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Challenges Faced by Women Entrepreneurs in Sourcing Micro Finance in Ghana; Evidence from Kumasi and Sunyani Markets

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Abstract:
Access to adequate and affordable credit for businesses remains one of the key challenges to economic development in Ghana despite efforts by government, non-governmental organizations and private sector organizations to address this constraint. The Focus of this paper is to investigate the challenges faced by women entrepreneurs in sourcing micro finance in Ghana. A total of 120 respondents were interviewed out of which 80 and 40 women entrepreneurs from Kumasi and Sunyani respectively using convenience sampling. The results confirmed that women entrepreneurs in Kumasi and Sunyani markets are faced with the challenges in accessing loans from microfinance institutions. The study recommends that efforts should be made by micro financial institutions to intensify their campaign to encourage women entrepreneurs to opening savings accounts to improve access to credits.

Key words: *Women, Entrepreneurship, Micro finance, Sourcing, Challenges*

1. Introduction

The interest in women entrepreneurship has recently increased significantly among policy makers, academics and practitioners in developing countries such as Ghana. This is due to the general recognition that the creation of women entrepreneurship, would contribute to the wealth creation to generate economic growth. In other words, women entrepreneurs can play an important role in promoting social and economic development in a country.

Due to their characteristics such as easy entry, flexibility in working hours and production processes that make women able to combine between running a firm and doing their traditional domestic duties, less capital requirement, and no need for highly educated persons, micro enterprises are generally believed to be the right place for women to become entrepreneurs (Athanne 2011).

It is widely established that business financing is a very important factor in the performance of every business and is one of the most difficult problem for business to obtain for their operations (Sheppard et al 2007).

1.1. Problem Statement

One of the factors of business growth or success depends on the entrepreneur's ability to access credit facilities and the lack of these credits has caused many businesses to collapse. (Benard & No 2011; Swinnen et al, 2001) Although many financial institutions have intensive marketing their credit facilities, only few entrepreneurs have been accessing them. (Mwenda & Muuka, 2004). Hence there is a reason for the poor accessibility of these credit facilities and as such there is the need for a study to establish the factors that affect these women entrepreneurs in acquiring these finances.

The Focus of this paper is to investigate the challenges faced by women entrepreneurs in sourcing micro finance in Ghana and find out solution to limit or reduce the numerous challenges, for this reason we focused on answering the following research question,

- What prevents market traders in Kumasi and Sunyani from accessing micro credits?
- What is the source of your start-up capital?

1.2. Research Objective

Basically, the main objective of this research is to assess the factors that prevent market traders in Kumasi and Sunyani from accessing micro credits.

2. Literature

Prior to formal banking systems in Ghana, many of the poor, mainly women, and those in rural communities relied heavily on informal banking services and the semi-formal savings and loan schemes. (Botei-Doku and Aryettey, 1996). The mission of the microfinance services in Ghana was to provide social and economic support for the less advantaged, especially rural women and their families. For some, known as 'susu', there were weekly meetings: each woman donates a set sum of money to a common pot that is given to one woman each week. When there is an emergency, a participant can withdraw out of turn; otherwise the pot is rotated uniformly until all members are served (Egyir, 2010).

Microfinance consists primarily of providing financial services including, savings, micro-credit, micro insurance, micro leasing and transfers in relatively small transactions designed to be accessible to micro-enterprises and to low-income households (cited by Asiama and Osei 2007).

The problem with microfinance institutions is that they have 'rigid' requirements that they hold on to, mainly to ensure their survival and sustainability Egyir (2010).

Despite this 'rigid' requirement by the microfinance institution, there is a huge gap for micro credit in Ghana. The existence of the gap as quoted by microfinance news (2008) may be attributed to the following factors:

- **Costs –** rural areas face high transaction costs due to dispersal of clients, and poor infrastructure. The supply of credit is further constrained by the cost of investing in efficiency enhanced technology to reduce costs and product development.
- **A distortion** – distortion gap is created when policies, regulatory frameworks and subsidies favour the inefficient microfinance provider. This discourages the efficient providers from entering the market.
- **Liquidity** – the microfinance institutions do not have the liquidity to expand their outreach appreciably. The rural banks are constrained by the regulatory reserve and capital adequacy requirements.

Meanwhile, different studies have revealed that enterprises owned by women experience the same challenges as those owned by men; however certain characteristics are typical for many women businesses. These characteristics include: small size, limited prospects for profitability and failure to provide collateral for obtaining loans (Coleman, 2002).

The studies of women accessing credit from microfinance institutions shows that women of varied backgrounds have benefited from the microfinance system. Nevertheless, religion and other socio-cultural factors (marriage, age and gender) are no longer the key barriers to successful borrowing from or saving with micro-financial institutions.

One of the key issues facing women entrepreneurs which are not different from previous international research studies (Hisrich and Brush, 1984; Neider, 1987; Brush, 1992; Oeltjen, 1992; Buttner, 1993; Hitt et al., 2003; Brush et al., 2004; Bygrave and Zacharakis, 2004) is the lack of access to microfinance.

Also previous research has provided unequivocal evidence that women-owned businesses start with lower levels of overall capitalization (Carter and Rosa, 1998 as cited by), lower ratios of debt finance (Haines et al., 1999) and much less likelihood of using private equity or venture capital (Greene et al., 1999; Brush et al., 2004).

Moreover, not all of these women entrepreneurs are lucky enough to have access to finance for growth due to both internal and external conditionalities (Greene et al., 2003), including level of demand and the intensity of competition (McGee, 1992; McKay, 2001; McClelland et al., 2005).

Various studies have highlighted the causes of this problem being sexual stereotyping and discrimination (Hisrich and Brush, 1984), lack of personal assets to show as collateral and the credit track record (Riding and Swift, 1990), and women's inability to penetrate informal financial networks (Olm et al., 1988; Aldrich, 1989; Brush et al., 2004, 2005).

Some theorists and schools of thought, however, remain skeptical about the role of micro-credit in development. For example, while acknowledging the role micro-credit can play in helping to reduce poverty, Hulme and Mosley (1996) as cited by Asiama et al, (2007) concluded that "most contemporary schemes are less effective than they might be". They argued that micro-credit is not a panacea for poverty-alleviation and that in some cases the poorest people have been made worse-off. Notwithstanding these observations, microfinance has emerged globally as a leading and effective strategy for poverty reduction with the potential for far-reaching impact in transforming the lives of poor people.

According to most observers, microfinance can indeed facilitate the achievement of the Millennium Development Goals (MDGs) as well as national policies that target poverty reduction, women's empowerment, vulnerable groups, and improving standards of living. (United Nations, 2004; Asiama et al, 2007).

The gap in the empirical literature that this paper seeks to bridge is the little or no evidence of the factors that prevent women entrepreneurs to access to micro funds in Kumasi and Sunyani markets. This paper therefore contributes to the empirical literature on challenges that women face in accessing micro finance for their trading within and Kumasi and Sunyani markets.

3. Methodology

The target population of interest was all women entrepreneurs in Kumasi central market and Sunyani market.

The sampling procedure used was the convenience sampling. Convenience sampling was adopted because there was no available list of all the women entrepreneurs from both Markets who composed the study population for the study. A total of 120 respondents were interviewed out of which 80 women entrepreneurs from Kumasi and 40 from Sunyani.

3.1. Data Collection Method

Questionnaires were designed to solicit information from respondents. Face to face interviewed was used to make sure information are well understood by the entrepreneurs from both Kumasi and Sunyani markets. The data collection achieved (100% response rate), which were subjected to further statistical analysis.

4. Statistical Analysis

Descriptive data analysis was used to measure the variables of interests as defined in the objectives. This is influenced to a large extent by the non-random sampling procedure adopted and since the study has no inferential objective, there is no need adopting an inference-base model. Therefore, cross-tabulations and descriptive tables are used to describe the relationships in the study objectives.

The researcher will use statistical package for social sciences (SPSS) software for the analysis of the collected data. According to Chrisnall (1997), SPSS goes beyond data collection to encourage the use of means, standard deviation and percentage responses to enhance the appropriate correlations for sound conclusion. This will be followed by chi-square test, to test the statistical significance of the data. The chi-square statistics will test the sum of the squared differences between the observed and expected values using 0.05 significance level.

5. Results

	N	Mean		Std. Deviation	Variance
	Statistic	**Statistic**	**Std. Error**	**Statistic**	**Statistic**
level of education	120	2.3500	.10428	1.14238	1.305
Startup capital	120	1.5167	.07389	.80943	.655
source of startup capital	114	1.3596	.07694	.82147	.675
Preferred source of Finance	114	3.6228	.11378	1.21488	1.476
Fear of taking loans	114	1.4737	.04697	.50151	.252

Table 1: Descriptive Statistics
Source: Fieldwork July 2013

Table 1 reveals the results of means and standard deviations test in the questionnaire. The various sections in the results indicate values of moderate to high values. From the table, the highest mean was 3.6228 (preferred source of finance), while the lowest was 1.3596 (source of start-up capital)

With regards to the highest mean score of 3.6228, we can say the probability is less than the critical alpha of 0.05. This means that there is existence of significant difference between the two means which is indicative of women entrepreneurs sources of finance, (preferred source of capital, source of start-up capital) which can easily be identified.

With regards to the lowest mean score of 1.3596, we can again say the probability is less than the critical alpha of 0.05. There is again significant difference between the two means.

	Preferred Source Of Finance	Level Of Education	Startup Capital	Source Of Your Startup Capital
Chi-Square	106.088[a]	4.400[b]	67.400[c]	180.386[d]
Df	4	3	2	3
Asymp. Sig.	.000	.221	.000	.000
a. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 22.8.				
b. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 30.0.				
c. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 40.0.				
d. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 28.5.				

Table 2: Test Statistics

If I Keep Proper Book Keeping / Sales Records Am Able To Access Micro Loans				
	Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
strongly disagree	11	9.2	9.2	9.2
Disagree	21	17.5	17.5	26.7
Neutral	14	11.7	11.7	38.3
Agree	53	44.2	44.2	82.5
strongly agree	21	17.5	17.5	100.0
Total	120	100.0	100.0	

Table 3
Source: Fieldwork July 2013

The data collected revealed that 44% agreed that keeping proper sales records enables them to access micro credits and 17% strongly agreeing to the statements. However 18% and 11% of the respondents disagreed and strongly disagreed respectively.

	Frequency	Percent	Valid Percent	Cumulative Percent
JHS	39	32.5	32.5	32.5
VOC	25	20.8	20.8	53.3
SHS	31	25.8	25.8	79.2
TERTIARY	25	20.8	20.8	100.0
Total	120	100.0	100.0	

Table 4
Source: Fieldwork July 2013

Some 33% of the women entrepreneurs were JHS leavers, followed by 31% from SHS while vocational and tertiary levers were both 25%.

	Frequency	Percent	Valid Percent	Cumulative Percent
Below 5000	82	68.3	68.3	68.3
5100 - 10000	14	11.7	11.7	80.0
Above 10000	24	20.0	20.0	100.0
Total	120	100.0	100.0	

Table 5
Source: Fieldwork July 2013

The table shows that 68% of the women stated that they started their businesses with an amount below 5000 Ghana cedis whilst 20% of them startup capital was above 10000 Ghana cedis.

Source Of Your Startup Capital					
		Frequency	Percent	Valid Percent	Cumulative Percent
	Personal	90	75.0	78.9	78.9
	Family	15	12.5	13.2	92.1
	Banks	1	.8	.9	93.0
	Suppliers Credit	8	6.7	7.0	100.0
Missing	Response	6	5.0		
Total		120	100.0		

Table 6
Source: Fieldwork July 2013

The study found that most women entrepreneurs started their businesses with personal funds irrespective of the size of the amount as 75% of the respondents began their business with their personal savings, 12% of them got financial help from family members, 7% of the women from their suppliers and only one received financial assistance from the bank.

Fear of taking loans					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	60	50.0	52.6	52.6
	no	54	45.0	47.4	100.0
	Total	114	95.0	100.0	
Missing	System	6	5.0		
Total		120	100.0		

Table 7
Source: Fieldwork July 2013

The information gathered shows that majority of the respondents 50% had a fear in borrowing loans while 45% did not experience any fear when borrowing loans.

Title of ownership					
		Frequency	Percent	Valid Percent	Cumulative Percent
	Land	**1**	**.8**	**.9**	**.9**
	building	9	7.5	7.9	8.8
	vehicle	2	1.7	1.8	10.5
	None	102	85.0	89.5	100.0
Missing	Responds	6	5.0		
Total		120	100.0		

Table 8
Source: Fieldwork July 2013

According to the responds received, majority did not have title of ownership as indicated and this was shown by a value of 85%. Therefore women entrepreneurs, who own a land, building, or vehicle, were represented by 8%, 7.5% and 1.7% respectively.

Application Rejected For Lack Of Collateral					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	54	45.0	47.4	47.4
	No	60	50.0	52.6	100.0
	Total	114	95.0	100.0	
Missing	System	6	5.0		
Total		120	100.0		

Table 9
Source: Fieldwork July 2013

As indicated in table 8 majorities of the respondents had their loan application not rejected at one time.
This is shown by a value of 50% of the respondents, with those whose loan application rejected being 45% of the total.

State The Obstacles That Affect Your Access To Micro Credit					
		Frequency	Percent	Valid Percent	Cumulative Percent
	Unaffordable collateral	24	20.0	20.0	20.0
	Bank processing procedures too rigid	17	14.2	14.2	34.2
	Limited micro financial institutions	13	10.8	10.8	45.0
	Shorter repayment periods	13	10.8	10.8	55.8
	Unprofessional attitudes of loan officers	18	15.0	15.0	70.8
	High interest rates	15	12.5	12.5	83.3
	Fear of loan defaultment	20	16.7	16.7	100.0
	Total	120	100.0	100.0	

Table 10
Source: Fieldwork July 2013

Table 10 indicates that the obstacles that affects access to micro credits. Some 20% of the respondents stated unaffordable collateral as the major obstacle to micro credits, followed by fear of loan defaultment valued 16%. In addition, the women cited unprofessional attitude of loan officers, bank processing procedures, high interest rates, limited micro financial institution, and shorter repayment periods, of them

6. Discussion

The study was conducted to investigate the factors that affect women entrepreneurs' access to micro credits in Kumasi and Sunyani markets. The findings from the analysis are consistent with previous researchers such as the level of education attained by the women entrepreneurs were significant and showed a positive relationship with micro credit access. The result implies that level of education influences a woman's chances of accessing credit. This is because higher level of education is associated with the ability to access and comprehend information on credit terms and conditions, and ability to complete loan application forms properly.
Hussein (2007) explained that education, and credit information are more likely to increase the information base and decision making abilities of owners of business, including the ability to compare the pros and cons of choosing appropriate credit. The researchers

established that those with SHS and tertiary education have the ability to source for micro loans whereas those with lower education levels lack the ability to access loans.

In addition, the researchers found that majority of the women entrepreneurs did not have title of ownership and this confirms with Ridney & Swift (1990), who contended that inability to provide collateral was due to lack of personal assets of business owners.

It was also revealed that majority of the women started their businesses with lower capital and this affects their ability to access micro loans. This finding agrees with researchers such as Carter & Rosa (1998), Greene et al., (1999), Brush et al., (2004), who suggested that women entrepreneurs start with lower capital.

Furthermore, we realized that the major obstacles to accessing micro loans was unaffordable collaterals, fear of loan defaulting, bank processing procedures too rigid and unprofessional attitudes of loan officers.

It was established that majority of the women entrepreneurs used measures such as investing heavily in landed properties, investing in existing business and using supplier credits to access loans.

7. Conclusion and Policy Implications

In summary, the present results confirm that women entrepreneurs faced challenges in accessing loans from microfinance. It is difficult to make recommendation for policy makers based on this study conducted in only two markets in Ghana.

However, the researchers were concerned that majority of the women started their businesses with personal savings and are of the view that those with good business proposal will give up because of the difficulty in accessing loans.

Nevertheless to improve women entrepreneurs’ access to micro loans, the study recommends that efforts should be made by micro financial institutions to intensify their campaign to encourage them to opening savings accounts to improve access to credits.

Based on the findings, further research is recommended in this area of micro finance challenges faced by women entrepreneurs in Ghana with a larger sample.

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