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COMUNICA
online

Inter-American Institute for Cooperation on Agriculture

Fourth Edition / 1st Year / Second Stage
October - December, 2005
ISSN 1814-0939



**Gender
Equity in
Micro and
Small Rural
Enterprises**



Inter-American Institute for Cooperation on Agriculture

Gender equity in micro and small rural enterprises

Gender equity is an imperative in promoting small-scale entrepreneurial social capital in the rural milieu.

Melania Portilla R.

Specialist in Rural Development, Directorate of Rural Development, IICA¹



The strengthening of micro and small rural enterprises (MYPES) and programs to provide access to production assets have traditionally been considered two key strategies to achieve development and fight poverty in Latin America and the Caribbean (LAC). Although the pursuit of this dual purpose is fraught with ambiguities and contributions, a look at the working agendas of public and private institutions in the countries confirms that these strategies have nonetheless prevailed. As a matter of fact, they

have become even more widespread in recent years. In fact, 2005 was declared the international year of micro-credit².

The main question that is tackled in this document is: what should be the direction of the investments and policies in support of MYPES to ensure that they transcend the dubious impact noted thus far? What is more, can a significant impact be achieved if we move towards management policies, strategies and investments that are defined on the basis of the demands and reality of this heterogeneous and complex sector, which shows, nonetheless, great potential?

In recent years, there have been many challenges that point to the need to go beyond the traditional approach to promoting rural MYPES. Typically, in this approach enterprises are conceived as ends in themselves and are defined in terms of their economic profitability and their internal performance, with a “male-oriented” image of the entrepreneur as regards values that are overwhelmingly associated with the socialization of males: they are competitive, risk takers and are knowledgeable about the business environment. In this context, micro-ventures and rural businesses fall into a sort of natural selection process where those who fulfill certain technical criteria (that is to say, they are better trained, have more schooling, social connections, influence and human capital) and who have their own production assets will have a competitive edge. The rest, unfortunately the

¹ Valuable support was received from Pedro Avendaño and feedback was received from Milagro Sabofio Espinoza for the preparation of this document.

² Nowadays microcredit is embedded in the broad framework of microfinances. These include a range of instruments beyond credit, such as secured funds, risk prevention, leasing mechanisms, etc. The term microfinance became widespread in the eighties when the aim was to break with the subsidized rural credit system. Notwithstanding, in practice, the old separation between technical assistance and access to financial assets as different and not necessarily concurrent sectors has prevailed.



A key feature of the development of ventures and mypes in rural areas in LAC is that the mypes continue to have fundamental importance.

majority, will be in the informal sector, self-employed, generating their own income, or else, just trying to get by. In any event, they will be in low-caliber jobs that have no social protection, where women, basically go in and out (Arroyo, J y M Nebelung, 2002).

Certain traits which suggest the need to reflect on the importance of adopting a new approach to this small-scale social capital in rural areas are: a. The implications of the predominance, heterogeneity and multi-functionality of MYPES in rural life; b. The implications of the significant presence of women in rural MYPES and the trends towards increased participation by women in the management of rural businesses, especially in non-agricultural activities. c. The implications for a new model of support to the small-scale rural entrepreneur that takes these aspects as well as territorial characteristics into account.

Presence, heterogeneity and multi-functionality of rural MYPES

The Inter-American Development Bank (IADB) estimates that 80% of enterprises in LAC fall into the micro category (IADB, 2000). However, this sweeping estimate can hardly be borne out given the vacuum that exists with regard to consistent information on the scope and true magnitude of mypes in national and regional economies (Guaipatín, 2003). In some instances, information on these sectors in the

countries is hardly reliable, or is nonexistent, especially when it comes to information on the rural milieu. This makes it difficult to understand the priorities of institutional policy, strategies and activities that are suitable for rural territories (Zevallos, 2003; Monares, 2001).

The absence of reliable data is, moreover, associated with variations and inconsistencies in the definition and understanding of MYPES as a production sector in national economies. For example, in many LAC countries they have been classified in terms of their employment capacity, as illustrated in Table 1. There are, however, other criteria that could be used, such as sales/income, assets and type of production unit (Zevallos, 2003).

Table 1: Examples of definitions used in different countries for micro, PYMES and large enterprises

Definition Country	Micro	Pyme	Large
Brazil ¹	1 to 9	10 to 99	From 100
Colombia ¹	1 to 9	10 to 200	From 201
Costa Rica ¹	1 to 4	5 to 70	From 70
Mexico ³	Variable depending on the sector		
Panama ²	0 to 150,000	150,000 to 2,500,000	From 2,500,000

1) Based on the number of employees

2) Based on the number of sales

3) Based on employment and the activity. Micro: manufacturers with less than 30 employees, trade with less than 5, services with less than 20; Pymes: manufacturers between 31 and 500, trade between 6 and 100, services between 21 and 100; large: manufacturers with more than 501, trade with more than 101, and services with more than 101 employees.

Source: Guaipatín, C. (2003) *Observatorio Mipyme: Compilación Estadística para 12 Países de la Región*. Working Report, Micro, Small and Medium Enterprise Division, Inter-American Development Bank, Washington, DC: IBD

The definition of enterprises in terms of their employment capacity, sales performance or economic activity is a basic operational problem that reflects per se the ambiguity in conceptualizing MYPES as a means of development. These definitions are implicitly based on notions that are short on appreciating the multiple functions that this social capital fulfills in the national and territorial arenas.

At national level, the importance of small-scale rural economies for the development of other sectors of the economy tends to be obscured. Little is said about reinvesting the economic surpluses from this sector in other sectors that are more productive and



competitive, or about their role in consumption units (Echeverri, 2002).

These small-scale production activities generate income for families in depressed rural labor markets and are especially important in territories with significant “pockets” of the labor force trapped in low-productivity activities, including the majority of rural youth segments. They also improve the quality of life for families by affording access to goods and services; skills training for segments of the population with limited schooling; promoting the organization of production; and generating roles for social integration, the citizenry, among other things.

Indeed, the fact that the rural population continues to engage in these activities—even though they are fully aware of the “natural” selection process—demonstrates that they are practical responses in facing unmet basic needs. This explains the predominantly informal character of these “businesses”, their high “mortality rate” from the standpoint of profitability and entrepreneurial sustainability, and their role as a strategy for income generation and self-employment, rather than as a small-scale “entrepre-

neurial” development strategy. The other side of this dynamic—yet volatile—social capital is that national and regional crises impacting the creation of employment make it impossible to sustain the rural economy in each country (ECLAC, 1999).

Thus, sooner or later, the subject of rural MYPES comes up against the issues of job creation, income generation, poverty alleviation and social policy. The MYPES are therefore dubious development instruments. On one hand, their logic is not entirely consistent with that of maximizing profit and economic profitability, which presupposes some kind of well defined entrepreneurial rationality. On the other hand, their role in generating social and economic opportunities is crucial to the shaky balance of societies.

In order to see this social capital from another perspective, one must recognize that this ambiguity comes not only from far-reaching structural problems, but also from a supply-driven approach to policies and investments for entrepreneurial development and job creation, *rather than from a reading of the dynamics and demands.* Hence, there is a need for a

Table 2: Economic importance of micro, small- and medium-scale enterprises

Country	Indicator	Micro	Pyme	Large
Argentina ¹	Share in production (%)	24.8%	42.7%	32.5%
Brazil	Salaries (millions US\$)	7,840	19,860	102,959
Chile	Sales (millions US\$)	3,370	19,647	89,988
Colombia	Share in added value (%)	1.4%	30.9%	67.7%
Costa Rica ²	Share in sales (%)	n.d.	12.6%	n.d.
Dominican Republic	Share in production (millions US\$)	n.d.	13.8%	n.d.
Guatemala	Share in GDP (millions US\$)	7,449	n.d.	n.d.
Honduras ³	Sales (millions US\$)	n.d.	4,884	n.d.
Mexico	Share in added value (%)	30.0%	32.0%	38.0%
Nicaragua ⁴	Share in production (%)	2.1%	36.3%	61.6%
Panama	Production (millions US\$)		3,400	n.d.
Venezuela ⁵	Share in production (%)	n.d.	13.8%	n.d.

1) Data calculated on the basis of data from the 1994 National Economic Census. Includes the following sectors: industrial, trade and other services. The enterprises were defined according to their number of employees: micro (1-10), pyme (11-200) and large (more than 200).

2) Source: Data base on industrial pymes from ECLAC. Data is for 1997 and refers exclusively to enterprises in the manufacturing sector with between 31 and 100 employees.

3) Only includes small enterprises.

4) Source: Central Bank of Nicaragua, 1995. Enterprises were defined on the basis of the number of their employees: micro (1-9), pyme (10-99) and large (more than 99).

5) Source: ECLAC, data base on industrial pymes. The data is for 1995 and refers exclusively to enterprises in the manufacturing sector employing 5-100 people.

Source: Guaipatín, C. (2003) Observatorio Mipyme: *Compilación Estadística para 12 Países de la Región*. Working Report, Micro, Small and Medium Enterprise Division, Inter-American Development Bank, Washington, DC: IDB

Women have less access to formal credit and less land titles in their names than men. However, when credit actually gets to women through alternative mechanisms, such as communal banks and rotating funds, etc., they have proven themselves to be excellent credit risks.

better understanding of the heterogeneity of the MYPES, their cultural diversity, their flexibility, their multi-functionality, their possibilities for innovation and their direct and indirect contributions to economic development, as well as an appreciation of their social functions (Caro, 2003; Guaipatín, 2003). In other words, the extent of their role in boosting territorial development needs to be determined. In this regard, however, the evidence would seem to be more visible, given existing literature about agglomeration economies, clusters and localized productive systems (LPS)³.

The global forces of economic integration that impact the countries and trade agreements force us to rethink and redouble investment in order to achieve greater levels of competitiveness for all rural companies. Yet, making this the predominant formula for promoting enterprises and “entrepreneurship” does not face the problem of ambiguous development—or underdevelopment—that have limited the impact of programs to promote the MYPES. It must be recognized that the defining advantages for the development of this sector are not to be found in isolated

units, but rather in the integration of networks, in economies of scale, or in clusters that are territorially rooted in the culture and society. There is therefore a vision of social organization, of superimposed economic action in the socio-cultural fabric which we need to rethink and where the more dignified participation of women could bring substantive changes in closing equity gaps and in transforming established relations between the genders and the rural milieu.

The foregoing would depend on a series of conditions, including, more importantly, the way in which agricultural and non-agricultural activities in the countries are connected so that opportunities that are capable of including women and men may be generated and more equitably distributed.

The presence of Rural Women in MYPES

The business ventures and MYPES managed by rural women have gained visibility in recent years. Despite gaps in existing information, which preclude assess-

³ Despite the fact that they developed in a different context, it is important to analyze the experiences of localized production systems in Europe, which show interesting aspects in terms of the comparative advantages exhibited by agglutinative micro- and small-scale rural enterprises. These include flexibility and innovation based on traditional sedimented knowledge (Gaytan K, sf).

ing the growth of MYPES managed by rural women, the increase in the demand for technical assistance from governmental institutions, the opening of lines of credit for women and the existence of some regional studies, as is the case with Central America, are important indicators of the growing importance of this sector (Arroyo, J y M Nebelung, 2002).

What has been proven as a trend in several countries of Latin America is the increased participation of rural women in the nonagricultural Economically Active Population (EAP), an average 44% vs. a mere 27% in the agricultural labor force (i.e., 27 out of every 100 people in the nonagricultural EAP are women). The increased importance of nonagricultural employment for rural women is also obvious when we compare the distribution of the male and female rural labor force: of the total female labor force, 51% are involved in nonagricultural activities vs. 33% for men (Dirven, 2004).

The emergence of new conditions to include women in the production circuit provides opportunities that can be used to promote greater equity. **But, for this to be possible, a gender-equity approach and policies** that build upon the interactions established by women with the rural environment will need to be adopted (García y Gomariz 2004). Hence, a gender perspective could recognize the characteristics of the multi-functionality of rural women's enterprises and identify the most advantageous alternatives for bringing them into the labor force, bearing in mind the existing equity gaps as well as the multidimensional territorial development processes.

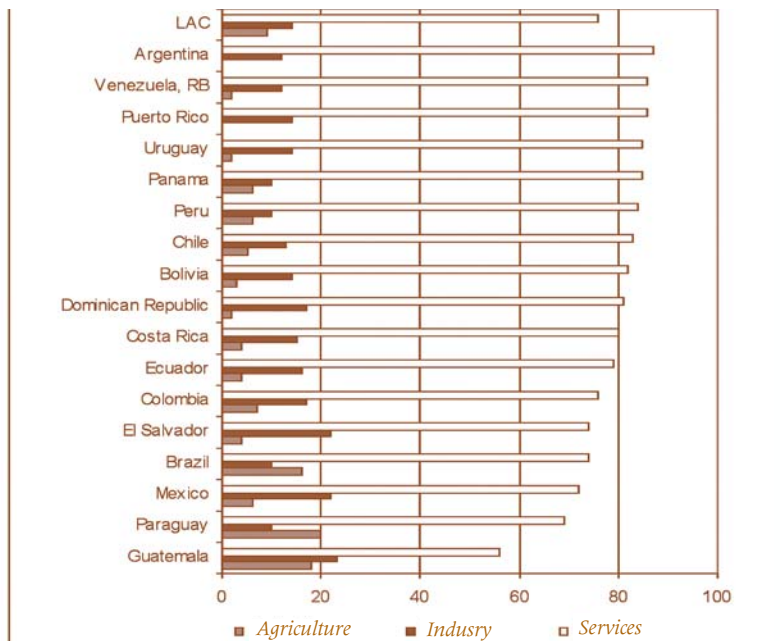
Admittedly, access to training and marketing opportunities leaves much to be desired, for both entrepreneurial men and women from poor and middle-income strata; however, there are clear gender asymmetries in LAC with regard to access to assets, such as

micro-credit and land. Women have less access to formal credit and less land titles than men. Yet, when credit actually gets to women through alternative mechanisms, such as community banks and rotating funds, etc. it has been proven that financial resources get to rural women more frequently and steadily.

It has been noted, however, that prevailing asymmetric conditions with regard to the place that rural women occupy in nonagricultural labor markets, business ventures and MYPES exacerbate their conditions of exploitation and confine them to the most unproductive sectors. In fact, let us not forget that the rate of indigence and rural poverty in LAC is highest among rural women wage earners who are subsistence agricultural producers, income generators and indigenous. Nonetheless, one of the main factors associated with the sustainability and success of MYPES managed by women *is the organizational factor, the affirmation of values of solidarity and the democratization of technical apprenticeships* (Karremans, J and P Petry, 2003). It is worth noting that the values and organizational practices that most promote success among rural entrepreneurs include collegiate management, as opposed to autocratic leadership.

Figure 1

Percentage of Female Employment According to Economic Activity
2000-2002 in 17 Latin American Countries



Source: World Development Indicators, World Bank at:
<http://www.worldbank.org/data/wdi2005/wditext/section2.htm>



The rate of indigence and rural poverty in LAC is highest among rural women wage earners, subsistence agricultural producers, income generators and indigenous women. One of the main factors that, is, however, associated with the sustainability and success of mypes managed by women is the organizational factor, the affirmation of values of solidarity and the democratization of technical apprenticeships.

which, instead, became distorting factors. The criticism is valid; however, we must recognize that these schemes were not the only cause of the limited impact of these policies and investments. Somehow this limited impact continues.

In terms of both asymmetry and potential, there are therefore conditioning gender factors associated with the performance and development of rural business ventures and MYPES that need to be addressed in development policies and strategies as part of a *differentiated policy construct* for territorial rural development.

Implications of the new models to promote MYPES

As noted earlier, the traditional approach to promoting MYPES faces two types of problems. The first is an unresolved structural problem (i.e. educational gaps, employment generation crises and mismatches between job creation and human resource training); the second is intrinsic to the conceptual model of small-scale entrepreneurial promotion, which does not respond to the characteristics and demands of the rural environment, to gender equity and to the diversity of the rural population. In short, it is a promotion approach that tries to extrapolate to small firms the same logic of the large-scale entrepreneurial model.

These are major challenges that must be faced in the range of policies that make up national development projects. The approach to these challenges should go beyond the rhetoric on the liberalization of services in support of MYPES and PYMES. The rhetoric is based on criticisms of assistance-oriented schemes that prevailed before the eighties (i.e. vertical agricultural extension services or subsidized agricultural credit), which did not yield expected results and

It must be recognized that the huge investments made have not managed to create basic conditions for a new vision and a model of entrepreneurial management. The new model should combine strategies to strengthen the entrepreneurial capacities of a large portion of the rural population, with strategies to improve managerial and other technical capacities of small- and medium-scale entrepreneurs. The major purpose of a new model would be:

1. To move from the dualist scheme (i.e. incentives for modern enterprises and assistance for enterprises with less resources) towards differentiated policies⁴, strategies, programs and tools to promote rural MYPES and mechanisms for access to production assets, in accordance with the characteristics of the territorial economy and the needs to empower various groups of the population (women, men, young people, etc.) and other social actors in the territories.
2. To expand the historically limited supply of rural services for the rural MYPES so as to better meet the specific needs for specialized services. The supply of public services in the countries is clearly incapable of meeting the significant and varied demands that exist; therefore, effective synergies must be reinforced with the private services sector and a significant effort made to coordinate support sectors. For example, it is imperative to coordinate the entrepreneurial training services with microfinance organizations, with entities that execute land management policies, and with information and support services for access to markets.

⁴ Differentiated policies are not the same as compensatory or affirmative action policies. [Differentiated policies respond to the heterogeneity and distinctiveness of the rural milieu. Compensatory policies are based on the assumption of a social debt and social gaps that need to be mitigated. Differentiated policies may include compensatory policies, as they are broader in scope.

There are conditioning gender factors associated with the performance and development of rural ventures and mypes that must be addressed in development policies and strategies as part of a differentiated policy construct for territorial rural development.



Without these synergies, commercial agreements can only serve entrepreneurial sectors with a certain level of consolidation.

3. To appreciate the social functions of the MYPES and the need to promote gender-sensitive skills development models.

4. To promote small-scale entrepreneurial networks, associations and organizations at territorial and national level as a means of aiding social and territorial cohesion, on the one hand, and promoting a more inclusive policy management, on the other.

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