Paper 1: The current state of women’s entrepreneurship in South Africa

by Thobile Nokuthula Radebe and Prof. Mark Smith
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Women’s participation is essential in the social and economic development of a country; yet, in South Africa, a country with a high unemployment rate, gender imbalances continue to be a hindering factor in women’s entry and participation. This article examines the current state of women’s entrepreneurship and what is needed to empower women in this domain.

ENTREPRENEURSHIP IS AN AVENUE BY WHICH WOMEN CAN BECOME ECONOMICALLY ACTIVE AND OVERCOME A RANGE OF BARRIERS THAT COMPROMISE THEIR DEVELOPMENT AND EMPOWERMENT. WOMEN ENTREPRENEURS ARE AN IMPERATIVE IN A COUNTRY’S ECONOMIC DEVELOPMENT, ESPECIALLY IN LESS INDUSTRIALISED COUNTRIES, AS THEY CAN MAKE A SIGNIFICANT CONTRIBUTION TO A COUNTRY’S ECONOMY THROUGH THE FORMALISATION OF ECONOMIC ACTIVITIES AND ADD TO WOMEN’S ECONOMIC AND SOCIAL POWER.1,2 Women entrepreneurs can also have a significant impact on local communities. To realise women’s optimum participation in entrepreneurship, it is important to explore the wide range of issues that compromise women in this field, as these affect not only women in South Africa but women worldwide.

The disadvantages women face in the labour market are evident in their high unemployment rate, compared to that of men. Their greater unemployment risk is consistent in almost all countries around the world.3,4 The unemployment crisis is particularly severe in South Africa. Stats SA reported that the country’s official unemployment rate is now 32.9% (Q1 of 2023), having increased by 179 000 to reach 7.9 million of the 40.6 million people of working age. The report further indicates that those classified as youth (aged 15–34 years as a group) remain particularly vulnerable. Their unemployment rates are: 62.1% of those aged 15 to 24 years and 40.7% of those aged 25 to 34 years.

The unemployment of the total group increased by 241 000 to 4.9 million in Q1 of 2023. A concerning trend is that graduate unemployment almost doubled in the past 10 years, from 5.5% in Q1 of 2013 to 10.6% in Q1 of 2023. The unemployment figure for the black African group remains the highest, at 37.2%, with black African women’s unemployment now standing at 39.9%. The figure below provides an overview of the country’s unemployment.

The current unemployment rate for women is 35.5% compared to 32.6% for men.

A trend of gender disparity in employment is illustrated for the years 2012 to 2022 in the figure below.

South Africa faces the challenge of a high birth rate, which has led to an oversupply of labour, coupled with a relatively low economic growth rate to absorb job-seekers. The unemployment rate reflects the overall share of the labour force that is unemployed, which masks women’s low participation. More women than men are inactive, i.e., unemployed or seeking employment. Women’s active participation in the economy is hampered by a real or perceived lack of opportunities, social and cultural beliefs that women — and especially mothers — should not work, and low levels of educational attainment in certain regions.

There are a number of cultural factors that shape women’s disadvantage in the labour market. These are learned and socialised at home, during schooling, and in the wider culture through the belief that unpaid care work should be women’s primary activity. Unfortunately, women’s economic participation is still seen by some as less important than that of men, and they have to work harder to prove their worth. The societal norm that men are breadwinners and women are household caretakers is prevalent across cultures and races in African society, and hinders women's recognition by

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society.\textsuperscript{9,10,11,12,13} This mindset can make change hard in households, society, and the country at large, thus maintaining the barriers to women's empowerment and the transition to a more equal society.\textsuperscript{14}

The reality is that many women are not in a relationship with a male breadwinner. Even when in a relationship, the realities of today's labour market — falling real wages and precarious employment — make sharing the responsibility of providing for the household a rational choice, and oftentimes the only choice. In this context, entrepreneurship may offer women an avenue to overcome barriers to their economic participation and cultural norms by offering them a way to 'create their own jobs'.

\textbf{WOMEN'S ENTREPRENEURSHIP IN AFRICA}

The Mastercard Index of Women Entrepreneurs\textsuperscript{15} ranks 65 countries’ level of women's entrepreneurial activity, and indicates that women in less wealthy countries such as Uganda, Ghana, Malawi, and Madagascar (together with the Philippines and Vietnam) are making notable progress, with women-owned businesses constituting over 25% of all local businesses. SMEs in Africa now provide 80% of total employment. The World Economic Forum reports that women constitute 58% of self-employment across Africa, and contribute approximately 13% of Africa's total GDP. The United Nations reports that women reinvest around 90% of their income in the health and education of their children and community, compared to just 35% by men, indicating the importance of supporting women's entrepreneurship to effect socio-economic upliftment. The UN further notes that women are responsible for around 70% of informal cross-border trading in Africa. For example, the garment industry in sub-Saharan Africa, which is dominated by women, is alone responsible for generating US$31 billion annually.\textsuperscript{16} Yet, the gender funding gap in sub-Saharan Africa stands at US$42 billion.\textsuperscript{17} The report further notes that these women grapple with constraints such as poor government support for SMEs, a lack of finance, and few educational opportunities.

Despite these benefits and the potential of entrepreneurship to improve the socio-economic empowerment of women in South Africa, the important contribution that women could make in this sector continues to be underestimated;\textsuperscript{18} especially in less industrialised countries.\textsuperscript{19} Support is needed to create the impetus to increase women's entrepreneurial activity\textsuperscript{20} and realise the significant benefits women's entrepreneurship holds for the country's economy, including job

\textsuperscript{12} Mzere, S.I. (2023). Career progression of women auditors in Tanzania: Coping with the masculinity in audit firms. Journal of Accounting in Emerging Economies. DOI: 10.1108/JAEE-02-2021-0062
Such efforts need to include creating ecosystems of support and instilling a positive mindset in society regarding women's entrepreneurship.

**WOMEN'S ENTREPRENEURSHIP IN SOUTH AFRICA**

The latest Mastercard Index of Women Entrepreneurs (MIWE), the 2021 review period, published in 2022, shows that, while South Africa's MIWE score for women's entrepreneurship declined slightly from 2020 to 2021, the country moved up one place in the rankings, to 37th.

<table>
<thead>
<tr>
<th>MIWE Score</th>
<th>Change from 2020 to 2021</th>
<th>MIWE Ranking</th>
<th>Change from 2020 to 2021</th>
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<tbody>
<tr>
<td>54.9</td>
<td>55.2</td>
<td>54.8</td>
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**Mastercard Index of Women Entrepreneurs (MIWE) for South Africa**

The report shows an increase in South Africa's MIWE score from 2019 to 2020, but this was followed by a decline in 2021. South Africa moved up two places in Women Business Owner benchmark (ranking 44th), with 21.9% of all businesses owned by women in 2021, up from 21.1% in 2020. Mastercard further reported:

- South Africa performed relatively well in the ‘Women’s Advancement Outcome’ component (rank 21), which measures women’s progress and degree of marginalisation as business leaders, professionals, entrepreneurs, and labour force participants. Although ‘Women’s Entrepreneurial Activity Rate’ declined in most economies during the pandemic, South Africa is one of only 12 economies where women’s entrepreneurial activity rates increased, with 11.1% of working-age women engaged in early-stage entrepreneurial activities (up from 10.2% in 2020), compared to 11.7% for men (up from 11.4% in 2020).

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29 BizCommunity. (2023, March 8). Women entrepreneurship on the steady rise in SA but access to funding is still lagging. https://www.bizcommunity.com/Article/196/839/236664.html#
However, the percentage of women embarking on entrepreneurship ventures due to necessity went up from 62% to 91.2%, mainly due to job losses during the COVID-19 lockdowns. This is concerning when compared to another less wealthy country, Vietnam, where 80% of women’s activities are entrepreneurship-driven rather than necessity-driven.31

Concerningly, South Africa ranked 55th in Knowledge Assets and Financial Access, which is made up of different factors. Women’s access to finance declined by four places, to 40th, in this period, while government SME support remained the same, at 54. Women’s financial inclusion also dropped five places to rank 36th, and the country’s support of entrepreneurial conditions was ranked 37th. However, it is encouraging to see that the country’s Entrepreneurial Framework Indicator score was boosted by the Cultural Perceptions factor, which was up nine places, to rank 37th in 2021.32

Interestingly, the South African Women Entrepreneurs Job Creators Survey found that women tend to engage in activities in industries that enhance job creation, showing that women’s entrepreneurship is critical to boosting the country’s economy.33 Entrepreneurship has been recognised as an important factor in economic development through job creation, social development, and economic growth.34-36

HOW CAN WE IMPROVE WOMEN’S ENTREPRENEURSHIP IN SOUTH AFRICA?

Foster an entrepreneurial mindset

Embarking on entrepreneurial ventures requires an entrepreneurial mindset — agency and the ability to identify opportunities, coupled with the ability to adapt to circumstances and overcome setbacks, and this mindset has to be inculcated and fostered from a young age. An entrepreneurship culture amongst women is hindered by the traditional focus on job-seeking and gendered norms around household responsibilities. Research has shown that women are raised with the expectation that their success will be measured by the job they get, rather than by their developing a successful business.37 A range of societal role players, including family, communities, and the educational system, promotes these norms.

Enhance entrepreneurship education

In South Africa, a dearth of education and training is one of the main causes of women’s low participation in entrepreneurship and the high failure rate of their ventures.38 39 In addition, the education system focuses is on white-
Entrepreneurship development in higher education is focused on theory, and lacks exposing students to real-life development projects, leaving graduates at a loss in putting theory into practice.

Address traditional gender roles

Gender imbalances in the form of cultural norms and traditional gender roles continue to be a hindering factor in women’s advancement in South Africa, particularly with regard to the division of household responsibilities. The long-standing cultural belief that women have less to contribute to economic development has to change if women are to reach their full economic potential. Women in South Africa, especially in rural areas, are often housewives responsible for household chores, and have limited access to personal growth programmes that could provide them with the necessary information and knowledge on how to create and grow a business. The cultural belief and social norms that present men as superior to women are severely restricting the ability of women to engage, both economically and socially. In addition, women are expected to take responsibility for most household and childcare needs, which severely restricts their options in economic participation. Therefore, it is important to teach society about the importance of women’s entrepreneurship and their contribution towards economic upliftment. Entrepreneurship training also has a role to play in countering gendered societal beliefs around women engaging in entrepreneurship, and such initiatives should thus include family and community leaders, to ensure their support for potential women entrepreneurs.

Create an entrepreneurial ecosystem

An entrepreneurial ecosystem is a form of social collaboration and knowledge of a combination of factors that are important in fostering entrepreneurship. It is the environment and institutional elements that strengthen or hinder entrepreneurship progress. While the creation of start-ups is being promoted, their sustainability remains uncertain, and is tested by a number of factors, which should be addressed by creating a more robust entrepreneurial ecosystem. A healthy entrepreneurial ecosystems features enabling policies, a conducive culture, access to finance, high-quality human capital, business-friendly markets, and institutional and infrastructural support systems. The more connected an entrepreneur is to the ecosystem, the greater the possibility of business success becomes.

Some progress has been made in developing ecosystems, but more must be done to address the barriers faced by women. Although the importance of an entrepreneurial ecosystem has been recognised, there is limited research focusing on women’s entrepreneurial ecosystems and how women develop their own network within these ecosystems. Research on entrepreneurial ecosystem has reinforced the belief that all entrepreneurs have equivalent access to resources, without considering that woman entrepreneurs are often deprived in this regard, indicating the need for more research dedicated to women’s realities.

Entrepreneurial education

Entrepreneurship education institutions have a key role to play in improving entrepreneurial development and success. Training should place greater emphasis on instilling an entrepreneurial mindset and honing the necessary practical skills. Such training should also be made more widely available to women. These institutions could also provide technical business assistance to women, to ensure they remain up to date with the rapid development pace of disruptive technologies. Education institutions should make a concerted effort to close the gender gap in entrepreneurship in South Africa, and such initiatives should be supported by women entrepreneurs who provide employment and mentor new entrepreneurs.

Access to financing

Access to financing in South Africa compares poorly to that of similar less wealthy nations, particularly for black women,\textsuperscript{71} with South Africa in the bottom quintile at a ranking of 55th. This rating is calculated based on five sub-indicators: SME operational financing, SME-supportive taxes and bureaucracy, availability of venture capital, access to entrepreneurial finance, and gender bias in access to financial services. These sub-indicators provide clarity on where interventions should be focused in South Africa. As part of such initiatives, it is vital that women’s access to the digital economy be improved.\textsuperscript{72, 73, 74} Policymakers have to pay specific attention to women entrepreneurs’ access to finance, and stokvels may be a viable source of funding.\textsuperscript{75, 76}

CONCLUSION

It is clear that women entrepreneurs, both current and future, face a complex web of barriers and restrictions in their attempts to engage in entrepreneurial activities. All these issues require attention if South Africa is to realise women’s potential and reap the economic and social benefits of women’s inclusion. Targeted support of women entrepreneurs is critical to the country’s economic recovery. In the words of Gugu Mjadu, Executive General Manager of Marketing at Business Partners Limited:\textsuperscript{77}

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.

\textsuperscript{77} BizCommunity. (2023, March 8). Women entrepreneurship on the steady rise in SA but access to funding is still lagging. https://www.bizcommunity.com/Article/196/839/256664.html
Every year, we are privileged to have some of the foremost experts in their fields contribute to the Women’s Report. Their insights, research, and thoughts on topics provide fresh perspectives on the advancement of gender equality at work. Experts come from the ranks of practitioners and researchers, and topics span women at work and the spill-over of perspectives on gender, at home and in society, on paid work.

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She is currently employed at the University of Stellenbosch Business School as a lecturer in Strategic Management. Prior to working as a lecturer, Thobile Nokuthula Radebe served the University of Zululand, Department of Business Management, as a student and, thereafter, as a part-time lecturer. Outside of academia, she has been involved in various programmes and exhibitions, such as the Entrepreneurship Week programme, the Mbali International Conference, and the SAB Foundation programme as part of the organising team. She has published in accredited journals, and her primary research interest is entrepreneurship and the management of small businesses.

**PROF. MARK SMITH**

Mark Smith is Director-elect at the Stellenbosch Business School (SA). He is former Faculty Dean & Professor of Human Resource Management at Grenoble Ecole de Management (FR).

At Grenoble, he was Faculty Dean (2016 – 2020), Director of the Doctoral School (2013 – 2016), Head of Department (2012 – 2013), and research team leader of “Work Life Careers” (2012 – 2015). Prior to working in France, he worked at Manchester Business School (UK). His research interests are careers and labour market policy, specifically outcomes for women and men, including working conditions, working time, and work-life integration. He has authored or co-authored over 50 books, book chapters, and journal articles. He publishes regularly in the media about his research and the management of business schools. He has also been a member of the editorial board of Work, Employment & Society.
A message from the Editor

Welcome to the 2023 edition of the Women’s Report!

The empowerment of women can be realised through a myriad of mechanisms, one of which is supporting women to achieve economic independence. This is, however, easier said than done, and requires insight into their specific circumstances and contexts, which is why this year’s Women’s Report positions the ecosystem of women’s entrepreneurship under the loupe.

When considering the plight of the poorest of the poor, social grants are often proposed as a simple, quick-fix solution. Aside from the social stigma attached to passively receiving ‘a handout’ — a bill that taxpayers have to foot — it is sterile and unsustainable, and is glaringly detached from the financial reality of the cost of living. It is neither enough to live on, nor a source of seed capital to kick-start financial independence and build a better life. In brilliant contrast, supporting women’s entrepreneurship encourages agency, with a positive impact on not only the woman being empowered, but also the members of the society in which she is active, with ongoing and incrementally growing socio-economic ripple effects — not the least of which is employment creation — that ultimately benefit the country’s economy.

In support of this argument, in this year’s edition of the Women’s Report, we explore women’s entrepreneurship from multiple angles. Thobile Radebe and Mark Smith make a case for entrepreneurship as a mechanism for economic empowerment. Lack of funding is a widely recognised root cause of women’s entrepreneurial ideas languishing as just that — ideas, which ties in with the article by Masha Samsami, Natanya Meyer, and Angus Bowmaker-Falconer, who look at a viable solution, aptly named ‘business angels’. Moving on in the narrative, Nishana Bhogal shares the success story of women entrepreneurs who are changing the lives of women and school-going girls by alleviating period poverty. In the last article, Thea Tselepis and Cecile Nieuwenhuizen provide a snapshot of an important behind-the-scenes support structure, namely entrepreneurship education. Through interviews, they delve into the methods these women apply, and illustrate the circles of impact of this very important foundational aspect of equipping and empowering the women entrepreneurs of tomorrow.

Anita

Wishing you happy reading!

Research Chair - Women at Work
Professor: Leadership and Organisational Behaviour
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