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FEMALE ENTREPRENEURSHIP IN TRANSITION ECONOMIES: THE CASE OF LITHUANIA AND UKRAINE

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ABSTRACT

To date, little research has focused on female entrepreneurship in the context of transitioning countries. This paper compares from an institutional perspective two countries at different stages in the process of transformation. Lithuania followed a rapid transitional path leading to European Union membership, while Ukraine is on a much slower development path. Women entrepreneurs in Lithuania and Ukraine share many common features and problems; however, there are important differences in the experiences of women in these two countries. This indicates a need to recognize the diversity that exists among transition countries, reflecting different inheritances from the Soviet past as well as differences in the pace of change during the transition period.

KEYWORDS
Female entrepreneurship, transition countries, Lithuania, Ukraine, institutional theory, SMEs

JEL Codes: M13, P2, P3

INTRODUCTION

Without a doubt, the transition process of economic restructuring in the countries that were a part of the Soviet empire has resulted in profound and dramatic changes to their economic, political, and social landscapes. Fifteen countries emerged from under the Soviet cloak at more or less the same time, though their transition trajectories have followed vastly divergent paths.[1] By 2004, the European Commission officially recognized some of these countries as having ''functioning market economies'' and democratically elected governments while others still incorporated elements of centralized planning under authoritarian regimes.[2]

One of the major changes for all post-Soviet countries has been the development of private business ownership. This is particularly important

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in transition countries not only because of the increased possibilities for jobs and wealth that small private firms offer for individuals but also for the potential welfare gains for the economy and society as a whole. The ability of small and medium-sized enterprises (SMEs) to foster innovation, experimentation, and adaptation in the business environment is especially crucial for countries undergoing radical transformation (European Bank for Reconstruction and Development 1995). Moreover, if entrepreneurship will potentially contribute to economic development and social inclusion, it is important that women as well as men are fully represented among entrepreneurs. Friederike Welter et al. (2004) suggest that female-owned enterprises are of special significance in the context of transitioning countries for a number of additional reasons. First, they tend to employ other women more frequently, which helps reduce the effect of discrimination against women in the labor market. Second, by reducing female unemployment, women-owned SMEs can assist in fighting the trafficking of women, which is of great concern in many transition countries. Third, female business owners can serve as role models for younger generations demonstrating new opportunities for employment. In addition, by encouraging potential female entrepreneurs to start businesses, a more successful, if not more rapid, transition process could result through increased innovative capacities and private sector development.

Even as studies on SMEs and entrepreneurship in transition countries are increasing (e.g., Jean-Paul Larçon 1998; Josef Mugler 2000; Oliver Pfirrmann and Gunter Walter 2002; Robert McIntyre and Bruno Dallago 2003), very little is known specifically about female entrepreneurship. The lack of reliable and consistent data has impeded cross-country comparative work on female entrepreneurship in the post-Soviet era, since comprehensive databases containing information about the gender of entrepreneurs do not exist in most countries. This paper attempts to address this gap through a comparison of female entrepreneurship in Lithuania and Ukraine, two post-Soviet countries at different stages in the process of transformation. Although both Lithuania and Ukraine are former Soviet republics, their development paths since 1990 have been quite different. Lithuania has followed a rapid transitional path leading to European Union (EU) membership, while Ukraine, which is a member of the Commonwealth of Independent States (CIS), is on a much slower development path.[3] This paper focuses on examining how these different transition paths have affected the characteristics and development of female entrepreneurship and explores the role of female entrepreneurship in the process of transformation.

Research in mature market economies indicates that a mixture of individual, social, and cultural characteristics differentiates male and female entrepreneurs (Candida Brush and Robert Hisrich 1999; Patricia McManus 2001). In comparing post-Soviet countries, it is important to

recognize not only the differing cultural and religious influences, as in the case of Central Asian republics, but also the varying historical paths and the current role of women in society. Institutional theory seems well suited as a frame of reference for our analysis, especially its treatment of informal institutional influences, such as cultural norms and values.

CONCEPTUAL FRAMEWORK: INSTITUTIONAL THEORY AND GENDER

A number of authors have addressed the importance of institutions and their effect on economic development in transitioning countries (Ruud Knaack 1995; Ole Nørgaard 1996; Edgar L. Feige 1997; Douglass C. North 1997; Stefan Hedlund 1999; Timothy Yeager 1999; Elma Van de Mortel 2002; Friederike Welter and David Smallbone 2003; Ruta Aidis 2006). Institutions are defined as any form of constraint that human beings devise to shape human interaction (Douglass C. North 1990: 3). North makes a clear distinction between formal and informal institutions (1990: 4). Put simply, he views formal institutions as the visible ''rules of the game,'' such as constitutional law, which can be altered quickly to adapt to changing economic circumstances. In contrast, he categorizes informal institutions as the invisible ''rules of the game'' made up of norms, values, acceptable behaviors, and codes of conduct. In addition, Douglass C. North (2005) highlights the importance of the players' intentionality in enacting institutional change and their understanding of the issues relating to the change as having an effect on institutional development.

Overall, institutional theorists' treatment of gender has been mixed. Thorstein Veblen emphasized the influence of socially created roles for men and women as illustrations of institutional outcomes, arguing that the ideals of private property (1899) and women's dress (1894/1964) were expressions of a gendered value system. North mentions women's role in society as an example of an informal rule but does not provide any further elaboration (1990). Other empirical studies have used the institutional approach to analyze gendered issues such as male/female wage discrepancies (Daphne Greenwood 1984) or the labor market in general (Elke Holst 2001), pay equity (Ellen Mutari and Deborah Figart 1997), privatized pension schemes (Alexandra Bernasek and Stephanie Shwiff 2001), and increased likelihood of poverty for female-headed households (Steven Pressman 2002).

Friederike Welter et al. (2003) have applied institutional theory to the development of female entrepreneurship in the transition context. As Welter and Smallbone (2003) note, while formal institutions can create opportunities for entrepreneurship, informal institutions can strongly influence perceptions of entrepreneurial opportunities. With regard to women entrepreneurs, formal institutions not only influence the extent to

which female entrepreneurship (and entrepreneurship more generally) is able to develop, but formal institutions also affect the types of enterprises in which women can engage. Cultural norms and values help shape an individual's way into entrepreneurship and more specifically women's intentions to set up a business (Welter et al. 2003). In this context, gender could represent an additional dimension. The evolving institutional framework might constrain women's formal integration into the emerging market economy by redefining and changing gender roles, thus restricting their access to external resources needed in order to realize a venture (Welter et al. 2003: 250). The institutions might also ascribe housebound roles to women, which would conflict with entrepreneurial activities.

Table 1 summarizes the most important institutional influences on the development of female entrepreneurship, distinguishing between formal institutional factors, such as legal statutes and regulations; informal institutions, reflected in the values and attitudes towards women and their role in society; and wider influences on the environment for business development. At the same time, a clear distinction between formal and informal institutions is difficult to achieve because they are interdependent and often evolve together. It has been suggested that informal institutions such as cultural traditions, societal customs, and human rights tend to originate as a result of individual actions (Oliver E. Williamson 2000), but they can also result from formal institutions, which they can in turn modify. Thus, informal institutions evolve as a culturally specific interpretation of formal rules, modifying and assisting in enforcing formal institutions.

Each legal framework may contain explicit regulations for implementing laws; however, over time these regulations are complemented by an implicit understanding and interpretation of their content based on experience. In other words, unwritten rules may fill legal gaps that become apparent only

Table 1 Institutional influences on female entrepreneurship

Formal	*Informal*
• Formal gender equality recognized by law • Labor market legislation • Tax legislation (effect on dual earners) • Childcare infrastructure	• Discrimination against women in the workplace • Traditional attitudes (forbidding certain work for women) • Religious beliefs • Entrepreneurship seen as a male activity • Society's attitude towards women and employment • Family values • Attitudes inherited from the socialist period

Source: Compiled and adapted from Welter et al. (2003).

as laws and regulations are applied to daily life. The provision of childcare represents one example. It could be considered a formal institution that reflects family policies that are basic elements of the formal institutional framework. On the other hand, a society's attitudes towards children influence the value that governments place on particular family policies, making this part of the informal institutional framework. During transition, this takes on additional importance because while Soviet governments placed great emphasis on women's participation in labor markets, which was facilitated through offering adequate infrastructure (such as kindergartens), this changed once the transition process started. Thus, institutional theory that incorporates both formal and informal institutions provides a suitable frame of reference for analyzing the development of women's entrepreneurship in Lithuania and Ukraine.

CONTRASTING INSTITUTIONAL CONTEXTS

We've chosen to focus on Lithuania and Ukraine because they are at different stages in the process of market reform. Table 2 shows some differences by comparing the two countries in terms of selected EBRD indicators (EBRD 2003). Ukraine has been slower than Lithuania on all aspects of market reform, with areas such as corporate governance and infrastructure changing particularly slowly. Since entrepreneurship and sustained, private-sector enterprise development depend on the wider process of institutional and economic restructuring, it is not surprising that the pace of small business development in Ukraine has been slower than in Lithuania. For additional social and economic indicators for Lithuania and Ukraine, see Appendix Tables 1 and 2.

Table 2 Progress in transition based on selected EBRD indicators 2003

	Lithuania	*Ukraine*
Private sector share of GDP[a] Mid 2002	75%	65%
Large-scale privatization	4−	3
Small-scale privatization	4+	4
Governance and enterprise restructuring	3	2
Price liberalization	4+	4
Trade and foreign exchange	4+	3
Competition policy	3	2+
Banking reform	3	2+
Infrastructure reform	3−	2

Notes: The classification system used in the table is a stylized reflection of the judgment of the EBRD's Office of the Chief Economist. The measurement scale used for the indicators ranges from 1 (little or no change from a rigid centrally planned economy) to 4+, which represents the standards of an industrialized market economy.
[a]Private sector share in GDP represent rough EBRD estimates, based on available statistics from both official (government) sources and unofficial sources.
Source: EBRD (2003).

Although EBRD estimates suggest that private enterprises make the largest contribution to GDP in Ukraine, such firms only account for about 30 percent of total employment, with a further 36 percent employed in collectives and co-operatively owned enterprises and 34 percent in the state sector, which are still fully owned by the state.[4] This reflects slow policy changes and a relatively low level of start-ups compared with many other transition economies. Until recently, the Ukranian Parliament treated improvements to the legal and regulatory framework for private enterprise as a low priority. The creation of the State Committee for the Development of Entrepreneurship in 1997 was the first attempt to improve the regulatory environment through legislative and administrative reform intended to reduce the amount of time needed by Ukrainian entrepreneurs in smaller firms to deal with official regulations, estimated to divert 25 percent of working time from more productive activities (Simon Johnson, John McMillan, and Christopher Woodruff 2000). Unfortunately, there is no firm evidence available to show whether recent reforms have considerably reduced administrative burdens in reality. Moreover, the introduction of legislative changes affecting small enterprises has continued. For example, in the first half of 2003, twelve new laws affecting small firms were introduced, most of which are concerned with taxation or financial regulations.[5] Although intended to improve the legal environment for businesses, they may have an adverse effect, particularly on micro businesses (many of them owned by women) because of high compliance costs. Surveys of small entrepreneurs have also consistently indicated that constant changes in legislation result in distracting small entrepreneurs from business activities and divert resources from more productive activities. Another example of the lack of understanding regarding the potential impact of legislation on small businesses includes the recent reform of social payments in Ukraine, which ignores entrepreneurs who use simplified taxation methods (Dmytro Lyapin et al. 2002).

The new ''Orange Revolution'' leaders of Ukraine have declared their commitment to supporting and fostering small business.[6] However, it is too early to say if there will be a breakthrough in the development of small businesses. At present the ''Orange Revolution'' leaders seem to be more preoccupied with other issues such as the privatization of large enterprises and high petrol prices.

The Lithuanian case shows more substantial development in the private sector and its contribution to the Lithuanian economy. This seems to be the result of a combination of factors, including more liberalization and a greater commitment to integrate fully in the EU. In 2003, 72 percent of those employed in Lithuania were working in the private sector (Lithuanian Department of Statistics 2004). However, the state sector still employs a much larger percentage of women (36 percent) as compared to men (20 percent) (Lithuanian Department of Statistics 2004).

Consequently, any future job losses in state firms associated with further restructuring and privatization are likely to particularly affect women. Though little was being done to promote SME development at the beginning of the transition period in the mid 1990s, the Lithuanian government began undertaking a number of measures in support of SME development. For example, in 1996, the government set up the Lithuanian Development Agency for Small and Medium Sized Enterprises (SMEDA),[7] and in July 2002, it received a government subsidy to implement a project that supports new businesses, particularly those owned by women.

According to the Lithuanian Department of Statistics (2004), the percentage of female business owners in Lithuania has been increasing, accounting for more than 43 percent of all business owners in 2002, as compared to 29 percent in 1996 (see Figure 1). This is a larger proportion of the total number of business owners than exists in most mature market economies or in other transitioning countries (as shown in Appendix 3), suggesting that it is a distinctive feature of the specific conditions in Lithuania as it emerges from fifteen years of transition. It is important, however, to mention that though statistical data suffer from certain inaccuracies worldwide, statistics from transition countries are notoriously unreliable (see also McIntyre and Dallago 2003; Aidis 2006).[8]

In addition, the percentage of female entrepreneurs in Lithuania has increased while the total number of registered SMEs has been declining. Thus, either the total number of female entrepreneurship is increasing as male entrepreneurship rates are decreasing, female entrepreneurs have higher survival rates than their male counterparts, or a combination of the two.

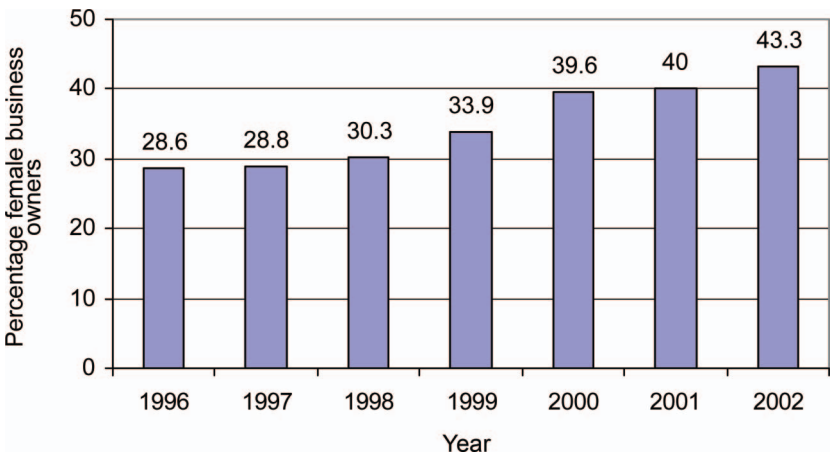

Figure 1 Percentage of female business owners in Lithuania (1996–2002)
Source: Lithuanian Department of Statistics (2004).

WOMEN ENTREPRENEURS IN LITHUANIA AND UKRAINE: SOME EMPIRICAL RESULTS

This section uses empirical data from two surveys to examine the nature of women entrepreneurship, with specific attention to the characteristics of entrepreneurs, the businesses they own and run, their motives for starting a business venture, enterprise performance, and the barriers they encounter. The questions asked in the two surveys were typically not identical, so while it is inappropriate to undertake direct statistical comparisons, it is possible to compare the pictures that emerge from the two sets of data. In addition, the inclusion of a group of male-owned enterprises in each country enables us to identify the extent to which the characteristics of women entrepreneurs are different from those of their male counterparts and the extent to which the issues facing them differ. We use the term entrepreneur to describe small business owners that are also involved in running their businesses. While such an inclusive definition of entrepreneurship may be criticized, in comparison with narrower definitions that emphasize innovation, risk taking, and growth orientation (McIntyre and Dallago 2003; Svetlana Glinkina 2003; Richard Scase 2003), we've chosen this more inclusive definition because, as Sander Wennekers and Roy Thurik suggest: ''small firms are the vehicle in which entrepreneurship thrives'' (1999: 29).

Survey data

In Lithuania, one of this article's authors, Ruta Aidis conducted a mail survey of small business owners between September and December 2000. Because accurate lists of operating private businesses were not available,[9] Aidis sent the survey mainly to addresses obtained from the membership lists of various entrepreneurship organizations. These businesses may not be entirely representative, so this may have resulted in some bias towards businesses that are older and have higher turnovers than the average private business. Of the 505 respondents, 332 were SME entrepreneurs, of which ninety-one were female and 241 male.[10] Aidis used case study material based on interviews with female and male SME owners in 1997–8 and 2000 to supplement the survey data (Ruta Aidis 1998, 1999, 2003).

Another author of this paper, Nina Isakova, along with her colleagues, conducted the survey in Ukraine in the summer of 2002 as part of a larger study of women entrepreneurs that also included Moldova, Uzbekistan, and Ukraine.[11] Comprising 297 female and eighty-one male respondents, the survey collected data from four cities – Kiev, Kharkiv, Chernitsy, and Sumy – each of which varied in its level of SME development. To identify women entrepreneurs, the survey obtained membership lists from business

associations and business centers, extracted businesses listed with women owners from the business register, and used the snowball method of asking interviewees if they knew of other women entrepreneurs. Isakova also undertook case studies with female entrepreneurs in order to provide qualitative insights into the nature of the entrepreneurship process.

The absence of comprehensive databases with a gender component makes it impossible to claim that these Ukrainian and Lithuanian samples are representative of the female business-owning population in these countries. At the same time, there is no reason to believe that the samples are systematically biased, apart from omitting businesses that operate entirely outside the formal economy or, as suggested above, underestimating the number of smaller enterprises.

Enterprise characteristics

Table 3 describes the size and sectoral characteristics of the survey samples. In both countries, the vast majority of female respondents were involved in businesses in the retail and service sectors. In addition, a significant minority of the respondents engaged in manufacturing activities, which in the Ukrainian sample mainly involves either food processing or some branch of the clothing and textiles sector. In the Ukrainian case, the women entrepreneurs' pattern of sector involvement was not significantly different from the sector distribution of small enterprises in the country as a whole, which is fairly typical of countries in the early stages of transformation since a combination of resource constraints and environmental uncertainty encourages entrepreneurs to engage in activities with

Table 3 Sector and size characteristics of surveyed women-owned enterprises in Lithuania and Ukraine (in percent)

Characteristics	*Lithuania*	*Ukraine*
Sector		
Manufacturing	22	21
Retail/wholesaling	37	28
Services	37	50
Agriculture	–	1
Other sectors	4	–
Total	100	100
Size		
0 employees	17	8
1–9 employees	46	61
10–49 employees	37	31
Total	100	100

Note: The total number of respondents for Lithuania was ninety-one and for Ukraine was 297.

low entry thresholds and low financial risk. The Lithuanian sample shows that even in the more advanced stages of the transformation process, retailing and simple trading activities account for a significant proportion of male and female entrepreneurship, particularly in very small enterprises.[12] Table 3 also shows that in both countries most women-owned enterprises employed less than ten people, and that in Lithuania, one in six enterprises had no employees.

Enterprises had typically been in business longer in Lithuania than in Ukraine (median age of businesses is seventy-two and fifty months, respectively), suggesting that privately-owned enterprises in transitioning countries, whether male or female owned, tend to be younger, on average, than in mature market economies. This contributes to some of the problems privately owned enterprises face in their development (David Smallbone and Urve Venesaar 2004).

Characteristics of entrepreneurs

Both surveys contained questions that sought to provide a profile of women entrepreneurs with respect to their age, education, and reasons for starting a business. Table 4 summarizes the responses.

Table 4 shows that the most commonly reported age group for women entrepreneurs in Ukraine was 40–9 years but also that women less than 30 years old were more likely to run their own businesses in Ukraine than in Lithuania. Taking into account that the reported figures represent the entrepreneur's age at the time of the survey rather than her age at start up, the evidence suggests that younger Ukranian women consider entrepreneurship an employment and/or career option.

Further, a majority of women entrepreneurs in both countries are university educated, as is common in all transitioning economies (John Earle and Zuzana Sakova 2000; David Smallbone and Friederike Welter 2001a), rather than a distinctive feature of women entrepreneurs specifically. The male sample in Ukraine included an even higher proportion of university graduates, with the male-female difference greatest in the case of the retail and wholesale sector, where 87 percent of male owners had college degrees compared with 57 percent of women. More generally, the pattern reflects the limited alternative sources of employment for educated people in transition economies. On the other hand, the overall low level of business ownership per capita in the population as a whole is evidence of the lack of a broadly based enterprise culture in Ukraine.

In Lithuania, the data suggest that a similar educational pattern exists. Again, there was some sectoral variation in the gender mix, particularly with regard to the service sector where 83 percent of male owners had a university education compared to 73 percent of female owners. At the same

Table 4 Characteristics and motives of surveyed women entrepreneurs in Lithuania and Ukraine (in percent)

	Lithuania		*Ukraine*	
Characteristics	*Women*	*Men*	*Women*	*Men*
Age				
20–9	4	7	11	5
30–9	36	36	31	32
40–9	44	37	37	42
50–9	15	13	20	19
60+	1	7	1	3
Total	100	100	100	100
Educational background				
Secondary	5	7	3	–
Secondary vocational	24	24	24	22
University	71	69	73	78
Total	100	100	100	100
Main motives for starting businesses				
Independence/*challenge*	6	4	25	27
Alternative to unemployment/*was unemployed*	6	4	18	11
Income to live/survive/*economic reasons (needed money)*	34	35	14	10
Desire to have own business/*always wanted to have my own business*	34	45	11	4
Availability of resources	–	–	6	21
Increased income	–	–	6	14
Various other reasons	20	12	20	13
Total	100	100	100	100

Notes: In cases where the actual questions posed on the Lithuanian survey differed from the Ukrainian survey, the Lithuanian question is given in italics.
Total number of respondents, Age: Lithuania (eighty-seven women, 239 men); Ukraine (297 women, eighty-one men); Educational Background: Lithuania (eighty-nine women, 240 men); Ukraine (297 women, eighty-one men); Main motives for starting businesses: Lithuania (eighty-seven women, 238 men); Ukraine (297 women, eighty-one men).

time, it should be noted that these figures were significantly higher than those reported in some other surveys in Lithuania (Eduardas Jancauskas 1999), which may reflect some methodological differences.[13]

Both surveys asked women entrepreneurs to explain why they started their own businesses. In any context, the reasons and circumstances for doing so are complex, varied, and affected by a combination of personal characteristics and environmental conditions. As Table 4 shows, one of the most commonly reported reasons given by both Ukrainian men and women was a desire to be independent. Qualitative evidence from the case studies suggests that this was ''independence'' in the sense that the respondents wanted to do something for themselves rather than rely on others, combined with a desire to have more control over their destinies.

There were, however, some differences between Ukrainian men and women. Although ''independence'' was the most frequent answer given in both groups, men were far more likely to refer to the availability of resources and the opportunity to increase their income, while women emphasized the need to supplement individual and/or household income. This result emphasizes the importance of the household context when considering the motives of women engaging in entrepreneurial activity in ''early stage'' transition environments. In addition, both Ukrainian women and men refer to independence as their main motivation, still it seems to be more important for women when the three main motives to start business are considered and independence comes to the first place for women and third place for men (following increased income and resources availability).

The Lithuanian responses show a slightly different pattern. Equal percentages of female SME owners were motivated by pull factors such as the ''desire to have their own business'' and the ''challenge'' of having a private business and by push factors such as ''economic reasons'' and ''unemployment,'' while a higher percentage of male SME owners were motivated by pull factors.

These results suggest that even in more advanced transition environments such as Lithuania, necessity and other push factors remain important drivers for women choosing to become entrepreneurs. This may be related to the effects of changes in the labor market, associated with ongoing processes of transformation, that influence the number of women looking for a job or an alternative source of income. The results may be used to support those emerging from the Global Entrepreneurship Monitor (GEM) study that finds that in transition conditions, most entrepreneurs are necessity rather than opportunity driven (Paul Reynolds et al. 2002: 25). However, although many female entrepreneurs may be necessity driven when starting their businesses, this does not necessarily determine their subsequent development path, which may involve the recognition of entrepreneurial opportunities as external circumstances change, and business owners themselves grow in confidence, competence, and ambition (Welter et al. 2004).

Enterprise performance and development

Assessing the performance of small enterprises is frequently problematic because of the lack of separation of individual and household finances, combined with confidentiality issues. This makes assessment of profitability more appropriately tackled through the use of qualitative rather than quantitative methods. In the Ukrainian study, the respondents were asked about the relationship between income (revenues) and expenditure (costs) for their enterprises during the previous twelve months.[14] In the Lithuanian survey, they asked respondents to report whether their earnings

were ''more than sufficient,'' ''sufficient,'' ''not sufficient,'' and ''completely insufficient.'' Table 5 combines responses to the final two options to form the category ''insufficient income.''

As Table 5 shows, only a minority of women-owned businesses in either country appeared to be generating a surplus, a significantly worse pattern of performance than their male-owned counterparts. There are, however, surprising differences between the two countries. In Lithuania, the majority of female SME owners reported not making enough to cover their living expenses, suggesting that many are operating close to the margin of economic viability.[15] In Ukraine, however, women-owned enterprises do significantly better than in Lithuania, although most do not perform as well as their male-owned counterparts; only slightly more than a quarter were clearly profitable.

The survey also asked respondents to identify the three main obstacles they faced in running their businesses, in order of importance. Table 6 demonstrates that in Ukraine, both men and women entrepreneurs identified taxation as the most important one. Although the Ukrainian survey did not distinguish between the level of taxation and the frequency of changes, case study evidence suggested the latter was considered more important. However, beyond this, men and women entrepreneurs cited different priorities in Ukraine. For women, regulatory and legal issues were the next most commonly reported constraints, whereas men were far more likely to refer to competition as a major barrier. Women were also more likely to mention financial constraints, likely reflecting their weaker financial performance in the previous fiscal year as well as possibly greater under-capitalization at start-up and less ability to raise external funds.

As in Ukraine, female entrepreneurs in Lithuania identified taxation as the main barrier to business development, followed by ''low purchasing power'' of potential customers. For women, the absence of financing for

Table 5 Aspects of enterprise development in Lithuanian and Ukrainian women-owned enterprises (in percent)

	Lithuania		*Ukraine*	
Characteristics	*Women*	*Men*	*Women*	*Men*
Income from Business in Last Year				
Exceeds expenditure (profit)/*More than sufficient income*	2	5	28	63
Covers expenditure (breakeven)/*Sufficient income*	47	62	60	36
Less than expenditure (loss)/*Insufficient income*	51	33	12	1
Total	100	100	100	100

Notes: In cases where the actual questions posed on the Lithuanian survey differed from the Ukrainian survey, the Lithuanian question is given in italics. The total number of respondents for Lithuania was ninety-one women and 241 men; while in Ukraine there were 297 women and eighty-one men.

Table 6 Main barriers to business development (ranked responses)

	Lithuania		*Ukraine*	
Characteristics	*Women*	*Men*	*Women*	*Men*
Main barriers				
Taxes/*Taxes too high*	1	1	1	1
Regulations and laws			2	3
Lack of finance/*Lack of financing for business investment*	3		3	
Strong competition				2
Low purchasing power	2	3	–	–
Frequent changes to tax regulations		2		

Notes: In cases where the actual questions posed on the Lithuanian survey differed from the Ukrainian survey, the Lithuanian question is given in italics.
The total number of reported responses for the Lithuanian survey were: Taxes (eighty-four women, 227 men); Finance (eighty women); Purchasing power (eighty-three women, 224 men); Changes to tax (225 men); For Ukraine (297 women, eighty-one men).

business investment ranked third. Male SME owners in Lithuania named ''changes to tax policies'' as the second and ''low purchasing power'' as the third most important barrier.

INSTITUTIONS AND THE BUSINESS ENVIRONMENT FOR WOMEN ENTREPRENEURS

Ukraine

The main barriers that entrepreneurs identified reflect that the business environment still has many institutional deficiencies. While there was some difference in emphasis between men and women, taxation was the dominant issue for both. Although small business owners often complain about the level of taxation in mature market economies, it is a major issue in Ukraine because frequent changes render it difficult for entrepreneurs to keep up-to-date and understand what they need to do to comply. Further, this combines with an unusually high total tax burden and high compliance costs in terms of time. While taxation did not appear to be a gender-specific issue, women identified regulations and legal barriers more commonly than men.

Moreover, women reported feeling more constrained by a lack of capital than men. This partly reflects the inadequately developed formal sources of finance present for entrepreneurs of both genders. Particularly in Ukraine, women appeared to experience problems in this regard. Most women started their businesses relying mainly on self-financing, combined in some cases with financial support from informal sources, such as family and friends. Few obtained a bank loan, and few had even tried to obtain one, particularly at start-up because there is a general belief, even in mature

market economies, that banks are not interested in providing loans to start new businesses. Women may also be particularly unwilling to risk the financial resources of the household, for they often try to start businesses mainly in order to boost household income.

One of the themes that emerges from both the survey and case studies in Ukraine is the role of social capital as an enabling factor for women entrepreneurs, emphasizing the importance of informal ''institutions'' in fragile business environments.[16] For example, when asked how they dealt with the various business problems and constraints they faced, almost half the women referred to cooperation with other entrepreneurs (both male and female), ranging from exchange of information to joint production. Case studies also show how, in the absence of adequate formal assistance, informal sources (such as spouses or other family members) can act as a substitute for formal aid, especially for women when they first try to start a business, and before they gain confidence and experience. On the other hand, there is evidence to suggest that female networks are often not very helpful for subsequent growth, in large part because of the limited size of the female business community in emerging market economies. The characteristics of the networks used are even more important. Men tend to have more contacts and at higher levels, including acquaintances from Soviet times, when women were generally excluded from high level positions, despite official claims to the contrary. Thus, the difference between female and male networks was strongly influenced by the gendered quality of the networks that men and women could access. Women in general have less access to more powerful male networks developed under Soviet rule. Spouses or family might be needed to enlarge the network by paving the way into the male network, and business associations may play a particularly important role in giving women access to other entrepreneurs.

In terms of informal institutional influences, pre-Soviet societal attitudes and values saw marriage and family responsibilities as the main social goals of a Ukrainian woman, with women largely deprived of any political and economic independence in society. However, during the Soviet period, the role of women in society was largely shaped by the Communist Party's gender policies that aimed to increase the total labor force by attracting as many women as possible to work in the Soviet Union, but this did not mean that they favored ''equality'' between the sexes since the seeming labor ''equality'' was generated more from an economic standpoint than a gender-equality standpoint (Anastasia Posadskaya 1994: 4). Although it would be a mistake to think of women as a homogeneous group, either during the Soviet period or now (Solomea Pavlychko 1997), there are common features which have contributed to the emergence of female entrepreneurship during the transition period, namely women's high level of involvement in the labor force and a relatively high level of education.

Hence the context for women's entrepreneurship in the transition period includes high participation rates in the labor force and considerable human capital, which is reflected in the number of university-educated women; however, the context for women's entrepreneurship in the transition period also includes a tradition of being underrepresented in the top positions in the country.

Lithuania

Although Lithuania is at a more advanced stage of transformation than Ukraine, the environment for the development of entrepreneurship appears to be no more favorable than in Ukraine. In the Lithuanian survey, all respondents identified taxes as a barrier. This is not surprising in view of the fact that throughout the 1990s, Lithuania's tax system was administratively complex and hard for taxpayers to understand. Frequent changes in tax laws, a large number of taxes (there were almost twenty different taxes on businesses at one time), and contradictory decrees issued by the Ministry of Finance made these problems worse. Tax evasion and avoidance were widespread with an estimated 40 percent of economic activity taking place in the grey or black markets. Data collected on private businesses show that in 1999, Lithuanian firms reported approximately 32 percent of their total sales to tax authorities (EBRD 2002). Little effort was made to reform the system so potential taxpayers would have more incentive to comply voluntarily and so it would be easier for them to do so. Well-publicized actions against tax offenders temporarily raised revenues, but antagonized business owners and led in some cases to bankruptcies, while not addressing the systemic problems.

Only at the beginning of the millennium did the situation improve. In 2001, the government introduced a new 15 percent tax on profits with a special 13 percent tax on profits for small enterprises with ten or less employees and annual revenues not in excess of 500 thousand litas. In 2004, further concessions were made for microenterprises. Though these concessions were not directed at female entrepreneurs, the high level of female entrepreneurs with few or no employees means that many female entrepreneurs stand to gain from these policy changes.

With regard to the formal legislative environment, the law ostensibly provides for gender equality, but in practice discrimination against women in the labor force is still pervasive, although the Lithuanian Parliament has sought to address the problem by appointing a special gender ombudsman in 1998. Studies indicate that women still experience greater difficulties than men in finding employment, partly due to discrimination and lack of contacts (Anne Marie Spevacek 2001), but also because of discriminatory informal practices of private firms,[17] or the implicit discrimination against women job seekers in the way that vacancies are announced and job applicants interviewed (Vida Kanopiene 2000).[18]

As far as informal institutions are concerned, traditional attitudes concerning women's roles seem to have been exacerbated during the transition process (Aidis 2006). Though Lithuanians do not generally ascribe strongly to traditional attitudes or religious beliefs that would openly discriminate against women, a survey of Lithuanian inhabitants conducted in 1997 found that 60 percent of the respondents (regardless of sex) prioritized family responsibilities as fundamental for women (Vida Kanopiene 1998).

Female entrepreneurs encounter discrimination in various ways. Our case studies show that the vast majority felt that it was more difficult for women than men to be entrepreneurs (Aidis 1999). This difficulty manifests itself in a number of ways. Some mentioned that their legitimacy was questioned more than men's legitimacy and that they had to prove their abilities more frequently than men and be better at their businesses, yet they did not receive comparable recognition. Others indicated that the combination of being young and female was especially unfavorable for private business ownership because it deviates so dramatically from society's expectations. Furthermore, some women mentioned that the very image of female entrepreneurs may be seen as a social threat since it allows for the possibility of wealthy independent women. Some said that this underlying informal value may have been the root cause for the lack of governmental support for female entrepreneurship. Basic traditional notions about the female role based on Soviet attitudes are still being perpetuated within the framework of Lithuania's democratic, free-market system. In this context, successful female entrepreneurship may be seen as a threat to the acceptable female role. A number of female entrepreneurs mentioned that they need personal support from husbands, partners, and relatives in order to cope. Others pointed to the importance of the support and mentoring they received from other successful entrepreneurs (both male and female).

The wider business environment in Lithuania reveals two main positive influences. First, Lithuania has been enjoying high levels of economic growth in recent years that has increased entrepreneurial opportunities. Second, Lithuania's accession to EU membership in 2004 has had, and will continue to have, a strong influence on the domestic entrepreneurial environment, with some positive consequences for female entrepreneurship. These include adopting EU policies for SME development, such as the Maribor Declaration, which Lithuania signed in 2002 together with other accession states, acknowledging the importance of the principles of the European Charter for Small Enterprises, including encouraging women to start new businesses as well as improving and simplifying SME legislation and regulations. Though these policies affect all SME owners regardless of sex, the smallest businesses have the greatest possibility of gains since time is an especially scarce resource.

At the same time, EU membership also has some potential drawbacks, including increased competition with larger firms and emigration, particularly of skilled labor and potential entrepreneurs. Further, this is aggravated by the speed at which they are occurring. Researchers estimate that up to 17 percent of the total population was working abroad in 2004 (Palmira Juceviciene, Renata Virzintaite, and Giedrius Jucevicius 2004). In the short term, this trend may have negative effects for growing businesses in search of sufficiently qualified employees, as well as the potential drain of entrepreneurial talent. In the long term, policy-makers hope that with increasing levels of foreign direct investment, increasing wages, and increased domestic competitiveness, opportunities for entrepreneurs in Lithuania will grow.

CONCLUSIONS

Institutional factors have an important influence on the nature and extent to which entrepreneurship can develop. While this is true for all economies, it is particularly evident in transition environments, especially those that still have serious institutional deficiencies. Although this applies to both men and women entrepreneurs in many respects, the nature of the institutional influences shows some gender variations. For example, women appear to have less access to external sources of capital than men, although different treatment by formal financial institutions does not have a critical effect as financial institutions are typically not a major source of finance for entrepreneurs of either gender. This is mainly a reflection of the role of women in their households, which affects their attitudes to risk and their ability and willingness to use household resources, but also of differences in the informal networks to which they have access. This was substantiated by the surveys, which indicate that access to funds is a more important barrier for female business owners in both Lithuania and Ukraine than for their male counterparts. Moreover, women generally have had less access to informal networks, in part because they have fewer contacts from Soviet times (Smallbone and Welter 2001a).

The empirical results presented here suggest that interaction among various economic, institutional, and transitional influences affects female entrepreneurship. Though formal institutions such as rules and regulations allow for the possibility of female business development, informal institutions such as gendered norms and values that reflect the patriarchy observed during the Soviet era restrict women's activities and their access to resources. The Soviet legacy of gender relations, the emergence of new national identities as well as newly established international alliances (EU membership in the case of Lithuania), all have played a role in forming expectations for female entrepreneurs. This point is illustrated by the fact that in both Ukraine and Lithuania, women actively help build the market economy through entrepreneurial activity, although information about

their specific contribution remains sparse. Moreover, it is here that our study also has its limitations, as we need to know more about how informal institutions emerge and influence female entrepreneurship.

In addition, aspects of the external environment provide both factors that pull individuals into business ownership, such as new market opportunities, as well as push factors, such as job loss and constraints to women's participation in the formal labor market. The extent to which entrepreneurs (of both sexes) in transition environments are pushed into business by a need to find some way of supporting themselves and their families has led some authors to suggest that a majority are better described as ''proprietors'' rather than ''entrepreneurs'' (Scase 2000, 2003; Robert McIntyre 2003; Glinkina 2003). According to these authors, entrepreneurship is characterized by the reinvestment of business profits for the purpose of business growth and ultimately further capital accumulation, while proprietorship is characterized by the consumption of surpluses (Scase 2003). This implies that a large proportion of female SME owners in Lithuania and Ukraine would fall into the proprietor category, at least when their businesses are started.

However, our institutionally based analysis of female entrepreneurs in Lithuania and Ukraine cautions against such simplification because of the need to take a more dynamic view that recognizes the learning capacity of individuals over time, especially in an evolving institutional context. Both can lead to changes in the aspirations of individuals and their ability to recognize and exploit new business opportunities. As a consequence, even if specific entrepreneurial actions or events, such as creating a venture, are primarily driven by necessity or opportunity, it is inappropriate to place entrepreneurs, regardless of gender, into such categories because of the need to incorporate a dynamic element. This is important from a policy perspective, since it has implications for the entrepreneurial capacity of an economy and what can be done to enhance it. From a theoretical standpoint, it demonstrates that while entrepreneurship in a transition context is institutionally embedded, it is not simply determined by institutional influences because of the existence of interactive feedback loops between individuals and their environment.

While women entrepreneurs in Lithuania and Ukraine share many common features and problems, there are important differences between the two countries. This emphasizes the need to recognize the diversity among transition countries, reflecting different inheritances from the Soviet period, as well as differences in the pace of change during the transition period. In the Lithuanian case, it seems that the relatively rapid progress has contributed to an increasing number of female entrepreneurs. Though this may be seen as a positive development, it may also indicate that large numbers choose this course, at least initially, out of necessity, including many without the skills and resources needed to succeed.

This study contributes substantially to the existing literature by systematically analyzing empirical and qualitative data on female entrepreneurs. It does, however, have its limitations since its findings can, at best, provide general insights relative to the other thirteen countries that emerged from the collapse of the Soviet Union. Further comparative research based on both qualitative and quantitative data from these other countries would help create a more detailed understanding of characteristics of female entrepreneurship as it emerges during transition.

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NOTES

[1] The main differences between a market and a command economy are the institutional arrangements for the allocation and generation of goods and resources and the ownership incentive and rewards structures that institutions embody. Transition can be defined as involving institutional changes including the advance of the private sector as well as the fundamental transformation of the role of the state especially the economic, financial, and legal institutions underpinning the market economy (European Bank for Reconstruction and Development 1994). It should be noted, however, that while there are core features that a market economy possesses, there is no unique destination point for the transition process (EBRD 1995). Given the different starting points and initial conditions of the transition countries, there is no single, unique route for transition.

[2] For further information see http://europa.eu/pol/enlarg/overview_en.htm.

[3] A detailed discussion regarding the reasons why Lithuania's and Ukraine's transition process differs is beyond the scope of this paper. Transition, as such, is not a linear process; rather, it is a complex process involving a multitude of influences and factors. However, an evident difference is Lithuania's early decision to begin the process of joining and integrating with the EU while Ukraine reaffirmed its ties to Russia

through CIS membership and as a result delayed integration with Western Europe. For a discussion on different starting points of transition and their impact on the development of entrepreneurship, see Mugler (2000), David Smallbone and Friederike Welter (2001b), and Douglass C. North (2005).

[4] Many cooperatives initially set up in the late 1980s in Soviet Ukraine were later re-registered as private enterprises or collectives. Collectives retained the old cooperative structure where people working for an enterprise collectively owned it.

[5] The twelve new laws passed in 2003 were:

1. ''On introducing amendments to some laws of Ukraine on the issues of opening and functioning of bank accounts,'' 5.06.2003 # 906-IV
2. ''On introducing amendments to the law of Ukraine on value added tax,'' 22.05.2003 # 857-IV
3. ''On introducing amendments to some laws of Ukraine on taxation issues,'' 22.05.2003 # 856-IV
4. ''On introducing amendments to item 22.3 article 22 of the Law of Ukraine on enterprises' income tax,'' 15.05.2003 # 777-IV
5. ''On introducing amendments to article 12 of the Law of Ukraine on payment for land,'' 15.05.2003 # 756-IV
6. ''On state registration of legal entities and individual entrepreneurs,'' 15.05.2003 # 755-IV
7. ''On introducing amendments to the Law of Ukraine on payment for land,'' 3.04.2003 ? 665-IV
8. ''On introducing amendments to Customs Rate of Ukraine,'' 3.04.2003 # 651-IV Law of Ukraine
9. ''On introducing amendments to Customs Rate of Ukraine,'' 3.04.2003 # 652-IV
10. ''On introducing amendments to Decree of the Cabinet of Ministers of Ukraine on local taxes and payments,'' 20.03.2003 # 641-IV
11. ''On introducing amendments to the Law of Ukraine on Value added tax,'' 3.04.2003 # 652-IV
12. ''On introducing amendments to some legal acts of Ukraine related to general obligatory state social insurance,'' 16.01.2003 # 429-IV

[6] On the surface these are similar to the promises made by ex-President Leonid Kuchma.

[7] According to a report from the European Commission assessing the implementation of the European Charter for Small Business in Lithuania, SMEDA was found to be effective in the area of training and education for entrepreneurship (Foreign and Commonwealth Office 2007). However, no assessment is currently available of its specific support for women start-ups.

[8] One reason for unreliable statistics is that the official statistics sources do not reflect the real situation with the volume of informal enterprise activity in the country. In Ukraine, expert evaluations vary between 70 and 50 percent. Even registered and operating enterprises conceal turnover from state authorities: half of the respondents in a survey in 1999 admitted the shadow operations at their enterprises amounted to between 20 and 50 percent (Max Yacoub and Bohdan Senchuk 2000).

In Lithuania, a study carried out by the Economic Research Center of Lithuania estimates that the ''underground'' or informal economy could account for as much as 36 percent of GDP in 1994 and 41 percent of GDP in 1995 (World Bank 1998). Another study carried out by the Lithuanian Department of Statistics presents more conservative estimates; accordingly, in 1995 the informal economy accounted for 23.4 percent of GDP (Lithuanian Department of Statistics 1997). However, some authors

argue that the distortion is likely to more greatly affect the size and profitability of reported businesses than their actual number. That results from the fact that the preferred strategy of informal activity may be to register a business but hide part of earnings and employment (as argued by Vladimir Kontorovich [1999] in relation to Russia).

[9] As in many other transitioning countries, an accurate list of legal enterprises in Lithuania does not exist. Previous surveys attempted using the official list of registered businesses from the Lithuanian Department of Statistics, all of which found that the official register was rife with non-existent businesses or inaccurate addresses. See Aidis (2006) for further discussion.

[10] An SME entrepreneur met the following criteria: they had their own business, it was still in operation, and their main business activities were not in the agricultural sector.

[11] The project, entitled ''Female Entrepreneurship in Transition Economies: The Case of Ukraine, Moldova, and Uzbekistan,'' was funded through the INTAS programme (contract no 00-843).

[12] This may also be influenced by Lithuania's smaller size and proximity to Western Europe.

[13] Previous studies have indicated that better educated professionals are more likely to return questionnaires (Delbert Miller 1991).

[14] Although twelve months may be considered a short period over which to assess business performance, based upon our experience in previous empirical surveys, the authors feel that it is a reasonable recall period for survey respondents.

[15] In the Lithuanian and Ukrainian case, the majority of women-owned businesses had been in business for over three years, so these figures do not simply represent the lack of profitability that is commonly experienced by new business start-ups.

[16] Scholars often emphasize social capital as one of the prerequisites for doing business in a fragile environment such as a transition economy. Relevant studies include Alena Ledeneva (1998), Welter et al. (2003), and the country chapters in Hans-Herman Höhmann and Friederike Welter (2005).

[17] Though illegal, anecdotal evidence indicates that private businesses are known to require a signed letter of resignation to be submitted upon hiring new female employees, which is then used in the event the employee becomes pregnant.

[18] This situation is not specific to Lithuania. In transitioning countries in general, women as a group have suffered disproportionately from job loss, increased labor market discrimination, and domestic violence. For further discussion, see Maxine Molyneux (1994) and UNICEF (1999).

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Appendix Table 1 Selected social, political, and economic indicators for Lithuania and Ukraine

		Lithuania	*Ukraine*
Size[a] (sq. km)	2004	62,200	603,700
Population (in millions)[a]	2004	3.6	47.7
Sex ratio: male/female[a]	2004	0.89	0.86
Total fertility [a]	2004	1.17	1.37
Primary religion[a]	2004	Roman Catholic	Ukrainian Orthodox
Government type[a]	2004	Republic	Republic
Independence[a]	–	March 11, 1990	August 24, 1991
GDP growth (%)[b]	2003[b]	9	9.4
GDP per capita PPP (USD)[b]	2003[b]	$ 11,400	$ 5,400
GDP composition: agriculture (%)[a]	2003	6.1	18.8
GDP composition: industry (%)[a]	2003	31.3	44.8
GDP composition: services (%)[a]	2003	62.6	36.4
Share of private sector in GDP (%)[c]	2002	75	65
Type of economy		Functioning market economy (Nov. 2001)[d]	Early stage transition economy
Population below poverty line (%)		16.4[e] (2001)	29[a] (2003)

Source: EBRD (2003); [a]Central Intelligence Agency (2004); [b]estimate; United Nations Development Programme (2004); [c]ERBO (2003) estimate; [d]European Commission (2001); [e]United Nations Development Programme (2002).

Appendix Table 2 Growth in Real GDP (1991 – 2004)

	'91	*'92*	*'93*	*'94*	*'95*	*'96*	*'97*	*'98*	*'99*	*'00*	*'01*	*'02*	*'03*[a]	*'04*[b]
LT	−5.7	−21.3	−16.2	−9.8	3.3	4.7	7.0	7.3	−1.7	3.9	6.4	6.8	9.0	7.0
UA	−10.6	−9.7	−14.2	−22.9	−12.2	−10.0	−3.0	−1.9	−0.2	5.9	9.2	5.2	9.4	12.3

Notes: LT = Lithuania; UA = Ukraine; [a]estimate; [b]projection.
Source: EBRD (2003, 2004).

Appendix Table 3 Percentages of women business owners in selected transition countries

Country	*Data year*	*Women business owners*
Bulgaria[a]	1998	26
Czech republic[b]	1990–9 average	27
Estonia[a]	1996	24
Hungary[b]	1990–9 average	31.5
Latvia[c]	2003	35
Lithuania[d]	2002	43.3
Poland[b]	1990–9 average	39
Romania[a]	1997	26
Russia[a]	1996	21

Sources: [a]UNICEF (1999); [b]Organisation for Economic Co-operation and Development (2000); [c]Vyacheslav Dombrovsky and Ieva Ubele (2005); [d]Lithuanian Department of Statistics (2004).
Notes: As the data years for specific countries indicate, the data available for most transition countries is in most cases, considerably outdated.
Updated from Aidis (2003).