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**COVID-19 and female entrepreneurs in Azerbaijan:
Challenges and Outcomes**

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Abstract

Aside from the public health-related issues, the COVID-19 outbreak deepened existing inequalities and exposed vulnerabilities in social, political, and economic systems. In Azerbaijan, women's participation in the labor market has always been an issue of discussion. Taking into consideration the existing gender pay gap and educational disparities, women's work was mostly concentrated in low waged sectors. The government accelerated the development of small and medium-sized enterprises (SMEs) in Azerbaijan through effectively improved mechanisms and newly established agencies/institutions. Financial support provided to SMEs during the pandemic also played a crucial role in their development. Nevertheless, some of the measures adopted were not gender-sensitive and sufficient enough to promote women-led businesses. The study aims to investigate the challenges faced by female entrepreneurs in Azerbaijan along with perspective opportunities for their development.

Introduction

The gender gap related to starting a business was slowly closing over the past two decades, however, the COVID-19 pandemic referred to the main trigger for disproportional affection of businesses and women entrepreneurs since 2020. The assessment of the labor market indicated that women in emerging economies faced comparatively more challenges than female workers in developed economies ([McKinsey & Company, 2020](#)).

Although Azerbaijan has an adequate legal basis to promote gender equality and women's empowerment, the negative outcome of the pandemic had an undeniable impact on the distribution of the labor force by gender.

Additionally, it is hard not to notice that the vulnerability of women expanded more since the spread of COVID-19 due to increased workloads and losses of income supported by a decrease in paid working hours.

Azerbaijan took several actions aimed on support the development of entrepreneurship in late 1990, starting with the Presidential Decree in 1997, followed by 2002, including the adoption of state programs to support SMEs, improve the business environment and create favorable conditions for the prosperity of entrepreneurship ([UNECE, 2020](#)).

In 2016 the President adopted the Strategic Roadmap for the production of consumer goods in Azerbaijan at the level of small and medium entrepreneurship with one of the primary developmental targets-women entrepreneurs.

In the case of Azerbaijan, the gender pay gap did not change over the first two decades of the 21st century. Even though women have an access to education, the majority of them used to work in low-wage sectors ([Gomółka, 2021](#)).

Starting in 2015 set of educational and training projects has been launched to counteract violence against women and girls, protect health and increase the participation of women in the country's economic life ([UN Women, 2017](#)).

In a meantime, support for female entrepreneurship was included in the action plans of the Ministries of Economy, Labor and Social protection, along with business associations.

Women entrepreneurs in Azerbaijan have an opportunity to diversify towards more sustainable business opportunities to further support the sustainable development goals (SDGs) initiatives the government has endorsed and to take an advantage of the extensive e-government infrastructure and business environment reforms ([Bayramov et al., 2017](#)).

Labor Market Overview

Article 25 of the Constitution of Azerbaijan guarantees equal rights for both men and women, which includes equal pay for their work performance¹. Following the Azerbaijan Labor Code, gender discrimination is also prohibited².

¹ https://static.president.az/upload/Files/2019/12/04/67ono052vl_konstutisya_rus_update.pdf

² <http://ask.org.az/wp-content/uploads/2018/11/Labour-Code-of-the-Republic-of-Azerbaijan.pdf>

In 2020 the distribution of labor per gender consisted of 2567.5 thsd. women and 2685 thsd. men, respectively³. More than half of all women wage workers in Azerbaijan are engaged in three sectors. Analysis of the sectors identified that men outnumber women in all areas of activity except for education, health and social services, as well as recreation, entertainment, and arts.

A comparative difference is observed in the proportion of men and women not involved in any formal activities. Thus, there are 632.000 economically inactive women referred to as "housewives" while the proportion of men in this category is 33.000.

In terms of the global gender pay gap Azerbaijan ranks 94th out of 153 countries ([World Economic Forum, 2020](#)). Table 1 depicts the monthly salaries of men and women distributed per economic sector, including the pay gap.

Table 1. Monthly salaries of women and men (by sectors)

Sector of economy	Men's salaries (AZN)	Women's salaries (AZN)	Pay gap (%)
Agriculture, forestry and fishing	384.5	328.5	14.56%
Mining	3244.6	1812.0	44.15%
Manufacturing	706.6	417.4	40.93%
Electricity, gas and steam production, distribution and supply	654.3	514.0	21.44%
Water supply, waste treatment and disposal	525.0	364.0	30.67%
Construction	751.3	562.9	25.08%
Trade, repair of transport means	499.6	414.2	17.09%
Transportation and storage	909.6	585.7	35.61%
Information and communication	1077.5	835.8	22.43%
Financial and insurance activities	1844.1	1160.6	37.06%
Professional, scientific and technical activities	1582.7	687.2	56.58%
Administrative and support service activities	461.8	259.8	43.74%

³ <https://www.stat.gov.az/source/labour/?lang=en>

Education	521.0	409.7	21.36%
Human health and social work activities	449.2	325.1	27.63%
Art, entertainment and recreation	528.9	360.2	31.90%
Other service activities	701.1	498.5	28.90%

State Statistical Committee of the Republic of Azerbaijan, 2019

When it comes to the small and medium-sized enterprises, following the data provided by the State Statistical Committee, 73.441 women were employed by SMEs in 2018. These firms mostly operated in the industrial and manufacturing sectors, which makes two-thirds of the women employed.

At the beginning of 2020, women had set up 198.305 enterprises with the largest shares split between agriculture, forestry and fishing (31.5%) and trade, repair of transport means (23.1%)⁴.

The government provided assistance for SMEs and start-ups through the newly established SME Development Agency (SMBDA) with a share capital of EUR 2.5 mln. The agency covered support for female entrepreneurs in their fields of operations via loans and other financial assistance tools.

At present, Azerbaijan does not have a single specific strategy for women's self-employment, which is addressed in the following documents: the Programme on Socio-Economic Development of Regions (2014–2018), the Youth Programme (2011–2015), the Poverty Reduction Programme (2008–2015), the Food Safety Program (2008-2015), and the Development Concept "Azerbaijan 2020". Nevertheless, the "National Action Plan for Women 2000- 2005" includes a chapter on "Women in the Economy", which provides several measures to promote female entrepreneurship.

Following the studies conducted on the topic of self-employment, two types of women are engaged in business activity in Azerbaijan. The first group is composed of comparatively wealthy and creative women, while the second consists of those who are urged to work in other to support their families.

⁴ <https://www.stat.gov.az/source/gender/?lang=en>

COVID-19: Main challenges

COVID-19 affected women entrepreneurs through household income, business sales, lifestyle, and mental health, resulting in partial shut down of businesses, a decrease in income, and a negative impact on overall wellbeing. Furthermore, the liquidation of women-led businesses indicated the necessity to reconsider creative and digital approaches for business survival.

A study conducted by UNFPA and UN Women indicated that on the basis of the data acquired, more men lost their jobs while women were mostly affected by the reduction in paid working hours⁵.

It goes without a doubt that both men and women-owned businesses were affected, nevertheless, women were affected more. Men outnumbered women in downsizing their business enterprises, whereas women constituted the majority whose businesses were severely affected and had to cease their operations.

In order to prevent the spread of COVID-19 across the country, the government imposed lockdown measures and restrictions on economic activities, which led to interruptions of the business chains. This, in turn, had negative consequences on business operations with clear gender differential in many cases.

Out of 198.305 individual women entrepreneurs and 659.739 women wage workers in the country, 243.930 perform in the areas most affected by COVID-19. Therefore, nearly one among three working women works in the areas most impacted by the pandemic.

Table 2. The number of women working in the areas most affected by the pandemic

Activity area	Wage workers	Private entrepreneurs	Total
Agriculture, forestry, and fishing	12385	62524	74909

⁵ https://azerbaijan.unfpa.org/sites/default/files/pub-pdf/rapid_gender_assessment_of_the_impact_of_covid-19_on_the_lives_of_women_and_men_in_azerbaijan_-_eng_version.pdf

Trade; repair of vehicles	72852	45852	118704
Tourist accommodation and catering	8244	6350	14594
Recreation, entertainment, and art	34085	1638	35723
Total	127566	116364	243930

Source: State Statistics Committee of the Republic of Azerbaijan, 2020

During the pandemic, the Women Resource Centers provided support for women who are vulnerable and excluded from society, launching programs to help low-income families in parallel. More than 100 women were provided with access to online business development trainings, focusing on women's networking, civil society, and entrepreneurship.

The government of Azerbaijan provided additional support to entrepreneurs and employers in the framework of a program of compensating for the damage caused due to the COVID-19 outbreak. The program was designed to cover 300.000 employees, 42.000 employers, and about 300.000 private or micro-entrepreneurs.

In addition, the government of the Republic of Azerbaijan provided financial support of 80 mln. AZN (\$ 47 mln.) to 300.000 individual entrepreneurs engaged in the spheres affected by the spread of coronavirus infection ([CESD Press, 2020](#)).

The Azerbaijani Agrarian Credit and Development Agency provided 448 female entrepreneurs with loans worth 4.4 mln. AZN (\$ 2.6 mln.) and benefits worth 2.3 mln. AZN (\$ 1.3 mln.) in 2020. At the beginning of 2021, around 143 female entrepreneurs used loans allocated by the Agency in the amount of 1.7 mln. AZN (\$ 1 mln.).

Despite the fact of recent improvements in the sphere of women's entrepreneurship development, female representatives face a number of challenges that refer to the lack of proper practical and technical knowledge, proper education, and limited business networks. Access to financial means and formal documentation procedures also plays its role.

Since the largest share of women-led SMEs refers to agriculture, considerable opportunities exist for women-led SMEs to improve the agriculture growth model. It could be realized through

adopting technological advancements to increase productivity, deploying credit service infrastructure through banks, and developing training programs for production equipment use and technical support.

Conclusion and Recommendations

The availability of a free state education led to an increasing proportion of women completing secondary education. As a result of the educated population, the number of economically active women in the country was increasing.

Per 2020, Azerbaijan had no single strategy adopted for women's self-employment promotion, but the issue was addressed in several documents prepared by the government between 2005-2020. Initiatives launched by international organizations such as EU, UN, UNDP, and UN Women also supported women-led businesses through the allocation of small grants and provision of trainings and educational campaigns.

An assessment of the labor market identified that gaps between males and females existed long before the pandemic. When it comes to income, the same scenario is applicable.

In most cases, when it comes to rural areas, women do not have sufficient financial assistance or skills for establishing their businesses. The potential of women in rural and remote areas remains underestimated. This may happen due to several reasons, such as lack of knowledge and skills, lack of appropriate education, and family support.

On the other hand, the absence of a gender-sensitive development strategy also plays a key role in the process of promotion of women-led businesses across the country.

Intending to promote female-led enterprises in Azerbaijan, there is a need to follow a specific approach that will cover legal, financial, and ethical aspects of this issue. Given that one of the main sources of motivation for women to start their own business is a desire to gain financial independence, they face challenges in terms of raising financial capital and access to finance while attempting to establish an enterprise.

At present, Azerbaijan is focused on the diversification of its economy since the 2014-2015 oil price shock took place (Bayramov and Orujova, 2017). As it becomes clear, the development and promotion of SMEs in the country remain crucial, especially in terms of diversification policy. Following the legal base of the country that ensures the equality of genders in the economic sphere, in practice, there is a need for more incentives and supportive mechanisms on its path.

Recommendations

- Develop and promote educational campaigns for women entrepreneurs in order to improve their skills and knowledge in business leading practices.
- Establish and expand essential connections with markets and other entrepreneurs to build a strong business network that will ensure regular communication, practice sharing, and new opportunities.
- The provision of supportive mechanisms and incentives for women entrepreneurs in terms of financial aid will ensure the sustainable operation of businesses and expand their opportunities for the realization of potential.
- Special focus should be devoted to the development of rural entrepreneurship since the potential of women-led businesses operated in remote areas is highly underestimated due to the lack of appropriate skills and knowledge.
- The development of a single strategy for women's self-employment promotion seems crucial since it will guarantee a hospitable environment and appropriate regulatory policy for females establishing their businesses.

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