

## Low literacy levels likely to impede rural women's success in business

*"My greatest challenge has been to change the mindset of people. Mindsets play strange tricks on us. We see things the way our minds have instructed our eyes to see." Muhammad Yunus, Founder of Grameen Bank*

### Executive Summary

Being literate is a prerequisite in business management and sustainability. While evidence shows that Uganda's entrepreneurial potential is high globally, female entrepreneurs were still being presented with limited opportunities to expand their business and few tried to increase or independently manage their enterprises. Education levels for women especially in rural areas and among the youth is still low and hence most likely to miss out of government programmes that aim to uplift their livelihoods such as those targeting income enhancement amidst agricultural shortfalls. Programmes must offer mixed approaches in enterprise business chain and emphasis on adult literacy programmes along entrepreneurship is vital for rural business sustainability.



### 1. Introduction

It goes without say that literacy is a fundamental input to managing a business. Evidence shows that educated women in business are more empowered and own bigger enterprises with high business survival. Majority of Uganda's rural women are illiterate and/or semi-illiterate. According to the Uganda National Household Survey 2012/13 about 75 percent of women in rural areas are illiterate or semi-illiterate given that they either had no formal education or never completed the primary schooling cycle compared to those in urban areas. As a result rural women enterprises do not survive beyond the first months of takeover. This could also be due to several other

reasons, some culturally driven, others lack of business sense, limited social networks to relay on, limited innovativeness in the ventures and most importantly because rural women are illiterate and do not understand the dynamics of business (finances, book keeping and marketing among others). To curb some of these challenges, in 2015, Government launched the Uganda Women Entrepreneurship Programme (UWEP) to directly address some of the skills gaps, access to financial credit and social cultural norms through formation and economic empowerment of women groups comprising of 10-15 for business support. The programme targets 18-65 year old women. This policy brief focuses on the characteristics and performance of Uganda Women entrepreneurs within the global context in order to inform UWEP implementation and targeting.

### 2. Data

Two main data sources were used. The first was the Global Entrepreneurship Monitor (GEM) 2016 which throws light on the nature of entrepreneurs in Uganda within the global framework. The second is the nationally representative survey of 2012/13 conducted by the Uganda Bureau of Statistics that provides information on literacy, proxied by level of education. This is further broken down by spatial and Peace Recovery development Plan (PRDP) sub-regional grouping to provide literacy heterogeneous in these groups.

### 3. Findings and discussion

Findings from the 2016 GEM Report indicate that:

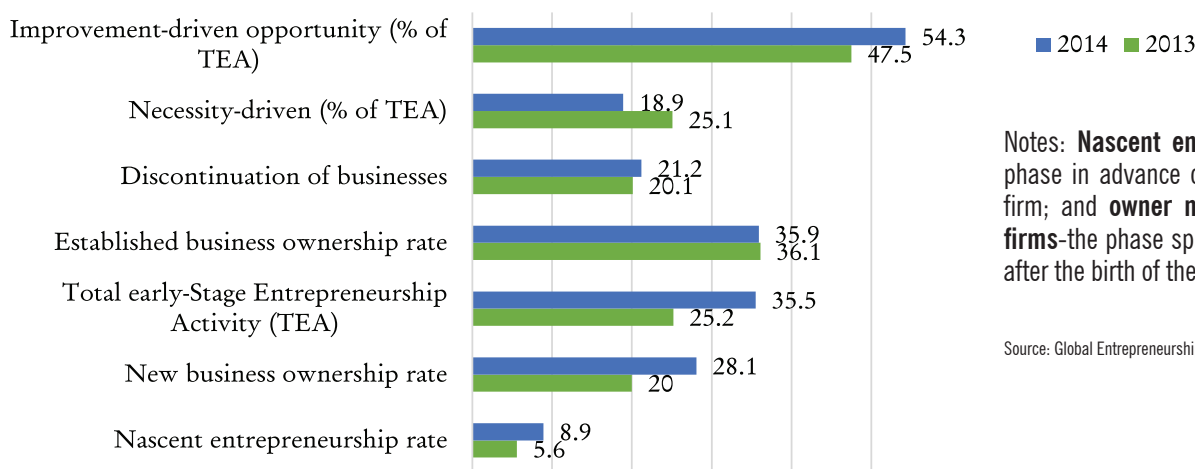
- Uganda is still highly entrepreneurial:** Uganda’s Total early-stage Entrepreneurial Activity (TEA)<sup>1</sup> rate improved between 2013 and 2014 from 25.2 percent to 35.5 percent respectively (Figure 1). This means that at least three out of ten persons were starting or owning an enterprise in 2014. The increase was as a result of the share of nascent entrepreneurs increasing from 5.6 percent in 2013 to 8.9 percent in 2014 and the 8.1 percentage point increase in the new business ownership rate. From Figure 2, while there was a gender balance in TEA rates in 2013 (25 percent), 2014 saw female TEA shares higher than that for males (37 percent Vs 24 percent respectively).
- Female’s entrepreneurs driven by necessity (having no better choice of work) declined.** Nationally, the share of

individuals who were in business out of necessity declined by 6.2 percentage points between 2013 and 2014 (Figure 1). Specifically, Female TEA Necessity shares declined (in other words improved) from 30 percent in 2013 and 19 percent in 2014 while that for men increased (in other word worsened) from 20 percent in 2013 to 22 percent in 2014 (Figure 2).

- Females who were still in business because of available opportunities and also increased their incomes and/or become independent substantially.** In 2014, Uganda had at least more than two out of four individuals being in business due to both the opportunity it presented and the desire to be independent or increase their incomes i.e. improvement-driven opportunity entrepreneurs (Figure 1). However, the share of women who were opportunity driven entrepreneurs declined sharply by 55 percentage points between 2013 and 2014. In this regard, UWEP is one of the opportunities that women are being presented with to expand their enterprise potential, this should be reflected in the next GEM report if the programme implementation achieves inclusiveness.

<sup>1</sup> Total early-stage Entrepreneurial Activity (TEA) is the percentage of individuals aged 18-64 years who are either nascent entrepreneurs ( in the process of starting a business) or owner/manager of a new business (less than 3 ½ years old).

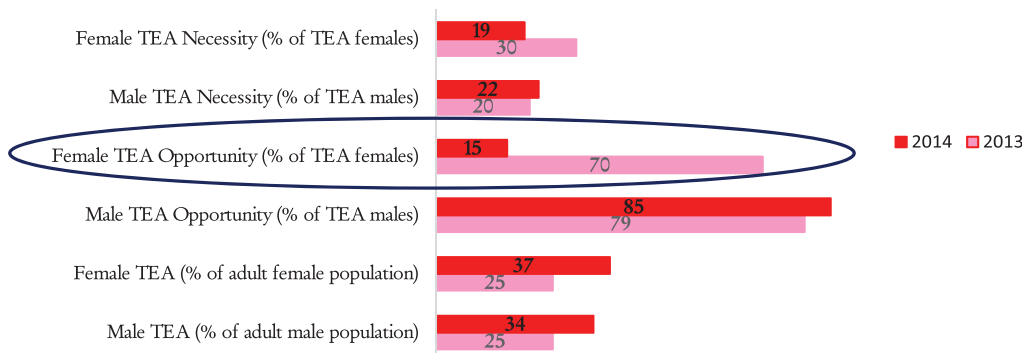
Figure 1: Phase of entrepreneurship activity in Uganda, 2013-2014 (%)-18-64 years



Notes: **Nascent entrepreneurs**- the phase in advance of the birth of the firm; and **owner managers of new firms**-the phase spanning 42 months after the birth of the firm

Source: Global Entrepreneurship Monitor (GEM), 2013; 2014

Figure 2: Gender distribution of Total Early-Stage Entrepreneurs (TEA) and Necessity Vs Opportunity Entrepreneurship



Source: Global Entrepreneurship Monitor (GEM), 2013; 2014

Results from the UNHS on women's education levels show that:

4. **Rural Women literacy levels still very low:** About 75 percent of women in rural areas are illiterate or semi-illiterate compared to the 43 percent in urban areas (Table 1-Panal B). The education attainment gap between those in rural and urban areas becomes increasingly wider with progression in education attainment. At PRDP regional level, the illiteracy/semi-literacy levels are higher in the severely affected sub region-partly because many young women missed out on education opportunities in their formative years. These findings mimic the same dilemma even among the rural female youth (Table 1-Panel A).

**This has important implications for UWEP** in terms of on what interventions they need to design to tackle the illiteracy dilemma among their target group. Modules on skilling, accountability, bookkeeping at enterprise level, and massive continuous training in financial literacy and communication must ensue. Women with certain levels of literacy are better empowered to meet the intermediate and future business challenges compared to those who are not. For sustainable female group enterprises it is important for UWEP to ensure that at least half are semi literate to act as anchors for the other members in aspects they cannot comprehend. This can be referred to as - a within group mentorship approach for sustainable business development.

#### 4. Conclusion

Uganda's female Total-early Entrepreneurship Activity (TEA) rates are higher than their male counterparts. This means that adult females are more likely to start and own/manage a business enterprise in comparison to their male counterparts. However, evidence elsewhere shows that these enterprises are of very low quality in terms of generating high income or decent employment. In addition, the Female TEA opportunity rate was lower than for males indicating that females lacked the necessary opportunities and the urge to improve their incomes or become independent. Majority of Ugandan adult women, especially in rural areas, lack the necessary human capital requirement that is essential in business management. Business Support Services (BDS) have to be part and parcel of any interventions targeting this group right from the concept, formation and running of the enterprise.

#### Policy Options

- Mixed approaches will be required along the entrepreneurship chain for rural women that are completely different from those of urban women. In addition, while groups might work in rural areas, it's important for UWEP to be mindful that this might not hold for urban women entrepreneurs who still need support.
- Establish rural adult business literacy programmes and encourage completion of at least some secondary education:

**Table 1: Education levels of female youth and adults, (%)**

	Rural	Urban	All PRDP	PRDP sub regions			RoC	All
				Sporadically Affected	Severely affected	Spillovers		
<i>Panel A: 18-30 years (Youth)</i>								
No Formal Education	13.4	6.8	15.6	12.0	36.3	7.0	8.7	11.4
Some Primary	49.2	25.7	50.5	60.0	43.1	46.9	36.6	42.0
Completed Primary	10.5	10.5	7.4	9.3	8.3	5.3	12.6	10.5
Some Secondary	15.7	23.0	14.6	8.0	5.6	25.0	20.1	17.9
Completed Secondary	5.6	12.6	5.6	4.2	1.7	9.0	9.1	7.8
Post-Secondary Plus	4.5	19.6	5.2	5.3	4.8	5.4	11.7	9.2
Not Stated	1.0	1.7	1.1	1.3	0.3	1.5	1.3	1.2
<i>Panel B: 18-65 years (Adults)</i>								
No Formal Education	27.6	11.6	29.6	29.0	48.4	19.5	19.1	23.3
Some Primary	47.2	31.6	48.5	51.6	36.8	52.6	39.3	43.0
Completed Primary	8.5	8.9	5.1	6.6	4.5	4.1	10.9	8.6
Some Secondary	9.0	18.2	8.7	5.2	4.1	14.2	13.3	11.4
Completed Secondary	3.4	9.9	3.1	2.5	1.1	4.8	6.5	5.1
Post-Secondary Plus	3.4	18.2	4.0	4.1	4.3	3.7	9.6	7.3
Not Stated	1.0	1.6	1.0	1.0	0.8	1.1	1.3	1.2
<b>Total</b>	100	100	100	100	100	100	100	100

Source: UNHS 2012/13

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There should be an embedded literacy programme to enhance rural women’s knowledge for sustainability of the business to ensure UWEP success. In addition, for general women empowerment.

### Reference

Guloba, M. Ssewanyana, S. and E. Birabwa. (2016). Rural Women Entrepreneurship in Uganda: A synthesis report on policies, evidence and stakeholders. EPRC Research Series No. 134

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