Financial Accessibility of Women Entrepreneurs

(WITH SPECIAL REFERENCE TO WESTERN PROVINCE WOMEN ENTREPRENEURS)

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Abstract- Most of the women entrepreneurs are not willing to take financial aids from formal financial institutes due to lack of access and it has been a major barrier to the development of the sector. Hence, this study is focus to find the factors which affect on women entrepreneurs' access to finance. Then, the study conducted through firms which have been registered under Colombo, Gampaha and kaluthara district's Chamber of Commerce and Industry. A structured questionnaire was designed and administered to collect the data. The results from the study reveal that women entrepreneurs' access to finance is highly affected by the firm characteristics, and policies and procedures.Therefore, formal finance institutes, should more close to women entrepreneurs' firms, should reduce their processes and pre requirements when issuing credit and the repayment procedures should also be easy to women entrepreneurs' firms.

Index Terms- Women Entrepreneurs, Formal Financial Institute, Access to finance

I. INTRODUCTION

Entrepreneurship has traditionally been defined as the process of designing, launching and running a new business, which typically begins as a small business, such as a startup company, offering a product, process or service for sale or hire, and the people who do so are called 'entrepreneurs (Casson.M, 2005).There are two terms as male entrepreneurship and female entrepreneurship and both entrepreneurs possess the characteristics required foe effective performance as entrepreneurs (L.Sexton, 2008).Moreover he stated that negative attitudes toward women entrepreneurs are still exist and women entrepreneurs are less willing than male entrepreneurs to become involved in situations with uncertain outcomes (risk taking) and have less of the endurance or energy level needed to maintain a growth-oriented business.

Empowerment of women entrepreneurship is supposed as an effective vehicle to uplift the socio economic welfare of women, their families, and the country as whole (Amarasiri, 2002). As a result of 30 years conflict situation in Sri Lanka, women lost their male relatives in struggle, and forced to take a responsibility of their family in order to look after their children, aged parents and their male relatives (Fernando, 2006).As a result, the scale and growth of women's entrepreneurship has attracted considerable attention from academics, practitioners and policymakers.

According to the (Fletschner and Kenny 2011), they observed that Most women business owners surveyed reported that limited access to capital was one of the key challenges they faced when they first launched their businesses, and still it is the top obstacle they faced when continuing to innovate and grow their businesses. Hence, the objectives of the study aim to identify the financial accessibility of women entrepreneurs.

A structured questionnaire was designed and administered to collect the data and the sample consisted from 100 women entrepreneurs. Data collection was facilitated by a structured questionnaire with 5-point Likert scale statements based on the constructs defined by (Mbugua, et al ,2014) and (Tolulope, et al ,2015). The pilot study of 19 women entrepreneurs informed a high reliability level of the questionnaire with a Conbach's Alpha value exceeding 0.726 in all the dimensions of the questionnaire. Financial accessibility of women entrepreneurs were analyzed by using mean and graphs. The simple linear regression model presented below was used to identify the impact between financial accessibility factors and women entrepreneur's' access to finance

$$AF = \beta_0 + \beta_1 EC + \beta_2 FC + \beta_3 ABI + \beta_4 PP +$$

Where, AF = Access to Finance; β_0 = Intercept Parameter; β_1=Slope Parameter;EC= Entrepreneur's characteristics; FC= Firm characteristics; ABI=Access to business information; PP= Policies and Procedures; ε=Standard Error

Accordingly, this study has been investigated the previous research findings, which are related to financial accessibility factors and women entrepreneurs' access to finance.Secondly, it has been deliberated the result of the study. Then, it has been organized the discussion and conclusion related with the result.

II. Research ELABORATIONS

Previous research findings, which are related to financial accessibility factors and women entrepreneurs' access to finance has summarized as follows. Firstly, the definitions of each variable and constructs of them has been revealed.

2.1. Financial accessibility factors

Entrepreneur's characteristics

Entrepreneurial characteristics have profound consequences for running a business. Previous research, in particular has explored how the managerial education affects the access to credit. For example, (Kumar, A.,and Francisco, M, 2005), found a strong education effect in explaining access to financial services in Brazil. They also found that graduates had the least difficulties raising finance from banks. Education affects entrepreneurs' motivation (Smallbone, D. and Wyer, P, 2000).

Previous researchers have found positive relationships between previous management experience and business growth, and therefore better placed in accessing finance. Literature emphasizes the positive effect of past experience on small business growth by proposing that owner-managers with previous experience are more likely to avoid costly mistakes than those with no prior experience. Prior entrepreneurial experience increases the chances of an entrepreneur starting a new business due to expertise in spotting opportunities (Kim, P., Aldrich, H. and Keister, L., 2006).

Entrepreneurship embodies liability of newness (Zimmerman, M.A. and Zeitz, G.J., 2002). A financial institution will hesitate to lend money to an entrepreneur that seems too young. Younger entrepreneurs are considered more risk-taking, thus investments in young entrepreneurs are associated with high risk (Rai, S.K., 2008)

Firm characteristics

Firm characteristics affect women entrepreneurs' ability to access external finance. The size and age of the firm were identified as important variables under this category. Firm size is one of the most important variables in literature related to access to credit. Numerous studies have discussed that small and medium-sized enterprises are financially more constrained than large firms (Carpenter, R. E. and Petersen, B.C, 2002).

Policies and procedures

(Davidsson, 1989)noted that an unfavorable tax system, complicated rules and regulations can heavily hamper small firms' growth. A study done by International Finance Corporation (IFC; 2013), based on responses of more than 45,000 firms in developing countries, found that the top obstacles to their operations are a poor investment climate, especially red tape, high tax rates, and competition from the informal sector, and inadequate infrastructure, especially an insufficient or unreliable power supply.

Access to business information

(Ntakobajira, 2013) exploring performance of SMEs concludes that access to business information services affected the performance of business to a great extent and that access to finance affected performance of SMEs because it limited the entrepreneurs' ability to take advantage of opportunity as and when they arose. The study further concludes that technology affected the businesses to a very great extent by facilitating communication with external parties.

2.2 Financial Accessibility for women entrepreneurs

Access to finance is the ability of individuals or enterprises to obtain financial services, including credit, deposit, payment, insurance, and other risk management services (Demirgüç-Kunt, A., Beck, T., & Honohan, P., 2008). Broader access to finance is likely to affect growth through many channels.

It is associated with greater firm innovation and dynamism, entrepreneurship, more efficient asset allocation and being able to exploit growth opportunities. Access to finance promotes firm entry and growth of incumbent firms to a larger size, makes it possible to choose more efficient forms of legal organization, and allows firms to operate on a larger scale (PRR, 2006).

According to (ToluiopeBewaji, et al., 2015), for measure the access for finance they used such five various forms of loans as commercial bank, non-bank financial institutions, business line of credits, Credit cards or any other sources that firm had access to. As (ToluiopeBewaji, et al., 2015) cited, a lot of minority entrepreneurs did not receive funding from banks or the government; they used personal savings and there is a dissonance between the number of minority entrepreneurs and the access to funding from public institutions. As cited by (Chen, et al., 1996) women often have fewer opportunities than men to gain access to credit for various reasons, including lack of collateral, an unwillingness to use household assets as collateral, small amount of credit requested by women which are not profitable for formal financial institutions to deliver and negative perceptions of female entrepreneurs by loan officers.

As cited by (ToluiopeBewaji, et al., 2015), ethnic minority entrepreneurs, age, education, immigrant status, prior industry experience, and prior entrepreneurial experience are used to their study and the study highlighted that education and experience are highly influence for capital access. According to (Kira.A.R, 2013), two determinant factors; the firm characteristics and Owner manager characteristics used to investigate on access to debt financing by SMEs in Tanzania. The study further illustrated the main two dimensions into nine variables as size, location, industrial sector, business information, age, incorporation, collateral, education, and Experience. The Study Findings are provided mostly influence factors as firms management's education, experiences of the industry and business operations; furthermore, firm's location, industry, size, age, incorporation, and availability of collateral and business information are noticeable factors that impact firm's access to debt financing.

According to (AmbreenKausar, 2013), he identified seven factors which are influence to microcredit's demand as Interest rates, limited access and non-availability of information, transaction cost, economic condition, gender differences, credit worthiness, and government policies.

III. RESEARCH FINDINGS

overall model is significant to measure formal financial dimensions with women entrepreneurs' access to finance. Although, the first dimension (entrepreneurs characteristics) is significant and has a weak positive relationship. Therefore, within Sri Lankan context, formal financial overall model could valid in financial accessibility measurements. Moreover, when measuring the women entrepreneurs' access to finance, the model can be used. Therefore, entrepreneurs' characteristics, firm characteristics, access to business information, and policies and procedures could be adopting as supporting dimensions to measure women entrepreneurs' access to finance.

Multiple regressions used to identify the impact of the formal financing dimensions on women entrepreneurs' access to finance. It measured each formal financing dimensions impact on the women entrepreneurs' access to finance.Firstly, consider the entrepreneurs' characteristics, while it increased by one unit women entrepreneurs' access to financewas increased by 0.144. Furthermore, according to the information was given by the analysis, when firm characteristics were increased by one unit women entrepreneurs' access to financewas increased by 0.302. It can be identified that when access to business information increased by one unit women entrepreneurs' access to financewas increased by 0.128. It can be identified that when policies and procedures increased by one unit women entrepreneurs' access to financewas increased by 0.240These four dimensions have good impact on the women entrepreneurs' access to finance.Firm characteristics and policies and procedures are the best influencing dimensions on the women entrepreneurs' access to finance.

Correlation coefficient was used to identify most and least important formal financing dimension factors that influence to the women entrepreneurs' access to finance. Among four formal financing dimensions policies and procedures has high correlation with women entrepreneurs' access to finance.

Correlation Analysis

Independent Variable	Pearson Correlation	P-value
EC	0.420	0.000
FC	0.669	0.000
ABI	0.739	0.000
PP	0.554	0.000

Source: Based on the analyzed data

Multiple Linear Regressions

Model	ß	Std. Error	T – Value	Sig.
Constant	0.618	0.309	2.002	0.048
EC	0.144	0.061	2.374	0.020
FC	0.302	0.055	5.545	0.000
ABI	0.240	0.066	3.628	0.039
PP	0.128	0.061	2.097	0.000

Source: Based on the analyzed data

Model summary

Figure	Value
R Square	.680
Adjusted R Square	.666
Std. Error of the Estimate	.18828

Source: Based on the analyzed data

Analysis of Variance (ANOVA)

Model	Degree of freedom	Sum of Squares	Mean Square	F	P
Regression	4	7.148	1.787	50.407	.000
Residual	95	3.368	.035		
Total	99	10.515			

Source: Based on the analyzed data

IV. CONCLUSION

A structured questionnaire was designed and administered to collect the data in order to identify the women entrepreneurs' access to finance and the sample consisted from 100 women entrepreneurs. The majority of the sample had high level of impact of policies and procedures to access to finance. Formal financial institutes should reduce their processes and pre requirements when issuing credit. Since, it has to be fulfilled a huge process most of the women entrepreneurs reject formal finance. As examples guarantors and mortgages have to be fulfilled when taking a loan from a formal financial institute. It is very difficult to women entrepreneurs to find these. There is not such long and difficult process to take loan from informal finance. Therefore, majority of women entrepreneurs turn to informal finance to fulfill their financial needs. Hence, it should reduce the requirements which want to accomplish when issuing a loan.

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