International Journal of Scientific Research in Education, SEPTEMBER 2012, Vol. 5(3), 247-259.

International Journal of Scientific Research in Education (IJSRE)

ISSN: 1117-3259

Micro-Credit for Micro-Enterprise: A Study of Women "Petty" Traders in Central Region, Ghana

Benjamin Kojo Otoo[i]
Department of Marketing, School of Business
Cape Coast Polytechnic, Cape Coast, Ghana
bentoous@yahoo.com

Abstract

This paper examines factors that constrain women petty traders' access to microcredit, and the innovative measures initiated to counter these constraints. This paper also addresses the impact of micro finance credit on poverty alleviation for women petty traders in Ghana. This paper is based on an aided questionnaire and in-depth interviews with women micro-entrepreneurs drawn from a convenience sample of 150 petty traders in the market towns of Cape Coast, Elimina, Mankessuim, Jukwa and Swedru, all in the central region. Three main constraints are identified – internal, socio-cultural and policy-induced – as being the key moderating influences on women petty traders' ability to access to micro-credit. Considering the sample size and research context, the generalisation of the findings may need to be applied with caution. However, this paper does identify similar findings in other studies in comparable contexts.

Keywords: Micro and Small Enterprises (MSEs), Micro Finance, Petty Trade, Ghana, Women Petty Traders, Poverty Alleviation

Reference to this paper should be made as follows:

Otoo, B. K. (2012). Micro-Credit for Micro-Enterprise: A Study of Women "Petty" Traders in Central Region, Ghana. *International Journal of Scientific Research in Education, 5*(3), 247-259. Retrieved [DATE] from http://www.ijsre.com

INTRODUCTION

A common sight in Africa's sprawling peri-urban areas is the widespread proliferation of petty traders, hawking everything from garden produce to imported consumer goods. These small-scale merchants represent perhaps the fastest growing segment of the labour market in Africa, attracting the unemployed, the displaced, and the impoverished. Recent economic stagnation and restructuring on the continent spurred new growth in this sector, as waged employment declined and inflation spiraled. At least part of the restructuring has been under the watchful eyes of the International Monetary Fund (IMF) and the World Bank, whose programs have slashed public sector employment, urban subsidies (including subsidies on food), and the exchange value of local currencies. All of this has made it difficult for many Africans to subsist without holding multiple occupations, including involvement in all types of trade (Little, 1999).

Mamdani (1990) points out in the case of Uganda, that the economic reforms and restructuring of the past decade have turned waged workers and others into "part-time hawkers." This burgeoning petty trade, often euphemistically labeled the 'informal sector,' (Daily Observer, 1992) has been praised by some as a sign of a healthy private sector, without recognition that its growth is symptomatic of larger structural problems in the economy which leave many individuals with little choice but 'to trade to eat.' The sheer volume of petty merchants in towns such as Maputo (Mozambique) or Accra (Ghana), defies any attempt at estimating their population, since they greatly outnumber waged workers and 'officially' licensed traders.

According to Adei (2006), Micro Small Enterprises (MSEs) account for about 60 per cent of GDP, with three-quarters of the population deriving their livelihood from this sector. Official statistics on MSEs in Ghana, however, were woefully inadequate, sketchy and not current in many instances. For Adei, the picture that emerged overwhelmingly endorsed the fact that the Ghanaian economy was predominantly made up of SMEs. National economic policies, however, generally did not reflect the size and importance of these informal, micro, small and medium enterprises.

Although barriers encountered by smaller enterprises have attracted the attention of a handful of researchers from all over the world, little is still known about the barriers faced by small African enterprises. Recent efforts have been made to better understand this subject in the African context, including research by the Global Entrepreneurship Monitor (GEM) (2010). This research focused on only a few African countries, and did not include petty traders in Ghana. There is thus little information available about the barriers faced by petty traders in Ghana, an important emerging economy in West Africa.

Problem Statement

Street trading is one of the major occupations of the urban informal sector and petty traders are its main constituents. Women petty traders in the urban informal sector help to provide goods and services to needy persons at the right time, in the right places, in the right quantities and at reasonable prices. They have become indispensable within the distribution system, catering to the needs of particularly the lower middle-class and the poor. There are, in fact, certain commodities sold exclusively in the informal trade sector. In the process, this sector provides jobs to the jobless and offers fairly good remuneration to those largely unemployed before trading. Nonetheless, this sector receives little or no attention from policy makers and there exist serious cultural and funding challenges when it comes to accessing both formal and informal financial institutions.

This paper thus examines the constraints and barriers encountered by women petty traders from the Central Region of Ghana. The measure of constraints assumes "access to micro-credit" as a proxy. This paper aims to identify and highlight some of the innovative measures taken by these petty traders to overcome such constraints. Understanding these barriers to micro-credit access can inform policy adjustments; understanding the innovative measures taken to lessen these constraints and may trigger a consciousness in the minds of observers and prompt the replication of these measures in other contexts.

Research Questions

This paper explores the challenges that women petty traders face when accessing micro-credit and aims to answer the following questions:

- What challenges are preventing the further development of petty trading in Ghana, especially among women?
- What prevents women petty traders from accessing micro-credit?
- What innovative measures have these women implemented in terms of credit access and management?

LITRATURE REVIEW

Evolution of the Microfinance Sub-Sector in Ghana

The concept of microfinance is not new in Ghana. There has long been a tradition of people saving and/or taking small loans from individuals and groups within the context of self-help to start businesses or farming ventures. Records suggest that the first credit union in Africa was established in Northern Ghana in 1955 by Canadian Catholic missionaries. However, Susu, a microfinance schemes in Ghana, is thought to have originated from Nigeria and spread to Ghana in the early twentieth century.

Over the years, the microfinance sector has thrived and evolved into its current state in part because of various financial sector policies and programmes undertaken by different governments after independence. These include the:

- Provision of subsidized credits in the 1950s;
- Establishment of the Agricultural Development Bank in 1965 to address the financial needs of the fisheries and agricultural sector;
- Establishment of Rural and Community Banks (RCBs), and the introduction of regulations (commercial banks being required to set aside 20% of their total portfolio to promote lending to agriculture and small scale industries in the 1970s and early 1980s);
- Shifting from a restrictive financial sector regime to a liberalized regime in 1986;
- Promulgation of PNDC Law 328 in 1991 to allow the establishment of different categories of non-bank financial institutions, including savings and loans companies, and credit unions (Asiama, 2007).

The policies have led to the emergence of three broad categories of microfinance institutions. These are:

- Formal suppliers: savings and loans companies, rural and community banks, as well as some development and commercial banks;
- Semi-formal suppliers: credit unions, financial non-governmental organizations (FNGOs), and cooperatives; and
- Informal suppliers: Susu collectors and clubs, rotating and accumulating savings and credit associations (ROSCAs and ASCAs), traders, moneylenders and other individuals.

In terms of the regulatory framework, rural and community banks are regulated under the Banking Act 2004 (Act 673), while Savings and Loans Companies are currently regulated under the Non-Bank Financial Institutions (NBFI) Law 1993 (PNDCL 328).

Microfinance and Development

Microfinance encompasses the provision of financial services and the management of small amounts of money through a range of products and a system of intermediary functions targeted at low income clients (United Nations, 2005). It includes loans, savings, insurance, transfer services among other financial products and services. Microfinance is thus a critical dimension of the broad range of financial tools available to the global poor, and its increasing role in development has emanated from a number of key factors that include (United Nations, 2000):

- Recognition of the need of the global poor to access productive resources, with financial services being a key resource, if they are to be able to improve their conditions of life;
- Realization that the poor have the capacity to use loans effectively for income-generation, to save and to re-pay loans;
- Realization that the formal financial sector provides few to no services to low-income people, creating a high demand for credit and savings services amongst the poor;
- View that microfinance is viable and can become sustainable and achieve full cost recovery; and
- Recognition that microfinance can have a significant impact on interrelated issues including women's empowerment, the spread of HIV/AIDS and environmental degradation and social indicators such as education, housing and health.

Studies have shown that micro-finance plays three broad roles in development:

- It helps very poor households to meet basic needs and it protects against risks;
- It is associated with improvements in household economic welfare; and
- It helps to empower women by supporting women's economic participation and so promotes gender equity.

Literature on micro-finance suggests that it creates access to productive capital for the poor, which together with human capital, enhanced through education and training, and social capital, achieved through local organization building, enables people to move out of poverty. By providing material capital to a poor person, their sense of dignity is strengthened and this can help to empower them to participate in the economy and society (Otero, 1999).

The aim of micro-finance according to Otero (1999) is not just about providing capital to the poor to combat poverty on an individual level, it also has a role at an institutional level. It seeks to create institutions that deliver financial services to the poor, who are continuously ignored by the formal banking sector. Littlefield and Rosenberg (2004) argue that the poor are generally excluded from the financial services sector of the economy so Microfinance Institutions (MFIs) have emerged to address this market failure. By addressing this gap in the market in a financially sustainable manner, an MFI can become part of the formal financial system of a country and so can access capital markets to fund their lending portfolios, allowing them to dramatically increase the number of poor people they can reach (Otero, 1999).

Recently, commentators including Littlefield, Murduch and Hashemi (2003), Simanowitz and Brody (2004) and the IMF (2005) have commented on the critical role of micro-credit in achieving the Millennium Development Goals (MDGs). According to Simanowitz and Brody (2004), micro-credit is a key strategy in achieving the MDGs and in building global financial systems that meet the needs of the poorest people. Littlefield, Murduch and Hashemi (2003) note that "micro-credit is unique among development interventions: it can deliver social benefits on an ongoing, permanent basis and on a large scale".

Some theorists and schools of thought, however, remain skeptical about the role of micro-credit in development. For example, while acknowledging the role micro-credit can play in helping to reduce poverty, Hulme and Mosley (1996) concluded from their research that "most contemporary schemes are less effective than they might be". The authors argue that micro-credit is not a panacea for poverty-alleviation and that in some cases the poorest people have been made worse-off.

Notwithstanding these observations, microfinance has emerged globally as a leading and effective strategy for poverty reduction with the potential for far-reaching impact in transforming the lives of poor people. According to most observers, microfinance can indeed facilitate the achievement of the Millennium Development Goals (MDGs) as well as national policies that target poverty reduction, women's empowerment, vulnerable groups, and improving standards of living. As noted by former UN Secretary General, Kofi Annan, during the launch of the International Year of Micro Credit (2005), "sustainable access to microfinance helps alleviate poverty by generating income, creating jobs, allowing children to go to school, enabling families to obtain health care, and empowering people to make the choices that best serve their needs " (United Nations, 2004; Asiama, 2007).

Although microfinance is not a panacea for poverty reduction and its related development challenges, when properly harnessed it can make sustainable contributions through financial investment to the empowerment of people, which in turn promotes confidence, self-esteem, and civic and economic participation, particularly for women.

Microfinance and Poverty Reduction in Ghana

The main goals of Ghana's Growth and Poverty Reduction Strategy (GPRS II) are to foster "sustainable equitable growth, accelerated poverty reduction and the protection of the vulnerable and excluded within a decentralized, democratic environment". Its intention is to eliminate widespread poverty and growing income inequality, especially among the productive poor who constitute the majority of the working population.

According to the 2000 Population and Housing Census, 80% of the working population is found in the private informal sector. This group is characterized by a lack of access to credit, which constrains the development and growth of that sector of the economy. Clearly, access to financial services is imperative for the development of the informal sector. It also helps to absorb excess liquidity by making savings available as investment capital for national development (World Bank, 1999). Unfortunately, in spite of the obvious roles that microfinance institutions have come to play in the economy over the last twenty years, there remains a lack of data on their operations.

It is known that loans advanced by microfinance institutions are generally used for housing, petty trade, and as "startup" loans for farmers to buy inputs for farming such as rice seeds, fertilizers and agricultural tools. Some loans are used for a variety of non-crop activities including dairy cow raising, cattle fattening, poultry farming, weaving, basket making, leasing farm and other capital machinery, and woodworking. Funds may be used for a number of other activities, such as crop and animal trading, cloth trading and pottery manufacture. There are other instances where credit is given to groups consisting of a number of borrowers for collective enterprises including irrigation pumps, building sanitary latrines, power looms, leasing markets or leasing land for cooperative farming.

Loans and advances extended to small businesses, individuals and groups by Non-Bank Financial Institutions (NBFIs) in Ghana amounted to GH¢50.97 million in 2002 as compared with GH¢39.64 million in 2001, a 28.6 per cent growth rates. Loans extended by NBFIs further increased from GH¢70.63 million in 2003 to GH¢72.85 million in 2004, or growth of 3.1 per cent. In 2006 alone, GH¢160.47 million was extended to clients, 48.8 per cent more than the previous year's total loans and advances. These upward trends among NBFI's suggest marked improvements in level of microfinance in the country.

Challenges Facing the Microfinance Sector

Generally, since the beginning of government involvement in microfinance in the 1950s, the sector has operated without specific policy guidelines and goals. This partially accounts for the slow growth of the sector, and its apparent fragmentation and lack of direction and coordination. There has so far not been a coherent approach to dealing with the constraints facing the sector which include inappropriate institutional arrangements, a poor regulatory environment, inadequate institutional capacities, a lack of coordination and collaboration, poor institutional linkages, lack of criteria to categorize beneficiaries, the channeling of funds by MDAs, the lack of linkages between formal and informal financial institutions, inadequate skills and professionalism, and inadequate capital. Better coordination and collaboration among key stakeholders including development partners, governments and other agencies could help to better integrate microfinance with the development of the overall financial sector.

Secondly, traditional commercial banking approaches to microfinance delivery often do not work. According to traditional commercial banking principles, the credit methodology requires documentary evidence, long-standing bank-customer relationship and collateral, which most micro and small businesses do not possess. The commercial banking system, with approximately twenty-three (23) major banks in Ghana, reaches only about 5% of households and captures 40% of the money supply (World Bank, 2004). There is thus room to expand the microfinance sector in Ghana.

Barclays Bank of Ghana (BBG) Ltd launched a microbanking scheme in December 2005 which established a formal link between modern finance and Susu collection (one of Africa's most ancient forms of banking) in an unconventional cross country mobile initiative. The scheme aims to extend microfinance to some of the least affluent in Ghana, like the small trader at the market or the micro-entrepreneur selling from road-side stalls. Though their individual income is too small for 'high street' banking, collectively it estimated to be a $150 million economy thriving below the traditional banking radar. Ghana's 4,000-strong Susu collectors offer basic banking to the needy. For a small fee they personally gather the income of their clients and return it at the end of each month, providing greater security for their client's money. With financing from Barclays, the Susu Collectors are able to provide their clients with loans, helping them to establish or develop their business. In the words of BBG CEO, Margaret Mwanakatwe (WP/BOG 2007):

> What we are doing is somewhat unique. Not only are we creating an account for Susu Collectors to deposit their funds, we are also providing them with loans of their own, which they can 'lend-on' to their customers, helping them build their capital. In the process, we are laying the building blocks for a truly financially inclusive society. Currently, over three quarters of Ghanaian society may not have access to high street banking. We are also providing capacity building training to Susu Collectors to make sure that they do their credit risk correctly and any training needs they may need (pg. 14).

It is gratifying to note that the Government of Ghana has adopted microfinance as one of its strategies for poverty reduction, wealth creation and MDG achievement. Recognizing the role various institutions and individuals can play in ensuring the success of this national vision (and of Ghana's vision to become a middle income country by 2015), there is a need to quicken the pace of reforms in the microfinance sector in order to realize accelerated growth and poverty reduction (Asiama, 2007).

Finally, while Ghana has a reasonably diversified and supervised regulatory framework for formal financial institutions licensed by Bank of Ghana (BoG), there is concern that appropriate regulation needs to be extended to other institutions in the microfinance sub-sector in order to improve the sub-sector's outreach, sustainability and efficiency of savings, credit delivery, and institutional arrangements.

Table 1: Credit Flow to Micro Enterprises and SMEs in Ghana

Source	Examples of Schemes
1.Financial Institutions	Major Banks, Rural banks, Community banks, non-bank financial Institutions, etc.
2. Donor/Government Credit Schemes	GRATIS. FUSMED, NBSSI schemes
3. Donor-Assisted SME Loan Projects	IFAD, DANIDA, CIDA, FAO, USAID etc
4. Informal Financial NGOs, Credit Unions	Sinapi Aba Trust, CARE International etc.
5. Government Schemes	BAF, SIF (Micro-Finance Capitalisation), Poverty Alleviation Fund (PAF), EDIF, MPSD and PSI schemes, MOTI, MASLOC,

Sourc: Adopted from Asiama, 2007

Financing Women Entrepreneurs

There is increasing awareness among policy makers of the important contribution that women entrepreneurs can make to employment and the economic growth of their countries. According to the National Foundation for Women Business Owners (NFWBO), women entrepreneurs represent one-quarter to one-third of the total business population (OECD, 2000). In developed countries such as the United States, women own 38 per cent of small enterprises, which employ 52 per cent of the private sector workforce and generate 51 per cent of private sector output (Milken Institute, 2000). In some countries such as Brazil, the Republic of Ireland, Spain and the United States, women are creating new enterprises at a faster rate than men (OECD, 2001).

Nevertheless, several studies have shown that women in developing and developed countries encounter serious difficulties when accessing finance especially for start-ups, but also for the expansion of established enterprises. Women entrepreneurs who deal with financial institutions are often confronted with problems associated with gender bias. “Gender bias refers to lender behaviour that fosters inappropriate consideration of the applicant’s gender in the credit underwriting and approval process. Gender-biased behaviour can severely hamper women seeking small business credit and impede the formation of profitable customer relationships, even before customers’ needs or loan requests are assessed” (Woos, 1994).

When there is gender bias at high levels of management, loan requests will require additional and unnecessary documentation, additional guarantees or co-signers or other conditions different from male applications. Some examples of the difficulties that women experience when working with financial institutions are: a general lack of interest in women entrepreneurs’ projects; questions from loan officers regarding personal and family situations such as the spouse’s view of the business, marriage plans, plans for childbearing or other remarks unrelated to the financial aspects of the application; delays in the loan application process; limited information about alternative financial products and lack of explanations when financing requests are denied.

Evidence shows, however, that once women obtain loans they can be “good credit risks” since they have low default rates. As observed by UNCTAD, “experience with micro-financing, where the vast majority of client borrowers are women, shows high repayment rates, with figures of 95-98 per cent. The lesson of this experience is that financial institutions should reconsider the potential of their women clients” (2000).

Particular Difficulties Encountered by Women Entrepreneurs

Due to social-cultural constraints, women often have a more difficult time accessing finance than men, forcing them to depend on their savings or that of their relatives and on informal sources of finance. The particular difficulties encountered by women entrepreneurs may be explained by the following:

- Small size of the enterprises: women entrepreneurs own small enterprises and are on average more likely to have micro-enterprises, located in the service and retail sectors. Thus, women require small loan amounts that are not considered profitable by banks.

- Lack of collateral: women in general have less personal capital/fewer assets to start a business or to be used as collateral. This may be due to social and legal disadvantages, such as lower wage incomes or limitations in the ownership of property. “In many countries, women cannot even hold land titles, thus they are effectively barred from formal sector credit. Another type of constraint is the requirement for the male spouse’s co-signature; and it is also often a requirement that women must obtain a guarantee declaration from their husband or father" (International Labour Organization, ILO, 1999). Moreover, since women's enterprises are usually in the service sector and do not have tangible assets for collateral, such firms rely mainly on intangibles assets (which are difficult and costly to evaluate for financing institutions).

- Lack of skills: women entrepreneurs have lower education levels and less professional experience than male entrepreneurs. They lack management skills and competencies in finance and accounting, which are key to improving access to finance. Furthermore, due to social and educational factors, they fear complicated bank procedures and lack confidence to deal with lending institutions and effectively convey their business proposals.

- Lack of information: women entrepreneurs often lack information on the existence of credit facilities, financial instruments, networks and the borrowing conditions of financial institutions.

- Lack of track records: women entrepreneurs have difficulty showing past business performance information or continuous business activity since they are often forced to interrupt their careers to take care of their families.

- Family obligations: women entrepreneurs normally combine their business activities with their family obligations, which may be viewed with distrust by financial institutions.

In addition to these particular difficulties, evidence has shown that there is still insufficient data about women entrepreneurs, their needs, demands and available financing mechanisms, which is a significant obstacle to creating financing programmes adapted to their needs.

Research Approach and Method

The primary objective of this study was to examine the constraints barring Ghanaian women from accessing micro-credit, as well as to highlight the alternative measures they adopted to overcome such constraints. The choice of the central region women is informed by the fact that the region is among the poorest in Ghana. In-depth interviews and closed-ended questionnaires were used for a number of compelling reasons, including that these are the preferred research instrument for studies of this kind. Davidson et al. (2010) used the same technique based on their belief that interviews guided conversations designed to elicit rich, detailed information particularly when attempting to access information regarding sensitive areas of study.

The interviews were conducted over a reasonable period of time between late February and early May 2012. The intent of the interviews was to elicit personal narratives of key constraints facing micro-enterprises (petty traders in this case), especially those owned and run by women. Issues such as access to finance were the key drivers in the interviews with women between 18 and 45 years of age (the youngest woman was 18 and the oldest 45 years at the time of data collection).

Sample Selection and Size

The sample for this study consisted of women in petty trade, including those who may or may not fall under the standard categorisation of SMEs such as street hawkers, road side traders and other non-store traders. In selecting the sample, no particular emphasis was placed on the nature of the businesses these women were engaged in and included hairdressers (those engaged in traditional weaving, plaiting and braiding), hawkers (engaged in selling food and drinks to both men and women on market days), and grocers (those with market stalls) amongst others. In other words size of the business (i.e. micro), rather than sector, was considered to be of significance.

In terms of sample size, a convenience sample of 150 market women formed the unit of analysis. Snowball sampling was used and respondents were given the opportunity to tell their stories in their own style and on their own time, as well as to recommend others who may have similar experiences to share. These approaches helped elicit important dimensions that may go unnoticed when using other research designs such as self-administered questionnaires only.

RESULTS

General

Out of the 150 women petty traders sampled, 40 are mobile, 105 are semi-static and 15 belong to the permanently located category. Thus, the petty traders in the study belong mainly to the semi-static category whose stalls are usually removed at the end of the business day. These units generally operate on pedestrian walkways and public streets.
In terms of whether a petty trader comes from within the district or outside the district or even outside the region, the study shows that 65 percent are either the district or from the region and 35 percent are migrants from outside the region. This contrasts with greater Accra where the majority of petty traders are from outside the region (Aseidu & Agyei-Mensah, 2008). The volume of activities increases significantly in three of the five study areas during market days (Swedru, Mankessium and Jukwa).

The majority of the interviewed traders are not married (single, divorcee or widow). Most either do not have any formal education or junior high school (about 92 percent of respondents). Only 8 percent had secondary education. This is indeed an accurate reflection of the high dropout rate in Ghana where more than 50 per cent of junior high school graduates do not get the chance to complete their education.

Working Conditions

Petty trading units in the study areas are not co-operate entities. They are mostly owned by single individuals and are largely operated as household units. The work schedule of petty traders is on average 12 hours a day and most work 6 days a week. Petty trading activities need not be considered transitory as most of the respondents have been at their petty trading activities for a considerable amount of time, averaging 8.5 years and indicating a high degree of occupational stability.

Credit Relationship

Only 1.3 percent of the petty traders had access to credit from formal institutions such as banks. However, informal credit arrangements were widespread. In Cape Coast, Swedru and Mankessium for example, 64 per cent of women traders received credit from their suppliers, generally by delaying payments to suppliers until after sale of the produce. More than 50 per cent of traders who regularly dealt with the same supplier(s) received some type of credit from them, particularly for women in the semi-static and permanent categories. In some cases the supplier provided the initial capital to help the trader establish the business, and then regularly provided products on credit.

In many cases, the larger wholesaler and/or transporters provided some produce to their trader clients on a loan basis. Retail traders enter into such fixed arrangements to insure a regular supply of produce at a fair price. Prices may be agreed upon on a weekly or monthly basis, and traders note that in order to maintain the stability of the relationship they buy from the same supplier(s) even when lower prices can be obtained on the open market. In Swedru and Mankessium more than 30 percent of traders have some type of informal buying arrangement with a supplier.

Sources of Investment Finance for Women Petty Traders in Central Region

There is wide consensus in Ghana that government policies favour the formal sector over the informal sector. This situation weighs heavily on the MSEs. While formal sector enterprises enjoy such direct benefits as access to credit and foreign technology, restrictions on competition through tariffs and quotas, and trade licensing, the informal sector is often ignored and even harassed by the authorities. Individuals and enterprises within this sector operate largely outside the system of government benefits and therefore have no access to formal credit institutions and the main sources of technology transfer.

Many of the economic agents within this sector operate illegally, although they are pursuing economic activities similar to those in the formal sector, such as marketing foodstuffs and consumer goods, repair and maintenance of machinery and consumer durables, and running transport services. Illegality in this case is generally not due to the nature of the economic activity, but to an official limitation of access to legitimate activity (ILO, 1973). These official limitations sometimes include requiring enterprises to register their businesses and pay high registration fees; file certain statements of accounts; provide information about their activities (which the enterprises may consider to be confidential); and pay taxes. These conditions have tended to limit not only the activities of MSEs but also their sources of financing.

There are three main sources of enterprise financing open to MSEs in Ghana:

- Formal financial institutions such as commercial banks, merchant banks, savings and development banks, and assets and fund management companies;
- Informal financial institutions consisting of money lenders, landlords, credit and saving associations (credit unions, co-operative societies), Susu, and friends and relations; and
- Personal savings

Table 2: Sources Finance Based on Survey

Sources of Finance	Number of respondents	Percentage %
Owners' savings	87	58
Assisted by:		
Formal Banks	2	1.3
Government Institutions	0	0
Micro-credit institutions	20	13.3
Spouses, Relatives and Friends	40	26.7
Money lenders	1	0.7
Total	150	100

Having identified the generally available sources of finance, this study sought to determine the sources of finance used by petty traders in the study areas. As shown in Table 2, only 2 or less than 2 per cent of the respondents have accessed credit from formal banks. Fifty-eight per cent of respondents used their own savings, 26.7 per cent borrowed from spouses, relatives and friends and 13.3 per cent accessed loans from micro-finance institutions. Of those who borrowed from the microfinance institutions, most did not invest directly in their trading activities but used this money to pay the school fees of their wards or take are of other family expenses. This borrowing pattern was corroborated by the management of Mustard Seed Cooperative Credit Union which operates in four of the five study areas.

Even though more than 70 percent of our Susu contributors are women, they rarely take this type of loan to expand their operations. The few who do take Susu loans, use them for purposes other than expanding their businesses.

DISCUSSION

This study identifies a number of factors constraining women micro-entrepreneurs from accessing business development micro-credit. A number of innovative measures have been adopted by these women to cope with these challenges. These constraints and measures are discussed under the following headings: internal constraints, socio-cultural constraints and policy constraints.

Internal Constraints

In an attempt to capture these “internal constraints”, we noted that most of the women made reference to “lack of finance” as a serious problem hindering their business – what Mordi et al. (2010) conceptualised as a market-based factor. Paradoxically, very few of these women considered MFIs as a first choice source of finance for the development of their businesses (Katwalo & Madichie, 2008; Madichie, 2009; Mordi et al., 2010). This study also noted the lack of searching for micro-credits from licensed MFIs, as most of these women exhibited a penchant for other sources of finance such as borrowing from spouses, friends and family. This raises the question of whether these women have an adequate understanding of the benefits of micro-credit how to proactively seek out these finance sources in order to advance their businesses.

A number of factors are responsible for this lack of “mental access” to micro-credit. Many of the women appeared reluctant about, or at least wary of, growing their business, noting that they are not confident in the riskier steps needed to grow the business or access support from financial institutions because they stand to lose their few existing assets if they are unable to pay the loan. They also fear being harassed by the police and the possible legal battles should they not be able to repay their loans.

Socio-Cultural constraints

In general, successful women entrepreneurs are not receiving the kind of public attention, recognition and media focus which is increasingly observed in industrialized and emerging economies (Zewde and Associates, 2002). There are a number of social role that continue to be ascribed to Ghanaian women. They are, for example, largely responsible for household tasks and the raising of children (Mordi et al., 2010). These and other acquired roles often subjugate them into thinking that business is for men. In situations where these women may wish to venture into certain businesses, the responsibilities associated with their ascribed and acquired roles can limit such ambitions. They tend not to have the time to plan and think of such businesses. This view is consistent with the “too busy to train” theory expressed by Walker et al., (2007) in the context of SMEs in general.

Negative attitudes and beliefs about women’s traditional roles have significant impacts on women entrepreneurs, including:

- Not being able to access appropriate resources;
- Being regarded as minors, which limits their ability to own assets, enter into legal contracts and build collateral;
- Being physically limited in where and how they can operate their businesses, and;
- Being especially vulnerable to harassment from male officials and businessmen.

Such attitudes deter many women from even considering business ownership as an option, and certainly do not encourage them to actively pursue such an option. Indeed, self-censorship and self-restraint by women, because of anticipated societal and institutional obstacles, help to perpetuate and reinforce discriminatory practices against women entrepreneurs.

Policy Constraints

No matter how accessible any type of credit might be to poor women entrepreneurs, if the operating environment is not conducive for micro-enterprises to flourish, women micro-entrepreneurs may be reluctant to access it. The Ghanaian operating environment has been unsupportive for micro-entrepreneurs in certain respects, obviously as a result of policy failures (Fajana 2008; Obamuyi, 2009). These non-supportive policy constraints refer to the hostile environmental forces that are within the ambit of public policy, such as poor financial, regulatory and physical infrastructure, high interest rates and the unfriendly atmosphere of formal banking institutions. Laws that make petty trading, especially street hawking, illegal are inimical to the development of petty trading in the study area and other major cities in Ghana.

CONCLUSION

The proliferation of petty traders in most peri-urban areas can be interpreted as an unhealthy symptom of economic underdevelopment. Employment problems and low incomes, as well as an increase in the number of migrants contribute to the growth in the petty trade sector in the study areas and throughout Sub-Saharan Africa. With access to credit and lucrative wage employment increasingly rare and high failure rates in basic school, recent migrants enter the street trade in order to survive. Although petty trading allows this group to survive (minimally), it does represent a large underclass of the unemployed and underemployed. To view it as a burgeoning class of private sector entrepreneurs paints an unrealistically rosy portrait of the situation.

The purpose of this paper has been to highlight some of the barriers facing women petty traders in the central region of Ghana in order to better understand their inability to access microcredit. These impediments, as confirmed through interviews can be summarised into three broad categories – internal constraints and barriers, socio-cultural constraints, and non-supportive policy constraints.

Internal constraints are those factors that are demonstrated by women micro-entrepreneurs, such as a lack of confidence (phobia and anxiety) a lack of understanding of micro-credit and MFIs, a fear of the consequences of default, and the myth that "bank facilities are meant only for the rich." These constraints are largely planted and nurtured by the myths surrounding conventional banking practices in the country.

The second category, socio-culturally induced constraints, are comprised of factors such as family and cultural expectations, multiple roles in the family and society, spousal influence, and traditions embedded in ethnicity. Typically, Ghanaian culture, like most other African cultures (Darley and Blankson, 2008), is built around patriarchal archetypes (the belief that men are superior to women), and women tend to accept this, especially in rural areas. This means that only men can go to war and women are therefore, "not to undertake risky ventures", as one of our respondents recounted. This belief – which has also been elaborately discussed in Faseke's (2001) *The Ghanaian Woman* – undoubtedly affects the attitude and behaviour of women who are unsure of micro-financing.

Third, non-supportive policy constraints refer to the hostile environmental forces that are within the ambit of public policy, such as poor financial, regulatory and physical infrastructure, high interest rates and the unfriendly atmosphere of formal banking institutions. These factors dampen the enthusiasm with which women micro-entrepreneurs take up enterprise development and growth via MFIs. These constraints thus make the world of business venturing more risky and costly for women entrepreneurs. The numerous levies and taxes imposed by local authorities and the high cost of transportation also fall under this category.

Despite these impediments, however, alternatives have been explored by central region women petty traders. These groups provide credit to members, facilitate the use of family networks to raise credit, and provide seed money and other supports for their business. In most cases, therefore, and similar to recent research in the Ugandan context (Katwalo & Madichie, 2008) micro-credit from MFIs and formal banks is considered a last resort in the credit options hierarchy.

The potential economic benefits of sustainable microfinance in Ghana are compelling, and its potential effects on the development process cannot be understated. This calls for a holistic approach to facilitating the development of the microfinance sub-sector thereby unleashing its potential for accelerated growth and development.

Practical Implications

Women have shown that they are strong entrepreneurs, borrowers and change agents through women's small and medium enterprises (WSMEs). This paper posits that the lack of access to credit promotes market exclusion, and deepens the socioeconomic and political vulnerability of women. This paper has far reaching implications for public policy support geared towards leveraging and mainstreaming these initiatives for maximum outreach.

Recommendations

One of the main reasons for the proliferation of petty trading activities in urban areas is the large-scale migration of rural residents in search of new livelihoods in towns and cities. The cause of this migration can be traced to rural 'push' rather than urban 'pull' factors. Governments and policy makers must realize that although the growth of tiny enterprises has resulted largely from the lack of alternative employment opportunities, they are often viable undertakings which make an important contribution to the economic survival of the poor. As such, governments should encourage the establishment of more micro-enterprises in the form of small-scale cottage and other agro-based industries. Governments must also recognize that these undertakings need to be supported by better access to institutional finance.

Micro-finance institutions (MFIs) should carry out business analyses of the practical business needs of their customers so as to be able to formulate better and more appropriate modes of repayment. The main areas of concern and priority are:

- Often no grace period is provided for entrepreneurs. Lending institutions should offer more flexibility around repayments.
- Loan durations are often too short for the needs of many women entrepreneurs. MFIs should introduce a wider range of loan repayment periods in response to differing needs.
- There is a gap between the provision of micro-level short-term loans and medium-term loans. It is recommended that MFIs introduce a wider range of loan sizes within their portfolios.

The current way in which collateral is demanded by the financial institutions tends to exclude (or at least discriminate against) women entrepreneurs more than men. The government and MFIs should set out to tackle this by establishing mechanisms such as a guaranteed fund to help women entrepreneurs to overcome this barrier. Women entrepreneurs also need to have more and better access to information about their rights and entitlements, as well as about best practice models for women starting and running their own enterprises. It is recommended that a one-stop-shop solution be developed to contribute to the provision of these supports and services.

The eradication of most of these societal constraints should be seen by all stakeholders (both society and government) as a sure first step towards lifting Ghanaian women up from the bottom-of-the-pyramid. This would facilitate their potential contributions to the development of economic activity in the private sector, as well as the sustainability of the informal sector as it begins to align with the formal sector. With this in place, it would not be long until the MDG of poverty eradication at local, national, regional and international levels begins to bear fruit.

REFERENCES

Adei, S. (2006) Business News of Tuesday, 23 May 2006

Asiama, P. J. (2007). *Micro finance in Ghana: An Overview of Bank of Ghana Report.*

Aseidu, A. B., & Agyei-Mensah, S. (2008). Traders on the Run: Activities of street venders in the Accra Metropolitan Area, Ghana*. Norwegian Journal of Geography 62*(3), 191-202.

Daily Observer (1992). December 11 Issue. Banjul, The Gambia: Daily Observer Newspaper Company.

Darley, W., & Blankson, C. (2008). African culture and business markets: implications for marketing practices, *Journal of Business & Industrial Marketing, 23*(6), 374-83.

Fajana, S. (2008). The Nigerian informal economy: instigating decent work and pay, and national development through unionisation. *Employee Relations, 30*(4), 372-90.

Faseke, M. (2001). *The Nigerian Woman: Her Economic and Socio-Political Status in Time Perspective*, Agape, Ibadan,

JUDAI & Associates (2002). *Jobs, Gender and Small Enterprises in Africa: Women Entrepreneurs in Zambia. A Preliminary Report.* Geneva: IFP/SEED-WEDGE

ICECD (2002). *Business Development Services Study for Women's Entrepreneurship in Micro and Small Enterprises*. Report, Gujarat, India

Katwalo, A. M., & Madichie, N. (2008). Entrepreneurial and cultural dynamics: a gender kaleidoscope of Ugandan microenterprise. *International Journal of Entrepreneurship and Small Business,* 5(3/4), 337-48.

International Labour Organization (ILO) (1973). *Sharing in development: a programme of employment, equity and growth in the Philippines.* Geneva: ILO.

International Labour Organization (ILO) (1999). Job Creation in Small and Medium-Sized Enterprises: Guide to ILO Recommendation No 189. Geneva: ILO.

International Labour Organization (ILO) (2000a). *Decent Work for Women: An ILO proposal to accelerate the implementation of the Beijing Platform for Action*. Geneva: Bureau for Gender Equality

International Labour Organization (ILO) (2000b). Gender: A Partnership of Equals. Geneva: Bureau for Gender Equality.

International Labour Organization (ILO) (2000c). ILO and Gender Equality at Work. Geneva: Bureau for Gender Equality.

International Labour Organization (ILO) (2000d). State of the Art review of the Tanzanian Informal Sector. An Unpublished Research Report. Geneva: Bureau for Gender Equality.

Little, P. D. (1999). Confronting Change: Contract Farming and Production Relations in Peri-Urban Areas of Sub-Saharan Africa. Broadening Access and Strengthening Input Market Systems Collaborative Research Support Program (BASIS-CRSP). Binghamton, NY: Institute for Development Anthropology.

Madichie, N. (2009). Breaking the glass ceiling in Nigeria: a review of women entrepreneurship. *Journal of African Business*, *10*(1) 51-66.

Madichie, N., & Madichie, O. (2009). A theoretical review of the property development challenges in Nigeria. *International Journal of Business and Emerging Markets*, 1(3), 296-311.

Milken Institute and National Women's Business Council, "Economic Prosperity, Women and Access to Credit", Milken Institute, Santa Monica, California, 2000.

Mordi, C., Simpson, R., Singh, S., Okafor, C. (2010). The role of cultural values in understanding the challenges faced by female entrepreneurs in Nigeria. *Gender in Management: An International Journal, 25*(1), 5-21.

Obamuyi, T. (2009). Credit delivery and sustainability of micro-credit schemes in Nigeria. *Journal of Enterprising Communities: People and Places in the Global Economy, 3*(1)*,* 71-83.

OECD (2001). *Women Entrepreneurs in SMEs. Realising the Benefits of Globalisation and the Knowledge- Based Economy.* Paris: OECD.

Otero, M. (1999). *Bringing Development back into Microfinance.* Retrieved July 14 2012, from http://www.accion.org/file_download.asp?f=8.

Littlefield, E., Murduch, J., & Hashemi, S. (2003). *Is Microfinance an Effective Strategy to Reach the Millennium Development Goals?* Focus Note Series no. 24. Washington: CGAP -Consultative Group to Assist the Poor.

Hulme, D., & Mosley, P. (1996). Finance Against Poverty. London: Routledge

OECD, (2000). *The OECD Small and Medium Enterprise Outlook.* Paris: OECD.

Simanowitz and Brody (2004). Realising the potential of microfinance, id21 insights, December, Issue -51

United Nations (2005). Concept Paper: Building Inclusive Financial Sectors to Achieve the Millennium Development Goals. New York: United Nation.

United Nations (2000). Microfinance and Poverty Eradication*: Strengthening Africa's Microfinance Institutions.* New York: United Nations.

UNCTAD (2001). Finance and E-Finance for SMEs as a Means to Enhance their Operations and Competitiveness. Geneva: United Nations.

UNCTAD (2000). *Women Entrepreneurs in Africa.* New York and Geneva: United Nations.

van Praag, M., & Versloot, P. (2007). What is the value of entrepreneurship? A review of recent research. *Small Business Economics*, *29,* 351-82.

Walker, E., Redmond, J., Webster, B., & Le Clus, M. (2007). *Small business owners: to busy to train? Journal of Small Business and Enterprise Development, 14*(2), 294-306.

World Bank-Africa Region (1999). *Studies in Rural and Micro Finance: Financial Services for Women Entrepreneurs in the Informal Sector of Ghana.* New York: World Bank.

Woos, L. M. (1994). *Access to Credit: A Guide for Lenders and Women Owners of Small Businesses.* Federal Reserve Bank of Chicago, Illinois.

World Bank (2004) *Rural and Micro Finance Regulation in Ghana: Implications for Development of the Industry,* New York: World Bank.

Zewde & Associates (2002). *Jobs, Gender and Small Enterprises in Africa: Women Entrepreneurs in Ethiopia.* A Preliminary Report, Geneva: ILO, IFP/SEED-WEDGE.

----

[i] Benjamin Kojo Otoo is a lecturer in the Department of Marketing, School of Business, Cape Coast Polytechnic, Cape Coast, Ghana. He can be reached on Tel: 233-208138870; E-mail: bentoous@yahoo.com.