The Motivational Factors of Female Entrepreneurs in de facto States: Planning for an Uncertain Future

Karen Howells

The body of literature on entrepreneurship, including female entrepreneurship, in developing countries is growing. A very small number of developing countries have no legal status as a sovereign entity, and operate within a de facto framework. Inside these regions, while dealing with complex economic and political issues, individuals still need to set up enterprises and develop their businesses, which then increases the economic growth of these stateless regions. This paper sets out to identify a number of developing nations with de facto status, including the Turkish Republic of Northern Cyprus, the Republic of Kosovo, and Palestine, and it will highlight the issues for entrepreneurs in these regions, especially issues for female entrepreneurs within heavily patriarchal societies.

Through an extensive literature review, as well as data from a previous mixed methods research study in North Cyprus, the paper seeks to underscore the issues for entrepreneurs in de facto states. In detail, the motivational factors of entrepreneurs in these de facto states will be emphasised, drawing attention to the possible links between the entrepreneurs of these regions, as well as comparisons to other developing nations. These three de facto regions have high Muslim populations, and the possible implications of this will also be uncovered.

Key words: de facto states, female entrepreneurship, entrepreneurship motivation, policy development

Introduction

The political upheavals of the twentieth century have led to the creation and declaration of a number of states, which so far, are not wholly recognised by the international community, and are thus referred to as
de facto states. Inside these regions, while dealing with extremely complex economic and political issues, individuals still need to find a way to earn a living, and for a large proportion of these citizens entrepreneurship is the only way to find a way through their exasperating problems. This entrepreneurship "against all odds" increases the economic growth of these stateless regions. Many of these entrepreneurs will be women, which brings added problems and issues to the creation of their enterprise, as these regions tend to be highly patriarchal in makeup. The body of literature on entrepreneurship, including female entrepreneurship, in developing countries is growing. However, there are few studies of entrepreneurship in de facto states, which this paper seeks to address.

The paradox of de facto states

De facto is a Latin term referring to the existence of an entity that has no legal capacity. It is used to describe a number of regions or territories worldwide, de facto states, which for various reasons are not legal states, and are not member states of the United Nations. Some of these de facto states are mostly accepted in the wider world, such as Taiwan and Kosovo, while others are more obscure (Abkhazia, Sahrawi Arab Democratic Republic). The paradox is that while these states are not recognised, within them is a population with the same human needs and desires as other areas of the globe. Many people within these de facto states become entrepreneurs, some of them rise to be billionaires, and the unrecognised state leans on these entrepreneurs to bring forth economic growth. Trading as a de facto state can be extremely difficult, with economic embargoes put in place, yet each year many nascent entrepreneurs move into business ownership regardless of the overwhelmingly complicated economic situation they may find themselves operating within.

In this paper we will focus on the Turkish Republic of Northern Cyprus (TRNC), Kosovo and the Palestinian Territories, as they are geographically fairly near to each other, and the population of region is predominantly Muslim. The population of each is also small, shown in Table 1 below. The Turkish Republic of Northern Cyprus was declared a republic in 1986 after partition from the Greek Cypriots in 1974, and is only recognised by Turkey. After declaring independence from Serbia in 2008, Kosovo is recognised by 112 nations, but not all countries. The
State of Palestine declared independence in 1988, but was not unilaterally accepted by the international community as a nation. However, more recently, it has had its status upgraded by the United Nations to non-member observer status. The de facto status of these regions means they are not eligible to apply for loans from the International Monetary Fund of the World Bank, which means that entrepreneurship becomes even more important as a factor for economic development.

Table 1: De Facto State population

<table>
<thead>
<tr>
<th>De Facto State</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Republic of Kosovo</td>
<td>1,859,203</td>
</tr>
<tr>
<td>Palestinian Territories</td>
<td>2,731,052</td>
</tr>
<tr>
<td>Turkish Republic of Northern Cyprus</td>
<td>265,100</td>
</tr>
</tbody>
</table>

Source: CIA (2015); Hatay (2007)

This paper seeks to highlight the issues for entrepreneurs in these de facto states, especially the concerns of female entrepreneurs who are operating within heavily patriarchal societies.

An extensive literature review of entrepreneurship in the three de facto states will set the stage for an analysis of entrepreneurship in the regions, to seek out similarities and to note the differences brought forward. There may be similarities with other developing nations and possible links will be sought. A previous mixed methods research study from North Cyprus will be investigated to determine relationships between entrepreneurs in these de facto states, especially the difficulties encountered by female entrepreneurs.

Finally, the objective of this paper is to suggest public policy for de facto states. This is an important issue, as one of the problems with non-recognised regions is their government’s complacency with regard to policy making.
Motivation of entrepreneurs

Motivations for both male and female entrepreneurs is an important factor, as understanding entrepreneurship motivation as a push or pull effect can greatly enhance understanding of the aspects of entrepreneurship in a region. Some researchers believe the factors that fuel self employment are the product of our enterprise culture (the pull view), while others think it is the result of globalization and restructuring economies (the push view). The push factor also will have a different significance according to the country and culture that the entrepreneur lives in. In this paper, it could be assumed that for all three de facto states the entrepreneurs would be of the pull type, as they are building their enterprises inside extreme economic conditions.

The Council for Foreign Relations promote the idea that there should be facilitation for the entrepreneur to gain access to markets, with the ideas of matching sellers to buyers internationally (Tzemach Lemmon, 2012), but of course for our entrepreneurs in these de facto nations, this is not possible due to international embargoes.

Entrepreneurs in North Cyprus, Kosovo and the Palestine

In the Turkish Republic of North Cyprus (TRNC) 56% of the working age population are working (Thompson, 2005). Nearly all the private sector organizations are small to medium size enterprises (95%), and 88% of employees employed in the private sector are employed by these small and medium sized enterprises (Tanova, 2003). A large majority, 80% of SMEs are sole-ownership or family-owned businesses (Güven Lisaniler, 2004).

The push factor for entrepreneurs is reduced by the fact the Government sector is an attractive employer, with high wages and lucrative benefits. As well as the above economic factors, the entrepreneur can experience problems in access to information. This makes it difficult for any entrepreneur to expand or develop their enterprise (Güven-Lisaniler, 2004). The sum total of all the above factors pertaining to the Turkish Cypriot community’s economy is that there are severe restrictions in opportunity for entrepreneurs. Despite all the barriers to entrepreneurship in North Cyprus, the rate of female entrepreneurship stands at 33%, high by European standards (Howells & Krivokapic-Skoko, 2009).
In Kosovo, 80% of employment is provided by small and medium sized enterprises. Kosovo depends on its entrepreneurs as a base for economic activity (Solymossy, 2005), and in acknowledging the importance of this, the Kosovo Government have already created a Private Sector Strategy Plan, aiming to create an SME friendly business environment, promote entrepreneurial culture and increase the competitiveness of SMEs (Oberholzner, 2014). Similar to the TRNC, the retail and service sectors dominate the makeup of SMEs (Oberholzner, 2014). The rate of female entrepreneurship in Kosovo is 13%, rising to 35% in some service sectors (Oberholzner, 2014). The importance of small and medium sizes enterprises to the economic growth of Kosovo was established by the researcher Gërgjaliu-Thaçi (2012), where she highlights the significant growth in the numbers of SMEs in Kosovo since 2001.

Female entrepreneurship in the Occupied Palestinian Territories has the poorest rate in the world, at a rate of 3.4% for average female early-stage entrepreneurship (compared to 16% for the male population) (Abdullah & Hattawy, 2014). Most of the female entrepreneurship is retail and services, with some manufacturing (Abdullah & Hattawy, 2014). Even though the female entrepreneurship is low, it has seriously assisted the economic makeup by creating 5.6% of total employment in the area.

Issues for female entrepreneurship in North Cyprus, Kosovo and the Palestine

While little of the funding for post-conflict regions is specifically aimed at women, it is essential that women take part in the economic development that is necessary following an era of conflict. While men and boys go off to war, it is the women who are left behind to support their families, and this can be vital for the survival of the entire communities left behind (Nadgrodkiewicz, 2010). After the conflict, women are often seen as the most trusted within the community, as they were not the perpetrators of war or conflict, and they can help in the moves towards reconciliation (Nadgrodkiewicz, 2010).

Only 6% of business owners in Kosovo are women, with most women having enterprises in retail and services (Purrini, 2011). There are some women involved in the manufacture of textiles, dairy products,
vegetable preservation, bakeries, traditional carpets and wedding gowns, with smaller numbers owning enterprises in agriculture (Purrini, 2011).

The Center of Arab Women for Training and Research (established in 1993 in Tunisia) conducted research in the Arab nations of Lebanon, Yemen, Egypt, and Tunisia, and the occupied territories of Palestine of both working women and women who had started their own enterprises. In the in-depth interviews they conducted, some interesting factors were identified about Arab women in their enterprise endeavours. Many of the successful female entrepreneurs were wholeheartedly supported by their husbands, in spite of opposing social pressure (Jabre et al., 1997). Female entrepreneurs in the Palestinian Territories complain that once they have started an enterprise, they cannot compete with cheap imports from Israel (Al Botmeh, 2013). Agricultural and Horticultural entrepreneurs in North Cyprus face the same problems with cheap imports from Turkey.

Female entrepreneurs in the Palestinian Territories also seem to have harsher patriarchal mores subjected onto them. Qazzaz et al. (2005) cite many instances of female entrepreneurs being harassed by family and neighbours to close down their businesses as they were unfitting. The women here also face barriers in being exploited by merchants, and in not being able to negotiate with government bodies such as local councils (Qazzaz et al., 2005).

Female entrepreneurship in the Palestinian Territories endures similar difficulties to female entrepreneurship worldwide, difficulties with financing, lack of knowledge and skills, and limitations on the professions and businesses deemed suitable for women. Unlike the TRNC and Kosovo, female entrepreneurship in the Palestinian Territories has stagnated (Al Botmeh, 2013). Retail is the main industrial sector selected by the Palestinian female entrepreneur, with teaching services coming second (Qazzaz et al., 2005), which is similar to the TRNC and Kosovo.

High interest rates are a barrier to entrepreneurship in current day Kosovo, and the market is new and the banks have not yet become competitive (Gërgjaliu-Thaçi, 2012). The informal economy in Kosovo is very strong, and this is undermining the security of casual workers, as well as much needed funds not being paid into social security. The
TRNC began some time ago to wipe out this informal economy, and with regards to illegal immigrant workers by the imposition of fines through new legislation in 2006, and they have been quite successful (Güven Lisaniler, 2013; Hatay, 2007). However, labour legislation in Kosovo is very flexible, and this is seen as a great advantage (Gërgjaliu-Thaçi, 2012). Kosovo also benefits from low taxes and low custom duties (Gërgjaliu-Thaçi, 2012), whereas the TRNC entrepreneur suffers from business taxes and high custom duties.

**Motivation of entrepreneurs in these regions**

While many authors would argue that entrepreneurship in transition economies would be from necessity, it is interesting to see that in our selected *de facto* states this is not the case. In a large research study in North Cyprus, most entrepreneurs reported they were pulled into entrepreneurship, from wanting to work for themselves, to lifestyle entrepreneurship where they simply wanted to run a business to get out of the house (Howells & Krivokapić-Skoko, 2009). Similarly, in Kosovo, the main reason given for creation of the enterprise is spotting the opportunity (Karsniqi et al., 2011). Abdullah & Hattawy (2014) report that female entrepreneurship in the Palestine is PUSH, with necessity given as the most overwhelming reason for starting an enterprise, unlike men who displayed PULL entrepreneurship with opportunity seized. In fact, total lack of income was cited as the motivation to start an enterprise by many of the female entrepreneurs interviewed by Qazzaz et al. (2005).

For the female entrepreneur in the Palestine, the push factor is a large factor for some women in the region, who turn to enterprise in order to feed and clothe their children after family tragedies, illnesses, or simply economic hardship (Jabre et al., 1997). Typically, some of the women were encouraged by their fathers, business owners themselves. Other women eventually brought their husbands round to see the positive aspects of their enterprise, and now these men support their wives’ decisions and business ownership (Jabre et al., 1997).

Despite the difficult economical situation in the Turkish Republic of Northern Cyprus, most entrepreneurs are pulled into entrepreneurship, drawn by the desire to be their own boss, to earn extra profits, but also by more esoteric reasons such as “to have a social life”, or “because I
enjoy it”, which leads us to understand Turkish Cypriot entrepreneurship as a lifestyle choice (Howells & Krivokapic-Skoko, 2009).

Creating policy for entrepreneurship in de facto regions

While the de facto states mentioned above have no international legal status, it is still imperative that the entrepreneurs in these regions create enterprises, contribute towards economic development, and lead their countries forward towards possible political solutions for their non-recognition. In order to encourage and facilitate entrepreneurship in a region, there are many policies that can be adopted by both national and local government, as well as agencies and private institutions. Some of the suggestions below have already been put in place, while others are only ideas. The policy ideas have been grouped in major areas.

Government Policy Initiatives

Some of the relevant recommendations from the Palestinian Economic Policy Research Institute (PEPRI) include:

- ensuring the equality of women in all aspects of running their enterprises
- preparation of plans to promote female entrepreneurship
- child care provision
- tax exemptions and incentives for small businesses
- formation of a long term national strategy to enable and promote female entrepreneurship
- assistance in the form of government programs

(Abdullah & Hattawy, 2014).

Entrepreneurs in the TRNC complain that the economic embargoes stifle their growth, and this is an area where the government should do their utmost to bring their nation into the wider world. In Cyprus this means
solving the Cyprus Problem, but sadly recent initiatives towards a reconciliation between the two sides have broken down. In preparation for possibly joining the European Union, for some time, the TRNC have been aligning their laws with EU law, anticipating a time when the EU acquis can be enforced. The income tax system and the valued add tax system need restructuring to be more favourable to entrepreneurs. Also, regulations need to be applied to shrink the size of the informal economy, but in a way that entrepreneurship is still encouraged. Customs duties must be lowered, to allow TRNC entrepreneurs fair competition in the market place. The TRNC has very few medium sized businesses; with many entrepreneurs in this survey reluctant to expand due to excessive costs and paperwork needed to employ more staff (Howells & Krivokapic-Skoko, 2014).

Policies on Education and Training

The Council for Foreign Relations (Tzemach Lemmon, 2012) stress that entrepreneurs in "fragile states" lack the ability to access loans or create business records and that much should be done to create access to skills and networking.

The recommendations from the recent report of PEPRI include:

- reformations within the education system to remove the negative image of vocational education
- develop training courses to increase their entrepreneurial abilities
- development of a public/private partnership to link enterprise to vocational training

(Abullah & Hattawy, 2014).

Two specific agencies work with entrepreneurs in the Palestinian Territories for skills training and access to business networks. This is an important recommendation for any developing nation, as women often lack networking skills, or they simply don't know where to start. From this aspect it is essential that any development in training for entrepreneurs should also include "programs to develop networking skills and access to markets" (Tzemach Lemmon, 2012).
The Council for Foreign Relations add that all training programs should be tailored to the levels of the entrepreneurs, and that later each training course should be monitored and evaluated to ensure that they are working correctly (Tzemach Lemmon, 2012).

So far, there has been very little training of entrepreneurs in the TRNC, through government or NGO schemes. There has been, however, EU funding of €5,000,000 since 2004 given to many small and medium sized enterprises in the region (EU, 2013).

Public and private services should be encouraged to provide training, and aim to reach all areas of the community. This would mean specific training courses being taken out to rural areas, so that the whole community can take advantage of the training. One important factor is an initiative to explain the bureaucratic processes needed to register a new business to nascent entrepreneurs. Training for government staff and agencies can be tailored so that they are more responsive to women’s needs. Mentoring could be adopted as a form of training, by using a women’s entrepreneurship initiative, with funding to encourage more women into entrepreneurship.

Finance and Funding for Entrepreneurs

The problems of female entrepreneurs obtaining finance is an often discussed topic in the body of literature (Carter et al., 2001; Coleman, 2000). It seems inevitable that in strongly patriarchal societies women will find it difficult to obtain finance from a private financial institution to start her enterprise.

The PEPRI recommendations include:

- direct credit and favourable treatment for female entrepreneurs
- publication of credit rates and other information to build female borrower's confidence

(Abdullah & Hattawy, 2014).
The Council for Foreign Relations also support:

- business training with access to finance
- financial products specifically aimed at women including loans based on customer contracts
- business matchmaking services to be introduced

(Tzemach Lemmon, 2012).

Recommendations for the Private Sector

In developing nations governments have limited funds, and while they may wish to give financial support to nascent entrepreneurs, they may not be able to afford to do so, and this is why it is imperative that the private sector should be involved in initiatives for promoting and supporting entrepreneurship.

The PEPRI recommendations include:

- awareness raising campaigns and programs for the empowerment of women
- advice and information from experts for female entrepreneurs
- creation of women cooperatives

(Abdullah & Hattawy, 2014).

In some aspects, the TRNC is ahead of their fellow concerned entrepreneurs in Kosovo, as the Turkish Cypriot Chamber of Commerce already have tight dialogue with the Republic of Cyprus Chamber of Commerce, often embarking on joint ventures and publicity, including the making of informative films. Each Chamber strongly believes that a reconciled Cyprus will make a far more economically strong Cyprus. The Turkish Cypriot Chamber of Commerce formed their own SME Development Unit in January 2015 (TCCC, 2015) in order to promote entrepreneurship in the region, and currently have an EU funded project to promote cooperation between entrepreneurs of both the Turkish Cypriot and Greek Cypriot community.
An interesting recommendation put forward by the Council for Foreign Relations is to create, through the use of technology, sharing of up to date best practices for entrepreneurs to develop and be confident in their actions (Tzemach Lemmon, 2012). If this were to be created, it would allow the sharing of ideas and information internationally.

A strategy suggested by Skoko, Wright and Santa, (2010) to move the Saudi economy away from petroleum involves entrepreneurs being encouraged to diversify, with an emphasis on products and services that can be exported. This could be used in the TRNC, to broaden the entrepreneurial base away from the main economy drivers of tourism, education and construction.

Establishing a Council for Entrepreneurship

With the aim of raising the public profile of entrepreneurship as a key growth issue for the economy, in the 2010 GEM report on entrepreneurship in Saudi Arabia, Skoko, Wright and Santa (2010) suggest a national body with board members selected from the policy community, business associations, universities, and development organisations. Careful consideration to the importance of entrepreneurship to the development of an economy in transition should be given, and a government would be well placed to create an entrepreneurship council, as suggested by Skoko, Wright and Santa (2010).

One Stop Shops

The processes for registering a company and the necessary bureaucratic paperwork could be simplified, including reducing regulations and reducing the cost of registration, as suggested by Skoko, Wright and Santa (2010), in the 2010 GEM report on the state of entrepreneurship in the Kingdom of Saudi Arabia. If a more favourable environment were created, such as “one stop shops” for everything from initial information through to help registering the company, entrepreneurship may be seen as more attractive by the nascent entrepreneurs (Skoko, Wright & Santa, 2010).

The TRNC has already created an Agency for Business Registration (2002), which resulted in a Centre for Business Services, from January
2013, with the purpose of allowing the entrepreneur to register as a business along with any other formalities such as VAT or import/export certificates, with transparency, and all under one roof. The TRNC and Palestinian Territories would do well to introduce a similar scheme.

Improving the Infrastructure

In the TRNC, many entrepreneurs complain about the very poor infrastructure of the region, and this is an item that national and local government must address if they wish the economy to grow and flourish. While tourism is an important part of the economy, it is not the only dimension to the economy, and other aspects must be explored to not become dependent on one facet of the economy. Again, many of the entrepreneurs in the study commented that the tourism market was not large enough to accommodate their aspirations (Howells & Krivokapić-Skoko, 2014).

As post war de facto regions, Kosovo and the Palestinian Territories would also benefit from an improvement in infrastructure. By infrastructure, we refer to the virtual infrastructure of communications technology, as well as roads, electricity and water. While Kosovo is rich in rivers and has a good water supply, the TRNC and Palestine have limited water resources. In order to alleviate water shortages in the TRNC, a water pipeline system bringing water from Turkey has been built (Haun, 2014).

In addition to the above, there are other recommendations that are difficult to implement, but are still a necessity. Purrini (2011) suggests that empowerment for women is paramount, as women in these post war regions are absent from the decision making structures, especially women in rural areas. Purrini (2011) relates that in Kosovo in particular there are problems with women having access to land, and any land they might have been accustomed to using can be lost with male controlled inheritance laws, and this in turn makes it difficult to gain access to finance, as the banks require collateral to make loans to the female entrepreneur. Kosovo society is particularly patriarchal, scoring very low on the UNDP Gender Development Index at 0.76, the lowest score in the Balkans (Purrini, 2011). Ramadani et al. (2015) note that female entrepreneurship in Kosovo is a tiny proportion of the entrepreneurship
in the region, yet while these businesses tend to be micro businesses, they bring in a good profit for their proprietors.

**Conclusion**

It is well known that entrepreneurship is a very important factor in creating economic growth in a developing nation. In a non-recognised countries such as the TRNC, Kosovo, or the Palestinian Territories, it is imperative that governments acknowledge and understand the importance of entrepreneurship and the role it plays in economic development. Effort must be put into funds and policies to improve the infrastructure of these regions which will in turn support the development of entrepreneurship. It is also important that governments seek specialist advice with regards to economic development and entrepreneurship and create policies that attempt to bring about entrepreneurship and foreign investment.

The government in Kosovo has created plans to encourage female entrepreneurship, but their plans have only involved some training schemes, and it is imperative that government policy drafts become a reality to enhance the female entrepreneurs access to finance, which is probably the largest barrier to female entrepreneurship there (Ramadani et al., 2015).

Understanding the nuances of entrepreneurship in North Cyprus would allow the government to shape policy and training to take advantage of the nascent entrepreneurs in the region to build a strong private sector to pull the TRNC into a strong economic state. Compared to other European nations, the level of female entrepreneurship is high in North Cyprus, women are estimated to be 33% of the entrepreneurs in the region (Howells & Krivokapic-Skoko, 2009). Turkish Cypriots have been shown to have high entrepreneurial exposure (Krivokapic-Skoko & Howells, 2012), making them ideal candidates as nascent entrepreneurs. They are also predisposed to be pulled into entrepreneurship, making them ideal candidates to be trained and encouraged and mentored from nascent entrepreneurship into real, live entrepreneurship.

These policies for encouraging and supporting entrepreneurship could be useful throughout the small number of *de facto* states in the world, encouraging the governments within these regions to be pre-emptive in
securing a holistic and transparent system for nascent entrepreneurs to follow. With specific government policies and training programs, more of the population could be encouraged to make successful enterprises, which in turn would help strengthen the economy.

As highlighted by Ramadani et al. (2015), governments need to make actual concrete action plans not just "virtual" plans. It is too easy for a non-recognised government to be unconcerned with policies for entrepreneurship, especially in creating special training schemes or strategies for female entrepreneurship. They can argue, that with very limited funds, they cannot stretch to implementing their policies. However, without a strong base of private business ownership, and encouragement of the whole community to be entrepreneurs, a developing nation can neglect its opportunity for economic growth. They need to be ready to trade globally, once their particular political issues are resolved and they become a recognised state. The policy recommendations above would assist in this transformation.
The Motivational Factors of Female Entrepreneurs in *de facto* States: Planning for an Uncertain Future

**References**

Al Botmeh, S. (2013) "Barriers to Female Labour Market Participation and Entrepreneurship in the Occupied Palestinian Territory", Centre for Development Studies, Berzeit University, Palestine.


Güven Lisaniler, F. (2012) "Immigration In The Occupied Northern Part Of Cyprus: Immigrants And Asylum Seekers From Turkey And Other Countries", paper presented at EU illegal immigration, with a focus on Syria, Joint Meeting of the Political Committees of the European Movement International (EMI) Members Council, Nicosia, 2012.


The Motivational Factors of Female Entrepreneurs in de facto States: Planning for an Uncertain Future


Purrini, M.K. (2011) "Economic Empowerment of Rural Women through Enterprise Development in Post-Conflict Settings", Kosovo Women’s Business Association, Gjakove, Kosovo, Expert Group Meeting "Enabling rural women’s economic empowerment: institutions, opportunities and participation".


