

Female entrepreneurship in rural Uganda: A poverty trap analysis based on in-depth interviews

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Contents

1. Background & research objective
2. Methodology
3. Field findings
4. Conceptual interpretation and analysis of the field findings
5. Policy conclusions
6. Reflection: value of the research

1. Background / setting: “Africa Rising?”



Growth + marginalisation ≠ development

Social exclusion in Sub Saharan Africa:

- High population growth (3.2% p.a. in Uganda)
- 1 million new young job seekers every year, but limited job growth in the “formal” sector
- Increasing land pressure and over-cultivation
- Limited resources/skills, barriers to information, gender issues: many survival activities that do not grow
- Liberalisation opens markets & opportunities, *but not without supportive policies to ensure equal access*

Project: Changing the Mindset of Ugandan Entrepreneurs - Muppets to Gazelles

To contribute to insights for more inclusive
development strategies

Sub-project 2:

*Barriers to growth for female rural entrepreneurs.
Why do so many remain small and unprofitable?*

2. Methodology

Focus on women involved in food processing

24 semi-structured interviews with women entrepreneurs in Mpigi (9), Mbale (8), Nakaseke (5) and peri urban Kampala (2)

Conversations with 3 women groups in Mpigi (2) and Mbale (1)

Visits to NGO ANSWERID and Nakaseke Community Centre, to find out about their activities & challenges

July-Aug 2015

We asked the women about their business life stories:

- how and when they **started** & their **inspiration** to start
- what **goals** they pursue with their business
- if they are **successful** in achieving what they want
- their **struggles and challenges**
- their **resources and support networks** for resolving problems, their family situation.
- where they stand **now**, and their **ambitions for the future**.

2. Findings

So much variety! Each business experience and story is unique.

Some businesses have grown a lot, others remain very small / home based.

Women involved in growing businesses pursue business goals (profit, employment creation, more investment, more revenue ...)



Women involved in very small businesses have many important non-business priorities: children's education, buying land, supporting family...



Findings, continued

Common barriers to business development:

- Market constraints & marketing problems
- Obstacles to procuring resources
- Financing constraints
- Lack of mechanised equipment
- Culture (gender issues, community relations)

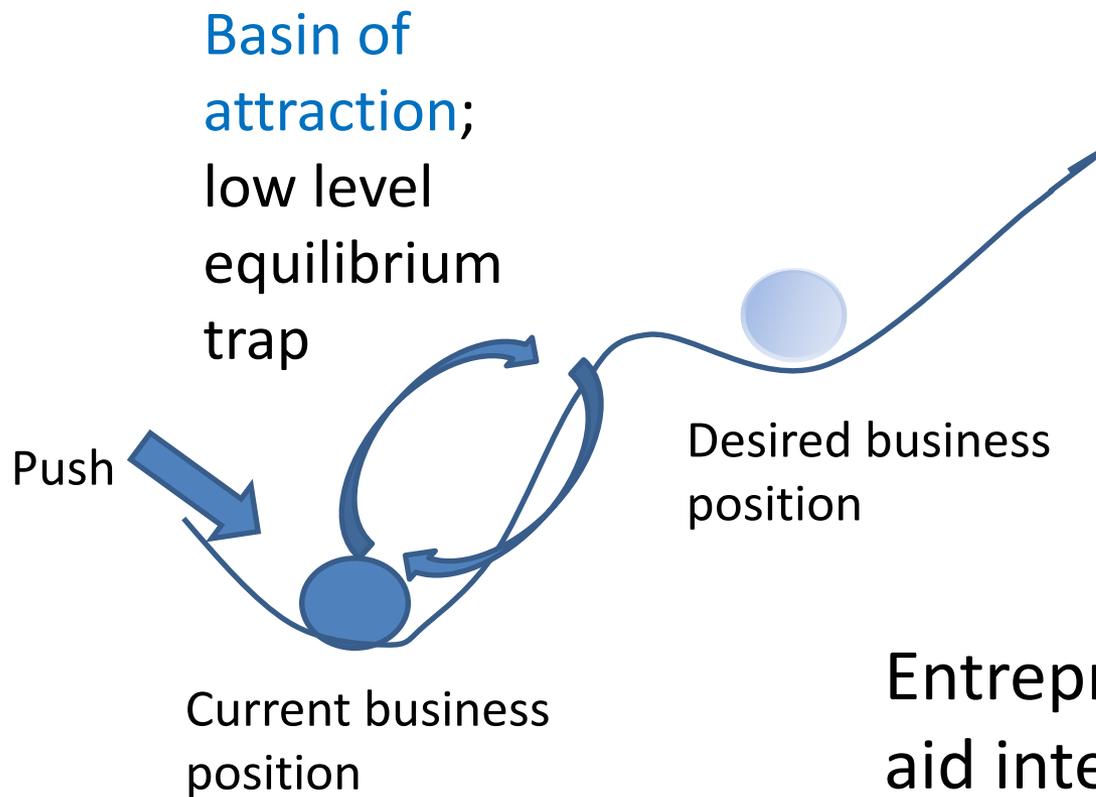


3. Conceptual interpretation & analysis of field findings

*“A **poverty trap** is about staying poor, not just about being poor at a few moments in time.”*

*“Poverty traps research therefore focuses on **identifying and explaining the existence of low well-being “basins of attraction”** ... and naturally emphasises how stocks of assets (and resulting flows of income) evolve – or fail to evolve – over time.”*

C.B. Barret and M.R. Porter (2013) The economics of poverty traps and persistent poverty: empirical and policy implications. *The Journal of Development Studies* 49 (7): 976-990.



Entrepr. efforts or
aid interventions
often fail to reach
a critical threshold

Poverty trap literature review (theory + empirical evidence)

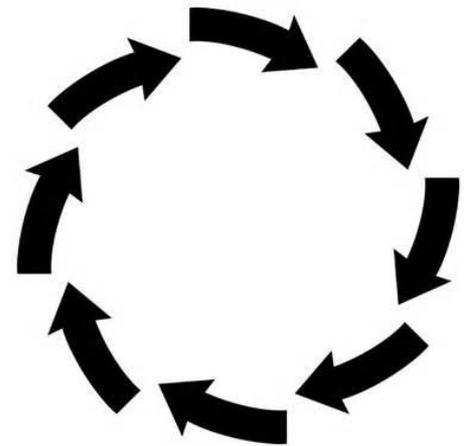
- increasing returns to scale (“lumpiness” of investment)
- credit market failure
- network problems (the poor network mainly with the poor, or they lack networks)
- local norms / institutionalised behaviours -> pressures or desire to conform
- uninsured risk & effects on investment behaviour
- regional context of poverty reinforcing micro traps and vice versa → affects market demand and resource procurement conditions
- absence of favourable agglomeration effects

Comparison

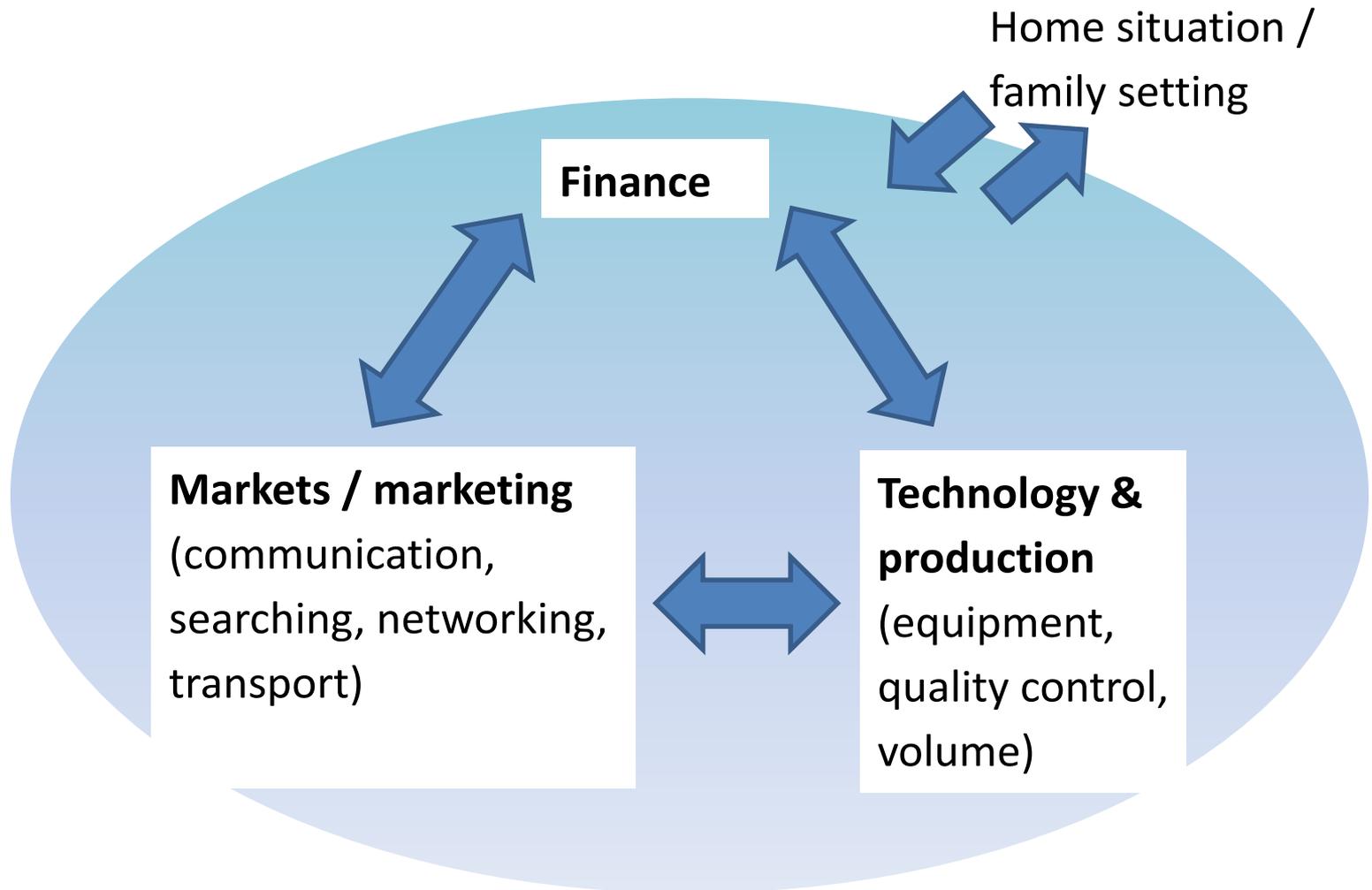
poverty trap literature <-> our research

- Substantial overlap in nature of the traps
- Literature tends to look at individual traps in isolation. Our findings indicate occurrence of *multiple traps that intertwine*:

SUPERTRAP



Morphology of the supertrap



Example 1

finance -> market -> finance

Lack of finance can mean:

- **No money for transport for marketing** your products, reaching out to wider customer area beyond the local.
- Local rural customers prefer non-local products from Kampala, and they also do not easily buy new products.
- Lack of money for transport can also impede efficient buying of raw materials (at source).

-> No revenue growth is possible. So the vicious cycle continues.

Example 2

finance -> technology -> market -> finance -> technology -> ...

Lack of finance can mean, **no money for equipment** to mechanise basic operations like hand pounding.

Consequences:

- having to spend much human energy and time
 - low quality of products (mechanisation helps with achieving consistent and better quality)
 - high cost per unit of product, due to very small scale of operations: uneconomic scale of production -> low profit
 - lack of time, lack of energy, low quality: lack of possibilities to widen the market. Whereas local markets are too limited.
- > limited sales, limited profit.

Then the cycle starts over again.

Example 3

home situation -> market -> finance -> home situation -> ...

Home & farming obligations and commitments can impede women from accessing wider markets, and also at times compel them to share business proceeds for other purposes

→ No revenue growth is possible. Home situation also does not improve as a result.

→ Vicious cycle continues.

4. Main policy conclusions

Single-instrument support (e.g. only micro-credit) will not work for the poorest because it will fail to create enough momentum to escape the low-income “basin of attraction”.

Need for integrated support, in close sequence.

Less poor & more educated women (the top 1%) likely to benefit from a more selective approach

5. Value of the research

New application of poverty trap concept and analysis: to the field of small-scale entrepreneurship in development context

New methodology of in-depth interviews: complements extant poverty trap research approaches

(i.e., monitoring of asset dynamics; lab experiments; behavioural/decision studies; theoretical simulations, modelling)