

# White Paper on **Supporting Female-Led Businesses to Grow Sustainably in Nigeria**

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## Problem Statement



*Source : FATE Foundation*

Women in Nigeria make up 49.3%<sup>1</sup> of the population. Given that they are about half of the population and with increasing growth and participation of women in entrepreneurial activity, there is an increasing need to better understand how to support and invest in policies and programs that enable and boost entrepreneurial performance and sustainable growth for female led businesses.

# Data Insights on the State of Female-Led Businesses in Nigeria

## States with the Highest Number of Female-Led Businesses in Nigeria



Source: The FATE Institute

According to the FATE Institute's State of Entrepreneurship in Nigeria 2021 report, 43%<sup>2</sup> of businesses in Nigeria are female-led. Our study which assessed the entrepreneurial performance in Nigeria over a set of defined indicators (Business Performance, Perception of Opportunities, Digital Adoption, Skills Acquisition and Enabling Environment) also showed that states such as Abia, Bauchi, Edo, Gombe, Kwara, Lagos and Oyo had the highest female-led businesses in Nigeria. This corroborates findings from other reports that show that Nigeria has the highest number of female entrepreneurs in the world with female-led businesses constituting 40% of businesses and accounting for 41%<sup>3</sup> ownership of

micro-businesses, with about 23 million female entrepreneurs operating in the segment.

The 2022 Global State of Small Business Report by Meta<sup>4</sup> also showed graphically that Nigerian female-led businesses showed growth in the past year reporting that sales performance between female-led and male-led businesses was almost the same in Nigeria unlike in other countries like Kenya, United Kingdom, Brazil and Germany where male-led businesses reported higher sales than female-led businesses.



Despite grappling with the impact of the pandemic as a vulnerable segment within Nigeria's entrepreneurship ecosystem, Nigerian female-led businesses continue to show resilience and high levels of optimism in the face of impossible odds. Our State of Entrepreneurship 2021 report showed that 65% of female-led businesses experienced growth post-lockdown and 93%<sup>5</sup> expressed high optimism for the future of their businesses.

players take a more intentional approach to supporting this demographic segment for greater impact particularly since investing in female-led businesses produces ripple benefits.

Insights from the PWC 2020 MSME survey<sup>6</sup> show that "women's economic empowerment boosts productivity, increases economic diversification and income equality in addition to other positive development outcomes".

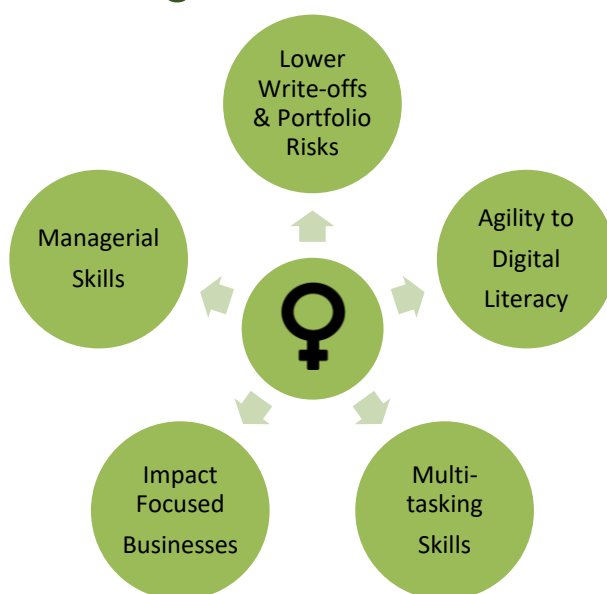


Source: FATE Foundation

While the entrepreneurial drive of Nigerian women is not in question, the high-level of participation of female entrepreneurs is often driven by necessity with many often remaining at cottage or subsistence level. Considering the impact female-led businesses continue to make despite the challenges they face, it is imperative that the government and ecosystem

This White Paper takes a look at how to effectively support female-led businesses to grow sustainably in Nigeria by seeking to understand the challenges female-led businesses face while proffering relevant recommendations and/or interventions.

# Summary of Findings



*The Value-Proposition for Supporting Female-led Businesses in Nigeria*

Using extended depth interviews to get a sense of the challenges female-led businesses face and proposed solutions, the FATE Institute engaged with representatives in three (3) of the states recording high numbers of female-led businesses and some key entrepreneurship ecosystem players across entrepreneurship segments in Nigeria. Entrepreneurship segments according to our 2016 Mapping Study of Nigeria's Entrepreneurship Ecosystem report<sup>7</sup> include Capacity Building, Access to Finance, Access to Markets, Business Support, Access to Resources, Policy & Regulation and Research & Development.

The stakeholders engaged collectively play across the Capacity Building, Business Support, Access to Finance, Access to Markets and Access to Resources segments. The states represented in the conversation were Edo, Kwara and Lagos states while the other ecosystem stakeholders engaged were Access Bank Plc, SME.NG and The FATE Foundation.

From the engagement sessions, we identified the value-proposition for supporting female-led businesses, the challenges facing female-led businesses and recommendations on mitigating such challenges.

## The Value-Proposition for Supporting Female-led Businesses in Nigeria

**Managerial Skills:** Female entrepreneurs were observed to be better at managing resources and business operations.

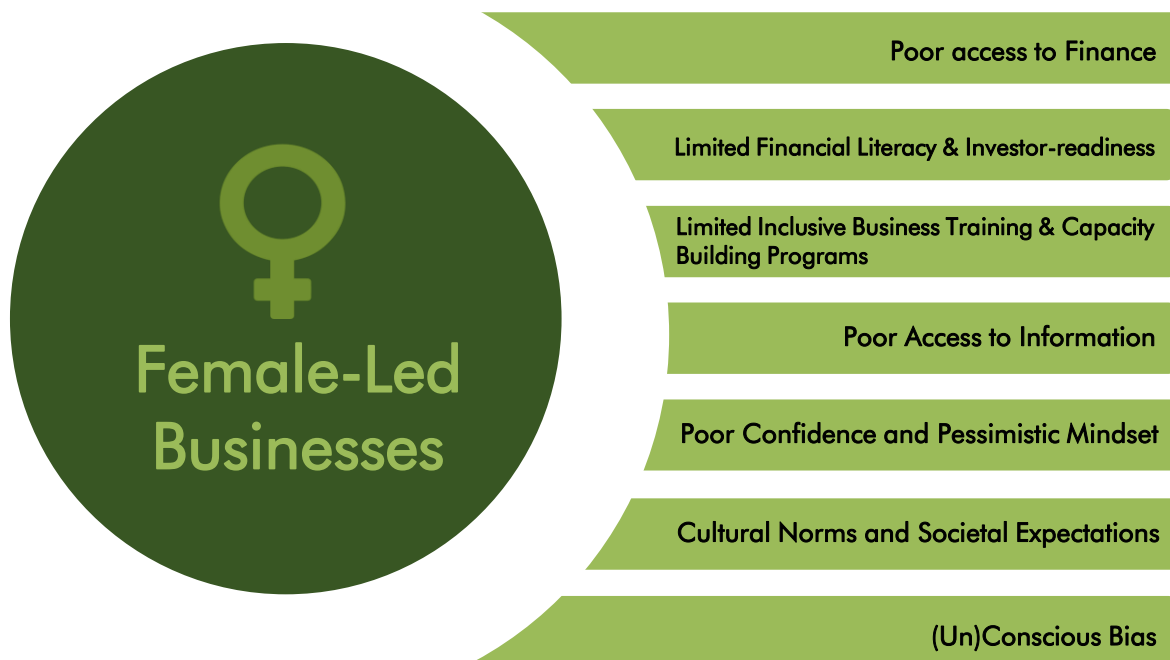
**Lower Write-offs and Portfolio Risks:** Female entrepreneurs were rated highly for having lower write-offs and portfolio risks with stakeholders noting that they were less likely to default on loan payments.

**Agility to Digital Literacy:** Female entrepreneurs were found to be swift in adopting digital literacy skills particularly during and post pandemic lockdown. This feedback aligns with findings from our State of Entrepreneurship study which showed that more than half of the female-led businesses surveyed were swift to pivot to digital channels during and post pandemic lockdown

**Multi-tasking Skills:** Female entrepreneurs were observed to be adept at multi-tasking and handling multiple priorities, often running businesses and households.

**Impact Focused Businesses:** Female-led businesses were also observed to be more impact focused and impact-driven.

# Challenges Facing Female-Led Businesses



*Challenges Facing Female-Led Businesses*

Apart from general challenges experienced within the entrepreneurship ecosystem such as insecurity, multiple taxation, poor enabling business environment, product certification issues etc which affect both female-led and male-led businesses, the stakeholders engaged identified and spoke on the following challenges faced by female-led businesses:

**Poor Access to Finance:** This was the top challenge cited by the stakeholders engaged. Often times, female-led businesses face greater hurdles than their male counterparts when trying to access finance from financial institutions, venture capitalists and other lenders. Female entrepreneurs experience these hurdles because most funding programs lack a gender lens approach in design and seldom take into consideration the specific needs of female-led businesses. For example, for many female-led businesses,

the access to finance problem is a growth finance issue. While the entrepreneurship ecosystem has witnessed an increase in finance programs, most of them are targeted at early stage businesses requiring about N500,000 – N5,000,000 in funding. However, a lot of female-led businesses are unable to access growth financing because there are fewer funding programs providing about N10,000,000 – N50,000,000 and above.

**Limited Financial Literacy and Investor-Readiness:** This challenge was closely linked to the poor access to Finance problem. Many female-led businesses have limited financial literacy particularly with regards to separating personal finance from business finance. Similarly, a lot of female-led businesses have limited knowledge around investor-readiness such as instituting corporate governance and structure within their businesses. This makes it difficult to attract investors.

Limited knowledge around investor-readiness is also evident during pitching sessions where female entrepreneurs often fail to sell their businesses in practical terms using numbers, prototypes, market information etc, preferring to take an emotional approach. Sadly, this challenge continues to influence poor finance access rates by female-led businesses. One of the stakeholders noted that “while limited financial literacy was a general problem, she observed it was more prominent among female-led businesses”.

**Limited Inclusive Business Training and Capacity Building Programs:** Over the years, there has been an influx of training and capacity building programs implemented by ecosystem players across public and private sectors. While the abundance of training programs is great for the ecosystem, the challenge is the lack of a gender-lens approach in the design and implementation. This explains why despite the number of programmes available, we are yet to see corresponding increase in financial literacy and investor-readiness and by extension an increase in the access to finance rates by female entrepreneurs.

**Poor Access to Information:** With an array of programs developed and implemented by diverse players within the ecosystem, there is also a lot of information on programs and opportunities for female-led businesses out there. Interestingly, many female entrepreneurs are vastly unaware of these opportunities necessitating the need for an intentional approach in bridging the access to information gap for female-led businesses.

**Poor Confidence and a Pessimistic Mindset:** This was linked to the access to information problem. While many female entrepreneurs have great ideas, excellent managerial skills and run impact-driven businesses, they often

second-guess themselves, play small and avoid taking risks. Poor confidence levels and a pessimistic mindset often deter female entrepreneurs from leveraging opportunities including programs that are specifically designed for them.

One of the stakeholders noted that “female entrepreneurs were not as confident and daring as their male counterparts, often disqualifying themselves before applying for a program or fund”. Another stakeholder noted that female entrepreneurs take “no” differently. Sharing an example, she noted that often times when male entrepreneurs walk into a bank to access a facility and get denied for unmet criteria, they immediately push to find out the necessary steps to take. She however noted that it was different for female entrepreneurs in the same situation who would often cower instead of pushing through to find a way out.

**Cultural Norms and Societal Expectations:** There was a general consensus on how cultural norms and societal expectations impact female entrepreneurs. For example, a lot of women today are still unable to own land or property culturally and this often impacts their ability to access finance. One of our stakeholders noted that in some cases, women are unable to rent a business or office space without a male chaperone.

Women typically bear the burden of domestic work and unpaid care as it is a societal expectation. The reality for many female entrepreneurs is that they run businesses full time while also running households leaving little or no time to better themselves as business owners e.g. taking a business course. One of the stakeholders noted that “female entrepreneurs run their businesses in the same 9am – 5pm operating structure that suits male entrepreneurs who can be out all day working while their wives tend to the family”.



**(Un)Conscious Bias:** This challenge was closely linked to cultural norms and societal expectations as often times, female entrepreneurs experience un(conscious) bias based on both factors. One of our stakeholders noted that “he observed female-led businesses were often treated differently, adding that there was a general disposition to favor male-led businesses and take them more seriously”.

Many times, “(un)conscious bias sits with lending officers at commercial banks where female entrepreneurs are treated differently in

varying ways e.g. a married female entrepreneur may be treated better than an unmarried female entrepreneur because it is assumed that her husband will help her manage the funds.

In some cases, the questions asked during a funding application process is biased and has no correlation with the female entrepreneur’s competence or track record e.g. married female entrepreneurs being asked if they have their husband’s permission to access finance or single female entrepreneurs being asked to disclose who has bankrolled their businesses so far.



*Source: FATE Foundation*

# Recommendations on Supporting Female-Led Businesses to Grow Sustainably in Nigeria



*Recommendations on Supporting Female-Led Businesses*

The following recommendations were shared to enable female-led businesses grow sustainably in Nigeria:

**Design and Implement Growth Financing programs:** With data showing that female entrepreneurs account for 41%<sup>8</sup> ownership of micro businesses and a mere 23%<sup>9</sup> of small and medium enterprises, it is easy to see that a lot of female entrepreneurs play at micro levels not just because of a poor growth mindset but largely because of the challenges around accessing growth financing. There is an urgent need to design and implement finance programs using a gender lens that specifically addresses the growth stage in female-led businesses. Access to growth financing will enable more female-led businesses grow from nano or micro

enterprises to small and medium enterprises with consequent impact on job creation and contribution to GDP.

**Alternative Finance Structure for Female-led businesses:** Traditional forms of finance requiring collateral automatically exclude female entrepreneurs who often times do not own properties. In light of this, there is the need to rethink the current finance structure, develop and implement alternative financing models such as refundable and non-refundable grants, growth finance etc.

It is also important to educate female entrepreneurs on equity financing as a funding option so that they are better positioned to leverage equity financing opportunities.

### **Adopting a Gender-lens Approach in Business Training and Capacity Building Program**

**Design:** Adopting a gender lens approach in designing business training and capacity building programs is strongly recommended to improve participation by female entrepreneurs. Emphasizing the importance of designing programs using a gender lens, one of our stakeholders shared that when he observed female participatory rate in an entrepreneurship training program implemented in his state was low, he worked with his team to adjust the structure of the program using a gender lens approach, leading to an increase in female participation.

### **Leverage Digitization and Growth Support Services to Improve Financial Literacy**

**Outcomes:** Ecosystem players are encouraged to leverage digitization and growth support services such as corporate governance support, advisory and consulting support etc to enable the improvement of learning outcomes around financial literacy for female entrepreneurs while also helping to better enhance access to finance, particularly growth financing which is a challenge for many female-led businesses.

### **Soft Skills Development around Confidence and Leadership:**

To address confidence and mindset issues among female-led businesses, it is strongly recommended that training and capacity building programs be designed holistically to include soft skills development so as to improve confidence levels, leadership skills, negotiation skills etc for female entrepreneurs.

### **Rethink Communication Approach to Improve Access to Information:**

To improve access to information for female-led businesses, ecosystem players are encouraged to rethink their current approach to communications and make adjustments were necessary. Communication whether oral, written, formal or informal about programs and opportunities must adopt gender inclusive communication and language to advance inclusion efforts for female-led businesses. This is very important particularly if one is targeting specific demographics as picture, imagery, visual or language must be representative of the groups being targeted.

An intentional approach to information dissemination at physical locations, online groups and via platforms that typically appeal to women would contribute to improving access to information. In addition, adopting indigenous languages in publicizing programs and opportunities where possible could improve access to information and participation levels by female entrepreneurs.



*Source: FATE Foundation*

### Design and Implement Inclusive Policies using

**Data:** The design and implementation of inclusive policies using data is a critical factor to consider if we are going to see improved outcomes for female-led businesses.

For example, what is the size of the financing gap for female entrepreneurs in Nigeria? With data made available, there will be clarity on the size of the problem which will influence corresponding actions around policy/program design and implementation. Inclusive policies should reduce the hurdles female entrepreneurs have to cross and take into consideration the different business levels female entrepreneurs operate in including those in the rural areas.

### The Use of Affirmative Action and Targets:

There was strong positive feedback on the implementation of affirmative action and targets at across the states engaged for this paper. In Edo state, the government works with stipulated targets for women in all of its programs. For example, the state government MSME Fund has 60% of the fund earmarked for women. Also, the state-implemented technology program has seen many women emerge as beneficiaries.

Similarly, in Kwara state, the government implements programs with stipulated target numbers to ensure participation from female entrepreneurs in the state. For example, the state training and funding programs have a minimum target of 40% female-entrepreneur participation.

In Lagos state, the Lagos State Employment Trust Fund (LSETF) runs a Digital & Financial Literacy Program targeted at 70% Female led Vulnerable businesses.

**Access to Markets:** This is a critical component that will enable female-led businesses grow sustainably in Nigeria. To engender access to markets, entrepreneurship ecosystem players across public, private and development sectors can adopt a gender-inclusive sourcing approach that stipulates procurement targets and increases corporate spend to female-led businesses. This will boost access to markets for female-led businesses.

**Collaboration and Partnerships:** Strengthening partnerships and collaborations across board – public, private and development sectors, will ensure that efforts are coordinated and targeted at addressing the gaps and challenges impacting female-led businesses for improved outcomes.



Source: FATE Foundation



# Ongoing Programs for Female-Led Businesses Offered by Stakeholders Engaged



Source: FATE Foundation



## Edo State Skills Development Agency (EdoJobs) – Edo State

- MSME Fund with 60% threshold for women
- Tech programs with a favorable disposition to women
- Sectoral Training programs
- Find out more – [www.edojobs.careers](http://www.edojobs.careers)



## **KWARA STATE** SOCIAL INVESTMENT PROGRAMMES

## The Kwara State Social Investment Programmes (KWASSIPs) – Kwara State

- Women empowerment programs including the NG-Cares Loan program which has a stipulated target for female-led businesses
- Find out more - <https://www.kwassip.org/>





### Access Bank

- W-Initiative: An all-encompassing one-stop center providing women empowerment offerings like capacity building programs exclusive to women, mentoring programmes, loan schemes etc.
- Access Bank also provides investor-readiness programs, runs a Womenpreneur Hecathon program in partnership with IFC and partners with Facebook and Google to provide capacity building to female-led businesses
- Find out more - <https://thewcommunity.com/>



### Lagos State Employment Trust Fund (LSETF) – Lagos State

- Loans: W-Initiative loan designed for female-led businesses which provides N500,000 to N5,000,000 at single digit interest rate of 9% over 12 months. Businesses must be at least 50% owned by women to access this loan
- Digital & Financial Literacy Program targeted at 70% Female led Vulnerable businesses.
- Find out more - <https://lsetf.ng/>



### SME.ING

- SheWorksHere: Bespoke all-women accelerator program that helps women build scalable businesses by supporting them to become investment ready, acquire seed-funding and investment and linking them with appropriate networks and mentors.
- SWOB Grants: The SheWorksHere Women-owned Businesses (SWOB) grant facility supports women with grants and loans.
- Market App: The Ebi Marketplace is Nigeria's first e-commerce platform for female-led businesses which also has resources to support female entrepreneurs.
- Find out more - <https://nigeriasme.ng/>

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## About The FATE Institute

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The FATE Institute is the research, policy and advocacy arm of FATE Foundation which leads innovative thinking and creates platforms to enable idea exchange and problem-solving strategies to foster sustainable entrepreneurship in Nigeria.

Since inception in 2015, the FATE Institute has published 12 thought leadership reports on Nigeria's Micro, Small and Medium Enterprises (MSMEs) and entrepreneurs; held a yearly Policy Dialogue on Entrepreneurship; and in 2021 launched a quarterly Policy Workshop series. The Institute also recently developed the Enterprise Data Map platform to track data and insights within the ecosystem.

The FATE Institute is a member of the Global Entrepreneurship Research Network (GERN), Aspen Network of Development Entrepreneurs (ANDE) West Africa and also the Facilitator of the Nigerian Economic Summit Group (NESG) MSME Community of Practice.



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