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# THE ROLE AND IMPORTANCE OF WOMEN'S ENTREPRENEURSHIP IN SMALL BUSINESS IN THE GLOBAL ECONOMY

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**Abstract:** Women's entrepreneurship has become an increasingly important component of small-business development, job creation and inclusive growth, yet its economic potential remains constrained by persistent gender gaps in business entry, survival, finance, institutional support and scaling. This article assesses the role and importance of women's entrepreneurship in the global economy using an IMRAD design and a comparative desk-research methodology. Evidence is synthesized from the Global Entrepreneurship Monitor (GEM), OECD/European Commission, World Bank Women, Business and the Law (WBL), and International Finance Corporation (IFC), together with established peer-reviewed research. The results show that women's average start-up activity across 30 GEM countries rose from 6.1% in 2001–2005 to 10.4% in 2021–2023, while established business ownership increased from 4.2% to 5.9%. Nevertheless, women remain less active than men in early-stage entrepreneurship in OECD and EU economies and are less likely to expect high employment growth. WBL 2026 also reveals pronounced weaknesses in entrepreneurship-related legal frameworks and enforcement, while women-owned SMEs continue to face a financing gap measured in trillions of dollars. The study concludes that women's entrepreneurship is not a peripheral social-policy issue but a core productivity, competition and growth agenda requiring integrated financial, legal, care, digital and market-access reforms.

**Keywords:** women's entrepreneurship; small business; SMEs; gender gap; access to finance; institutions; global economy

## 1. Introduction

Micro, small and medium-sized enterprises (MSMEs) constitute the organizational core of the world economy. IFC reports that MSMEs represent more than 90% of firms globally and account, on average, for about 70% of total employment and 50% of GDP. Consequently, the extent to which women can enter, sustain and scale small businesses has direct implications for aggregate productivity, competition, household income diversification and job creation (IFC, 2026). Women's entrepreneurship is therefore economically significant not only because it broadens participation, but because it expands the pool of entrepreneurial talent from which innovation and firm growth emerge.

Recent evidence indicates simultaneous progress and persistent underutilization. GEM's 2024/2025 Women's Entrepreneurship Report finds that approximately one in ten women started a new business in 2024 compared with one in eight men, while women's start-up rates increased in 19 of 47 countries participating in both the 2023 and 2024 surveys (GEM, 2025). Over a longer period, women's average start-up activity across 30 countries increased from 6.1% in 2001–2005 to

10.4% in 2021–2023, and established business ownership rose from 4.2% to 5.9% (GEM, 2024). These trends demonstrate stronger entrepreneurial participation, but they do not imply that the gender gap has been eliminated.

The academic literature explains why business outcomes cannot be reduced to individual preferences alone. Ahl (2006) argued that early research often treated male entrepreneurial experience as an implicit benchmark and called for approaches that recognize the institutional and social construction of entrepreneurial opportunity. Brush, de Bruin and Welter (2009) extended the traditional "3M" framework of markets, money and management into a "5M" framework by adding motherhood and the meso/macro environment, highlighting the interaction between business resources, family responsibilities and institutions. Minniti and Naudé (2010) showed that female entrepreneurship varies substantially across countries and is shaped by development conditions, motivations, constraints and access to resources. Estrin and Mickiewicz (2011) demonstrated that national institutions can have gender-differentiated effects on entrepreneurial entry and growth aspirations. Jennings and Brush (2013) further established women's entrepreneurship as a field that both contributes to and challenges mainstream entrepreneurship theory, while Noguera, Alvarez and Urbano (2013) documented the importance of socio-cultural and institutional factors. Taken together, this literature suggests that women's entrepreneurial outcomes emerge from a multilevel system rather than from a single constraint.

Against this background, the objective of this article is to evaluate the contemporary role and importance of women's entrepreneurship in small business in the global economy, identify the main participation and scaling gaps, and derive policy implications from recent international evidence.

## 2. Materials and Methods

The study applies a comparative descriptive research design based on secondary open-source data and peer-reviewed literature. The empirical evidence was drawn from five principal source groups: (1) GEM's 2023/24 and 2024/25 women's entrepreneurship reports; (2) OECD/European Commission's The Missing Entrepreneurs 2023; (3) the World Bank's Women, Business and the Law 2026 database and report covering 190 economies; (4) IFC evidence on MSME finance and the gender finance gap; and (5) selected peer-reviewed studies used to interpret institutional, financial and socio-cultural mechanisms.

Indicators were selected to represent four stages of the entrepreneurial process: entry (start-up and early-stage activity), persistence (established business ownership and business closure), scaling (job-growth expectations, innovation and digital-sector participation), and enabling conditions (legal frameworks, supportive institutions, enforcement and finance). Where male and female rates were available, a female-to-male participation ratio was calculated as the female rate divided by the male rate and multiplied by 100. Long-term changes were reported in percentage points and relative percentage terms. WBL entrepreneurship-topic scores were compared with the corresponding overall pillar averages. The analysis is descriptive rather than causal because the underlying sources differ in country coverage, survey years and measurement frameworks; therefore, cross-source comparisons are used to identify robust patterns rather than to estimate a single global causal effect.

## 3. Results

### 3.1. Participation, entry and the global pool of women entrepreneurs

The first result is a clear long-run expansion of women's entrepreneurial participation. Across the 30 countries with comparable GEM evidence, the female start-up activity rate increased by 4.3 percentage points, from 6.1% to 10.4%, equivalent to a relative rise of about 70.5%. Established business ownership grew by 1.7 percentage points, or approximately 40.5%. These gains indicate that women are increasingly converting entrepreneurial intentions into operating firms. However, the current participation gap remains visible: in 2024, women's new-business participation was about 80% of the male rate, based on the "one in ten" versus "one in eight" comparison reported by GEM.

OECD evidence reinforces this interpretation. During 2018–2022, around 9% of women in OECD countries were engaged in a start-up or managing a new business, compared with 11% of men; in the EU the corresponding rates were 6% and 8% (OECD/European Commission, 2023). If women participated in early-stage entrepreneurship at the rate of core-age men, the OECD estimates an additional 24.8 million women entrepreneurs across OECD countries and 5.5 million in the EU. Women account for roughly 73% of the total population of "missing" entrepreneurs. The implication is macroeconomic: gender gaps in entrepreneurship represent foregone firm formation, innovation and employment rather than merely differences in occupational choice.

**Table 1. Selected indicators of women's entrepreneurial participation**

| Indicator | Female / earlier value | Male / later value | Calculated comparison | Interpretation |
|---|---|---|---|---|
| **Women's start-up activity, comparable GEM countries** | 6.1% (2001–2005) | 10.4% (2021–2023) | +4.3 pp; +70.5% | Substantial long-run expansion |
| **Women's established business ownership, comparable GEM countries** | 4.2% (early period) | 5.9% (2021–2023) | +1.7 pp; +40.5% | Growth is slower than start-up growth |
| **New-business start rate, 2024** | Women: ~10% | Men: ~12.5% | Female/male ratio ≈80% | Gender gap remains in entry |
| **Early-stage entrepreneurship, OECD countries, 2018–2022** | Women: 9% | Men: 11% | Female/male ratio ≈81.8% | Persistent OECD participation gap |
| **Early-stage entrepreneurship, EU, 2018–2022** | Women: 6% | Men: 8% | Female/male ratio =75% | EU gap is wider than OECD average |
| **'Missing' women entrepreneurs** | EU: 5.5 million | OECD: 24.8 million | Women ≈73% of all 'missing' entrepreneurs | Large unrealized entrepreneurial base |

**Source:** *Author's calculations based on GEM (2024, 2025) and OECD/European Commission (2023). pp = percentage points.*

The second result concerns the economic channel through which women's entrepreneurship matters. Because MSMEs account for a dominant share of firms and employment, increasing the

number and productivity of women-owned small businesses can affect the economy through both extensive and intensive margins: more firms enter markets, while existing firms gain the capacity to invest, hire and formalize. This is especially important in emerging and developing economies where small firms are major employment absorbers. IFC's financial clients in 2024 made about 21 million loans totaling USD 15 billion to women-owned microenterprises and 1.3 million loans totaling USD 52 billion to women-owned SMEs (IFC, 2026). These volumes show that women-owned firms are already a major financial-market segment, yet the demand remains far from fully served.

### 3.2. Institutional conditions for entrepreneurship

**Table 2. Women, Business and the Law 2026: entrepreneurship-topic scores versus global pillar averages**

| WBL pillar | Global pillar average (0–100) | Entrepreneurship topic (0–100) | Gap, points | Interpretation |
|---|---|---|---|---|
| **Legal frameworks** | 66.97 | 47.57 | −19.40 | Entrepreneurship is one of the weakest areas of formal legal equality |
| **Supportive frameworks** | 46.83 | 48.82 | +1.99 | Support mechanisms are near the low overall global level |
| **Enforcement perceptions** | 53.31 | 39.46 | −13.85 | Implementation is markedly weaker for entrepreneurship |

**Source:** *Author's calculations from World Bank (2026), WBL Figures 3.9–3.11. Entrepreneurship legal framework = 47.57; supportive framework = 48.82; enforcement perceptions = 39.46.*

The third result is that institutional barriers remain concentrated precisely in the areas that determine whether entrepreneurial rights are usable in practice. WBL 2026 shows an overall global legal-frameworks average of 66.97, but the entrepreneurship topic scores only 47.57. The supportive-frameworks score for entrepreneurship is 48.82, close to the already low global pillar average of 46.83. Most importantly, perceived enforcement in entrepreneurship is only 39.46 compared with an overall enforcement-perceptions average of 53.31 (World Bank, 2026). Thus, formal permission to start a business does not guarantee equal access to credit, procurement opportunities, corporate governance participation or effective enforcement of nondiscrimination rules.

The fourth result is a scaling gap. OECD data show that only 11% of women early-stage entrepreneurs in OECD countries expected to create at least 19 jobs over the following five years, compared with 16% of men; in the EU the gap was 6% versus 12% (OECD/European Commission, 2023). GEM (2025) also reports that women were less than half as likely as men to be active in the ICT sector and were 11% less likely to perceive benefits from artificial intelligence for their businesses. At the same time, women-led start-ups reached innovation parity with men, or exceeded them, in 18 of 51 countries. This combination is important: women demonstrate innovative

capacity where they participate, but remain underrepresented in sectors and resource environments associated with rapid scaling.

### 3.3. Scaling, finance and technological participation

**Table 3. Selected constraints affecting the scale and continuity of women-owned small businesses**

| Indicator | Women / women-led firms | Benchmark | Comparison | Economic implication |
|---|---|---|---|---|
| **High job-growth expectation (≥19 jobs in 5 years), OECD** | 11% women | 16% men | Women at 68.8% of male rate | Scaling ambition/outlook gap |
| **High job-growth expectation, EU** | 6% women | 12% men | Women at 50% of male rate | Particularly large EU growth gap |
| **Women-owned SME credit gap** | USD 1.4–1.7 trillion | — | Global estimate | Capital constraint to investment and scaling |
| **Private equity / venture capital to female-led businesses** | 7% | 93% to other businesses | IFC evidence | Equity finance gap is larger than debt access alone |
| **ICT-sector participation** | Women < half as likely as men | Male benchmark | GEM 2024 data | Digital-sector segregation |
| **AI benefit perception** | Women 11% less likely than men | Male benchmark | GEM 2024 data | Possible future productivity/adoption gap |
| **Business closure, 2024** | 3.4% women | 3.8% men | Women 47% more likely to cite family/personal reasons | Care responsibilities affect continuity |

**Source:** *Compiled from OECD/European Commission (2023), GEM (2025), and IFC (2022). The finance-gap estimate refers to women-owned SMEs.*

Finance is a central mechanism behind this scaling problem. IFC estimates the credit gap for women-owned SMEs at approximately USD 1.4–1.7 trillion and reports that only about 7% of private-equity and venture-capital investment goes to female-led businesses (IFC, 2022). The financing problem is therefore not limited to access to small loans; it extends to the larger and longer-maturity capital required for productivity upgrades, technology adoption, export entry and employment growth. Importantly, the constraint interacts with asset ownership and collateral structures, business networks, sector concentration and investor perceptions, which is consistent with the multilevel framework established in the literature.

## 4. Discussion

The evidence supports a dual conclusion. First, women's entrepreneurship has become a large and increasingly dynamic part of global small business. Long-run gains in start-up and established ownership, rising innovation performance in a number of countries, and the large volume of

financial transactions with women-owned MSMEs demonstrate that women are not a marginal entrepreneurial group. Second, the transition from participation to scale remains incomplete. Women are still less likely to enter entrepreneurship, less likely to expect high employment growth, underrepresented in ICT, and more exposed to institutional and financing barriers.

This pattern explains the economic importance of women's entrepreneurship. The principal loss from gender inequality is not only that fewer women own firms; it is that the global economy operates with a narrower set of entrepreneurs, technologies, business models and employers than it otherwise could. When a large share of potential entrepreneurs faces weaker access to capital and markets, competitive selection becomes less efficient: viable projects may remain small or never enter, while incumbent market structures face less entrepreneurial challenge. The World Bank's WBL 2026 therefore frames women's economic participation as a growth and jobs issue and estimates that closing gaps in employment and entrepreneurship could raise global GDP substantially (World Bank, 2026).

The findings also confirm the relevance of the 5M framework. Money remains critical, but financial products alone cannot solve constraints generated by care responsibilities, legal systems, social norms, procurement practices, digital access or sectoral segregation. The GEM result that women are 47% more likely than men to close businesses for family or personal reasons illustrates why continuity depends partly on the care economy. Similarly, WBL's low entrepreneurship-enforcement score indicates that legal equality without implementation cannot fully alter business incentives.

Policy should therefore move from fragmented 'women-only' programmes toward integrated entrepreneurial ecosystems with measurable gender outcomes. Five priorities follow from the results. First, financial institutions should expand cash-flow and transaction-data-based credit assessment, guarantee instruments and growth capital so that collateral ownership is less decisive. Second, business-support policy should distinguish start-up assistance from scale-up support, including export readiness, managerial training, technology adoption and access to equity. Third, governments should strengthen enforcement of nondiscrimination in credit and increase women's access to public procurement and business-development services. Fourth, affordable childcare and care infrastructure should be treated as productive entrepreneurial infrastructure because they influence firm continuity and time allocation. Fifth, digital and AI capability programmes should explicitly address the gender gap in ICT participation before technological diffusion creates a new productivity divide.

For research, the main implication is that future cross-country work should combine entrepreneurial activity indicators with legal, financial, care and digital variables and should distinguish between business entry, survival and scale. A country can have high female start-up rates but weak established-business conversion, or legal equality but poor enforcement. Treating these stages separately would provide a more accurate measure of the quality of women's entrepreneurship and its contribution to growth.

## 5. Conclusion

Women's entrepreneurship occupies a strategically important position in the global small-business economy because MSMEs dominate firm populations and employment, while women constitute a large but still underutilized source of entrepreneurial capacity. International evidence shows strong long-term growth in women's start-up and established-business activity, but persistent gaps in entry, scaling, finance, technology-intensive sectors and institutional enforcement. The

central policy challenge is therefore no longer simply to encourage more women to start businesses; it is to create conditions in which viable women-led firms can survive, invest, innovate, hire and compete on equal terms. Closing these gaps would strengthen the efficiency of entrepreneurial selection, expand the job-creating base of the economy and support more inclusive productivity growth.

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