

Full Length Research Paper

Indigenous female entrepreneurship: Analytical study on access to finance for women entrepreneurs in South Africa

Megan Witbooi¹ and Wilfred Ukpere^{2*}

¹Department of Entrepreneurship and Business Management, Faculty of Business, Cape Peninsula University of Technology, Cape Town, South Africa.

²Department of Industrial Psychology and People Management, Faculty of Management, University of Johannesburg, South Africa.

Accepted 8 April, 2011

Research on female entrepreneurship is imperative to create a knowledge base of women's experiences with regards to being financially excluded in South Africa. There is a realisation, however, that, while race has historically been the primary driver of economic disparities in South Africa, other forms of discrimination also prevent certain groups from accessing economic freedom and opportunities. Women, who represent 52% of the South African population, still suffer from historical and cultural prejudice in accessing opportunities, for a number of reasons that are outlined in this study. While access to financial services continues to be largely racially defined in South Africa, the gender gap between men and women does exist, and is likely to grow if special efforts are not undertaken to address the underlying issues now. Black women are the largest single self-employed segment of the population; a fact that is not reflected in the current industry targets for business activity. This paper examines the extent to which financial service providers in the country were sufficiently aware of the challenges facing women entrepreneurs in South Africa.

Key words: Female entrepreneurs, gender inequality, entrepreneurial motivation.

INTRODUCTION

Historically, the financial markets have always been gender blind, thus becoming the major obstacle for women to start, grow and strengthen their enterprises (Thabethe, 2006). In the past, many black women in South Africa often saw themselves as third- or even fourth-class citizens, and doubly disadvantaged because they were both black and women. Some people (not black women themselves) may say that they are now doubly privileged in times of affirmative action, more so as they can be double-counted, if a quota system for the "disadvantaged" is instituted.

Even in the worst times, there were some black women who managed to turn the "double negative" into a positive

factor, both in South Africa and elsewhere (Prekel, 1989). For the fact that they were both black and women (and thus "twice-removed"), many white men in power positions felt less threatened by them than by either white women or black men.

Thus, some of them were "allowed" to get ahead quietly, earn the respect of their colleagues, and prove themselves and their abilities. Yet, if affirmative action was to be implemented fully, it will take many decades before the effects of centuries of discrimination against both women and people of colour will be eliminated, particularly, in terms of venturing into business.

Background

It is quite true that race has historically been identified as the primary driver of economic inequality in South Africa.

*Corresponding author. E-mail: wilfredukpere@gmail.com, pastorwilfred@yahoo.co.uk

However, other forms of disparity as well prevent certain groups, such as women from accessing economic freedom and opportunity. Although they represent 52% of the South African population, women still suffer from historical and cultural disadvantages in terms of accessing opportunities, for a number of reasons. For example, risk taking among female entrepreneurs is based on a number of factors, namely financial risk, social and personal risks.

In concordance, Mitchell (2004) posits that besides the risks entrepreneurs face, women face additional problems of being a woman in a male dominated society. This point can be best elucidated by a comment made by one of the respondents in a study of female business owners whom are still treated as second class citizens when dealing with the financial community (Hisrich and Brush, 1984). Owing to the gender division of labour in the private sphere, female entrepreneurs risk their time which could be otherwise devoted for reproductive roles and other activities. The problem confronting women in the business domain is the focal point of this paper.

Research problem

While access to financial services continues to be largely racially defined in South Africa, the gender gap between men and women in terms of entrepreneurial venturing does exist, and is likely to grow if special efforts are not undertaken to address the underlying issues that constrain women from growing their businesses.

Research questions

The earlier stated research problem statement led to the following questions:

1. What are the factors motivating women to start their own business ventures in South Africa?
2. What are the factors that hinder women from growing their business like their male counterparts?
3. What are the barriers faced by women in terms of access to finance for entrepreneurial activities in South Africa?

Research aims and objectives

The following are the research aims and objectives of this paper:

1. To establish factors that motivates women to start their own business ventures in South Africa.
2. To investigate the factors that hinder women from becoming successful in business development and growth.
3. To examine the barriers faced by women in accessing

opportunities due to lack of finance and to make recommendation on ways to overcome those challenges.

LITERATURE ON WOMEN ENTREPRENEURSHIP IN SOUTH AFRICA

According to Lavoie (1985, cited in Rutashobya and Nchimbi, 1999), a female entrepreneur is the "female head of a business who takes the initiative of launching a new venture, accepting the associated risks, the financial, administrative and social responsibilities, and effectively in charge of the day to day activities of the business". McClelland et al. (2005) define a woman-owned business as one which is at least 51% owned by one or more women or in the case of any publicly-owned business, at least 51% of the stock of which is owned by one or more women. However, creativity and innovation require special skills and competencies which are often lacking amongst women/female entrepreneurs. Green and Cohen (1995, cited in Chell and Baines, 1998) observed that women are defined as innovators not because they are introducing new products, but because they are breaking out of domains traditionally allocated to women. In a similar vein, Forxcroft et al. (2005), Nkai (2005) have observed that women in South Africa are matching men step by step when it comes to starting and running their own businesses. However, Hendricks (2001) posits that the multitude of challenges that face women entrepreneurs in South Africa means that their full economic potential is not fully exploited by both business and government. These challenges have been documented in several articles, including a report compiled by the Africa Project Development Facility. This points out challenges such as access to finance and the cost of finance, access to the market, access to information on support services available and access to training (Dlamini and Motsepe 2004). Mallane (2001) argues that, it is important to put gender equality in its proper perspective: gains by women do not necessarily mean losses for men. On the contrary, communities that have given equal access to women and men in the economic sphere have progressed much faster than those that have denied such access (Hisrich, 1986). It is true that although there has been a general expansion of women's capabilities, women have on the other hand experienced only limited opportunities despite these changes: women entrepreneurs still face gender-specific constraints at almost every stage of their business operation (Alam et al., 2009).

These constraints includes lack of financial skills, lack of training and market access, role barriers, to name but a few. South Africa's White Paper on the development of SMMEs stresses the importance of developing female entrepreneurs to ensure equity in income and wealth distribution (O'Neill and Viljoen, 2001). The South African government takes cognizance of the fact that women have been on the side-line of development and have

responded with affirmative action programmes to redress gender imbalances. The participation of women, in particular black women, in the national economy is part of South Africa's Black Economic Empowerment (BEE) strategy to empower the previously disadvantaged groups. Snyder and Tadesse (1991) for example argue that "... women are ... central to the economic as well as the social well-being of societies. Hence, development goals cannot be fully reached without their participation". According to Friedrich et al. (2003), the focus of the South African government is primarily on the development of previously disadvantaged communities. Women entrepreneurs in South Africa have, however, been particularly disadvantaged, as in the past, they owned no property to be used as collateral on loans and in fact, they needed their husbands' permission to enter into financial agreements (Simbwaye, 2002). As a result, many of the informal sector women entrepreneurs do not even have bank accounts, let alone access to external finance. Forxcroft et al. (2002) are of the opinion that, the rate of entrepreneurial activity among men is far higher than that of women. Cultural and social norms are more likely to play a role in these gender differences, particularly since women traditionally have more domestic responsibilities such as child-rearing.

Liberal feminists maintain that women are disadvantaged relative to men owing to over discrimination by, for example, money lenders and/or systematic factors that deprive them of vital resources like business education and experience (Fischer et al., 1993). In a study of female entrepreneurs in South Africa, "more than half of the sample noted that, they only used their own capital to establish their business rather than use borrowed capital" (Erwee, 1987). Watson and Robinson (2003) remarked that "the managed approach to business expansion may result in ventures that are able to out survive those headed by entrepreneurs pursuing more risky, high growth strategies". The house-to-house survey carried out in South Africa supports the aforesaid assertion. Mead and Liedholm (1998) contend that female-headed small medium enterprises (SMEs) were more likely to survive than their male counterparts.

The Department of Trade and Industry (DTI) has growth, the DTI has been running a gender programme since 1998, targeting women, with both an internal and external focus. Informed by both national and international instruments aimed at advancing gender equity, the growth, the DTI has been running a gender programme since 1998, targeting women, with both an internal and external focus. Informed by both national and international instruments aimed at advancing gender equity, the Gender and Women's Empowerment Unit (GWE) is housed within the Enterprise and Industry Development Division of the DTI. The Gender and Woman's Empowerment Unit of the Department of Trade and Industry Gender and Women's Empowerment Unit (GWE) is housed within the Enterprise and Industry Development

Division of the DTI. The Gender and Woman's Empowerment Unit of the Department of Trade and Industry committed to addressing the issues of gender equity and economic growth as part of its business mandate. Acknowledging that gender equity is an economic issue that is critical in fast-tracking South Africa's economic requested an indicative study, to determine the extent to which financial service providers in the country were adequately aware of the challenges that women entrepreneurs face in South Africa (Matiwane, 2006).

Owing to the reproductive role of women in the society, they venture into business merely to supplement family income. Kibera and Kibera (1999) argue that women view entrepreneurial activities as survival strategies. Other negative factors for women-owned business start-ups include discrimination. In a study of the exodus of women executives and professionals in large organisations, it has been observed that 'glass ceiling and discrimination' in the corporate world was responsible. This does not take cognisance of the fact that, women measured success in terms of self-fulfilment and goal achievement (Buttner and Moore, 1997). The main limitation of most studies is that, success is measured in economic terms and not by the motivation for business start-ups. Mitchell (2004) notes several authors who suggest that women entrepreneurs are less concerned with making money. They view entrepreneurship as a means of meeting their career needs and those of their family members. Brush (1992) observed that, most women view personal success as achieving a balance between family and work. Business growth is not the goal of most women entrepreneurs.

This in part, explains why women's businesses are small compared to their male counterparts. The earlier arguments indicate that women-owned businesses are affected by factors such as level of education, industry difference, age of industry and motivation for business start-up. A change in societal attitudes and transformation of traditional institutions and structures which hamstrung women entrepreneurs should be implemented. The problems facing female entrepreneurs in general are recognised by the South African government. The White Paper (1995) emphasises the following aspects relating to female entrepreneurs:

1. Problems female entrepreneurs experienced in the past are with regard to legal status and access to finance (White Paper, 1995).
2. Special needs of female entrepreneurs with regard to the provision of appropriate infrastructure (White Paper, 1995).
3. Special training needs of female entrepreneurs (White Paper, 1995).
4. The need for tax concessions to large enterprises that support female entrepreneurs (White Paper, 1995).
5. The need to improve the position of female entrepreneurs as an initial high-priority target area in the

Table 1. Number of self-employed adults (18+) by race and gender in 2005.

Gender	Race			
	Black	White	Coloured	Indian/Asian
Women	1,009,114	119,671	21,535	10,354
Men	833,704	281,712	45,093	69,918

Source: Labour Force Survey (2005).

small-business development effort (White Paper, 1995).

RESEARCH METHODOLOGY

Data collection

As suggested by Alam (2011), the data collection was obtained from both primary and secondary sources. Findings, however, are based as far as possible on primary information gathered from institutions in financial services, business development service and women entrepreneurs themselves. The DTI criteria was used which define a micro enterprise as one that employs four or less, a small enterprise as one that employs five to fifty and a medium sized business as one that employs fifty one to two hundred. Access to finance, for the purpose of this study, signifies the ability for women in business, to be able to access savings and insurance products, all sorts of debt products (loans, overdrafts, credit cards, leasing, factoring, trade finance, project finance, etc.) as well as equity financing, venture capital financing, etcetera, that can be used to grow their businesses.

Studies on small businesses have become a rarity in the country over the last five to six years. The publication of an annual State of Small Business Report has not occurred for the last three years. Data on the incidence of women (and others) in business is not consistently gathered, tracked or published. The section which analyses data from the FinScope and Labour Force Survey shows inconsistencies between certain available data. One of the few agencies which have produced some work in the area is the SME committee of the Financial Sector Charter Council. Given the high expectations from the small business sector in terms of employment creation and promoting national equity, production of accurate and regularly tracked data is essential. The effectiveness of the profuse investments of the state and donor agencies will not be known without precise data and tracking of progress.

RESULTS AND DISCUSSION

Data surveys (Table 1) show that, while race is still a primary driver of financial access in South Africa, a gender gap also exists which cuts across the races. The combination of race and gender disparities works largely to the detriment of black women, who register the lowest levels of income and of formal access to economic opportunity and financial services. Despite having a higher rate of participation in the labour force than white women: 73 against 59%, black women have the lowest level at 14% of formal employment rates. This is contrasted with 43% for white men, 34% for white women and 21% for black men. Black women also have the lowest level of earnings (Thabethe, 2006).

The direct connection between poverty, waged

employment and use of financial services implies that, without growth in economic opportunity, use of financial services will remain limited to a few, to the long-term detriment of the financial sector and the economy as a whole. Black women currently represent the smallest segment of “formally banked” in the population at only 38 compared to 44% for black males and 94 and 91% respectively for white males and females (Thabethe, 2006). Females also have the lowest usage of most financial products, from retail store accounts to life insurance, medical insurance, short-term insurance and loans. The only exception is savings clubs, where they register the highest usage even though the figure, at 9%, is still low in absolute terms. Physical access is a barrier to usage, even when patrons are banked, and is largely race-driven. The survey indicates that in 2005, 88% of banked white women were able to reach their bank within 10 min, while the corresponding percentage for banked black women is only 22%. Another telling figure reveals that, where 2% of black men and women had home loans in 2005, the figure is 26 and 32% for white women and men respectively. This has a direct impact on black entrepreneurs’ ability to raise collateralised credit for business use and requires creative solutions from financial institutions (Thabethe, 2006).

The Broad-Based BEE Act of 2003 specifies the importance of increasing the extent to which black women own and manage existing and new enterprises, and increasing their access to economic activities, infrastructure and skills training (Finmark Trust, 2005). The Act further notes that “in order to comply with the equality provision of the constitution, a code of good practice and targets therein specified may distinguish between black men and black women”. Despite these provisions in the Act, the Financial Sector Charter of 2003 only specifies gender targets (which are extremely low) in staffing. It is totally silent on gender equality in enterprise development or in procurement finance. The Codes of Good Practice for preferential procurement and enterprise development that came out in 2005 similarly do not distinguish between black men and black women at all, despite the Act’s provision that they may do so in order to comply with the equality provision of the constitution. Consequently, most financial institutions work on an assumption that, BEE strategy will automatically benefit women. In reality, this is not the case and could lead to a marginalisation of black women, if adequate measures are not taken soon.

Are financial institutions reaching black women?

In 2005, out of 170 women surveyed across four provinces, only 7 were familiar with the development finance institutions in their provinces. This reflects a paucity of marketing by these institutions to this target market, and of limited use of networks such as businesswomen's organisations, trade organisations, local structures and public media. Their strategies are still largely based on an assumption of gender neutrality, and it is certain that more opportunities could be exploited with a focused attempt to analyse the strengths of this particular market. The other evident weakness is that, there is no uniform standard amongst institutions for defining a women-owned enterprise; the definition can vary between 20 to 51% and women's shareholding.

1. 51% for IDC's franchising unit portfolio in 2005.
2. 49% of Khula's disbursements in 2004 to 2005.
3. 33% of NEF's 2005 disbursements.
4. 23% target exceeded in Business.

Of the big four commercial banks in South Africa, only two have started implementing clear strategies to target the women's market, and of these only one is seriously targeting the women's SME sector. Most banks' MIS systems do not yet seem to be adequately equipped for real market segmentation and gender disaggregated data on portfolios was not readily available. Availability of loan staff who can communicate in local languages is an urgent necessity, since lack of language skills are a serious impediment to confidence building for small entrepreneurs, particularly in rural areas. Having staff whom are aware of how to communicate with women customers without appearing discriminatory is also crucial; one of the big four banks is aware of this and has integrated gender-aware staff training into their strategy towards banking women. Micro finance for its part is often seen as a resource for women's economic empowerment.

However, despite the large and growing number of self-employed women in South Africa, only two sustainable micro enterprise lenders exist: Marang Financial Services and Small Enterprise Foundation, which together serve some 56,000 clients (Cutura, 2005). Rural areas are still very under-serviced; therefore further disadvantaging those already neglected by the first-tier banks. Urgent investment and expansion in this sector and financing needs to be accompanied by real gender impact analysis is recommended. Such analysis needs to focus particularly on the type of skills development that could encourage sustainable growth of business beyond micro enterprise level. Although a multitude of local networks and national structures are springing up on an ever increasing and powerful scale, it is still not enough to get women on the same credibility scale as men. On a wide range of issues pertinent to women's success in business, as well as their personal well-being and growth,

a selection of these networks and structures includes:

1. Woman Development Bank (WDB)
2. Business Women's Association (BWA)
3. The South African Professional and Businesswomen's Network
4. SA Council for Business Women
5. SA Women's Entrepreneurs Network
6. Technology for women in Business
7. Women at Work

These groups and structures not only provide an opportunity for women entrepreneurs and women business people to meet together, network and support each other, but also provide powerful platforms from which to advance and represent their interests as business people and entrepreneurs (Beeton, 2008).

Women are better payers than men, yet get less credit

Credit bureaus are criticised in South Africa and are seen to have further disempowered black South Africans who have been listed for minor failures owing to economic precariousness, which was a characteristic of the apartheid economy. Despite the fact that fewer women appear to get black listed than men, the trends do not work in favour of women's greater access to credit from institutions. It was not possible to obtain causes of listings from the credit bureaus, which would help to distinguish business from personal reasons, or marriage from own causations. This would better serve the needs of the customers and credit providers. Community of property marriages sometimes have a considerably negative impact on women's ability to access credit and build sound credit histories in their own names. Further research and public awareness is required on this subject, so that women and men are better educated on their responsibilities in this regard.

In the micro enterprise sector, women are well-known for being better payers than men, yet the credit histories from this sector are not always available to the wider banking sector. This emphasises the need for co-ordinated credit selection mechanisms that can pool histories from all tiers of institutions and for wide use of the National Loan Register by all qualifying institutions, including micro finance institutions. It can be argued that, the issue of gender has a bearing on low investment in women-owned businesses. In society, most women lack sufficient capital to invest in large and technology-intensive businesses. Owing to the gender division of labour, some of the money which could be invested in business is utilised to support families. There are just over 15 million women aged 18+ in South Africa, compared to around 14 million men of the same age.

1. 77% or 11.5 million of all women are black, 11% white, 9% coloured and 3% Indian or Asian.
2. More than half of South African black women (56%) live in 3 provinces: Gauteng (22%), KwaZulu-Natal (20%) and the Eastern Cape (14%).
3. 40% of women (18+) live in villages, 28% live in cities and (32%) in towns. While the distribution for men is broadly the same, a racial breakdown reveals that only 2% of white women live in villages, compared to 50% of black women.
4. According to the 2004 General Household Survey (GHS), 64% of male-headed households live in urban areas compared to 51% of female-headed households (Finmark Trust, 2005).
5. 57% of all black women are aged between 18 and 35, while less than a quarter of white women are aged between 18 and 35.
6. Hunger among black adults is most pronounced in rural areas, indicating that subsistence farming opportunities are limited or inadequate and that other sources of income are required to sustain households who live in these areas.
7. 51% of black women, on average, have gone without cash income. The heaviest burden is borne by black women in villages where 63% have gone without cash income. The income generating potential of such women is thus highly constrained.
8. As with location, there are noticeable differences in living standards between female-headed households and male-headed households. According to the General Household Survey, households in rural areas headed by black females are noticeably more likely to experience hunger than other households (Finmark Trust, 2005)

Risk aversion by female entrepreneurs can be explained by the type of SMEs which women engage in and the business strategies they pursue, hence the low profit returns by female-owned businesses. This is consistent with the 'Finance theory' which suggests that the higher the risk, the higher the expected rate of return on an investment and conversely the lower the risk, the lower the expected rate of return (Watson and Robinson, 2003). There are attitudes and perceptions that businesswomen have to deal with, according to Nkata (2006). There are challenges faced in just being a woman. People do not take you seriously, and women have to work much harder than their male counterparts. That makes things difficult in the business world. If male businessmen struggle to get finance from financial institution, how much more difficult is it for women?

Access barriers

The data reveals that while there are some clear differences across gender, race is still a more powerful discriminator of patterns of usage of financial services.

This is not surprising in the South African context. However, it raises a critical question for policymakers: will the gender gap in usage of and access to financial services become more noticeable as racial imbalances are rectified? To answer this question, survey data can be used to identify some potential access barriers that might impact on women specifically. As a first step, it is important to distinguish between access and usage. Some people may have access to a product and may choose not to use it. It is therefore critical to assess whether those who do not have or use a product or service do so out of choice, or because various factors constrain their ability to do so.

Such factors may arise because of rigorous client qualifying criteria or minimum payment or premium amounts, or the way the product is distributed or serviced (for example, reliance on employer-related distribution mechanisms limits access to those who have a formal job). Access barriers may also arise because of various demand-side factors such as low levels of awareness of the product and/or its potential benefits, limited ability to physically access the product or a distrust of providers or various sales or service channels. Awareness of financial terminology is also a significant potential access barrier. In this regard, gender/race differences are noteworthy, particularly with respect to terminology relating to credit products (for example, bad debt, interest rate payable and term of loan). Across all race and gender segments, there is a relatively high understanding of basic financial terminology such as savings, ATMs, stokvels and burial societies, although, awareness of product-specific terms such as interest, transaction banking, technology or insurance, is low.

Familiarity with the term 'Ombudsman' scored very low, particularly for black men (5%) and women (3%) are a concern. This implies that potential financial services customers may not know that they have recourse should providers fail to deliver. Given that usage of a bank account is often a prerequisite for access to other services, this area will need further investigation. Other access barriers include:

1. Employment status
2. Income levels
3. Awareness of financial issues
4. Proximity to financial providers
5. Attitudes to technology
6. Lack of appropriate and affordable products and services

Lack of financial confidence

Other data from FinScope provides an indication of the levels of financial confidence that women have. Overall, women appear to have lower levels of financial confidence than men. They are least likely to agree with

the statement “you know quite a bit about money and finances” and more inclined to ask family or friends for advice than men. Generally, women are less likely to play the role of advisor than their male counterparts (“People often ask your advice on financial matters”). While 70% of black women trust their own experience rather than the advice of others, only 40% say they know quite a bit about money. This indicates that there is limited trust of, or access to those who may give financial advice.

Technology

Attitudes to technology are also commonly thought to limit access to products and services that are technology-intensive. Almost one quarter of black women indicate that, they find it difficult to use the technology associated with banks’ products and services, compared to 19% of black men, 9% of white women, and 10% of white men. 58% of black women indicate that, they are prepared to use technology compare to 75% of white women and 80% of white men.

However, other statements might indicate that black women would be as happy to use technology as face-to-face channels. In fact, other evidence on usage of technology-intensive solutions, such as SMS based services, indicates that where the service is clearly of benefit and where there is access to the channel, customers are able to master the skills required. Age is another primary driver of attitudes to technology. Around 70% of women younger than 40 would be prepared to use technology, compared to 52% for women aged 40 to 64 and 34% for those aged 65 or older.

Gender imbalances

Professor Ashley Smyth is of the opinion that, decision-making is often affected by traditional gender views that pertain to social and corporate spheres. Those views are based on an expectation of certain roles and functions that men and women must fulfil in society (Figure 1). Gender is a social construct according to which the expectations and responsibilities of men and women are not always biologically determined (Snyder and Tadesse, 1995). Gender determines what men and women should and should not do. Gender roles determine who does what work, both in the private and the public sphere. The reproductive role comprises the childbearing/rearing responsibilities and domestic tasks undertaken by women, required to guarantee the maintenance and reproduction of the labour force (Moser, 1993). In addition to biological reproduction, the reproductive role of black women in African countries like South Africa includes fetching water and firewood, and providing for the material and emotional needs of extended family members.

Practical gender needs are the needs women identify in

their socially accepted roles in society. Practical gender needs do not challenge the gender division of labour or women’s subordinate position in society, although arising out of them (Moser, 1993). In the case of female entrepreneurs, practical gender needs will include child care services located in women’s places of employment. The predominance of women in enterprise which are in line with their traditional reproductive roles, for example dressmaking and other service industries, are the result of government’s attempt to address practical gender needs. Strategic gender needs are the needs women identify because of their subordinate position to men in society. Strategic gender needs vary according to particular contexts. They relate to the gender division of labour, power and control and may include issues such as legal rights, domestic violence, and equal wages (Moser, 1993). Strategic gender needs are not easily identified. In the context of this research, strategic gender needs include the following:

1. Entrepreneurial policy which takes into account the needs of women.
2. The removal of laws which make it difficult for women to unlock financial institutions like banks to access loans.
3. The abolition of gender division of labour which constrains women’s entrepreneurial activities, for example one of the factors which hamstrung women entrepreneurs is their reproductive roles.

Nevertheless, women as human resource are underutilised. Owing to their reproductive roles in society women are the main providers of food and other material needs for their families.

In most African countries, including South Africa, the recent past has witnessed the growth of female-headed households, namely the *de jure* female-headed households, in which the male partner is permanently absent due to death or separation and the woman is legally single, divorced or widowed. Another type of female-headed household is the *de facto* female household, where the man is temporarily absent from the home and has migrated to work in other countries. The husband normally sends remittances to support his family (Moser, 1993).

The development of female entrepreneurship for socio-economic development in a developing country like South Africa cannot be over-emphasized. Liberal feminists suggest that women are disadvantaged relative to men due to overt discrimination by, for example, money lenders and/or systematic factors that deprive them of vital resources like business education and experience (Erwee, 1987; Fischer et al., 1993).

As noted by Moser (1993) strategic gender needs, unlike practical gender needs, are not easily identified by women. They require a higher level of education and perception.

The low level of education of women entrepreneurs in

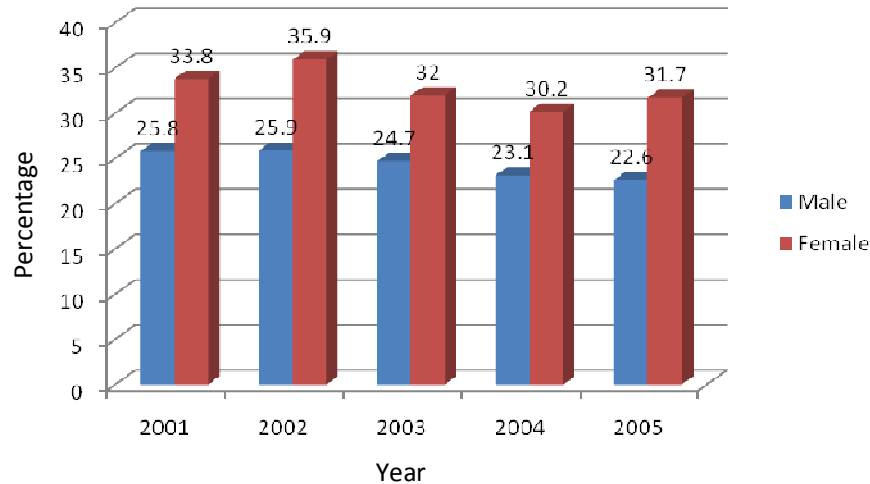


Figure 1. Unemployment by gender: Adults aged 16-64.
Source: Labour Force Survey (2005).

the focus groups and their lack of awareness on human rights issues, especially women's rights, make it difficult for them to identify strategic gender needs (Hisrich and Brush, 1985), such as the laws which constrain women entrepreneurs.

In the study, strategic gender needs were identified by expert interviewees, including women entrepreneur awardees. Women entrepreneur awardees mentioned that the gender division of labour, especially in the private sphere, negatively impact on their enterprises, but could not suggest appropriate strategies which should be in place or followed to combat the problem. Expert interviewees, especially women entrepreneurs, were disgruntled about the control of the means of production, such as land and cattle by men.

In Western societies, of late, more women have ventured in traditionally male-dominated areas or fields, like information and communication technology and construction industries by taking into consideration the fact that, women are not a homogenous group. However, policies and programmes should consider that women differ according to a number of variables, such as geographical location, sexual orientation, socioeconomic status, ethnicity in countries with various ethnic groups, to name but a few to identify the types of business in which female entrepreneurs are engaged:

1. To determine the motivation for business start-up.
2. To ascertain the extent to which gender issues impact on female entrepreneurship in South Africa.
3. To identify constraints affecting female entrepreneurs in entrepreneurial activities.
4. To suggest strategies to encourage the development of female entrepreneurs in South Africa.

In South Africa, in an effort to overcome obstacles and discrimination faced by women entrepreneurs, the women's network called the South African Women Entrepreneur's Network (SAWEN) was established. SAWEN addresses problems specific to women, for instance gender discrimination and all the negative perceptions about women entrepreneurs. In one case, a woman indicated that she had R 500, 000.00 in cash as well as personal assets for collateral to start a new business. She had completed an MBA, had been highly successful in the corporate sphere, and enjoyed the status of being a platinum client of her bank. Her application for a R 100, 000 loans to help manage the cash flow in her new business was turned down after a month's wait. The woman also had to endure the humiliation of being asked by a banker about whether she does not have a husband, father or brother who could sign surety! Ultimately, she used her relatively high levels of personal credit to manage her cash flow requirements, something which is common amongst new and even established business owners, owing to the difficulties in raising business finance.

SAWEN is managed by the Gender and Women Empowerment Unit of South Africa (Programmes and Economic Opportunities: setting up your small businesses, 2005). Liberal feminists argue that because of certain variables, such as industry differences, age of industry, differences in hours worked and systematic difference in the type and level of education and differences in motivation, women's businesses will perform less compared with their male counterparts (Watson, 2001). The assumption is that, if discrimination and systematic barriers are removed, there will be no difference in terms of performance between male and female entrepreneurs.

Women and men are presumed to be 'essentially rational'. "Rationality is assumed to be a purely mental capacity, and is regarded as what is especially valuable about human beings (Fischer et al., 1993). The systematic factors highlighted by liberal feminists are influenced by the gender division of labour in both the public and private spheres. The gender division of labour refers to different roles, responsibilities and activities which are allocated to men and women in society (Canadian Council for International Cooperation, 1991).

They further contended that women entrepreneurs are affected by such variables as the type of industry in which they engage in, number of hours devoted to entrepreneurial activities, the level and type of education, the age of the industry and the motivation for business start-up and expansion. Owing to gender division of labour and the reproductive role which is a woman's prerogative serve in traditional societies, women entrepreneurs devote less time in their businesses. The types of businesses which women venture into are in line with their reproductive roles, for example, sewing where the revenue is small and the business does not increase rapidly. The high incidence of HIV/AIDS has also increased the work load for women. With regard to community service, some women have been tasked with the responsibility of providing home-based care services to families affected by the HIV/AIDS pandemic. Female entrepreneurs therefore have less time to devote to entrepreneurial activities.

Contrary to the Liberal feminist theory, Social feminist theory suggests that "due to differences in early and ongoing socialisation, women and men differ inherently. However, the differences do not imply that women are inferior to men as women may develop different but equally effective traits. Studies consistent with social feminist perspective have documented few consistent gender differences and have suggested that those differences that exist may have little impact on business performance (Fischer et al., 1993). The department of Trade and Industry, Gender and Women unit believes that, gender equity is an economic issue that is critical in fast-tracking South Africa's economic growth. Recognising that gender inequality inhibits businesswomen from fully participating in private sector development, IFC launched the Gender Entrepreneurship Markets (GEM) programme in December 2004. The programme aims to mainstream gender into the IFC's work in key areas, while helping to better leverage the untapped potential of women as well as men in emerging markets.

Motivation for business start-up and expansion

The gender division of labour in family households influenced women to engage in entrepreneurial activities. Women, as principal providers of food and other basic necessities; such as education and health care services,

venture into business to provide for the material needs of their immediate and extended family members. Rutashobya and Nchimbi (1999) supported this assertion when they contended that, in Africa, women venture into business because of their reproductive roles. Owing to societal expectations, women's reproductive roles compel them to venture into business in order to be able to combine business activities with household chores, hence the predominance of home-based enterprises by women entrepreneurs in the study.

Several authors contend that women venture into business to enable them to interface work with family responsibilities (Aidis, 2002; Berg, 1997; Brush, 1992; Buttner and Moore, 1997; Chell and Baines, 1998; Hisrich and Brush, 1984; Marlow and Strange, 1994). Brush (1992) for example, argues that the motivation for business start-up by female entrepreneurs indicates that for a woman a business is not a separate economic activity as the case with men, but women perceives their businesses as "cooperative networks" of relationships. The author maintains that 'women's reality is 'web-like' connecting family, work and community relationships'.

Another motivational factor noted in the study for business start-up is the failure of the formal labour force to absorb a large number of black women in South Africa.

There are a number of factors for this state of affairs, for instance the lack of required skills in respective industries due to limited education among black women in South Africa and to a lesser extent, gender discrimination in the formal labour force (Butter and Moore, 1997). The under-representation of women relative to men in formal employment has been cited in a study in the Northern Province in South Africa as motivation for business start-up. The study revealed that 87.5% of the male entrepreneurs were previously employed as opposed to 44.71% of women entrepreneurs (Mitchell, 2004). The findings indicated that women entrepreneurs, in both the younger and older groups, started their business ventures as a result of negative/push factors as evident from comments such as the following:

"My parents died when I was very young, so I had to venture into business to pay school fees for my sisters and brothers and now I am able to support my own children."

Although the issue of unemployment affects both women and men in South Africa, it seems that women experience problems of discrimination in the formal sector, compelling them to venture into business as stated by a commentator:

"I failed to secure a job in the formal sector and had to find alternative means of earning a living for myself and dependant family members."

Focus group discussants did not indicate any pull/positive

factors for business start-up. It was, however, encouraging to note that women wanted to run their own businesses to be independent as evident from responses such as the following:

"I do not want to depend on my husband for basic necessities, which is my reason for venturing into a business."

Similar responses were expressed by women entrepreneur awardees as evident from the comment by one of the interview experts:

"I ventured into business because I wanted to be independent and be my own boss."

Focus group discussants in both the older and younger groups identified practical gender needs, such as the provision of water, electricity and day-care centres to alleviate the burden of performing domestic chores. These needs reinforce the gender division of labour in the private sphere. Some of the needs identified include training, especially on business-related issues and credit to finance their businesses. The main interest for the women entrepreneurs was to have enough money to support their families.

Reflection

The history of the exploitation of women in South Africa is one of tragedy. For this reason, the democratic government has, during the past 15 years committed itself to diligently and systematically reversing this trend of exploitation. A number of very important progress have been made, but the nation still have a long way to go and observers will continue to be deeply concerned that the South African economy continues to reflect deeply twisted gender imbalances. For instance, half of all black women are unemployed. Black women dominate the social services sector, with 30% employed as domestic workers. In general, black women are mainly employed as teachers and nurses; positions in which they have excelled, but occupy only 1.2% of all top management positions. Women only occupy 1.5% of all directorships in major South African companies, and black women occupy only 0.5% of directorships.

Furthermore, it was found that, in all sectors of the economy, there remains a significant disparity in earnings between women and men. For example, women earn 66% what men earn in the finance sector, 65% in manufacturing, 75% in trade, and 86% in services. It is for this reason, that in South Africa, women will remain a crucial target group receiving close attention in efforts to broaden participation in the economy. To emphasize the importance of gender equity in the Business society in South Africa, several support services for women were

established. These integrated services have been delivered through the Technology for Women in Business (TWIB), the South African Women Entrepreneurs Network (SAWEN) and now the Women's Fund. All of these provide unique services that are designed to address the specific needs of women's businesses; the largest segment of our population is black women. Growing women entrepreneurship is therefore, quite logically, an important imperative to broaden participation and to ensure that our growing economy becomes more inclusive. Quite logically, therefore, is that the greater the participation of women in our economy, the more realistic our target of dramatically reducing poverty and halving unemployment within the next decade. Indeed, women are the driving force of the South African Economy.

Yet, as true as this may be, there are concerns that despite the fact that women-owned enterprises are contributing an increasing share to national income, women remain underrepresented in formal-sector enterprises and over-represented in micro enterprises and the informal sector. Approximately 70% of informal businesses in South Africa are owned by women. Currently, the typical South African women entrepreneur is black, with no tertiary education, and earns an income from crafts, hawking, personal services or retail.

However, there are also, increasingly, encouraging stories of women who are moving away from traditional hawking into more value-adding business opportunities, such as franchising, furniture manufacturing, printing, travel agencies and property development to name but a few. Despite this, a 2005 FinScope survey found that only 38% of black women are formally banked, 20% of women use informal products such as stokvels etc, and 42% of black women are entirely excluded with no financial products of any sort. What is more disturbing (but indeed consistent with the many barriers that women continue to face), is that women have better credit repayment records than men, yet find it harder to raise finance than men. The 'power' relationships between women entrepreneurs and their male spouses or companions contributed to them having almost no control over the income that was generated from the business enterprise. This contributed largely to the lack of re-investment and this often resulted in the failure of the enterprise. Successful women entrepreneurs inadvertently threatened the traditional role of men in the household, as breadwinners of the family; this often contributed to domestic violence.

The inequity of this problem is further exposed if you consider the following facts: The Global Entrepreneurship Monitor (GEM) is a global research project that measures and compares entrepreneurship activities in over 42 countries worldwide. The 2007 rankings reveal that, although South Africa's female entrepreneurs are performing below average when compared to women in other emerging economies (Melzer, 2004), the position of 23rd, they outperformed South Africa's overall performance and, their male counterparts. What these statistics

show is that, indeed on the ground, it is women who are taking the lead as entrepreneurs; but it is also known from the analysis of the interventions that were taken to support the small business sector, that access to finance for large numbers of black women remain a serious, if not the most serious, obstacle. It is also of concern that early indications received suggest that women have to a certain extent been marginalised from current Broad Based Black Economic Empowerment (BBBEE) initiatives, especially since the process has not filtered down sufficiently to those women owning small and medium sized enterprises. Clearly, affordable finance can and will make an impact in forcing down the closed doors, Olive Schreiner (2006) wrote about in 1911.

In this regard, the fund being launched today represents a further approach in dealing with this challenge (Mpahlwa, 2008). It is a most positive development that the private sector is beginning to address this challenge.

The capitalisation of R100 million, provided by The DTI and Old Mutual Masisizane Fund, is meant to show the market an innovative way of addressing the challenge of supporting women entrepreneurs by providing affordable, usable and responsive finance. By responding directly to the needs of women, it is believed that the initiative will improve and expand the state women entrepreneurship, thereby expanding the quantity and quality of women entrepreneurs.

Finally, as the beginning of this additional approach in the arsenal of making our economy more inclusive to women, the first phase of the Isivande Women's Fund will be launched by Old Mutual. It is a phase that will be primarily biased towards small to medium sized enterprises, providing loans from R 30, 000 to 2 million. Priority will be given to rural and peripheral-urban enterprises. More than that, additional financial institutions should come on board to educate, and support female entrepreneurs.

Conclusion

The importance of historical racial policies on poverty, employment and income levels of South Africans were analysed in this study. These policies have resulted in self-employment becoming an important means to generate an income, particularly for black women. While BEE policies aim to increase formal sector employment opportunities for women, self-employment will continue to play a critical role in enabling women to participate in economic activity particularly for women in rural areas, who have less access to formal education. However, the data also shows that most self-employed women generate very limited earnings from their activities. Low earnings levels are a significant barrier to access to financial services as available products are often unaffordable.

Given that women tend to earn less than men, affordability constraints are likely to have a more significant impact on women than on men. In addition, the focus on

employer-based distribution channels makes many contractual savings products inaccessible for those men and women who are self-employed. Given that self-employment is more significant for women, these biases have a more noticeable impact on women. The data also shows that women need access to a range of financial products and that, while the emphasis on credit is understandable, access to other basic products, particularly savings products, should be given due attention. Women are also disadvantaged by their lower levels of financial literacy and awareness. Given limited exposure to financial material via mass media channels, product providers who seek to educate potential customers will need to find other, more direct methods of reaching women.

Physical access is a further barrier that impacts both black men and women especially in the rural areas. While access barriers are significant, the opportunity for financial services companies who can provide affordable, appropriate and accessible products to meet the needs of self-employed women is significant. The Mzansi accounts are still new, but would warrant a thorough assessment after several years to be able to verify whether they have made inroads in servicing and benefiting this segment of the population. The sheer size of this market, and its potential to alter the status of household income and security, warrants the attention of policy makers and product providers.

REFERENCES

- Alam GM, Hoque KE, Khalifa MTB, Siraj SB, Ghani MFBA (2009). The role of agriculture education and training on agriculture economics and national development of Bangladesh. *Afr. J. Agric. Res.*, 4(12): 1334-1350.
- Alam GM (2011). A further editorial guideline for writing manuscript in the field of social science: A special perspective for African Journal of Business Management (AJBM) *Afr. J. Bus. Manage.*, 5(1): editorial.
- Berg NG (1997). Gender, place and entrepreneurship. *J. Reg. Dev.*, 9: 259-268.
- Butter EH, Moore DP (1997). Women's organisational exodus to entrepreneurship: self-reported motivations and correlates with success. *J. Small Bus. Manage.*, 35(1): 34-46.
- Canadian Council for International Cooperation, MATCH International Centre & Association que'becoise des organismes de cooperation internationale (1991). Two halves make whole: balancing gender relations in development. Ottawa: Canadian Council for International Co-operation.
- Chell E, Baines S (1998). Does gender affect business 'performance'? A study of Micro businesses in business service in the UK. *Entrep. Reg. Dev.*, 10: 117-135.
- Erwee R (1987). Entrepreneurship as a career option for woman: An overview of research. *S. Afr. J. Bus. Manage.*, 18(3): 152-162
- Finmark Trust (2005). Finscope Household Survey. Marshalltown: Finmark Trust.
- Fischer EM, Reuber AR, Dyke LS (1993). A theoretical overview and extension of research on sex, gender and entrepreneurship. *J. Bus. Venturing*, 8(2): 151-168.
- Green TB (1995). Performance and motivation strategies for today's workforce: A guide to expectancy theory applications. New York: Quorum.
- Hendricks F, Wood G (Eds.) (2001). Development theory, policy and practice. Cape Town: Oxford University Press.
- Hisrich RD & Brush C (1984). The woman entrepreneur: Management

- skills and business problems, *J. Small Bus. Manage.*, 22(1): 30-37.
- Hisrich RD, Brush C (1985). Woman and minority entrepreneurs: A comparative analysis, in R Ronstadt, JA Hornaday, R Peterson, KS Vesper(Eds), *Frontiers of Entrepreneurship Research*. Wellesly, MA: Babson College.
- Hisrich, RD (1986). The woman entrepreneur: Characteristics, skills, problems and prescriptions for success, in D.L. Sextopn & R.W Smilor (Eds). *The Art and Science of Entrepreneurship* Cambridge: Ballinger.
- Kibera FN, Kibera LW (1999). Female entrepreneurship in small scale enterprises in Kenya, in Kinunda-Rutashobya, L. and Olomi, D. (Eds.). *African Entrepreneurship and Small Business Development*. Dar-es-Salam: DUP LTD, pp. 85-102.
- Marlow S (1997). Self-employed women: New opportunities, old challenges. *Entrep. Reg. Dev.*, 9: 199-210.
- Matiwane, M (2006). Women lag behind men in BEE. [Online] Available: <http://net-145-057.mweb.co.za/Economy/Women-lag-behind-men-in-BEE-20060806>.
- Mead DC, Liedholm C (1998). The dynamics of micro and small enterprises in developing Countries. *World Dev.*, 26(1): 61-74.
- Melzer I (2004). Labour Force Survey. South Africa: Eighty20.
- Mpahlwa M (2008). The launch of the Isivande Women's Fund. Pretoria: Ministry of Trade and Industry.
- Mitchell BC (2004). Motives of African entrepreneurs: a case of South Africa. *J. Entrep.*, 13(2): 167-183.
- Moser C (1994). 'The Informal Sector Debate, Part 1: 1970-1982,' in Rakowski, C. (Ed.) *Contrapunto, the Informal Sector Debate in Latin America*. Albany: State University Press of New York.
- Naidoo S, Hilton A, Melzer, I (2006). Access to finance for women entrepreneurs in South Africa: Challenges and Opportunities. [Online] Available: <http://www.scribd.com/doc/19905644/access-to-Finance-for-Women-Entrepreneurs-in-South-Africa-November-2006>.
- O'Neill RC, Viljoen L (2001). Support for female entrepreneurs in South Africa: improvements or decline? *J. Fam. Consum. Sci.*, 21: 37-44.
- Rutashobya LK, Nchimbi MI (1999). The African female entrepreneur: knowledge gaps and priority areas for future research. In Kinunda-Rutashobya L.
- Watson J, Robinson S (2003). Adjusting for risk in comparing the performances of male- and female-controlled SMEs. *J. Bus. Venturing*, 18(6): 773-788.
- Snyder MC, Tadesse M (1995). *African women and development*. Johannesburg: Witwatersrand University Press.
- Thabethe E (2006). Limpopo workshop on gender and women's economic empowerment strategy. [Online] Available: <http://www.polity.org.za/article/thabethe-limpopo-workshop-on-gender-and-womens-economic-empowerment-strategy-30012006-2006-01-30>.
- White Paper of the Department of Trade and Industry (1995). *National strategy for the development and promotion of small business in South Africa*. Pretoria: Government Printers.