



Lioness Data

Lionesses Business Confidence Report

Assessing the Business Confidence Levels of Africa's Leading Women Entrepreneurs, Including Their Confidence in Obtaining Growth Finance

2022



NEW YORK UNIVERSITY



FOREWORD



Across the African continent, women entrepreneurs are pivoting and reinventing themselves to address the multiple ongoing crisis including the COVID-19 Pandemic and the Ukrainian food crisis. As part of the reinvention process, they have and are adapting to new working models including remote work, e-commerce and all types of digital technologies and tools to make them more efficient, visible, and competitive.

As African Women SMEs pivot in this new era, access to financial services is critical to help them grow and reach scale.

Even before the pandemic, women-led businesses faced significant challenges accessing financing, as they often lack the financial track record and collateral required to secure business loans; causing financial institutions to perceive them as being a risky segment. The African Development Bank, through its Affirmative Finance Action for Women in Africa

Initiative (AFAWA), is committed to accelerating women entrepreneurs' ability to access finance and the required knowledge to grow their businesses and create jobs. AFAWA aims to unlock up to \$5 billion by 2026, in collaboration with financial institutions and women entrepreneurs.

The Bank is also committed to working with African governments to ensure that inclusive policies are in place to enhance women entrepreneurs' ability to access financing and trade.

The second edition of the Lionesses Business Confidence Report and Index comes at a critical moment, allowing us to benchmark last year's data and evaluate African women-owned business performance, access to finance, and digital transformation. Furthermore, it allows us to learn how Africa's top women business leaders assess the state of their businesses compared to one year ago and what opportunities they see for themselves in the upcoming year.

The Bank, through the AFAWA Initiative, is pleased to collaborate with Lionesses of Africa on the latest Lionesses Business Confidence Report and Index. We hope women entrepreneurs, financial institutions, and governments use the rich data provided to make strong business and policy decisions to unlock the potential of women-owned businesses across the continent.

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African Development Bank

INTRODUCTION

This Lionesses Business Confidence Report shares insights derived from a survey of Africa's leading women entrepreneurs. The report leverages Lionesses of Africa's established 100 Lionesses network, a project that identifies and celebrates 100 leading African businesswomen whose examples inspire other women to pursue and realize their dreams of founding and growing successful businesses. These highly experienced women entrepreneurs have built successful businesses at scale, across a wide range of industry sectors. They represent the footprint of the Lionesses of Africa network across the continent, including North Africa, East Africa, West Africa, Central Africa and Southern Africa.

This report precedes the Lionesses Business Confidence Index (LBCI), derived from responses collected from the 100 Lionesses in first-quarter 2022. The experiences and perspectives of these business leaders provide context to the LBCI, especially in light of COVID-19's impact on global supply chains, market uncertainty, and inflation.

LBCI will provide a forward-looking view of the African economy from the perspective of leading women entrepreneurs, surveying their confidence in their national economies as well as their businesses, capital spending, hiring, revenues, and ability to access financing. This report, in contrast, addresses the response of leading women entrepreneurs to the challenges of the business environment, including their ability to obtain finance to grow and ability to digitize their businesses.



FOCUS

This report focuses on four key areas:



The impact of COVID-19 on business performance. Leading women entrepreneurs report on their satisfaction with actual versus expected revenues for first-quarter 2022 and the time they expect it will take for them to return to pre-COVID-19 business activity.



How leading women entrepreneurs financed their companies' activities through 2021 and into first-quarter 2022 and where they sourced these funds. It also sheds light on whether these women will be looking to source external financing going forward and how confident they feel in the willingness of financial institutions to provide it.



The importance of digital transformation. Africa's leading women entrepreneurs report their confidence in their companies' digital capabilities and how they plan to change spending on digital technology.

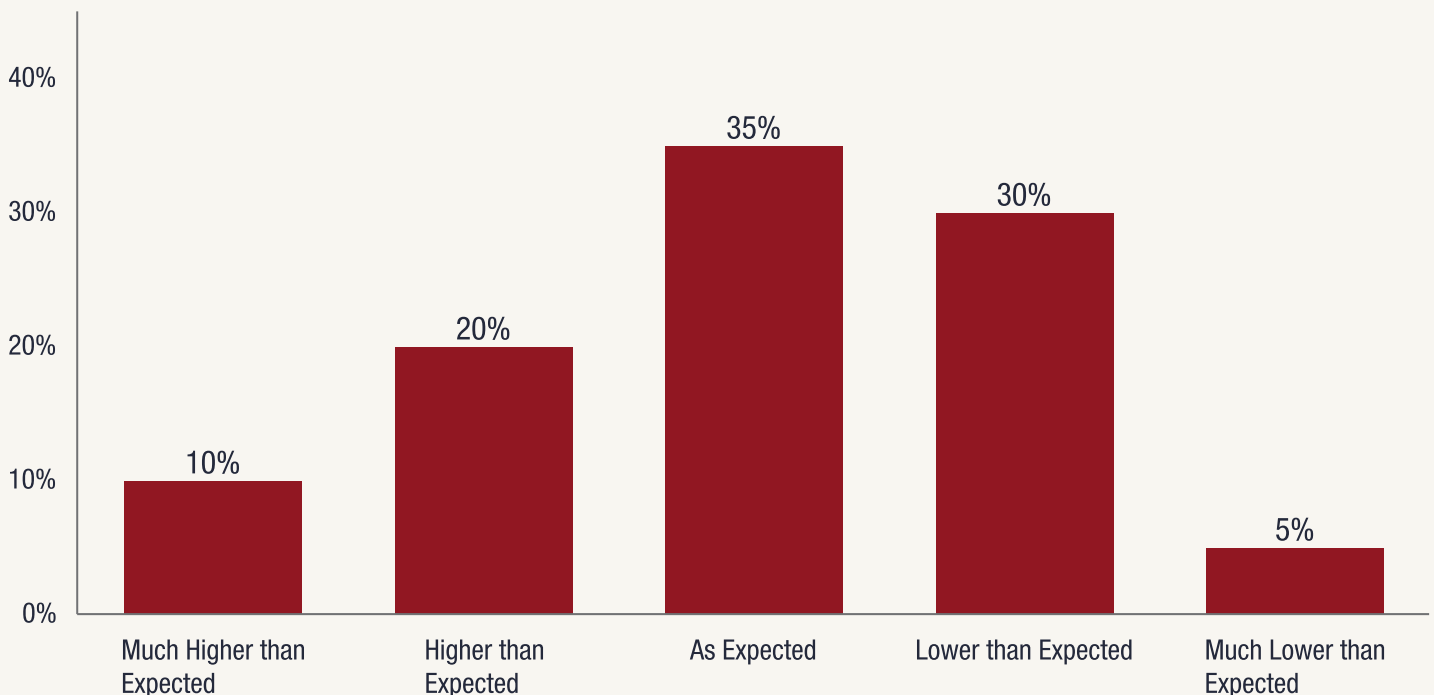


How Africa's leading women entrepreneurs assess the state of their businesses now compared to a year ago and their expectations for their businesses next year. Leading women entrepreneurs also identify the most important challenges facing their companies in 2022.

FIRST QUARTER SALES REVENUES

The Lionesses Business Confidence Survey illuminates how COVID-19 is affecting Africa’s leading women entrepreneurs and how their businesses are performing relative to their expectations. Lionesses were asked how first-quarter sales in 2022 compared with their prior revenue expectations for the quarter. They report mixed first-quarter sales revenues: 30% reported that first-quarter revenues exceeded expectations (10% reported revenues were “much higher than expected” and 20% “higher than expected”), 35% “as expected,” and 35% did not meet expectations (30% “lower than expected” and 5% “much lower than expected”). There is a net-negative of -5% for first-quarter revenues.¹ This is a more pessimistic revenue outlook compared with the 2021 report, when Lionesses reported a net-positive revenue expectation of +2%.

Based on Your Expectations, Rate Your Company’s Sales Revenues for First-Quarter 2022 (January, February, and March).



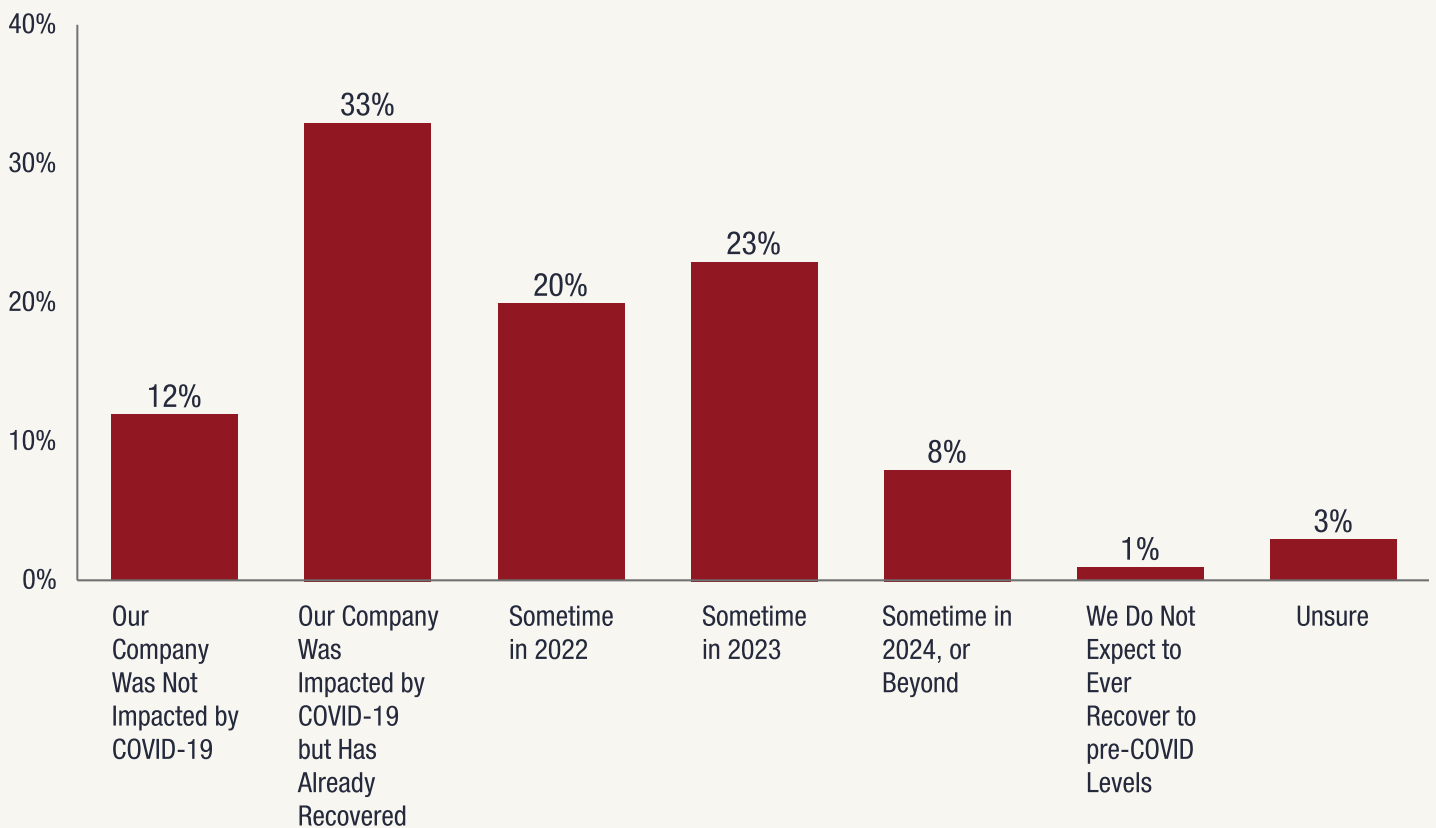
There was some regional variation in first-quarter revenue experiences. Lionesses in Southern Africa were more likely to respond that sales revenues exceeded their expectations, and Lionesses in North Africa were more likely to report that sales revenues were lower than expected.

¹The net-positive (or negative) is the difference between the percentage of respondents who reported that their Q1 2022 revenues were higher than expected and the percentage who reported that their revenues were lower than expected.

COVID RECOVERY

The Lionesses Business Confidence Survey provides an opportunity to learn about leading businesswomen's expectations for when their businesses will recover from the impact of the COVID-19 pandemic. A majority (65%) indicate that their businesses were quite resilient, responding that they either weren't impacted by the pandemic, have already recovered, or expect to recover during 2022. A minority (8%) expect a recovery to pre-COVID-19 levels in 2024 or beyond and 3% are unsure when their businesses will recover. 1% report they do not ever expect to recover to pre-COVID-19 levels.

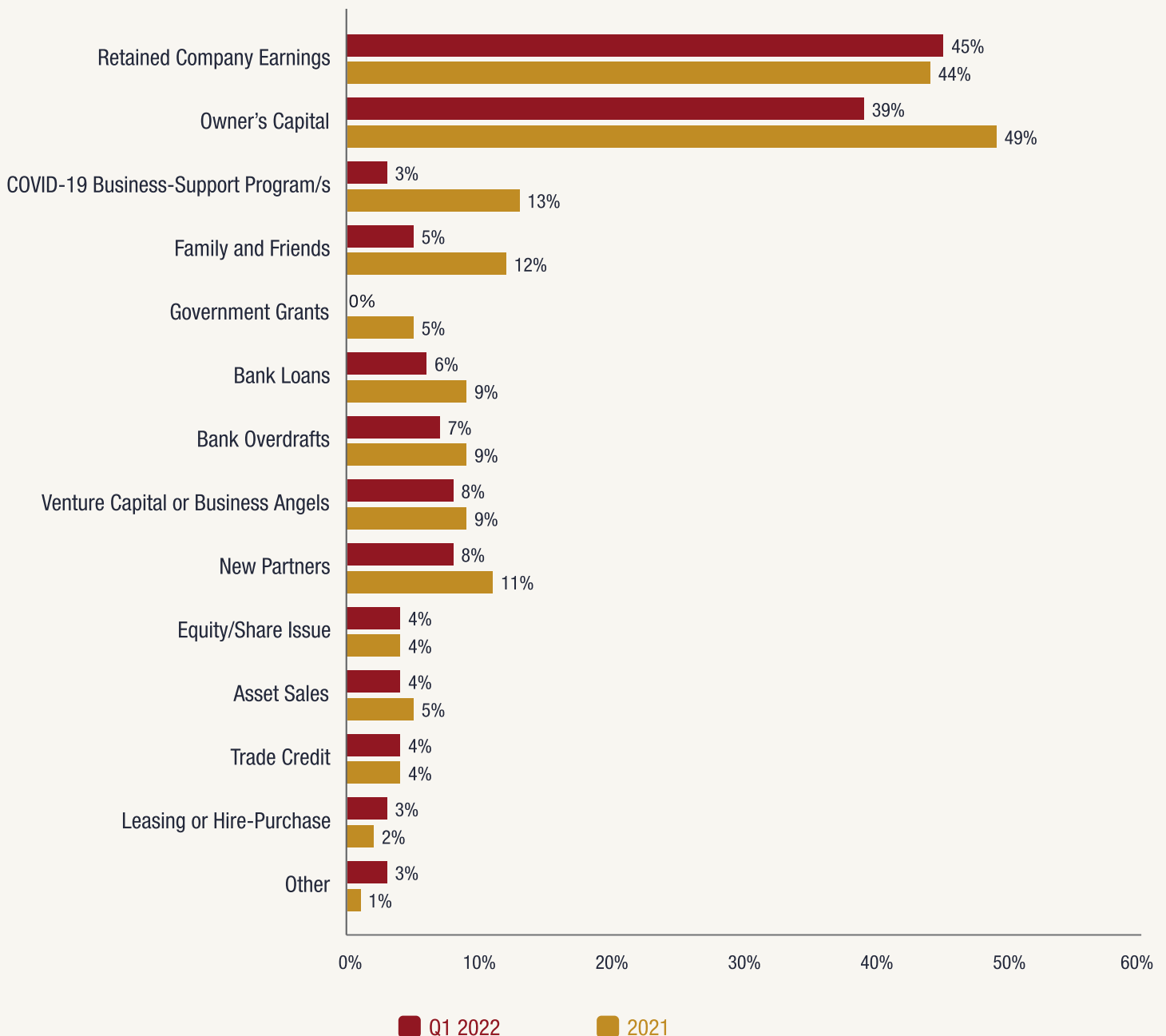
When Do You Expect Your Company to Recover to pre-COVID-19 Levels?



SOURCES OF FINANCING

The Lionesses were asked where they sourced funds to finance their company activities through 2021 and into the first quarter of 2022. The most common source of financing was retained company earnings and owner’s capital. The use of retained earnings was similar in 2021 and Q1 2022, but there was a slight decrease in the use of owner’s capital in Q1 2022 compared with 2021. There was a sizable decrease in COVID-19 business support and government grants as a means to finance company activities in Q1 2022 compared with 2021.

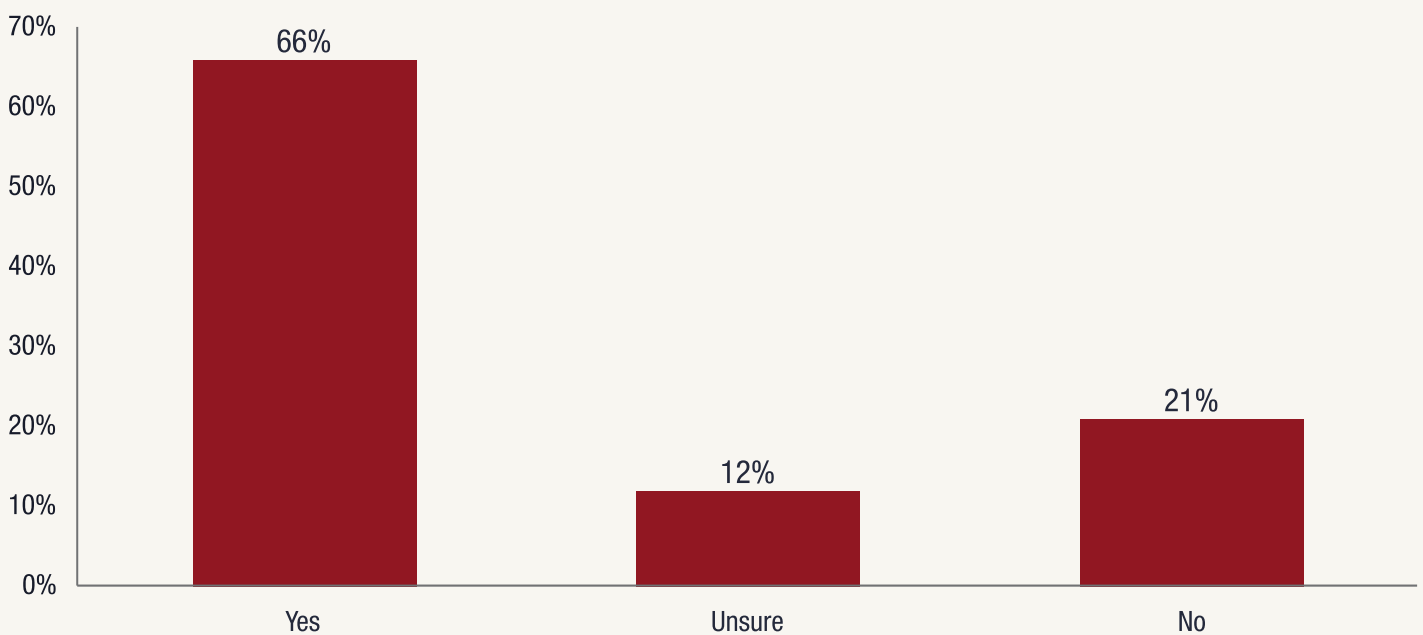
Did You Use Any of the Following Sources of Financing to Fund Your Company’s Activities?



SEEKING EXTERNAL FINANCING

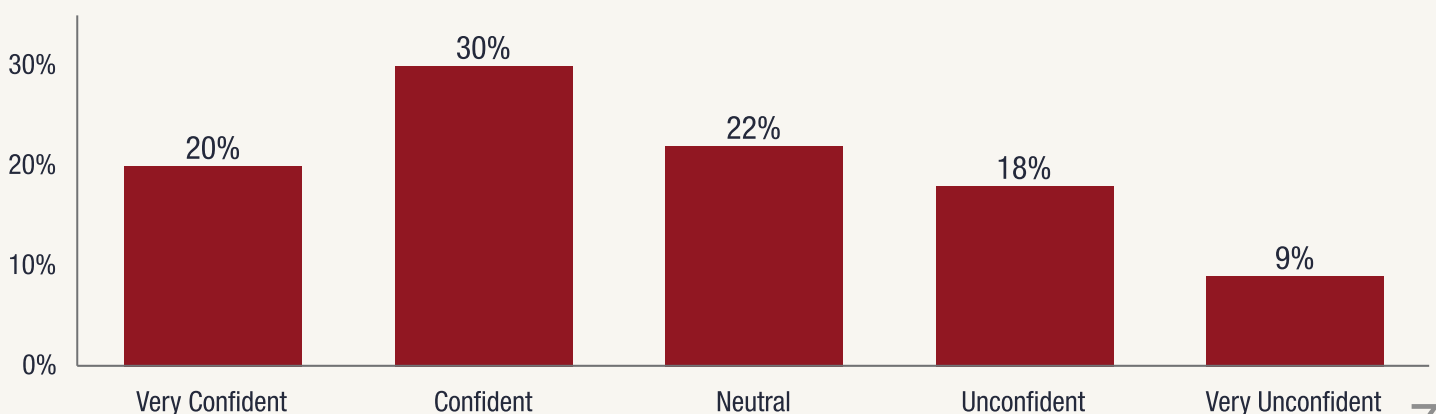
The Lionesses Business Confidence Survey addresses the external financing plans of Africa's leading businesswomen over the next six months and how confident they feel in the willingness of financial institutions to provide these funds. Across regions, there is widespread interest in securing external financing; 66% report they anticipate looking for it in the near future (up from 61% in 2021).

Will You Be Looking for Any External Sources of Financing to Fund Your Company's Activities in the Next Six Months?



More of the Lionesses (50%) anticipate that financial institutions will be willing to provide loans or credit to their business in the next six months than lack confidence in their willingness to provide funds (27%), while 22% were neutral. Lionesses in East Africa report the greatest confidence in the willingness of financial institutions to provide funds. Compared with 2021, more Lionesses in 2022 anticipate seeking funds and they express more confidence in their ability to secure them.

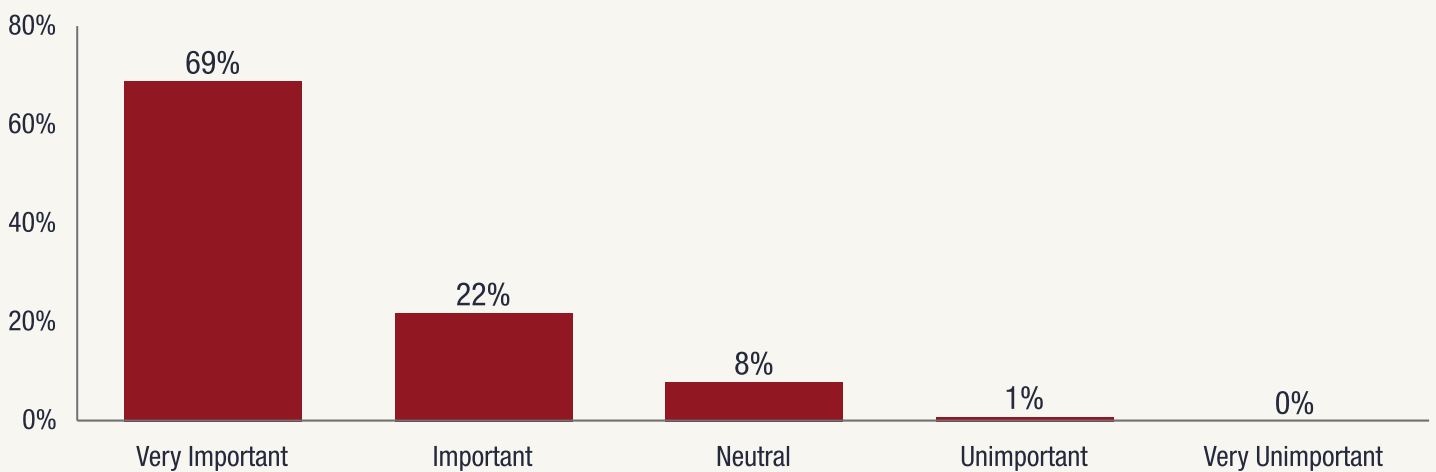
How Confident Do You Feel in the Willingness of Financial Institutions to Provide Your Company with Loans or Credit in the Next Six Months?



DIGITAL TRANSFORMATION

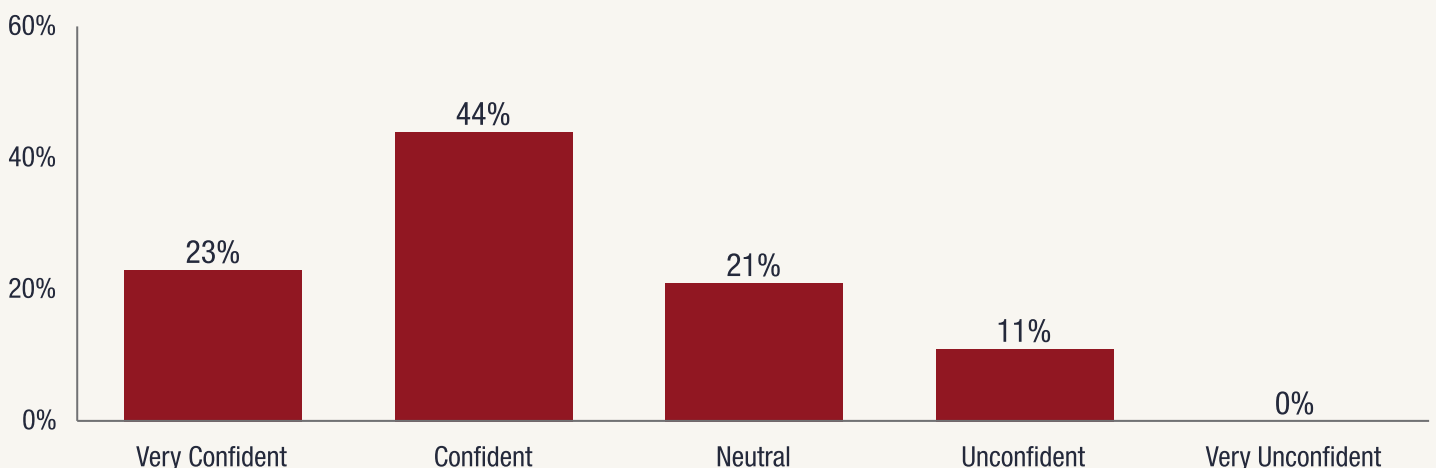
The Lionesses Business Confidence Survey demonstrates the importance of digital transformation to Africa's leading women entrepreneurs in the time of COVID-19. 91% regard digital transformation to be important to their company (69% reported "very important" and 22% "important"), and only 1% regard it as inconsequential.

How Important Is Digital Transformation to Your Company as a Result of COVID-19?



Despite the overwhelming recognition of the importance of digital transformation to their companies, only two-thirds express confidence in their companies' current digital capabilities. Lionesses in North Africa were the least confident, with only half reporting they are "confident" or "very confident" in their capabilities.

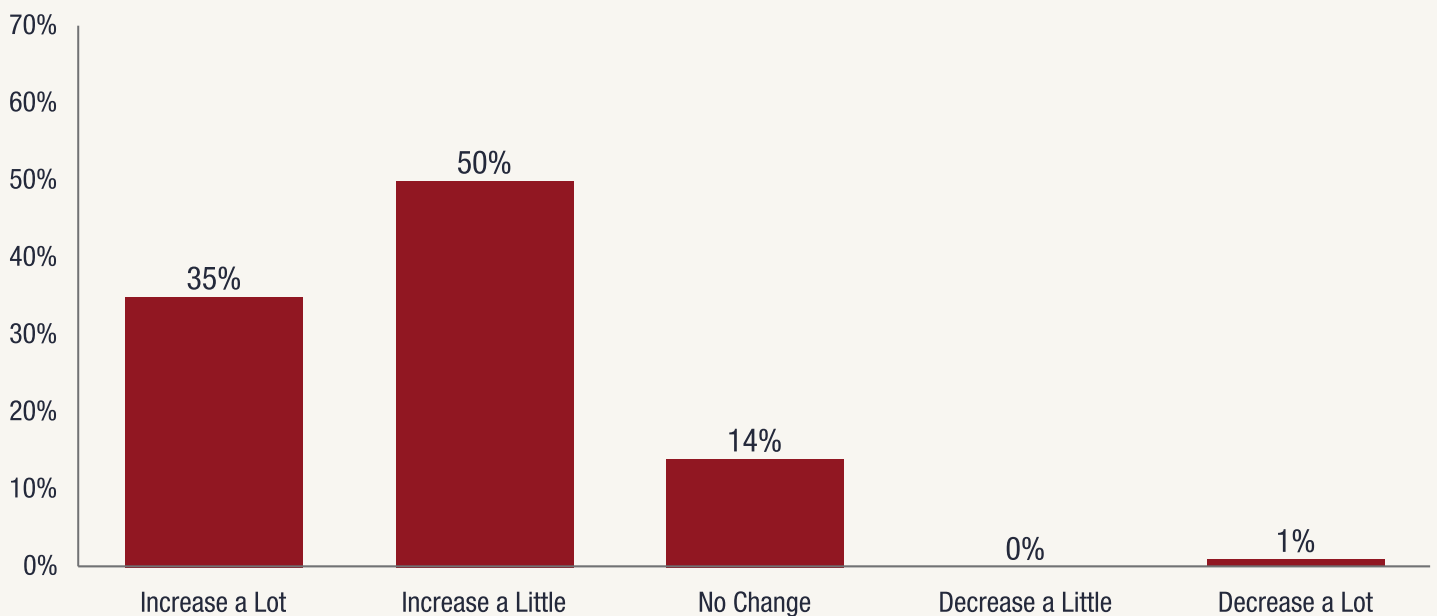
How Confident Are You in Your Company's Current Digital Capabilities to Meet Your Needs?



DIGITAL SPENDING PLANS

Leading women entrepreneurs also reported on how they plan to change spending on digital technology, with the vast majority anticipating an increase in spending (85% reported plans to increase spending; 50% “a little” and 35% “a lot”). Lionesses in East Africa were significantly more likely to report plans to increase digital spending than Lionesses in other regions, with 92% reporting plans to increase digital spending and 42% reporting plans to increase spending “a lot.” Lionesses who report low confidence in their digital capabilities were more likely to report plans to increase spending on digital technology “a lot.”

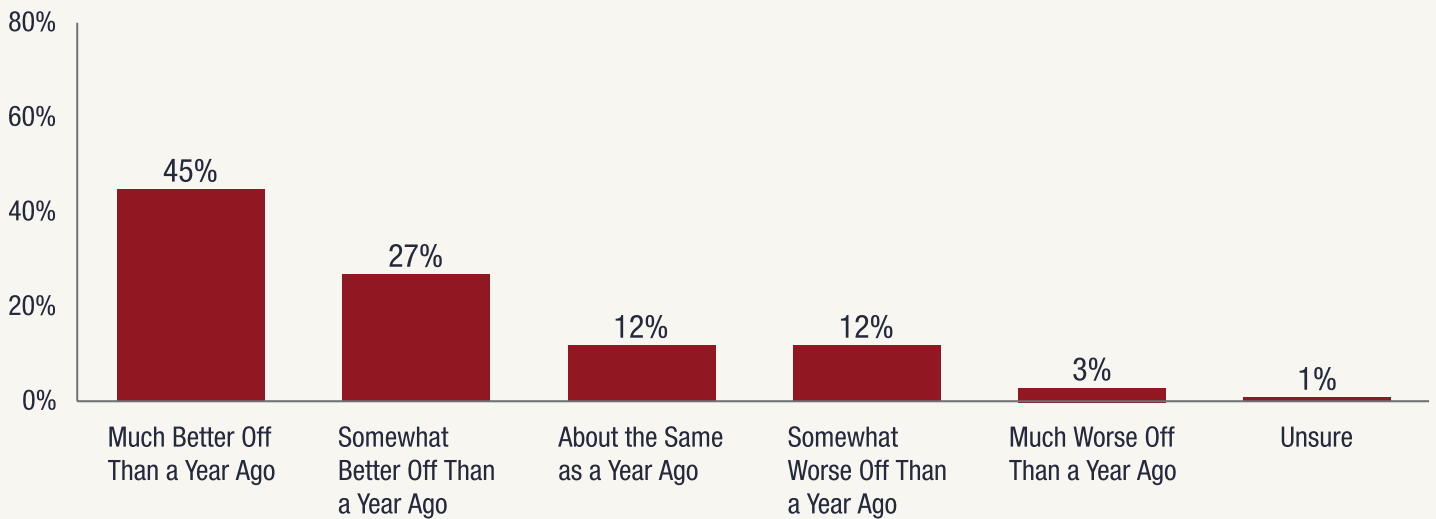
How Do You Plan to Change Spending on Digital Technology over the Next Six Months, Compared with the Previous Six Months?



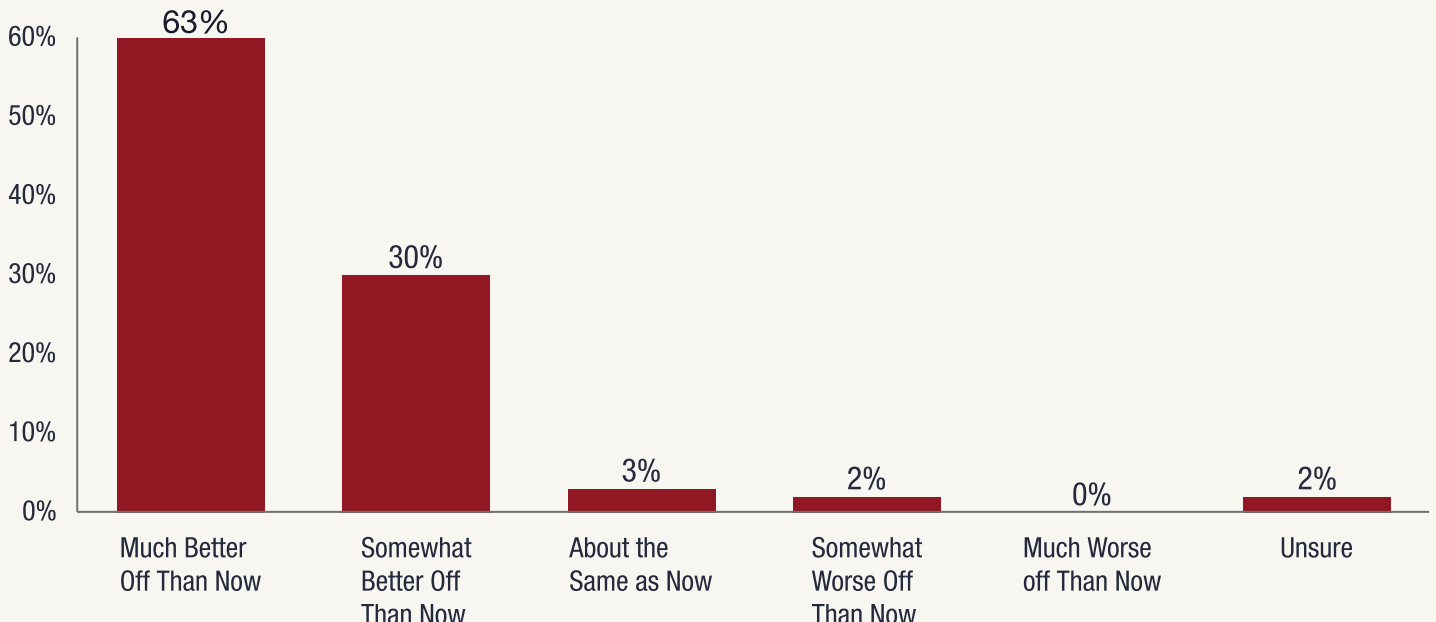
STATE OF THEIR COMPANIES

Lionesses were asked to compare the state of their companies now to a year ago and to their expectations for their companies a year from now. There was widespread optimism. A majority (72%) consider the state of their company to be better now than a year ago and only 15% considered their companies to be worse off (a net-positive of 57%). Looking ahead, the vast majority (93%) anticipate their companies will be better off a year from now, with only 2% anticipating that their companies will be worse off (a sizable net-positive of 91%).

Thinking About the Overall State of Your Company Now *Compared to a Year Ago (First-Quarter 2021)*, Would You Say Your Business Now is...



Thinking Ahead *One Year From Now (First-Quarter 2023)* Do You Anticipate That the Overall State of Your Business Will Be...



LIONESSE INSIGHTS

Lionesses were asked an open-ended question to solicit their insights about the most important challenges facing their businesses.

What do you think is the most important challenge facing your company in 2022?

Lionesses share several common challenges. They say that access to finance to help grow their business is thwarting their growth plans. Access to human capital is also a concern, with many reporting challenges in hiring appropriately skilled staff. Inflation has resulted in rising input costs and is leading to unanticipated changes in consumer behavior, and many have been adversely affected by unstable global market conditions and by supply-chain interruptions.

“A challenge is finding capital to support the business, considering that major clients require credit lines.”

—Mozambique

“Finding people with the required skill sets to fill some specific roles within the company, and hiring people who are committed and open to growing with the company.”

—Nigeria

“The increase in cost is changing buyer behavior.”

—South Africa



CONCLUSION

Lionesses continue to show signs of recovery from the impacts of the pandemic. Two-thirds have either returned or expect to return to pre-COVID-19 business levels before the end of 2022, only a small share report that they are unlikely to recover to pre-COVID business levels or are unsure when they will recover. A majority of Lionesses say they either met or exceeded their own expectations for sales revenues for the first quarter of 2022 and nearly three-quarters report that the state of their company is better today than a year prior.

Access to finance remains a dominant concern. Lionesses financed their companies' activities through 2021 and into first-quarter 2022 largely by tapping internal sources of financing (mostly retained earnings and personal capital). There was a sizable drop off in access to COVID-19 business support programs and other government grants in the first quarter of 2022 compared with the previous year. Two-thirds of the Lionesses anticipate looking for external financing soon but only a half have confidence in the willingness of financial institutions to provide the loans or credit they will need (this is a larger percent than in 2021, suggesting modest but growing confidence in securing funds from financial institutions).

Lionesses continue to regard digital transformation as being essential to their company, with most reporting it as "important" or "very important." While two-thirds have confidence in their companies' current digital capabilities, the majority report plans to increase spending on digital technology. Their technology spending plans were very similar to those reported in 2021.

Looking ahead, the Lionesses are optimistic about the near future: 93% expect the state of their businesses to be "much better off than now" or "better off than now", within a year.

Open-ended responses yielded three dominant themes related to the challenges they face. The most reported challenge is access to finance, which Lionesses need to grow their businesses. Instability in the domestic and global markets is another common concern, with many experiencing the complexity of navigating supply chain interruptions and rising input costs and noting that customer behavior is unpredictable as inflation creeps up. Finally, many report ongoing challenges with finding appropriately skilled people to fill key positions.

ABOUT THE COLLABORATORS

New York University

The Marron Institute of Urban Management at New York University is a provostial institute that operates as a think-do tank. The Institute's mandate is impact. It invests in faculty and practice scholars who conduct on-the-ground research and programming, working alongside practitioners and the publics they serve to gain insights and test new approaches with the potential to dramatically improve the quality of life in cities across the globe. The Institute brings a multidisciplinary approach, with expertise in the natural and social sciences, engineering, and governance. Through innovation, experimentation, and data analysis, the Institute promotes responsive decision-making in all sectors. The Institute addresses critical challenges in service delivery and development across six continents.

For further information about the Marron Institute, visit www.marroninstitute.nyu.edu



Lionesses of Africa

Lioness Data is the research unit of Lionesses of Africa Public Benefit Corporation, a social enterprise advancing Africa's women entrepreneurs. Lioness Data taps into a growing network of over 1.5 million women entrepreneurs across Africa for actionable insights that help investors, policymakers, and development agencies make faster and better data-driven decisions. Lionesses of Africa builds and delivers development programmes, business tools, community platforms, digital media, networking events and information resources that women entrepreneurs need—connecting them with key global markets for growth. Lionesses of Africa's community stretches across 54 African countries and thousands of users in the Diaspora in Europe and North America.

For further information about Lionesses of Africa, visit www.lionessesofafrica.com



African Development Bank

African Development Bank's AFAWA Programme is a pan-African initiative to bridge the \$42 billion financing gap facing women in Africa. AFAWA finance leverages the Bank's financial instruments to transform Africa's banking and financial landscape, creating incentives for lending to women in business. AFAWA's technical assistance includes advisory services to financial institutions to ensure successful implementation of their product portfolios for women and strengthens the capacity of women entrepreneurs through training to enhance business productivity and growth. AFAWA engages with governments and other stakeholders in Africa, in an enabling environment, to support legal, policy, and regulatory reforms and strike down the structural barriers impeding women in business.

For further information about African Development Bank, visit www.afdb.org/en

