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# Financial Inclusion Project

## “Documenting financial inclusion best practices: Experiences of 60 Women Entrepreneurs in South Africa and Zambia”

Issue #1

### Access to Finance for Women in South Africa

#### Women’s Experiences in Accessing Finance in South Africa

Embarking on a journey to access finance for growing a business is often filled with many highs and lows. In South Africa we see women redefining the socio-economic landscape and taking up space in various sectors of the economy. More women are becoming entrepreneurs, building brands, and shaping society. To do this, one requires financial stability to expand and grow their business. Over the past months, we have engaged women entrepreneurs in conversation to explore their different journeys into accessing finance within various financial entities in South Africa. The Graca Machel Trust under the Women’s Economic and Social Advancement Unit (WESA) have been able to document a study titled “*Documenting Financial Inclusion: Experiences of Women in South Africa and Zambia*” funded by the African Women Development Bank (AWDF). Women have shared rich information and feedback on their struggles, lessons, and overall experience on their efforts to access finance in South Africa. Below, we take you through a journey of accessing finance in South Africa through the lens of six (6) women entrepreneurs:

**Bridget Lebala** is the founder of *ChambrayLine Fabrics*, qualified in Textile Design and Product Development. She embarked on a journey to start a fabric house after working at various leading fabric houses in South Africa with the aim to provide consumers with “contemporary designs from Africa and the world”. Bridget explains that the journey to access finance has not always been easy as their focus has been on accessing government grants and that the process of applying has often been *tedious* and there is a need for government officials to conduct more research on industries as there seems to be a lack of understanding of the textile industry. At one point, ChambrayLine Fabrics has been requested to produce financials from the textile industries to demonstrate the viability of the business, Bridget highlights how difficult it is to produce textile industry related financials. She asserts that the idea that government supports black female businesses is a *scam* as women face continuous red tape. Requests to produce financials adds on to the plethora of challenges start-up businesses are already facing

Bridget further highlights how she has been challenged to diversify her business into manufacturing in hopes that it will best match funders interests both in government and private sectors.

In addition, their applications for finance have been declined on grounds that the business operates within retail, on the one hand, private institutions turnaround time for applications is lengthy. She has further explored an equity partnership with a legitimate investor who unfortunately disappeared in the process. When asked a question on the supply and demand, she highlighted *that finding a funding match seems heavily skewed towards tech businesses*. Bridget notes that *money is available on the continent*, however there is a lack of understanding for textile industry and what they as essentially want to achieve as fabric houses.



**Bridget Lebala:** Founder of **ChambrayLine Fabrics**, “Building South Africa’s First Black Female Led Fabric House”

**Hayley Eagle** is the founder of [Jamsco](#) a 100% black woman owned business supplying quality parts to Sodexia SA that ends up on the acclaimed T6 Ranger.

Hayley’s experience in accessing finance has been extremely



good, she however faces challenges in accessing the market. She prefers applying for grants as she found that applying as a small business tends to be easier to comply with legislation. However, notes that there are challenges where funds are unattainable when the project requires it. The sector she operates in is very technical and she faces a lot of constraints making processes slow due to *high barriers of entry*, hence the will to keep knocking on doors to demonstrate capability.





**Kekeletso Khena** is the founder of **K Squared Group**, established to address socio-economic challenges by tapping into the bio-tech industry where she runs two divisions, one focusing on research and development for ethnic hair care system and the second on agro-processing that is responsible for sourcing and extracting indigenous ingredient alpha.

“The journey has been difficult” as she explained how her attempts to apply to Industrial Development Corporation was unsuccessful. A few years later she decided to apply to the National Empowerment Fund and realized that the agency did not even read her application as they responded with a regret letter a week later and mentioned that they will only consider her application if she had an offtake agreement. This was a shock to her as she runs a hair clinic and she had requested funding to scale up and start a franchise. She was puzzled as to where she would acquire it as offtake agreements are offered by big retailers such as Clicks or Pick ‘n Pay. Like many women, Kekeletso has been running her business on personal finances and has denied herself a salary to ensure that the little amount of money generated is invested in the business.

In conversation, Kekeletso shared how she was in the process of applying for a grant from a government funding institution who claimed that she had been awarded 19 million in 2017 which she had not received. The institution has then been in the process of investigating what happened to the money and have requested that she reapplies for funding. She further notes that her experience with finance have been rather painful especially with issues of compliance. For example, institutions would request that one conducts a feasibility study, research that she could sufficiently conduct herself, but they require that it is conducted by a registered institution which requires about R120 000 for the person to conduct a feasibility study for one to access finance. She further iterates that, institutions tend to request for a market analysis in the business plan, whereas market analysis document which include research papers require at least an amount of R10 000 to R15 000, whereas the money could be used to pay rent. If she has not sold anything in the business, it makes no sense to spend money on a research document that she cannot use.

Kekeletso pointed that, institutions have a list of requirements and compliance technicalities such as being required to test and register your products, being part of associations, showing financials, taxes and all these require money that a small business does not have. Ironically one would find that there are no programs in place to help entrepreneurs to access and comply with these requirements. Another factor, that has also been highlighted in conversation with the women who participated in this study is the issue of “Black Tax”, that you inherit as a black person and then adding on to that is the burden of care work. In Kekeletso’s case, she is the sole businessperson in her family and one who practically has a job, therefore money generated in her business has to also support members of her family. This causes strain as she cannot invest 100% in her business as 70% goes back to assisting the rest of her family.

She further alludes to the notion that although she has no children, 60% of females have a responsibility of looking after children and often without a male figure. As a result, women are not able to make investments back into their business as much. A woman is expected to develop a product, market it, and sell it. She also must do the administration of the actual product development and at the same time go back home to cook and take care of the family. It is important for the system to be aware of the obstacles and challenges women face predominantly and look at systems and programs that will look at how to cater to the needs of women in South Africa. Understanding issues of burden of care, issues of racism within institutions such as Banks and not just racism as being a black woman are you seen as the devil for being black, female and a small business owner, these factors tend to work against you. The system must be developed to ensure that the issues women deal with are addressed and design functional programs and this is an issue that has not been included in the conversation as it relates to access to finance especially talking about obstacles and challenges.

**Julia Kamadi:** Founder of [Kamadi Consulting](#), a Civil Engineer by profession and started a consulting firm that works within the Building Environment industry within and outside the borders of South Africa.



Julia’s journey to access finance started with approaching individuals and institutional banks, Nedbank and FNB to assess their appetite for their projects and that process gave them an opportunity to see if they are ready or not to be financed. The process employed by banks is that they engage with those willing to give equity but also have their own requirements. Julia also approached government for financing although it was partial funding. In late 2020, Kamadi Consulting applied with the Development Bank of South Africa (DBSA), however, found that their internal processes delayed the response to their application. The response came in April 2021 and have had their first engagement. The experience with DBSA is that their processes are tedious, and the turnaround time often negatively impacts the developer’s project.

Julia highlights that she has found it difficult engaging with government institutions, as government will fund at 80% and request that you add 20% to the funding and that has proved to be difficult as you will struggle to raise the 20%. Equity is a challenge for many women entrepreneurs as many women have alluded in conversation that when you do not have collateral or the money the grant will not be released. Hence, government grants are largely an opportunity for companies who can meet the 20% grantee contribution and have obtained senior debt approval. As a woman entrepreneur within the building environment, she has found that funders see infrastructure projects as high risk and therefore makes it difficult to find a funding match with institutions or people who understand the importance of infrastructure.

Lastly, one of the biggest challenges is finding that when they are ready to apply and find that the application was submitted before. People who claim to be agents steal projects and resell them to potential clients at higher project amounts. The project amount exceeds project value for profits gain on project transactions.



**Maphepane Baiocco**, Chief Executive Officer of [NeOn Energy \(Pty\) Ltd](#) prides herself with 17 years' experience in the manufacturing industry in South Africa and Italy. Through her experience in various management positions in diverse industries,



She established NeOn Energy focusing on enhancing the development of solar powered solutions and energy savings services in South Africa and the Middle East with an office in Bahrain.

Unfortunately, Maphepane has not had any luck with accessing finance so far, every institution she has approached in 2020 was not focusing on funding any project or sectors other than Covid-19 relief. Covid-19 was the priority and institutions were not covering anything that was not related to the pandemic response. She explains that when it comes to accessing finance, women are discriminately evaluated against their male counterparts. This is evident in how rarely women owned small businesses are funded. Financial institutions tend to create perceptions that women or SMME's are not able to achieve, especially at the development and elementary stage of business. On the other hand, banks always request business balance sheets and collateral. As entrepreneurs you often do not have the finances required to put down as surety, so these requirements work against most women entrepreneurs. The key question asked by financial institutions is *"does your business have the ability to make the monthly payments required under the loan agreement"*. By measurable degree, banks fall short in providing the financial support and eloquent advice to women and entrepreneurs in general.

It is believed that banks and development finance institutions are designed to support businesses and it is probably part of their mandate but unfortunately if your credit profile is not satisfactory to their expectations, you will be regarded or perceived as high risk. It is then usually up to the government through their various assistance schemes and facilities, to ensure SMME's are financially assisted wherever possible towards their success.

On the other hand, these government grant facilities can however be complicated especially in the manufacturing industry. Government can award 100% grant only when the company is 100% black owned. Other than it can be subjected to the shareholders percentages in the company. Within the sector Maphepane operates in, i.e., renewable energy "solar", it is difficult to start this type of business especially their product (Photovoltaic Thermal) without investors and unfortunately investors are predominately white males as wealth is still in their hands.

Maphepane has also asserted that in relation to accessing the market, it differs from one country to the other or from one sector to the other. Some are task based whereas others are relationship based. She personally finds the energy sector to be the latter where personal relationship and networks are highly valued. *It is also the norm in sales that people do business with people they know, like and trust.*

**Thandiswa Mbobo**, is the founder of [Refinement Engineering](#) a company that supplies and installs quality electrical, mechanical, civil (water), Power Generation, Power Distribution and Building services with operations throughout South Africa.



In conversation with Thandiswa, she mentioned that she tends to shy away from applying for funding as she does not like administration. The one application she submitted was very complicated and ended up not submitting as she found the process to be too tedious. She was informed that she will be assigned someone to assist however, the people in position were not funded and would therefore carry the cost of paying the middleman 3.5% to 5% if the grant is approved as well as paying the interest of the grant. She then decided to work hard and reinvest her profits back into the business.

She further explained that, accessing finance through the bank, you are subjected to banks watching the behaviour of your account and will give money based on how long you have been banking with them. If money moves out too quickly out the account, it works against you. The reasons money would come out quickly out of the account is suppliers need to be paid. Borrowing from the bank often comes with the offer of a long-term loan and that commits you in terms of debt that is not good as it fluctuates, and therefore prefer to not a take a loan for more than 6 months.

Funding is a always a problem, Thandiswa exclaims. Other issues that came up were that in terms of workshops, she need to have at least four or five projects as a start-up company that is less than five years old, and you may not have all the required documents and therefore are on your own and do not have any other person to assist with technical support to successful complete the application. At one point, she was drawn to the theme of angel investors but was ghosted and she is not sure if she will even pursue the angel investors moving forward and she is neither hopeful of government grants.

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## Findings and Recommendations

According to the report, in a deeper dive and conversation with the twenty-two (22) focus group participants, the themes gathered through conversation pointed at four recurring challenges when it came to accessing finance. The women in the focus groups pointed out the following: (1) the cost required to access finance are too high, (2) the requirements are inequitable, (3) the turnaround to process the application is too long and (4) the black tax/burden of care comes as a significant cost. Specifically, the women spoke to the lack of technical support and in turn, costs involved in applying for and accessing finance. One focus group respondent points out her frustration in

accessing funding led to *a loss of appetite* to apply for funding. She explains “I did not proceed with the application, purely because I didn't see why I had to pay someone for a grant that is supposed to be free and available

The process was just flawed for me. And I kind of just lost appetite.” Similarly, another respondent hones-in on the cost related to accessing finance, she points out the estimated cost associated, “I have to pay the middleman 3.5% to 5% if it is approved, and then you are still going to pay again another thing in which is interest based... It just doesn't make sense to the business.”

When the women entrepreneurs surveyed were asked about the greatest obstacle and or challenge accessing finance, 50% of women entrepreneurs expressed *a need for additional investor readiness strategies (demand)* and a *need for additional investment literacy (i.e., supply & demand mapping/matching)*. Another 40% of women indicated *I am financially conservative/risk-averse and prefer not to take loans/debts that I am not comfortable knowing I can pay back or a need for more understanding of investment trends (supply)*.