China

**Empowering Women through Entrepreneurship**

TOPIC- Empowering Women through Entrepreneurship

The Delegate of CHINA would like to inform how China Empowers Women through Entrepreneurship. In November, the eighth annual Global Entrepreneurship Summit was held in Hyderabad, India, focusing on the theme of “Women First, Prosperity for All.” For the first time in the history of this summit that brings together entrepreneurs and high-level politicians from around the world, women make up a majority of the 1500 entrepreneurs selected to attend. In her Opening Plenary speech, senior White House advisor Ivanka Trump articulated the increase in women entrepreneurs all over the globe and a vision of building a greater future by empowering even more women. Against this backdrop, what is the state of women’s entrepreneurship in China—a nation home to the highest number of self-made female billionaires in the world and that has set a record high in venture capital investments last year despite a global slowdown?

In recent years, China has often been regarded as one of the models for gender equality in women’s business and entrepreneurship. The situation does seem to be cause for optimism: in September this year, the first government-sponsored China Women’s Entrepreneurship and Innovation Contest held its finals in Hangzhou, the capital of the Zhejiang Province. Co-hosted by the state-backed nonprofit All-China Women’s Federation and the Zhejiang people’s government, the contest is said to be a response to the CCP’s call to “encourage people to do business creatively and drive innovation” that takes into account the unique circumstances of women. Indeed, China’s government and private sector have been more proactive in boosting women’s entrepreneurship than those in many other countries. China appears to appreciate the instrumental value of gender equality and women’s empowerment—that investing in women’s growth and leadership in business is not only the right thing to do, but the smart move to make for economic development.

Yet making women count requires beyond simply counting women, startups, and investments. While many areas of gender inequality in China—such as politics, as discussed in a recent post by Maylin Meisenheimer—are still at the stage where merely getting enough women at the table poses a challenge, it is important to also look beneath the surface and examine what constitutes true equality even in issues where the numbers look (relatively) good. What do the numbers not reveal about the state of female entrepreneurship in China? What are the barriers remaining? And most importantly, what could the Chinese government and the private sector do to ensure both female entrepreneurs and the “She Economy” reaches its potential?

**It’s A Big Deal**

There are two main reasons why having more women entrepreneurs—or more broadly, gender equality in work—benefit China’s economic growth.

First, the gender gap in work means that women are not contributing to the GDP as much as they are able to. A 2015 report by the McKinsey Global Institute estimates that in a “best-in-region” scenario where all the countries match the progress toward gender parity of the fastest-improving countries in their respective regions, China could boost GDP by $2.5 trillion in 2025, which is 20 percent more than in a “business-as-usual” case. Further, in a theoretical “full-potential” scenario where women have the same role in the labor market as men do, $4.2 trillion, or 26 percent, could be added to China’s annual GDP in 2025.

Second, multiple studies have demonstrated the benefits of having women as founders or in other leadership roles in companies. For example, a study last year by the Peterson Institute for International Economics analyzed 21,980 firms in ninety-one countries and found a “positive correlation between the proportion of women in corporate leadership and firm profitability.” While correlation does not mean causation, such studies have found strong statistical links that should not be ignored. Similarly, research conducted by the Center for Talent Innovation and featured in the Harvard Business Review highlights that while most companies target women as end-users, “few effectively leverage the talent most likely to know what these end-users want and need: female employees.” This study found that for companies targeting female consumers, having women on the team improves the likelihood of success by 144 percent. Indeed, it is important to target women consumers in China: nearly 60 percent of women control family finances, managing their husbands’ salaries and deciding what to spend them on. Women are also crucial in China’s booming e-commerce market. While there are more male than female online shoppers, the latter spend more and shop online more frequently. To put the numbers into perspective, the number of online shoppers in China has steadily increased over the past decade, and as of 2016 has hit 466.7 million—more than the entire population of the United States. Tie all this together, and not being more proactive in promoting women in entrepreneurship becomes not just a matter of neglecting gender equality but also poor business sense.

With all this in place, what does female entrepreneurship currently look like in China?

**Women Mean Business**

Female entrepreneurs and venture capitalists are building successful businesses in China, and make up a significant portion of the creativity and innovation that the government is trying to promote. According to the All-China Women’s Federation, Chinese women entrepreneurs have risen to a quarter of total entrepreneurs as of April this year. Moreover, China is home to both the highest number of self-made female billionaires in the world and the world’s richest self-made woman, Zhou Qunfei. Women were able to “flourish after capitalism started to take hold” due to the Communist Party promoting gender equality under Mao Zedong, explains Huang Yasheng, professor at MIT and expert in China’s entrepreneurial class.

According to a white paper released by the government last year, over half of the startups in the internet plus business field are women. While the white paper never defines “internet business” and leads many to believe that this statistic refers to any business that uses the web rather than to technology startups, the statistic is nonetheless a sign of encouraging progress in women’s participation in the Chinese economy. Again focusing on e-commerce, Alibaba’s C2C e-commerce platform Taobao, the biggest in China, also reports that over 50 percent of store owners on the site are female and 46 percent of transactions are from female vendors.

**Barriers Remain**

Yet the fact that gender equity is moving forward does not mean that there are no obstacles. Currently, women entrepreneurs face a range of cultural and institutional barriers.

Culturally, sexism in China is not yet a thing of the past. Earlier this year in Beijing, a Chinese investor shared his insights to success in a public presentation: “Rule number 10: we usually don’t invest in female CEOs.” Chinese technology companies invite Japanese porn stars to corporate events. Local tech firms hire “pretty cheerleaders” to “give male programmers motivation.” Women are labelled as “leftover” if unmarried by twenty-seven and pressured by their families and government campaigns to leave their careers in favor of finding a husband. Just two decades ago, sex-selective abortion and female infanticide were common, mainly due to the state’s enforced One-Child Policy and the country’s prevalent culture of son preference. These are just a few examples of deep-rooted sexism that manifest as challenges for the female entrepreneur; there are many more practices that entrench gender discrimination as the norm.

Institutionally, the biggest obstacle that women entrepreneurs face is access to business capital. A 2014 Goldman Sachs report highlighting the state of female-owned small and medium sized enterprises in ten G20 countries estimates a credit gap—formal financing needed but not available—of 1.5 percent of GDP in China. Traditional assessments of credit risk rely on land ownership, credit history, and availability of collateral, disproportionately disadvantaging women and often putting them in a catch-22 situation. The report points out the need to improve formal financing for women, especially through strengthening financial infrastructure (including things such as credit bureaus and collateral registries) and developing new credit risk assessments and terms for female clients.

**Moving Forward**

Women’s entrepreneurship in China faces two main obstacles: 1) the tangible—the dearth of finance and support networks, and 2) the intangible—the cultural and societal norms that have favored men as being superior to women for centuries. The two are intertwined and alleviating one helps to curb the other. Already there are a number of government and non-governmental programs underway.

From founding local business accelerators to starting Chinese chapters of international organizations, women in China have been increasingly proactive in building networks, providing training, and raising venture capital in support of each other’s entrepreneurial endeavors. The corporate sector is also stepping up: the China branch of programs such as Goldman Sachs’ “10,000 Women,” MasterCard’s “Women’s Entrepreneurship Fund,” Ernst & Young’s “Entrepreneurial Winning Women Asia-Pacific Program,” give us many reasons to be optimistic. Government initiatives have also partnered with financial institutions to issue a total of over 290 billion yuan of government-subsidized microcredit to women entrepreneurs. Moreover, while this piece focuses on tech and internet plus startups and recognizes that the challenges facing rural women’s enterprises warrant their own analysis, non-governmental programs such as the China arm of the Asia Foundation’s “Accelerate Growth” that put emphasis on rural and migrant women entrepreneurs are also crucial in ensuring that a diverse demographic can contribute to the economy and reap the benefits.

What is further needed now, however, are initiatives that explicitly straddle support for innovation and women as workers. Policies that promote entrepreneurship with a gender perspective, as well as continued collaboration with non-governmental initiatives, will serve to further the potential of China’s She Economy to the benefit of not only women, but economic growth for all.

Financial reforms are also necessary. The Chinese government and businesses should establish forms of credit risk assessments more suited for women, improvement of women’s property and land ownership laws, and new financial offerings that target the female entrepreneur in order to level the playing field.

Only with such proactive measures will the recent surge in campaigns for women entrepreneurs truly improve both the women’s access to opportunities as well as China’s economy.

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