

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY

ACCESS TO CREDIT FOR WOMEN ENTREPRENEURS

A CASE STUDY OF WOMEN IN MICRO AND SMALL SCALE BUSINESS

AT TANOSO KUMASI

KNUST

BY

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## DECLARATION

I hereby declare that this project is the result of my original research and that no part of it has been presented to the University for any Award. All sources of references have been acknowledged.

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## DEDICATION

This work is dedicated to the following persons who inspired me in diverse ways. They are my husband, Mr. Felix Koranteng-Dakwa, Mrs. Beatrice Addo (my mother), and my two lovely kids, Akua Dansoa and Kwame Adu.

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## ABSTRACT

The study investigated women entrepreneurs' access to credit at Tanoso a suburb of Kumasi. The target population of the study comprised women who were in the micro and small scale businesses which involved petty trading, hairdressing, dressmaking, basic education and food vending. Credit officers from financial institutions formed part of the population. In the end a sample of 63 women entrepreneurs and 20 credit officers from the financial institutions were selected and was used for data collection. This design was used because a specific area was chosen and thoroughly studied in respect of women's access to credit. The instruments used for data collection were pre-tested for reliability before they were finally administered.

The results of the study confirmed that most businesswomen are engaged in the micro and small scale enterprises. Their finances come from three main areas which are personal savings, bank/non-banks financial institutions and supplier credit. Loans access from the financial institutions are repaid mostly through monthly installments and daily 'susu' savings. The findings also highlighted the challenges women entrepreneurs encountered in accessing loans. The appropriate recommendations have been made for policy makers in the financial sector to enhance women participation in the economy through access to credit.

# CHAPTER ONE

## 1.0 INTRODUCTION

### 1.1 Background to the Study

The role women play in any economy is enormous, judging from the fact that they are actively involved in the micro and small scale businesses across the world. It has been said that women are the breadwinners of most households in Africa and a larger part of the developing world. In the United States of America, which is a developed economy, the USAID (2008) indicates that the contribution of women in the economy is very important for the growth of the private sector, which offers a substantial share of employment opportunities. The USAID (2008) states that mainstreaming of women in industrial activities of the private sector can substantially contribute towards economic growth and their empowerment. Besides, in order to support women to release their creative potentials as entrepreneurs, innovative and specialized services are needed to help them contribute appropriately.

The ILO (2008) maintains that in many of the least developed and developing countries, 90 percent of all enterprises, including those in the informal sector, are micro and small enterprises (MSEs). This is against the backdrop of fact that women's share of these businesses is large, but primarily among micro -- rather than small -- enterprises and they are concentrated in activities traditionally dominated by women themselves such as food vending, informal processing and catering, handicrafts sewing and general petty trading. On top of these are a wide range of barriers that prevent the women folk in developing countries from growing their enterprises, which are supposed to be contributing to these emerging economies. The main barriers include limited access to credit. Other barriers to women businesses are limited access

to education and training, competition, legal and property rights, just to mention a few for emphasis.

Indeed, the question of capital for starting businesses or expanding existing business for women is a challenge. Existing literature on women access to credit indicate that women entrepreneurs admit that obtaining finance is one of their biggest challenge in starting and growing a business. “Most MSE business owners begin by financing their operations with personal savings and loans from family members. Without assets for collateral, women usually cannot access the investment capital needed to grow or expand their businesses beyond the MSE levels” (International Center for Research on Women, ICRW, 2008 p.49).

The challenges women in business face are something that have been amply highlighted by global business leaders, economists, researchers, advocates, governments, non-governmental organizations and women business leaders themselves. Among the challenges that women face, the need for finance, has been the major issue considered so far by development strategists.

In solving this issue of financing, many microfinance institutions (MFIs) have evolved over the years to help not only women but also men who may need such assistance. These MFIs serve a clientele that is exclusively women, and men constitute only a third of microfinance clients globally (ICRW, 2008). According to ICRW by 2006, the global microfinance industry had grown to extend financial services to more than 100 million clients, and these numbers continue to rise. However, women have noted that MFI loans are too small and group methods of lending do not meet their needs as private entrepreneurs, meaning that improved financing services are essential.

## 1.2 Statement of the Problem

In spite of the contributions women are making towards the socio-economic development of their respective countries, the majority of them are poor. The United Nations Economic Forum (2008) indicates that women represent more than 50% of the population of the world but they own only 1% of the riches. The Forum states “many women around the world, in attempt to combat poverty, turn to self-employment. This calls for the creation of a business, for which bank loans are usually needed. However the problem is, at the global level, women only have access to 3% of bank loans’ (United Nations Economic Forum, 2008 p.13).

Furthermore, most banks and the financial institutions ask women for more collateral than men. This creates another type of problem as they seldom own houses or has fixed assets. Besides, it has been statistically proven that they receive lower pay. Therefore, majority of the time, most women who want to start a business and want to have access to a bank loan, will have to ask a man to put up the collateral for them. It is very discouraging for these women to do so, when in many cases, the woman wants to avoid having to depend on a man in the making of their businesses.

All these are being said because if women could have better access to credit they would have many more opportunities to change or improve upon their lives and reach their dreams. This is why, in 1979, the Woman’s World Bank was created. Today it has over 43 affiliates all over the world with a couple of branches in Ghana. This study would among others verify whether the Woman’s World Banking Ghana Limited and the other financial institutions give credit to micro and small scale business women.

### 1.3 Objective of the Study

This study is aimed at finding out the challenges women who are mostly in the micro and small scale enterprises (MSEs) face in accessing loans to sustain and expand their businesses. It must be recalled that these are category of business people who manage to set up micro and small businesses to eke out a living but most often would want to sustain or expand their businesses with small credit lines but are faced with some challenges. This study will investigate whether in the fast growing credit market, women, particularly those who are engaged in micro and small businesses still face the age old prejudices or these have become things of the past.

### 1.4 Research Questions

The study is being guided by research questions that will in turn help in the development of instruments for data collection. The research questions are:

1. Which kind of businesses fall into the category of micro and small scale enterprises?
2. What credit delivery mechanisms are in place for women in micro and small scale enterprises?
3. What credit repayment modalities have been put in place by credit institutions for micro and small scale enterprises?
4. What challenges do urban based micro and small scale businesswomen face in accessing credit?
5. What can be done to facilitate micro and small scale business women in accessing credit?

## 1.5 Significance of the Study

The results of this study, first of all, will benefit women who are engaged in micro and small scale enterprises. This is because the study will highlight the difficulties as well as the ways to adopt to have easy access to credit to expand their businesses or sustain them.

Also, the results will help economic policy makers to fashion modalities to assist women to participate in the economic development effectively. If women are to contribute effectively to the socio-economic development as expected then the society will be better off within the shortest period.

Finally, the results will add up to the existing literature on women access to credit. The literature to be contributed will be useful for local Ghanaian consumption more than the others.

## 1.6 Overview of the Methodology

The methodology of the study dealt with the population for the study, the method used in selecting the respondents for data collection and how the instruments for data collection were developed and administered.

Also, the methodology dealt with the research design, how the instruments for data collection were pre-tested to check for the validity and reliability coefficient were catered for under the methodology.

Finally, data analysis procedures were treated in the methodology aspect of the study.

## 1.7 Limitation

The limitation to this study is in the form of finance and time constraints. Finance was a problem because if the researcher had adequate funds she could employ the services of research assistants to assist in the data collection from a wider population but that could not be done. Time was a limitation to the findings because the academic calendar did not allow the researcher to stay longer enough on the field to collect all the data possible for a thorough conclusion.

## 1.8 Organization of the Study

The study is organized into five chapters. Chapter One encompasses the introduction, which also comprises the background of the study, statement of the problem, purpose of the study, research questions, significance of the study, delimitation and limitation of the study and organization of the study.

Chapter Two deals with the literature review for the study. The literature is sourced from journal articles, excerpts of books and studies and many others.

Chapter Three follows with the methodology that is used for data collection and analysis whereas Chapters Four deals with the presentation and discussion of results that emerged from the data collected for the study.

Finally, Chapter Five gives a summary and findings of the study. Additionally, conclusions, recommendations made from the findings and suggested areas for further research are embodied in Chapter Five.

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.0 Introduction

This chapter of the study is devoted to the review of literature related to women's access to credit on the growing financial market. The review is done in sections and subsection where appropriate. The sources of the literature review will comprise books, journal articles, online articles and findings from empirical studies. Among some of the themes that the literature is done are Narratives of Some Ghanaian Women Entrepreneurs, The concept of Credit Delivery, Loan Payment Modalities, Entrepreneurship: Micro and Small Businesses, Financial Services for Ghanaian Women.

#### 2.1 The Concept Credit Delivery

Women accessing credit from either banks or financial institutions fall under the purview of credit delivery process. In talking about credit delivery, it is important to put it into the right perspective. In this instant the term credit takes centre stage. According to the New Britannica Encyclopaedia (2003), credit is “the transaction between two parties in which one of them (the creditor or lender) supplies money, goods, services or securities in return for a promised future payment by the other party (the debtor or borrower)” (p.722). The Encyclopaedia further shows that such financial transactions normally include payment of interest to the lender. In this way, the credit may be extended by public or private financial institutions to finance business activities, agricultural operations, consumer expenditures or government projects.

Furthermore, the New Britannica Encyclopaedia (2003) affirmed that modern credit is extended through specialized financial institutions of which commercial banks are the oldest and most important. However, in the present day industrial economies, the banks are able to extend and increase the supply of credit by the creation of new deposits for loan customers. During the credit delivery process, the lender (the bank) must judge each loan it makes on the basis of the character of the borrower (his intention to pay), his capacity to repay (based on his potential for earning income) and his collateral (property pledged in case of default on the loan granted). The terms of the credit transactions may be publicly regulated to prevent abuses by customers and bankers as well as to channel credit into particular sector of the economy (the New Britannica Encyclopaedia, 2003).

In furthering the discourse on credit risk management, Mishkin (2007) says that adverse selection in loan markets occurs because bad credit risks (borrowers likely to default on their loans) are the ones who usually line up for loans. He outlines that for financial institutions to be profitable, they must overcome the adverse selection and moral hazard problems that make loan defaults more likely. "The attempts of financial institutions to solve these problems help explain a number of principles for managing credit risk: screening and monitoring, collateral and compensating balance requirements and credit rationing" (Mishkin, 2007, p.234).

The credit risk management principles as proffered by Mishkin (2007) are discussed briefly. According to Mishkin, Screening connotes a situation where adverse selection into loan markets requires that lenders screen out the bad credit risks from the good so that loans are profitable to them. To accomplish effective screening, lenders must collect reliable information from prospective borrowers. Effective

screening and information collection together form an important principle of credit risk management.

Additionally, Mishkin (2007) touches on one important principle in credit delivery and risk management which is collateral and compensating balances. Collateral requirements for loans are important credit risk management tools. Collateral therefore is property promised to the lender as compensation if the borrower defaults in the loan payment and it helps to lessen the consequences of adverse selection because it reduces the lender's losses. Mishkin continues that one particular form of collateral required when a bank makes commercial loans is called compensating balances. In this way, a firm receiving a loan must keep a required minimum amount of funds in a checking account at the bank.

Bouman (2003) continues with the discourse on credit delivery but limits himself to microcredit which settles well into what this study is about. He paints a picture of the situation that necessitates the granting of micro loans to those who need them. He indicates that when one takes a walk along the street of any low-income settlement in developing countries, one is struck by the apparent contrast of dwelling and habitat. On one side of the street is a dilapidated, single story, windowless house of tin sheets and open drains; across the street is a fine two-storied brick and concrete house with glass windows, panelled doors and painted walls. While there are many reasons for such contrasts, one variable that repeatedly surfaces as a common denominator is the accessibility to different sources and types of credit. This is also true if one looks at products and services offered by credit delivery agencies (Bouman, 2003).

Bouman (2003) observes that "banks and other financial institutions have systematically kept low-income households outside their credit delivery networks,

forcing them to resort to informal and non-conventional systems of mobilizing credit” (p.36). Arguably, the majority of the people who are kept away from accessing credit from formal financial institutions are women as will be seen elsewhere in the study. In spite of the fact that low-income people resort to credit from non-conventional sources, their good side cannot be overlooked. The positive features of such loans are being understood these days. These loans are small in size since money is acquired only for a part of a larger activity. Also, they are small amounts, which contrast starkly with loans from banks, which tends to be large and for lump sum investments. Besides the loans are usually made for very short periods and borrowers prefer to repay loans quickly to avoid long-term commitments in repayments. This also reflects the insecurity of borrowers' jobs and income (Bouman, 2003).

## **2.2 Entrepreneurship: Micro and Small Scale Businesses**

According to Ngaosi and Navarro (2007), entrepreneurship has become the catchword of our time and that it has become so much familiar and popular that almost every person can readily relate to and identify with it. Hence, it is significantly intertwined with our daily lives - our day- to-day existence. They cited the views of other scholars on the topic. It has been established that “the 21st Century is truly the age of the entrepreneur” (Scarborough and Zimmerer, 2000, p.1). People around the globe are slowly and substantially engaging themselves into business. Transcending gender, age, race, language and religion, men and women, young and old alike are all captivated by the prestige, benefits and gains in terms of profit and income that entrepreneurship would try to offer. Undeniably, many people today envision themselves becoming successful entrepreneurs. Making an enterprise successful, however, requires a high degree of effort in an environment where consumers are

becoming more and more difficult to satisfy (Edralin, 1998 as cited by Ngaosi & Navarro, 2007).

The concept of being an entrepreneur has changed and has evolved. The entrepreneurs were once born, not made, as the classicist would argue. What is emerging today, however, is a class of professional entrepreneurs who rely upon their brains than their guts-and who have been trained to use both methods and technology to analyze and interpret the features of the present business environment (Dolinger, 1999). Indeed, the performance of rural enterprise is often highly correlated with several entrepreneurial characteristics, managerial processes and effective support systems. These three dimensions are deemed necessary to collectively determine enterprise success (Kanungo, 1998). Successful entrepreneurs and their firms seem to come in different shapes and sizes but they appear to share some common characteristics, which are related to their personal qualities and integrated management of the firm in the context of a dynamic and competitive business environment (Edralin, 1998 as it appeared in Ngaosi & Navarro, 2007). "Similarly, many management researchers believe that it requires a certain special type of personality to be successful entrepreneur" (Dollinger, 1998, p. 209).

What have been discussed so far are general to entrepreneurship as concept but the emphasis is on micro and small scale enterprises. Firstly, a study undertaken in Zimbabwe by Microlinks (2006) into micro and small scale enterprises revealed some facts which are enumerated briefly. The report indicated there were about 845,000 micro and small scale enterprises that existed and which provided regular employment to just over one-quarter of adults. The activities of MSEs are largely based in rural areas besides the sector is dominated by small manufacturers and that typical MSE is a one man/woman operation. It was found that the activity of an MSE

was mostly centered in the proprietor's home and 67% of them were run by women and 33% by males. Microlinks noted that a typical enterprise grew 7.4 percent a year from beginnings to time of the survey. The main perceived problems of proprietors of MSEs are related to market, finance, stock, raw materials, tools and machinery and that few proprietors had access to credit or training.

In Ghana, available data from the Registrar General indicates that 90% of companies registered are micro, small and medium enterprises. This target group has been identified as the catalyst for the economic growth of the country as they are a major source of income and employment. Data on this group is however not readily available (semfinancial.com, 2009). Semifinancial.com says that the Ministry of Trade and Industry (MOTI), in 1998 estimated that the Ghanaian private sector consists of approximately 80,000 registered limited companies and 220,000 registered partnerships. Generally, this target group in Ghana is defined as:

- (i) Micro enterprises – they are businesses that employ up to 5 employees with fixed assets (excluding realty) not exceeding the value of \$10,000;
- (ii) Small enterprises – are business that employ between 6 and 29 employees with fixed assets of \$100,000; and
- (iii) Medium enterprises – they are business entities that employ between 30 and 99 employees with fixed assets of up to \$1 million (semfinancial.com, 2009).

The National Board for Small Scale Industries (NBSSI) is the apex governmental institution for the promotion and development of the Micro and Small Enterprises (MSE) sector in Ghana. It was established by an Act of the Parliament of the Third Republic of Ghana because government views the sector as having the

potential to contribute substantially to reducing the high unemployment rate and to the growth of the economy of Ghana. MSEs account for a significant share of economic activity in Ghana and can play an important role in achieving the development goals for production.

The long term goal is for MSEs to maximize their contribution to the country's economic and social development. This is in respect to production, income distribution and employment and the closer integration of women and people in rural areas within the national economy (semfinancial.com, 2009).

### 2.3 Microfinance and Women Economic Empowerment

Across the globe, microfinance programmes are currently being promoted as a key strategy for simultaneously addressing both poverty alleviation and women's empowerment. Where financial service provision leads to the setting up or expansion of micro-enterprises there are a range of potential impacts including: increasing women's income levels and control over income leading to greater levels of economic independence access to networks and markets giving wider experience of the world outside the home access to information and possibilities for development of other social and political roles enhancing perceptions of women's contribution to household income and family welfare, increasing women's participation in household decisions about expenditure and other issues and leading to greater expenditure on women's welfare more general improvements in attitudes to women's role in the household and community (Mayoux, 1997a).

Mayoux (1997a) maintained that microfinance programmes which are geared towards targeting women have been a welcome corrective measure to previous neglect of women's productive role. For some women in some contexts, microfinance

programmes have indeed set in motion a process of empowerment where all the above elements have mutually been reinforcing. There are many anecdotal case studies in NGO reports of women who have shown considerable initiative, increasing their income and improving their status in the family and community, particularly after obtaining a series of loans from microfinance companies. However, there has not been systematic, cross-cultural comparative study of the ways in which microfinance programmes contribute to women's economic empowerment or the contexts and organizational frameworks within which this occurs.

From another perspective, Johnson and Rogaly (1996) emphasize that within some Microfinancing schemes, the impact of the loans often vary significantly between women. There are differences between women in different productive activities and women from different backgrounds. In some context schemes mainly benefit women who are already better off. In others, poorer women are freer and more motivated to use credit for production. In most cases, the poorest women are bypassed in both individual and group-lending programmes or are least able to benefit because of their initial low resource base, lack of skills and market contacts. There are also individual differences between women from similar background and within the same industries. Positive impact on non-participants cannot be assumed, even where women participants are able to benefit. Women micro-entrepreneurs are frequently in competition with each other and the poorest micro-entrepreneurs may be disadvantaged if programmes do not include them. Where women employ labourers it cannot be assumed that they give better wages and conditions of work than men (Mayoux, 1995a). Benefits for women's families cannot be assumed. Women may employ daughters and daughters-in-law as unpaid family labourers increasing their workload. Although increased family income channelled through women often

benefits children considerably, anecdotal evidence suggests they may still prioritise the interests of boy children. Negative impacts are even more likely where women do not control the loans (Montgomery, 1996).

In some cases increased funding for large organisations has led to the squeezing out of smaller organisations in the same area who may have been challenging gender subordination on a wider basis (Ebdon, 1994; Arn & Lily, 1992). The degree, to which this is a result of women's own decision to switch allegiance because of better credit terms, or because of pressure from men to get access to credit while maintaining their own power, is unclear. Again, in some other cases, adoption of this approach has led to cutbacks in support services. There are dangers that the concern with short-term cost-efficiency may jeopardise long term organizational and client sustainability. Long-term sustainability requires both attentions to developing the skills, earning capacity and empowerment of clients and institutional learning which may entail substantial costs in the short term (Johnson & Rogaly, 1996).

There is no doubt most microfinance organizations mean well for women, the need for participatory planning, involving in the process is an issue that should not be glossed over. Based on this, Mayoux (1995a) indicates that in view of the potential disbenefits to women, there is an urgent need for evaluation of the impact of programmes on women's economic empowerment. She intimated that, we know very little about the relative numbers of women within most programmes who benefit or fail to benefit, who these women are, or the contextual and organisational factors influencing this. Importantly for most women in most programmes, it is likely that the contribution of microfinance services to empowerment could be enhanced through a combination of changes in the way services are delivered; more effective support

services; or linkage with services provided by other agencies including organisations challenging gender subordination directly (p.34).

## **2.4 Loan Repayment Modalities**

During credit delivery process repayment arrangements are also agreed on between the lender and the borrower. In Ghana, the widely networked bank is Ghana Commercial (GCB) with branches all over the country. Because this comparative advantage it is accessible to several people especially government salaried workers and rural entrepreneurs. The GCB website outlines the loan portfolio it gives and modalities for payment. The first credit facility the bank has on offer is an Overdraft facility. This is a short-term facility offered to Sole Proprietors, Partnerships and Companies to boost working capital. The features of this facility are that it is for one year, interest is charged only on the debit balance and there is flexibility in the security arrangements. The benefits of an overdraft facility are that: Customers' cash flow needs are adequately provided; Flexible terms of negotiation; and Prompt response to urgent needs.

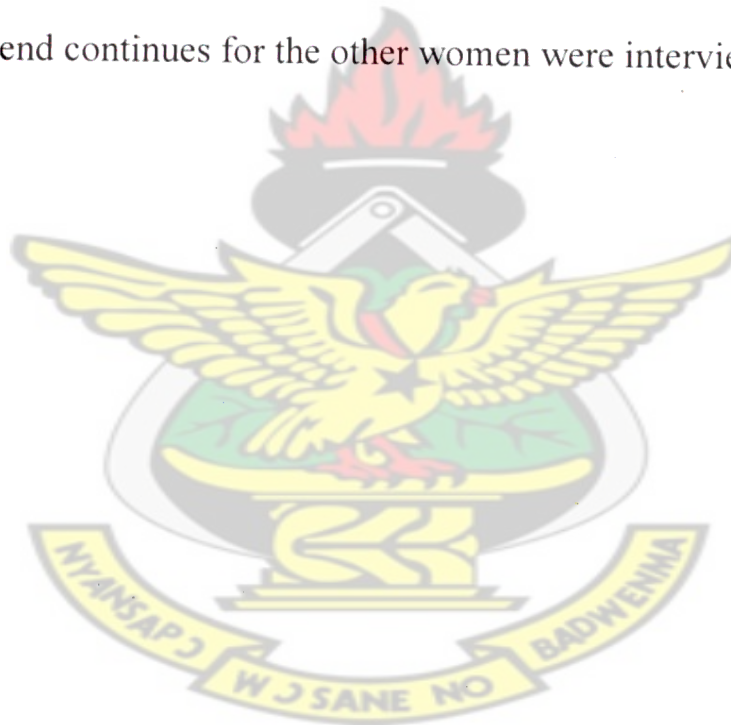
Another credit facility GCB offers is a Personal Credit Line to customers. This is a personal overdraft facility targeted at high net worth individuals whose salaries are paid through their account at GCB. The features of the personal credit line are that the income should be paid regularly into an account with the bank, the account should generally be conducted well, the facility is for one year, loan can be repaid by monthly installments and interest is charged only on debit balance. The benefits of this facility are that the customer enjoys financial security, no security is required and it is convenient and flexible.

Additionally, GCB gives short, medium and long term loans to customers. Short Term Loans are credit lines advanced to customers over a specified period usually 12 months payable by monthly equal installments. With Medium Term Loans, the customer enjoys a facility from the bank and this is paid back over a three to five year period with negotiable repayment terms.

Apart from the loan repayment schedule by GCB, there are other repayment modalities instituted by most of the non-banking financial institutions. According to Kiva Website the parent company of Sinapi Aba Trust, loans given to clients are supposed to be paid by equal monthly installments and the duration depends on the quantum of amount given out. A credit repayment plan was published about Ghanaian woman small scale manufacturer of soap resident in Koforidua, an urban town. Kiva.com (2009) indicates Ayeno Teko (the Ghanaian woman entrepreneurs) was given eight months to repay loan and so far she has paid four months and payment is regular and flexible for her kind of business.

Bowers (2007) gives account of Margaret Agyeman who was seen giving her daily savings to Nii Aryee Quaye the susu collector for Women World Banking Ghana Limited. This gentleman after he has collected the money records it in a banking passbook and issue receipt to that effect. This is how the daily susu collection operates. In the course of her study, Bowers observed that the market women at Makola are among the estimated 60 percent of the Ghanaian population involved in the informal sector and the Women's World Bank is one of the scores of microfinance institutions operating in this West African country. Furthermore, Bowers noted that a majority of the recipients here, as in many other developing countries, are women who have established an impeccable repayment record of up to 98 percent.

According Bowers (2007), another woman said she had been saving with WWBG for about fifteen years and has taken loan twice. This, she said that loan repayment is not easy but with a little determination one can make. She intimated that without the loans her business would not collapse because she makes personal savings. With her first loan she paid it bi-weekly but the second one was per monthly installments. The trend continues for the other women were interviewed by Bowers.



## CHAPTER THREE

### 3.0 METHODOLOGY

#### 3.1 Introduction

This chapter deals with the methodology that was used for the study. The main components of this chapter comprise research design, population for the study, sample and sampling techniques; instruments used for data collection, the process used for pilot-testing of the instruments, main data administration and data analysis procedures.

#### 3.2 Research Design

According to Patton (1990), a case study is not intended as a study of the entire business or enterprise, rather it is intended to focus on a particular issue, feature or unit of analysis. In order to understand and examine how women entrepreneurs access credit from financial institutions and/or suppliers, this method enabled me to understand the complex real-life activities in which more than one source of evidence was used. The use of the case study to probe an area of interest in depth was particularly appropriate as described by Patton (1990) that “case studies become particularly useful where one needs to understand some particular problem or situation in great-depth, and where one can identify cases rich in information” (p.34).

On his part, Yin (1993) noted that researchers in business related subjects sometimes limit case studies to the exploratory use. For example, pilot case study can be used as a basis for formulating questions or hypothesis testing. Descriptive case study is an attempt to describe, like what happen to a product when it is launched. Explanatory research can be useful for example to study processes in companies. In

this instant, the case study was undertaken into specific area of economic activity, which was concerned with women who operate micro and small scale enterprises (MSEs) and how they accessed credit from financial institutions and other sources of credit.

### **3.3 Population**

The target population for the study was Women Entrepreneurs engaged in MSEs at Tanoso Kumasi and credit officers from the financial institutions, in and around Tanoso

### **3.4 Sample and Sampling Techniques**

The sample size for the study was pegged at 83 respondents and it comprised 20 credit officers and 63 women entrepreneurs. The breakdown for the 20 credit officers was shared in the ratio 3:3:4 for commercial banks, microfinance institutions or non-banking financial institutions and the rural banks. The financial institutions that have branches in Tanoso were automatically involved in the study and the remaining was purposefully selected for. Among the commercial banks that were captured in the study were the main state owned banks, namely: Ghana Commercial Bank, Agricultural Development Bank, National Investment Bank. The other commercial banks that currently have branches in Tanoso are ECOBank, United Bank for Africa (UBA) and Barclays Bank. On the other hand, the rural banks with branches in Tanoso were automatically selected – they are Atwima Nwabiagya, Kwamanman and Tanoagya Rural Banks- these banks were selected because the most women under study, said they had support from them. Five others that were purposely selected include Atwima Mponua with a branch at Bantama, Atwima

Kwamoma with a branch at Abuakwa, Bosomtwe with a branch at Atonsu and Sekyere Rural Bank with a branch at Abrebo Junction. There is only one microfinance institution that has a branch at Tanoso, which is, Garden City Savings and Loans. This was complemented by Utrach Financial Services, Ghana Financial Services, First Allied Savings and Loans Ltd, UT Financial Services and Pacific Loans and Savings Ltd, all these microfinance institutions are also non-banking and they operate along the lines of 'advance susu' collection.

The women entrepreneurs were selected purposefully because they were in better position to give information on whether they had access to loans from the financial institutions or they did not. Besides, they came from different backgrounds, such as education and the type of business they were engaged in.

### **3.5 Instruments for Data Collection**

The main research instrument used was an interview guide but there were two different types – one for the businesswomen and the other for the credit officers. The women gave responses to items that were not exactly the same as those of the credit officers. However, the responses required the two categories of respondents converged as expected by the researcher.

Using an interview guide for data collection in research methodology is justified by several scholars. Sewell (2004) for instance says that interview guide is an aspect of interview and it may be the most widely used format for qualitative interviewing. In this approach, the interviewer has an outline of topics or issues to be covered, but is free to vary the wording and order of the questions to some extent. The major advantage is that the data are somewhat more systematic and comprehensive than in the informal conversational interview, while the tone of the interview still

remains fairly conversational and informal. Like the conversational interview, this type of interview also requires an interviewer who is relatively skilled and experienced, since he or she will need to know when to probe for more in-depth responses or guide the conversation to make sure that all topics on the outline are covered. What Sewell postulates was exactly how the interview was conducted. Some of the items were close-ended whilst others were open-ended requiring probing for clarification to responses.

### **3.6 Data Collection Procedures**

The main data collection was done by the researcher herself so the concerns of respondents were promptly dealt with. A period of two months was used for the main data collection. This gave the researcher ample time to reach almost all the targeted respondents. Data collection commenced after the necessary introductory letter was obtained from the researcher's head of department and in this case the Head of Department of KNUST School of Business.

### **3.7 Pilot Testing of Instruments**

Pilot-testing of the instruments was done at Ayigya, which had similar characteristics like that of Tanoso. Ayigya is located near the Kwame Nkrumah University of Science and Technology, a higher institution of learning. In the same light, the University of Education, Winneba has a branch at Tanoso with similar demographic features like that of KNUST, because most of the students reside out of campus.

A sample of 40 respondents was used. The 40 respondents were made up of 30 businesswomen and 10 credit officers who came from three commercial banks, three from microfinance institutions and the remaining four from rural banks within the

catchment areas of Ayigya, Oforikrom, Anloga, Sobolo, Amakom and Asafo. Unlike the case of the main data administration, the pilot-testing process used only the banks within the areas specified. All the respondents were selected using the purposive sampling method.

After the instruments had been retrieved, data was edited, coded and keyed into the Statistical Package for the Social Sciences (SPSS) for computer analysis. The pilot test allowed the researcher to determine the reliability and validity of the instruments. The validation process started from scrutinizing the items by colleague students and the supervisor for the study. The analysis on the computer allowed for the running of reliability coefficient using Cronbach Alpha. In the end, an alpha coefficient reliability of 0.7500 was realized.

Pilot-testing of instruments in research is a basic requirement recommended by research authorities. According to Best and Kahn (1996), pilot-testing of research instruments greatly reduces the number of treatment errors and unforeseen problems. On his part, Tuckman (1992) gives credence to pilot-testing of the instruments and states “it is usually highly desirable to run a pilot test on a questionnaire and to revise it based on the results of the test” (p.199). This was exactly what the researcher did and that the instruments elicited the appropriate responses which enabled her to make informed recommendations to beneficiaries of the study.

### **3.8 Data Analysis Procedures**

Data collected were first grouped for editing. After the editing, the data were coded using numerical values for the data view of the SPSS. When this process was over, data were inputted into the variable view to complete the keying process.

After these were done, data were transformed into frequency and relative frequency tables and percentages which were used for data presentation and discussion in chapter four. A reliability test was again run to determine the final coefficient reliability, which was 0.7600.

KNUST



## CHAPTER FOUR

### FINDINGS AND DISCUSSION

#### 4.0 Introduction

This chapter of the thesis deals with the results from the data collected and analysed. Data is presented as per the issues contained in each research question formulated to guide the study. Consequently, the results are presented in sections whereby the research questions are stated and the rationale for which they were formulated given before the responses to the items are presented and discussed.

#### 4.1 What kinds of businesses fall into the category of micro and small scale enterprises?

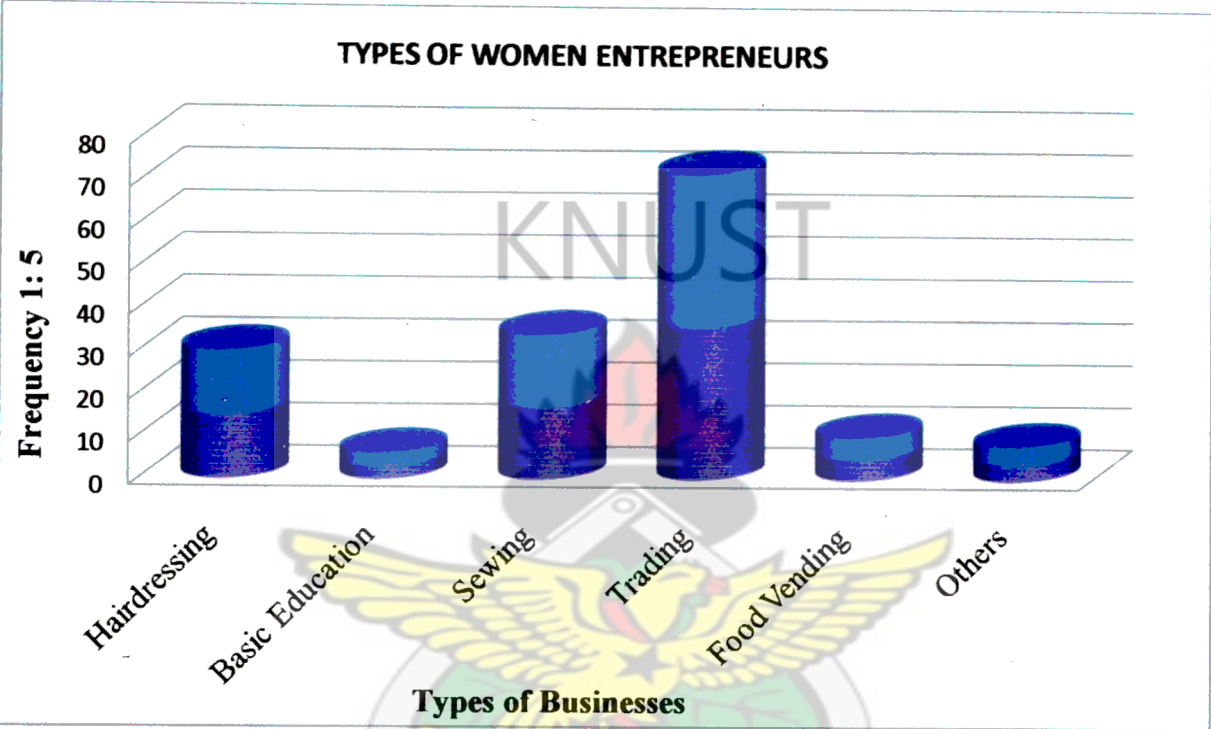
The thrust of this research question was to find out the size of businesses women in urban areas are engaged in by looking at the particular enterprise, their capital base and number of employees they are working with. The responses given to the three items by the women entrepreneurs and credit officers are presented in Figures 1, 2 and 3.

#### 4.2 Type of Item Sold/Manufactured or Service Provided by the Woman Entrepreneur.

Businesswomen are engaged in several activities in their economic pursuits. Figure 1 presents responses pertaining to the activities the women sampled for the study are involved in. This table shows that women captured in this study are engaged in several business ventures. The most pre-eminent one is 'Trading' activities and this is attested to by 45% of respondents. The responses indicated that the 'Trading' activities include selling of telecommunication accessories, petroleum products,

provisions, clothing, timber, building materials/hardware and selling of assorted foodstuffs.

**Figure 1**  
**Types of Women Entrepreneurs**



Again, Figure 1 shows that 21.0% of respondents noted that the women who were selected for the study are engaged in Sewing. Sewing demands some manipulative skills and the skilled ones mostly make good business from the things they sew for clients. Besides, the master seamstress or fashion designer can get contract from big schools and sew their uniforms whilst at the same time train other girls to become master dressmakers. Closely related to this is the issue of Hairdressing or Beauticians. Almost 19% of respondents indicated that some of the women entrepreneurs are hairdressers or beauticians. Dressmakers and Hairdressers play vital role in making women look attractive at all times and without their services in the

communities, a vacuum could be created. In short, these two types of enterprises are viable in many respects.

Also, the Figure shows that 6.4% of respondents outlined that some of the women are engaged in Food Vending (Restaurants and Traditional Eating Places). More women would have been captured in this category if the study was looking for women who were involved in small cooked food selling because there are several of them around the study area. Additionally, Figure 1 indicated that about 4% of respondents showed that some of the women entrepreneurs are actually involved in the running of 'Basic Schools' (Privately Owned Day Care Centres and Preparatory Schools). This is also commendable because even in the formal educational sector women educators dominate the teaching force.

Finally, Figure 1 shows that 5% of respondents made it clear that some of the businesswomen are engaged in other economic ventures such as 'Palm Nut Extraction', Batik Tie and Dye and Bread Baking. Tanoso is a suburb of a city and therefore it is an urban area so most of the activities undertaken by women entrepreneurs are related to the needs of the urban dwellers. However, the larger picture is that women entrepreneurs captured in this study are engaged in several activities, which contribute significantly to the economic development of the Kumasi Metropolis.

To probe further the category of businesses women entrepreneurs in Tanoso are involved in, the researcher enquired of the number of employees these women employ. This is because economists in their categorization of businesses used the number of employees as a yardstick. Figure 2 presents the responses that came out of the process.

**Figure 2**

**Number of People Employed by the Women Entrepreneurs**

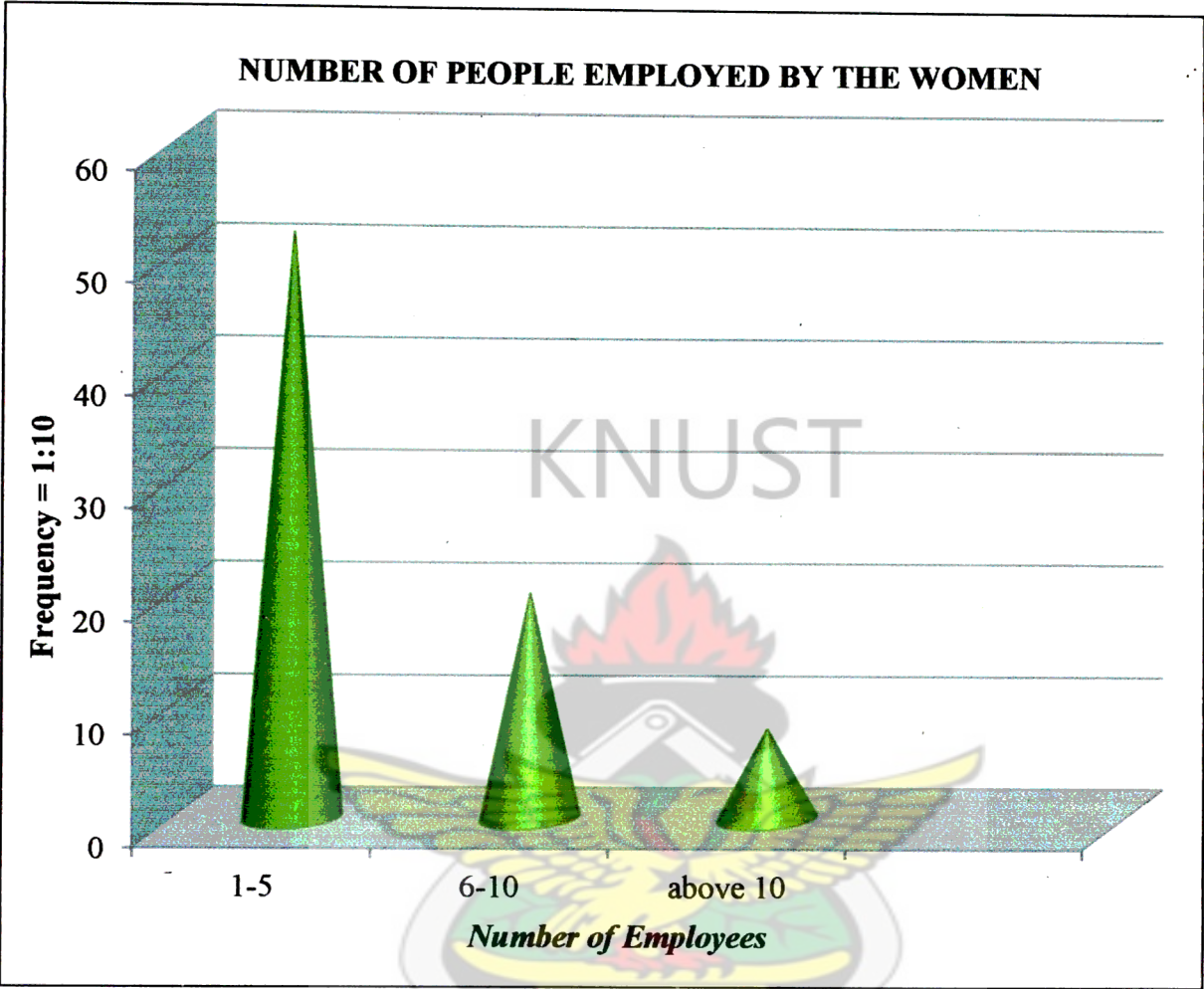
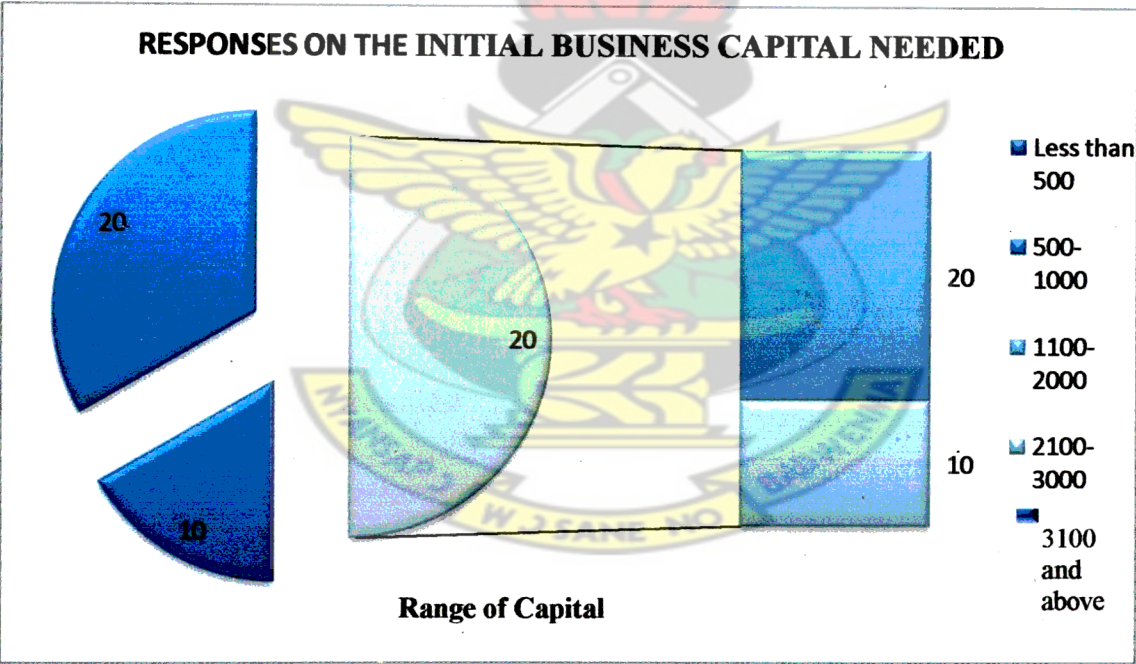


Figure 2 clearly shows that the majority (65%) of respondents indicated that most of the women entrepreneurs employ between 1 - 5 persons. The implication is that the businesses that employ less than six persons are categorized as micro enterprises (semfinancial.com, 2009). Again, Figure 2 shows that a cumulative of 35% respondents indicated that the rest of the enterprises belonging to women employ between 6 – 15 persons, which fall within small scale enterprises as per the classification given by Ghana’s Ministry of Trade and Industries in 1998 and cited in semfinancial.com (2009).

Again, in order to exhaust the categorization of the businesses women are engaged in at Tanoso, the study area, respondents were asked to indicate their initial capital which is used as criterion by scholars in this direction. Responses given by respondents are presented in Figure 3.

A cursory look at Figure 3 indicates that, 25.0% each of respondents said that the initial capital needed by a woman entrepreneur to start the type of business she is engaged in ranged from GH¢500 – 1000, GH¢1100 – 2000 and GH¢3100 and above respectively.

**Figure 3**  
**Responses on the Initial Business Capital Needed**



**A Simple Pie Chart**

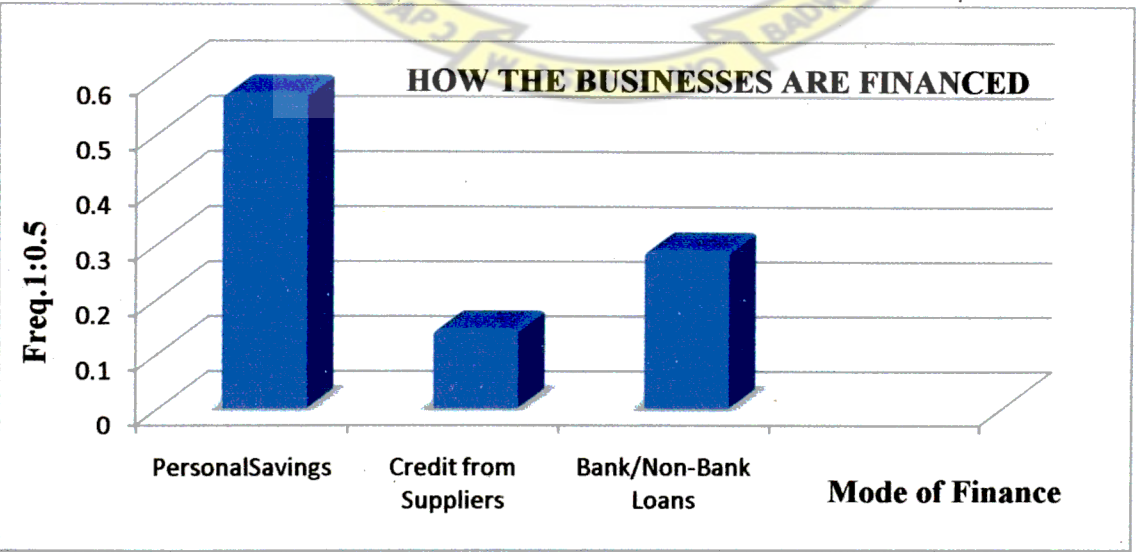
When these figures are compared to available figures concerning the classification of businesses, only few of them will qualify because these amounts are on the low side. However, the respondents are being objective in respect of the initial capital outlay

and the fact that they are able to survive and grow with time. Semfinancial.com (2009) cited the Ministry of Trade and Industry source as saying that the micro, small and medium scale enterprises have fixed assets in the region of not exceeding \$10,000, \$100,000 and \$1 million in that order. Respondents gave only the initial capital but not their fixed assets, so they still qualify as micro and small scale enterprises.

**4.3 What credit delivery mechanisms are in place for women in micro and small scale enterprises?**

The crux of this research question was to delve into the credit facilities that may be available for women entrepreneurs. Simply, this question looked at Credit Delivery Mechanism for women in micro and small businesses at Tanoso. Figure 4 presents the first batch of responses, which pertains to how the businesses are financed.

**Figure 4**  
**How the Businesses are Financed**



N=119

It can be seen from Figure 4 that the source of financing one's business was more than one. Figure 4 shows that 57.1% of the responses given by respondents indicated that the businesswomen who were involved in the study financed their business activities through personal savings. Indicating that they re-invest the profit they get in the business. The implication that majority of respondents claimed women entrepreneurs finance their businesses with personal savings is that they are unable to get access to credit due to reasons beyond their control. This point has been re-emphasized over and over again in this study. For instance, the International Center for Research on Women, ICRW (2008) affirmed that most micro and small enterprise owners begin by financing their operations with personal savings and loans from family members. Among them are women who do not have assets to be used as collateral. They usually cannot access the investment capital needed to grow or expand their businesses beyond the MSE levels.

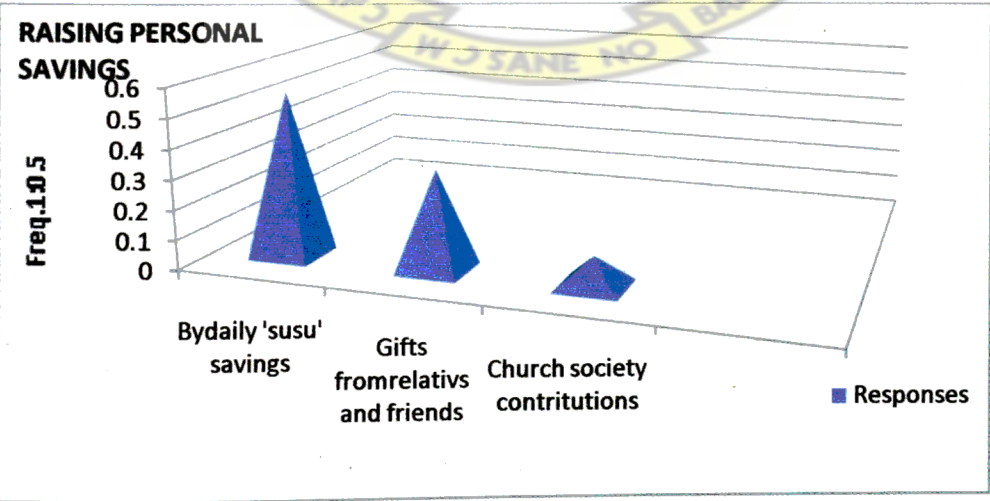
In spite of the foregoing, Figure 4 shows that close to 29% of the total responses for the issue under discussion intimated that the businesswomen go for bank/non-bank financial institutions loans to run their businesses. Women entrepreneurs accessing loans from financial institutions are gradually gaining grounds because the old world economic order is changing and women are playing important role in many economic spheres. Mayoux (1997a) is a feminist economics empowerment researcher whose writings have reached far. She maintains that microfinance programmes which are geared towards targeting women have been a welcome corrective measure to the previous neglect of women's productive role. These and many other advocacy programmes have put women access to credit on the lime light globally and locally.

Another important source of finance for women entrepreneurs is supplier credit. These are goods supplied on credit. They come in handy for women so that they can mobilize money for other operational activities, whilst efforts are made to pay pending subsequent supplies.

It must be stated that credit officers from the financial institutions noted that most of the credit they give to women in the MSEs come in the form of group and individual loans. The women involved in this study indicated that group loans do not favour them because they need the individualized loans more than the group ones which they claimed was not conducive for one person business and not those who have employees and need to run independent business operations.

The raising of personal savings had been seen to be very reliable for women entrepreneurs in our part of the world. Therefore, it was deemed necessary to probe more on how this personal savings is raised. Figure 5 presents the responses to that effect.

**Figure 5**  
**Raising Personal Savings**



N=99

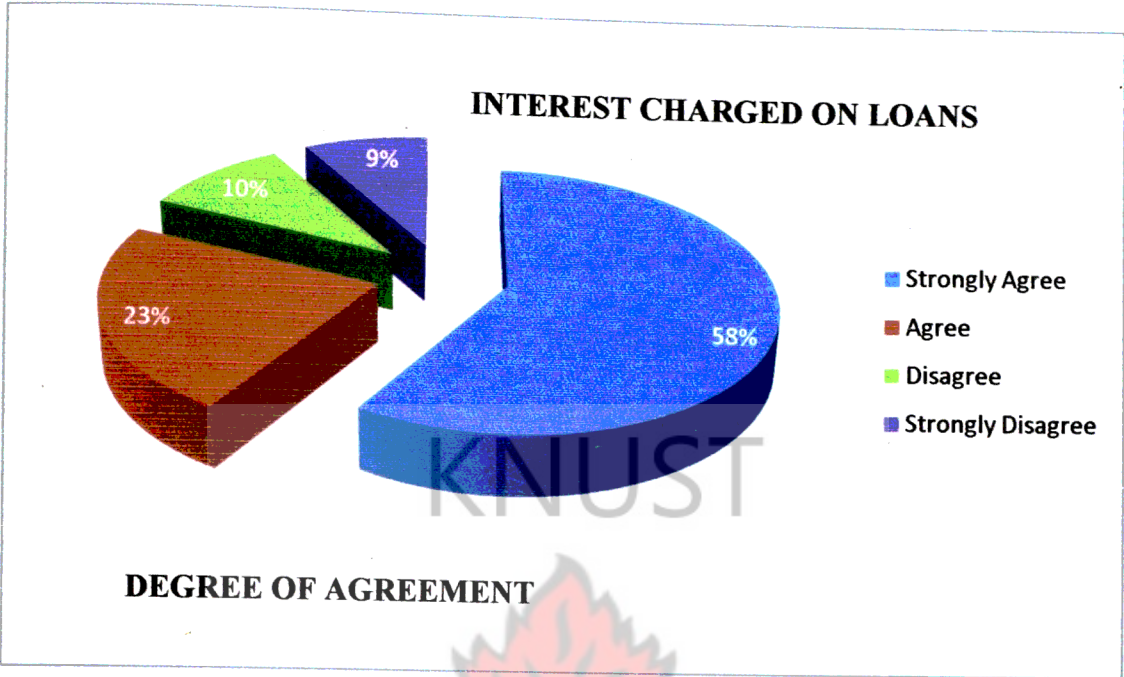
Figure 5 shows that 55.6% of responses to the issues indicated that daily 'susu' savings played major role in personal savings. There are some people in the informal financial market who go round the markets collecting daily savings from the market women to be sent to the banks until the month ends and it is paid back to the women when they need it. However, the women continue to patronize the susu collectors even more than the banks because it is more convenient to take back their monies.

Additionally, Figure 5 indicates that 33.4% of responses noted that personal savings may be mobilized from relatives and friends. Sometimes gifts that come in the form of monies are kept and used to boost the finances of businesses. Sometimes, women entrepreneurs get some funding from church societies they belong to. This form of finance is similar to the 'susu' the market women pay to collectors. The difference is that, with the funding from church societies, the monies are collected and given to one person, then the following month the next contributor benefits, until everyone within the group has a share. One can call it 'monthly susu' instead of the daily one and risk associated with it may be minimal as compared to the 'daily market susu'.

In dealing further the credit delivery mechanisms in place, the views of respondents were sought on whether the loans offered by the banks and non-bank financial institutions attract high interest rates or vice versa. Their views are represented in Figure 6.

**Figure 6**

**Interest Charged on Loans**



Unlike the preceding items, in this case respondents indicated their agreement or disagreement with a proposition put forward by the researcher. Consequently for the sake of discussions, the responses are merged. Strongly Agree and Agree become 'Agree', whilst Strongly Disagree and Disagree become 'Disagree'.

Figure 6 shows that 75% of respondents agreed that interest charged on loans by financial institutions is high. In fact, it must be pointed out that respondents, who agreed with the proposition that the interest rates are prohibitive, were particularly referring to loans from the non-banking microfinance institutions who readily give them loans. This view is amply supported by what Bowers (2007) found that borrowers routinely pay high annual interest rates - between 15 and 40 percent - reflecting the special costs of this type of highly negotiated credit, which reaches borrowers who do not qualify for standard bank loans and whose accounts must be

serviced by itinerant loan officers. Again, Bowers indicated some critics decry the high rates of interest charged by the microfinance institutions.

On the other side of the argument, Figure 6 shows that 25% of respondents disagreed that loans from financial institutions attract high interest rates. It should not be forgotten that credit officers of the financial institutions were involved in the study and they would not subscribe to the idea that their interest rates are high and prohibitive. In support of this position, Bowers (2007) cited the argument of Aba Quainoo, a Microfinance Operator, that the interest rates charged by the institutions are far lower than the only alternative. According to Bowers, Aba Quainoo declared "Women who can't access microfinance will go to a moneylender who will charge as much as 10 percent a month for money borrowed" (p.4).

Still with loans from the financial institutions, the issue of guarantor and/or collateral was considered. A statement was put up for respondents to indicate their agreement or disagreement with it and their responses are presented in Figure 7.

Figure 7

Collateral Security Demand

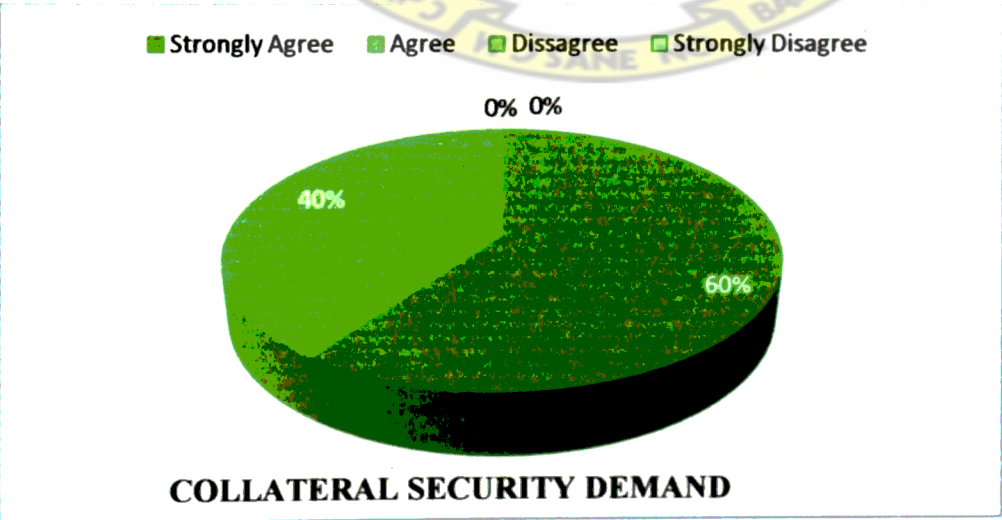


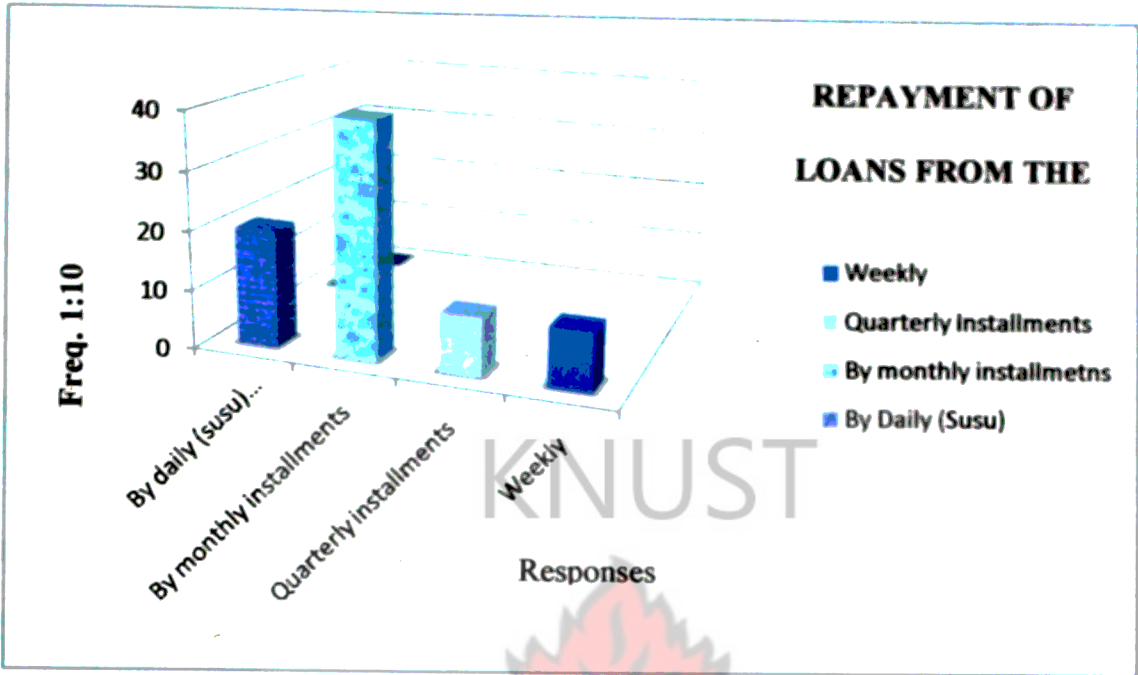
Figure 7 shows clearly that all the respondents agreed that the banking institutions demand guarantors and/or collateral before loans can be given out. The reasons for this is not farfetched because respondents explained that the banks want guarantors to ensure that in case of default in payment, the guarantors would see to that the funds are paid back. Besides, banks would not want to risk losing the monies given out which also belong to customers. Lastly, collateral that is worth more than the loan given out will compel debtors to pay back the loan in order not to lose their properties. The New Britannica Encyclopaedia (2003) affirms that during credit delivery processes the creditor considers a lot of things among which is the collateral the lender brings as a form of security guarantee. Because every loan given out by bankers, must have security guarantee which helps to reduce repayment difficulties.

#### **4.4 What credit repayment modalities have been put in place by credit institutions for micro and small scale enterprises?**

Once credit had been given out there should be modalities for repayment and so research question three was devoted to that purpose. Issues considered under this section included how loans are paid, which of the repayment arrangements are suitable for the entrepreneurs' businesses, and when and how supplier's credit is paid. Figure 8 presents responses pertaining to how loans from the financial institutions are paid by women entrepreneurs.

**Figure 8**

**Repayment of Loans from the Financial Institutions**



From Figure 8 payment by monthly installments is more prominent than the other modes of loan repayment. Some of the creditors had said that debtors are given one month grace period before loan repayment starts. Several literature support the view that credit from the financial institutions are mostly repaid through monthly installments (semfinancial.com, 2009; Microlinks, 2006; Mayoux, 1997c).

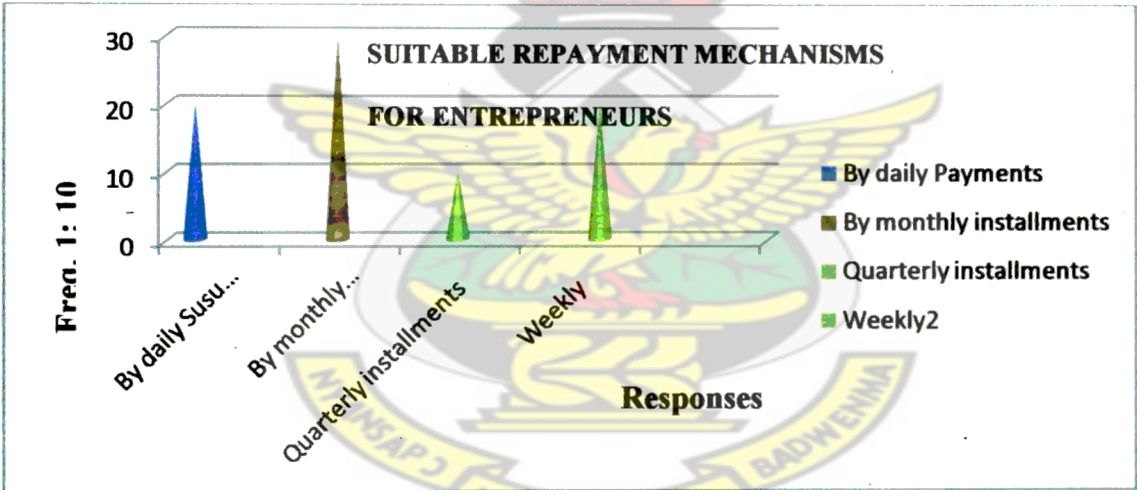
Figure 8 also shows that the loan repayment is mostly done through the 'daily susu' collections. This is done mainly by the microfinance institutions. Women World Banking and the other microfinance banking institutions employ people to go round the shops and marketing centres everyday to collect the susu with the view of collecting the normal savings and loans given out. From the figure, 25.0% of respondents indicated, that was the case in loan repayment. This finding is supported by Bowers (2007) when she described the activity of one daily susu collector for WWB that: through this maze of shops, Quaye collects savings money from clients of

his employer, Women's World Bank Ghana. He assigns some of the money to savings accounts, some to payments of microcredit loans they've taken through the bank.

Lastly, Figure 8 shows that apart from the monthly installments and daily susu payment modes, others pay their loans either on weekly or quarterly basis. This may depend on the agreement the lender or the bank makes with the client (borrower).

Following closely on what has been discussed are issues relating to which repayment mechanisms are suitable to entrepreneurs. Figure 9 presents the responses as given by respondents.

**Figure 9**  
**Suitable Repayment Mechanisms for Entrepreneurs**



The information shown on Figure 9 indicates that payment by monthly installment is the most suitable for the majority of entrepreneurs. This response confirms earlier one shown on Figure 8 that most financial institutions demand loan repayment on monthly basis. In short, the other responses are a confirmation of the responses in Fig. 8.

In considering credit lines that are available to women entrepreneurs, supplier credit was seen to be one of the main sources of financing the businesses. The researcher then asked the women entrepreneurs when and how credits given to them by suppliers are paid, because if they do not pay as promptly as arranged their businesses could collapse. Figures 10 and 11 present the responses to the ‘When’ and ‘How’ these supplier credits are settled as reliable source of credit.

**Figure 10**  
**Entrepreneurs’ Responses as to When Payment of Supplier Credit is Effected**

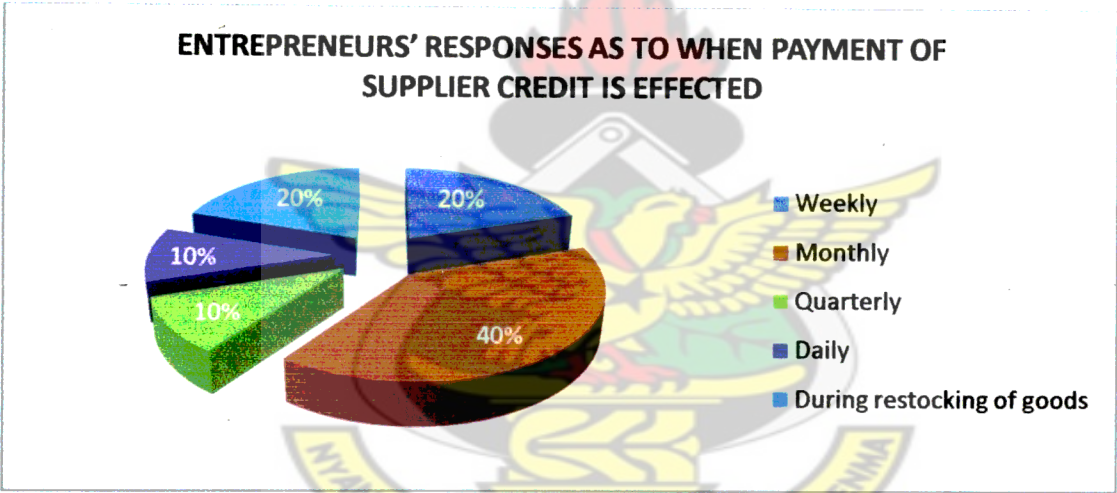


Figure 10 shows that 40% of the businesswomen who were selected for the study indicated that supplier credits are paid monthly. The monthly installment or payment schedule seems to be the norm that most creditors accept as favourable and for which debtors also consider suitable as the trend shows.

Apart from the monthly payment schedule, there is a quarterly, weekly and daily payment depending on what business the entrepreneur is engaged in. Those who sell telecommunications accessories may pay on a daily basis and the timber merchants may do so, on quarterly basis. Additionally, Figure 10 indicates that 20%

of the women said that they pay the creditors as and when they go to restock their goods or supplies. All these may depend on the arrangement the supplier and the businesswoman agree on. What matters is the creditworthiness of the businesswoman; she needs to pay the supplier promptly to continue to be in good business.

As has been stated earlier, Figure 11 presents responses from women entrepreneurs who were captured as part of the respondents. Apart from the time schedules for the payment of the supplier credit, the mode of payment was considered important to the issue being dealt with.

**Figure 11**  
**Entrepreneurs’ Responses as to how Payment of Supplier Credit is Effected**

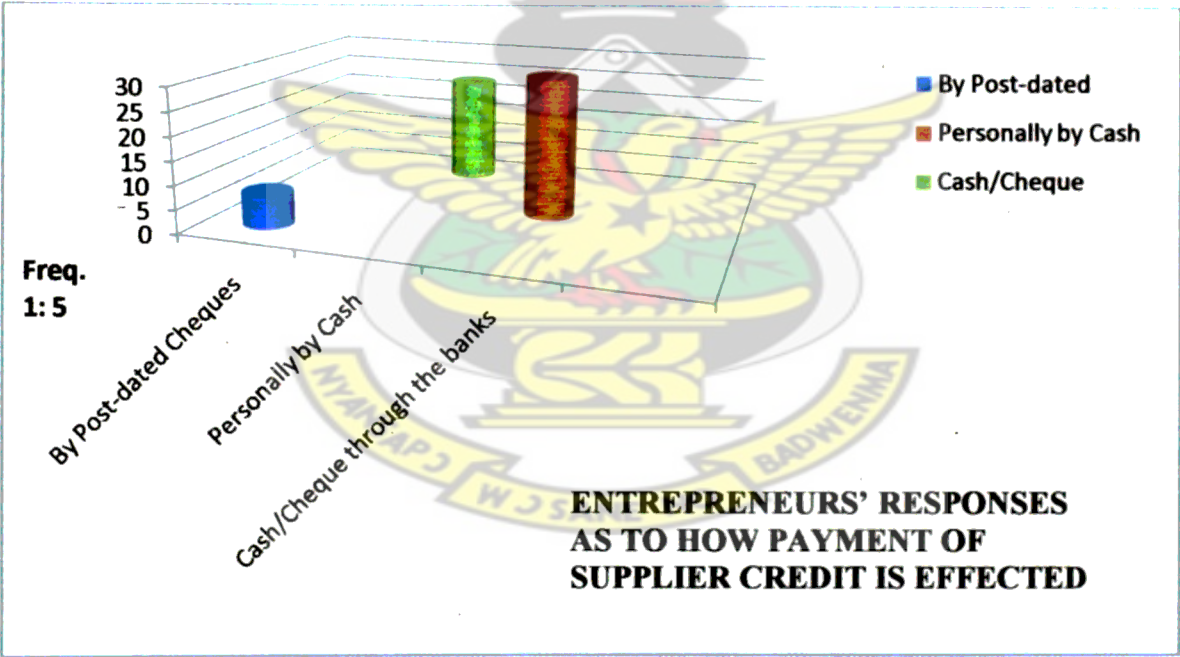


Figure 11 shows that 50% of the businesswomen indicated that they pay their supplier credits personally by cash. One want to believe that this is very effective and it may have been due to the arrangements the two parties have. Again, Figure 11 shows that a little above 38.3% of the women noted that they pay by cash or cheque

through the banks. Finally, the figure indicates that almost 12% of the entrepreneurs outlined that their payment for supplier creditors is by post-dated cheques, meaning that the cheques are written for them to mature in the future all based on the supplying agreement. Business people in petroleum and timber industry are likely to transact business in such manner because of the long-term nature of their businesses.

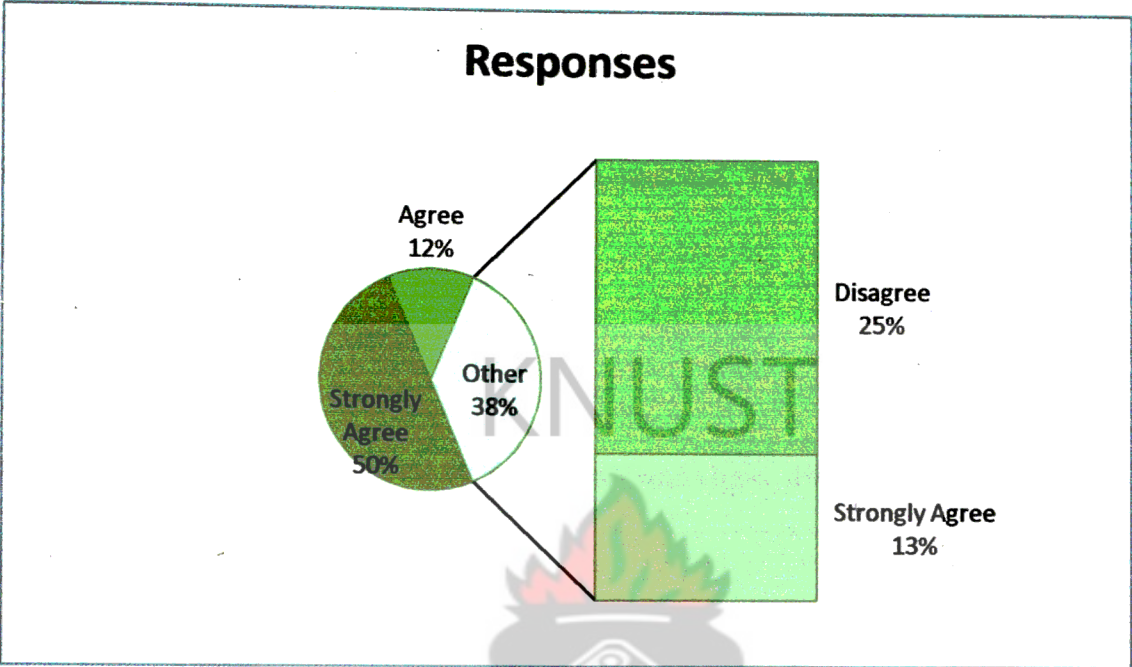
#### **4.5 What challenges do urban based micro and small scale businesswomen face in accessing credit?**

Research Question four looked at the challenges or the factors that account for businesswomen's inability to access credit from financial institutions. Two propositions were put forward for respondents to indicate their agreement or disagreement with it. Explanations had been given to the responses that emerged. Figure 12 presents the first aspect of the challenges.

Figure 12 shows that 62.5% of respondents agreed that women have difficulty accessing credit from financial institutions. This point has been emphasized again and again by several research works. For instance, Stevenson and St-Onge (2005), Richardson, Howard and Finnegan (2004) and Voeten (2002) found that women entrepreneurs face several problems some of which had to do with collateral security and record keeping. They indicated that while credit is a problem for all small businesses, the lack of access to credit and financial services is particularly acute for women. In some countries, banking laws contain discriminatory provisions. Inheritance laws, property rights and matrimonial property rules can also work against women. Undercapitalized from the outset, Women's microenterprises tend to start smaller and grow more slowly. Women in developing countries must often rely on informal financing sources that demand high interest.

**Figure 12**

**Responses on Whether Women have difficulty in Accessing Credit**



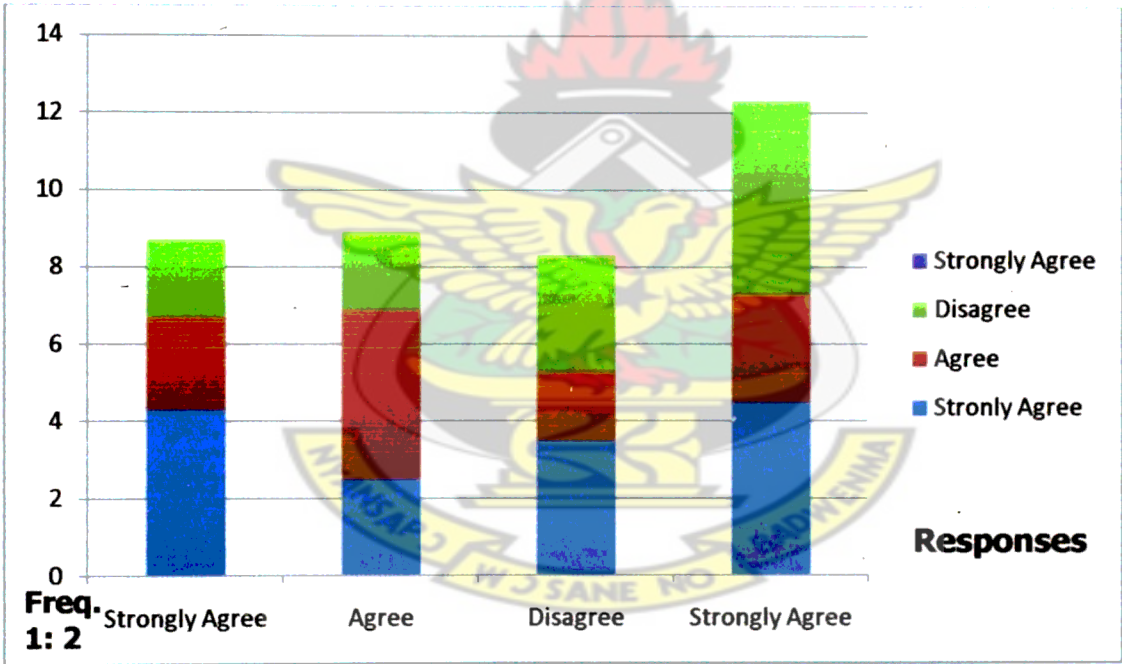
In explaining their viewpoint further, the respondents emphasized that creditors have the misconception that women may use the monies for the other purposes that do not have bearing on what the credit was meant for. Some researchers found that some women could use the money for housekeeping or even to pay their children school fees. In fact, Bowers (2007) reports that one woman in Ghana who had gone for credit from World Women Banking Ghana used the money to pay her children’s school fees and she was struggling to pay back the loan. This indeed is not a misconception but a reality, even though the debtor would find a way to make good the money borrowed to maintain her creditworthiness.

Figure 12 also showed that 37.5% of respondent disagreed that women entrepreneurs faced difficulties in accessing credit from financial institutions. Those who disagreed with the proposition explained that women are meticulous in whatever

they do. In view of this assertion, they stated that if women are given the opportunity they perform well and since most of the banks and financial institutions have seen that their perception has changed, they are now giving loans to women as they would do to any other business person with sound credit proposals.

The other side of the issue of women access to credit was whether the women had difficulties paying back the loans they contracted. The responses that came out are represented in figure 13.

**Figure 13**  
**Responses on Whether Women Who Access Loans have difficulties Paying Back**



The responses on Figure 13 indicate that the proportion of respondents who disagreed with the proposition under consideration were more than those who agreed. The figure shows that 55% of respondents disagreed that women have difficulties in repaying loans granted to them. Forty-five percent agreed that women had difficulties paying back the loans. The views of those who agreed correspond with what Bowers (2007) underscored earlier that some of the women used the money to pay their

children school fees or used it to solve family related problems. This is likely to influence the repayment plan agreed on.

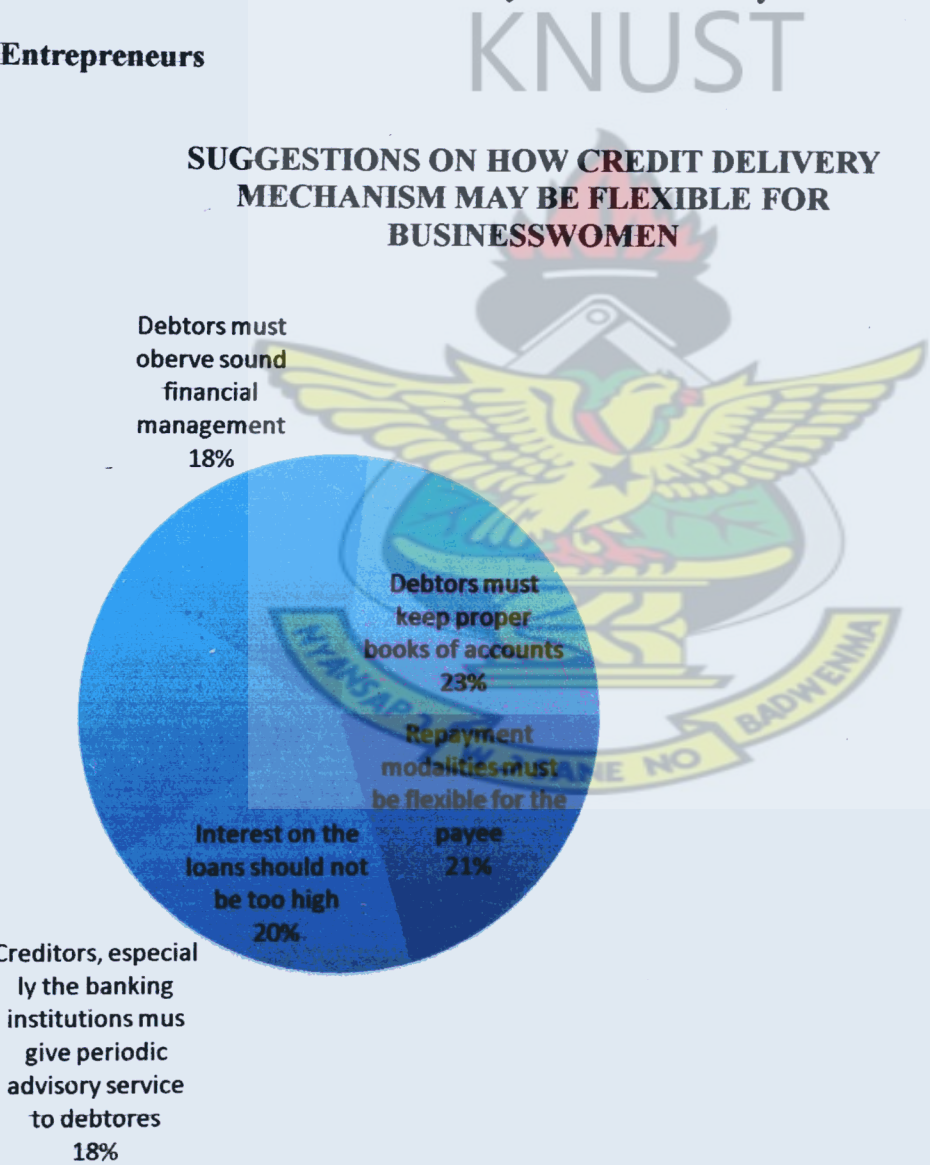
In order to assist respondents to give explanations to their standpoints, alternative responses were supplied. It must be stressed that, respondents who agreed that women faced difficulties in loan repayment subscribed to the suggested explanations. These explanations were that monies sourced as credit are used for housekeeping instead of expanding the business or revamping it. Others were that the monies are used to pay outstanding debts or the monies are used to start new and unplanned businesses. Another reason that account for the difficulties in loan repayment is the high interest rate which swells the amount to be paid.

On the other side of the argument, respondents who intimated women do not have any difficulty repaying their credits indicated that women are generally compassionate and they would not want to make their creditor suffer in retrieving their investments. In this way, the women will do everything within their might to repay the loan including the daily susu repayment plan. The viewpoint that women entrepreneurs have good track record of loan repayment is affirmed by the findings of Bowers (2007) and Mayoux (1997a). Bowers found in the Makola Market in Ghana that women have a 90% loan repayment record because of the daily susu savings and loan repayment collections. Mayoux's study in Bangladesh found that many evaluations of microfinance programmes have assumed that high take-up and repayment levels indicate positive impact on women economic activities.

4.6 What could be done to facilitate micro and small scale businesswomen in accessing credit?

The last research question sought to elicit suggestions from respondents in respect of how the challenges women entrepreneurs face in accessing credit. Figure 14 presents the suggestions.

Figure 14  
Suggestions on How Credit Delivery Mechanism May be Flexible for Women Entrepreneurs



N=147

Figure 14 indicates that 16.3% of the total suggestions given by respondents indicated that loan repayment modalities must be flexible for the payer. By flexibility they meant that administrative processes must be less cumbersome, in short, paper work must be minimal. Another 16.3% of the responses suggested that interest on the loans should not be too high but should be reasonable to allow the women access them because they have been consistent in criticizing the high interest rates.

Again, Figure 14 shows that three suggestions attracted a percentage of 14.3. The first suggestion in this category was concerned with creditors, particularly those in the banking industry to give periodic advisory services to debtors (borrowers). In other words, they are suggesting that borrowers should be given education on how to utilize the monies lent out. This education is supposed to sharpen their managerial skills so that they would be able to properly manage the funds borrowed to enhance repayment.

The second suggestion that attracted 14.3% of the total responses indicates that debtors must observe sound financial management. This is a valid point in that banks would want the businesswoman to keep proper records on their operations and make sure that the business and the owner are separate entities. Whichever records that may be demanded should be available for scrutiny. This suggestion is made more pertinent by the fact that 18.5% of the responses suggested the entrepreneurs must keep proper accounting records. Financial institutions always want to ensure that the client they are doing business with is credible in terms of financial records. The previous suggestion was alluding to sound financial management which also includes proper accounting records such that all expenditure of transaction is fully recorded so that anyone wanting to give credit would use the records as one of the basis of assessing the viability of the business proposal. Financial institutions are just

managing funds deposited by savers. Therefore one of the ways of ensuring that such funds yield results, is to give them on credit to borrowers. If it happens borrowers with doubtful backgrounds are given the monies and they default in payment, then, the managers would have failed in their duty. It is therefore prudent for businesswomen to learn to do business the way it is done, that is keeping the appropriate records on transactions (Robinson, 2001; Steel & Aryeetey, 1995).

The third suggestion that attracted 14.3% of the responses is that the quantum of credit given to women borrowers must commensurate with the business involved. Financial institutions consider every loan application on its (bank) own merit and so when women borrowers approach them for credit the amount requested for is slashed down according to the assessment of the institutions. However, respondents are suggesting that banks should not reduce the proposed amount requested for, so that the intended purpose could be realized.

Finally, Figure 14 shows that 6% of the responses suggested that they should have regular monitoring of the activities of borrowers. This can be done vis-à-vis the advisory services suggested earlier on. If the financial institutions were to do so it could enhance repayment schedules and any anomalously uncovered could be fixed before things get out of hand. The monitoring process being suggested can help in verifying whether the management training given to borrowers is being practised. All these suggestions are laudable and if they are tried, it could help make the situation better and enhance women access to credit.

## **CHAPTER FIVE**

### **SUMMARY, RECOMMENDATIONS AND CONCLUSIONS**

This is the last chapter of the study and it is devoted to the summary of findings of the study. Also it highlights on the conclusions draw from the study so far and the recommendations made based on the findings. Additionally, areas for further research are suggested.

#### **SUMMARY OF FINDINGS**

The study was guided by five research questions through which interview items were developed for data collection. Data collected were analysed according to objectives of each research questions. In the course of the presentation and discussions of data some pertinent results emerged which are enumerated according to the research questions.

Firstly, research question one sought to find out the type of businesses women entrepreneurs in Tanoso were engaged in. It was found that they were mostly micro and small scale entrepreneurs with a capital base ranging from a little less than GH¢500.00 to a little above GH¢3100.00. They were generally involved in trading activities, hairdressing, dressmaking, food vending, petroleum dealers, timber merchants and basic education. They employ a minimum of one person to a maximum of 15 people. All these characteristics put them in the category of micro and small scale enterprises.

Secondly, the objective of the study was to find out the credit delivery mechanism available to the urban based micro and small scale women entrepreneurs. The results showed that there are three main sources of funds, namely: Personal Savings, Credit from Suppliers and bank/non-bank loans. It was found that personal

savings may come from the entrepreneur's own daily 'susu' savings, gifts or loans from family and friends. Credit from suppliers are goods or stocks supplied for which payment is not demanded on the spot (that is payment is made after sales) and loans are credit lines that the financial institutions offer to prospective borrowers including women entrepreneurs.

Furthermore, objective of the study looked at the credit repayment modalities. It was found that credit had to be paid mostly by monthly installments followed by payment by daily 'susu' savings especially loans from the microfinance institutions. However, weekly and quarterly installments existed in few instances and this depended on the type of business engaged and type of credit accessed. Additionally, payment of the loans was mostly by personal cash payments with few cheque payments.

Also, the study found that most of the women had some difficulties accessing credit especially from banking institutions because of the high interest charged on loans, the collateral security and other documentary requirements. Few indicated they did not have any difficulties because they are able to provide the guarantees the creditors ask for. The other side of the fourth objective was about repayment difficulties, and a slight majority of 55% of respondents said they did not have difficulties paying back the loans whilst 45% agreed that they faced repayment difficulties because of the high interest rates and short period for repaying the credit.

The final objective of the study was to find suggested solutions to the challenges that prevent women entrepreneurs from accessing credit from the financial institutions. Among the suggestions were that: loan repayment modalities must be flexible for the payee (borrowers); interest on the loans must not be too high; creditors, especially banking institutions must give period advisory services to

debtors; businesswomen must observe sound financial management; additionally, they should keep proper books of accounts; the quantum of credit requested for must be given and financial creditors must occasionally monitor the activities of borrowers to see to it that the monies are being used judiciously.

## RECOMMENDATIONS

Recommendations that are made for this study pertain to the challenges that women entrepreneurs encounter in accessing credits. The other findings of the study were not challenges per se but characteristics of various businesses.

First it was found that women have problem with interest on loan acquired from creditors and to this it is recommended that creditors should reduce their interest rates to the barest minimum so that more women entrepreneurs can access credit to expand their businesses.

Secondly, it is recommended that repayment schedules of credit must take into account the nature of business a borrower is engaged in. This is to ensure repayment without defaulting.

Also, with collateral security it should not be too demanding and if possible it should be scrapped off altogether. If collateral cannot be done away with governmental institutions can guarantee for women entrepreneurs who register with them.

Lastly, all the suggestions made by respondents in the last section of the findings must be considered seriously to make credit delivery to women entrepreneurs a success. Successful women businesses are likely to turn the economic fortunes of a nation as several research works have shown (USAID, 2008; World Bank, 2007; Mayoux, 1997c).

## **SUGGESTED AREAS FOR FURTHER RESEARCH**

Firstly, it is suggested that potential researchers could build on this work and expand the scope to cover a wider population than this study did. Also, this study should be conducted into the effectiveness of supply credit to women entrepreneurs as a source of finance and finally, a study should be conducted on the advantages and disadvantage of group and individual credit to rural women entrepreneurs.

## **CONCLUSIONS**

Almost all the findings confirmed what other researchers have found in their respective studies in the past. Most of the things the literature carried confirm the results of this study. The sources of finance for micro, small and medium scale enterprises were found to come from three main sources as found in the literature review. Again, what the literature and the results of the study confirmed is the proliferation of microfinance institutions, whereby most of the institutions target business women, especially, those in the trading industry because it is easy to collect daily 'susu' savings. One thing is also clear that most of the challenges that women entrepreneurs faced are being neutralized because of the advocacy programmes for them. Finally, it can be stressed that the business world recognizes the contributions women entrepreneurs are making towards the economic development of the larger society and their communities particular. In effect every effort is being made to assist women in many respects including business and financial management strategies.

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## **APPENDICES**

### **APPENDIX A**

#### **KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY**

##### **SCHOOL OF BUSINESS**

##### **INTERVIEW GUIDE FOR WOMEN ENTREPRENEURS**

Dear Respondent, you are to provide information in this interview guide which is being used for academic work. You are therefore entreated to be honest and candid in answering the questions posed. In so doing you will be providing the researcher with valuable information on this research work which had to do with the factors that influence women entrepreneurs access to credit. Thanks for your cooperation.

#### **SECTION A: CATEGORY OF BUSINESS**

1. Type of items sold/manufactured or services provided.

- a. Hairdressing
- b. Education
- c. Basic Education
- d. Trading
- e. Sewing
- f. Telecommunication

2. Number of people employed

- |    |     |   |    |
|----|-----|---|----|
| a. | 1   | - | 5  |
| b. | 6   | - | 10 |
| c. | 10  | - | 15 |
| d. | 16  | - | 20 |
| e. | 21+ |   |    |

2. Range of capital needed to start the business

- a. Less than GH¢500
- b. GH¢500 – GH¢1,000
- b. GH¢1,100 – GH¢2,000
- c. GH¢2,100 – GH¢3,000
- d. GH¢3,100 and above

**SECTION B: CREDIT DELIVERY MECHANISM**

4. How is the business financed?

- a. Personal saving
- b. Credit from suppliers
- c. Bank or non-bank loans
- d. Anyother, specify:.....

5. If the business is from personal savings, how it was raised

- a. By daily 'susu' savings
- b. Gifts from relatives and friends
- c. Church/society contributions

6. What credit from suppliers come in the form of goods supplied?

7. Loans from banks and non-banking institutions attract higher interests and are not easy to source.

- Strongly agree
- Agree
- Disagree
- Strongly disagree

8. Briefly explain for response.

.....

.....

.....

9. Loans that are sourced from banking institutions demand collateral or guarantors.
- Strongly agree
  - Agree
  - Disagree
  - Strongly disagree

10. Briefly explain your response in above.

.....

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### SECTION C: REPAYMENT MODALITIES

11. How do you pay back loans given to you by the banking institutions?
- a. By daily (*susu*) payments
  - b. By monthly installments
  - c. Quarterly installments
  - d. Six monthly
  - e. Annually
  - f. Weekly
12. Which of these payment arrangements is suitable to your business?
- a. daily
  - b. monthly
  - c. weekly
  - d. six monthly
  - e. annually
  - f. quarterly

13. Please give reason(s) for your response to the mode of repayment above.....  
.....  
.....

14. If you get your credit from suppliers, when and how do you pay back?

**A. WHEN?**

- i) Daily
- ii) Weekly
- iii) Monthly
- iv) Quarterly
- v) During restocking of goods

**B. HOW?**

- (i) By post-dated cheques
- (ii) Personally by cash
- (iii) Cash/cheque through the banks

**SECTION D: CHALLENGES**

15. Most women in business find it very difficult accessing credit.

- Strongly agree
- Agree
- Disagree
- Strongly disagree

16. Briefly explain your viewpoint on the item above.

.....  
.....

17. Most of the women who are able to access the loans find it difficult paying back.

- Strongly agree

- Agree
- Disagree
- Strongly disagree

18. Possible reasons for the response in items (17).

- The monies used for housekeeping instead of its purpose of acquiring the loan.
- The monies are used to pay understanding debts.
- The monies are used to start new and unplanned business.
- Others,  
state:.....  
.....

### SECTION E: SUGGESTIONS

Suggestions on how credit delivery can be viable to the businesswomen.

- Repayment modalities must be flexible for the payee.
- Interest on the loans should not be too high.
- Creditors, especially the banking institutions must give periodic advisory service.
- Debtors must observe sound financial management.
- Debtors must keep proper books of accounts.
- The quantum of credit must be commensurate to the business involved.
- Others:.....  
.....

## APPENDIX B

### KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY

#### SCHOOL OF BUSINESS

#### INTERVIEW GUIDE FOR CREDIT OFFICERS

Dear Respondent, you are to provide information in this interview guide which is being used for academic work. You are therefore entreated to be honest and candid in answering the questions posed. In so doing you will be providing the researcher with valuable information on this research work which had to do with the factors that influence women entrepreneurs access to credit. Thanks for your cooperation.

1. Which kind of businesses fall into the category of micro and small-scale enterprises?

.....

.....

.....

2. What credit delivery mechanisms are in place at your bank for women in micro and small enterprises?

.....

.....

.....

3. What credit repayment modalities have been put in place by credit institutions for micro and small-scale enterprises?

.....

.....

.....

4. What challenges do urban based micro and small businesswomen face in accessing credit?

.....

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5. What could be done to facilitate micro and small businesswomen in accessing credit?

.....

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