CrossBoundary Advisory

March 2025

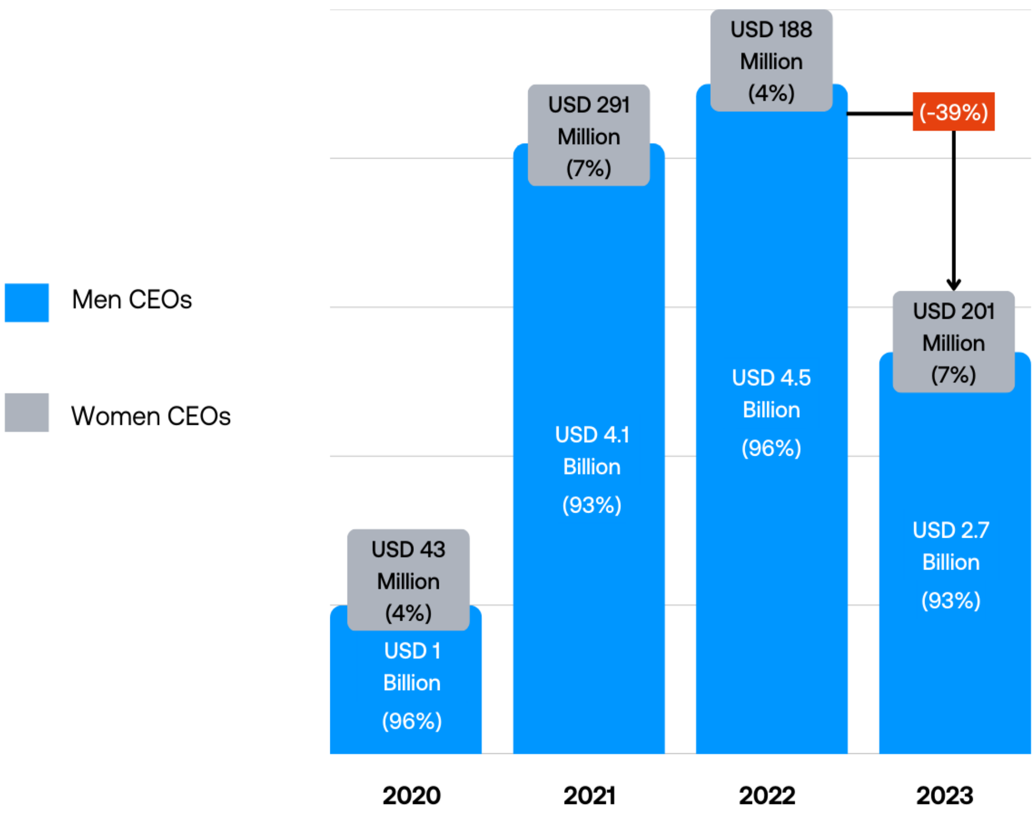
Bridging the Gender Gap in Entrepreneurship: **Financing Models to Scale Women-Led Enterprises in Northern Nigeria**

Authors
Efe Braimah, *Managing Director, CrossBoundary Advisory*
Aishat Raji, *Associate Principal, CrossBoundary Advisory*
Christine Chinwuba, *Analyst, CrossBoundary Advisory*

Contributor
Surayyah Ahmad, *General Partner, Sabou Capital*

A cursory search of the internet reveals that women across Africa consistently receive significantly less funding than their male counterparts. According to Africa: The Big Deal, in 2023, women-led ventures in Africa raised just above $200 million, reflecting a commendable year-on-year growth of 7%. This is particularly notable considering that overall funding in Africa shrank by 39% during the same period. However, in absolute terms, the disparity remains staggering—male-led ventures raised $2.7 billion, 13 times greater than their women-led counterparts. In 2023, Nigeria maintained its leading position in venture capital deal activity across African countries for the third year, capturing 19% of the total deal volume, according to the African Private Capital Association. Despite this, the capital inflows are unevenly distributed, with Lagos and Abuja securing the lion's share due to their more developed infrastructure, robust business ecosystems, and proximity to investor networks. In contrast, Northern states have significantly lagged, with pronounced funding gaps driven by historically low development indicators that have disincentivized investment in formal and informal startup ecosystems. As a result, Northern Nigerian women entrepreneurs face a dual burden of financial insecurity and systemic neglect.

Figure 01 Funding raised by startups in Africa, by CEO Gender



Source: Africa: The Big Deal's proprietary database

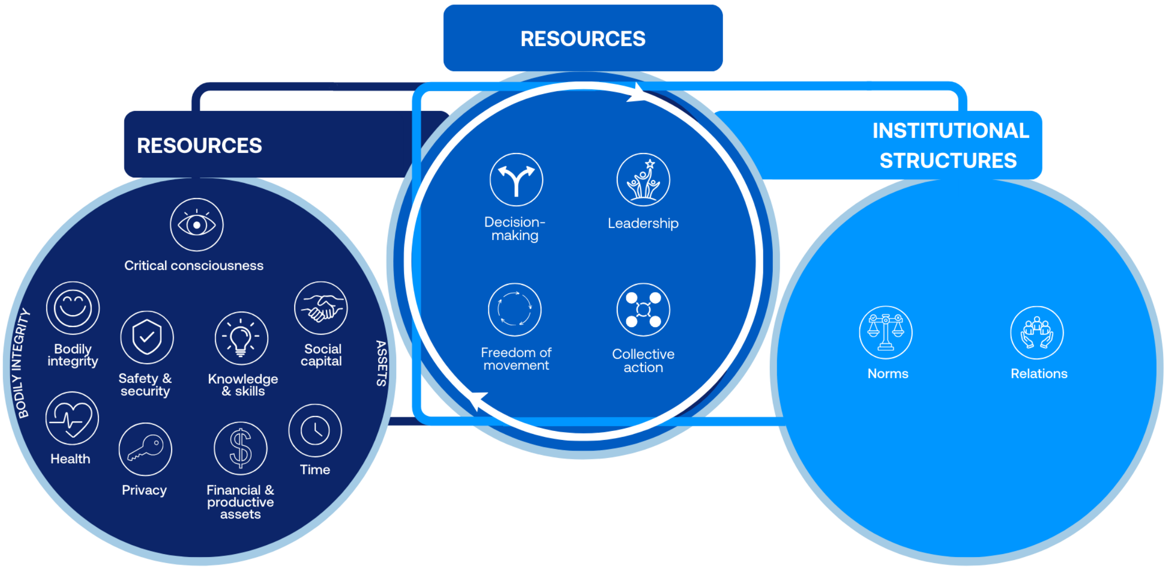
Despite these challenges, women in Northern Nigeria are increasingly turning to entrepreneurship as a form of empowerment to redefine traditional roles and assert economic agency. However, access to critical resources like capital, skills, market, mentorship, and professional networks remains fragmented and often inaccessible. The structural barriers and gender biases amplify the difficulties they face.

In line with a mission to unlock capital in global underserved markets, CrossBoundary partnered with TTLABS, Startup Kano and the Northern Founders Community to convene a roundtable focused on garnering insights from women operating in Micro, Small, and Medium Enterprises (MSMEs) to address finance linked gender-nuanced challenges for female entrepreneurs in Northern Nigeria. This event explored access to finance challenges that women-led MSMEs face in Northern Nigeria and identified solutions to enhance their agency and access to resources. It provided a platform for women entrepreneurs to build connections, share insights, and collaborate on strategies to overcome financial barriers and drive economic empowerment.

The Gates Foundation Conceptual Framework for Women's Empowerment is a model developed to systematically analyze and address gender inequalities while promoting women's empowerment. It serves as a foundation for developing programs, policies, and interventions that enable women to achieve equitable opportunities, agency, and access to resources. The framework focuses on three interconnected dimensions of women's empowerment:

- **Agency:** The ability of women to make decisions, act upon them, and control their own lives
- **Resources:** The assets, capabilities, and opportunities women need to exercise agency effectively. These primarily include financial assets, skills, and social capital (network)
- **Institutional structures:** The formal and informal systems, norms, and policies that shape women's empowerment

Figure 02 The Gates Foundation conceptual framework for women's empowerment



The **agency** and **access to critical resources** for Nigerian women are increasingly being eroded due to deep-rooted socio-cultural norms, economic inequality, and systemic barriers. Despite their historical roles in trade, agriculture, and community leadership, prevailing gender norms often restrict their decision-making power, mobility, and access to education and economic opportunities. Structural challenges, such as early marriages, limited access to health services, and exclusion from leadership and political participation, further diminish their capacity to exercise agency. Beyond agency, access to essential resources—including financial assets, knowledge & skills and markets & network —is also diminishing. Many women entrepreneurs face significant financing gaps, as traditional lending systems often require collateral they may not have, and informal financial networks offer only limited, short-term funding. Entrepreneurial skills and financial literacy remain out of reach for many women, restricting their ability to scale their businesses. Additionally, socio-cultural and religious restrictions often confine women to small-scale, subsistence-level businesses, limiting their market access and economic opportunities. Institutional barriers, including policies that fail to accommodate the realities of women-led businesses, further exacerbate these challenges, reinforcing a cycle of financial exclusion and economic marginalization.

Attendees of the "Roundtable Discussion with Female Entrepreneurs in Northern Nigeria"

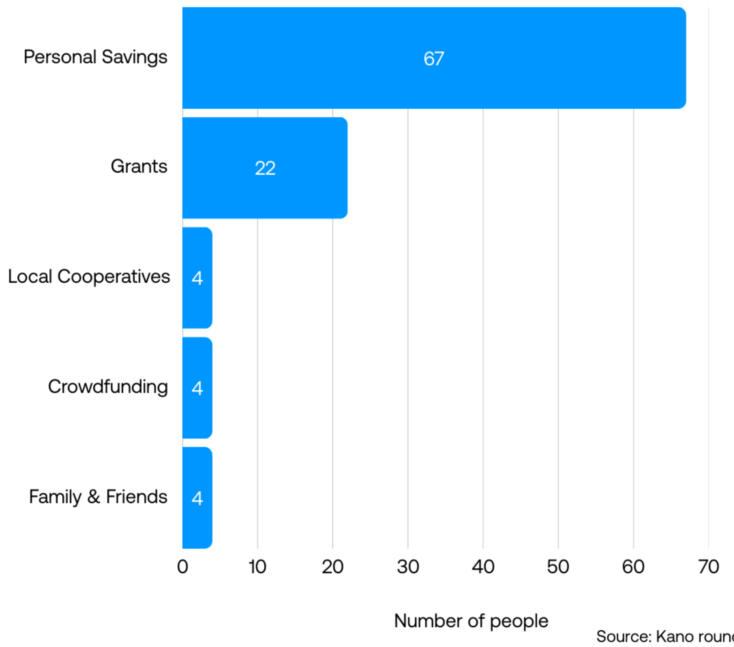
This report examines the key challenges restricting women's agency and access to resources (primarily capital) in Northern Nigeria, drawing on insights from the roundtable discussion. It also explores innovative financing solutions that are helping to overcome these barriers.

Access to funding remains a persistent struggle for northern Nigerian women entrepreneurs due to socio-cultural, religious, and institutional barriers

Funding continues to be a major obstacle for women entrepreneurs in Northern Nigeria, as evidenced by the roundtable data. Similar to Africa-wide data, over 70% of roundtable participants rely on personal savings and family and friends to finance their businesses, reflecting the widespread exclusion of women from formal financial systems. This dependency stems from systemic barriers such as limited financial literacy, lack of collateral—often tied to male family members—and the informal nature of many women-led businesses.

Figure 03

Sources of financing used by MSMEs (%)



Source: Kano roundtable demographics

For instance, only one participant reported successfully securing a loan, while just 22% had accessed grants, including those from notable programs like SMEDAN (3 million Naira) and Brave Women ($10,000). The knowledge gap is stark—over 80% of participants lacked awareness of critical financial concepts like credit scoring, equity financing, and crowdfunding. The report highlights **socio-cultural**, **religious**, and **institutional** barriers as three core factors limiting women entrepreneurs' ability to access funding required for their businesses.

Finding #1: Socio-cultural norms restrict agency and access to funding for Northern women entrepreneurs in traditional sectors

Deep-rooted socio-cultural norms in Northern Nigeria significantly limit women's economic agency and access to critical financial and business resources. Prevailing gender norms confine many women to small-scale businesses and subsistence-level entrepreneurship, reinforcing societal expectations that prioritize domestic responsibilities over economic participation. These constraints restrict women's mobility and decision-making power, making it difficult for them to secure loans or other formal financing. Many women are also excluded from financial decision-making within households and communities, further diminishing their economic agency.

Despite their historical roles in trade and agriculture, most women-led businesses in Northern Nigeria operate within the informal economy, particularly in agriculture, food processing, small-scale food services, textiles, and petty trade. These sectors align with cultural expectations, allowing women to contribute economically within familiar settings. However, these traditional sectors historically often have lower access to funding, exacerbating the financial challenges faced by women entrepreneurs. Our participant data supports this, showing that 27% of female entrepreneurs operate in the agriculture and textile industries, yet none successfully raised external capital. Many of these businesses in traditional sectors, e.g., agriculture, which contributes predominantly to the employment and GDP of the North, lack formal registration, credit history, or the collateral required by lenders. Specifically, land—often the primary form of collateral for loans—is typically owned by men due to socio-cultural norms, further restricting women's access to financing. This challenge is particularly acute in rural regions, where land ownership is governed by inheritance laws and generational transfers. Programs such as the Central Bank of Nigeria's Anchor Borrowers Scheme, designed to connect smallholder farmers with agribusinesses, have attempted to bridge these financial gaps. However, inefficiencies and corruption have hindered their effectiveness, making access to resources even more challenging for women entrepreneurs. Investors and financial institutions tend to prioritize high-margin sectors with strong asset bases, such as technology, infrastructure, and large-scale manufacturing, leaving women-owned businesses in traditional sectors at a disadvantage.

Finding #2: Religious factors reduce the pool of financing available to female entrepreneurs in the North

Traditional financial institutions often fail to serve this demographic as many financial products are seen as incompatible with the cultural and religious values of the predominantly Muslim Northern population, where interest-based financing (riba) is widely rejected. Many women entrepreneurs prefer to avoid conventional loans, fearing non-compliance with religious norms. This religious sensitivity further exacerbates financial exclusion, as limited alternatives exist within the mainstream banking sector.

Additionally, knowledge gaps regarding Shari'ah-compliant financing options persist. Many women entrepreneurs are unaware of Islamic financing instruments such as *Murabaha* (cost-plus financing) and *Musharaka* (equity partnerships), limiting their ability to leverage ethical financial services tailored to their needs.

Without accessible Shari'ah-compliant financial products, women-led businesses continue to rely on informal networks, which often provide only short-term and insufficient funding solutions.

Finding #3: Institutional factors restrict the availability of financing instruments applicable for female-led MSMEs, leading to a missed opportunity to support the growing entrepreneurial base of Northern women

Due to some of the socio-cultural described above and historical biases prevalent to this day, financial institutions frequently categorize women-led businesses in traditional sectors as high-risk, leading to lower approval rates for funding applications. Only 4% of the female entrepreneurs surveyed have been able to access external financing (excluding grants).

Despite these challenges, emerging opportunities in renewable energy and value-added agro-processing offer significant growth potential for women entrepreneurs, leading to greater financial inclusion and economic empowerment. The roundtable participants represented a diverse range of industries, including agriculture, catering services, fashion, content creation, and technology, indicating a shift where women are exploring higher-value sectors that could attract more investment, provided the right financial instruments and policy interventions are implemented.

The data from the roundtable suggests that age and marital status, influenced by socio-cultural norms, shape women's entrepreneurial opportunities in Northern Nigeria. Insights reveal a strong presence of young women engaged in entrepreneurship, particularly in the 18-25 and 26-30 age groups, with over 67% being single. This significant "single" representation suggests that entrepreneurship (as opposed to familial obligations) is increasingly seen as an attractive path for young women seeking financial independence, personal growth, and professional development. This aligns with the broader trend of a growing entrepreneurial base among young women in the North, highlighting the need for targeted interventions to economically empower this group, particularly as they move beyond traditional sectors.

Innovative financial instruments are needed to overcome socio-cultural, religious, and institutional barriers, expanding access to financing for female entrepreneurs in Northern Nigeria

As detailed in the earlier section, accessing financing as a woman in northern Nigeria has many nuances underscored by the intersection of cultural and religious constraints, institutional inadequacies, and limited financial inclusion initiatives. To address these systemic barriers, innovative financing models must be tailored to align with the socio-cultural, religious, and institutional context. The next section of this report explores three promising solutions—Savings and Credit Cooperatives (SACCOs), Shari'ah-Compliant Financing, and Results-Based Financing (RBF) instruments—that can be scaled up to bridge the gender finance gap in Northern Nigeria.

SACCOs can enhance financial security and business sustainability for women, addressing socio-cultural barriers that often limit access to formal financing in Northern Nigeria

Savings and Credit Cooperatives (SACCOs) offer a practical and effective solution for women facing socio-cultural restrictions on formal financial access. These member-owned financial groups operate on principles of collective savings and lending, allowing women to pool resources and access loans without traditional collateral requirements and limited bias to traditional sectors with high women involvement. In Northern Nigeria, a culturally rooted version of SACCOs exists in the form of *Adashe*, which are like the Yoruba community's *Ajo* and the Igbo equivalent *Isusu*. *Adashe* is a communal savings system where members contribute funds regularly and take turns accessing the pooled money. It is a culturally grounded solution to collateral challenges in Northern Nigeria, providing access to capital in contexts where formal financial institutions fall short.

To better understand the role of *Adashe* in empowering women financially, we conducted interviews with five *Adashe* heads across Northern Nigeria to gain insights into the motivations, structure, challenges, and impact of these informal savings groups.

The motivations behind establishing *Adashe* groups are deeply rooted in communal support and financial empowerment, enabled by group accountability. As one *Adashe* head from Kano State explained ***"I started so that we can help each other. Because people have issues with financial discipline and cannot keep money. Adashe gives people bulk payment like 2-4m to start***

businesses." By pooling resources, *Adashe* enables members to access funds that would otherwise be unattainable through traditional banking systems (which often request huge collateral to back stop loans) and promotes financial discipline by encouraging women to save consistently to increase their disposable income for business and household financial management.

Integral to the success of *Adashe* is selecting members with trust and integrity. *Adashe* heads prioritize recruiting individuals with stable incomes and reputable standing in their communities. Most groups rely on personal networks and social connections to maintain accountability and ensure consistent contributions. ***"We do not deal with people that we do not know. We as leaders of Adashe are also trusted by the group to not take their money away"***, mentioned an *Adashe* leader from Abuja.

The most prevalent challenge cited by *Adashe* groups is the **issue of late or missed payments**, which disrupts the payout cycle and overall group operations. Some members often struggle to make timely contributions due to various reasons, including personal financial constraints, family emergencies, or systemic delays such as salary disbursement issues from employers or banking problems. Nevertheless, most *Adashe* heads emphasized that the **default rate is very low**, and even when members are late, they eventually fulfill their payment obligations.

Adashe systems have played a crucial role in helping women start and expand businesses, particularly those in traditional sectors like agriculture and informal trade, by providing access to lump-sum funds—an opportunity that might otherwise be out of reach due to limited access to formal financial institutions. Roundtable participants shared how they used *Adashe* payouts to launch ventures such as clothing businesses, liquid soap brands, and kitchenware sales, turning small savings into meaningful entrepreneurial ventures. In addition to supporting business growth, the *Adashe* system also helps women manage personal expenses more effectively. Many women rely on i funds to cover essential needs like rent and household upgrades, which can be difficult to manage with irregular income streams.

Strengthening and formalizing SACCOs (Savings and Credit Cooperatives) could enhance their impact, providing greater financial security and business sustainability for women entrepreneurs who are often underserved by formal banking institutions. The *Adashe* system is particularly well-suited to the North as it addresses key socio-cultural barriers, such as collateral requirements, gender bias, and sector bias, which typically hinder women in the region from accessing capital.


MAAUN
DISCUSSION
GERIA
Opportunities for
in Northern Nigeria
2024
State
STARTUP
KANO

Shari'ah-compliant financing instruments, particularly *Murabaha* and *Musharaka* provide funding alternatives that can be accessed by Northern female entrepreneurs

In Northern Nigeria, where Islamic values strongly influence financial preferences, the lack of Shari'ah-compliant financing options limits financial inclusion. Shari'ah-compliant financing aligns with Islamic law, emphasizing ethical, fair, and socially responsible practices. Its principles prohibit interest (riba), speculative behavior (maysir), and uncertainty (gharar), requiring asset-backed transactions and excluding investments in harmful industries like gambling, alcohol, and tobacco.

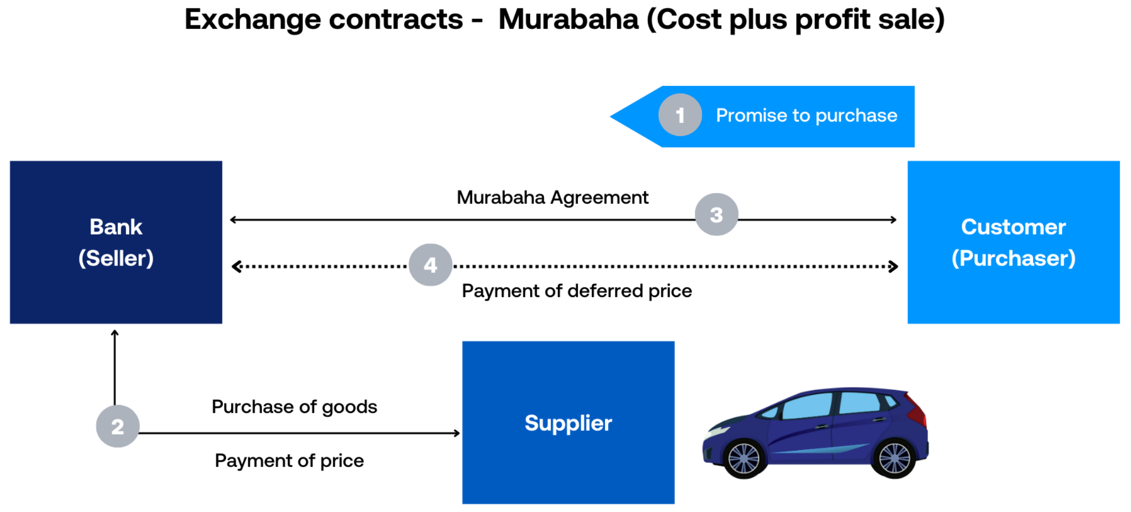
Islamic financing models offer culturally appropriate financial solutions that align with the ethical and religious values of women in Northern Nigeria. Two key Islamic financing instruments, *Murabaha* and *Musharaka*, provide viable alternatives to conventional loans:

***Murabaha* (Cost-Plus Financing):** Enables women entrepreneurs to purchase business assets through a structured payment plan without engaging in interest-based transactions. This model is particularly useful for inventory financing in agricultural and trade-based businesses. *Murabaha* is a trade-based contract where a financial institution purchases goods or assets on behalf of a client and resells them at a pre-agreed markup. The process begins with the entrepreneur committing to purchase specific goods through the financial institution. The bank then procures the goods from a supplier, taking legal ownership and possession. These goods are sold to the entrepreneur under a *Murabaha* agreement, which includes a pre-determined profit margin. The client repays the total *Murabaha* price, including the profit margin, in installments as per the agreed terms, offering repayment flexibility.

Key features of *Murabaha* include a fixed return for the financial institution, transparent disclosure of costs, off-take agreement, and delivery of goods only after the agreement is finalized. It is widely regarded as one of the most accessible and preferred financing models by banks, especially for short-term needs in sectors such as trade, imports, and real estate. Female-led MSMEs in select value chains like cocoa farming, leather and hides, and other export-oriented commodities can access *Murabaha* financing through their banks. However, challenges still exist with *Murabaha*, such as pricing inconsistencies caused by varying vendor prices, which make it difficult to determine fair and uniform purchase costs. Additionally, *Murabaha* may be less suitable for MSMEs with small-scale, diversified inventory needs or those without secured off-takers, limiting its applicability for certain types of businesses. Finally, *Murabaha* funds can only be used for its intended inventory purchase, so the applicability is limited for MSMEs, which typically have diversified uses of capital, including capital and operational expenditure.

Figure 04

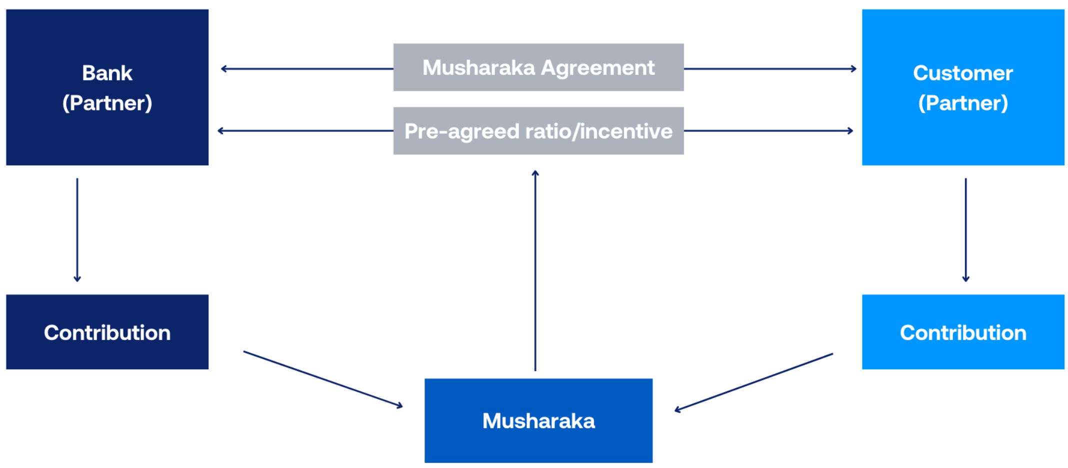
Graphical representation of *Murabaha* financing structure



***Musharaka* (Equity Partnership):** Facilitates investment partnerships where financial institutions and entrepreneurs share profits and risks. This model is well-suited for growth-stage businesses seeking larger capital investments without traditional debt obligations. *Musharaka*, or joint venture, operates as an equity-based contract where both the financial institution and the customer contribute capital to a business or project, sharing profits and losses in proportion based on a pre-agreed ratio. Unlike *Murabaha*, which ties financing to specific assets, *Musharaka* provides women with the flexibility to decide how to use the capital, making it particularly suitable for MSMEs with diverse funding needs. This structure allows entrepreneurs to allocate funds toward workforce expansion, capital investments, or other strategic priorities. However, *Musharaka* is less accessible to small and medium enterprises due to the higher levels of oversight and risk involved.

To address this gap, there is an increasing need for small fund managers to provide equity financing to SMEs in Northern Nigeria. Notably, Sabou Capital (formerly Aduna Capital), a firm specializing in equity financing for SMEs in the region, is now leading fundraising efforts after acquiring TTLabs, an accelerator supporting early-stage founders in Africa, particularly female entrepreneurs in Northern Nigeria. This focus is critical because *Musharaka*, one of the most widely used forms of Islamic financing, closely mirrors equity financing. Its structure makes it an effective tool for promoting financial inclusion and driving entrepreneurial growth in Northern Nigeria.

Figure 05 Graphical representation of *Musharaka* financing structure



Although Islamic finance accounts for only 3% of the global financial market, despite Muslims making up over 20% of the global population, the sector is valued at nearly $4 trillion and is expected to grow at a 10% CAGR. Globally, countries like the UK have embraced Islamic finance, issuing sukuk bonds to promote financial inclusivity. In Nigeria, sukuk issuance has focused on infrastructure development, with limited impact on SMEs, leaving entrepreneurs underserved. Expanding access to these Shari'ah-compliant financial products can significantly enhance financial inclusion for women, enabling them to grow their businesses while adhering to religious principles.

Results-Based Financing (RBF) offers a performance-linked financing model that can be tailored to expand funding access for women-focused sectors and value chains

Results-Based Financing (RBF) is an emerging model that links financial support to measurable business outcomes, making funding more accessible to female entrepreneurs who lack collateral or credit history and who are in traditionally women-centric industries. Under RBF schemes, entrepreneurs receive funding based on achieving specific milestones, such as revenue growth, job creation, or production targets. This shift from traditional collateral-based lending to performance-based financing benefits women who operate in informal or semi-formal sectors.

RBF mechanisms can attract a mix of donors and private-sector participants, with funds being deployed either as Shari'ah-compliant instruments and/or through grant mechanisms. Additionally, RBF incentivizes entrepreneurs to operate with clear impact objectives, as their ability to access funding is directly tied to delivering measurable impact outcomes. This alignment of financing with outcomes promotes disciplined business practices while also building the confidence of financial stakeholders.

In agriculture, where women represent a significant proportion of the workforce in Northern Nigeria, RBF can play a transformative role. For instance, funding could be tied to measurable outcomes like increased crop yields, the adoption of sustainable farming practices, or the creation of export-ready value chains. Donors and investors are more likely to engage in these arrangements as the outcome-based structure minimizes risk and ensures accountability. Donors are already trialing this structure, notably the Shell Foundation program which provides RBF to appliance distributors to incentivize the uptake and usage of productive-use appliances by female-led MSMEs, such as clean cooking stoves. While RBF is currently being applied in energy, it has broader potential, especially for sectors and value chains where women are disproportionately involved. This flexible and scalable model makes it suitable for emerging sectors such as tech, AI, and content creation. It helps keep pace with the evolving entrepreneurship landscape and the expanding base of female-led MSMEs in Nigeria, providing them with sustainable funding pathways that are directly tied to measurable economic impact.

Addressing the financial challenges faced by women entrepreneurs in Northern Nigeria requires a multi-pronged approach that integrates culturally sensitive, religiously compliant, and institutionally inclusive financial solutions. SACCOs empower women within their socio-cultural networks, Shari'ah-compliant financing aligns with religious values, and Results-Based Financing offers performance-driven funding alternatives.

By scaling these innovative financing models, the economic potential of women entrepreneurs in Northern Nigeria can be unlocked, fostering inclusive growth and creating pathways to sustainable development.

About TTLabs

TTLabs is a venture studio that helps founders at the pre-idea stage build to grow innovative startups. Their mission is to provide aspiring entrepreneurs with the resources and support they need to turn their startup dreams into a reality.

About Startup Kano

Startup Kano promotes and advocates technology, entrepreneurship, agribusiness and self-employment. They incubate and accelerate startups and train them on strategies to secure funding from venture capitalists, angel investors and government grants, as well as, providing guidance on bootstrapping strategies for startup growth strategies and expansion.

About Northern Founders Community (NFC)

NFC serves as the confluence point for the Northern tech ecosystem to ensure local and global opportunities and useful information is easily passed to the ecosystem. The mission of the Northern Founders community (NFC) is to foster collaboration, knowledge sharing, and growth within the Northern Tech Ecosystem by providing a unified platform for communication, networking, and event hosting.

CrossBoundary Advisory

crossboundary.com/advisory

At the core of CrossBoundary is our purpose

We unlock capital for sustainable growth and strong returns in underserved markets