

**Considering the fact that Africa has the highest female entrepreneurship rate in the world, why are these businesses not doing as well as they should be?**

According to the African Exponent magazine, Africa has the highest percentage of the working age population starting a business, at 22%. The African female entrepreneurship rate is at a staggering 27%, which is also the highest rate of female entrepreneurship worldwide (Gwaambuka, 2019). However, 8.4% of businesses started in Africa are discontinued which means that there are issues that need to be addressed in order to ensure that the goal of creating 54 million jobs all over Africa by 2022 is met. In addition, female owned businesses are highly likely to fail compared to men's businesses. The data found in the African Exponent magazine is supported by the Mastercard Index of Female Entrepreneurs (Mastercard, 2019) which compares the entrepreneurship rates of women in 86 countries all over the world. This index came from an in-depth study which shows the favorable conditions which allow sustainability of businesses in the developed world than the developing world. African countries included in this study include; Botswana, Ghana, Nigeria, Kenya, Angola, Uganda and Zambia with Ghana leading in total number of female entrepreneurs. Despite the fact that Africa has the highest number of female entrepreneurs; education, money, cultural perceptions and ease of doing business factor into the restricted growth and failure of these businesses.

This paper will discuss, in depth, how each of these factors influence the growth of female owned businesses, in the context of African countries.

### **Education:**

Education, in this paper, refers to formal education which gives instruction in a classroom setting, by a teacher. Autonomy independence, self confidence, knowledge of alternate career choices can all be attributed to education. This means that education is necessary in the creation of entrepreneurs, granted that entrepreneurs are created and not born into entrepreneurship. What is even better at creating entrepreneurs is entrepreneurial education. Entrepreneurial education is education that improves one's entrepreneurial and innovation skills, which are needed to start and grow a business. This kind of education is also essential because it teaches aspiring entrepreneurs; to set up businesses, the know-how of managing a business, self-employment and what it entails as well as the finance and aspects of marketing. Entrepreneurial skills are essential in a business because businesses require vision, change and creation of new ideas and creative solutions (innovation). (Raposo, 2011)

In examining the relationship between education and innovation, Nafziger concluded that, more educated entrepreneurs tend to start larger and more complex businesses. (Nafziger, 1970) Education is also necessary in innovation because more educated populations are more likely going to receive new innovation ideas because they presumably think more critically. (Villalba, 2007)

Up until recent years, girls in Africa were less likely going to school because many families believed that the girl and woman's place is in the home; cleaning, cooking

as well as bearing and taking care of children. These functions do not require formal education so sending girls to school was unpopular within families. Families also believed that educating the male child was better because the investment would yield a higher return for the family- he will not be married off to another family like a female daughter. In poorer families, women got into business as a way to escape from poverty and as a means of survival rather than business as a chosen career. These women sell house oriented products (food, clothes, housewares etc) because their minds are confined to that space. Very few women in this generation have created new products that cater to needs outside of the house - which speaks to the mentality that a women's function is to ensure that the house is a safe space for all.

The educational system also does not inspire creativity and critical thinking but rather teaches students to regurgitate what the teacher says. In the end, when problems come up, instead of coming up with solutions, people turn to see what others are doing and replicate that. This is why many female African entrepreneurs tend to sell similar products. Currently, most female entrepreneurs are selling hair, clothes, doing makeup, doing nails and using the same methods of advertisement for these. Instead of being innovative and coming up with new ways to do business, they only recreate what others are doing and following trends which although these are "new" products, the market is just as saturated as physical markets where people sell similar products, at the same price. The current education system, overall, does not foster innovation.

However, with Millenium Development Goals, which made it a point to educate the girl child and offer mandatory free primary school education, more girl children are being sent to school. This means that a new generation of educated African girls is being raised, some of which will, hopefully, be innovative and more successful entrepreneurs.

### **Money:**

In the process of starting a business and even maintaining one, money is one of the most important possessions, both as capital and an investment for the continuation of the business. Women in different African countries are not allowed to own property which is a challenge when one has to get a loan from financial institutions. These institutions usually require one to submit collateral in order to ensure that they pay back their loans or so that if one cannot pay the loan back, their property is sold and the institution gets their money back. Minority/women-headed households generally have lower levels of household wealth which can make internal investment and external borrowing more difficult.(Barr, 2015) Because of these difficulties, many of these women rely on business earnings, savings and private resources to finance their businesses. Resultantly women-owned businesses end up being smaller, less profitable and more concentrated in service provision compared to male owned businesses which grow due to availability of external funding as well as private finances.

Due to the uncommon nature of acquiring external funding, there is also very little awareness of the funding options that are available to women in Africa - although

Gugu Mkhulisi  
CIS Capstone Project  
Advisor - Prof Abdulai Iddrisu  
May 2020

there are a few funding options that are specifically created to financially empower African women. A lack or limited amount of investment negatively impacts innovation and economic competitiveness of women-owned businesses more than their male counterparts. (Carter, 2007)

The other money aspect is ensuring that income is spent or reinvested into the growth of the business. One way to achieve this is to save money instead of spending it. For many, this is a challenge because when needs arise, it is very tempting to use money from the business to cater for your personal needs or even needs of your family. Another factor that makes this possible is the fact that not many women in Africa have bank accounts. According to a report by Finmark,(FinMark Trust, 2016) 46% of women are excluded from formal banking compared to 36% men in Southern Africa. In this instance, formal banking is banking with a recognised banking institution which solely operates as a bank. This report also states that in the SADC (Southern African Development Community) only 16% of women are involved in formal banking or own bank accounts. Some of the reasons are that opening bank accounts happens physically so one must travel to the bank to open an account. For rural women, this is a disadvantage because most banks are only located in major cities so travelling to these is costly as well. Another reason for this is that banking comes with charges and documents that are not always readily available. For example, to open an account with FNB, one needs an identity card or passport, proof of residence and a minimum deposit amount which differs according to the type of account you are opening. Many people

Gugu Mkhulisi  
CIS Capstone Project  
Advisor - Prof Abdulai Iddrisu  
May 2020

resort to informal ways of banking such as e-banking and mobile money which creates an account to your phone service provider which only requires a mobile phone and identity card. Essentially, only a selected few women have bank accounts to keep money safe so they end up using business money for things outside of the business because all their cash is fluid.

### **Cultural Perceptions:**

African women are the highest demographic of Christians in the whole world and this is the dominant religion in Africa, together with Islam. There is also a large number of African women who have held onto African traditional religions, although this is frowned upon. Apart from the African traditional religion, which had not changed much from the natural order of gender and gender roles in Africa, the other religions came with changes in how women are perceived by society. The natural order that I refer to is men and women's roles being complimentary instead of women being viewed as inferior. The view of women as inferior beings came with the Elizabethan rule which also dictated what women could do and where they could operate - the private realm. This also meant that women were confined to the home while men could operate in the public sphere as breadwinners.

The interest of women in business requires them to operate in the public sphere which is still taboo in some societies because women are meant to exist as subordinates of men. In business, this dictates to women the kinds of businesses that they can own. Women are confined to businesses that provide services and ones in

which they will not command men because women answer to men and not the other way around. As a result, women barely own construction companies but find it easier to open a restaurant or a clothing boutique - granted they have female employees and are not instructing men.

This also extends to intimidation of men by female entrepreneurs or women in positions of power. In siSwati, women who have achieved what men usually achieve, "*advodzile*," which translates to converted into men or have performed a manly task. There is a certain perception that people have of such women, they are dominant, disrespectful and therefore, do not deserve to be supported in business. They are defying the boundaries set for women as submissive and powerless beings and thus these stereotypes only prove that they intimidate people who believe that women should carry themselves in a certain way.

Religion contributes to this because it also promotes the submission of women. Women breadwinners are frowned upon, especially if they are married just because women are expected to be catered for by the man. A large portion of women in Africa, therefore, believe that they must always submit to the man regardless of what he brings to the table. Submission ranges from presenting income from the business to allowing their husbands to take over the business regardless of whether or not they have business experience.

A female- owned business' success is deeply tied to how society perceives them. Independent women are more likely to be stigmatised on the basis of their failure to

Gugu Mkhulisi  
CIS Capstone Project  
Advisor - Prof Abdulai Iddrisu  
May 2020

submit to men. This already sets your business for failure because you will most likely have less customers. Women tied to more mainstream religions will more likely receive more support from society because these religions are deemed as acceptable. The belief that African traditional religions are tied to black magic contributes to women who practice it getting less customers because society does not want to be associated with it.

### **Ease of business:**

Earlier on in the paper, I alluded to the fact that many African women tend to focus their businesses on service provision (tertiary sector). This means that they rely on already manufactured materials in order to provide these services. Many African countries' economies rely on extraction and growing of raw materials (primary sector) which still have to be processed into the finished goods that could be used in the tertiary industry. This leaves a gap for the secondary sector which focuses on taking raw materials and adding value to them through processing and manufacturing -first world countries are mainly responsible for this sector.

As a result, businesswomen in Africa rely on highly-priced products to provide their services to their customers. This means that they spend a lot of capital into obtaining the goods that they need to provide their services. In the clothing industry, clothes are made in African countries, branded in the West and sold back to Africa at



much higher prices. In the food industry, food grown in Africa is packaged in the West and resold to Africans at a higher price. To operate in the secondary sector, one needs to purchase machinery which is a great investment but then you also need to have to maintain machinery which ends up being too costly.

The result of this is the need to import goods from the West to sell them at a very high price. Clothes are being purchased from China and Dubai, among other countries, to be sold to Africans. This means that the entrepreneur spends a lot of money trying to get them to an African country, they usually travel to the West to obtain it. This also means that businesswomen are making a smaller profit from this because they also have to consider how much other Africans (their customers) are willing to spend on the services they provide. At the end of the day, businesses in the tertiary sectors provide services that are deemed as non-essential thus a luxury that can be afforded by a few people.

This also brings about the issue of a small target market. Because most services in the tertiary sector are luxury, only a few people can afford them, especially in countries where most transactions made are essential for the survival of the people. This means that there is a very narrow market, mainly made of the bourgeoisie class who can also afford to directly purchase materials needed for the services and barely need the entrepreneur for them. This is challenging because this is the only sector that has the potential for high profits because high prices can be charged. With a very small market and profits, there is little growth to any business.

A new method of running businesses is fueled by technology, that is internet sales. The internet presents both a threat and the potential for growth in businesses run by African women. Firstly, the internet presents a larger platform for sales, it brings the market to customers. Businesswomen who have access and expertise to use the internet have businesses that are thriving because they interact with both customers and their competitors easily. However, the truth is that most African countries have weak internet connection or worse, expensive data charges which could be a good investment but only serve a few people. The younger generation is in tune with the internet therefore younger African business women are using the internet for their sales. Older business women are struggling with using the internet and are therefore, are dealing with a drop in sales.

In addition, businesswomen who relied on importing goods from other countries are dealing with the fact that they are now competing with their suppliers through the internet. For instance, those who purchased clothes in China to sell in Southern Africa are competing with Chinese stores such as Romwe and SheIn online because their customers are buying the same clothes on the internet and having them delivered. This eliminates the need for these businesswomen to travel to China and even worse, the need for their businesses. The accessibility to the internet by most people will eventually eliminate the need for in person stores because more people are ordering goods online and having them delivered to their doorsteps.

### **Conclusion:**

In my exploration of the topic at hand, I came to the conclusion that the gap between male-owned and female-owned businesses is attainable in Africa but it may take some time. The values and attitudes held by most of society draw women back and there is a lot of unlearning of sentiments that needs to be done in order to achieve this. Overall, the African education system needs to foster innovation through promoting critical thinking from an early age and this change will likely change the perception that entrepreneurs are in that business for survival and not as a career choice. Money has to be managed better, in financial institutions so that businesswomen are not mispending business money but rather reinvest it into the business.

### **Sources**

1. Gwaambuka, Tatenda. "Why Africa Has the World's Highest Entrepreneurship and Discontinuance Rates: The African Exponent." The African Exponent, The African Exponent, 20 Nov. 2019, [www.africanexponent.com/post/4545-the-21st-century-belongs-to-the-african-entrepreneur](http://www.africanexponent.com/post/4545-the-21st-century-belongs-to-the-african-entrepreneur).
2. Mastercard Index of Women Entrepreneurs. Masterchoice, 2019, <https://newsroom.mastercard.com/wp-content/uploads/2019/11/Mastercard-Index-of-Women-Entrepreneurs-2019.pdf>.
3. Toesland, Finbarr. "Women-Led Tech Startups on the Rise in Africa." Africa Renewal, 2018, Women-led tech startups on the rise in Africa.
4. Raposo, Mario & Paço, Arminda. (2011). Entrepreneurship education: Relationship between education and entrepreneurial activity. *Psicothema*. 23. 453-7.
5. Nafziger, E. Wayne. "The Relationship between Education and Entrepreneurship in Nigeria." *The Journal of Developing Areas*, vol. 4, no. 3, 1970, pp. 349–360. JSTOR, [www.jstor.org/stable/4189700](http://www.jstor.org/stable/4189700). Accessed 25 Apr. 2020.
6. Carter, Richard B. and Auken, Howard Van (2007) "Capital Acquisition Attitudes: Gender and Experience," *Journal of Entrepreneurial Finance and Business Ventures*: Vol. 12: Iss. 2, pp. 55-74.
7. Barr, Michael S. "Minority and Women Entrepreneurs: Building Capital, Networks, and Skills." The Hamilton Project, Mar. 2015,

Gugu Mkhulisi  
CIS Capstone Project  
Advisor - Prof Abdulai Iddrisu  
May 2020

[https://www.brookings.edu/wp-content/uploads/2016/07/minority\\_women\\_entrepreneurs\\_building\\_skills\\_barr.pdf](https://www.brookings.edu/wp-content/uploads/2016/07/minority_women_entrepreneurs_building_skills_barr.pdf).

8. Fanta, Ashinafi B, and Kingstone Mutsonziwa. "Gender and Financial Inclusion Analysis of Financial Inclusion of Women in the SADC Region." Gender and Financial Inclusion Analysis of Financial Inclusion of Women in the SADC Region, Aug. 2016,  
<http://www.finmark.org.za/wp-content/uploads/2016/08/gender-and-financial-inclusion-in-sadc.pdf>.
9. Moyo, Fulata. "Religion, Spirituality and Being a Woman in Africa: Gender Construction within the African Religio-Cultural Experiences." Agenda: Empowering Women for Gender Equity, 2004, pp. 72–78.,  
[https://www.jstor.org/stable/4066604?seq=1#metadata\\_info\\_tab\\_contents](https://www.jstor.org/stable/4066604?seq=1#metadata_info_tab_contents).