

Funding women-led businesses is crucial for economic development

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Despite the relative sophistication of its economy and business environment, South Africa's record as regards its promotion of women in the business environment is poor.



Keoleboge Malela, ESG manager at Norsad Capital

For instance, although the South African stock exchange, the Johannesburg stock exchange (JSE), is the largest in Africa, it reflects the dearth of women in executive positions in the country's listed companies. Figures from October last year show that there were just four female CEOs among the top 40 JSE-listed companies. Moreover, only 5% of all listed companies have a female CEO. As for salaries, the gender pay gap is bigger at listed companies than in unlisted ones. Add to this the fact that women were those most severely affected by the pandemic in our country: of the three million South Africans who lost their jobs as a result of Covid-19 and lockdown, two million were women.

While all this may be quite entrenched in our country, there are reasons to be concerned. For one, we are losing out on potential economic growth – something that is sorely needed in South Africa. The fact that growth in the economy could be better if we involved women more is backed up by a study done by the Boston Consulting Group, which highlighted that if women participated equally as entrepreneurs, the global economy would grow somewhere between 3% and 6%. Additionally, there is research that confirms that, as regards investment, a focus on gender in investment decisions is likely to make companies more competitive and to improve human capital.

"Many regions of the world have begun to understand that women-focused investment is crucial," explains Keoleboge Malela, ESG manager at Norsad Capital. This shift in focus is beginning to impact female entrepreneurs in positive ways. For example, last year, female-led startups in Africa attracted \$288m in funding, considerably more than the \$52m achieved in 2019.

"This is good to see," says Malela, "but it's just the beginning. Male-led startups still attract a great deal more funding." In addition, the scarcity of funding impacts women in a range of other ways, including their ability to secure good employment and the business world's ineffectiveness in innovating to produce quality products targeting the female market.

It is against this thinking that Norsad Capital has developed its approach to making funds available to women-owned businesses. According to Malela, "We've adopted a gender lens when it comes to assessing potential investment. As a

result of this approach, between 2019 and 2021, we saw an increase of 61% in women's jobs in the companies we chose to invest in."

Malela believes that investment firms and funders should add gender issues to their due diligence programmes. "One does not need to focus exclusively on female ownership," she explains. "A look at the number of women on the executive team of the business, as well as the size of the female staff complement, and whether the products or services it provides have a positive impact on women, provides a good indication as to whether the firm shows an understanding of the issues facing women."

Norsad Capital has itself implemented policies geared to further the interests of women on its staff. According to the latest Norsad Capital Impact Report, just over half the employees are women. More significantly, a significant number of professional staff are female, and there is solid representation of women at board level.

If women are to take their place as equal citizens in our country, this must include their ability to run and to grow businesses. Funders should be taking note.

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