

DOI: 10.28934/jwee21.12.pp56-69

JEL: J160

ORIGINAL SCIENTIFIC PAPER

Women's Entrepreneurship in the Wake of the Covid19 Crisis: The Case of Serbia



Milena Lazić¹

Olivera Jovanović²

Marija Lazarević-Moravčević³

Institute of Economic Sciences, Belgrade, Serbia

ABSTRACT

The subject of this paper is the evaluation of the position of women entrepreneurs in Serbia in the aftermath of COVID19 outbreak. The research aims to shed light on the main threats and constraints which women entrepreneurs in Serbia are currently facing due to the global pandemic. We hypothesize that women entrepreneurs in Serbia are particularly affected by the negative effects of COVID19 health crisis. With that regard, the standard desk-research method - the analysis and comparison of secondary data was combined with the case study method that included ten in-depth interviews with selected women entrepreneurs in Serbia during the period January - February 2021. The main conclusions are that empowering women entrepreneurs through various support programs as well as financial assistance provided by the state should be in the focus of decision-makers in the years to come. Furthermore, women entrepreneurs in Serbia should consider regional networking as well as entering the new markets as alternative survival strategies.

¹ Corresponding author, e-mail: milena.lazic@ien.bg.ac.rs, tel. +381 64 3286 671

² E-mail: olivera.jovanovic@ien.bg.ac.rs, tel. +381 63 508 133

³ E-mail: marija.lazarevic@ien.bg.ac.rs, tel. +381 64 2377 312

KEY WORDS: *Women's entrepreneurship, challenges and opportunities, gender equality, COVID19, the Republic of Serbia*

Introduction

Parallel with the tremendous implications on people's health, COVID19 has by far seriously damaged the business sector, as well as the overall global economy (PWC, 2021). The twin threats to lives and livelihoods continue to dominate global economic sentiment. According to McKinsey Global Survey (2021) conducted with more than a thousand executives all over the world, the outlook remains positive, although not as strong as in late 2020. The crisis has affected sales, profit margins, and growth rates. Businesses are turning to e-commerce and digital technologies as the main drivers of success. It is estimated that companies that have implemented digital sales into their marketing strategies faced five-times-faster revenue growth in comparison with their previous levels, as well as 30 percent higher efficiency and cost reduction of 40-60 percent within sales (McKinsey, 2021).

Most affected sectors were undoubtedly service-sensitive sectors with high proportion of in-person/social activities (eg. accommodation and food or recreational service sectors), as well as those sectors which were most affected by government restrictions during the outbreak (eg. transport and outbound tourism) (The Bank of England, 2020).

The economic recession influenced by the current COVID19 outbreak has tremendously affected gender equality (Alon et al., 2020) which represent limiting success factor to a country's potential (Pavlović & Ognjenović, 2020). In comparison with "usual" recessions, which affect men more than women, the employment decline caused by the social distancing measures during the current crisis had more profound effects on sectors with high female employment shares. According to Madgavkar et al. (2020) "women's jobs are 1.8 times more vulnerable to COVID19 crisis than men's jobs. Furthermore, women make up 39 percent of global employment but account for 54 percent of overall job losses". One of the main reasons for this phenomenon is that the current health crisis has significantly increased the burden of unpaid care, which is mostly carried by women (Madgaykar et al., 2020; Alon et al., 2020).

Furthermore, conducting a survey of more than 5,800 small businesses in the USA between March 28 and April 4, 2020 Bartik et al. (2020)

concluded that “the pandemic has caused massive dislocation among small businesses just several weeks after its onset and before the availability of government aid. Across the full sample, 43 percent of businesses had temporarily closed, and nearly all of these closures were due to COVID19”. Results of the study also indicate that massive closures on average caused a 39-percent reduction of active employment among small businesses since January 2020.

Taking into account the recent trends and economic prospects, the subject of this paper is the evaluation of the position of women entrepreneurs in Serbia in the aftermath of COVID19 outbreak. The research aims to shed light on the main threats and constraints which women entrepreneurs in Serbia are currently facing due to the global pandemic. We hypothesize that women entrepreneurs in Serbia are particularly affected by the negative effects of COVID19 health crisis.

The paper is organized as follows. After the introductory remarks, in the second section, the review of the relevant literature has been provided. The third and fourth sections are completely devoted to methodology description and main research results. The last, fifth section refers to concluding remarks.

Literature Review

Today, entrepreneurship is considered to be “the driver of economic and social development”, a significant source of competitive advantage (Jovanović & Lazić, 2018) and is of special importance in low- and middle-income countries (Đuričin et al., 2020). Nevertheless, the largest share of policy initiatives designed to protect economies during the COVID19 crisis targeted established companies (Kuckertz et al., 2020) which is why the global society is in high demand for research and studies that focus on startups and entrepreneurs.

The results of specific studies (World Bank Group, 2020) indicate that small- and medium-sized enterprises were disproportionately more affected by the financial constraints and uncertainty regarding the future economic conditions. This is even more emphasized among those companies that have faced a larger drop in sales, highly associated with job losses.

Furthermore, it is common knowledge that innovative startups are one of the most vulnerable groups in any country (Walsh & Cunningham, 2016). “Even in calmer times, innovative startups face liabilities of newness and

smallness” (Stinchcombe, 1968) that threaten their survival in the domestic and international market. The COVID19 pandemic has created unique circumstances for entrepreneurship worldwide that have no documented equivalent in the current entrepreneurship literature (Kuckertz et al; 2020) even though extensive literature on entrepreneurship and crisis management (Parker et al., 2012; Nicolau, 2015; Doern, 2016; Doern et al., 2018) could be of particular importance concerning the COVID19 pandemic.

In the face of the COVID19 pandemic, entrepreneurs have to face a new reality. It is not only the health crisis affecting the global population but the economic crisis that is provoking an unprecedented economic downturn on the global level (GLION, 2020). It is estimated that entrepreneurs in COVID-impacted sectors are expected to lose 50 to 80 percent of their turnover in the forthcoming period (GLION, 2020).

The results of some research projects (Women Entrepreneurship Knowledge Hub, 2020) indicate that there is considerable evidence that COVID19 has disproportionately affected women and diverse groups. The main causes that lie behind this conclusion are the previously observed wage gap (Antonie et al., 2016), the employment of women entrepreneurs mainly in the service sector (Ernst & Young, 2020; Opportunity Bank, 2020; the Bank of England, 2020) which was mostly affected by the crisis and the undisputable fact that women bear the burden of unpaid work including child care, household duties, and eldercare (Alon et al., 2020), all of which have become more challenging during the crisis.

When it comes to the Republic of Serbia, according to the latest data released within regional project “Addico the biggest 100 in Serbia 2020/21” approximately 135,000 women has started their businesses, which is estimated to be around 30 percent of the total number of owners of various business entities in our country. At the same time, 40 percent of all entrepreneurs who fail in the first five years of existence are estimated to be women. The profile of the average woman entrepreneur in Serbia is: 47.7 years old, married and has obtained a minimum high school diploma.

The results of the research conducted within the national project „Woman for 5“ (Opportunity Bank, 2020) indicates that 99 percent of the total number of women entrepreneurs in Serbia has small businesses with less than 10 employees while the largest share of women entrepreneurs in Serbia operates in service sectors (trade, administration, finance and information technologies).

According to data released by Ernst & Young (2020) during the year 2020 trends in the relationship between ownership and engagement in entrepreneurship by gender have shifted slightly in favor of women (27 percent in comparison to 23 percent of all of the respondents in 2019). The results also indicate that it is still the greatest share of the university-educated entrepreneurs in Serbia (75 percent compared to 2019's 73 percent). Furthermore, production is traditionally most prevalent among Serbian entrepreneurs (53 percent), and more and more IT companies provide a wide range of software and hardware solutions (11 percent).

Some of the authors (Domazet et al., 2018) consider the improvement of the competitiveness of the Serbian economy to be one of the major challenges for policymakers in Serbia which was especially emphasized during the ongoing health crisis. Competitiveness has always been significant in achieving sustainable economic growth in the medium term (Miković, 2020). Accordingly, innovation represents “the driver of economic progress that benefits consumers, businesses, and the economy as a whole” (ECB, 2017). With that regard, recent survey results (McKinsey, 2020) indicate that responses to COVID19 have accelerated the adoption of digital technologies by several years and that many of these changes are expected to exist for the long haul.

Furthermore, innovations in marketing, communication, and logistic channels helped organizations to overcome the initial stress caused by the onset of COVID19 crisis. Traditional marketing concepts have already proved to be an inadequate choice for small and medium-sized enterprises (Lazarević-Moravčević et al., 2019), but it is the ongoing crisis that has brought the radical digital transformation in most of the organizations in Serbia.

Taking into account the above mentioned, “innovations have become not only an important determinant of a company’s successful development but their requirement as well” (Jovanović & Lazić, 2018). Innovative and flexible enterprises that are in constant follow of the never-ending learning curve can be seen as the key driver of competitiveness and overall economic development through increased productivity and higher employment (Prlijić et al., 2016) which will be of tremendous importance in the years to come.

Methodology

To better understand the position and main challenges which women entrepreneurs in Serbia are currently facing, the authors of this paper combined the standard desk-research method and the analysis and comparison of secondary data with the case study method. A combination of quantitative and qualitative research techniques was aimed at delivering more comprehensive and thorough research results.

With the analogy to our previous research study (Jovanović & Lazić, 2018), ten in-depth interviews with selected women entrepreneurs in Serbia were conducted during the period January - February 2021. The sample was constructed using the available database CompanyWall which represents an official database of financial reports and main information (year of funding, number of employees, etc.) about small and medium-sized enterprises as well as entrepreneurs in Serbia. The request for participation in the survey was sent online, while the criteria for the in-depth interview was at least five years of experience and expertise in entrepreneurial business.

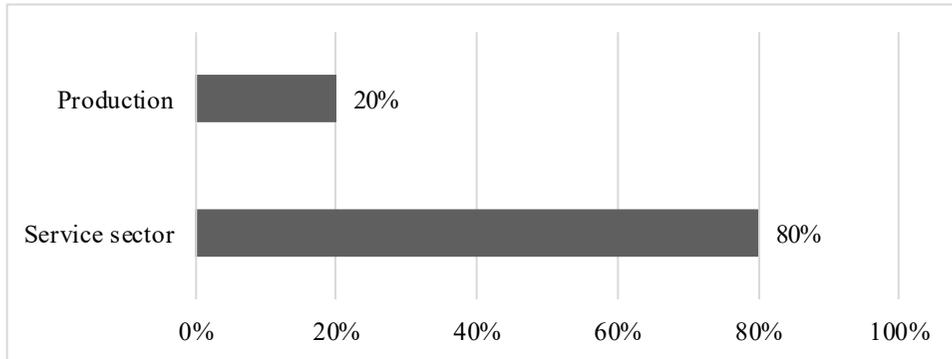
The main research tool used was a short semi-structured questionnaire that contained three sections. The first section was devoted to general information regarding the age and level of education of the respondents as well as the main characteristics of the enterprise owned. The main challenges in everyday business operations during 2020 were in the focus of the second section, while the third section was devoted to the increased usage of digital technologies. Although in-depth interviews are more time-consuming, they represent a useful method of collecting more thorough and detailed information about the analyzed topic. The analysis of data collected was based on descriptive statistics using cross-tabulation techniques in statistical software SPSS.

The results of this study represent the part of the broader research project aimed at better understanding the position of women entrepreneurs in Serbia in times of the global pandemic as well as the evaluation of the government help and support measures intended for women entrepreneurs.

Research Results

80 percent of all of the respondents operate in the service sector which was particularly affected by the ongoing health crisis (Figure 1).

Figure 1: The sector of the business operations

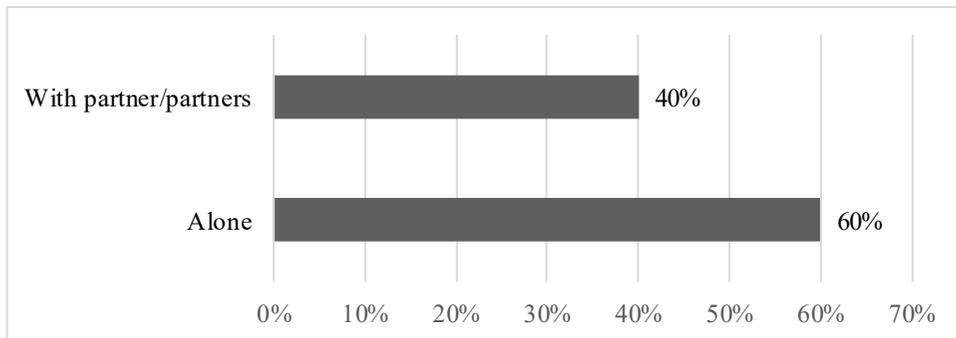


Source: Authors' calculation.

On the global level, “services represent two-thirds of economic output, more than half of the world’s jobs and about a quarter of direct exports” (UNCTAD, 2020) while in Serbia services contribute to approximately 50 percent of total GDP (Statista, 2020). Accordingly, a profound economic recovery from the COVID19 pandemic calls for governments to make the services sector a key element in their recovery strategies taking into account that services “play a crucial role in increasing productivity, efficiency, and effectiveness in the whole economy” (UNCTAD, 2020).

The largest share of the respondents (60 percent) declared that they have started their own business, which was followed by 40 percent of them declaring that they started their own business together with partner or partners (Figure 2).

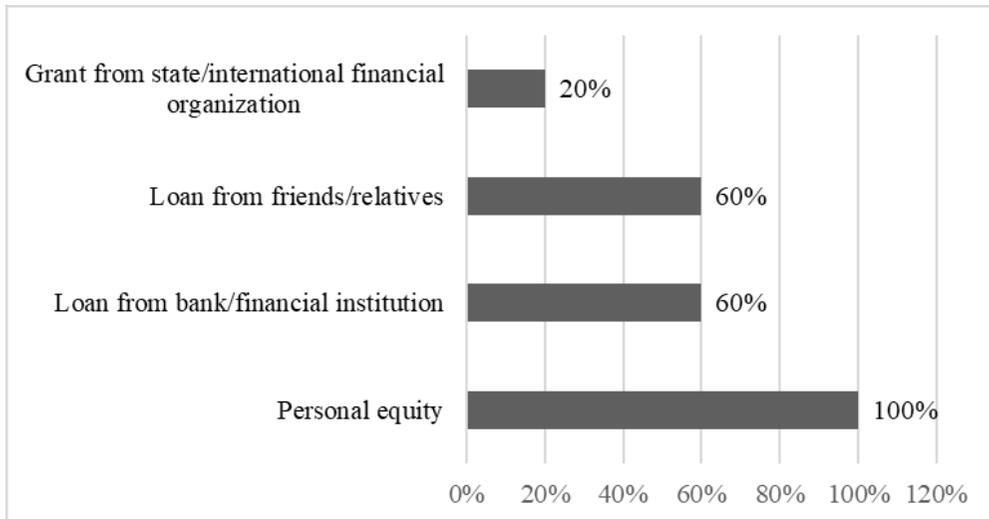
Figure 2: How the business has been started



Source: Authors' calculation.

Similarly to our previous research (Jovanović & Lazić, 2018) all of the respondents in the sample used their own, private funds to start a business; a large number of them (60 percent) also used loans from friends or relatives, as well as bank credits (Figure 3).

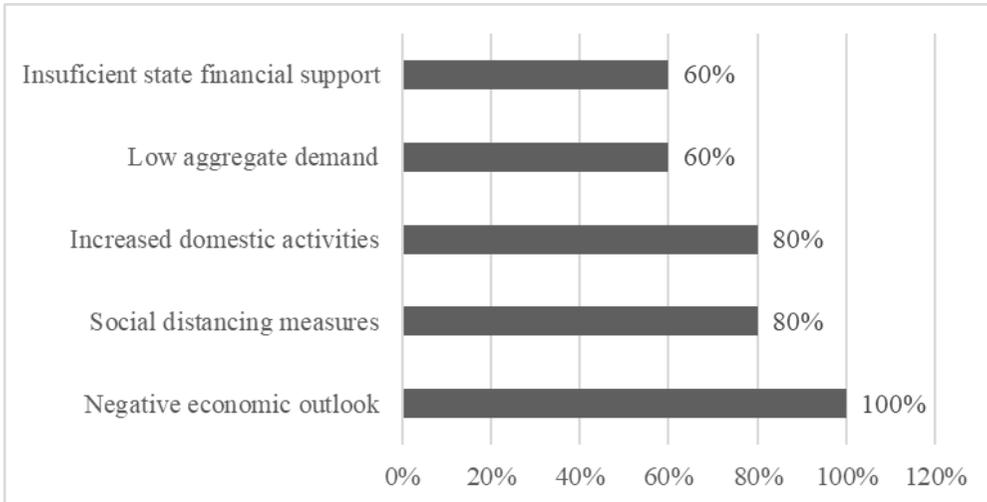
Figure 3: The source of start-up capital



Source: Authors' calculation.

As expected, the structure of borrowed capital indicates dominant financing by banks immediately followed by loans provided by families and friends. Due to complicated administrative procedures, grants from the state and international financial organizations as the source of capital are still at an unsatisfactory level.

All of the respondents in the sample consider negative economic outlook (domestic and global) to be the greatest challenge in the forthcoming period (Figure 4). The small and micro business entities are expected to be most affected by lower aggregate demand. Furthermore, women's entrepreneurship is particularly endangered by the negative effects of COVID19 crisis taking into account that it is usually organized in form of micro and family enterprises without financial reserves and the capacity to develop long-term developing strategies. Although the digital revolution triggered by the global pandemic brings a new chance, it still raises the question of business readiness in Serbia.

Figure 4: The main challenges in the forthcoming period

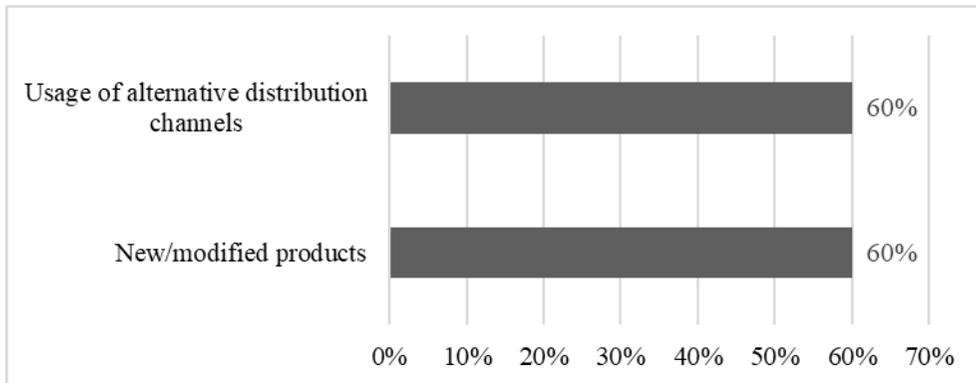
Source: Authors' calculation.

The results obtained in this study are in line with previous researches (Vasilić et al., 2020) which provided insights into the effects of the health crisis on women entrepreneurs in Serbia as well as their balancing between business and family responsibilities during the changed circumstances. Under their research results, Vasilić et al. (2020) concluded that 76 percent of women-owned companies were negatively affected by the current health crisis and that women replaced the lack of hours spent at work with their increased engagement at home. Furthermore, the results of Ernst & Young's (2020) annual study emphasized negative business climate to be the greatest threat to the entrepreneurial sector in Serbia.

Furthermore, some authors (Šafarik, 2020) emphasized the importance of awareness of the increased injustice toward women at work, which is additionally exacerbated by the COVID19 pandemic.

In order to overcome the negative crisis effects, 60 percent of the respondents have launched new or modified products with the same percentage of them using alternative distribution channels (Figure 5).

Figure 5: The ways to overcome the negative effects of the COVID19 crisis



Source: Authors' calculation.

“Within a few weeks of the Covid19 outbreak, lockdown accelerated the adoption of digital solutions at an unprecedented pace, creating unforeseen opportunities for scaling up alternative approaches to social and economic life” (Hantrais et al., 2020). Accordingly, digital space, innovation, and flexibility should be key success factors in the years to come.

Following the negative business sentiment, 80 percent of the respondents do not plan the recruitment of new employees in 2021 while 20 percent of them consider shrinking the current workforce.

The results are in line with the research conducted on the global level (McKiney, 2020) which highlighted that women’s jobs are 1.8 times more vulnerable to COVID19 crises than men’s jobs which is even more pronounced in the entrepreneurial sector.

Key Findings and Recommendations

The results of the research conducted in this study as well as the thorough desk-research provide the basis for formulating the following recommendations and guidelines:

- The precarious situation has led to the gradual change and adjustment of production and services, which is a chance for women's entrepreneurship to step forward. With that regard, innovations and flexibility represent the key success factors in overcoming the negative effects of COVID19 crisis.

- Online space and digital technologies represent the main tools in today's business environment with COVID19 crisis further revolutionized their usage. Accordingly, special attention should be devoted to the constant education and implementation of the new technologies.
- It is of significant importance to work on fostering motivation because women are now demotivated (Global Sentiment Survey, 2020) which is why association and mutual empowerment between women entrepreneurs in Serbia should not be neglected as a part of the overall solution.
- It is important to have the bigger picture in mind, consider new markets, regional initiatives, and joint activities on the international level.
- Women entrepreneurship should be more in the focus of Government help packages in the forthcoming period.

Conclusion

The consequences of the coronavirus pandemic are mostly suffered by small and medium-sized businesses and entrepreneurs. It is even more severe for those businesses run by women. The vast majority of women entrepreneurs in Serbia are engaged in jobs that have suffered the most, such as tourism, catering, and especially trade.

The global health crisis has caused a forced change in the usual business practice as well as fast adaptation to new circumstances. The use of digital technologies, the introduction of new or modification of existing products, and the use of alternative distribution channels are some of the solutions that women entrepreneurs in Serbia have resorted to overcome the negative effects of COVID19 crisis.

The authors of this paper consider that empowering women entrepreneurs through various support programs as well as financial assistance provided by the state should be in the focus of decision-makers in the years to come. Furthermore, women entrepreneurs in Serbia should consider regional networking as well as entering the new markets as alternative survival strategies.

References

- [1] **Addico.** 2020. "The biggest 100 in Serbia 2020/21." Available at: <https://100najvecih.rs>, accessed: 09.02.2021.
- [2] **Alon T., Doepke M., Olmstead-Rumsey J. & Tertilt M.** 2020. "The Impact of COVID19 on Gender Equality." NBER Working Paper No. 26947.
- [3] **Antonie L., Plesca M. & Teng J.** 2016. "Heterogeneity in the Gender Wage Gap in Canada." University of Guelph, Department of Economics and Finance, WP 1603.
- [4] **Bank of England.** 2020. "The impact of Covid19 on businesses' expectations: evidence from the Decision Maker Panel." Quarterly Bulletin Q3 2020.
- [5] **Bartik A.W., Bertrand M., Cullen Z., Glaeser E.L., Luca M. & Stanton Ch.** 2020. "The impact of COVID19 on small business outcomes and expectations." *PNAS* 117(30), pp. 17656-17666.
- [6] **Doern R.** 2016. "Entrepreneurship and Crisis Management: The Experiences of Small Businesses during the London 2011 Riots." *International Small Business Journal*, 34(3), pp. 276-302.
- [7] **Doern R., Williams N. & Vorley T.** 2018. "Special issue on entrepreneurship and crises: business as usual? An introduction and review of the literature." *Entrepreneurship and Regional Development*, 31(1), pp. 1-13.
- [8] **Domazet I., Zubović J. & Lazić M.** 2018. "Driving factors of Serbian competitiveness: Digital economy and ICT." *Strategic Management*, 23(1), pp. 20-28.
- [9] **Đuričin S., Jovanović O. & Erić D.** 2020 "The role of Microfinance in Development of SMEs in Republic of Serbia." *Erenet profile*, 15(2), pp. 56-66.
- [10] **ECB.** 2017. "How does innovation lead to growth?" Available at: <https://www.ecb.europa.eu/explainers/tell-me-more/html/growth.en.html>. Accessed: 16.02.201.
- [11] **Ernst & Young.** 2020. "Entrepreneurial Barometer." Available at: https://www.ey.com/sr_rs/entrepreneur-of-the-year/serbian/ey-preduzetnicki-barometar-2020. Accessed: 10.02.2020.
- [12] **GLION.** 2020. "What are the Impacts of COVID19 on Entrepreneurship?" Available at: <https://www.glion.edu/magazine/impacts-Covid19-on-entrepreneurship/>. Accessed 10.02.2021.
- [13] **Hantrais L., Allin P., Kritikos M., Sogomonjan M., Anand P.B., Livingstone S., Williams M. & Innes M.** 2020. "Covid19 and the digital revolution." Available at:

- <https://www.tandfonline.com/doi/full/10.1080/21582041.2020.1833234>.
Accessed: 16.02.2021.
- [14] **Jovanović O. & Lazić M.** 2018. "Women Entrepreneurship in Serbia – Potentials and Constraints." *Journal of Women's Entrepreneurship and Education*, 3-4, pp. 60-72.
- [15] **Kuckertz A., Brandle L., Gaudig A., Hinderer S., Morales C.A., Prochotta A., Steinbrink K.M. & Berger E.S.C.** 2020. "Startups in times of crisis – A rapid response to the COVID19 pandemic." *Journal of Business Venturing Insights*. Available at: <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC7183981/>. Accessed 10.02.2021.
- [16] **Lazarević-Moravčević M., Lazić M. & Kaličanin T.** 2019. Primena marketing koncepta u malim preduzećima. In: „*Izazovi savremenog marketinga 2019 – Nacionalna konferencija sa međunarodnim učešćem*“, pp. 242-249. Organizer: Serbian Marketing Association – SEMA, Zlatibor.
- [17] **Madgavkar A., White O., Krishnan M., Mahajan D. & Azcue X.** 2020. "COVID19 and gender equality: Countering the regressive effects." Available at: <https://www.mckinsey.com/featured-insights/future-of-work/Covid19-and-gender-equality-countering-the-regressive-effects>. Accessed 09.02.2021.
- [18] **McKinsey.** 2020. "How COVID19 has pushed companies over the technology tipping point—and transformed business forever." Available at: <https://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/how-Covid19-has-pushed-companies-over-the-technology-tipping-point-and-transformed-business-forever>, Accessed: 16.02.2021.
- [19] **McKinsey.** 2021. "COVID19: Briefing note #41." Available at: <https://www.mckinsey.com/business-functions/risk/our-insights/Covid19-implications-for-business>, Accessed 09.02.2021.
- [20] **Miković N.** 2020. "The Competitiveness Overview of Serbia, Montenegro and Croatia in 2019." *Journal of Women's Entrepreneurship and Education*, 1-2, pp. 53-71.
- [21] **Nicolau Ch.** 2015. "Are SMEs still profitable in an economic crisis? Qualitative research on Romanian entrepreneurship and crisis management." *Bulletin of the Transilvania University of Braşov*, Vol. 8 (57) No. 2 – 2015.
- [22] **Opportunity bank.** 2020. "Project „Woman for 5“." Available at: <https://www.zena5.rs>, Accessed 10.02.2020.
- [23] **Prlić K., Mijalković J. & Prlić S.** 2016. "Innovation Analysis of the Sector of Small and Medium Enterprises and Entrepreneurs (SMEs) in the Republic of Serbia." *Economic Analysis*, 49(3-4), pp. 81-96.
- [24] **Statista.** 2020. "Serbia: Share of economic sectors in the gross domestic product (GDP) from 2009 to 2019." Available at:

- <https://www.statista.com/statistics/440654/share-of-economic-sectors-in-the-gdp-in-serbia/>, Accessed: 16.02.2021.
- [25] **Stinchcombe A.L.** 2000. "Social structure and organizations." Available at: [https://www.emerald.com/insight/content/doi/10.1016/S0742-3322\(00\)17019-6/full/html](https://www.emerald.com/insight/content/doi/10.1016/S0742-3322(00)17019-6/full/html), Accessed: 16.02.2021.
- [26] **Šafarik P.J.** 2020. "Handling Injustice - Are Women Too Sensitive?" *Journal of Women's Entrepreneurship and Education*, 3-4, pp. 3-22.
- [27] **Parker S.C., Congregado E. & Golpe A.A.** 2012. "Testing for Hysteresis in Entrepreneurship in 23 OECD Countries." *Applied Economics Letters* 19(1), pp. 61–66.
- [28] **Pavlović D., Ognjenović K.** 2020. „Perspectives on Poverty by Gender within the Republic of Serbia“. *Journal of Women's Entrepreneurship and Education*, 1-2, pp. 37-52.
- [29] **PWC** 2021. "COVID19: Impacts to business." Available at: <https://www.pwc.com/gx/en/issues/crisis-solutions/Covid19.html>, Accessed 09.02.2021.
- [30] **UNCTAD.** 2020. "Services sector vital to COVID19 economic recovery." Available at: <https://unctad.org/news/services-sector-vital-Covid19-economic-recovery>, Accessed: 16.02.2021.
- [31] **Vasilić N., Popović-Pantić S. & Semenčenko D.** 2020. "Women Entrepreneurship in the Time of COVID19 Pandemic – The case of Serbia." *Journal of Women's Entrepreneurship and Education*, 3-4, pp. 23-40.
- [32] **Walsh G.S. & Cunningham J.A.** 2016. "Business Failure and Entrepreneurship: Emergence, Evolution and Future Research." *Foundations and Trends in Entrepreneurship*. 12(3), pp. 163–285.
- [33] **Women Entrepreneurship Knowledge Hub.** 2020. "The Impact of COVID19 on Women Entrepreneurs." Available at: https://wekh.ca/wp-content/uploads/2020/05/WEKH_The_Impact_of_COVID19_on_Women_Entrepreneurs-1.pdf, Accessed 10.02.2020.
- [34] **World Bank Group.** 2020. "Unmasking the Impact of COVID19 on Businesses – Firm Level Evidence from Across the World." WP No. 9434.

Article history: Received: February 2nd 2021

Accepted: April 20th, 2021