



DEEPENING IMPACT OF COVID-19 ON FEMALE-LED SMEs IN AFRICA

Case Study: Nigeria

Chantal Chizea
GATE MBA Student Fellow, 2020-21

Acknowledgments

First, I would like to thank all of the project interviewees for their willingness, openness and insights. I am also grateful to The Institute for Gender and the Economy (GATE), Bain & Company and Rotman faculty mentors for the feedback and support during the entire fellowship. Finally, my compliments to my colleagues and MBA fellows at GATE and my dear family who supported me through it all.

Table of Contents

<i>Executive Summary</i>	2
<i>Introduction</i>	3
Setting the scene – Female Entrepreneurship in Africa	3
Participation of Women in African economies – Pre-Covid	4
2020: Surviving the Pandemic	5
<i>Methodology</i>	6
<i>Key Findings</i>	7
<i>Recommendations</i>	14
<i>Conclusion</i>	14
<i>References</i>	16
<i>Appendix</i>	17
APPENDIX 1: Gender-based survey of Covid-19 Impact induced closure of SMEs... ..	17
APPENDIX 2: Women business owners as a % of total business owners.....	18
APPENDIX 3: Industry sector participation for entrepreneurs (by gender/region)..	19
APPENDIX 4 Interviewee sector focus.....	19
APPENDIX 5 Gender Inequality in society (gender parity score)	20

Executive Summary

Women in Africa make up 58% of the continent's self-employed population⁽¹⁾. However, women-owned businesses are particularly vulnerable to shocks as they are disproportionately informal and operate in less-profitable sectors in most African economies. According to World Bank, in Africa, more women than men choose to become entrepreneurs.

A survey conducted by Impact HER with over 1,300 women SME owners across 30 African countries revealed that most women-led SMEs are at risk of permanent business shut down as a result of the Covid-19 pandemic⁽²⁾. This is consistent with some of the findings of this project. These business owners are faced with difficulties including demand for care, limited access to finance and technology as well as rebalancing their operations. Although some of these challenges precede the pandemic, the pandemic served to deepen some of the pre-existing issues. Research shows that women-led businesses are being impacted at a faster rate than SMEs led by men. It can therefore be inferred that these businesses are less resilient or participate in the more vulnerable sectors of economies. [Appendix 1](#), shows that a significantly higher number of women led businesses have been forced to stop operations because of the Covid-19 crisis⁽²⁾.

For recovery plans to be beneficial to these women-led businesses, deliberate action must be taken to ensure that these plans and policies are inclusive from a gender-based perspective to ensure that no one is left behind. The potential for these businesses to survive, thrive and scale would also serve to strengthen African economies.

Introduction

Setting the scene – Female Entrepreneurship in Africa

This project focuses on women entrepreneurs in Africa, with Nigeria as the reference case. On the surface, sub-Saharan Africa boasts the world's highest rate of women entrepreneurs, at 27%⁽³⁾. As of 2018, Ghana, located in West Africa, ranked foremost in the percentage of female business owners at 46%, this was 10% points above Russia which came in second. Uganda, also on the African continent, ranked third at 33.8%⁽³⁾. This is despite Ghana and Uganda both being lower middle income and low-income countries respectively based on analysis shown in the same study. [Appendix 2](#) shows details of these rankings.

According to the 2018 Mastercard Index of Women Entrepreneurs, women's progress as entrepreneurs is not always aligned to the wealth and advancement of their respective economies⁽⁴⁾. Although critical to economic growth, the participation of these women in business and entrepreneurship is usually borne out of the necessity to support their families.

However, most of these businesses are small without the right incentives such as gender-lens financing and investing, enabling policies etc. necessary for business growth and sustenance. Underpinned by grit and determination, African women are entrepreneurial, and commerce-driven with the average African woman participating in one form of trade despite the existing gender disparity with regards to access to education, access to capital, technological prowess as well as other sociocultural factors such as the family structure, child rearing practices and male dominance prevalent in the society. On the continent these challenges are thematic, and the barriers or lack of adequate resources sometimes lead to business closure and

discontinuity for the female entrepreneur in Africa. Given these constraints, the ability to grow and scale her business therefore remains limited.

The first case of the coronavirus was identified in Africa in February 2020. As was also experienced globally, businesses suffered as a result of lockdowns and the resulting economic downturn. However, the disproportionate impact on women-led businesses is largely due to their high representation in the hardest-hit sectors of the economy, such as tourism, travel, transport, retail, food services, accommodation, entertainment, recreation and manufacturing⁽⁵⁾.

The gender disparity in business is based on factors such as the existing patriarchal culture where some level of female subordination exists, inferior digital skills as women have less access to technology and financial marginalization with business leaders who are women experiencing more difficulty with accessing funding. In addition, the disproportionate distribution of domestic duties and demand for care in homes all align to further exacerbate the impact of the pandemic on these women-led businesses⁽⁶⁾. To understand first-hand the experiences of these women in Africa, this project sought to interview women who are weathering challenges brought about by the pandemic and building their businesses.

Participation of Women in African economies – Pre-Covid

Before the Covid-19 pandemic, owning a Small and Medium-sized Enterprise (SME) in Africa was challenging, especially for women. Women own or run more than a third of all SMEs in emerging markets and these businesses already faced an estimated \$1.5 trillion credit gap⁽⁵⁾. The pandemic widened that gap. Female participation in the African economy is not a zero-sum game and has the potential to deliver significant growth dividends to the continent. It is therefore imperative that

women participate not just actively, but optimally and at the same level as their male counterparts to ensure that this potential is realized. Unfortunately, this is not usually the case.

Although evolving, women in Africa suffer exclusion, biases and discriminatory practices which sometimes leaves them with limited human, social, and financial assets relative to men. For that reason, female business participation is predominant in sectors that are perceived to have been penetrated by other women given the belief that there, such barriers are reduced. For instance, while women in Sub-Saharan Africa dominate in the wholesale and retail industry, participation in tech related industries is low. According to a 2016 study by Venture Capital for Africa, a Netherlands-based organization that connects start-ups to opportunities, only 9% of start-ups have female leaders in Africa. It also does not help that globally, men account for 92% of partners in the top 100 venture capital firms, and female-founded start-ups receive only 2% of total investments by venture capitalists ⁽⁷⁾. Overall, challenges such as these limit their ability to grow and scale their businesses within their respective industries.

[Appendix 3](#) shows gender-based participation per sector in 2018. African women play predominantly in SMEs. However, like some of the women entrepreneurs interviewed for this project, some women transcend existing barriers to play a significant role in male-dominated sectors such as information technology, fintech, etc. but this is not without some of the peculiar challenges previously stated. This project explores some of such challenges in light of the pandemic.

2020: Surviving the Pandemic

In the era of the COVID-19 pandemic, female-led businesses were more vulnerable to closure than those led by men. Women's limited access to finance, shifts

in consumer behavior, and the increase in women's household care responsibilities as a result of extended lockdowns resulted in more women opting out of the formal economy ⁽⁸⁾.

The pandemic led to greatly reduced revenues as a result of disrupted supply chains, imposed curfews, and overall reduced consumer spending due to lay-offs and increased consumer concerns. In some instances, these entrepreneurs had to optimize their business practices or reduce hours due to the need for them of their female staff to provide full-time childcare at home, as schools were also locked down. These sudden changes and the resulting complications made it difficult for most businesses to cope and many such businesses closed as a result. Access to technology for both business owners and their customers, has proven to be a catalyst for those who were best able to adapt. With e-commerce still developing on the continent, overwhelmed technological infrastructure plus an existing gender gap in the use of and access to technology, threatened business resilience. Women-led SMEs are also at greater risk of closure as they tend to be smaller and on average operate with lower profit margins⁽⁹⁾ making them less resilient to economic shifts.

Methodology

This study aims to explore the experiences of women entrepreneurs in Africa using a sample set of women entrepreneurs in Nigeria. Although Nigeria is Africa's leading economy ⁽¹⁰⁾, it can be said to be ethnoculturally analogous to most other Sub-Saharan African countries, hence representative of the experience of other women entrepreneurs on the continent.

For this project, in addition to desktop research, 6 women entrepreneurs from Nigeria were interviewed. In order to gain robust insights, diverse participants were targeted. Individuals were selected from different industries and had varying levels of business experience. These SMEs employed 20-40 people on average with oldest company in existence for just over 12 years. Industries selected were in two categories based on gender-based participation – male dominated, and female dominated. [Appendix 4](#) provides details of the different entrepreneurs interviewed and the sectors in which they participate. Through open-ended interview format, individuals were asked a series of questions relating to how their business was impacted during the pandemic with a bid to fully understand the gender influence on their experiences. For the purpose of this report, all interviewees' identities shall remain anonymous.

Key Findings

Following data analysis, certain themes emerged across all interviews with only a few unique experiences. Some of the issues that arose pre-date the pandemic with the pandemic having a deepening effect. Fundamental to these themes is the overarching impact and general perception of the role of women in the African society. These views are largely based on cultural values. This highlights the existing gaps and the journey yet to travel to promote gender equality on the continent. The key findings include:

a. Reduced Productivity

Of the six entrepreneurs interviewed, four are married and three are mothers. Predominantly, those with kids highlighted the impact of the pandemic on their productivity levels. In the African context, women bear majority of the responsibility

for household management and child-care, regardless of their employment situation. The inequitable distribution of tasks within the household meant that some women were forced to prioritise care responsibilities. Prioritisation was broken down by the simple question “*What is more important, family or work?*” with family being pseudonym for – *the demand for care*. One participant shared that while her business sustained her household, there was a clear separation of duty between herself and her husband that prevailed in her household even during the pandemic despite her business demanding a lot from her. This separation is underpinned by societal norms of what a man should and should not do within the household. She was therefore primarily responsible for both her home and her business. She had no choice, she said.

“ There was a clear drop in my productivity as I struggled to balance family and business demands while working from home. I was solely responsible for tending to my two kids who were also schooling from home. As a result, I was slow to respond to business related emails and demands. The business took a hit because of it and we were left with some very displeased customers.” – Anonymous participant

Another participant unfortunately expressed - “*We really cannot have it all.*” However, my question is “*But why can’t we?*”

b. Limited access to capital and financial illiteracy

Prior to the pandemic, most SMEs in Africa had limited financial reserves, irregular cash flows and lacked sustainable credit facilities and liquidity⁽⁸⁾. The difficulty with access to funding for women entrepreneurs in Africa precedes the Covid-19 pandemic.

However, the pandemic has led to higher levels of uncertainty and decreased availability of funds and a more economically hostile environment, making funding even more scarce and difficult to access. In Nigeria, accessing capital is sometimes influenced by the strength of your networks and relationships. Given the imposed lockdowns entrepreneurs relied largely on pre-existing networks. In some instances, these networks were sometimes narrow and limited for women given existing cultural limitations on how women, particularly married women, interact with men.

One participant shared her frustrations with being unable to gain access funds that she believed she was qualified for. She said she would normally leverage her networks to gain access to the office where she was seeking funding from and would go physically to establish presence and start to build connections, but due to the pandemic, she could not. In her view, that was why she did not receive funding. Her male counterparts who were successful had more extensive, established and deeper connections to leverage that would still prove useful despite the lockdowns. She therefore had a more uphill task, as her usual strategy was no longer feasible.

“These networks are established and fortified over drinks and as a married woman in Nigeria there is a limit to how much I can network that way, otherwise I would be judged harshly” – Anonymous participant

Another participant shared her experience when she tried to access a loan from the bank to buoy her business. She was struggling to pay staff salaries as cashflows were limited given the lockdowns. The bank requested her historical financial statements for the preceding three years as well as collateral to secure the loan. In her estimation, prior to the pandemic her cashflows were healthy, but she lacked the

requisite paperwork to prove it to the bank. In addition, regarding collateral required to secure the loan, she confided that although she and her husband jointly acquired assets these assets were largely solely in his name leaving her with no collateral to use for the loan application. Although changing, this property rights practice is not uncommon in Africa. Two participants shared similar experiences of their colleagues in their respective industries.

Given that some of these business owners venture into business without defining clear business plans and structures, gaps sometimes exist with regards to keeping financial records. This gap presents challenges and limitations for women entrepreneurs seeking funds even where funds targeted at supporting female-led businesses exist. Pull-back from financing partners given the surrounding economic uncertainty was also significant experience shared.

“Meeting with potential partners, my CTO (who happened to be a man) went in and dominated the conversation. When I revealed that I was CEO at the end of the meeting, the CEO of the company asked “ Do you know what you are doing? The meeting went well but, I never heard back from them again.

In every industry there is a club, formal or informal. It’s a boys’ club and getting into it is near impossible. Chances of a man being able to seamlessly immerse himself into the club is easier. Women find it harder; your gender is in their face.” – Anonymous participant

Her experience is that prospective financing partners are usually men, and they seemingly trust male entrepreneurs more to overcome the challenges of the pandemic than women entrepreneurs. She however admitted that she was gripped by fear and

concern about the future of her business. However, her concerns for her business are valid for male and female entrepreneurs alike given the current situation.

c. Technology: a catalyst for business growth and sustenance

The pandemic situation further exposed the existing gender gap in both technological prowess and access to technology. Of the group of participants, in the more established businesses although most of the women entrepreneurs had access to technology such as gadgets and Wi-Fi at home that enabled them carry-on their business, female staff were less equipped to work from home than their male counterparts. This was based on limitations in skills pertaining to use of technology. One participant shared that her staff who were men were more able to switch to remote working than their female colleagues. She added that within her business, where female staff had access to technology, the ability to utilize it optimally was sometimes an issue. Due to the remote working requirements, her business suffered as a result. Given that business sustenance was a great concern for these business owners, making the required technology and training investment required to aid the seamless transition of all staff was not feasible. In some instances, tasks had to be redistributed in order to close existing gaps leaving some of the female staff redundant, hence deepening the gap.

“ I wore multiple hats during the time as I took on various roles both in my personal life with homeschooling my kids and in my business life as my staff struggled to make the transition to working from home . This adversely affected my health. We were just not ready for this. ” – Anonymous participant

As a result of the direct impact of her health, she shut-down her business operations for a period. In that time, she was still required to pay her staff even though at reduced rates further deepening existing cashflow challenges and threatening business sustenance. Coincidentally, one participant chairs an arm of Zonta International , a leading global organization of professionals empowering women worldwide, in Nigeria. She shared firsthand how women in the informal sector struggled as a result of lack of technology.

“In my catchment area for Zonta, petty traders could not trade due to lockdowns. The poor women could not transition to digital platforms. We had two outreaches to see how we could alleviate the impact.” , she said.

d. Operations

It was interesting to see how these women entrepreneurs were able to adapt their businesses in the wake of the pandemic. In some cases, businesses contracted by reducing operations while in other cases business expanded into new product offerings in line with pandemic induced consumer demand. Two participants, both in male dominated industries, shared stories of how they changed their strategic focus to meet changing consumer demand. However, limited access to finance controlled the extent to which they could expand.

“We saw growth in adoption on distribution side. Despite our original goal being focussed on savings to store value, we refocused on enabling customers cash out as people needed access to their savings. We slowed down on going to market to get new customers to save and focused on creating access for customer convenience.” – Anonymous participant

It was however interesting to see that the scope for business expansion existed largely in the male dominated industries, whereas businesses in industries dominated by women were less resilient and more prone to closure and reduced operations. This highlights the vulnerability of these businesses to shocks such as that brought about by the COVID-19 pandemic. Other factors common to all participants include human capital management and supply chain disruptions. One participant, for example had a new branch of her business that was hinged on imports for which she had already made financial commitments. Given the pandemic, her goods could not be delivered, and her money was tied down. She was therefore left with limited cash to meet her working capital requirements and was unable to access additional funds.

Recommendations

As part of the interviews, participants were asked about potential solutions that might contribute to closing existing gender gaps and boost business success for them and other women entrepreneurs in Nigeria. Some of the ideas shared include:

- Financial inclusion: more favorable loan terms should be defined for women entrepreneurs seeking business loans. For example, ease on the collateral requirements for women given the peculiar cultural norms on property ownership.
- Mobilize action for more entrepreneurship-based women coalition across Africa: women must come together and show that they are prepared and ready to build focused communities and fair relationships. They must also be deliberate about meeting this objective. Through this, channels can be established for information dissemination and for sharing best entrepreneurship practices across the continent. This can also be a basis for cross-border collaborative partnerships.
- Technical skills building: seek support programs across Africa that can help women entrepreneurs and their staff cope and adapt to technological evolution by providing targeted technical training. Technology can be leveraged to achieve this e.g., to host virtual intensive technology skills development webinars to reduce cost and extend reach.
- Auditable progress tracking: define metrics to gauge and track progress. What gets measured gets managed.

- Gender balanced policies: these should be instituted by the government to ensure that policies are robust, without bias and beneficial across the board.
- Female funds managers: more female fund managers across Africa are needed to address the challenge of funding for women-led businesses.
- Collaboration: this should be between governments and corporate entities to grow and empower women-led businesses.

Conclusion

A lot more work needs to be done for female entrepreneurs to cope with and overcome the impact of the Covid -19 crisis. Gender lens must be applied to define robust winning solutions to the existing problems faced by women entrepreneurs in Africa. These gender smart solutions would enable women across the continent to close existing gaps and achieve their true potential. These strategies must be applied across education, finance, operations, and technology.

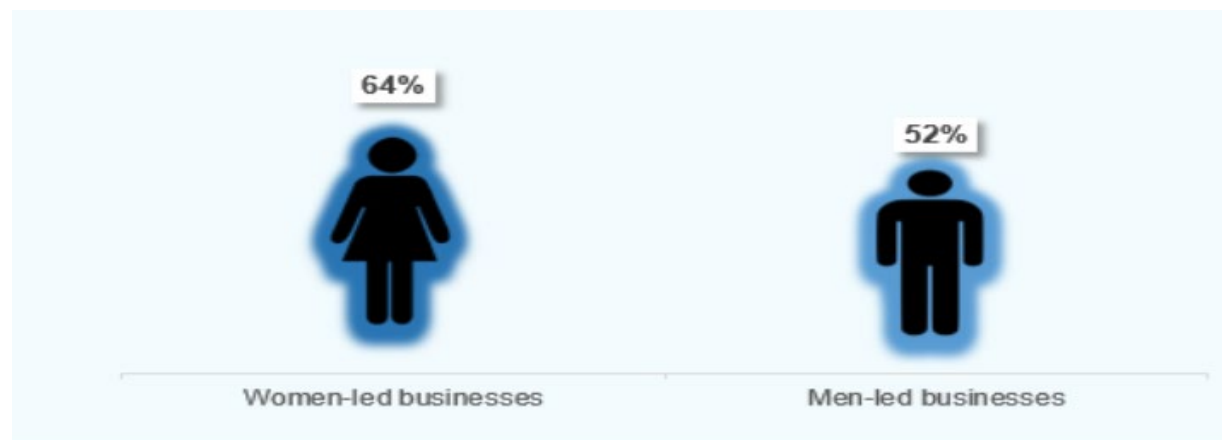
Given the magnitude of resources needed to achieve gender equality in entrepreneurship in Africa, institutions and governments across Africa should work collaboratively to develop requisite frameworks and pool resources to help achieve set goals and objectives. There is a long road yet to travel to recovery and beyond.

References

- 1) <https://www.worldbank.org/en/news/opinion/2018/11/29/women-entrepreneurs-the-future-of-africa> Female Entrepreneurship, the Future of the African continent
- 2) <https://www.afdb.org/en/documents/policy-brief-transformative-policy-solutions-support-women-led-businesses-africa-post-covid-19-world>
- 3) <https://www.un.org/africarenewal/magazine/august-november-2018/women-led-tech-startups-rise-africa>
- 4) https://newsroom.mastercard.com/wp-content/uploads/2018/03/MIWE_2018_Final_Report.pdf
- 5) https://www.ifc.org/wps/wcm/connect/news_ext_content/ifc_external_corporate_site/news+and+events/news/impact-stories/smes-africa-covid19
- 6) https://www.mastercard.com/news/media/1ulpy5at/ma_miwe-report-2020.pdf
- 7) <https://www.un.org/africarenewal/magazine/august-november-2018/women-led-tech-startups-rise-africa>
- 8) <https://www.afdb.org/en/news-and-events/press-releases/affirmative-finance-action-women-africa-impacter-and-un-women-policy-brief-exposes-disadvantages-women-entrepreneurs-post-covid-19-era-offers-solutions-36891>
- 9) <https://www.gemconsortium.org/report/gem-20182019-womens-entrepreneurship-report>
- 10) <https://www.bloomberg.com/news/articles/2020-03-03/nigeria-now-tops-south-africa-as-the-continent-s-biggest-economy>
- 11) <https://www.mckinsey.com/featured-insights/gender-equality/the-power-of-parity-advancing-womens-equality-in-africa>
- 12) <https://www.tandfonline.com/doi/abs/10.1080/13545701.2020.1820064>
- 13) <https://we-fi.org/research-and-data-on-the-impact-of-the-coronavirus-on-women-led-smes/>
- 14) <https://www.intracen.org/noticias/Africas-Women-Entrepreneurs-Face-Difficult-Choices-in-COVID-19-Era-en/>

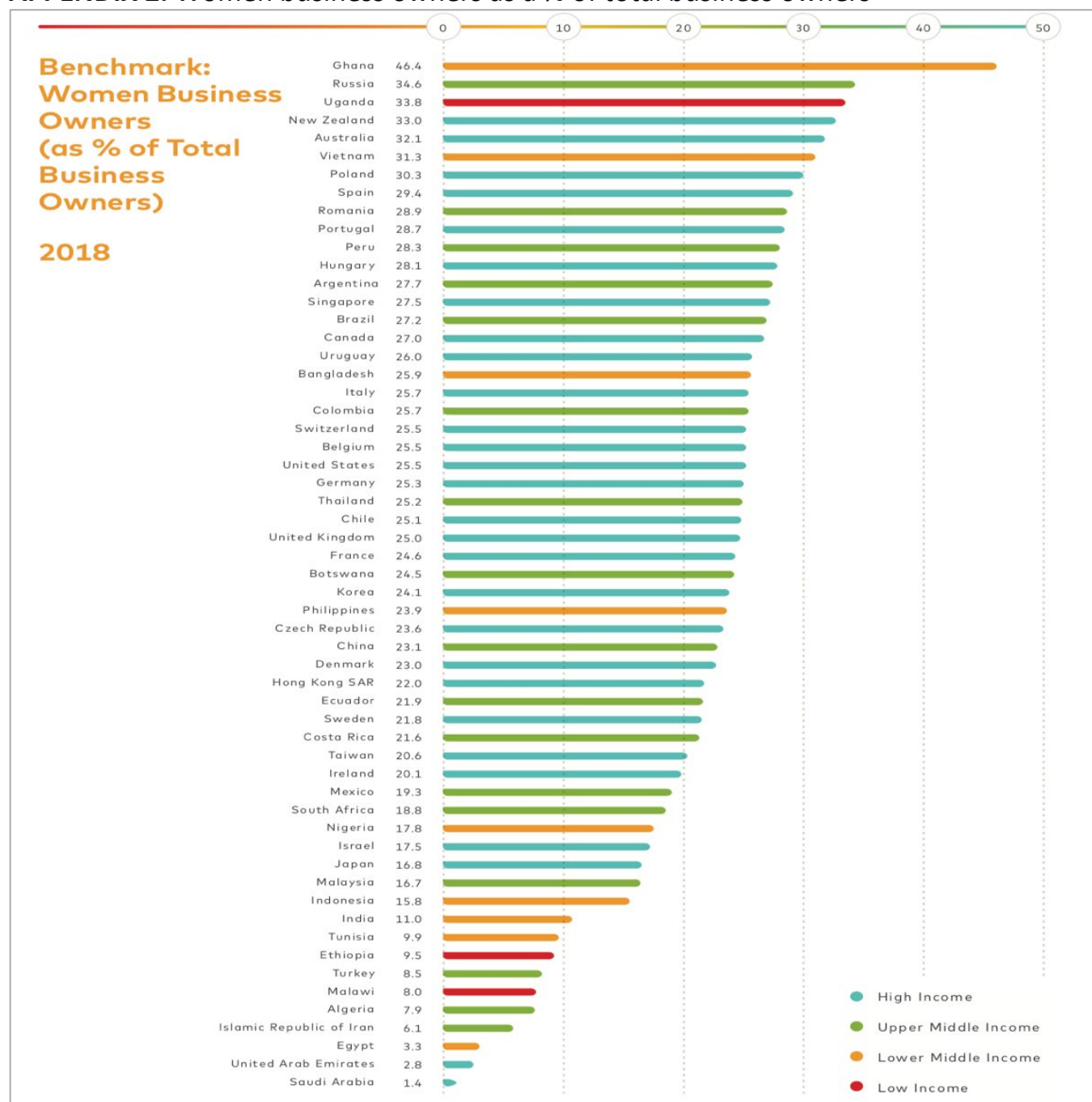
Appendix

APPENDIX 1: Gender-based survey of Covid-19 Impact induced closure of SMEs



Source: A survey by UN Women and SME agency of Cote D'Ivoire 2020 ⁽²⁾

APPENDIX 2: Women business owners as a % of total business owners



Source: Mastercard Index of Women Entrepreneurs (MIWE) 2018⁽⁴⁾

APPENDIX 3: Industry sector participation for entrepreneurs (by gender/region)



Source: GEM 2017-2018⁽⁹⁾

APPENDIX 4 Interviewee sector focus

Male Dominated	Female dominated
<i>Participant A: Clean Energy</i>	<i>Participant D: Retail/Fashion</i>
<i>Participant B: Fintech</i>	<i>Participant E: Events Planning</i>
<i>Participant C: Information Technology (Cyber security, cloud computing etc.)</i>	<i>Participant F: Education</i>

APPENDIX 5 Gender Inequality in society (gender parity score)

Extremely high
 High
 Medium
 Low
 No data
 Area of focus

Indicator	World average		India	Latin America	China	North America and Oceania	South Asia (excluding India)	Middle East	Central Asia and Eastern Europe	Western Europe	East and Southeast Asia	
	Africa											
Essential services and enablers of economic opportunity	Unmet need for family planning, % of women	11	20	13	10	4	7	16	11	10	8	13
	Maternal mortality, per 100,000 births	108	438	174	63	27	13	175	59	21	6	81
	Education level, female-to-male (F/M) ratio	0.92	0.76	0.86	0.99	0.93	1	0.80	0.89	0.98	0.99	0.97
	Financial inclusion, F/M ratio	0.74	0.65	0.65	0.77	0.78	0.91	0.43	0.68	0.84	0.82	0.88
	Digital inclusion, F/M ratio	0.86	0.81	0.77	0.97	0.90	0.99	0.55	0.81	0.97	0.95	0.90
Legal protection and political voice	Legal protection, index ¹	0.53	0.45	0.40	0.60	0.58	0.71	0.24	0.41	0.54	0.84	0.51
	Political representation, F/M ratio	0.27	0.33	0.22	0.39	0.19	0.32	0.18	0.12	0.21	0.57	0.19
Physical security and autonomy	Sex ratio at birth, M/F ratio	1.07	1.04	1.11	1.05	1.15	1.05	1.07	1.05	1.06	1.06	1.06
	Child-marriage age 15–19, % of girls and young women	11	20	21	14	3	2	26	12	6	1	9
	Violence against women, % of women	12	19	22	7	9	4	20	11	15	4	8

¹Composite index of the extent of protection to women by 11 different legal provisions (eg, right to inherit, access to jobs). Source: McKinsey Global Institute analysis

Source: McKinsey Global Institute Analysis ⁽¹¹⁾