

Gender and Entrepreneurship in the Informal Sector: An African perspective

Entrepreneurship in the selected African countries has arisen out of necessity rather than opportunity. Findings show that generally a higher share of female entrepreneurs have been pushed into the informal sector to make a living than their male counter-parts. The informal sector is viewed as a sector that can contribute to inclusive growth and has become a domain for the poor and marginalised. Though women are the majority participants in the informal sector in most of the countries surveyed, evidence of gender segmentation was found within this sector. The study reveals evidence of inequalities between men and women, especially in terms of education, income and access to financial resources. These factors in turn contributed to the gender differences in access and use of ICTs for business purposes.

RIA Policy Brief No.....

July 2013

Higher share of females pushed into the informal sector

More women were pushed into the informal sector than men. This was more pronounced in Namibia, Ethiopia, Tanzania and South Africa where over three quarters of the women that owned a business were pushed rather than pulled into doing so.

Women lag behind men in education and income

While education attained between men and women at primary and secondary levels was more or less on par, greater differences were found between males and females at the tertiary level. At the individual level, women were found to have lower levels of income than men.

Lack of access to financial resources hinders entrepreneurs

Though the exclusion from formal financial services faced by informal businesses is not only unique to women, the study showed that a larger proportion of female entrepreneurs had no access to bank accounts in comparison to male entrepreneurs.

Gender differences in ICT access and use for business purposes vary

The differences in how male and female owned businesses use ICTs vary across countries, however there is in general a relatively low level of use among businesses owned by women.

Introduction

Faced with barriers to entrepreneurship in the formal sector, both men and women have found refuge in the informal sector. Women are faced with structural constraints such as lack of access to education, income, assets and limited access to financial resources and the formal banking system. The growth of informal businesses has been on the rise, and some of the countries are found to have more female run businesses. Women continue to face the same structural constraints encountered in the formal sector, which limit the choices they make in the informal sector. This paper, through the conceptual lens of inclusive growth as developed by James Heintz (2012), shows evidence of inequalities between male and female entrepreneurs. The pervasiveness of inequality between men and women has impacted on business operations, income and the use of ICTs especially by female entrepreneurs. Consequently, women continue to be marginalised and excluded from growth opportunities.

countries surveyed the average individual income for women was less than men. Though in general not many people have a bank account, in most of the countries females had fewer bank accounts in comparison to men with the exception of Cameroon and Namibia.

Similar trends are found in terms of education between men and women. The percentage of women with primary and secondary education was more or less on par with men. However, at the tertiary level in most countries there were a greater percentage of men that have tertiary education compared to women. These inequalities play a major role in the differences between male and female run businesses and their access and use of ICTs for business purposes.

Informal sector a domain for the poor and marginalised

Both men and women in Africa have been pushed into informal businesses due to the lack of formal employment. The informal sector is viewed as a domain that could bring about inclusive growth as it provides refuge for the poor and marginalised.

Sex disaggregated data of the motivating factors for starting a business showed that amongst the female respondents, the majority had been “pushed” into entrepreneurship and this is so across all countries with the exception of Kenya, where slightly more women were “pulled” into entrepreneurship. Though in most of the countries the majority of male owners started their business as a means of making a living (“pushed”), we find more men being “pulled” into entrepreneurship in five of the 11 countries surveyed. This indicates that those who go into business in the informal sector as a way of making a living and finding some form of employment are mostly women.

The results showed inequalities in income that exist between randomly selected male and female individuals at the household level. In all the

Gender and entrepreneurship

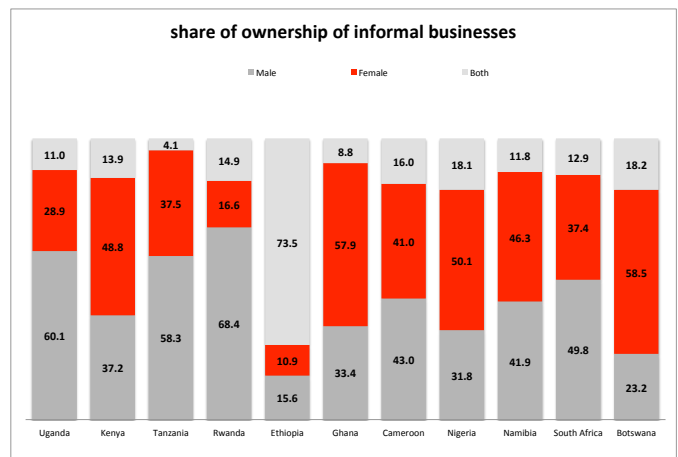


Figure 1: Ownership of businesses by gender (Source: Research ICT Africa, 2013)

From an African perspective, the RIA survey results show a mix in the ownership of business across the countries studied. In most of the East African countries, the majority of informal businesses are owned by men, except in Kenya where there are more women owned businesses. This dynamics is different in the case of the West and Southern African countries; in particular Ghana, Nigeria, Namibia and Botswana,

were the results show that there are more women owned informal businesses than male owned ones. In South Africa and Cameroon there are more male owned informal businesses. Ethiopia shows a unique picture where both men and women own the majority of informal businesses.

Entrepreneurs and the use of ICTs

Mobile phones have been found to be the only ICT widely used amongst informal businesses while the use of fixed lines, computers and the internet were negligible. With mobile phone being the most commonly used ICT among informal businesses, it is not surprising that it is the tool most widely used to communicate with suppliers and customers. Though the sex-disaggregated data does not show much difference in the use of fixed lines, the share of male owned businesses using fixed lines was slightly higher than female owned ones in most of the countries except for Botswana, Rwanda and Kenya where a slightly higher share of female owned businesses had access to fixed lines. Nonetheless, the use of fixed lines remained marginal. This is in sharp contrast to mobile phones which had higher usage levels and the gender differences were even greater with a much higher share of male owned businesses using mobile phones than female owned businesses. The level of inequalities between men and women are more pronounced in Ethiopia where 46.4 % male owned businesses used mobile phones for business purposes in comparison to 3.2% female owned business.

Table 1: Informal businesses using fixed-lines and mobile

	with a working fixed line			using mobile phones for business purposes		
	National	Male Owner	Female Owner	National	Male Owner	Female Owner
Botswana	3.5%	0.9%	2.0%	42.3%	45.4%	36.8%
Cameroon	1.3%	0.6%	0.3%	56.2%	68.0%	40.9%
Ethiopia	0.3%	1.8%	0.4%	12.3%	46.4%	3.2%
Ghana	0.7%	1.4%	0.2%	44.9%	57.3%	35.7%
Kenya	0.1%	0.0%	0.1%	67.4%	70.3%	62%
Namibia	4.1%	5.9%	2.7%	51.9%	60.5%	45.3%
Nigeria	0.2%	0.2%	0.1%	44.2%	57.3%	37.2%
Rwanda	1.3%	1.2%	2.0%	53.4%	54.5%	44.9%
South Africa	15.0%	12.8%	12.7%	49.5%	55.0%	38.3%
Tanzania	1.0%	1.7%	0.0%	44.4%	46.6%	39.8%
Uganda	6.9%	8.0%	6.1%	67.9%	68.9%	63.9%

Though computer usage was very low among businesses across all countries, its use by female owned informal businesses was a little higher than men in Cameroon, Rwanda, and Uganda. In South Africa, Tanzania and Uganda, there was a slightly more share of female owned businesses with a working Internet connection. These mixed results suggest that there could be other reasons affecting the differences in the use of ICTs other than the gender of the business owners.

A Model of Income in the Informal Sector

It has been identified that women continue to be marginalised even within the informal sector. Demonstrating this through a model on the business data was not possible as businesses fall into diverse sectors and would therefore need to be analysed based on particular sectors. In order to gain insight into the inequalities within the informal sector, having shown the different descriptive gender dynamics, the study uses earnings in terms of self employment income, property income or income from agricultural produce and farming to make up the income earned within the informal sector. This variable is then modelled to determine the gender differences in income within the informal sector.

The results show that females earn less income from self-employment in comparison to males. This variable is a significant determinant of income within the informal sector. Despite the findings that most of those in the informal sector have mainly primary and secondary education, the model reveals that years of formal education does have a positive and significant impact on income earned from self-employment. The model shows that having a mobile phone and using

the Internet can boost income earned in the informal sector. This model confirms that there is a gap in income earned by men and women even within the informal sector. The low income earned by women can be a contributing and an underlying factor to some of the other challenges and constraints they face in running and conducting their business activities.

Conclusions and policy implications

Entrepreneurship in the selected African countries has arisen out of necessity rather than opportunity. Both men and women have been pushed into the informal sector following the failure of the formal sector to provide employment. The informal sector is viewed as a sector that can contribute to inclusive growth and has become a domain for the poor and marginalised. Findings show that generally in most of the countries surveyed a higher proportion of female entrepreneurs were pushed into the informal sector to make a living than their male counterparts. While the education level between men and women at primary and secondary levels was more or less on par, greater gender differences were found at the tertiary level. In terms of income at the individual level, results showed that women had lower levels of income than men. Evidence of gender segmentation was further found within the informal sector.

Further findings showed that women and men were both faced with financial constraints in terms of access to formal banking channels, however a lower number of female entrepreneurs had access to bank accounts than male entrepreneurs. The structural constraints and inequalities between men and women have not been reduced and thus women continue to be excluded from opportunities preventing them from participating fully in economic growth and development. In addition, these structural factors have influenced the differences between male and female entrepreneurs in terms of access and use of ICTs for business purposes. This paper shows that diffusion of ICTs does not necessarily lead to inclusion. The results show that although gender gaps were found in the access and use of ICTs, gender alone could not be the contributing factor as results varied across countries.

From a policy perspective in order to lessen the inequality between men and women, policy makers need to address issues around social stratification. Given that research has found that entrepreneurship among women can lead to growth and development, policy makers need to ensure that they create a business environment that encourages informal entrepreneurs to acquire the necessary business skills to grow their businesses. In addition, informal entrepreneurs need to be equipped with the necessary ICT skills. Policy makers can narrow the skills gap between men and women by facilitating ICT skills training programmes. This would include partnering with civil society and government to provide vocational training especially for women to address the education gap between men and women in order to increase their earning potential. Policy makers need to address issues around bank deposit fees which has often been a deterrent to opening formal banking accounts. Mobile money is viewed as having the potential to narrow the financial gap between the banked and unbanked however the adoption of this service in the selected African countries has been uneven.

Most of the cited reasons for the lack of use of ICTs were around affordability, access and non-availability. Policy makers need to address broader issues around affordability and access to ensure full and sustainable participation of both male and female entrepreneurs. From a policy perspective there are other issues that may play a role in access to and use of ICTs other than education, income or access to financial resources that require further exploration. Policy makers need to create an environment that will empower businesses to be able to make use of ICT devices to expand and improve on the efficiency of their businesses.

Paper prepared by Mpho Moyo and Mariama Deen-Swarray Contact mmoyo@researchictafrica.net for further information.