

# Policy Brief

## HIGHLIGHTS

Rural female entrepreneurs in sub-Saharan Africa are less privileged and often have limited resources and edification compared to their male counterparts.

A study by Makerere University Business School (MUBS) and Eindhoven University of Technology assessed barriers faced by women to realize their potential to transform their businesses from survival activities into thriving enterprises, and their support needs. The study focused on possibilities for affordable value addition in food production. This can be an area in which intervention can have major transformative potential because many women are small farmers; simple food processing with which they can add value to their produce has great potential. It improves quality, longevity, value and marketability of products.

The study, executed among women involved in food processing in three rural areas of Uganda, identified that many are caught in a cycle of poverty caused by interrelated and mutually reinforcing problems of marketing, technology and finance, while strong social obligations also count.

The main policy message is therefore that single-instrument support is unlikely to be sufficient to push the large majority of rural women out of these poverty traps. Combined support and interventions are called for.

## INTRODUCTION

In sub-Saharan Africa, many women are engaged in small and often informal activities as a means of survival. They are often less privileged and have more limited resources and edification compared to their male counterparts (Kyejjusa, Gough & Kristensen, 2016), leading to limited innovation.

Many women pursue some form of entrepreneurship related to the agricultural sector in view of the large role of that sector in the region. This could be in the form of cultivation and harvesting, but also post-harvest activities such as drying, smoking, grinding, baking, roasting, and other ways of preserving foodstuffs. However these post-harvest processes are very rudimentary, lacking mechanized equipment and systematic quality practices and control. Professional packaging, marketing and display are also missing. Hence, improved food processing which helps in the reduction of food wastage and adds substantial value to raw agricultural produce has a lot of potential. It can boost incomes of women and their households, enabling them to meet basic needs.

This policy brief reports on an exploratory series of in-depth interviews carried out in 2015-16 among rural women involved in various types of food processing activities in three districts of Uganda, aiming to gain insight into their key innovation barriers and support.

A woman deep-frying plantain snacks in Mpigi. The female owner-manager employs 17 needy women, and their children are accommodated during their working hours.



## STUDY APPROACH

Researchers from Makerere University Business School Kampala and Eindhoven University of Technology, Netherlands, conducted in-depth face-to-face interviews among women entrepreneurs in the districts of Mpigi (9 interviews), Mbale (8), Nakaseke (5) and peri-urban Kampala (2). These were complemented by three focus group interviews with rural women cooperatives, and discussions with the management of a women entrepreneurs-NGO and a community center located in rural districts.

The interviews and discussions sought to understand the key factors affecting women in their role of entrepreneurs and the barriers to innovation faced by them, so as to determine interventions necessary to unlock the potential to start and grow innovative businesses. The conversations mainly concentrated on the women's business development trajectory, technology (equipment) used, social and professional networks, financial situation, markets, sources of information, aspirations, opportunities and challenges.

## FINDINGS

The study showed that rural women entrepreneurs do have interest, potential, and zeal to improve and expand their enterprises. They were involved in a large variety of businesses such as mushroom growing, juice and wine making, soap making, soya, cassava and coffee processing, confectionary, as well as tomato sauce making and silver fish powdering, but most of the products of the respondents were found to be semi-processed and of uneven or poor quality.

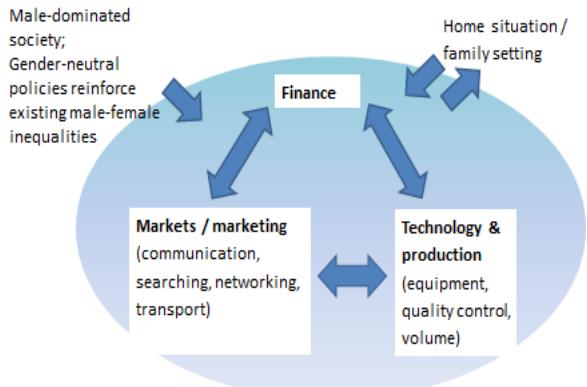
Many rural female entrepreneurs are caught in a cycle of poverty, comprising:

- Most women are solely focused on trying to find customers in their immediate environment, but this is difficult due to the high level of poverty in local rural communities.
- They lack the capacity and information to access markets that offer growth potential for their businesses. Also, due to poor quality products and packaging.
- Being stuck with limited local markets leads to businesses remaining stuck in a state of marginal profitability and operating at a tiny scale.
- In this situation it is not economically viable to acquire professional equipment with which products and packaging could be improved, even if finance for this would be available, which it hardly ever is.
- The earnings of rural female entrepreneurs are also used for non-business goals (payment of school fees, healthcare, support of needy relatives, etc.), which can further limit business growth. Many women prioritize these types of social goals over investment in their business, defining their business success in terms of their ability to meet important social goals and obligations. This implies that even very small activities could deserve to be supported on the grounds of being social entrepreneurship ventures with large positive externalities in local communities.

All these problems are tightly interrelated and together impede financial accumulation. But there are also some exceptions of women who do grow their business in every location visited.

Similar kinds of poverty cycles have been found in earlier literature on poverty traps, but the focus has tended to be on one factor (e.g., technology & small scale size of operation) at the time (e.g. Barrett and Carter 2013; Khavul and Bruton, 2013). In contrast, our study findings indicate that several poverty trap mechanisms occur together and reinforce each other.

## The poverty trap facing Ugandan female entrepreneurs



A young woman single-handedly raising her young children in Mbale district. She raises the money for their school fees by selling roasted soy powder.

## RERENCES:

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## LESSONS FOR POLICY

- Single-instrument support (e.g. only micro-credit) will not work for the poorest because it will fail to create enough momentum to escape these intertwined low-income traps.
- Thus there is a need for integrated support in small steps, which bundles a number of support mechanisms. These should target finance, building marketing capacity, assistance with accessing improved technologies, quality management, and information needs. This finding is supported by several reports documenting the effectiveness of bundled support (reviewed in Buvinic and O'Donnell, 2016).
- Peer-to-peer networking and mentorship by more advanced entrepreneurs can also be valuable. Networks help to build confidence, provide information and ideas, and demonstrate good practices.
- A small minority of more educated and less poor women entrepreneurs can benefit from a single support instrument approach to overcome specific bottlenecks. They themselves can indicate what they need.

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