ACCESS TO CREDIT AND PERFORMANCE OF FEMALE ENTREPRENEURS IN LATIN AMERICA (SUMMARY)

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SUMMARY

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Principal Topic
There has been considerable interest in identifying important predictors of access to credit and its role in entrepreneurial success. In this context, gender has emerged as an attribute of particular interest. This paper contributes significantly to this literature by using firm level data from the 2006 Enterprise Survey of 13 countries in the Latin America region, we examine gender based gaps in entrepreneurial performance and test various hypotheses offered to explain the observed patterns, including gender based differences in access to formal credit.

Method
In this paper, we define entrepreneurship rigorously by looking only at principal owners of privately held shareholding companies, partnerships and sole proprietorships. We measure relative performance of male and female entrepreneurs on a number of dimensions including: sales revenues, sales per worker, profit, total factor productivity, sales growth and employment growth. In addition, we explore both economic and institutional explanations for the patterns we observe.

Results and Implications
We find that the evidence for female underperformance is strongest only in the case of large firms. Among small and medium firms female entrepreneurs perform better than their male counterparts in terms of growth, and among micro firms female entrepreneurs underperform in only some dimensions, while in others they perform better than their male counterparts.

We test whether lack of access to bank financing is an explanatory factor for these performance gaps; we find that women in Latin America are as likely as men to apply for formal credit. However, they are less likely than men to obtain formal credit if they are running micro or medium firms. On the other hand, they are more likely to obtain formal credit if they are running large firms.

We also find that male-owned enterprises perform better (in terms of overall size and value added) in the event of technology adoption and innovation. These gaps could signal gender specific gaps in mediating variables like credit, technical knowledge, training etc. Finally, we also find limited evidence that female entrepreneurs are disproportionately concentrated in low performing sectors.