

DISCUSSION PAPER

Catalyzing Women's Entrepreneurship Creating a Gender-Responsive Entrepreneurial Ecosystem



Discussion paper on “barriers and opportunities for women-led micro, small, medium enterprises in Samoa”

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Micro, small and medium enterprises (MSMEs) are key drivers of economic growth, often described as the “engine of growth” for emerging economies (IFC 2017). In 2018, it was estimated that small and medium enterprises (SMEs) represented over 88 per cent of all enterprises in Samoa (Nataro 2018), indicating the vital role such businesses play in Samoa’s economy. There is widespread recognition that catalyzing women’s entrepreneurship is a key pathway for advancing women’s economic empowerment. With proven multiplier effects on decent employment, poverty eradication and economic growth (ESCAP 2017). Yet, compared with men, women entrepreneurs continue to face complex barriers limiting their ability to start-up and/or grow their business.

Examining and drawing on existing literature and studies, this report will discuss the barriers and opportunities for women entrepreneurs in Samoa.

Section one will focus on the barriers facing women entrepreneurs in Samoa. This will also include preliminary analysis on the impact of the global coronavirus pandemic (COVID-19) on women entrepreneurs in Samoa.

Section two will then discuss opportunities, including policy recommendations and strategies for addressing gaps and leveraging opportunities that will further support the creation of an enabling environment for women entrepreneurs in Samoa.

This discussion paper was prepared through desk research by the United Nations ESCAP’s Catalyzing Women’s Entrepreneurship (CWE) programme team. The CWE programme funded by the Government of Canada, aims to advance women entrepreneurship and market participation in the Asia-Pacific region, resulting in poverty reduction, improved livelihoods and economic growth. The programme takes a facilitative approach to strengthen the entrepreneurial ecosystem, by enhancing women entrepreneurs’ access and use of financial services; strengthening women entrepreneurs’ use of ICT and digital solutions to support their business; and through policy and advocacy initiatives.



Section 1: Barriers and Opportunities

Drawing from available reports, literature and data, this section discusses the common barriers faced by women entrepreneurs in Samoa. This section will focus on eight areas, including: access to trade and markets; access to finance; cultural and social norms; business networks and skills training; policy and regulation; informal sector; technology and ICT; and COVID-19.

The presence and contribution of women in Samoa's economy and SME sector is notable and growing. In the formal sector, women in Samoa are most likely to be employed in the sectors of education (17.1 per cent), commerce (14.3 per cent) and other services (12.1 per cent) (ADB 2018). Between 2011 and 2015, female employment increased by 44 per cent, in comparison to 35 per cent for males. Recent years have also seen a rise in the share of women in top management positions, rising from 18 per cent in 2001 to 53.3 per cent in 2010. This increase has placed Samoa as one of the highest in the Pacific Island countries (PICs) for the share of women in senior management positions (ADB 2018).

Turning to the entrepreneurial sector in Samoa, according to the 2011 Census, 24 per cent of women were involved in entrepreneurial activities (either formal or informal) (Centre for Samoan Studies 2014). By 2018, it was estimated that women owned between 40 to 46 per cent of businesses in Samoa (ADB 2018). However, critically many women-led MSMEs are micro-sized and operate within the informal sector. With women in Samoa still only making up 29 per cent of the formal workforce in 2018 (ADB 2018). These features make it difficult to accurately assess the number of women-led MSMEs in Samoa. It is likely that the number of women-led MSMEs are higher than the estimated 40 to 46 per cent of businesses in Samoa. Therefore, the above data highlights that women's entrepreneurship in Samoa is notable and growing, however, a number of barriers continue to limit the full potential of women entrepreneurs. These barriers are discussed below in detail.



Access to Trade and Markets

Characterized by being small in size, geographically dispersed and distant from major markets, PICs are faced with larger challenges compared to other States with regards to access to trade and markets (ILO 2017, ADB 2018). The Pacific Export Survey 2016 revealed that approximately 27 per cent of exporting small and medium-sized enterprises (SME) in the Pacific are run by women. This number demonstrates the potential of women entrepreneurs. When compared to male-owned businesses, who run over 70 per cent of the exporting SMEs in the Pacific (Pacific Trade Invest 2016), the need to consider a number of barriers which often may restrict women-led MSMEs in their access to trade and markets needs to be considered.



The high level of informality of women-led MSMEs in Samoa will impact the number of registered women-led businesses in Samoa.

Economic activity in Samoa is also often concentrated in urban areas. In 2001, ADB estimated that 70 per cent of Samoa's domestic economic activity took place in the Apia urban area (Jones and Cocks 2003). Therefore, for women entrepreneurs not based in Apia, this may limit their physical access to markets to sell their goods and services. Moreover, it is estimated in PICs, that rural women carers are more likely to be outside the labour force when compared with urban women carers (ILO 2018). Asia and the Pacific overall witnesses' women performing 80 per cent of the total of hours of unpaid care work, accounting for nearly four times as men (ILO 2018). Therefore, for many women entrepreneurs, who perform the dual role of businesswomen and carers, this will further restrict their mobility leading to reduced access to trade and markets.

PICs face some of the most significant risks and exposure to natural hazards and climate change impacts in the world (ILO 2017). It is estimated that Samoa loses 1 per cent of gross domestic product (GDP) each year to disasters (ADB 2019). The impact of natural hazards and climate-induced changes are known to have a disproportionate impact on women, pressuring "women's time, income, health, nutrition and social support systems" (ESCAP 2019). Therefore, as the number of climate-induced changes continue to rise, this is likely to increasingly act as a barrier for women-led MSMEs in their ability to access trade and markets alongside heightened vulnerability to job loss (Pacific Possible and World Bank 2016).

Access to Finance

In contrast to trends around gender and financial inclusion in the region, research in Samoa shows that women are actively involved in finance related activities. 40 per cent of women are banked, compared to 38 per cent of men (Centre for Samoan Studies 2015). The Central Bank of Samoa hypothesizes that the higher level of bank account ownership among women is likely driven by

remittance income. With women receiving 48 per cent of the remittances from overseas, compared to 39 per cent for men (Centre for Samoan Studies 2015).



Source: Central Bank of Samoa (2015)

Though Samoan women have high financial inclusion, women entrepreneurs still face specific hurdles that limit their equal access to the assets, credit and capital required to start up and/or expand their businesses (ESCAP 2013).



Samoa's commercial financial sector comprises of four commercial banks, two of which are subsidiaries of foreign banks¹, with a market share of about 80 per cent of total banking system assets (Women's World Bank 2013). In Samoa, commercial banks are not required to allocate a specified share of their lending to SMEs and there is no dedicated SME bank (ESCAP and UNCDF, 2020).

The microfinance sector is well developed in Samoa. Currently three major suppliers of microfinance operate; Samoa Business Hub (SBH, previously Small Business Enterprise Centre); Development Bank of Samoa (DBS); and South Pacific Business Development (SPBD). Women are often the main beneficiaries of microfinance programmes in Samoa (Centre for Samoan Studies 2015). With two of the three microfinance programmes either engaging in some specific support and/or providing for women microenterprises solely.

Samoa Business Hub

- Recently launched a micro loan and insurance scheme to directly provide loans of up to ST 10,000 (USD 3,800).
- With the aim to fill a gap in the market not sufficiently addressed by other lenders.
- Under this initiative, microloans of up to ST 10,000 (USD 3,800) can be provided directly to microenterprises that have good repayment track records.
- Financial and business training is also provided for recipients.

Development Bank of Samoa (DBS)

- In 2006, DBS commenced a microfinance scheme to support the economic empowerment of women. However, the initiative was unfortunately unsuccessful with repayment rates stalled and the default rate at almost 50 per cent.
- DBS identified the main reason for this failure as reliance on borrower nominations by the Ministry of Women, Community and Social Development, rather than DBS ownership through their own process of borrower vetting.
- Based on the lessons learned from this program, in mid-2017 DBS implemented a pilot microcredit project for women and youth in the island of Savaii.
- 778 loans were disbursed to women and youth, with the loan size ranging from ST 2,500 (USD 940) to ST 7,500 (USD 2,800). The total loan portfolio was around ST 2 million (USD 750,000).
- A large majority of the supported microenterprises were within the agriculture sector, but village shops and small-scale service businesses were also included.
- It is expected with minor modifications, such as including more mentoring support for borrowers, DBS will roll this out to other areas of Samoa in 2020.
- DBS's pilot microcredit project had the interest rate set at 8 per cent per annum, but this has proven to be insufficient to cover operational costs. It is estimated an interest rate of between 13 and 14 per cent per annum would improve the scheme's financial performance, but to ensure sustainability it would still require additional funding support.

¹ ANZ, Bank South Pacific (BSP), Samoa Commercial Bank (SCB) and National Bank of Samoa.



South Pacific Business Development (SPBD)

- Operating for more than 18 years, and part of the SPBD Microfinance network in the Pacific.
- SPBD provides micro loans ranging from a minimum of ST 1,250 (USD 470) to a maximum of ST 8,000 (USD 3,000) to its clients, who are all women.
- Prior to being granted loans, new recruits are provided with a training about the loan program and the creation of a savings account, as well as a financial literacy course. The spouses of women borrowers can also join the training.
- Borrowers are subject to a “loan size graduation process” by which they can only progress to the next level of finance once they have adequately serviced their previous loan.
- Extensive support is provided to borrowers through 346 centres with nearly 80 per cent outreach to the country.
- Of the 19,000-plus clients serviced by SPBD, approximately 90 per cent are classified as women who run and operate several different income-earning informal businesses or microenterprises.
- Interest rates for micro-loans are held at a flat rate of 21 per cent.

Source: Adapted from ESCAP and UNCDF (2020). *For more information please see the full study.*

Though microfinance represents an important available source of start-up capital for women entrepreneurs, it can also limit growth. This being categorised by high interest rates charged by microfinance institutions ranging from 8 to 21 per cent in Samoa (ESCAP and UNCDF, 2020)

Loans are also available to SMEs through DBS, SBH and SPBD. The total loan portfolio of DBS is ST 147 million (USD 55 million), and 98 per cent of its customers are MSMEs. However, loans for large corporate clients account for 81 per cent of the value of DBS’s portfolio. DBS has experienced a high default rate among the large corporate clients, with the non-performing loans of corporate clients representing 23 per cent of the total loan portfolio of DBS. In comparison, the default rates amongst SMEs is between 5 and 8 per cent, and the default rate of Inclusive Development Facility for Women and Youth pilot was recorded at below 2 per cent (ESCAP and UNCDF, 2020).

SBH provides 100 per cent credit guarantees to lenders for loans up to ST 20,000 (USD 7,500) and an 80 per cent guarantee for those between ST 20,001 and ST 100,000 (USD 38,000). At all levels of loan size, trainings for borrowers is provided over varying time frames. For example, businesses seeking a guarantee on larger loans of between ST 50,000 and 100,000 are requested to attend the Business Growth Incubation Program run over a ten-month period (ESCAP and UNCDF, 2020).

Under the SPBD SME finance scheme, the maximum loan offered to women is ST 32,000 (USD 12,000). Out of 400 SME loans, one hundred clients have been granted the maximum loan amount. SPBD notes that at least half of the one hundred SMEs which have borrowed the maximum loan amount of ST 32,000, and have the potential to undertake a ST 200,000 (USD 75,000) loan (ESCAP and UNCDF, 2020).



Recent research also reflects the findings of SPBD, that though women-owned businesses represent almost 50 per cent of their overall smaller commercial finance customers in Samoa, they represent less than 20 per cent of larger borrowers (ESCAP and UNCDF, 2020). This highlights the need for connecting finance opportunities for women entrepreneurs who have outgrown their previous loan size but do not have the resources or ability to access larger SME financing options.

A particular barrier for women entrepreneurs in Samoa looking to expand their loans are that many banks require collateral in the form of fixed assets. With customary land unavailable for collateral and only 4 per cent of Samoa's land comprising freehold, obtaining credit is a problem for men and women (ESCAP and UNCDF, 2020). However, the situation is more difficult for women who are even less likely than men to have land title (IFC 2010). This highlights how economic activity in Samoa can also often be constrained by cultural and social norms.

Cultural and Social Norms

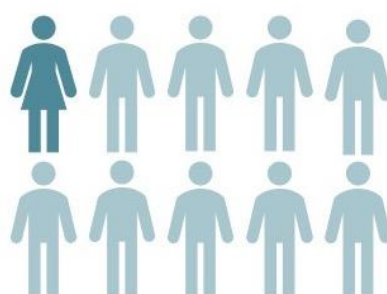
Research suggests that significant barriers exist for women's access to participation in decision-making, leadership and management due to various factors including the system of traditional village government in Samoa. Limiting women's ability to also fully engage in local government councils, church leadership, school management and community-based organisations (Centre for Samoan Studies 2015). Moreover, though men and women have equal right to matai titles, in the 2011 census it was recorded that 89 per cent of matai² were men. Without these titles, women's opportunities to stand for Parliament and other national leadership positions are also limited (ADB 2018).

Leadership opportunities for women are important. With greater political representation for women increasing women's overall "labour force participation, the share of public employment opportunities allocated to women, and women's access to public amenities, such as roads and health services" (UN Women 2018) will go a long way in enhancing their leadership role. To support women's opportunities in Parliament, the Constitution Amendment Act 2013 amended Article 44 of the Constitution to reserve 10 per cent of parliamentary seats for women (ADB 2015). This placed Samoa above the Pacific average of 8 per cent.

However, overall, Asia and the Pacific currently holds an average political participation of women at 18 per cent (ESCAP 2019).

Further actions in Samoa have also been undertaken to support women's participation and leadership. Each village has a

woman government representative who provides the link on activities and policies promoted by Government to the village and communities (IFC 2010). Women's committees also exist at village



The percentage of women in Parliament and National Legislature in Samoa is 10%.

While this is above regional average of 8%, the Pacific region has the world's lowest levels of women in parliament.

Source: UN Women (2018)

² "The Matai are the chiefs of the Samoans. The matai are responsible for maintaining the respect, traditions, and administration of the village." (Pasefika 2020).



level but have traditionally focused on the public health of the village. Thirdly, the National Council of Women represents women's interests in Samoa. Churches have also been provided as a forum for women to form committees and address gender issues, however, this is not consistently operated across Samoa (ADB 2018).

A second cultural and social norm that can act as a barrier for women to set up and/or expand their businesses in Samoa is the high customary obligations, including the system known as 'fa'alavelave'. This is a traditional ceremony where large amounts of money, food and fine mats are accumulated, pooled, exchanged and redistributed between kin-groups. This is undertaken to mark funerals, weddings, and title-conferring rituals (Women's World Bank 2013). 'Fa'alavelave' impacts both women and men in Samoa. Yet often for women the burden may be felt more deeply because these obligations require significant time and resources to be committed to the organization and running of 'fa'alavelave' (Women's World Bank 2013).

Thirdly, women in Asia and the Pacific work the longest hours (paid and unpaid work) in the world. On an average, women in the Pacific region perform four times the amount of unpaid care work that men (ILO 2018). The undertaking of unpaid care work remains a major reason of women's underrepresentation and mobility in the workplace while also influencing women's choice of part-time or informal work (ILO 2018). It is estimated that if included in the measurement of GDP, unpaid care work carried out by women in Asia and the Pacific would add USD 3.8 trillion to the total regional GDP (McKinsey Global Institute 2018).

Business Networks and Skills Training

The 2011 Census indicated that women in Samoa are well educated, and overall if not better educated than men. 47 per cent of women have secondary education compared to 44.1 per cent of men, and



In Samoa, 47% of women have secondary education compared to 44.1% of men, and 11.5% of women have tertiary

11.5 per cent of women have tertiary qualifications compared to 10.5 per cent of men (Pacific Community 2015). However, good education levels for women have not translated into improved employment opportunities. As noted above,

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