



Whilst there is no one generally-accepted definition of 'entrepreneur' in both the scholarly and policy literature, the important economic and social contributions of small business owners and operators are widely acknowledged.

Entrepreneurship has been a topic of research for around 80 years, but attention to women's entrepreneurship has only emerged as recently as 40 years ago. There is much that remains to be understood about women entrepreneurs in general, and women entrepreneurs in developing country contexts in particular.

Small and medium-sized enterprises

The common thread that runs through definitions of 'entrepreneur' and 'entrepreneurship' relates to the ownership and operation of businesses that are considered to be 'small' relative to 'large' corporations. As in the case of definitions of what an 'entrepreneur' is, there is likewise no widely accepted definition of what small and medium enterprises (SMEs) are.

The World Bank's International Finance Corporation (IFC) defines small and medium enterprises (SMEs) as 'registered businesses with less than 250 employees'.

They are viewed as significant contributors to employment and economic growth, and are associated with the formalisation of a country's economy.

However, in spite of the important role that they play, SMEs typically encounter difficulties in accessing financial services – particularly in emerging markets – due to their size.

Criteria used to classify a business as an SME in reality varies from country to country, and typically includes elements such as total number of employees, total assets, and total revenue.

In the Philippines, enterprises are classified based on their **total assets** (including loans, but excluding land). The Magna Carta for Micro, Small and Medium Enterprises (Republic Act 9501, amended in 2008) has the following definitions:

- **small enterprise** - one with assets valued between PHP3,000,001 and 15,000,000 (or roughly between AUD77,000 and 385,000)
- **medium enterprise** - one with assets valued between PHP15 and 100 million (or roughly between AUD385,000 and 2,500,000)

An economy dominated by micro enterprises

Based on these definitions, the Philippine Statistics Authority indicates that in 2015 there were around 900,000 registered enterprises in the country. An estimated 10% of these businesses were classified as small, and less than 1% were classified as medium. Less than 1% of businesses in the country were classified as large, while the vast majority (90%) were composed of micro enterprises.

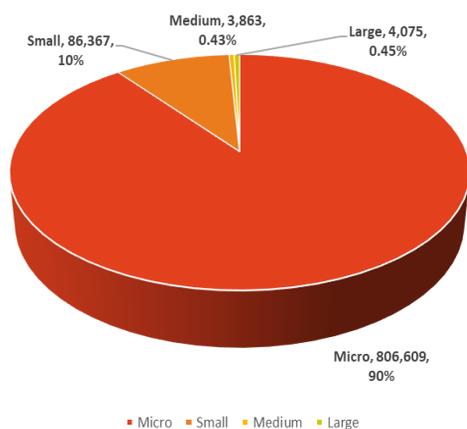
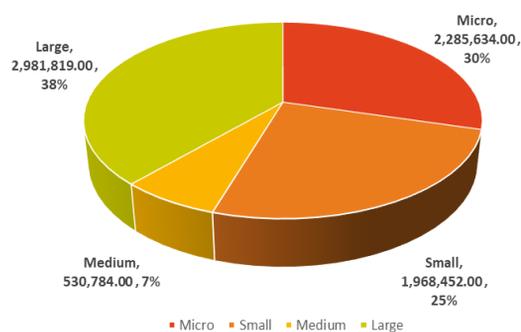


Figure 1. Enterprises by size (2015)

Significant employment contributions

While SMEs have small organisations and thus tend to employ fewer people, the collective contribution of SMEs to employment in the country is significant. In 2015, SMEs accounted for around 32% of jobs in the Philippines. This is noteworthy when taken in light of the contribution of large enterprises to employment in that year (38%).



Sectoral concentration in SME activity

Around 30% of all SMEs in the country were operating in **wholesale/retail trade**, 15% offered **accommodation and food services**, while a further 15% were engaged in **manufacturing**. These sectors also attracted the largest numbers of micro and large enterprises. Indeed, more than 70% of all

businesses in the country were operating in these 3 industries in 2015.

Closer inspection of the data shows that while the largest number of SMEs operated in the wholesale/retail trade sector, SMEs accounted for only 7% of all businesses in this micro enterprise-dominated industry. In light of this, it would therefore be important to identify the sectors where SMEs comprised a significant proportion of businesses.

Further analysis shows that SMEs comprised close to 60% of enterprises operating in the **electricity/energy** industry. In the **water/sewage, construction, and education** industries, around 50% of all businesses were SMEs.

By contrast, the industry with the lowest concentration of SMEs was **information and communication**, where they comprised only 4% of all enterprises. Other industries with low concentrations of SMEs were **human health and social work** (where SMEs represented only 7% of businesses), and **arts/entertainment** (where SMEs represented only around 8% of businesses). These industries were overwhelmingly dominated by micro enterprises (which comprised more than 90% of businesses in those sectors).

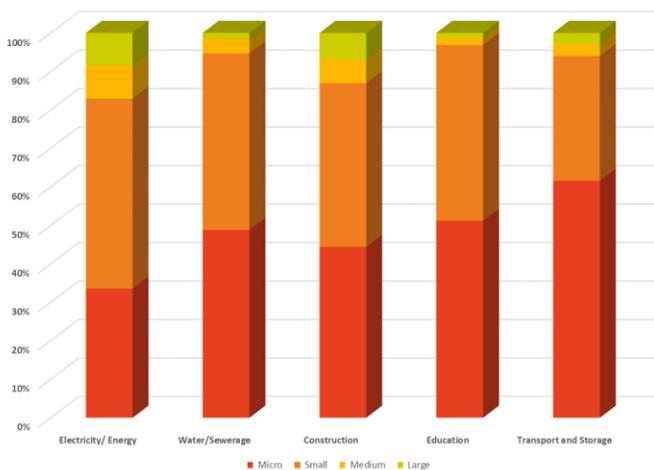


Figure 3. Industries with the highest concentrations of SMEs (2015)

Possible barriers to transitioning to SME status

The dominance of micro enterprises coupled with very low concentrations of SMEs potentially points to industries where businesses may be experiencing considerable issues related to growth. Enterprises may be encountering significant barriers to expanding their businesses, and may thus be finding it difficult to make the transition from micro enterprises to SMEs.

While the low concentrations of SMEs in certain industries may be explained by factors such as the nature of the market, or the presence of large, monopolistic players, the issue of why micro enterprises seem to be unable to transition into SMEs is worth investigating further.

This may be symptomatic of a lack of (or inability to access) financial, technological or managerial resources on the part of micro and small enterprises. These resources are critical to not only support the transition of micro enterprises to SMEs, but to also aid in scaffolding the growth of existing and new SMEs.

Women-owned SMEs (WSMEs)

While the definition of an SME varies across countries, individual governments typically do not have a definition of what a woman-owned SME (WSME) is, beyond simply tagging an enterprise as 'owned' by a woman.

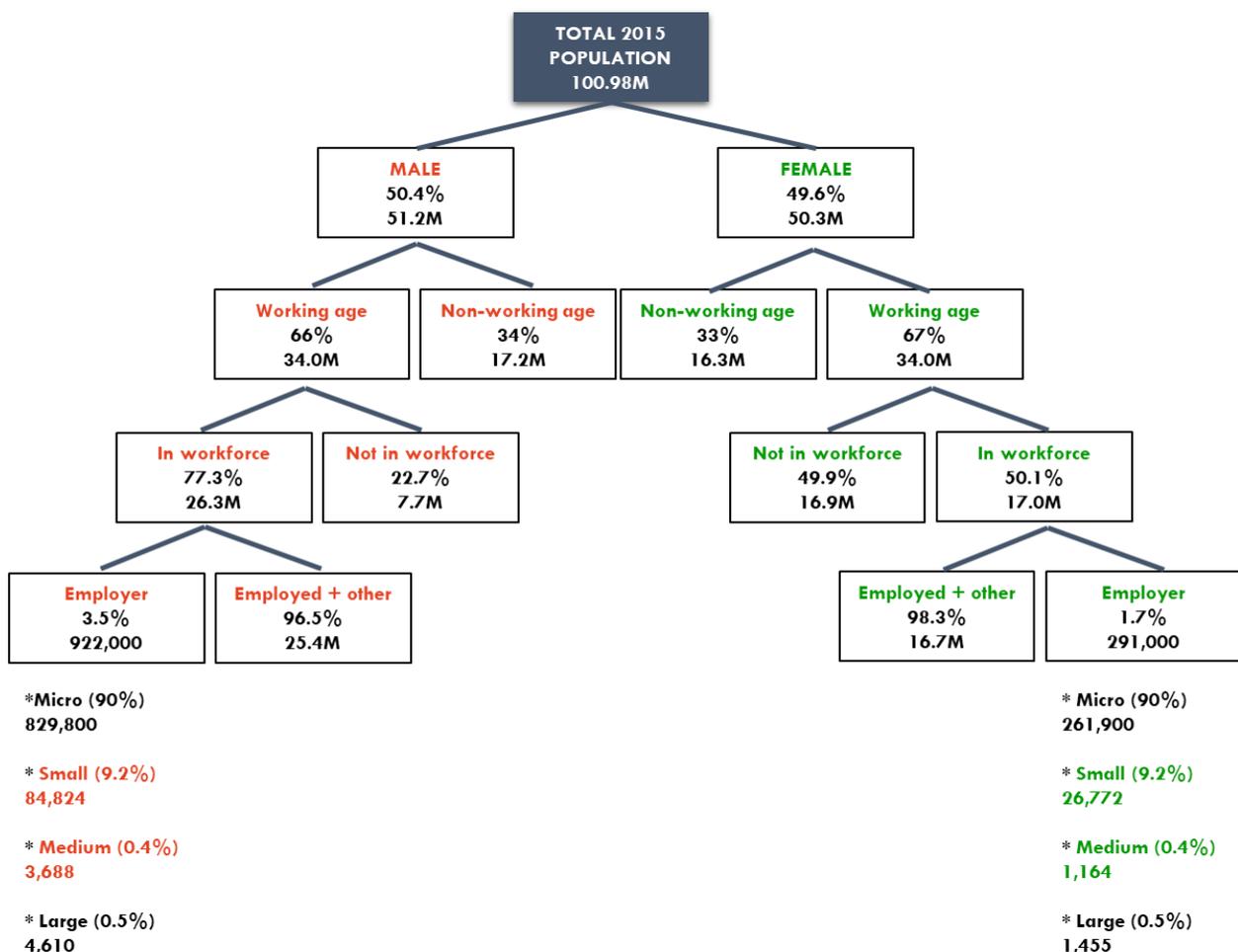
An enterprise, however, can be owned by a single individual or a group of individuals. The extent of

individual ownership in the company can range from a minority stake to full ownership, and both men and women can collectively own a single enterprise.

Therefore, the IFC has put forward a more precise definition of a WSME as a business:

- where 51% of ownership is held by a woman or women; or
- where 20% of ownership is held by a woman or women, where a woman holds a major leadership position (CEO/COO or president/vice president), and where 30% of the board of directors is composed of women.

Currently, there are no available statistics on the gender of SME owners and their enterprises in the Philippines. Gender-disaggregated data, however, is collected for labour force participation and various employment categories. This data can be used to estimate the number of WSMEs in the country. It is estimated that there are around **28,000** WSMEs in the Philippines, comprising around **24%** of all SMEs in the country (Figure 4).



*applying 2015 percentages of enterprise size

Figure 4. Estimated population of WSMEs in the Philippines (2015)

Estimating the population of WSMEs

In 2013, the United Nations Statistical Commission defined a Minimum Set of Gender Indicators aimed at describing and addressing issues on gender equality and/or women's empowerment. One of the indicators specified in the set captures gender-disaggregated data on the proportion of employed individuals who are employers.

To estimate the number of WSMEs in the country in 2015, the proportion of women who participated in the workforce and who classified themselves as employers was used to establish the population of women engaged in business.

The proportions of enterprises by size (micro, small, medium, and large) (drawn from 2015 national census statistics) were then applied to the population of women engaged in business to estimate the number of WSMEs in the Philippines.

This constitutes the best estimate of the population of WSMEs, in the absence of gender-disaggregated data specifically on SME ownership. Adding the estimates of SMEs owned by men and women do not perfectly match the population of enterprises by size because of differences in census data collection approaches, and because the methods cannot account for multiple business ownership of individual entrepreneurs.

Gender gaps in economic participation

The data shows that the participation of women in business (1.7%, or the proportion of women in the workforce who are employers) was slightly less than half the participation rate of men (3.5%) in 2015.

This was much larger than the gap in the overall labour force participation between women (50.1%) and men (77.3%). In this case, the participation rate of women was around 35% less than the participation rate of men.

The only type of workforce activity where the participation of women was higher compared to men's was that in unpaid family work, where the women's participation rate was at 14%, while the men's participation was at 7% in 2015. The

conclusion is that women's participation tends to be generally low across all forms of economic activity, and that women who do contribute to the economy also tend to be the most vulnerable economic participants in the country.

Opportunities

The analysis here points to important opportunities to help improve the economic participation rate of women in general, and the participation rate of women in business in particular.

The non-participation of 50% of women of working age in the workforce in 2015 suggests that a large proportion of women engaged in the informal sector. This signals an opportunity to bring these non-participating women into the formal sector through SME activity. Studies elsewhere show that WSMEs tend to employ women, so increasing the number of women entrepreneurs in the country will have the added effect of increasing the rate of paid employment among women.

The analysis here further points to the need to support the transition of micro enterprises to small businesses, and for small businesses, in turn, to further grow into medium and large enterprises. The transition of businesses within this enterprise pipeline requires significant managerial, technological, and financial resources, which tend to be scarce in developing and emerging economies.

This resource gap signals a critical opportunity for investors to play an important role not only in SME development, but also in raising the economic participation rate of women as business owners and employers in the country.

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