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## Article

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# Accessing finance among women-owned small businesses: evidence from lower Manya Krobo municipality, Ghana

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## Abstract

The study examined the constraints to accessing finance among women-owned small businesses in the Lower Manya Krobo Municipality in the Eastern Region, Ghana. We employed largely qualitative methods using the case study approach. The purposive and simple random sampling techniques were used to select 50 respondents. In-depth interview guide and focused group discussion were used to gather data from participants. The data were thematically analysed. The study revealed that there are constraints of poor market demand and lack of capital and credit. In furtherance, although collaterals exist for small businesses, they are being discriminated against women micro-entrepreneurs due to the patrilineal inheritance system of the area. Again, it was found that the financial institutions generally considered giving loans as risky as a result of lack of codified business strategy and plan, proper costing of business and informational asymmetries about business owners and their businesses. The study, therefore, recommends that the activities of women micro businesses in the private sector of the economy should be urgently recognised within the lending models and structures as they constitute a valuable area of economic growth. The National Board for Small Scale Industries (NBSSI) through the Business Advisory Centre (BAC) should organise educational and training seminars regularly to educate women micro-entrepreneurs on business management to be able to negotiate effectively on the various landed properties in such a patriarchal system to reduce high start-up mortality of women micro businesses. The study further recommends to the National Identification Authority to take cogent action to fast-track the identification system of citizens as it remains one of the major factors to reduce loan risks and interest rates.

**Keywords:** Constraints to accessing finance, women-owned small businesses, Start-up mortality, patrilineal inheritance, patriarchal system

## Introduction

Accessing finance has been proven to be the major constraint facing small and medium scale enterprises (SMEs) worldwide (Ghosh et al. 2017; Bamfo and Asiedu-Appiah 2012; Lader 1996). Small businesses, particularly in developing countries have limited access to capital markets partly due to perception of higher cost of intermediation for small firms (Mohanty 2009; Biekpe 2004). In sub-Saharan Africa, many small businesses are not able to survive into the second year of operation due to lack of support from government and traditional banks (Biepke, 2004), and Ghana is

no exception. In Ghana, access to bank loans involves paying high interest rates and collateral requirements (Ahiawodzi and Adade 2012), especially with women entrepreneurs.

However, in many developing countries, women constitute more than half of the population owning small businesses (Winn 2005; Fuller-Love et al. 2006; Tambunan 2008). This situation is not different from Ghana, as small businesses contribute immensely to the national economy through provision of employment, income and wealth creation (Ahiawodzi and Adade 2012; Peprah 2012). In addition to the provision of employment, small businesses help to reduce rural-urban migration as well as ensure effective resource utilisation (Collingridge, 2013; Ahiawodzi and Adade 2012). It is estimated that about 80% of small businesses in Ghana operate in the informal sector (Biekpe 2004); and many of these small businesses are managed and owned by women (Peprah 2012). This is because women in Ghana constitute over 50% of the population, and over 60% of those are with little or no education of whom 55% of those are living in poverty (GSS, 2008; GSS 2011; Peprah 2012). The low educational attainment constrains women from entering into paid employment in the formal sector, but as active agents who intend changing their situation these women become innovative and set up their small businesses including petty trading to generate income (Poku, 2015; Momsen 2010). Besides, the Global Entrepreneurship Monitor (GEM) (2010) and Kelley et al. (2011), report that increasing the number of women micro-entrepreneurs involved in starting new businesses and expanding the businesses of existing ones is critical to a country's long-term economic growth.

As a result of the above, women as micro-entrepreneurs have increasingly become a key target group for microfinance programs which aim to reduce poverty in developing countries (Mayoux and Hartl 2009). Again, in recognition of the contribution made by women businesses and other small and medium enterprises (SMEs) to national growth and development, the government of Ghana established the National Board for Small-Scale Industries (NBSSI) in 1985 to promote the development of SMEs (Abor and Biekpe 2006a, 2006b). One of the main activities of the NBSSI is to provide financial services to entrepreneurs through existing loan schemes for working capital and acquisition of fixed assets (Kelley et al. 2011). The government has also collaborated with donor agencies to set up some financing schemes available to the SME sector. These include the Promotion of Small and Micro Enterprise Fund and the Ghana Private Sector Development Fund (Bamfo and Asiedu-Appiah 2012; Abor and Biekpe 2006a, 2006b). The outcomes of these government and donor schemes have been described as mixed (Kyereboah-Coleman & Amidu 2008; Mensah 2004).

Notwithstanding the existence of several government-backed finance schemes in Ghana, Abor and Biekpe (2006a, 2006b) and Ghartey (2007) posit that the financial gap between small businesses and larger firms persist and continue to impede small business development, particularly women micro businesses.

These problems include lack of access to starting and working capital, high interest rates and government regulatory constraints (Chea 2008; Ahiawodzi and Adade 2012). Again, some of the challenges have been reiterated to include lack of technical skills, lack of institutional and financial support which affect the women entrepreneurs' ability to access finance (Agyapong and Asomaning 2012; Biekpe 2004; Ahiawodzi and Adade 2012).

In furtherance, several studies have revealed that collateral dispute and lengthy process, suspiciousness, preconception and conservative attitude of the employees and complicity in loan processing limit women entrepreneurs' access to institutional finance (Karanja et al. 2014; Djankov et al. 2007; Sharmina et al. 2008). Whereas, collateral dispute with women entrepreneurs, high operating cost, misuse of disbursed loan, poor documentation and difficulty in assessing creditworthiness of the women entrepreneurs demotivate financial institutions to supply fund to women entrepreneurs (Ghosh et al. 2017; Karanja et al. 2014).

Informational gap between lenders and borrowers also impede access to loans by these micro women businesses. Informational asymmetries have been found to contribute to the disconnect between formal financing and small firms, particularly women micro businesses in low-income countries (De Mel et al. 2012). Gine et al. 2011 further make an important contribution to the emerging body of research on informational asymmetries impeding financial access and firm growth. To further the discussion, Ghimire and Abo (2013) argue that existence of information asymmetry between banks and potential SMEs borrowers has severe implications on the banks' lending methods. Again, moral and morale hazards also contribute to the difficulty of accessing loans by these SMEs, particularly the women micro businesses. Moral hazard, defined as a situation where the borrower knows his/her intentions, the borrower misuses the loan and most likely fails to pay back the loan (Ghimire and Abo 2013; Huang et al. 2014). While the moral hazard is the propensity of the borrower to create risks because of guaranteed schemes, the morale hazard is where the borrower is indifferent towards the risks because of guaranteed schemes. Both the moral and morale hazards have been found to result in loan defaults by SMEs, especially the women micro businesses (Mutoko et al. 2015). As credit guaranteed schemes insure banks against losses from borrower default, banks are enticed to request seemingly risky borrowers to apply for loans (Saito and Tsuruta 2018). Since financial institutions cannot distinguish between low- and high-risk borrowers, their schemes tend to attract risky borrowers, and this results in adverse selection. Adverse selection refers to a situation where information related to the borrower's credit, project risk and benefits are better known by borrowers than by financial institutions (Ghimire and Abo 2013; Huang et al. 2014). Adverse selection, moral and morale hazards are all synonymous with loan defaults which end up impeding the accessibility of loans by SMEs, particularly women micro businesses.

The above constraints faced by women-owned small businesses according to Momen (2010), are also influenced by the power imbalances between men and women in developing societies, particularly those of sub-Saharan Africa and in some Islamic dominated countries such as Bangladesh (Peprah 2012). The socially accepted gender relations are translated into development strategies which further widens gender inequalities in human development (ibid).

The above inequalities have resulted in increasing poverty among women in Ghana; and in the Lower Manya Krobo Municipality, in particular, is no exception (Oppong and Agyei-Mensah 2004). The Krobo people practice patrilineal inheritance where females cannot inherit land, and other landed property which they can use as collateral for loans to set up their businesses (Poku, 2015). These challenges have caused women micro-entrepreneurs in the district to take risk which result in high interest rates and start-up mortalities (Abor 2005; Chea 2008; Alabi et al. 2007; Peprah 2012). Therefore,

the thrust of this qualitative enquiry was to examine the binding constraints faced by women micro-entrepreneurs in accessing finance in the Lower Manya Krobo Municipality in Ghana.

## **Materials and Methods**

### **Theoretical framework**

The theory that underpins this study is the credit rationing theory, which was postulated by Stiglitz and Weiss (1981). The theory pontificate that asymmetric information (superior private information compared to what the other party knows) and agency problems (conflict between management and firm owners and shareholders) are the driving forces behind credit rationing behaviours of credit providers to SMEs. Credit rationing is closely related to the financing gap, which refers to the difference between the demand for funds by SMEs and the supply of funds (Leininger 1985; Mazanai and Fatoki 2012). In their argument, Stiglitz and Weiss (1981) ask the question ‘why is credit rationed?’ As they try to justify reasons for credit rationing, they say:

“The bank is not able to control all the actions of the borrower; therefore, it will formulate the terms of the loan contract in a manner designed to induce the borrower to take actions which are in the interest of the bank, as well as to attract low-risk borrowers.”

According to Mutoko and Kapunda (2017), in the relationship between banks and borrowers, informational asymmetry leads to two major risks for the banks: moral hazard and adverse selection. Moral hazard, defined as a situation where the borrower knows their intentions, the borrower misuses the loan and most likely fails to pay back the loan (Ghimire and Abo 2013; Huang et al. 2014; Mutoko et al. 2015). Adverse selection refers to a situation where information related to the borrower’s credit, project risk and benefits are better known by borrowers than by financial institutions (Ghimire and Abo 2013; Huang et al. 2014). To further the discussion, Ghimire and Abo (2013) argue that existence of information asymmetry between banks and potential SMEs borrowers has severe implications on the banks’ lending methods. To avoid effects of using imperfect client information, in the absence of insufficient financial information; banks over-rely on requesting high collateral values to reduce the risks associated with adverse selection and moral hazards (Mutoko and Kapunda 2017). A good lender-borrower relationship can be a solution for informational asymmetry.

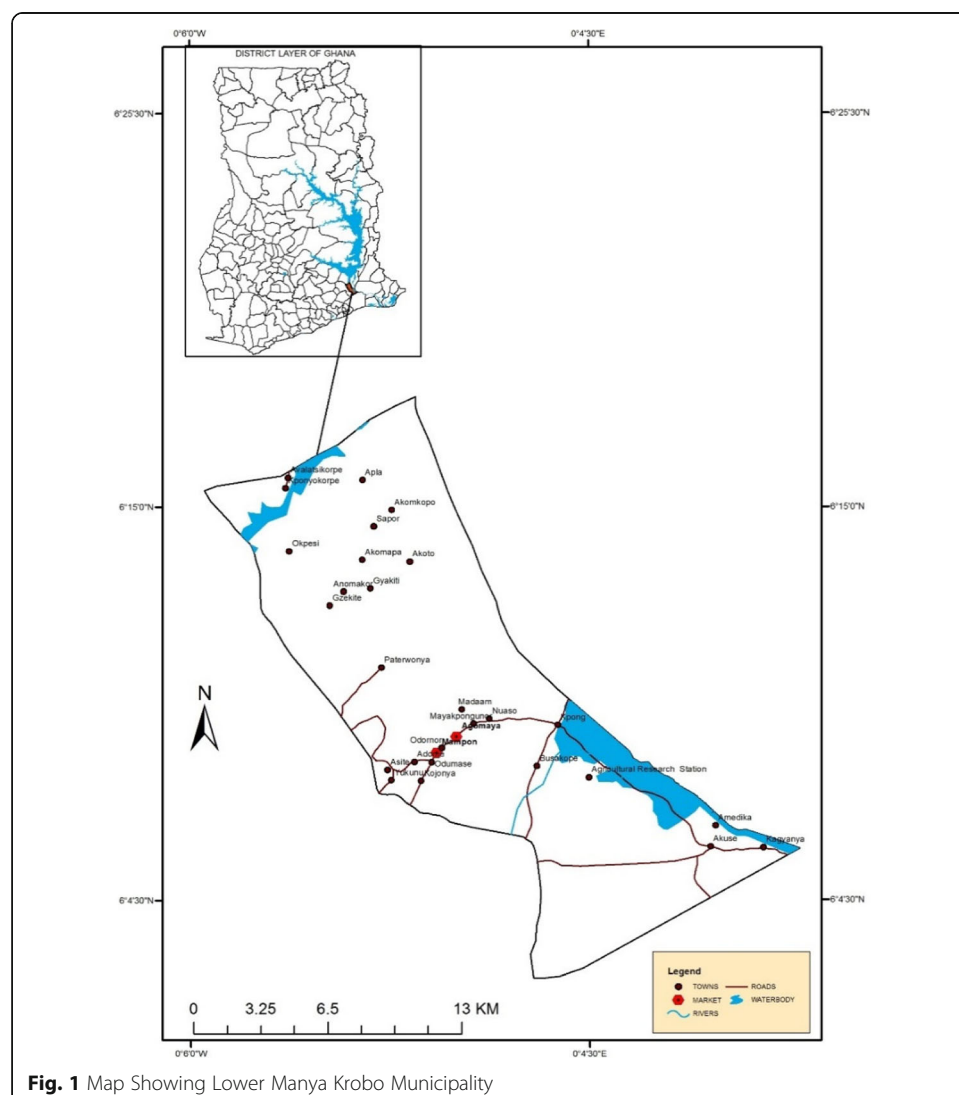
### **Study location**

The Lower Manya Krobo Municipality (LMKM) is strategically located at the Eastern corner of the Eastern Region of Ghana, and it lies between latitude 6.05 N and 6.30 N and longitude 0°08W and 0.20 W with an altitude of 457.5 m above sea level. The Municipality is bounded on the North-west by Upper Manya Krobo District, on the North-east by Asuogyaman district, on the South-east by North Tongu District and the South by Yilo and Dangme West District. The LMKM covers an area of 304.4 km<sup>2</sup>, with a population density of 293.2 persons per square kilometre. Almost 70% of the population 15 years and older are economically active, while those economically not active constitute 30.9% (Ghana Statistical Service, 2012). About 65% of the population 15 years and older are self-employed without employees, 4.5% self-employed with

employees, and 4.4% are contributing family workers (ibid). According to Poku (2015) and Ghana Statistical Service (2012), more females are self-employed without employees, contributing family workers, and domestic employees. The location of the study area is shown on Fig. 1.0.

### Research design

This paper was extracted from a larger original study that examined constraints to accessing finance among women-owned small businesses in the Lower Manya Krobo Municipality in Eastern Region, Ghana. The original study employed largely qualitative methods using the case study approach (Minichiello et al. 1995; Bryman 2012). The use of the qualitative method in this study enabled an in-depth level of investigation into the many constraints that women face in accessing finance for their small businesses. Drawing largely on qualitative methods, the study sought to examine the constraints to accessing finance among women-owned small businesses in the Lower Manya Krobo Municipality in Eastern Region, Ghana.



### ***Sampling design and data collection***

The entire population of the communities in the Lower Manya Krobo Municipality formed the study population with Agormanya as the focus community. We purposively selected the Agormanya community because it is the largest community in the Municipality and also serves as the commercial hub of the Municipality. Eight participants who were seen as key informants to the study were also selected purposively and interviewed. Participants who were seen as key informants to the study included officials from the Lower Manya Krobo Municipal Assembly (MASLOC) ( $n = 2$ ), officials of microfinance companies ( $n = 2$ ), leaders of micro-entrepreneur associations or groups ( $n = 2$ ), Queen mother ( $n = 1$ ) and a Chief ( $n = 1$ ). Again, the simple random technique was used to select the 50 respondents for the study. This technique was used to reduce biases that were likely to emanate in the course of the study. The 50 respondents sampled included females ( $n = 30$ ) and males ( $n = 20$ ) who operate small businesses. Even though the concentration was on women entrepreneurs, male counterparts were included in the study to ascertain their views on constraints in accessing funds to start a business as compared to female colleagues. With this, two separate Focus Group Discussions (FGD) were held for women ( $n = 12$ ) and men ( $n = 6$ ).

The study used in-depth interview guides to gather qualitative data from participants in the Lower Manya Krobo Municipality. The interview was conducted at a place where the participant was engaged, specifically the participant home. At the instance where participants were at their official duties at their workplaces, interviews were conducted at point where the participants were free and devoid of any third party. For the community members, a semi-structured interview guide was administered to them at their homes and their workplaces following the consent made. For anonymity sake, the interviewer did not assign any name to the interviewee and did not also include any personality traits of interviewee. Interviews were conducted in the local dialect (Krobo) and English language. The English language was included because the study found diverse socio-economic background of participants in the questionnaire administration process. Questions relating to participants' positions and views about constraints to accessing finance among women-owned small businesses were accessed. Exact questions included the views about the binding constraints faced by women-owned small businesses, how government programmes facilitate the growth of such small businesses and risk management strategies that women micro-entrepreneurs adopt in their operations in the LMKM in Ghana.

The interview from this study were tape-recorded upon an agreement between the interviewer and the participant. This helped in the transcription stage of the interview as participants' responses were captured in their own words.

### ***Data Analysis***

Data gathered on the socio-demographic background of informants and questions in the structured interview guide that demands yes and no answers were quantified and presented using tables.

Themes relating to the study objectives and research questions were identified which suited the different stages of the analysis. To identify collective trends, similarities and differences, themes were compared. The thematic nature of the study helped in the analysis, organisation, and description of data. Verbal presentation and interpretation

of interviews, focus group discussions and observations was systematically done. Participants' personal opinions were also presented in quotations.

## Results

The findings constitute the generalised views of the sample that was employed for the study, officials from the Lower Manya Krobo District Assembly, officials of microfinance companies, leaders of micro-entrepreneur associations or groups, queen mother, chief and the 50 community members. The standpoints of the participants on the constraints to accessing finance among women-owned small businesses in the District are the constructed categories from the data. Exact questions included the views about the binding constraints faced by women-owned small businesses, how government programmes facilitate the growth of such small businesses and risk management strategies that women micro-entrepreneurs adopt in their operations.

### Demographic characteristics of respondents

Of the 50 participants, 60% were females while 40% were males. This selection was deliberately done to ascertain the views of the male entrepreneurs of the constraints in accessing funds to manage their businesses as compared to the female counterparts. Regarding the age distribution, no specific age group was used to select both the men and women micro-entrepreneurs. However, most of the participants fell within the ages of 31 to 40 years for women and 41–50 years for men. On the educational level among female participants is lower as compared to their male counterparts. The results indicate that majority of female participants (46.7%) had attained basic education while a small proportion (26.7%) had no education. However, majority of male participants (26.7%) had attained secondary education. The above trends in educational levels are in agreement with other studies (Anarfi, 1993; Poku, 2006; Peprah 2012) who reported of lower educational levels among women micro-entrepreneurs in Ghana. Concerning the marital status of the participants, majority of male participants (60%) were married compared to their female counterparts (36.7%). The results indicate that female participants had more dependants compared to male participants as indicated on Table 1a, b and c.

### Distribution of participant based on type of business

We sought the participants' views on the type of small businesses they engage in. The study found diverse views on this issue. Majority of the women participant (26.7%) are market women and hairdressers (23.3). The rest include dressmakers (16.7%), food vendors (13.3%), chemical shop sellers (6.7) and provision shop sellers (13.3%). With the male participant, the study found tailors (25%), fridge repairers (25%), chemical drug store operators (20%), car mechanics (20%) and transport operators (10%) as shown in Table 2.

We again sought the Participants views on their initial sources of capital for their small business. The study found that majority (90%) of the female participants got their initial capital from relatives, mostly their husbands or partners. This is because majority of these females were rejected by the traditional banks as well as Microfinance Institutions (MFIs) because they did not have collateral to access loans. However, most of the

**Table 1** Demographic characteristics of respondents

Variables	Female N (%)	Male N (%)	Total N (%)
Sex	30(60.0)	20(40.0)	50(100.0)
Total	30 (100.0)	20 (100.0)	50(100.0)
a			
Age (in years)			
20–30	4 (13.3)	2 (10.0)	6 (12.0)
31–40	10 (33.4)	3 (15.0)	13(26.0)
41–50	7 (23.3)	8 (40.0)	15 (30.0)
51–60	3 (10.0)	6 (30.0)	9 (18.0)
60 and above	6 (20.0)	1 (5.0)	7 (14.0)
Total	30 (100.0)	20 (100.0)	50(100.0)
b			
Educational Levels			
No education	8 (26.7)	3 (15.0)	11 (22.0)
Basic education	14 (46.7)	8 (40.0)	22 (44.0)
Secondary education	5 (16.6)	6 (30.0)	11 (22.0)
Tertiary education	–	2 (10.0)	2 (4.0)
Non-formal	3 (10.0)	1 (5.0)	4 (8.0)
Total	30 (100.0)	20 (100.0)	50(100.0)
Marital status			
Married	11 (26.7)	12 (60)	23 (46)
Single	12 (40)	4 (20)	16 (32)
Divorced	4 (13.3)	2 (10)	6 (12)
Widowed	3 (10)	2 (10)	5 (10)
Total	30(60)	20(40)	50(100)
Household headship			
Husband	10 (33.3)	11 (55)	21 (42)
Wife	1 (3.3)	2 (10)	3 (6)
Son	3 (10)	–	3 (6)
Uncle	9 (30)	3 (15)	12 (24)
Self	7 (23.4)	4 (20)	11 (22)
Total	30(60)	20(40)	50(100)
c			
Dependent status			
Yes	26(7)	18 (90)	44 (88)
No	4 (13.3)	2 (10)	6 (12)
Total	30(60)	20(40)	50(100)
Number of dependent			
1	2 (6.7)	–	2 (4)
2	6 (20)	2 (10)	8 (16)
3	2 (6.7)	8 (40)	11 (22)
4	8 (26.6)	5 (25)	13 (26)
5	6 (20)	2 (10)	8 (16)
6	2 (6.7)	3 (15)	5 (10)

**Table 1** Demographic characteristics of respondents (*Continued*)

Variables	Female	Male	Total
	N (%)	N (%)	N (%)
Non	4 (13.3)	–	3 (6)
Total	30(60)	20(40)	50(100)

Source: Field survey, 2015

men (45%) got their start-up capital for their businesses from micro finance institutions (MFIs). This is shown on Table 3.

In this regard, we sought the participants' views on the main constraints small businesses face in the area. The participants indicated poor market demand and lack of credit or starting capital as the two main constraints they face. On the poor market demand, a seemingly majority of the participants (76%) complained about this issue. In-depth interviews with both men and women small business owners revealed that they were experiencing poor market demand which drastically reduced their sales. This was attributed to the fact that majority of participants were selling the same products. A 34 year old female small business owner lamented:

*“A lot of us are selling the same things hence the market is choked with the same products. When someone sees that you are making profits selling fruits, the person also start selling fruits near you” (Field survey, 2015).*

Another participant reported:

*“I am a dressmaker, but because most people here are not working and are poor, most of the people prefer to buy cheap „foos” rather than the tailored clothing so I don't get customers and this affects my sales significantly.” A 40 year old female small business owner during focus group discussion (Field survey, 2015).*

**Table 2** Distribution of participant based on type of business (n = 50)

Type of Business	Frequency	Percentage (%)
Women Participant		
Market women	8	26.7
Dress makers	5	16.7
Food venders	4	13.3
Hair dressers	7	23.3
Chemical shop sellers	2	6.7
Provision shop sellers	4	13.3
Total	30	100.0
Male Participant		
Tailors	5	25.0
Car Mechanics	4	20.0
Fridge repairers	5	25.0
Chemical drug store operators	4	20.0
Transport operators	2	10.0
Total	20	100.0

Source: Field survey, 2015

**Table 3** Initial sources of capital among small business owners in Agormanya, LMKM

Sources	Female	Male	Total
	N (%)	N (%)	N (%)
Relatives	27 (90)	5 (25)	32 (64)
Microfinance Institutions	3 (10)	9 (45)	12 (24)
Banks	–	6 (30)	6 (12)
Total	30(60)	20(40)	50(100)

Source: Field survey, 2015

However, many of the male participants cited frequent power outages and frequent fuel price increase in the country as the major causes of reduction in their services as they rely on electricity for their operations. This situation was lamented by a 42 year old tailor who stated that:

*“For the past three years, the electricity supply has not been consistent. Every now and then we experience “dumso” “dumso”. Fuel prices have also been increasing now and then. These have left my business on the brink of collapse.”* (Field survey, 2015).

In-depth interviews with community leaders and women association leaders further confirmed some of the problems raised by the micro-entrepreneurs such as the competition from imported goods and the energy problem. However, all the above stakeholders agreed that although the economic situation within the country is not favourable, low levels of education and skills on the part of the small business owners further exacerbated their problems. This is evident below:

*“Not only are the people here poor but we also experience inconsistent power supply in this area which is very rampant. These affect most of our small business operators here. But I also think most of the business owners do not have any skills in the area. Also, because they are not properly educated they are not able to manage their businesses properly”*-Queen mother of Agomenya-Yokuenor (Field survey, 2015)

On the issue of capital and credit accessibility, many of the participants highlighted the demand for collateral and high interest rates as major factors that influence their inability to access capital in the form of bank loans. The type and value of collateral according to participants determined the size of loans obtained. This is expressed in the statements below:

*“If you go to the bank with land papers or house papers they are happy to give you big loans because if you don’t pay the loan, they will sell the land or house to get their money. So we the women who don’t have these things cannot go to the banks. We do “Susu” with savings and loans companies and use our savings with them to get loans, but with that we only get small loans. And even with the small loans that we get the money we pay on it is too much”* A 33 year old female participant (Field survey, 2015).

Another participants also explained:

*“To get a big loan from the bank, you need to send papers of your property such as land it makes it difficult because if you don’t pay they take your property. When you get the money too, they charge you too high on it”* A 43 year old male participant (Field survey, 2015).

In a similar disposition, the study identified constraints and challenges that were specific to mostly women participants in the district. Women participants were particular about the problem of collateral and small loan size. On the problem of collateral, we found that many women micro-entrepreneurs mentioned that they do not have collateral in the form of landed property such as plots of land and houses. In-depth interviews with women participants revealed that the patrilineal inheritance and patriarchal systems among the Krobo people deprive women from owning landed property. This finding is evident below:

*“Even though my father left a large hectares of land, my brothers inherited all of the land and sold them. As a result, I do not have any land to meet the loan requirement of the banks and other loan giving by companies”* **A female participant's contribution during focus group discussions (Field survey, 2015).**

On the problem of small loan size, women cited poor sales as the main cause of their low savings contributions which prevented them from accessing bigger loans. This issue was noted by two female participants who maintained that:

*“When you apply for loans, the savings and loans institutions give you less than the amount applied because your savings are small. This is sometimes frustrating considering the tedious process we go through to get loans”* **(Field survey, 2015).**

Another participant further explained:

*“Sometimes when you apply for a loan, you get as little as GH¢100 which is too small and cannot be used for any meaningful trading. This is because our savings are too low and they check your savings and they decide how much to give us. But they give the men more. The savings and loans people also charge high interest rates.”* **A 35 year old female participant (Field survey, 2015).**

In-depth interviews conducted with representatives of microfinance companies, however, revealed some interesting facts. Information gathered revealed that the criteria for giving out loans did not depend on the size of business or gender but the amount of savings deposited by customers, the value of their collateral and the purpose of the loan. This is evidenced below:

*“This financial institution does not discriminate when processing and giving out loans. Whether the customer is male or female, we have a set of guidelines we follow before we decide to approve a loan and the size of loan. The guidelines are mainly based on the savings made by the client, the value of his/her collateral and the purpose of the loan. Because most of our clients do not have collateral we normally use their savings to act as collateral and as a result if the savings contributions are small, they get small loans”* **A manager of a microfinance institution (Field survey, 2015).**

Another microfinance representative further gave different reasons such as lack of codified business strategy, proper costing and business plan and poor data system about clients for their inability to give loans to women micro business. This is explained below:

*“Look..., giving credit to women micro business owners is too risky. Generally, their businesses lack documented business strategy, proper costing, business plans and reliable data of their businesses and themselves to be able to identify them when the*

*need arises. These make it very difficult to grant a loan to these women. So the only thing we do is to use their savings as collateral to give them a little loan we think they deserve."* **A manager of microfinance institution 2 (Field survey, 2015).**

During focus group discussions, participants further revealed that government programmes in the study area were mostly focused on the fight against the spread of Human Immunodeficiency Virus (HIV) to the detriment of small businesses. In-depth interviews with the traditional rulers of the area also indicated that only few Non-Governmental Organisations (NGOs) were supporting microfinance companies to give out loans but have currently withdrawn their services as a result of inadequate funding from their donor agencies. This is evidenced below:

*"Maybe, in the big towns government programmes are in place to help small businesses, but over here the small businesses do not benefit from such programmes".* **The chief of Agormanya Agbom (Field survey, 2015).**

It was buttressed by another respondent in an interview:

*"We do not get any support and/or funding from the government, and as result, we only get funding from these savings and loans institutions who are profit oriented".* **(Field survey, 2015).**

Government policies including District Assembly levies, tariffs on energy and level of policy rate rates set by the Bank of Ghana directly or indirectly impact on the activities of small businesses. District assembly levy in the form of income tax that businesses pay to the government was identified by majority of both women and men participants as a major government policy that negatively impacted on their activities. The above finding is evident below:

*"The district levy is so high that some of the women small business owners close their shops frequently to hide from tax collectors. In fact this is killing our women who are in businesses"-* **Queen mother of Agomenya-Yokuenor (Field survey, 2015).**

*"The taxes we pay to the district assembly is too much. This greatly reduce our profit margins. And when we even pay these taxes they don't use it to develop our market place for us."* **A 43 year old male tailor (Field survey, 2015).**

In-depth interviews with participants indicated that government policy to allow utility companies to charge high tariffs significantly affected small businesses in the LMKD. Participants stressed that payment of high electricity bills reduced their already meagre profits. Observations made by the researcher also showed poor and inconsistent supply of electricity.

*"I deal in fish and meat products and the current power rationing is almost putting me out of businesses. Instead of the government trying to solve the power supply problem, it is rather allowing utility service providers to increase light bill."* **A 45 year old female participant lamented (Field survey, 2015).**

*“As microfinance institutions, we do not get support and funding from the government, and as result, we get funding from investors who are profit oriented. This compels us to charge high interest rates to satisfy our investors”.* **Manager of saving and loans company (Field survey, 2015).**

Another participant also buttressed:

*“The main reason for charging our current interest rates is that we do not get financial backing from the Bank of Ghana. We get our funding from organisations who charge high interest rates. The initial funding we got from international NGOs and Donor agencies has ceased”-* **Manager of a microfinance (Field survey, 2015).**

## Discussion

This study utilised a qualitative research approach to examine the constraints to accessing finance among women-owned small businesses in the Lower Manya Krobo District in Eastern Region, Ghana.

The study revealed that majority of the female participants who indicated that they were single were living with a partner. Also, majority of the female participants (33.3%) had males as their household heads while a small proportion (3.3%) of female participants were heads of their households. Considering the trends, it is evident that majority of the households of participants were headed by males hence had males as the main decision makers. These include decisions made by female micro-entrepreneurs about their businesses. This finding is consistent with observations by Akpalu et al. (2012) who identified that decisions made by women micro-entrepreneurs about accessing credit and the use of the credit were made by or influenced by their husbands. A seemingly majority of participants (44%) had dependants. Our findings revealed that participants both women and men engage in different businesses. Poor sales were currently the main problem faced by women micro-entrepreneurs in the district. This is because income level in the municipality is generally low. This situation is similar to a finding by Okraku and Croffie (1997) in which majority of micro-entrepreneurs indicated poor sales as a result of low incomes. The study again revealed that small businesses in the LMKD are faced with several constraints including poor market demand, access to capital or credit and government regulation.

The study also found that although there were options for collateral aside landed property in the district, all these were left to the advantage of the men. Women participants were particular about the problem of collateral and small loan size. Many women micro-entrepreneurs mentioned that they do not have collateral in the form of landed property such as plots of land and houses. It is a traditional custom of the Krobo people that men are the custodian of land and other landed property. Interview with traditional leaders revealed that this custom could be traced back to the pre-colonial period. Men did not only protect and defend the people in the community but they also fought and conquered lands, and thus became owners. It must be noted that most of these land either belonged to the community or families and thus male family members decide who have access to such lands. As such female members of the family can only have access to land and landed property temporarily with permission from the

male owners. Women can, however, own property if they purchase it. The finding above is concurrent with findings made by Duncan and Brants (2004) and Ardayfio-Schandorf (2006) who reported that the patrilineal inheritance system which is normally rooted in strong patriarchal structures subordinates women and deprives them from access to resources including land and other landed property. In-depth interviews with representatives of the main women micro-entrepreneur association as well as executives of microfinance companies, however, indicated that the challenge posed by the demand for landed property as collateral was currently mitigated by the option of using savings deposits locally known as “Susu” as collateral. Thus micro-entrepreneurs had the option to use the “Susu” savings contributed over six months as collateral. Focus group discussions with the female participants revealed that the option to use savings deposit as collateral was, however, not a guarantee for increasing the proportion of loans given to them as one’s savings deposit was a major determinant of the amount he or she can receive. Majority of women participants claimed that poor market demand was detrimental to sales which consequently affected their savings capabilities and hence failure to secure adequate loans for running their businesses from the microfinance institutions. The study moreover revealed that many of the women micro-entrepreneurs have adopted risk management practices including “Susu” savings made to microfinance companies, membership of associations or unions as well as relying on family and friends as a form of risk management strategy. The above findings are consistent with findings made by Abor (2005) and Chea (2008) who reported similar findings in a different jurisdiction. It is clear that “Susu” has been a major source of fund mobilisation for many women micro-entrepreneurs in the study area. “Susu” savings was identified by majority of female participants as their main form of risk management. The above finding is similar to the findings of Alabi et al. (2007), Okraku and Croffie (1997) and Abor and Quartey (2002) who highlighted the importance of “Susu” to the development of small businesses in Ghana. However, most of the male participants depended on savings made to traditional banks as the main form of insurance against risk. The above finding is similar to observations by Safavian and Haq (2013) who found that many male micro-entrepreneurs in Pakistan use savings facilities of traditional banks because their businesses are bigger than their female counterparts.

In-depth interviews with participants revealed that there was currently no such programmes in the study area. Also, most Non-Governmental Organisation (NGO) backed microfinance companies which existed in the District have closed down or have being taken over by profit-oriented companies due to a reduction in donor funding. It is evident that the district is not benefiting from government programmes aimed at ensuring the growth and expansion of small businesses in the country. The above finding is similar to the finding by Abor and Biekpe (2006a, 2006b) who also observed that despite the existence of several governments backed finance schemes in Ghana; there remains a widening gap between smaller business and larger firms about access to finance.

Participants lamented about the numerous government policies that negatively impacted on the small businesses in the district. These include high district assembly levy and high utility tariffs. Information obtained during interviews with executives of micro-entrepreneur associations revealed that there are no government

policies to directly regulate the interest rates charged by microfinance companies in the area, resulting in the exploitation of micro-entrepreneurs through high interest rates. The executives further revealed that even though the traditional bank (GCB Bank Limited) in the study area charged lower interest rates, only few of the female participants applied for loans with the Bank. It was further found that even those financial institutions who were giving loans were extremely cautious as a result of the risk associated with it. The financial institutions gave reasons such as lack of codified business strategy, proper costing and poor data systems about businesses and their owners as the main reasons for their reluctance in giving loans. This finding is in tandem with earlier findings of Ghosh et al. (2017) and Karanja et al. (2014) in similar findings in Bangladesh and Kenya respectively. This is because they could not meet the strict requirements such as the provision of business documents and plan required by the bank. It was also found that micro-entrepreneurs in the LMKD are negatively affected by government policies such as the district assembly levy, high utility tariffs, and high interest rates. The above findings are similar to the findings by Chea (2008), Obeng 2007, Ahiawodzi and Adade (2012) who reported that government policies including taxation impeded the growth and development of small businesses in Ghana.

### **Conclusion and Policy Implications**

The study examined the constraints to accessing finance among women-owned small businesses in the Lower Manya Krobo District in Eastern Region, Ghana. Several constraints to accessing finance exist in the district. The study revealed that there are the constraints of poor market demand and lack of capital and credit. There is also the problem of collateral. Although collaterals exist for small businesses, they are being discriminated against women micro-entrepreneurs due to the patrilineal system of the area. Participants complained about the heavy government taxes as it negatively affects their businesses. Again, the findings have shown that most of the women involved in micro business are those with low level of education but only count on their experiences in operating the businesses. This study recommends that the activities of women micro businesses in the private sector of the economy should be recognised within the lending models and structures as they constitute a valuable area of economic growth. To meet this goal the government has to embark on the improvement of the soft skills among small-scale entrepreneurs especially women in acquiring skills on business negotiations. The study further recommends that educational and training seminars, as well as workshops, should be regularly organised to educate women micro-entrepreneurs on business management and innovation ideas. Also, government should implement policies such as tax holidays for financial institutions which deal with micro-entrepreneurs. Such policies may motivate financial institutions to give loans to small businesses to reduce start-up mortality of women micro businesses. The National Board for Small Scale Industries through the Business Advisory Centre (BAC) should assist the women micro businesses to draw up a codified business plan and a proper costing of their businesses to enable them access loans from financial institutions. The study further recommends to the National Identification Authority to take cogent action to fast-track the identification system of citizens as it remains one of the major factors to reduce loan risks and interest rates.

### Abbreviations

BAC: Business Advisory Centre; GEM: Global Entrepreneurship Monitor; GSS: Ghana Statistical Service; LMKM: Lower Manya Krobo Municipality; MASLOC: Microfinance and Small Loans Centre; NBSSI: National Board for Small-scale Industries; NGO: Non-Governmental Organisation; SMEs: Small and Medium-scale Enterprises

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### Authors' contributions

We wish to state that the authors have been personally and actively involved in substantive work leading to the research report. All the authors actively took part in the research design and data analysis of the manuscript preparation. We are therefore responsible for the content of this manuscript. All authors read and approved the final manuscript

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The authors declare that they have no competing interests.

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