

UNDERSTANDING HOW TO UNLEASH **THE UNTAPPED POTENTIAL** OF WOMEN ENTREPRENEURS IN MEXICO:

An Assessment of Women-Led Small
and Growing Businesses in Mexico



Report written by Value for Women in January 2018, in collaboration with the Cherie Blair Foundation for Women, with support from the ExxonMobil Foundation



ExxonMobil Foundation

The ExxonMobil Foundation is the primary philanthropic arm of the Exxon Mobil Corporation. Since 2005, the ExxonMobil Foundation has helped women in developing countries fulfil their economic potential and drive economic and social change in their communities. To date, it has invested more than \$110 million USD to help community-based and global partners implement programmes directly benefiting tens of thousands of women in over 90 countries.



Cherie Blair Foundation for Women

The Cherie Blair Foundation for Women supports women entrepreneurs in developing and emerging economies to access the skills, technology, networks, and financial services they need to become successful business owners. We are driven by our vision of a world where women have equal opportunities and the capability, confidence, and capital necessary to create thriving enterprises and have a stronger voice in their societies.



Value for Women

Value for Women (VFW) believes that women are key drivers of economic and social growth, and works to identify and test new solutions that foster women's empowerment and gender inclusion while unlocking the powerful economic potential that women hold.

For further information, please email valueforwomen@v4w.org or visit www.v4w.org.

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The National Entrepreneurship Institute (INADEM), The National Women's Institute (INMUJERES), Nacional Financiera (NAFIN), Mujer Emprende, Tu Reto Emprendedor, The Aspen Network of Development Entrepreneurs (ANDE) Chapter in Mexico & Central America, Crea - Comunidades de Emprendedores Sociales, Pro Mujer México, and Be School.

Supporting Women-Led Small and Growing Businesses



Introduction and Background

This report was written by Value for Women (VFW) in collaboration with the Cherie Blair Foundation for Women ("The Foundation") as part of its Road to Women's Business Growth initiative in Mexico, supported by the ExxonMobil Foundation.

It summarizes a more comprehensive assessment undertaken in 2017 which examined the characteristics of women-led, small and growing businesses (SGBs) in Mexico. Aimed at understanding Mexico's current entrepreneurial ecosystem and the financial and non-financial barriers facing female entrepreneurs, the assessment offered recommendations for how different actors can support women entrepreneurs. It informed the design of the Road to Women's Business Growth project in Mexico (Box 1), which uses a blended learning approach (a combination of face-to-face and online training and business development support) to support women SGB owners to become successful entrepreneurs.

Available to a wide audience as a learning report, this summary assessment contributes valuable insights into how a broader set of actors implementing services and programmes for women entrepreneurs can improve their support to women in their entrepreneurship endeavours in Mexico and beyond.

Box 1: Road to Women's Business Growth

Road to Women's Business Growth is a collaborative venture developed by the Cherie Blair Foundation for Women in partnership with the ExxonMobil Foundation.

Designed to increase women's access to financial services and markets, the initiative aims to empower women to grow profitable and sustainable businesses so that they can achieve long-term economic independence.

Initially piloted in Nigeria, the project is being launched in Mexico in early 2018.



Why Support Women-Led Businesses?

Value for Women and the Cherie Blair Foundation for Women, along with many of the ecosystem actors interviewed for this report, cite several reasons why support for women entrepreneurs in Mexico should be increased. These include:

If full gender parity were achieved on different economic indicators, by 2025 GDP in Mexico would increase by

43% (\$810 billion USD)

Women are the current and future engines of Mexican economic growth.

If full gender parity were achieved on different economic indicators (i.e., women and men participate equally in the economy), GDP in Mexico would increase by 43% (\$810 billion USD) by 2025. Even if Mexico only matched the gains towards gender parity of the best performing countries in Latin America and the Caribbean (LAC), GDP would still be \$210 billion USD higher by 2025.¹

Gender equality leads to poverty reduction.

From 2000 to 2010, women's increased labour force participation rates in LAC decreased extreme poverty by 30%, particularly as a result of conditional cash transfer initiatives like the Mexican Government's Prospera programme which put money directly in the hands of women living in poverty.²

¹ McKinsey Global Institute. (April 2017). *Where will Latin America's Growth Come from?*

² World Bank. (August 2012). The Effect of Women's Economic Power in Latin America and the Caribbean. Retrieved from <http://documents.worldbank.org/curated/en/731771468010902462/The-effect-of-womens-economic-power-in-Latin-America-and-the-Caribbean>

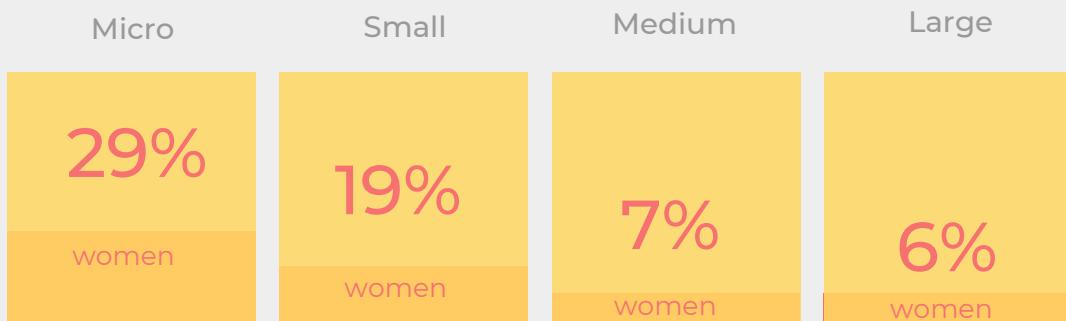
Although women in Mexico are increasingly joining the workforce, their potential remains largely untapped, as they continue to inhabit the least productive and innovative sectors.

Women in Mexico have reached parity in primary, secondary, and tertiary education enrolment rates.³ But despite making up a higher percentage (54%) of tertiary school graduates than men,⁴ women continue to be underrepresented in the STEM fields (Science, Technology, Engineering and Mathematics) at the university level, comprising just 28% of its graduates.

Yet, women-led businesses are smaller than those of their male counterparts.

According to the latest data, of firms formally registered in Mexico, 29% of microenterprises, 19% of small firms, 6% of medium firms and 7% of large firms are owned by women (Figure 1).⁵ And as formality increases, female ownership decreases. In general, there are more female than male informal microenterprises in Mexico.⁶

Figure 1: Women Ownership of Businesses in Mexico by Size. Data from INEGI (2015)



³ World Bank. (2016). Gender Data. Retrieved from <http://datatopics.worldbank.org/gender/>

⁴ Economist Intelligence Unit. (2013). *The 2013 Women's Entrepreneurial Venture Scope Index and Report*. Retrieved from https://www.eiu.com/public/topical_report.aspx?campaignid=WEVentureScope2013

⁵ INEGI. (2015). *Encuesta Nacional de Financiamiento de las Empresas (ENAFIN) 2015*. Retrieved from <http://www.beta.inegi.org.mx/proyectos/encuestablecimientos/especiales/enafin/>

⁶ INEGI. (2012). *Encuesta Nacional de Micronegocios (ENAMIN) 2012*. Retrieved from <http://www.beta.inegi.org.mx/proyectos/enchogares/modulos/enamin/2012/>



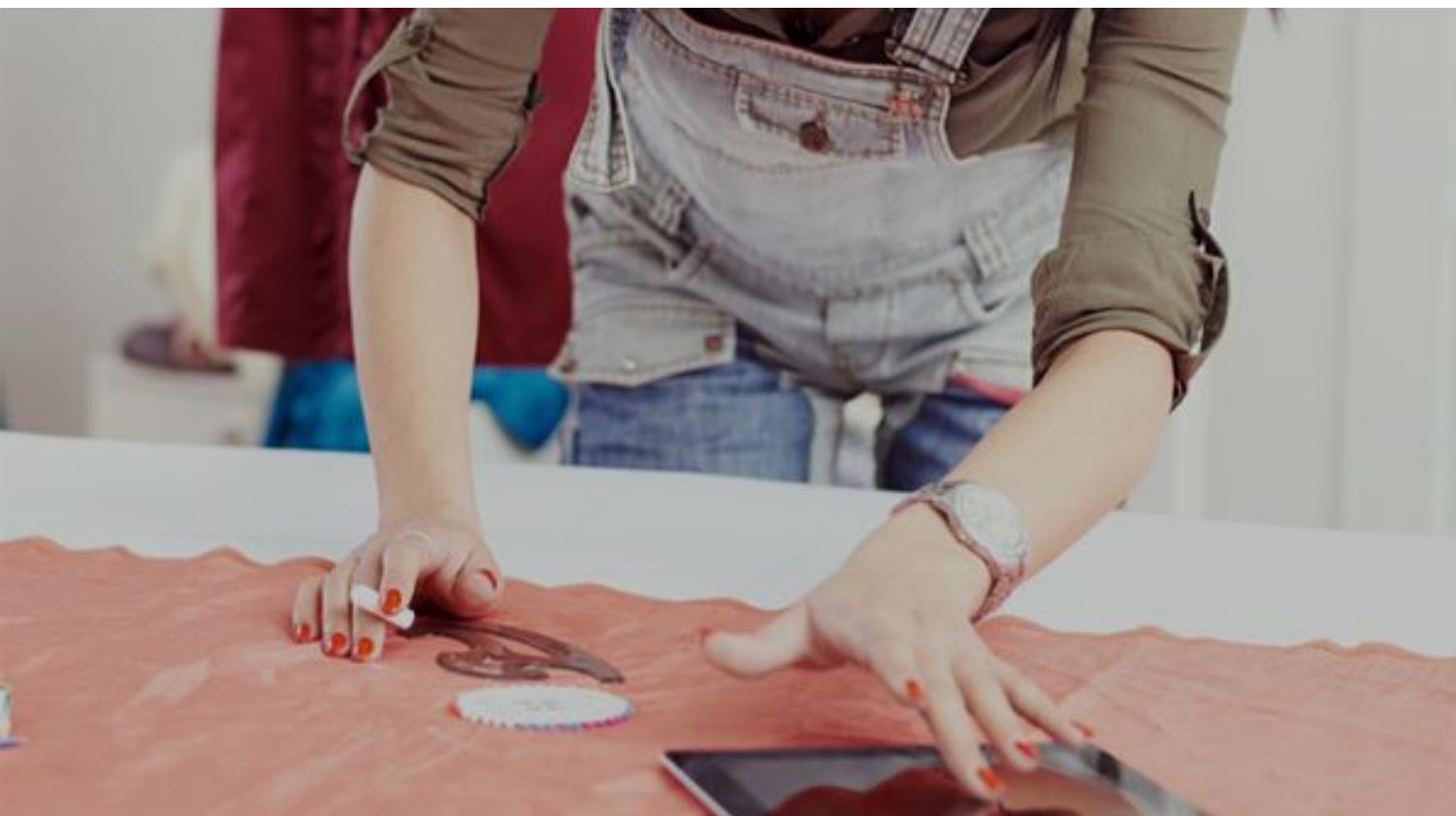
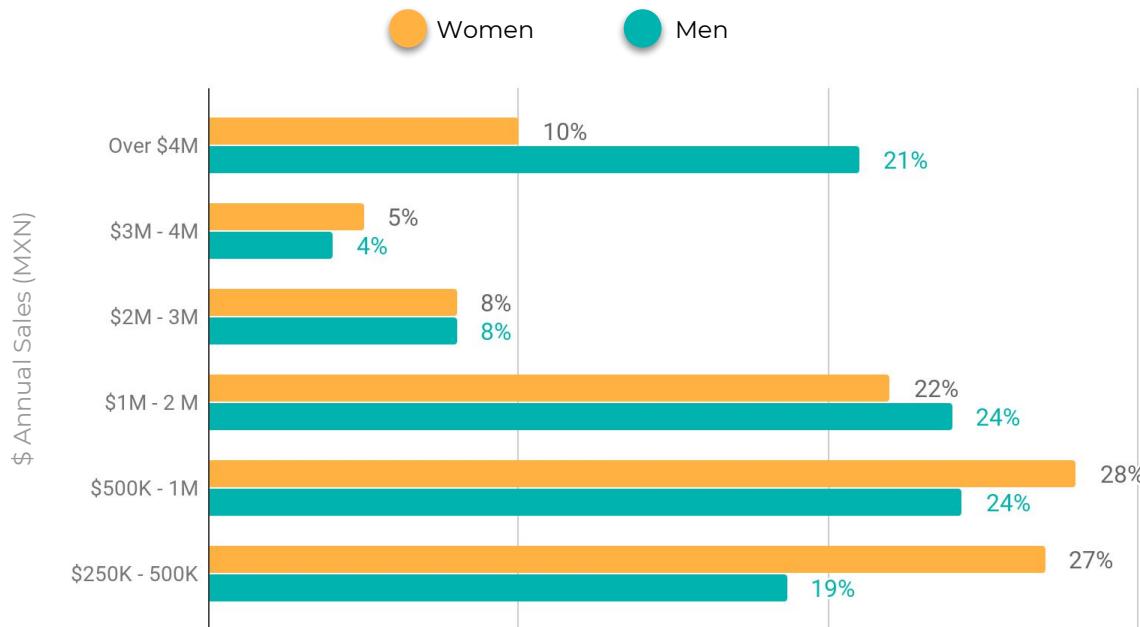
Characteristics of Women-Led SGBs in Mexico

The assessment examined the characteristics of women-led SGBs and small and medium-sized enterprises (SMEs) in Mexico through primary and secondary research. Primary research activities included Focus Group Discussions (FGDs) with 52 women entrepreneurs and a survey of 745 female and 484 male entrepreneurs, of which 130 women and 74 men fit the SGB profile (see Box 2 of Methodology section). Overall, it found that **women-led SGBs and SMEs are smaller than those led by men, which limits their economic potential**. The findings serve as a key starting point for designing products, services, and programmes tailored to the specific needs of women entrepreneurs.

Women-led SGBs have lower revenues than SGBs led by men.

In line with the data cited above, women-led SGBs have lower revenues than SGBs led by men. As Table 1 shows, the percentage of SGBs led by men with profits over \$4 million MXN (\$222,000 USD) is twice that of women-led SGBs—despite the fact that the sample includes SGBs with similar characteristics.

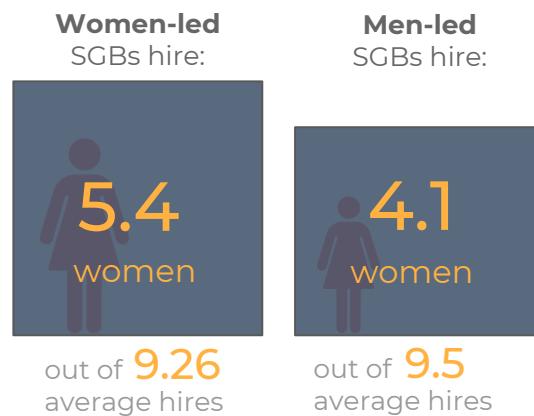
Table 1: Annual Sales - Men vs. Women-Led SGBs





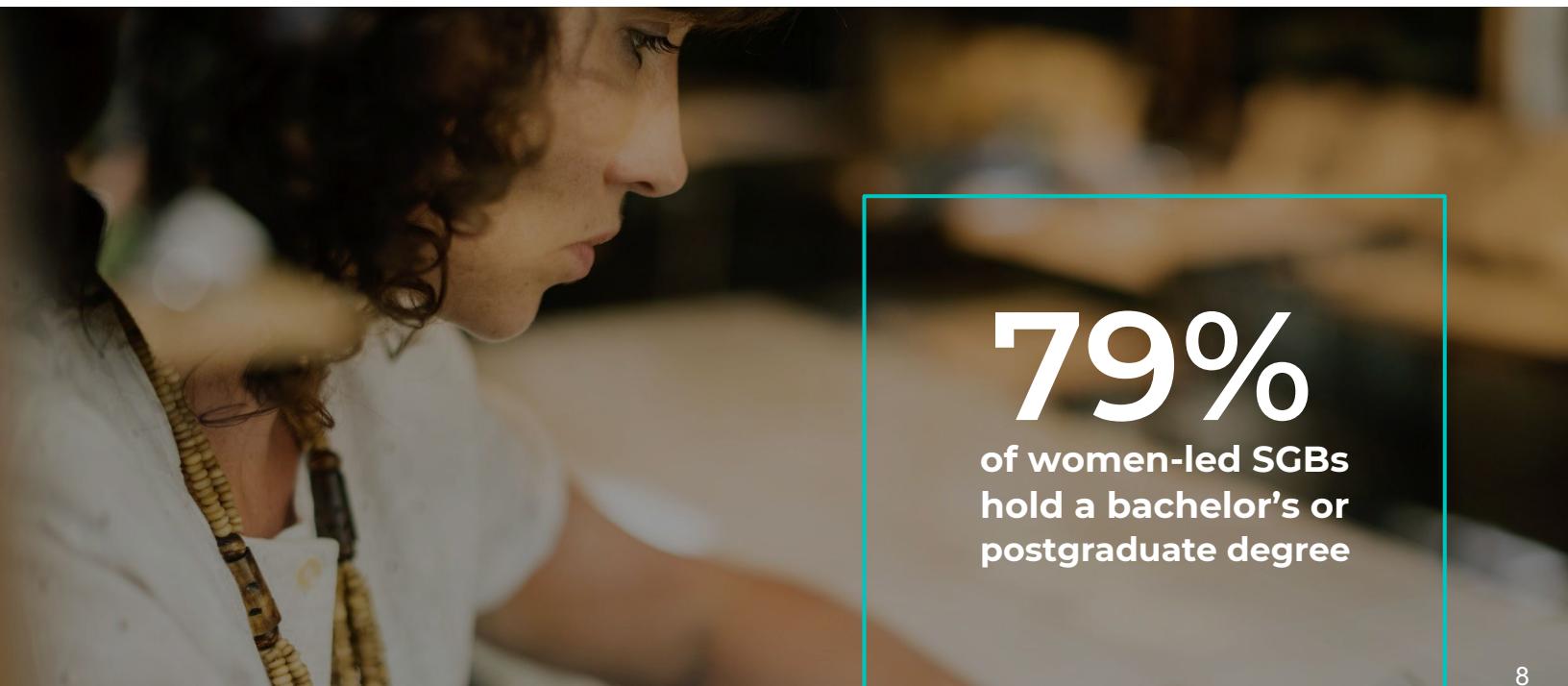
Although women-led SGBs have slightly fewer employees on average than male-led SGBs, they hire more women (Table 2).

Table 2: Number of Employees and Hiring Tendencies: Men vs. Women-Led SGBs



Women that lead SGBs are highly educated with extensive professional experience.

Most of the female survey respondents are college educated, with 79% of women-led SGBs holding a bachelor's or postgraduate degree. Many of the women interviewed also had several years of experience in their respective fields (e.g. dentists, engineers, and graphic designers) before starting their own business.



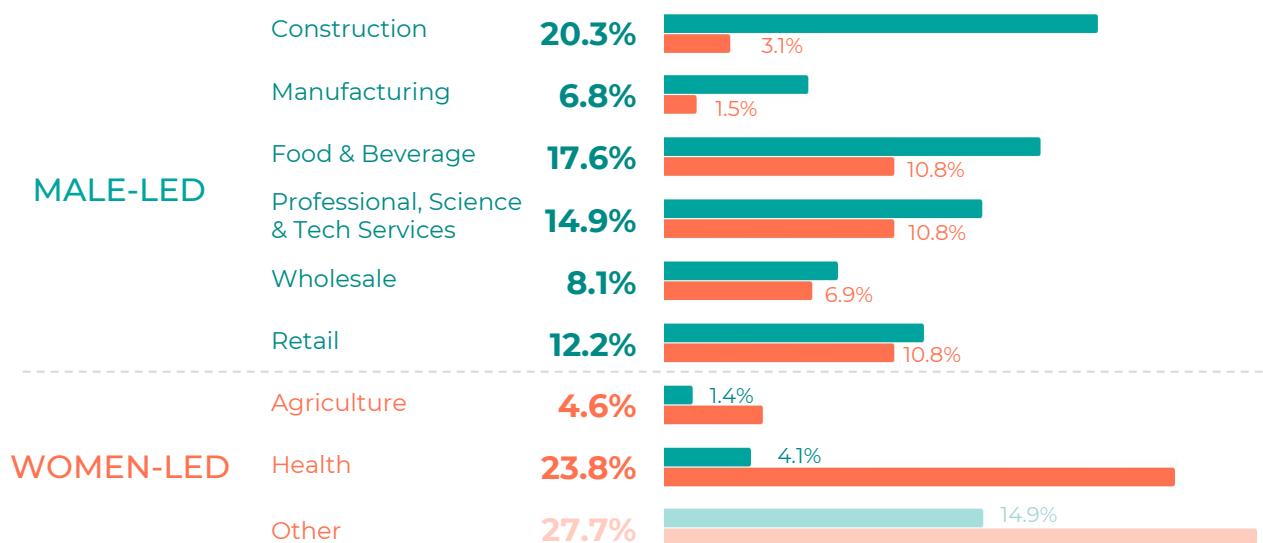


1/4 Nearly a quarter of women-led SGBs are health related

Most (73%) of women-led SGBs are service oriented.

While only 11% of female respondents reported working in “professional services”, 15% said they worked in “other sectors”, such as design, event planning, and technology. The majority of respondents place themselves in knowledge-intensive sectors (e.g. health, technology, and engineering). Notably, nearly a quarter of women-led SGBs (24%) are health related, compared to just 4% of men-led SGBs.

Table 3: Women and Male-led SGBs by Sector



Why Gender Is Important to Entrepreneurship

Women still perform the majority of household and care work.

Although most women interviewed (92%) receive support for their entrepreneurship endeavours from families and spouses, women still carry most of the burden of household and childcare duties. Over two thirds of women leading SGBs have children, while 51% have children under 14. Childcare responsibilities significantly reduce the amount of time women can spend on activities related to their businesses, including gaining new knowledge and attending trainings.

Families play an important role for women-led SGBs in Mexico.

A majority of women-led SGBs in the sample are family businesses,⁷ with men (mainly spouses) having an ownership stake in a third of these businesses. Most of the SGBs with more than one owner are family businesses.

“

It is more complicated to be a businesswoman than a businessman. In my case, I have to stop my work because if I don't, my house falls down. As a businesswoman, it is very difficult to manage the time, and even more if you have kids.

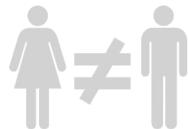
-Ana Lorena, Monterrey

⁷ For this study, a family-owned business is considered one in which a family member is a partner in the business.

Many of the problems facing women entrepreneurs are gender related.

Although many women interviewed did not initially attribute their business-related challenges to sexism, further discussion revealed that many of the issues women entrepreneurs deal with are indeed linked to gender.

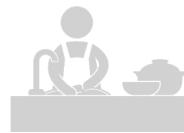
For example, women respondents explained how:



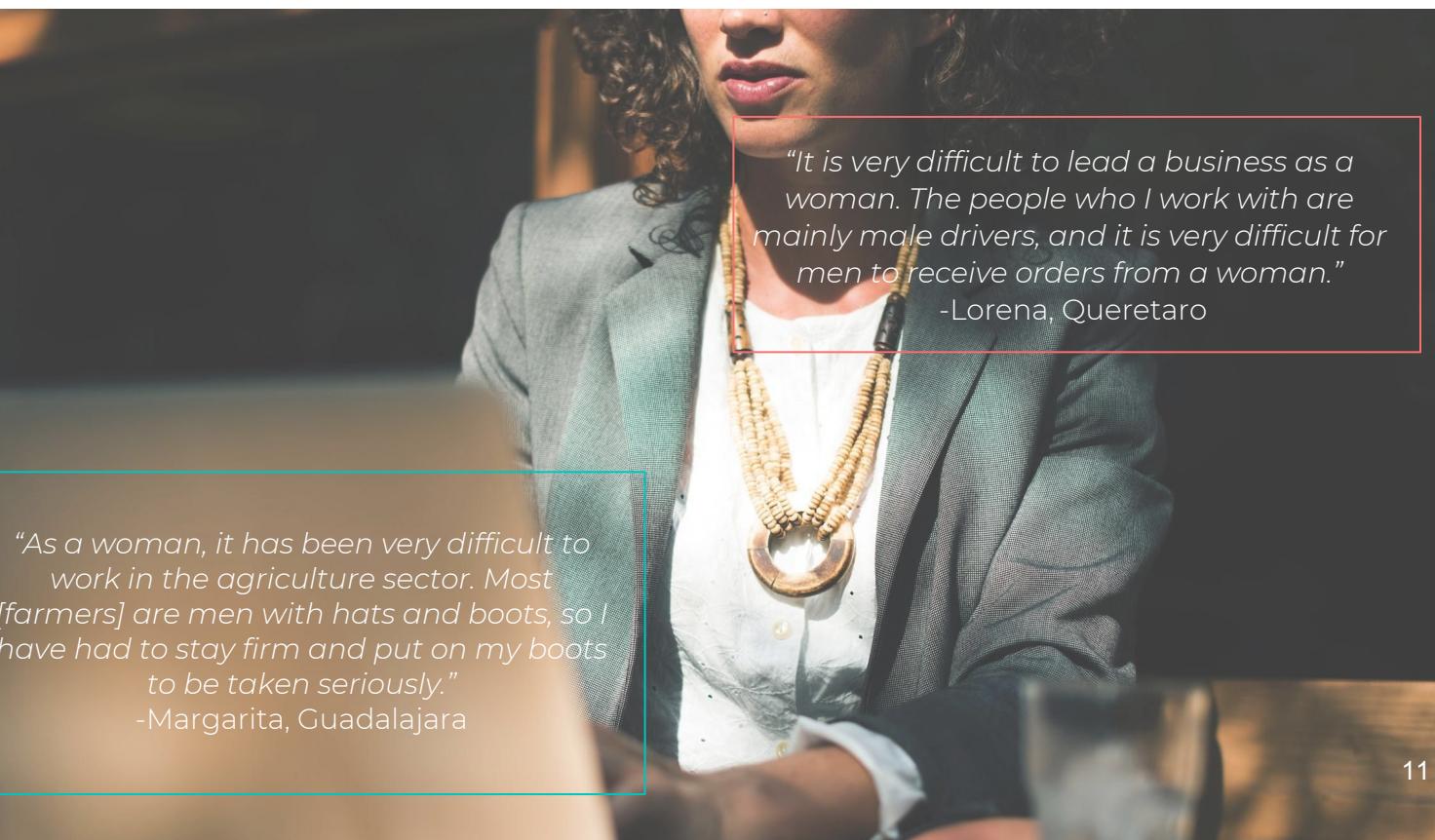
Male clients and suppliers take women less seriously due to “machismo”;



Sexism is stronger in traditional male sectors, such as IT, trade, agriculture and transport;



Household responsibilities overwhelmingly fall to women, limiting their ability to invest time and energy into their businesses.





What Do Women Need? Five Key Insights from Women-led SGBs

As part of the assessment, we asked women entrepreneurs to identify what they most need to grow and achieve success with their businesses. Their responses are summarized below.

1 Women want and need finance to invest in their businesses.

When asked, 70% of women-led SGBs noted they were looking for finance, with 54% looking for between \$125,000 and \$3,000,000 MXN (\$6,870 to \$164,835 USD). However, FGDs found that in many cases “finance” meant different things for women, ranging from non-reimbursable grants from government agencies to traditional credit from banks.

Figure 2: Financing Amount Sought by Women-Led SGBs (\$MXN)



2

Many women-led SGBs (42%) have never applied for credit.

Women interviewed attributed this to high interest rates, a lack of appropriate credit products, and aversion to indebtedness.

"I tried to apply for a loan to buy a trailer. I did all the paperwork, and finally the bank denied me the loan because transport businesses were not subject to credit."

-Gaby, Monterrey

"My business requires me to move to different places all the time, and I do not have a car. I have thought about asking for a credit . . . but my biggest fear is not being able to pay it back."

-Lucy, Guadalajara

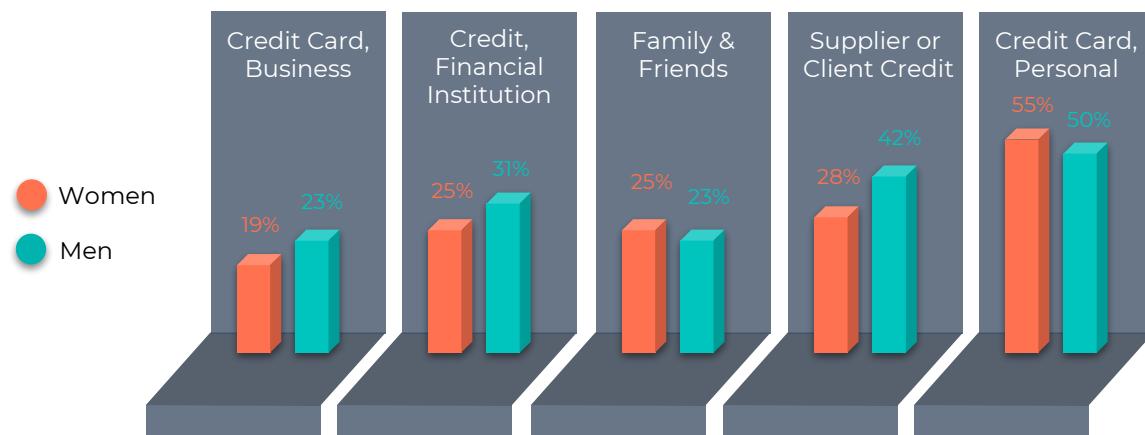


3

Even when women-led SGBs have access to finance, they do not necessarily have the right type of finance for their businesses. Compared to women, men tend to use more formal financing mechanisms for their businesses like credit from financial institutions and supplier/client credit.

Most women-led SGBs (55%) finance their businesses with personal credit cards; only 19% have business credit cards. Strong growth, however, requires more formal and larger finance options. Women entrepreneurs also suggested that the government offer non-reimbursable and reimbursable grants and advisory support to help offset the high cost of private loans.

Figure 3: Types of Financing Currently in Use by Women-Led SGBs vs. Male-Led SGBs



"I wouldn't mind about the interest rate I have to pay, even if I end up paying three times more, as long as I learn more in my business. The problem is not the interest rate or the amount they give you but the **lack of counselling** they provide."

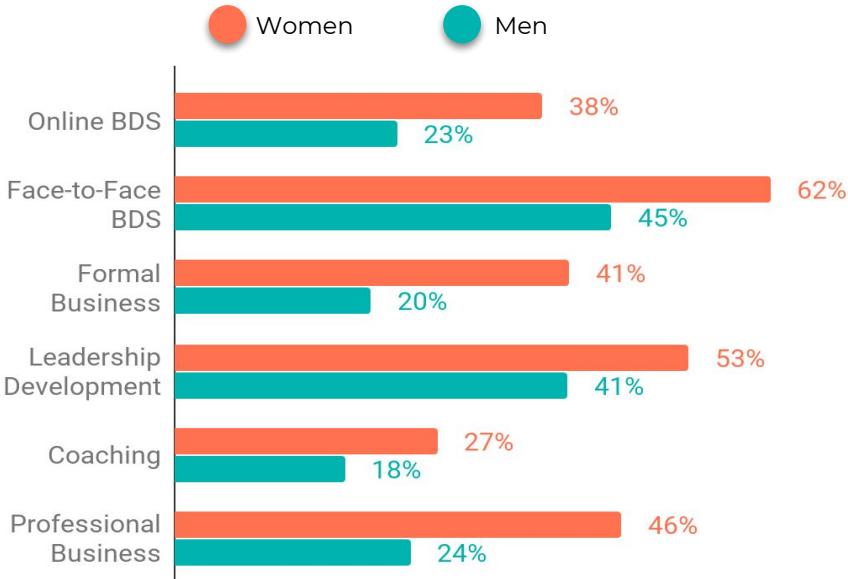
-Luz, Mexico City



4 Women want better quality and more targeted business development services (BDS), particularly mentoring and coaching.

In fact, according to the FGDs, interview and survey data, at least 97% of women leading SGBs want to participate in some form of training, mentoring, leadership, or networking programme. As for the content of the trainings, women expressed a strong desire to improve their client base through more effective marketing and sales strategies, and to participate in more business-related trainings.

Figure 4: Participation in BDS and Entrepreneurship Support Programmes: Women-Led SGBs vs. Men-Led SGBs



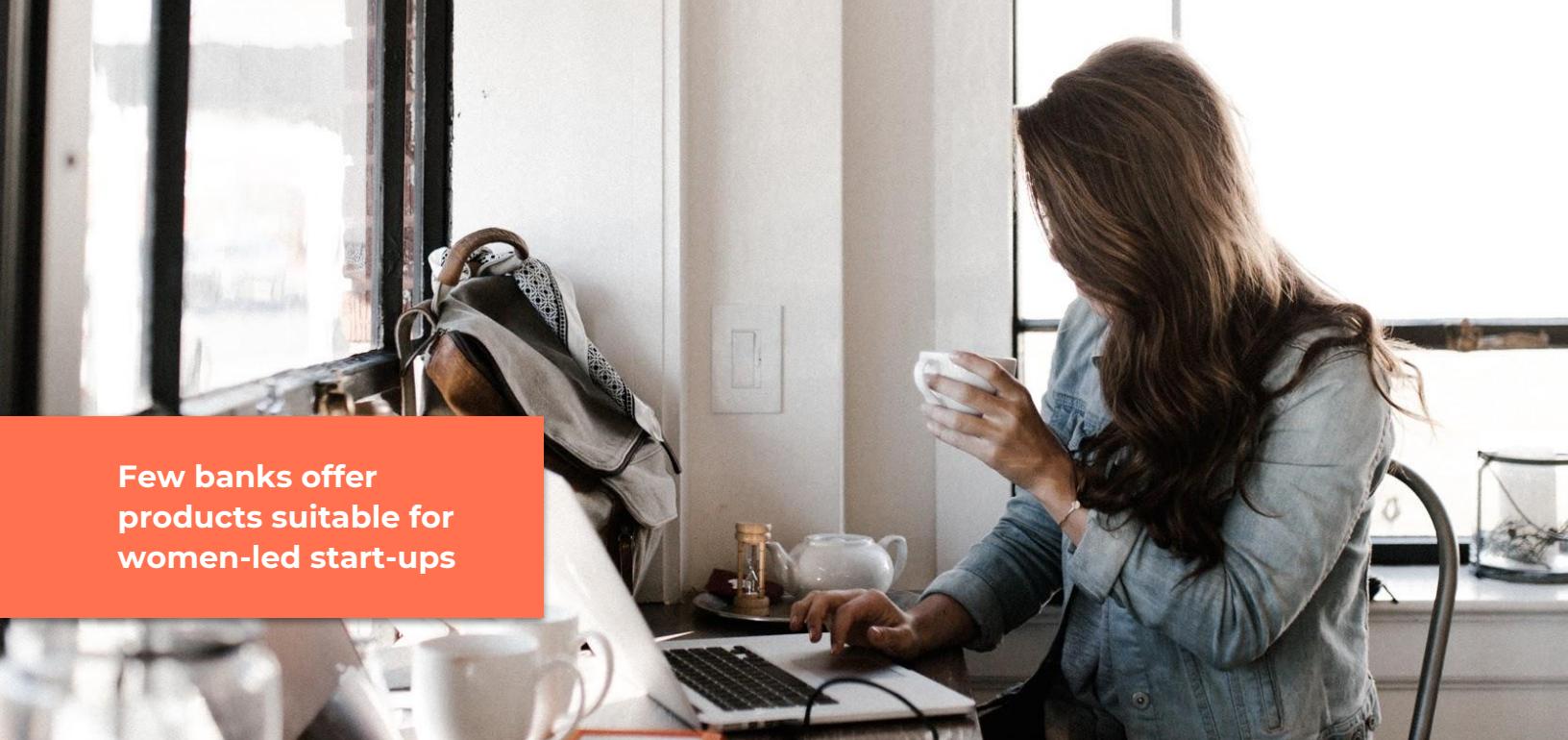
5 Women participate more actively and have more interest in BDS programmes and professional networks than men.

The majority of female respondents (62%) have participated in face-to-face BDS programmes, and 38% have participated in similar programmes online. In addition, most women expressed interest in participating again or for the first time. In comparison, 45% and 23% of men have participated in face-to-face and online BDS training programmes, respectively. The most important areas of knowledge and skills that women leading SGBs want to develop are marketing and sales (including online) skills, followed by professional negotiation and leadership development skills.

"The problem is that the information in most of the trainings I have been in is very basic, and most of the trainings are similar. We need something more specialized and focused on business growth. Sometimes they mention cases that do not apply to our reality."
-Citlali, Guadalajara

"We need more professional courses and trainings. Most of them do not have a good level, and the few that are good are very expensive."
-Luz, Mexico City





The Ecosystem for the Missing Middle: How Services and Programmes Currently Support Women-Led SGBs

After a similar study was carried out in Mexico in 2014 by Value for Women, the Aspen Network of Development Entrepreneurs and the Banorte Foundation,⁸ the entrepreneurial ecosystem for women started to improve. Having recognized women's untapped market potential, financial and non-financial institutions are starting to adjust their marketing strategies and better tailor their products and services for women in the SME sector. However, there is still a long way to go. Women still do not readily identify any specific "go to" programmes or banks that meet their needs.

Women-led SGBs present a market opportunity for banks and investors.

As mentioned above, 70% of women-led SGBs in Mexico seek financing (mostly between \$6,868 and \$164,835 USD). Few banks, however, offer products suitable for women-led startups or for women in the service or innovation sectors. Crowdfunding and private capital is in short supply, especially for businesses not explicitly pursuing social impact.

⁸ Value for Women. (September 2012). "Creating Opportunities: Strengthening the Ecosystem for Women Entrepreneurs in Mexico." Retrieved from http://www.v4w.org/index.php?option=com_content&view=article&id=53

Incentivizing loans for Mexico's women entrepreneurs via loan backing.

The Nacional Financiera (Nafin) Women's SME programme has been pivotal in incentivizing loans for Mexico's women entrepreneurs by providing a guarantee that backs loans made by banks to women-led SMEs. The programme is a collaboration between the National Entrepreneurship Institute (INADEM), The National Women's Institute (INMUJERES), and Nafin. As of November 2017, seven participating banks⁹ had awarded over 7,000 loans between \$500,000 and \$5 million MXN to qualifying women entrepreneurs at annual interest rates between 9 and 13%, significantly below the national averages of 20 to 30%.

No “go-to” bank for women.

No Mexican banks have significant programmes that market to or target women-led SMEs, including banks participating in the NAFIN guarantee. Most banks continue to practice traditional, low-cost marketing strategies, and their products are not backed by non-financial services, such as business training and mentoring. No study participants identified a traditional bank as a “go-to” bank for women entrepreneurs.



⁹ The participating banks are Afirme, Banorte, BanRegio, Banamex, BanBajío, Banca Mifiel, and Santander.

INADEM is a core part of the women's entrepreneurial ecosystem.

Founded in 2013, INADEM aims to develop and implement policy promoting SGB growth in Mexico. In addition to its SME women's programme, INADEM also leads the seed fund for high-impact, innovative, or export-minded businesses, which attempts to level the playing field by allowing women applicants to receive additional points in some calls for proposals. Another INADEM programme, the National Entrepreneur Network, holds events and connects entrepreneurs to different public- and private-sector business development programmes.

Business development service providers rarely focus on women.

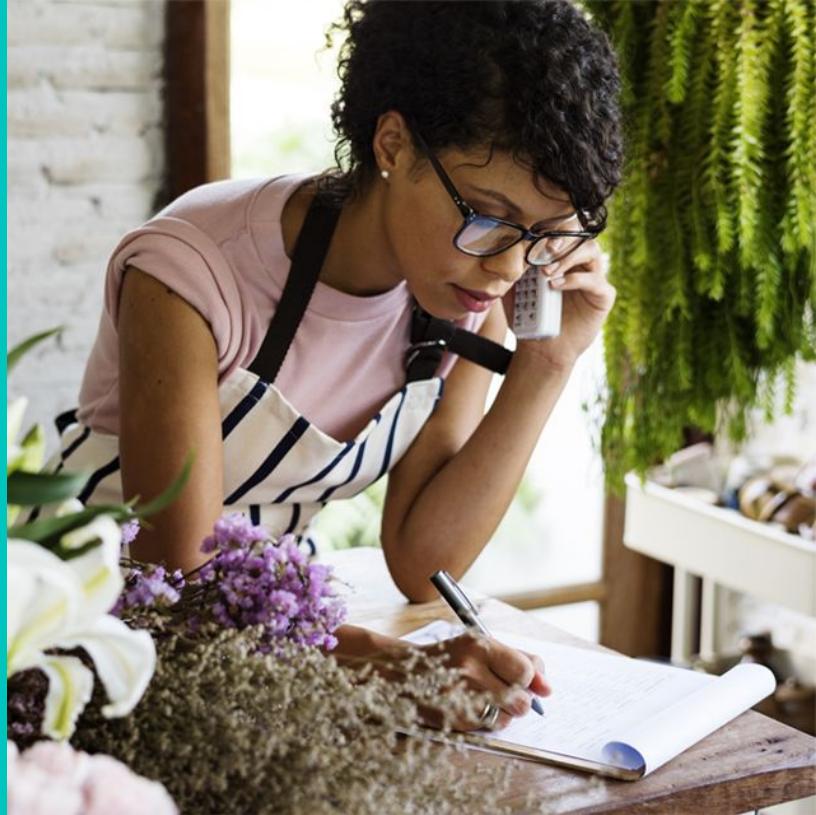
The few programmes that do are not tailored to SGBs in the service sector. The majority of BDS providers focus on necessity-driven micro-entrepreneurs. Of the 33 INADEM-accredited accelerators in Mexico, women represented only 21% of the 2016-2017 cohorts. However, some organizations are specifically targeting women for BDS, including Victoria147, Mujer Emprende, and Vital Voices.



"You can get government programmes, but it is difficult to apply. They require a lot of paperwork, and I do not have time for that. The application process is difficult, and no one explains to you how to do it."

-Vannette, Guadalajara

Recommendations for Ecosystem Actors



The Cherie Blair Foundation for Women's Road to Growth Programme seeks to provide professional blended learning that enhances the skills that women need to grow their businesses. While this programme aims to fill a specific gap for women-led SGBs, much more work needs to be done by a wide range of actors in the entrepreneurial ecosystem. The following recommendations provide organizations working to promote the growth of women-led SGBs with some guidance for designing high-quality services and products.

Access to Finance

Educate women about SME credit and financing options.

This can include digital guides with regularly updated information on interest rates for SME credit as well as other financial service information, particularly from NAFIN-backed banks. Banks also need to be sensitised about the different needs of women-led SGBs.

Think beyond credit.

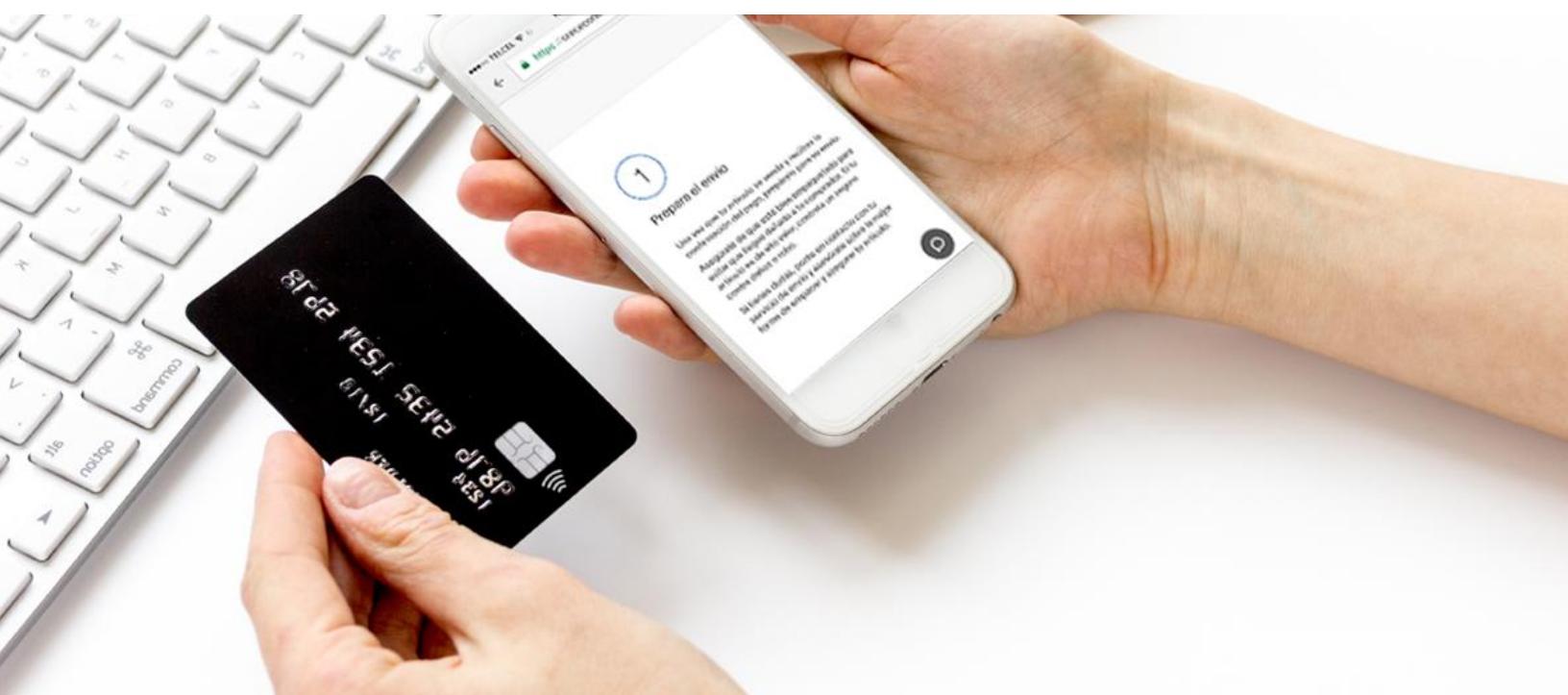
Develop business courses and financial education curriculums for different groups of women, and link women to traditional and non-traditional financial providers, such as crowdfunding platforms. Government hybrid loans and reimbursable grant schemes could also help build support for women-led SMEs.

Go beyond “pink credit cards”.

Banks have an opportunity to take advantage of the expanding women-led SME market and to develop programmes tailored to the particular needs of women entrepreneurs. While some banks have implemented simple marketing schemes aimed at women, these strategies remain overly cautious and tend to reinforce gender stereotypes. In the best case scenarios, women interviewed were neutral on their banking experiences. Few, however, expressed satisfaction or recommended their bank to others. This finding is important, as research shows that women are four times more likely than men to tell others about negative service experiences.¹⁰

Develop tools to reduce conscious and unconscious bias.

Many financial institutions and commercial banks in LAC and around the world have undergone “Gender Intelligence” trainings designed to increase their awareness about why opportunities to market financial services to women are often missed and reduce bias in bank operations and credit approval processes. These trainings also challenge employees to reassess cultural beliefs and norms which shape their perceptions about men’s and women’s capacity to be successful entrepreneurs and pay back loans.



¹⁰ Barletta, Marti. (August 2016). "Women Are Referral Megaphones!" Retrieved from <http://martibarletta.com/video-women-are-referral-megaphones/>



Business Development Services

Ensure that programme content, delivery, outreach, and coaching are gender sensitive and meet the needs of women.

For women-led SGBs in Mexico, there is a strong need for more tailored content, one-on-one attention, and advisory services. Promising practices from the LAC region that achieve these goals in a cost-effective manner include blended learning programmes that combine technology-driven lessons with individualized classroom support, peer mentoring spaces where women with expertise in certain areas (e.g., tax processes, regulation manoeuvring) serve as mentors, and business coaching from experts in the field.

Go beyond the basics.

Highly-educated and experienced women-led SGBs require more than basic business skill courses. They need advanced classes that build their knowledge about finance, sales tools, and online marketing, and prepare them for the real world.

Keep gender at the core.

While many of the issues women entrepreneurs contend with are linked to gender, the notion of “women’s empowerment modules” can feel patronising, reinforce stereotypes and potentially marginalise women further. A more effective approach is to incorporate discussions around gender into the core of regular business capacity-building workshops – for example, by discussing work-life balance, or how to deal with sexist or chauvinist attitudes in client relations and leadership.

Methodology Used for this Study

The market assessment study included the following research activities:



the development of study tools and analysis of existing data on Mexican women entrepreneurs and the supporting entrepreneurship ecosystem



a national-level online survey conducted with 745 women and 484 men, of which 130 women and 71 men met the definition of SGB owners (see Box 2)



focus group discussions and semi-structured interviews with 52 women entrepreneurs in six cities (Mexico City, Guadalajara, Queretaro, Merida, Mexicali, and Monterrey)



interviews with 15 ecosystem actors, mainly BDS providers and financial institutions.

Box 2: CBFW Defining Criteria for Women-Led SGBs in Study *

1. A women-led firm where female ownership (one or multiple women) exceeds 51% and/or the firm has a woman CEO, president, general manager, or other chief executive position filled by a woman.
2. Has been the owner of a formally registered business in Mexico for two or more years, preferably making a profit for at least one of those years.
3. Has a minimum of two and a maximum of 49 employees.
4. Annual sales between \$13,888 and \$500,000 USD.
5. Demonstrates a strong desire to grow and scale her business.

* Male-led SGBs were any SGBs that did not meet the first criteria.

While data was collected from over 1,000 Mexican women and men, the study is not a nationally representative sample and findings are only presented for respondents that fit the SGB definition (see Box 2). Percentages were rounded up for simplicity, so in some cases totals do not add up to 100%.



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