



## Access to finance a key to entrepreneurship

By Anne Hilton

### Abstract

There has been much speculation about how the upcoming World Cup 2010 in South Africa will benefit the country, and the region, in terms of economic development. All across Southern African entrepreneurs and business people are getting ready to cash in on the mega-event. Yet, for women, the likely benefits are questionable. One key area is that entrepreneurship requires access to credit and finance, resources that tend to be less available for women than men.

### Key words

micro-finance, gender, entrepreneurship, World Cup 2010

The arrival of the World Cup on African soil for the first time has brought with it many raised hopes and expectations. Across the region, enterprising individuals are trying to get in on the action – the increased tourism means many more spending visitors than usual, all of which will require accommodation, transport, and meals, and most of which will be by purchasing goods, such as souvenirs and other commodities. The challenge is how to set up a business to not only take advantage of the event, but also how to sustain the venture beyond the World Cup.

### Women and finance

Getting started in business requires planning, identifying needs or wants in the market and being able to compete with other players in the market. This requires more than a good idea. The good idea needs to be viable,

implementable and competitive through price, innovation or service. Access to finance to be able to initiate or grow an enterprise is often key. Yet, despite the recognition, that women's economic empowerment is an important part of development, there is still a gender divide when it comes to access to finance. This in turn can affect the ability of women to make the most of their business ideas for and after 2010.

There are two trends currently emerging in this debate; the first suggests that gender and the social constructs of women's lives do indeed affect their ability to raise finance. The other suggests the idea that both men and women have problems and that there does not appear to be any inherent gender bias.

Whilst there is evidence that men and women do both face barriers when seeking funding, there is also irrefutable evidence that the conditions of women's

lives create obstacles that men do not need to face in many cases. Men do not face gender specific biases, women do.

Some examples of this include three of the key issues faced by women in pursuit of business and finance:

- Men for example may not always have access to property to offer as collateral, but the lack thereof isn't related to the social constructs which define their lives as men. Men are not denied access to property because they are men, women are.
- Men whilst often in low paid and least skilled jobs, they are generally not in these as a consequence of their gender, but rather in line with their socio-economic circumstances. Where men and women are poor, it is women who are likely to be the worse off.
- It is unlikely that any man applying for a job, to buy a business or raise capital, is ever asked how many children he has.

The issue of enterprise development and access to finance for women is indeed a challenge which is not going to go away any time soon. Access to finance for women is intrinsically linked with the status of women in society and this is reflected to a more or lesser degree depending on the legal, cultural and socio-political environment in which women are living.

Women face significant challenges in terms of their sex and gender roles and their ability to run businesses and to raise capital. Entrenched inequalities continue to deprive women of fair and equal financial options and opportunities in many economies.

### Legal and cultural systems

Systems of tenure and inheritance continue to plague women. Even in countries where reforms have been realised, the translation of these into tangible practices and opportunities for women, is often a problem. A disproportionate number of women are still excluded from access or utilisations their right to or practice of statutory law. Where statutory and customary law co-exist, the former is often ignored or contradicts the

rights prescribed by law.

In these circumstances, women face the possibility of losing homes, land or their businesses, in the event of a marriage partner dying. Indeed women are often not aware that they may be protected by statutory provisions. In addition, they are unable to own or offer land or property as sources of collateral to raise finance.



Still locked out of the formal economy? Photo: Trevor Davies

Some other issues that are faced by women include:

- Many traditional norms and values prevent women from acting as legal beings.
- Many work in the least skilled and lowest paid jobs, which further entrenches their difficulties with regard to accumulating assets or personal equity.
- Women are often in marital arrangements which put them in a position of legal minors and which largely prevent women from making independent decisions about their own finances or credit decisions. This leaves women without the relevant

experience or credit histories from which to draw when applying for funds either whilst married or when divorced or widowed.

- Negative attitudes towards women based on their conflicting role demands and perceived time constraints, real or imagined, may be interrogated and held against women when they apply for funding. Nobody would dream of asking a man the same questions or deny access to resources because he is a parent.
- Women often want to borrow smaller amounts and this may be outside of the minimum loan policies of a bank
- Women are also less likely to seek credit than men as many women perceive the barriers as insurmountable.
- Women are most likely to draw on savings or loans from friends and relatives.

Women themselves are often not aware of and lack information about financial products and services. For many women, unexposed or underexposed to financial and legal matters, the forms and processes can be complex and they are often unaware of available capital options to meet the different requirements of their businesses.

In an economy such as South Africa, women are most likely to be seeking start-up finance, which is the holy grail of business finance. Poor and rural women face the greatest hardships and difficulties when seeking to run a business and to make ends meet. Poor women have very limited access beyond high interest bearing micro finance and seldom if ever achieve reputational equity for their repayment histories.

Financial markets are still very much commanded by men. Men's predominance in the economy financial institutions has fostered a culture which does not recognise the needs of women clients and which is likely to exclude them from opportunities and prospects and gender mainstreaming.

Financial institutions are also mostly not aware that women may face gender specific constraints when seeking finance. They assume that a gender-neutral

position puts women on an equal footing with male applicants. In South Africa, there is also the assumption that Black Economic Empowerment (BEE) initiatives will automatically ensure that women get their fair share. This is unlikely and to date has not been born out in practice.

The financial options available to women entrepreneurs are limited. Since many women's businesses are start-up, home based or very small, the majority are likely to face difficulties in accessing any finance at all. Resource poor women are entirely under resourced to meet the needs of traditional commercial credit granters.

### Questioning microfinance

Instead, globally and in Africa, micro-finance is the most widespread source of funding for women. It is also generally speaking the most favoured source of funding for women. The advent of micro finance was a revolutionary moment in identifying sources of capital for businesses owned by poor and under resourced communities. This has however time become a source of assumption about the over all and long term impacts on women. Micro-finance has been lauded as a mechanism for eradicating poverty and for women's empowerment and the focus has been very much centered on women as the primary recipients. This in relation to evidence that women are general better repayers, are most likely to benefit families and communities from the proceeds of business activity and tend to seek micro finance significantly more often than men do.

There are however concerns that the emphasis on micro finance is hampering a broader debate on access to finance for women and that certain features of micro finance are not gender positive and the assumption of empowerment needs closer scrutiny. Whilst many women continue to use micro finance, group lending does not meet the borrowing needs of many women entrepreneurs, especially those which have been in business for some time and who aspire to grow their businesses. In reality for many, they have no other choice. There has been insufficient attention given to

alternative ways of addressing the asset poor base of women, leaving women perpetually dependent on this mode of funds.

There is a significant gap between the financial products offered by the micro finance institutions and what the commercial banks for example, offer to growth-oriented women entrepreneurs; and there few mechanisms for graduating women from one to the other. In the micro finance industry there is a tendency to view repayments or uptake of loans as a measure of success and applicability to the needs of women. This is however a tenuous assumption which in no way allows for any supposition of business success or positive changes in gender relations or inequalities. Micro finance is an important beginning for many women there is a need to view micro finance as part of a value proposition for women and not as an end in itself. Policy frameworks need to take cognizance of both the positive and negative aspects of the micro finance model for women and to review the role of micro finance in a balanced way.

It is important that in developing economies the options for finance for women is not disproportionately limited to micro credit and that real solutions offer workable alternatives to group lending and high interest bearing credit as the pre eminent option for women. Whilst many of the women who use micro credit to improve the income of themselves and there families stay small by choice, many women have the capacity and will to run larger and more successful enterprises, they still experience disadvantages when seeking business capital. A lack of experience, the desire to work from home and manage both family and business or a lack of tangeable collateral, still serves as barriers for many. We still have a long way to go to address the inequalities and assumptions which prevent women from accessing finance.

#### Empowering women

Whilst many of the constraints experienced by small business and especially emerging business are common to both men and women, women face constraints



Entrepreneurs like Diana Westcott, owner of Nearly New, a second hand boutique in Grahamstown, South Africa, need finance to strat and grow their businesses  
Photo: Trevor Davies

which are not experienced by men and which are gender based. The "glass ceiling" and gender discrimination in the workplace is referred to in many, if not all, of the sources on women in business. The lower skills base, lack of management opportunities and lower wage levels are all considered to be a very serious impediment to promoting women's business opportunities, for the reasons already noted. Women are also less likely to accumulate or inherit assets sufficient to offer as collateral.

Women's business activities, whilst receiving the most attention at the micro level, are neither confined to nor adequately supported by the emphasis on women's economic progress at the lowest end of the enterprise scale. Women are also successful business owners in small and medium businesses and are proving themselves more than capable of challenging stereotypes of women entrepreneurs. It is essential that more attention is given

to women at other levels of business development in both developed and developing economies, but especially in countries where women in business are still largely viewed as needing support at the lowest levels of business activity.

Perhaps the most crucial factor that has been ignored is consultation with women themselves about the problems they encounter and adequate research to develop gender disaggregated data from which to understand and respond to the needs of women. The evidence available on the topic of access to finance for women highlights a number of practical and realisable interventions, which with the appropriate political and private sector commitment, could translate into substantial gains for women in business. This is the challenge going forward, and will be a challenge for women hoping to cash in on World Cup 2010.

#### Writers Bio

Anne Hilton works as an independent consultant in SMME development. Her two main focus areas are access to finance and gender. She holds a Hons Degree in Industrial Sociology. Some of her work includes working on a diagnostic study of gender and access to finance for women in business in South Africa for the IFC. She has researched and presented several papers on the topic for a number of conferences, including the Commonwealth Business Women's Conference in Uganda and a forum of women in Ghana and Oman. Anne also runs training and mentorship programmes for emerging Black Economic Empowerment businesses.