men, small markets are considered problematic (women rank it 3rd, men rank it 1st). A major difference between women and men is in their perception of corruption as a barrier to doing business. For men this is the second highest barrier they face, whereas for women is one of the lowest considered barriers.

With special focus on women's stances on the maternity leave provisions in the Law on Labor, this report provides evidence that a vast majority of women business owners believe that the law should guarantee paternity leave for fathers as well. In their capacity as employers, around 80 percent of women express readiness to compensate their male employees for the paternity leave.

Using survey data and literature analysis, the report provides insights to facilitate an evidence-based policy-making process which aids in creating a supportive environment benefiting entrepreneurs, especially women business owners, in all phases of their businesses, be it young start-ups, or established.

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