

ANALYSIS OF ACCESSIBILITY OF FINANCE BY WOMEN ENTREPRENEURS IN ABIA STATE, NIGERIA: A CASE STUDY OF SMALL AND MEDIUM SCALE ENTERPRISES

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Abstract

This study analyzed the effect of accessibility of finance on the growth of women entrepreneurs in Abia State, Nigeria. The specific objectives of the study were to determine the factors affecting accessibility of finance among women entrepreneurs and to determine the effect of accessibility of finance on the growth of women entrepreneurs in Abia state. A structured questionnaire was administered to 60 respondents using simple random sampling technique. Descriptive statistics and multiple regression analysis were used in analyzing data. The study showed that majority of the respondents were less than 40years old, had tertiary education, and are married with small household sizes. The regression result showed that business experience, membership of cooperative society, source of credit and educational qualification were positive and significantly related to the accessibility of finance while type of business ownership and interest rates were negatively and significantly affected women's access to finance at different levels. However, the type of business they engage in did not significantly affect their ability to access financial aid. The result of the simple regression showed that amount of credit had a significant effect on the growth of the businesses while negative intercept of -147333.33 indicates that finances are not sufficient for the businesses, implying that there is still room for growth. The study thus recommended, based on the findings, that women entrepreneurs should be trained by relevant government and non-government agencies which will encourage them to register their business and also join existing self-help groups or form new ones in order to present a recognizable front for accessing funds from creditors.

Key Words: Accessibility, Financial aids and Women Entrepreneurs

Introduction

In the last two decades, academic literature has witnessed a surge in interest on female entrepreneurship in various countries around the world. Consequently female entrepreneurs are now seen to attract considerable amount of attention as a subject of academic debate in their own right (Carter *et al.* 2007). According to Verheul *et al.* (2006), the interest is attributable to the fact that female entrepreneurs are now considered important forces in economic development of their nations. This is not surprising as more than ever before, many women have been forced into alternative avenues of generating an income, with a greater number of women setting up in business to balance work and family commitments (Kirk and Bolovics, 2006). For example Welter *et al.* (2006) noted that: "women in business are a growing force in the economy, and in transition environment, their contribution extends from the economic sphere to include the wider process of social transformation". A UNIDO report on Africa also acknowledges this trend as women were reported to be in charge of majority of activity in Africa. This finding is also reflected in various studies which indicate that women, own and operate around one-third of all businesses in the formal sector, and they represent the majority of business in the informal sector (Bardasi *et al.*, 2007; World Bank, 2007; Aderemi *et al.*, 2008). Women's productive activity, particularly in industry

empowers them economically and enables them to contribute more to overall development. Whether they are involved in small and medium scale activities in the informal or formal sector, women's entrepreneurial activities are not only a means for economic survival but also have a positive social repercussion for the women themselves and their social environment (UNIDO, 2001). In spite of such remarkable reports, the reality of the situation in many African and transition economies is that female entrepreneurs consistently struggle and remain dormant (Nichter and Goldmark, 2009).

In Nigeria for example, the promotion of women is disappointing, and their contribution overlooked as a result of the systematic neglect by society as a whole. In addition, their participation and role within the wider entrepreneurial setting is constantly undermined, resulting in gross underestimation of women's socio-economic contribution to the economy and under-utilization of women's tremendous potentials (Woldie and Adersua, 2004). Furthermore female entrepreneurs in Nigeria are faced with a myriad of obstacles and challenges, and the lack of support from government and non-governmental agencies further exasperates their effort. Moreover, this study seeks to add to the growing body of knowledge on the characteristics of female entrepreneurs and their motivation for business ownership; it also seeks to concentrate on financial constraints inhibiting women participation in business. Many women in Africa and in Nigeria have been forced into alternative avenues of generating income, with a greater number of women setting up in business as a result as a result of chronic poverty, corporate glass ceiling and high unemployment (Madichie, 2009).

Women are proved to be more entrepreneurial when they are exposed to opportunities and have access to resources (Lee, and Denslow, 2005). Although women are increasingly starting their own businesses and contributing more and more to the national economies, the unique capabilities and assets of women entrepreneurs are not being harnessed and incorporated into national strategies (Grando and Belvedere, 2006). Although access to finance is a business constraint for both men and women, evidence suggests that women face higher limitations (Gray, 2007). Women's access to finance especially at the small and medium enterprise level is a major constraint to start and expand businesses (Langowitz, and Minniti, 2007). Women in Nigeria face tighter constraints in terms of the cost of and access to finance. Majority of the loan applications rejections are based on the lack of acceptable collateral, a major constraint for women and the most commonly accepted tangible form of collateral is land. However, many women do not own property that can be exploited as collateral because gender relationships play a central role (Dowuona-Hammond, 2007). Female entrepreneurs fail to excel effectively compared to one owned by men due to lack of accessibility to finance (Agarwal, 2003), in a context where formal avenues of employment are often reserved for men. Urban financial programs have been largely designed, crafted and implemented with the male who is the head of household as the intended client and fail to recognize that women are active, productive and engaged economic agents with their own financial needs and constraints (Fletschner, 2009). Even though millions of women throughout the world contribute to national agricultural output and family food security, detailed studies from Latin America, South Asia, and Sub-Saharan Africa consistently indicate that rural women are more likely to be credit constrained than men of equivalent socio-economic conditions (Fletschner and Kenney, 2011). In addition, women entrepreneurs are often prevented from running competitive businesses by their relatively low education and skill levels, which generally limit their access to the various support and credit services (Cutura, 2007). Even when they have access to information on the financial services and market opportunities available to them, women may be less equipped to comprehend it due to low levels of information on finances (UNDP, 2007). Women entrepreneurs have not been on an equal footing when it comes to their access to funds but it has yet to effectively address financial barriers

facing women in business (Cutura, 2007). Therefore the study analyzed the effect of accessibility of finance on the growth of women entrepreneurs in Abia State.

Methodology

The study was carried out in Umuahia North and Ikwuano Local Government Areas in Umuahia Agricultural Zone of Abia State. A random sampling technique was used to select 60 female entrepreneurs (30 from each LGA.) in the two local government areas. The study made use of primary data collected using a well-structured questionnaire. Descriptive statistics like mean, percentages and multiple regression analysis were used for the study. Multiple regression analysis was used to determine the factors that affect accessibility of financial aid by women entrepreneurs in the study area and it was implicitly stated as thus:

$$Y = f(X_1, X_2, X_3, X_4, X_5, X_6, X_7) \dots\dots\dots (1)$$

- Y = Amount of finance accessed (₦)
- X₁ = Type of business (self-employed=1, employed =0)
- X₂ = business experience (years)
- X₃ = type of business ownership (sole proprietor =1, partnership=0)
- X₄ = membership of cooperatives (member =1, otherwise =0)
- X₅= source of credit (formal loans =1, informal loans =0)
- X₆ = Educational qualification (years)
- X₇ = Interest on loans obtained (₦)

Also, simple regression model was used for the analysis of the effect of accessibility of finance on the growth of women entrepreneurs'. The model is specified as thus:

$$Y = a + bX + e \dots\dots\dots (2)$$

Where

- Y = Change in profit (₦)
- X = Amount of credit (₦)
- e = Error terms

Results and Discussion

The result in table 1 shows the socioeconomic characteristics of the respondents in the study area. The results showed that 71% of the respondents had age range of 31-40 years while about 22% aged between 41 – 50 years. This shows that majority of the female entrepreneurs were still young and active in their business. The results equally show that majority of the respondents (43.90%) had acquired tertiary education; while about 37% had secondary education. The mean number of years spent in formal education by the women was 15.22 years. Age and education are two important factors which enhance the capability and discipline to undertake business ventures. The age of the respondents indicates an active lot, while their level of education shows that high level of skills must have been acquired for good performance in entrepreneurial activities. The household size of the respondents indicates an equally young households whose mean household size was 3.17 persons. The result showed that the modal household size was 1-3 persons (43.90%), while above 10 persons households were only 7.32% of the respondents. The marital status indicated that majority of the women were married (48.78%) while an appreciable 46.34% were single. Also, it is shown that majority of respondents were self-employed (58.54%) with diverse business options.

The results further showed that on the average, there were two persons in each household who were entrepreneurs, as the range of 1-2 entrepreneurs per household were 78.05% while majority of the women (63.41%) operate sole form of business

Table 1: Socioeconomic characteristics of the respondents

Characteristics	Frequency	Percent
Age (Mean = 33.93 years)		
Less than 20 years	3	7.32
21-30 years	18	43.90
31-40 years	8	19.51
41-50 years	9	21.95
51 & above	3	7.32
Total	41	100.00
Education		
Primary	8	19.51
Secondary	15	36.59
Tertiary	18	43.90
Total	41	100.00
Household size. (Mean = 4 persons)		
1-3 persons	18	43.90
4-6 persons	12	29.27
7-10 persons	8	19.51
Above 10 persons	3	7.32
Total	41	100.00
Marital status		
Married	20	48.78
Single	19	46.34
Widowed	2	4.88
Total	41	100.00
Major occupation		
Civil service	4	9.76
Private sector employee	13	31.71
Self employed	24	58.54
Total	41	100.00
Entrepreneurs in the household (Mean = 2 persons)		
1-2 persons	32	78.05
3-5 persons	6	14.63
Above 5 persons	3	7.32
Total	41	100.00
Type/Form of ownership		
Sole proprietor	26	63.41
Partnership	15	36.59
Total	41	100.00

Source: Field survey, 2015

Table 2: Regression estimates of factors affecting access to finance by women Entrepreneurs

Variables	Linear+	Semi log	Double log	Exponential
Constant	29639.44 (0.343)	12.181 (13.983)***	12.989 (15.865)***	302192.50 (2.431)**
Type of Business	-9310.72 (-1.290)	-0.021 (-0.348)	-0.057 (-0.331)	-6974.25 (-0.267)
Business Experience	37482.06 (1.836)*	0.141 (0.881)	0.247 (0.900)	59319.13 (1.421)
Ownership of business	-70384.58 (-2.836)**	-0.322 (-1.600)*	-0.495 (-1.429)	-115559.51 (-2.197)**
Membership of coop.	74340.13 (2.487)**	0.275 (1.145)	0.393 (1.157)	92783.25 (1.798)*
Source of Credit	20298.93 (2.426)**	-0.035 (-0.291)	-0.200 (-0.596)	-15633.65 (-0.306)
Educational Qualification	6609.29 (1.929)*	-0.050 (-1.779)*	-0.458 (-1.874)*	74497.15 (2.006)*
Interest	-52167.17 (-2.090)**	0.146 (0.774)	0.260 (0.784)	-84514.82 (-1.680)*
F-ratio	(6.996)***	(1.876)*	(2.087)*	(3.024)***
R ²	0.597	0.353	0.377	0.469
R ⁻²	0.512	0.164	0.195	0.314

Source: field survey, 2015.

Values in parenthesis are t-values, *** = significant at 1%, ** = significant at 5%, * = significant at 10%, +lead equation.

The result in Table 2 shows the multiple regression estimates of the factors affecting access to finance among female entrepreneurs in the study area. Six of the seven independent variables included in the model had significant influences on the amount of financial aid received by the women entrepreneurs. The coefficient of multiple determinations (R^2) of 0.597 indicates that changes in these six variables accounted for 59.7% of the variations in the amount of financial aid received by the women. Business experience had a positive coefficient and significant at 10%, indicating that increased experience improves the chances of the women to access finance for their businesses. As the more women spent more years in their various businesses, their ability to utilize finance to yield more returns increases, thereby improving their chances of attracting more finance from lenders. Previous researchers have found positive relationships between previous management experience and business growth, and therefore better placed in accessing finance. Furthermore, Storey (1994) explains that this is due to the desire of owner/managers to exceed the wage level they sacrificed in becoming self-employed. He emphasizes the positive effect of past experience on small business growth by proposing that owner-managers with previous experience are more likely to avoid costly mistakes than those with no prior experience. The nature of ownership of the businesses had a negative coefficient of -70384.58, but significant at 1% level. This shows that form of ownership of business is negatively related to amount of finance the women can access. More formal businesses incite greater confidence in the lenders than sole proprietors and businesses that are less formally organized. It was seen earlier that majority of the respondents operate sole, with only very few who have taken their businesses up to limited liability companies. This negatively affects their ability to obtain finance from creditors. The coefficient of membership of cooperatives was positive and also significant at 5% levels indicating that being a member of a cooperative society increases the chances of obtaining finance. It was shown that a good number of the women

belong to cooperatives or self-help groups. This had greatly expanded their ability to obtain finance, through group financing. There are initiatives by government lending agencies and even commercial banks which target groups such as cooperative societies with financing arrangements. According to Meyer, (2005), self-help groups have proven to be an effective avenue for connecting women with financial institutions. The societies serve as collaterals for such finance options. Researchers have also emphasized that networks can be used as the solutions to overcome the problems of access to limited resources and markets (Atieno, 2009). It is also argued that networks help to provide advice, information and capital to small firms. The source of such finance also had a significant positive relationship with the amount of finance obtained by the women. It implies that they have developed confidence in obtaining finance from these sources; pushing the last two sources to the background. Educational attainment was also significant and positively related to the amount of finance the women obtained. This is because higher education level implies greater management and business skills, which consequently translates to more confidence from the creditors. This implies that the creditors will be more willing to assist more educated women who are engaged in entrepreneurship activities. Past research found a positive relationship between higher educational qualifications and business growth (Kozan, Oksoy, and Ozsoy, 2006). Education affects entrepreneurs' motivation (Smallbone and Wyer, 2000). Furthermore, education helps to enhance the exploratory skills, improves communication abilities and foresight.

Loan interest rate was significant and negatively influenced the amount borrowed by women. This means that increase in loan interest rate decreases the amount of loan borrowed. This is because relatively lower interest rate reduces the total amount (principal plus interest) to be repaid and will not strain the borrower unlike when the interest rate is higher. High interest rates are disincentives to borrowing. Thus, when this is high, it raises the cost of doing business, and reduces the profits that women make from their businesses. This therefore discourages women from seeking external financial aid. On the contrary the findings of Gill (2003) and Rajeev *et al.* (2005) pointed out that participation in credit programme significantly increases as rate of interest increases. Also, Diagne *et al.* (2000) found that household and farmers would borrow more if additional credit were available at given interest rates even if it was higher than normal rates of interest.

Effect of Accessibility to Finance on the Growth of Women Entrepreneurs in Abia State

The indices in Table 3a shows the performance of the businesses run by the interviewed women over a two year period (2012 – 2014). According to the results in Table 3a, mean annual profit in 2012 was ₦305, 970.73, which increased by about 55% to ₦474, 463.41 in 2014. This percentage increase in profit served as proxy for business growth over the period of time. Also, the number of employees by these businesses also increased from an average of 1.78 in 2012 to 3.27 employees in 2014, representing more than 83% increase. However, the mean amount of credit borrowed by the businesses was ₦137, 317.07, with the highest business receiving ₦500,000.00.

Table 3a Growth indices of the women entrepreneurs, 2012-2014

Growth Indices	Minimum	Maximum	Mean	Std. Deviation
Annual profit, 2012	20000.00	500000.00	305970.73	95145.81
Annual profit, 2014	15000.00	1800000.00	474463.41	368291.06
profit change	-30000.00	1300000.00	368492.68	298092.29
Number of employees, 2012	1.00	3.00	1.78	0.72
Number of employees, 2014	1.00	6.00	3.27	1.25
Employee change	-2.00	3.00	1.49	0.78
Amount of credit	0.00	500000.00	137317.07	121763.59

Source: field Survey, 2015

When regressed on the percentage change in annual profit, it was seen that amount of credit had a significant effect on the growth of the businesses.

Table 3b Regression Analysis of access to finance on profit change

Variables	Linear	Semi log	Exponential	Double log
Constant	-147333.33 (-1.896)*	11.86 (61.77)***	2781723.31 (-3.411)***	4.349 (2.268)*
Amount of credit	1.57 (4.124)***	0.00 (3.795)***	270438.87 (3.945)***	0.711 (4.399)***
F-ratio	(13.693)***	(15.960)***	(15.567)***	(19.354)***
r ²	0.419	0.463	0.342	0.400
r ⁻²	0.388	0.434	0.320	0.380

Source: field survey, 2015

*, *** indicates significant at 10%, and 1%, respectively + indicates lead equation.

Dependent variable = change in profit.

According to the results in Table 3b, amount of finance obtained by the women for their businesses accounted for about 42% of the growth witnessed by the businesses over the two year period. The negative intercept of -147333.33 indicates that finance are not sufficient for the businesses, implying that there is still room for growth, since the women need about ₦147,333.33 to reach optimum performance in their activities.

Conclusion

The result of the study shows that women entrepreneurs who engaged in small businesses in Abia State, had access to finance, although the finance they could access was not sufficient for their operations. This study therefore calls for training to encourage women entrepreneurs formalize their businesses by registering with relevant government agencies such as the Corporate Affairs Commission. This will give their businesses more corporate outlook, and attract better business opportunities that will lead to optimum growth of their business. Also, Women entrepreneurs should be encouraged to join existing self-help groups or form new ones in order to present a recognizable front for accessing funds from creditors.

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