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WOMEN and the Changing Face of ENTREPRENEURSHIP IN AFRICA

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Policy Brief

STRENGTHENING AND SCALING THE NEXT GENERATION OF WOMEN ENTREPRENEURS IN AFRICA

By Isabella Maina (MPA/ID '21, Harvard Kennedy School)
and Dr. Zoe Marks (Lecturer in Public Policy at Harvard Kennedy School)

Women entrepreneurs in Africa are a force of innovation, creativity, and economic dynamism. South of the Sahara, the region has the highest female entrepreneurship rate in the world, and women are more likely to be self-employed than men.

Some of this activity reflects passion and progress, but it is also shaped by women's fight for survival in the face of gendered exclusion. Several gender inequalities constrain women's ability to strengthen and scale their businesses, making women-owned businesses less profitable and smaller compared to male-owned businesses in the region. Government, the private sector, development actors, and individuals all have a role to play to close these gender gaps and create an enabling environment for the next generation of women entrepreneurs.

WHY SUPPORTING THE NEXT GENERATION MATTERS

Equal opportunity

Women deserve the same access to resources, opportunities, and quality of life. Equality enhances women's creative potential and skills, recognizing their power to be successful entrepreneurs for sustainable and inclusive growth.

Economic development

Increasing women's entrepreneurship in Africa can spur economic progress and expand markets. Women make up half of the population in Sub-Saharan Africa, but as of 2018, only contributed 33% of the continent's GDP.¹ If every country in Africa simply matched the country in their region with the most progress in gender parity, this would lead to an additional \$316 billion to GDP. That means women's increased inclusion could lead to an additional 10% GDP growth by 2025.²

Inclusive growth and wellbeing

Women's economic empowerment leads to the reduction of poverty and drives inclusive growth. Women are more likely to spend financial resources in ways that strengthen development outcomes by allocating earnings to children's health and education.³ Research indicates that working women invest 90% of their income back into their families, as compared to 35% for men.⁴ They also invest in family members' businesses at the highest rates in the world: 100% of women in Madagascar and 70% across Sub-Saharan Africa report investing in family members.⁵

Multiplier effect and job creation

Women entrepreneurs create jobs for other women. Female entrepreneurs are much more likely than male entrepreneurs to employ women, suggesting that they can be a catalyst for gender equity in the workforce. Roughly 75% of employees in female-owned enterprises are women, compared to just 20% in male-owned businesses.⁶

CURRENT STATUS

High entrepreneurship levels

Sub-Saharan Africa currently boasts the highest regional rate of female entrepreneurship, with one in four women in Africa engaged in business,⁷ more than double the global average.⁸ Of all businesses in Sub-Saharan Africa (including established businesses), nearly one in three are woman-owned, which is close to the world average of 34%.⁹ SSA is also the only region where more women than men are more likely to be self-employed, making up 58% of the self-employed population in non-ag-

ricultural sectors.¹⁰ Furthermore, 45% of employers in Africa are women, one of the highest rates alongside Europe and Central Asia.¹¹

The total entrepreneurship activity (TEA) level for entrepreneurship among women is highest among 25–34 and 35–44 year-olds, with women engaging in more entrepreneurial activities than do men aged 25–34 in Sub-Saharan Africa.¹² This is also true for women with higher education levels; women with graduate education are 30% more active in start-ups than men with graduate education.¹³ Thus, supporting women means investing in some of the most qualified entrepreneurs in the region and better harnessing African countries' education capital.

Gender gaps in size and profitability

Despite high levels of entrepreneurship, women business owners earn 34% less than men across Africa, widening the gender income gap. Women-owned businesses tend to be smaller, accounting for 20% of small firms (with less than 10 employees), 10% of firms with 100–500 employees, and only 7% of firms with more than 500 employees.¹⁴ Size disparities between male and female-owned businesses are due in part to women having to contend with lower levels of capital investment. Male-owned businesses have more than six times the value of capital stock.¹⁵ SSA has the highest rate of women discontinuing a business at 10%, with lack of financing and lack of profitability cited as the top reasons for closure.¹⁶

The next generation of growing entrepreneurship

One in two women envision themselves launching a business in the next three

years, a slightly lower rate than men's 57%. However, compared to global averages, African women are the least deterred by fear of failure, with two in three women reporting low or no fear of failure.¹⁷ And, there is gender parity in perceptions of start-up skills in Sub-Saharan Africa.¹⁸

BARRIERS TO SCALE AND PROFITABILITY

Despite being proactive and undeterred, women in Sub-Saharan Africa are aware the deck is stacked against them. The region has the largest gender gap in expected growth of new businesses, with women entrepreneurs expecting high growth half as often as their male counterparts.¹⁹ This reflects numerous obstacles women face to scaling their businesses and maximizing profits.

Unequal access to funding

Women have significantly lower access to funding compared to men. In SSA, only 37% of women (compared to 48% of men) have access to a formal account either through a financial institution or mobile service provider.²⁰ The gap widens in North Africa and the Middle East, where women's access is the same as south of the Sahara, while men have access rates of 58%.²¹

Sub-Saharan Africa has the largest identification coverage gap, with 30% of people not having identification. Women are more likely to not possess identification, with one out of two women in low-income countries not having a national ID.²² Lack of identification creates additional barriers to access banking, digital financing, and loans or other forms of capital investment.

This is exacerbated by a gender gap in access to collateral. Only 38% of women in Africa own land solely or jointly, compared to 58% of men, and many women are vulnerable to losing land if their husband dies.²³

Such trends are echoed even at the most elite levels of entrepreneurial financing. Globally, men raised \$195 billion in venture capital for their businesses, compared to just \$6 billion by women-led startups in 2019.²⁴

Exclusion from business networks

Women cite lack of access to information, networks, and technology as barriers to scale their business. Women have different professional and social networks than men, which can hamper their ability to learn about new opportunities to improve or expand their businesses.²⁵

Social and cultural expectations

Women are expected to take care of the home and the family, which has been described as a care burden and time poverty that disproportionately affects the time women can invest in their businesses. Women in SSA spend more than twice as much time as men doing housework and other chores.²⁶ Furthermore, social and cultural norms in patriarchal or conservative religious societies in some parts of the continent limit women's ability to fully engage in public life. This includes businesses and entrepreneurial activities due to expectations of staying home, not leaving the house without a male relative, or rules on how to engage with people outside the home.²⁷

CALLS TO ACTION

GOVERNMENT AND DEVELOPMENT INSTITUTIONS

Quick wins

Support female-owned businesses

Government can support female owned businesses by implementing gender-inclusive procurement quotas, guaranteeing the government will procure a minimum of, for example, 30% of goods and services from women-owned businesses. Kenya has a 30% rule for women and youth, which has boosted business for women entrepreneurs and helped businesses scale. Such quotas can also address intersecting marginalities to ensure inclusion of regional or religious groups that have been historically disadvantaged.

Remove legal barriers to doing business

Women face disproportionate legal barriers to doing business compared to men. Laws that restrict women's ability to freely open and access bank accounts, register businesses, and allow freedom of movement should be repealed or reformed to level the playing field for women.

Medium and long-term gains

Increase funding access

Developing funds for women and guaranteeing financing can help bridge the financing gender gap. Working towards improving enablers that can improve women's access to financing such as increasing identification of women, improving digital infrastructure, and lowering requirements to access credit can greatly improve women's financial access.

Increase women's political representation

Governments must increase women's presence and power in policymaking in order to enable entrepreneurship and consolidate women's private sector gains through public sector representation. The most effective way to achieve this is through quota provisions. Increasing the number of women in the legislature is associated with better economic empowerment and entrepreneurship outcomes for women. A law in Rwanda that provided access to land for women increased financial inclusion from 36% to 63% in four years. Seeing women in positions of power can also have a powerful role-model effect for girls and young women, as it helps to redefine roles and social norms of what women can achieve.

Strengthen capacity

Government and development institutions can offer mentorship programs to support, train, and coach women through the entrepreneurial pipeline. Support such as business advisory services, financial literacy training, and technical assistance for formalizing businesses and improving corporate governance structures can help entrepreneurs achieve scale and improve access to capital and markets.

Expand education

Education initiatives to encourage women's and girls' education can strengthen business management and sustainable growth opportunities. Furthermore, exposure to different types of education such as science, technology, engineering, mathematics (STEM), and the arts will improve gender equity across entrepreneurial sectors. For example, manufacturing or electrical businesses are traditionally male-dominated and have higher revenues compared to women-dominated sectors, such as hairdressing.

PRIVATE SECTOR

Quick wins

Develop collaboration platforms

Private firms are flexible, good intermediaries who can develop networks and support organizations that serve women entrepreneurs by enabling them to collaborate with other women and men, connect them to new markets, share resources and information, and provide access to mentorship opportunities. The Women and the Changing Face of Entrepreneurship in Africa Conference is an example of a platform that brought together players from different fields to strengthen women's entrepreneurship on the continent.

Medium and long-term gains

Increase financing

Funders can set aside investment funds for female-owned businesses and increase the range of financial asset classes and types of investment products that support women-run businesses. Investors, banks, and venture capital funds should track gender equity indicators in their lending and financing practices, and work toward published targets, considering quotas or minimum floors if progress is slow. The African Women Leadership Fund Initiative impact fund is one example of a public-private initiative developed by the United Nations Economic Commission for Africa in partnership with Standard Bank Group. It aims to employ 20-40 female fund managers to finance 200-plus businesses to create 10,000 jobs. Furthermore, training individuals to become angel investors will increase the funding available to local startups, grow the start-up ecosystem, and address the "missing middle" section of small and medium enterprises that do not

get access to venture capital funding, and therefore have forestalled growth.

Strengthen capacity

The private sector can support the scaling up of women-owned businesses through setting up business incubation and acceleration centers. Tailoring programs to support female entrepreneurs to develop skills, build tool kits to enable effective leadership, and provide their businesses with the tools to flourish can support businesses to achieve growth.

Increase women's participation in economic circles

Private businesses can be intentional about increasing women's representation in the corporate sphere, which leads to spillover effects increasing women's entrepreneurial activity. Only 5% of African women are CEOs, and only 7% of women in Africa make up the private equity business, which hampers gender inclusive business practices. Globally, men account for 92% of partners in the top 100 venture capital firms, which translates directly to gender discriminatory patterns in access to venture capital. Only 2% of female-founded businesses receive venture capital.²⁸

INDIVIDUALS


Quick wins

Mentorship

Both men and women entrepreneurs and business leaders should proactively mentor women entrepreneurs, particularly youth, sharing lessons learned and providing access to networks and knowledge that have enabled them to scale.

Conscious consumerism

Individuals can support women-owned



businesses by working with female entrepreneurs and buying their products, while simultaneously working to change the narrative and mindset associated with female entrepreneurship.

Believe in women

Individuals can change traditional views of women that hinder their entrepreneurial activity. Knowing about successful women entrepreneurs and believing in the goals and ambitions (and business plans) of female entrepreneurs can increase the support available to their efforts. This can translate to freeing up time women can commit to their businesses, allowing a broader scale of sectors and activities for her to do business in. Additionally, improving perceptions about women-owned businesses and their output could lead to growth of women-owned businesses in Africa.

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The background of the top section is a photograph of a Harvard University building with a red banner that says "HARVARD LIBRARY 100 YEARS". Overlaid on the right side of the image is a white outline of a woman's head in profile, facing left.

WOMEN and the Changing Face of ENTREPRENEURSHIP IN AFRICA

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