

# Women entrepreneurship on the steady rise in SA but access to funding is still lagging

Issued by [Business Partners Limited](#)

8 Mar 2023

The South African Women Entrepreneurs Job Creators Survey found that women gravitate towards industries whose development supports job creation. The financial inclusion of women entrepreneurs as active contributors to the South African economy is therefore one of the most important building blocks of a more equitable and economically active society. Collective and systematic efforts towards making this vision a reality is beginning to produce promising results, with more South African women becoming business owners.

According to Mastercard's most recent Index of Women Entrepreneurs (MIWE), South Africa is one of 12 global economies where the rate of women's entrepreneurial activity increased during the 2021 review period. This despite several systemic challenges that have served to hamper the progress of gender equality in the realm of entrepreneurship.

For Gugu Mjadu, executive general manager: marketing at Business Partners Limited, the results of the MIWE are particularly compelling considering that of the 12 economies that reported the highest level of progress, six are in Africa.

*“ This is indicative of the great strides being made on the continent towards prompting more women to pursue careers as business owners. ”*

## The need to succeed: entrepreneurship by necessity

Professor Natanya Meyer, associate professor of Entrepreneurship at the University of Johannesburg has referred to women as a “reservoir of entrepreneurial talent”. Her research suggests that more than half of women in developing countries see entrepreneurship as a path to a better future, compared to just 25% in developed countries. These findings highlight the potential entrepreneurship has to alleviate some of the country's most pressing socioeconomic ills, such as poverty and unemployment.

For many South African women, the choice to embark on an entrepreneurial path is one of necessity. The MIWE reported a marked increase in necessity-driven entrepreneurship in South Africa (from 62.8% to 91.2%), where the motivation to start a business as a solution to the financial pressures of job losses during the pandemic years was particularly strong.

The axiom, ‘necessity is the mother of invention’, could not be more apt within the South African context, as Mjadu asserts. As she continues: “This is what sets South African entrepreneurship apart from developed countries. South African women, who are renowned for their creative talents and innovative approach to solving business problems, start businesses because they are also primary caregivers who have families to support. Their drive comes from a deep place of need and the impetus that gives them is powerful.”

## Funding as an important foothold to increase women entrepreneurship

Putting the uniquely South African content into perspective, research by Google showed that in Africa, women entrepreneurs are less likely to receive funding. Similar conclusions have been drawn by several independent researchers,



Gugu Mjadu

including Professor Meyer, who listed 'access to funding' as one of the most significant obstacles to women entrepreneurship in South Africa.

This is supported by data published in the MIWE, which found that in countries like South Africa, women's advancement is hampered by less supportive entrepreneurial conditions.

For example, South Africa found itself within the bottom quintile with a ranking of 55 for general access to finance – a lower ranking than other similar developing nations such as Brazil (40), Mexico (48), and Saudi Arabia (33). For this rating, the index ranks countries according to general access to finance, a five sub-indicator composite consisting of SME operational financing, SME supportive taxes and bureaucracy, the availability of venture capital, access to entrepreneurial finance, and gender bias in access to financial services.

According to the MIWE, developed countries like Singapore, Denmark, and New Zealand far outrank the likes of developing nations, whose entrepreneurial climate is thwarted by challenges that relate directly to access to financing, particularly for early-stage ventures which are notoriously difficult to source funding for, particularly from traditional financiers who are by nature generally risk-averse.

### **Filling the funding gap**

Fortunately, however, as Mjadu asserts, non-bank financiers and independent funders such as venture capitalists are stepping up to fill this funding gap. Furthermore, as she explains: "The role of FinTech's as disruptors will become increasingly significant over the next decade, not only as potential sources of funding but also as business opportunities for innovative women entrepreneurs."

To further improve access to funding for women entrepreneurs, the concept of gender-aware economies and transformative funding must become a crucial cornerstone of the development of the SME sector. This is a concept that was introduced by the United Nations, which emphasizes that financiers must take special care when making financing decisions and prioritise financing women.

As Mjadu concludes: "While it is encouraging to see South Africa at the forefront of some positive developments in the women entrepreneurship arena, more needs to be done. If we are to realise the agenda of stimulating women entrepreneurship and increasing the number of sustainable women-owned businesses in SA within the next few years, support will need to come from several fronts. We need to pull together as a national collective in business, finance and civil society to support and finance women in their entrepreneurial endeavours and not only 'buy local' but make a conscious decision to support local, women-led businesses in particular."

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