

Why only 21% of all formal South African SMEs are women-led

There is no disputing the vast socio-economic contribution that women entrepreneurs across the world make to the global economy, with statistics clearly showing that female-owned businesses offer higher returns and tend to be more financially successful than those owned by men - making them a safe bet for investors and funders, according to the Boston Consulting Group.



Source: [Unsplash](#)

It's significant that South Africa is one of only 12 economies across the globe where women's entrepreneurial activity rates increased during the past year, with 11.1% of working-age women engaged in early-stage entrepreneurial activities.

This is according to transaction services multinational [Mastercard's Index of Women Entrepreneurs \(MIWE\)](#) for 2021. Findings show that growth in female entrepreneurialism is likely spurred by various factors, such as a significant increase in female necessity-driven entrepreneurship, perceived opportunities to start a business, and self-perceived business capabilities.

Yet, women-led businesses in South Africa still make up only 21% of the formal SME sector.

The question is why?

The answer, by all accounts, is multi-fold.

What is apparent is that women's advancement in South Africa still remains hampered by less supportive entrepreneurial conditions compared with other global economies such as the US, New Zealand and Canada – and this is substantiated by the MIWE 2021.

A deep dive into what is holding female entrepreneurs back from entering the formal SME sector paints a picture of a corporate and government structure that does not acknowledge how vital women-led businesses are to the growth of our economy, let alone job creation.

Women entrepreneurs in South Africa are constrained by poor access to start-up funding, a lack of supportive entrepreneurial conditions, and often don't qualify to access the infrastructure they need, – all of which point to a lack of understanding of the important role of women as business owners, on the part of government, private sector and financial institutions that contribute to their success.

“Clearly, we need the private sector to change their operating model by increasing women's access to business operational solutions, including capital and credit,” says Erin Louw, Chief Brand Officer of Retail Capital - who has spoken out in support of female entrepreneurs time and again.



Youth entrepreneurship in South Africa is locked, and corporates hold the key

Catherine Wijnberg 9 May 2022



She says that, because their motivation often stems from the need to supplement an income or provide for the basic needs of a family unit, many women often operate within the informal business sector. This means that what starts out as a side-hustle often remains that, making it incrementally difficult to formalise over time.

Due to the less formal nature of their businesses, they are likely to have less formalized operating structures and liquidity in their businesses – which prevents them from accessing the necessary capital and finance to grow their enterprise.

The result is that they remain largely excluded from the formal economy which makes it very difficult to structure at times when they need to scale. This also explains the low percentage of females within the formal SME sector.

“To make the shift, women need to know how to create the necessary business structures and practices early on in their business journey. To this end, they need the support of, and access to a networking community and business literacy – especially financial literacy to ultimately unlock funding opportunities when they do need it,” says Louw

So, how can women unlock the barriers to business growth and financing?

A change of mindset

Louw believes that women in business need a change of mindset, especially when it comes to financial literacy.

“Women need to become more familiar with the financial elements that make their business a success and the levers that influence it. They should embrace the different financial vehicles such as funding, loans, and credit and learn how to deploy them while building a good credit record. Females tend to be more risk-conscious in their approach to debt, and,

because they regard the loan structure as 'getting into debt', this limits their funding options, and ultimately halts business growth. The more we educate ourselves regarding business and financial management, the better we understand the different levers and how they affect the business. Ultimately, this equips us to make better decisions," she says.

She believes it's equally important that women realise they don't need to struggle alone.

"Many female business owners underestimate the power of a strong network and the value a good Business Mentor can add to overcome a risk-averse mindset while guiding them towards making the right business decisions at the right time, and coaching them in the 'art of networking' and how to build business contacts," she adds.

This is where communities like Xena and the Businesswomen's Association of South Africa play a vital role. By creating spaces where female entrepreneurs can empower and mentor one another and build a network of like-minded businesswomen who uplift, share and support each other – they strengthen the capacity of women entrepreneurs to grow their business, improve their working conditions, create jobs and amplify women's voices as entrepreneurs.

It's no understatement that, by empowering female entrepreneurs, we hold the key to changing the course of history. Now that's a dream worth pursuing for ourselves and the future generation.

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