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Factors Affecting Women Entrepreneur’s Access to Finance: A study conducted in Addis Ababa city; Ethiopia.

A thesis Submitted to Addis Ababa University, College of Business and Economics, To the Department of Management, Graduate Studies. Submitted in partial fulfillment of the requirements for the degree of MSc. in International Business Management, Specialization in Strategic Investment.

Prepared By: Arsema Seyoum Kelemwork

ID.NO: GSE/3762/13

Advisor:Dr. Ethiopia Legesse Segaro

Addis Ababa University

College of Business and Economics

Addis Ababa, July 2023

Declara

I, **Arsema Seyoum** hereby declare that the **Entrepreneur's Access to Finance: A Study Co** own original work and has not been submitted for the award of MSc. In International Business Mana for Addis Ababa University.

Name: Arsema Seyoum

Signature: 

Date of submission: June 8, 2023

Saleamlak Mola (Ph.D.)

External Examiner



Signature

Amare Abawa (Ph.D.)

Internal Examiner



Signatur

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Abstract

This research investigated the essential factors influencing women entrepreneurs' access to credit in 10 sub-cities of Addis Ababa, Ethiopia. The research applied a mixed approach of qualitative and quantitative analysis. The method of descriptive analysis was employed to convey the correlation and impact between accessing finance, collateral requirements, rate of interest, and level of formal education. Other variables like business management expertise, finance history, age, and marital status have been analyzed using descriptive analysis based on the questionnaire administered. Six women micro-enterprises have also been interviewed and their responses have been analyzed with other descriptive analyses.

400 women entrepreneurs were selected for this study. 200 formal and informal businesses were sorted out. This means out of the 10 sub-cities being examined each sub-city has a quota of 40 women enterprises out of which 20 are formal and 20 are informal (unregistered) businesses. The survey revealed that women entrepreneurs faced various challenges in accessing credit, including high-interest rates and service charges, lengthy loan disbursement processes, and excessive collateral requirements. A descriptive analysis was employed on the data collected and a comparison analysis was made between formal and informal enterprises. The descriptive analysis is also supported by the qualitative analysis per the life story interview conducted with six women-owned micro-enterprises. It concluded that the more women are educated the better they are in making financial decisions. The study concluded that financial institutions should mainstream gender in credit access and be more transparent in their loan approval processes. FIs should consider designing women-centric products specifically tailored to address the need of women entrepreneurs, with much focus given to women in informal businesses as they are less educated and lack an asset to provide as collateral. The study recommended that financial institutions should revise their loan products to be more inclusive and flexible, consider alternative collateral types, and simplify loan terms and conditions. Policymakers and finance institutions, should also implement affirmative action policies that prioritize lending to women-owned businesses, increase the availability of financial products tailored to women's needs, and invest in training and capacity-building programs.

Keywords: access to finance, women entrepreneurs

Acronyms and Abbreviations

A.A - Addis Abeba

A2F- Access to Finance

EDI- Entrepreneurship Development Institute

GoE- Government of Ethiopia

FIs- Financial Institutions

IFC- International Finance Corporation

ILO- International Labour Organization

MSMEs – Micro Small and Medium Enterprises

MSEs- Micro and Small Enterprises

SMEs- Small and Medium Enterprises

SMEFP- Small and Medium Enterprise Finance Programme

NGOs – Non-Government Organizations

SMEs – Small and Medium Enterprises

SACCO – Saving and Credit Cooperative Organizations

WEs- Women Entrepreneurs

WB – World Bank

WEDP- Women Entrepreneurship Development Program

Acknowledgment

I would like to praise God all Mighty for equipping me with the strength and patience to complete this research paper. I am also grateful to my advisor, Dr. Ethiopia, for her invaluable guidance, support, and encouragement throughout the research process. I would like to thank other professors in the department for their constructive feedback and comments.

I extend my appreciation to consultants in the finance field for their insightful comments and suggestions. I would like to thank the Entrepreneurship Development Institute (EDI) for providing me with the necessary resources and facilities.

I would like to acknowledge the respondents for taking the time to participate in the study and for sharing their valuable insights. I am grateful to the First Consult PLC team for the support and encouragement they have given me from day one.

Finally, I would like to assert my heartfelt gratitude to my family, for their unwavering love, encouragement, and support all through my academic journey.

CHAPTER ONE: Introduction

Introduction

This chapter encompasses the introductory part of the thesis. It comprises the background of the study, statement of the problem, research questions, the general and specific objective of the study, Research questions, delimitation or scope of the study, and definition of significant terms used in the study.

1.1 Background of the Study

Entrepreneurship is the engine of economic growth and the wheel that propels the vehicle of economic development by allocating the obligatory skills, time, and strive, assuming the associated financial, at times physical, and social risks, and harvesting the outcome monetary rewards and personal happiness (Hisrich, Peteris, & Shepherd, 2008; Shane & Venkataraman, 2000; Wang, Walker, & Redmond, 2006)

Enterprises play a paramount role in contributing to a country's economic growth and development by creating new jobs, diminishing unemployment, argument productivity through creativity, and hastening systematic changes by pressurizing existing businesses to ameliorate and improve competition (Baron, 2007).

Women entrepreneurs are seen to be critical to a country's economic progress. This is especially important in low-income countries, where women own and operate the majority of micro-enterprises (Palanivelu & Jahan, 2014). Entrepreneurs commence new businesses, which creates more jobs and reduces unemployment (Okah-Efogo & Timba, 2015).

Entrepreneurs rely more on human capital than the buildup of physical instruments of production to establish lasting competitive advantage, according to a knowledge-based perspective of the businesses. Women business owners are not an exception. They innovate much like their male peers. The innovative new company ventures foster competitiveness (Colombelli, Krafft & Vivarelli, 2016).

To perform the day-to-day activity in an enterprise, the company needs to have working capital. A company's capacity to get financing secures its profitability. Studies by Danga et al. (2019), Kanapathipillai and Azam (2019), and Tekele (2019) claimed in this regard that high working capital facilitates operating a large corporation and permits employing sophisticated technology which raises the efficiency level and quality. Additionally, compared to those who had sufficient cash, entrepreneurs who faced capital limits during their initial firm investment generated lesser profit and had a worse survival rate (Wangari, 2017). As a result, when women entrepreneurs get access to capital, their enterprises' performance ameliorates (George, 2018).

The difficulties small businesses have in obtaining financing for expansion are widely known and fully acknowledged. Micro and small enterprises may be underqualified to get formal funding, have little or no available collateral, or be viewed as high-risk customers by banks, microfinance organizations, or other financial intermediaries. Stakeholders need to make it simpler for small and medium-sized businesses to acquire financing and expand their operations have proliferated in developing countries as a result of increasing acknowledgment of the importance micro and small firms play in fostering economic growth. Louisa Manwari and others (2017)

Women's access to credit issues must be understood in the case of the developing world's general accessibility to financing problems. According to one study, formal lenders do not service over 60% of the developing world's population. George (2018).

An estimated number of 8 to 10 million formal women-owned MSEs exist in economically developing nations (accounting for 31 to 38 percent of all SMEs in developing economies); nonetheless, the average growth rate of women's companies is much lower than that of SMEs managed by males. A variety of reasons contribute to the sluggish growth of women-owned enterprises. This includes institutional and regulatory issues, a lack of access to finance, a lower rate of business education or work experience, a risk-averse nature, limiting women's businesses to slower-growing sectors, and the burden of household management responsibilities or unpaid household work. World Bank (2018)

Access to finance for women-owned MSMEs in developing nations indicated that women entrepreneurs had lower access to funding from financial institutions than male entrepreneurs. Access to finance for women was also found to be hampered by a variety of barriers, including the legal and regulatory environment, the quality of available infrastructure, the individuality of the entrepreneurs, management training, constraints within financial institutions, a lack of credit bureaus, and a lack of sufficient collateral (Magoulios and Kydros 2011).

It is difficult for women entrepreneurs to scale up their firms due to a lack of simple access to finance (Itani, Sidani, and Baalbaki 2011). The main issue for female entrepreneurs was funding their businesses. In Italy, it was discovered that gender, age, banking history, degree of education, and industry type all had an impact on entrepreneurs' access to financing (Cesaroni and Paoloni 2016).

Using literature from various nations, this study determines if formal and informal women entrepreneurs have access to loans. It addresses the issue of whether there is adequate funding available in the financial market for them to access. And, if they are not getting finance, what are the obstacles preventing them from doing so? It examines crucial criteria such as collateral ownership, credit history, degree of education, interest rate charges, and age. It also explores if the issues are the same across continents and countries.

1.2 Statement of the Problem

The capacity of the entrepreneur to get financial facilities is one of the most predominant prerequisites for firm growth, and a lack of it has led many enterprises to fail. Mwenda and Muuka (2004). Several studies show that women entrepreneurs counter multiple barriers to obtaining financial institutions' services, due to an absence of collateral, unfavorable interest rates and other operation charges imposed by FIs, and stringent loan conditions that must be met before credit is granted (ex. Compulsory savings). These restrictions confronting female entrepreneurs are exacerbated by the essentiality to operate in an aggressive economic climate characterized by fast technical advancements, globalization of production, trade, and credit flows, and severe rivalry locally and globally (Mwenda & Muuka 2004).

There are several studies conducted on women MSMEs. What makes this study different is it tries to assess different variables like interest rate, collateral requirements, and education level; additionally, it compares if a difference exists between formal and informal businesses. Borji and Gashu (2015) and Deresse and Ayenew (2017) are among those who have carried out studies on access to finance for SMEs in Dilla town and West Oromia Region respectively. Dereje (2012) and Feten (2010) are some of the researchers who have carried out studies on access to finance in SMEs growth and its challenge. Although several studies have been undertaken that greatly focused on challenges in finance in SMEs, they have not been directed to women MSMEs' challenges in accessing credit and studying the different variables.

Therefore, this study investigated the challenges of accessing credit for women-owned MSMEs in Addis Ababa City. The study has tried to shed some light on how the problem of access to finance should be addressed and what factors contribute to women's MSMEs accessing credit. What conditions should be fulfilled for a woman entrepreneur to apply for credit and be granted the credit she applied for?

1.3 Research Questions

As stated in the statement of the problem above, this research has tried to answer the following questions:

- Do women entrepreneurs find it hard to access finance?
- Do collateral requirements affect women entrepreneurs' access to credit?
- Do interest rates charged by the financial institution affect women entrepreneurs' access to finance?
- What is the role of a loan history in receiving a loan for women entrepreneurs?
- What is the role of women entrepreneurs' education level in determining their credibility to receive finance?
- Can women entrepreneurs access a long-term loan?
- Does women entrepreneurs prefer to go to financial institutions to access credit or do they prefer to use their social capital?

1.4 Objective of the Study

1.4.1 General Objective

The main objective of this paper is to assess the determinants and factors affecting women entrepreneurs from accessing finance in Ethiopia specifically in Addis Ababa across 10 sub-cities. The study attempts to transverse the knowledge gap, by analyzing the obstacles faced by women entrepreneurs in 10 sub-cities of Addis Ababa in accessing finance from FIs and offering recommendations to relevant stakeholders who operate within that sphere.

1.4.2 Specific Objective

- To examine what are the main hurdle preventing women business owners from obtaining financing.
- To test how collateral requirements, affect women entrepreneurs access to financing.
- To test if the cost of arranging credit affects women entrepreneurs' access to finance.
- To assess the significance of woman entrepreneurs having a credit history when applying for a loan.
- To test if a woman's education level has an impact on whether or not she is credible enough to secure funding.
- To assess if the women entrepreneurs has an access to a long-term loan.
- To Question if women prefer to go to financial institutions to access credit or do they prefer to use their social capital.

1.5 Delimitation or Scope of the Study

This thesis examined only the demand sides of the challenge women entrepreneurs face. This study only encompassed the constraints encountered by women entrepreneurs when trying to access finance. As the title also indicates, it only focuses on women entrepreneurs and the challenges they face when trying to get a loan. This also means that it is exclusive of men and men business owners were not part of the respondents. Due to a lack of budget, time, and security issues, this research was conducted solely in Addis Ababa city across 10 sub-cities. Other regions in Ethiopia excluded included in this study.

Furthermore, studying all the possible factors and hurdles that contribute to women enterprises' access to credit is not possible. Thus, this research only accessed hand full of variables like interest rates, collateral requirements, level of literacy and business management skills. This study differs from the other studies previously conducted in terms of the location it covers which

is the city of Addis Ababa and the variables under study mainly collateral, interest rate, and education level. This study has examined the following variables namely Age, Business Experience, Education, Martial Status, collateral, Formal education level, Interest rates, Business supervision skills, and financial recording keeping/history.

1.6 Definition of Terms that are used throughout the Study

Access to credit or Access to Finance (A2F): Refers to the capacity of women individuals or women businesses to get financial services more specifically credit.

Business Management Skills: characteristics that a person in charge of a company employs to assist the organization and its workers improve and accomplish.

Collateral: Collateral is a valuable asset that a borrower (women applicants) pledges as security for a loan.

Entrepreneur: a person who establishes a business to provide a new product or service or upgrade an existing one, and who is ready to risk losing money in order to profit.

Equib: is a group of individuals who make timely installmentsto save and borrow together, a form of combined peer-to-peer saving and peer-to-peer lending.

Interest Rate: denotes the sum of money charged by the lender to the borrower in addition to the principal amount.

Literacy Level: entails the formal education of the women entrepreneurs

Woman Entrepreneur: a woman or a collective group of women who runs a business

CHAPTER TWO

2. Literature review

This section in detail encompasses Theoretical and empirical literature by exploring the works of different researchers, scholars, and practitioners on major determinants of women entrepreneurs access to credit. It will also highlight the conceptual framework which shows the relationship between the multiple variables (Independent variables) which determine the outcome of the other variables (Dependent variable).

Theoretical review

2.1 Definition and Concept of Women and Entrepreneurship

A "women entrepreneur" is technically any woman who plans, organizes, and manages an activity, particularly a business, with great initiative and risk-taking. But, in essence, they engage in creative and risky business while adhering to particular societal ideals and gender roles. This means that women entrepreneurs are women who engage in entrepreneurial activities, taking the risks involved in uniquely combining resources to capitalize on the opportunity identified in their immediate environment through the production of goods and services (Okafor and Mordi, 2010).

Women entrepreneurs are women or groups of women who instigate, organize, and manage a commercial operation, see an opportunity, and effectively establish, develop, and expand a business endeavor. Women entrepreneurs have turned an opportunity into a commercial reality by employing imaginative, practical, and inventive techniques. Women entrepreneurs are involved proactively in the enterprise's functioning as a manager or chiefs, creating jobs for themselves and others (Pandian & Jesurajan, 2011; Smile, 2008).

Women's participation in entrepreneurship is thought to be one of the initiatives to decrease poverty and unemployment in most developing or rising nations. Not only are poverty and unemployment being reduced, but the rising success stories of female entrepreneurs have motivated more women (housewives or employed) to start their firms (Bhardwaj, 2014).

Based on recent research, women can make a remarkable contribution to entrepreneurial activity (Noguera et al., 2013) and economic development (Kelley et al., 2017; Hechevarría et al., 2019)

in terms of job creation and surging the Gross Domestic Product (GDP) (Bahmani-Oskooee et al., 2013; Ayogu and Agu, 2015), with heavy influence on reducing poverty (Langowitz and Minniti, 2007; Rae, 2015). However, the percentage of women who choose to take the course of an entrepreneurial career is lower than that of males (Elam et al., 2019), and this disparity grows as the country's degree of development rises (Coduras and Autio, 2013).

As per the study of Guzman and Kacperczyk (2019), women are 63% less likely than men to get external finance in terms of capital risk, with gender disparities attributing to the majority of the difference.

The societal construction of the entrepreneur as an autonomous and stereotypical male brings into question a second subject of analysis that might be restrictive for women, namely the perceived responsibility that women have on the family/work dilemma (Jennings and Brush, 2013; Neneh, 2018).

According to Boz et al. (2016), women who care the most about their families exhibit negative behaviors at work. As a result, balancing home and work is more challenging for women entrepreneurs, which constitutes a significant barrier to the success of their enterprises.

According to other empirical studies, family and job have the opposite effect on female entrepreneurs. Work-family conflict, according to Thébaud (2015), can be an essential motivator for women to establish a business. For example, starting a business can provide women with significant flexibility in terms of work hours (for example, working only a few hours per week), allowing them to strike a balance between work and family obligations (Kirkwood and Tootell, 2008).

This is further emphasized by global statistics. Although the figure of women who have undertaken an entrepreneurial activity has increased notably over the years, it will take at least another 108 years to completely close the gender gap between men and women, and 202 years to achieve gender equality in the workplace. This is verified by the World Economic Forum's (2018) Global Gender Deficit Report, which found a 68% deficit in 2018 when four factors were considered: economic opportunity, political growth, training, health, and resilience. The income disparity is about 51%, while women in leadership roles were just 34% in 2018. The same is true for 2020 the Global Gender Gap score is now at 68,6%. (World Economic Forum, 2020).

Furthermore, based on the research by Global Entrepreneurship Monitor (GEM) 2018/2019, which gives an overview of the situation of female entrepreneurship in 49 countries, Slovenia, Greece, Sweden, Switzerland, the United Kingdom, and Turkey have female firms that are less than half the size of men's startups. Women's TEA (Total Entrepreneurial Activity) rates do not surpass 5% in many European and North American countries (Bosma and Kelley, 2019).

The issue is similar in startups all around the world. According to Silicon Valley Bank's (SVB) (2019) Startup Outlook 2018 study, 71% of new American firms do not have women on their boards, and 57% do not have senior positions in the so-called C-Suite. Other data gathered from new companies listed in CrunchBase indirectly verifies the Svb Survey data: just 17% of new innovative companies had a female co-founder in 2017.

According to the literature, two ways are there in which creativity has a direct relationship with economic growth. The first is technology aggressiveness, which requires the development of fresh products and services; the subsequent one is cost rivalry, which requires the substitution of labor for conventional production inputs (Petrariu, Bumbac, & Ciobanu, 2013). As a result, startup companies foster growth in the economy by encouraging fierce competition and creativity. (Llusa, 2009).

Women entrepreneurs have more challenges than male entrepreneurs in obtaining institutional loans for their businesses (Cesaroni et al. 2016; Stefani and Vacca 2013). They deal with different social, and technological barriers, cultural norms, educational status, and, as well as financial constraints, than male entrepreneurs. As per the study of UDEC (2002), women were less likely to possess their property or working premises, and so lacked the requisite collateral required by FIs. According to Nwosu et al. (2015), female entrepreneurs in Nigeria's MSMEs were marginalized in formal credit markets compared to their male counterparts.

2.2 A demand-side predicament of the challenges to women's access to finance (A global Context)

In many works of literature, women entrepreneurship has a narrow and gender-specific definition. "women entrepreneurs can be defined as women who own more than 50% share of their company and actively run the day-to-day business, who utilizes the available resource and knowledge to improve or create a certain product or service" (Brunetto, 2009).

Multiple sectors in developing nations are highly dependent on women's MSMEs. According to research conducted by the World Bank (2014), women MSMEs account for 40% of the global workforce. In addition, the above figure augments when we consider developing nations' women ownership of MSMEs; the study indicates that there are between 30 and 37% female business owners. Meaning approximately there are 8-10 million women-owned and operated firms with an unmet financial demand between USD 260-320 Billion a year.

Both men and women face difficulties in accessing credit, but shreds of evidence from other researchers suggest that women face eminent challenges compared to their male counterparts. From time-to-time women, entrepreneurs identified that the absence of accessing credit from formal financial institutions to grow and expand their businesses was a considerable impediment. IFC conducted research in the Middle East and North African countries (MENA) and exhibits that women entrepreneurs usually fund their own money to commence or expand businesses. This source of funds could be from family and friends or their savings. (Ready for growth: World Bank May 2013)

A further hindrance for women entrepreneurs is that they lack the knowledge of where to apply for a formal source of credit. Most financial institutions don't cater to their needs thus, even pushing the women entrepreneurs with some financial know-how to traditional ways of financing. (Roomi 2005).

Women Entrepreneurs are reluctant to go to FIs due to the stringent prerequisite the FIs demand to avail finance. This includes the unavailability of collateral, the absence of business development skills (business plan development, bookkeeping, etc.), and the social taboo of interacting with male bank officers or professionals in general. These hardships add up to the difficulty of women entrepreneurs to mobilize credit to commence their operations and acquire a credit guarantee and investment capital. (Roomi 2005, 7).

Most women's businesses are concentrated in the service sector and most often require small capital to start and low technical knowledge. (UNESCAP 2005). Even though their need for financing is small, they still are not aware of the non-financial services that are available. Women entrepreneurs resort to other financial sorts of financing than men.

The majority of the respondents in the Roomi 2005 study generated their initial capital from families and friends and personal savings. This is due to their low earning potential. (Roomi 2005, 7).

The IFC work in India has shown that lending to women-owned enterprises as a distinct segment is still unexplored when compared to lending to other men-owned enterprises. Due to a lack of understanding of the segment. Most FIs don't consider women as a potential market. Often FIs blame the lack of data on women MSMEs prohibiting them from making any sound decisions. Even though some schemes are created by development partners; because of lack of awareness, it lacks scalability which will intern minimize the overall impact.

Shortfall segmental focus and, perhaps, due to a higher perception of risk, formal financial institutions have made little effort to better understand this segment. There is a lack of awareness among bankers of the potential business opportunity presented by this segment. Thus, IFC suggests that demonstrating the commercial viability of offering financial services to women entrepreneurs and strengthening the capacity of the financial sector will help minimize the gender disparity.

2.3 Demand side predicament of the challenges to women's access to finance (Africa's Context)

Women enterprises in Africa have difficulty accessing credit due to supply-side hurdles like high-interest rates and high collateral requirements. While the supply-side factors are studied widely, little is known about the demand side. Hanan Morsy and Amira (2019)

The World Bank's 2017 Global Findex Report found that 56 percent of the adult population in the developing world is still "un-bankable" with a 9% gender disparity. In Sub-Saharan Africa, 37 percent of women hold a bank account compared to 48 percent of males, and North Africa has the world's greatest gender disparity at 18 percentage points. (Demirguc- Kunt et al., 2018). The data indicate that women are evaded from participating in the formal economy. This means that countries are not realizing their true growth potential and their job creation capacities. (Aterido et al., 2013).

Based on the World Bank's research, women in developing nations are 20% less likely than males to hold an account with formal FIs and 17% less likely to have borrowed officially in the previous year. Even if these women managed to acquire a loan, they frequently do not have access to additional financial services such as insurance, digital payment methods, or savings (World Bank, 2014). Women enterprises, in Sub-Saharan Africa, are commonly known to have poorer access to financial services than males (Aterido, Beck, and Iacovon, 2013).

Women-owned businesses in Sub-Saharan Africa are often smaller, with little access to formal financial services. Individual women confront financial access restrictions because of lower levels of education, a lack of formal jobs, and a lack of severe collateral requirements, particularly when they are not leaders of family homes women don't have a say on their spouses' collateral.

At the UN Women roundtable talks at the 2016 SEED Africa Symposium; Women enterprises remarked that access to financial products is difficult due to faulty recording of financial histories and documentation. Formal FIs don't have access to creditworthiness data from mobile network providers and stores, which women often use to process their payments. FIs also charge inflated interest rates to compensate for the high operation cost they have. Due to these off-chart charges, Women entrepreneurs framed it as one of the significant factors that deter them from seeking and obtaining loan products. In Kenya, for example, the government's limiting the interest rates was viewed as a relief for women start-up entrepreneurs and a probable gain in access to inexpensive and accessible loans. However, several businesses criticized it for enforcing more rigorous lending policies by banking institutions.

In addition, most FIs ask for the regular cash flow record; women enterprises fail to provide this document and lack the knowledge on how to keep a track record of their revenues and expenditures. Thus, poor bookkeeping habits by women enterprises were cited as one of the hurdles for Women entrepreneurs to access financial loans from banks. The other obstacle is most often women don't have collateral registered to their name and their spouses don't allow them to use their collateral to access credit. Most business licenses are registered under their spouse's name even though they run the day-to-day business. This means that in some cultural perspective, many Women entrepreneurs are disadvantaged in outright ownership of their assets

and operating their businesses. This is due to their significant other having overall control of business operations.

The constant suggestion that arises from financial institutions is the necessity of Women entrepreneurs formalizing their businesses through credible registration processes and acquiring needed documentation to enable them to comply with FIs credit requirements. (UN Women; 2017)

2.4 Demand side predicament of the challenges to women's access to finance (Ethiopia's Context)

Women entrepreneurs contribute significantly to national economies by participating in start-ups and growing SMEs. It has also been unraveled that investing in women is increasingly recognized as critical to attaining sustainable development. Numerous difficulties or factors affecting enterprises, such as laws and regulations from the government, low levels of higher education and training, constrained availability of resources, bounded productivity, lack of accessibility to finance, property, computer technology facilities, and other facilities that enable productivity and development, have hampered the economy's overall competence and growth (United Nations, 2006).

Based on a national survey conducted by the Ethiopian Welfare Monitoring Unit, the national government fails to offer adequate policy-related and strategic assistance to Ethiopian women entrepreneurs, and fostering the growth of vibrant SMEs should be one of the primary strategies for empowering women, tackling severe poverty, and addressing joblessness in Ethiopia. Women-owned enterprises and businesses help to drive economic dynamism, change, worker productivity, competition, innovation, and financial autonomy for the poorest of the poor. (Eshetu and Zeleke (2008)

It is known from history that women are active in small companies and industries. But it was recently that women have captured the attention of economic planners and policymakers especially in poor countries like Ethiopia. Even though it captures the attention of the national government Women entrepreneurs still face barriers to accessing credit, access to resources, institutional support, accessing business development training, and other resource from the government. (Ethiopian Ministry of Trade and Industry of Ethiopia (2011) National Bank of Ethiopia (2004). While it is true that the predominant image of the “Ethiopian woman

entrepreneur” are women in poverty who are simply trying to survive and cover daily ends meet; there are also other profiles that are not seen as well. women with higher education and better access to resources have been able to grow their micro-business into small and medium firm categories. (Abraham Ababiya, Endrias Geta, & Zemach Lemecha. (2021).

Women entrepreneurs in MSEs are vital for virtually every economic system throughout the world, particularly to those in nations that are developing, and within that broad category, notably to those that experience substantial employment and income distribution challenges. On the "still" front, women entrepreneurs in SMEs bring to output and the creation of "decent" jobs; on the "dynamic" up front they are a school for future multinational companies, an upcoming (and crucial) step up for broadening micro-enterprises, they contribute straight and often significantly to the collective savings and investment, and they actively participate in the growth and adoption of suitable technology. (Fuad 2022, Beshher)

According to Wolday, Tassew, Eyoual, and Aregawi (2015), the age of the women, the level of formal education, social attitude towards females owning a business, and social networks (knowing someone in business) all have a major impact on prospective entrepreneurship and entrepreneurial intents in Ethiopia.

Based on the finds of Wasihun 2010; the age of the women, family history, business location and features, education level of Women entrepreneurs, and the sector has a high probability of impacting the business performance of the entrepreneurs.

2.5 Factors that Affect Women Entrepreneur’s Access to Finance

Having access to credit helps women start-ups to grow and become large enterprises at a later stage. This will intern create jobs, ameliorates competitive environments, and contributes to economic development. Nevertheless, having constraints like A2F causes a substantial hindrance to women’s economic prosperity.

Women's access to money is a critical problem. The major challenge for women entrepreneurs is acquiring credit, to kick-start their business. Women frequently have fewer credit chances than males for a variety of reasons, like a lack of collateral, collateral variety, and prejudice against women entrepreneurs by loan officers. Gitari (2006)

Women entrepreneurs need support to kick-start their firms, whether formal FI or Informal saving groups. Women enterprises that are living in underdeveloped nations especially women living in rural areas have a harder time starting their businesses and getting support from any financial institution whatsoever. (Starcher, 2008).

Women entrepreneurs experience an inadequate supply of money and working capital resources. Women entrepreneurs are limiting their availability of outside funding due to their failure to provide real assets. Only a few women possess real estate. In countries that are developed as well as developing, women's family duties restrict them from becoming successful entrepreneurs. Gitari (2006)

Most women can't devote their full time and energy to their businesses due to having the primary responsibility of looking after a child having multiple dependents in their households. (Starcher, 2008). FIs have this perception that at a certain point and time, women's enterprise will change their minds about the business they are doing, they lack the perseverance to follow through with their idea, and they lack the resilience if anything should happen to their business, they will close their businesses swiftly. Thus, FI perception influences the amount of loan they will give the Women entrepreneurs if they give them any credit at all. Other factors FI consider before availing the loan are the sector that the women operate in and evaluating if the women have an in-depth knowledge of the business, they are operating in.

Some financial institutions discourage women entrepreneurs on the belief that they can at any time leave their businesses or change their minds and become housewives again. Differential access to credit may of course be a reflection of differences in the choice of sector, educational level, or the amount of loan requested.

Below are a few of the determinants that can affect women enterprises' access to credit.

2.5.1 Demand for Collateral

Most often women identify collateral requirements as the main impediment they are facing to access credit. (Bardasi et al., 2011; Blanchard et al., 2005).

A loanee's promise to specify an asset to a lender to ensure loan repayment is known as collateral. If the borrower defaults on the lender then, the lender will quickly acquire the asset and sell or actuate the collateral to return the defaulter's repayment amount, meaning that the

borrower forfeits the assets (Kathuku, 2014). Access to finance through both official and unofficial routes necessitates some type of collateral. At times, the level of protection necessary is prohibitively expensive. This becomes a limitation for small-scale female firms, the majority lack land, a house or a car, or assets to submit as collateral to the FI and take loans (Muguchu, 2013).

As per the documentation of Orseret al.,2000; Cavalluzzo et al.,2002) two considerable biases exist in lending. Loan officers tend to follow dissonant credit approval additionally, raspy prerequisites like collateral requirements and credit conditions like smaller loan sizes. (Orseret al., 2000; Cavalluzzo et al., 2002). The OECD conducted research in 2013 and suggested that one of the ways to address women entrepreneurs is to design a tailored finance product that will serve the need of that specific segment. Most often women take smaller loans and tend to swiftly repay by applying for the second and third rounds.

Multiple kinds of literature have shown proof of discrimination against minorities and women MSMEs in the acceptance of loan applications (Asieduet al., 2012; Blanchard et al., 2008; Blanch floweret al., 2003). Based on the reports studied by comparison from their male counterparts women enterprises are expected to provide additional collateral to receive credit further they charge more interest to women entrepreneurs and deny their loan applications frequently. (Hertz, 2011).

Based on the study conducted by Cesaroni, Lotti, and Mistrilli (2013), formal FIs loans and granting loan has been cited as a barrier for Italian-owned businesses.

Both men and women entrepreneurs faced difficulties to access credit but women entrepreneurs' challenges are exacerbated. This is because women are less likely to own an asset that can be used as collateral. Based on the Women's Economic Opportunity Index, Out of 128 nations Ethiopia is ranked 123rd in world inclusivity of finance. Most growth-oriented Women entrepreneurs suffer in the 'missing middle' dilemma, whereby neither commercial banks nor microfinance conditions fulfill them. Women's access to commercial bank loans is hampered by high minimum loan sizes and onerous collateral requirements. Microfinance institutions (MFIs) frequently lend without asset collateral. However, they primarily service micro-firms via group

lending programs that offer extremely small loans with high-interest rates, which are insufficient in size to support business growth.

(Mullei and Bokea, 2000) emphasized in their study that security for loans must be able to be offered under normal market conditions, at a fair market value, and with acceptable promptness. However, for most banks to finance SMEs and approve loan offers, the collateral must be 100% or more of the credit extension or financing product amount.

Financial institutions claim that by raising collateral requirements and introducing penalties they could mitigate the moral hazard of borrowers that are not showing the best of their efforts. Most MSMEs are refused and discriminated against by lenders when it comes to finance. This is due to the high risk and insufficient resources to give as collateral. Borrowers will sometimes withdraw money from lenders for their own personal and private usage. Collaterals are also seen as a mitigative action for individuals who use loan money for personal use and not business expansion. (Kihimbo et al. 2012).

2.5.2 Business management skills

Managerial competencies are collections of knowledge, abilities, behaviors, and attitudes that enhance personal performance (Hellriegel et al., 2008). Martin and Stains (2008) investigate the role of managerial competency in the success of small businesses. They discover that the major causes for new enterprises failing include a lack of management experience, abilities, and personal traits, as well as other variables such as severe economic conditions, poorly thought-out business strategies, and resource scarcity. The education, training, and experience of managers distinguish high-growth and low-growth small enterprises.

Per USAID research on the impact of business training in Pakistan, business training increases business expertise, minimizes the probability of a firm failing, improves client scoring, and aids women entrepreneurs to garner profit and growth in the long term. (USAID, 2012) According to Ayline et al. (2013), managerial skills are crucial for the development of women's enterprises. And that a lack of managerial skills is a hindrance to corporate and personal growth.

2.5.3 Quality of Audited Financial Statements

In South Asia, audited financial accounts are one of the preconditions to getting a loan from any formal financial institution. When going through the loan application banks need to check if

women entrepreneurs have audited financial accounts. However, MSMEs struggle to have a solid financial record, thus hindering them from accessing finance from formal financial institutions. Moreover, most MSMEs retain handwritten books which include inventory items and revenues but it is not an audited financial statement and doesn't meet accounting standards. Thus, making it unacceptable for formal finance loan applications. Pandula (2011).

In consonance with the study conducted by McKenzie and Baker (2011) and Epstein (2007); a superb financial statement should determine if FIs should avail loans to an applicant or not. Financial institutions should adopt cash flow-based lending because all the perceived risks can be predicted by analyzing applicants' financial statements. This helps FIs make a sound and educated judgment when extending loans. This also helps the financial institution to have transparency and means that if an applicant has a fair financial statement, S/he will be illegible for a loan.

Nanyondo (2014) discovered that access to finance and the quality of the financial statement have a positive relationship. Based on the financial statement an applicant presents, s/he could either be granted or denied a loan. Most MSMEs are not aware of how vital the quality of the statement is as it determines perceived risk and any information asymmetry will affect, their chances to acquire a loan. This opens an opportunity for different stakeholders to give training to MSMEs to help them prepare a better financial statement.

2.5.4 Level of literacy

According to a study conducted by ILO,2009; the level of education and entrepreneurial activities and decisions has a positive relationship. Meaning the more educated woman is the better decisions she will make for her business. Thus, the more an entrepreneur is educated the better financial decision s/he will make.

An entrepreneur that doesn't have the basic skills of reading and writing faces a much greater disadvantage in the credit market. In some countries, financing schemes on loan availability and their interest rates are often advertised in newspapers. This needs a certain literacy level to read, analyze the information and act up on it. Thus, education has a positive relationship and influence on companies' expansion and growth. Less educated women face difficulties in

obtaining financing since they are unfamiliar with loan application procedures. As a result, their businesses' growth is hampered significantly. (Mwongera, 2014).

The amount of education of women also enhances the likelihood that their businesses will be able to obtain finance. When we consider individual investment, investors trust managers with higher education degrees than those with lesser levels of education. (Berger and Udell, 2006). Educated business owners have better know-how to apply for a loan, understand loan applications and procedures, negotiate terms and conditions, and form a better relationship with the loan officer and institution. (Pandula, 2011).

2.5.5 Vicinity of financial institutions

Women living in rural areas are severely disadvantaged than women that live in semi-urban or urban areas. women entrepreneurs living in rural areas are financially excluded. Banks and MFIs don't open their branches in deep rural areas. This puts women entrepreneurs at a disadvantage to know about what finance is, and how to apply, for and access credit. Due to this thinking, FIs doesn't see the business case to open branches in rural areas and don't even consider women enterprises in rural areas as potential client. Development partners most often allocate funds for financial literacy training and business management skills to borrowers but it lacks scalability. World Bank. (2014)

Berger and Udell (2006) and Gilbert (2008) stipulated that MSMEs that are closer to the FI are more likely to get finance. women enterprise's closeness to the FI makes due diligence and vetting simpler for the loan officers. They could also make a personal visit and check the legitimacy and operation of the MSME before availing of the loan. Fatoki and Asah (2011) agree that women located in urban areas have a better chance of getting finance than women in rural areas.

2.5.6 Other personal characteristics

Different age groups behave differently when it comes to having responsibility, running a business, appetite for risk, and loans. Financial institutions also have their preferences when they evaluate loan applicants. They have a stigma towards young adults that they will waste the loan

they will give but more often the young entrepreneurs are the creatives and high achievers. for older MSMEs, they see the risk of age, if the business owner has some sort of illness, etc. before giving the loan. This means that to some extent age is a deterrent factor if a loan applicant will be granted or denied the loan. (Nakano & Nguyen, 2011)

Another school of thought argues that age does not influence accessing credit. Fatoki and Odeyemi (2010) and Slavec and Prodan (2012). In addition to this argument, Nguyen and Luu (2013) demonstrate that age does have a significant effect on credit accessibility. Age doesn't dictate whether a loan applicant will get a loan or not.

2.5.7 Interest Rate

Women entrepreneurs have a high reluctance to apply for a loan due to high-interest rates and collateral requirements. This has been pulling back women entrepreneurs from achieving prosperity and economic empowerment. This opens the door to further investigate how this woman deals with such challenges. (Oshora, Betgilu & Tangl, 2022)

Due to the bank's high interest rates MSMEs are discouraged from seeking any bank loan. In Sub-Saharan Africa, banks are known levee high interest rates which discourage most small enterprises from seeking to have a fund from them. (Diagne and Zeller, 2002; Foltz, 2004).

As per Brownbridge's (2002) research, loan terms are an essential factor in the case of lending. The loan length influences lending institutions' (banks') earnings, credit applicants' repayment schedules, customers' financial costs, and the long-term usage of finance products. It is also noted that in most circumstances, the loan length and amount provide barriers to receiving bank funding, and in a few cases, the interest rate influences access to credit.

Studies show that high-interest rates on financial products, poor customer service, lack of product diversity, and insufficient banking service are the major challenges for MSMEs in Mozambique. As such, interest rates in Mozambique are the highest compared to other Sub-Saharan African countries. Another determinant variable for varying interest rates is the variation of domestic currency from foreign currency. Loans issued in the local currency Metical (MZN) have higher interest rates compared with loans made in US dollars. (Kaufmann and Wilhelm, 2006; World Bank, 2003; USAID, 2005; USAID, 2007)

2.5.8 Government support

The support of government support can't be overlooked. Government focus on MSMEs in general and more specifically women means that it will place the right policies and procedures for women entrepreneurs to operate in a more supportive environment. To do so, the government can give or create an enabling environment for the provision of aid, training, and facilitate funds to women entrepreneurs. Government should also consider tax and policy relaxation for women entrepreneurs. Salah and Kaplan (2018)

Women entrepreneurs are also having low performance due to a lack of government assistance, access to policymakers, bureaucracy, and general legal and administrative factors. In addition, Haxhiu (2015) and Zeb, Jan, Ihsan, and Shah (2019) discovered that legal and administrative variables had an impact on Women entrepreneurs.

Research done on the challenges faced by women entrepreneurs by Haxhiu (2015), Abdissa and Fitwi (2016), and Hasan and Almubarak (2016) revealed that taxation, regulations, and legal barriers might be key restraints for women entrepreneurs and the development of their businesses.

Another research from Atawodi and Ojeka (2012), discovered that there is a negative association between tax and women enterprises' performance to maintain. This means that firms paying lower taxes can increase their performance for a longer period than those paying higher taxes.

2.6 Formal vs Informal Finance for MSMEs

Formal financing is when the loan applicant receives their loan from formal financial institutions like banks, microfinance institutions, digital finance service providers, and other formal financial intermediaries. Whereas informal finance is when an individual gets their capital from friends, family, relatives, or private moneylenders (Elston et al. 2016)

The effects of informal financing on corporate performance are widely documented in existing studies. The usage of informal finance, particularly funding from friends and family, is positively linked with the sales development of Chinese microenterprises. Beck et al. (2015) and Elston et al. (2016). However, Saeed (2009) finds that a move from informal to formal bank credit is connected with higher economic growth and its results in his research on Brazilian SMEs.

Access to credit is an essential component in the development and expansion of micro, small, and medium-sized companies (MSMEs). In addition, compared to major enterprises, MSMEs have extremely distinct financial needs and confront various obstacles. 2016 (Gebreyesus)

Because of its quick availability, cheaper initial transaction costs, and lack of collateral requirements, informal debt finance can be an appealing source of financing for MSMEs. Formal bank lending may be an option; however, a longer loan processing period may not coincide with the needed timeline. 2016 (Gebreyesus)

2.7 Conceptual framework

A conceptual framework outlines the relationship expected to be seen between the dependent moderating and independent variables that are studied.

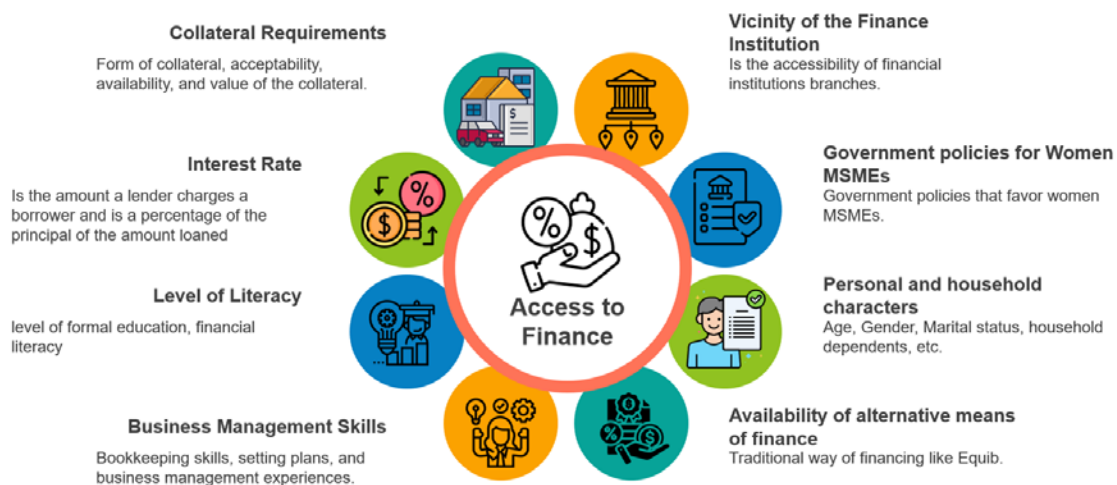


Figure 1: Conceptual Framework

2.8 Research Gap

Women entrepreneurs face challenges like but not limited to lack of entrepreneurship training, unfavorable regulatory policies, inaccessibility to financial resources when needed, and limited business development services (World Bank, 2014). Efforts have been taken by numerous stakeholders to address the challenges listed above which include the introduction of youth and women fund like the Women Entrepreneurship Development Project (WEDP) the challenges still exist. A solution is needed at a scale to address all the challenges. This study tried to close the

knowledge gap and tries to give a clear image of the main obstacles that are hindering women from accessing credit. But it will only assess variables like collateral requirements, interest rates, formal education level, and business management skills. Other variables like availability of working premises and infrastructure will not be included in this study.

Empirical /Systematic / review

Women entrepreneur's development is crucial to the development of all economies around the globe; but even more to developing nations. This statement is true because women's MSMEs solve the challenges of fair distribution of income and unemployment. Decent and fulfilling jobs are created by Women entrepreneurs and they also serve as a nursery for larger firms to develop and grow. Globally women enterprises are known for their high savings and investments into their businesses, once they are acquainted with the know-how of how finance works.

Women entrepreneurs specifically and MSMEs in general lack eligible collateral that they can use to access credit. FIs don't an appropriate product to finance women enterprises and MSMEs. A very limited scale of MFI has an individual loan product. MSMEs can't have any loan if they don't have collateral, even if they manage to have the collateral, the amount of loan they will receive is minuscule to grow and expand their businesses. The average women's loan size is about ETB 19,000 (USD 600), which was one-tenth the amount required by MSEs, as later revealed to be over ETB 250,000 during the Women Entrepreneurship Development Program (WEDP), and incomparably lower than the average SME loan size of ETB 1.3 million as evidenced under Small and Medium Enterprise Finance Programme (SMEFP). (Kenno and William, 2020)

A study conducted in Aksum City by (TsegaAdego Abebe 2013) mentions that women are dissatisfied with the business environment around them. The challenges they have mentioned include lack of starting capital, working premises, and the interventions from wholesalers in the parallel work of retailing. He additionally discovered that only one in every four enterprises has access to training in business development.

Mohammed Getahun (2016), has conducted research that investigates the challenges of small-scale companies in the city of Addis Ababa. Sampling 212 small enterprises, he spotted several issues with women entrepreneurs. It studies four major areas of shortage of skilled labor, lack of

credit assistance, infrastructural issues, government bureaucracies, marketing factors and taxes, and political and legal factors.

This study conducts to describe the challenges and prospects of women entrepreneurs in the study area and strengthens the findings of other scholars in the literature review. In addition, there was little study on the same title, so the study add literature for other researchers to perform their research on the same title.

Women entrepreneurs in Ethiopia face several challenges from the very beginning. They have less access to capital, networks, and education than their male colleagues. They experience prejudice and harassment regularly from society--sometimes even from their own families and communities. The difficulties that an Ethiopian female entrepreneur encounters in expanding her firm are tremendous. (WEDPet.org)

Chapter 3 Research Approach and Methodology

Introduction

The methodological part of the study focused on; the selection of study area, research design, research methodology, data source, target population, Sampling framework, sample size, Data analysis techniques and tools used for both qualitative and quantitative data, and finally the ethical consideration.

3.1 Research Design

The arranging of settings for gathering and analyzing data in a way that tries to combine significance for the study objective with efficiency in technique is known as research design. As a result, the overall goal of the study design is to make it easier for the researcher to manage the data collection process and to perform interpretation seamlessly. This research is applying quota sampling techniques for the quantitated data and purposive sampling for the interview conducted.

The study design used is determined by the aims that the researcher wishes to attain (John, 2007). Explanatory study design, as defined by Kothari (2004), investigates the cause-and-effect linkages between dependent and independent variables. This research employs both qualitative and quantitative methodologies, as seen by the sample structure and technique.

3.2 Research Methodology

To undertake the study a mixed approach was used. A Descriptive Analysis was used to show the correlation and impact between accessing finance, collateral requirements, interest rate, and level of literacy and the difference between the formal and informal women enterprises and their access to credit. It is clear from the definition contributing to the study of a phenomenon or a happening would include a variety of aspects that contribute to its development.

All variables are analyzed using descriptive analysis. These variables including collateral, Interest rate, level of literacy, business management skills, finance history age, and marital status have been analyzed using descriptive analysis based on the questionnaire administered. Six women micro-enterprises have also been interviewed and their responses have been analyzed with the other descriptive analysis.

In this study, first, an interview was carried out with six women-owned enterprises to formulate the conceptual framework. After interviewing the women entrepreneurs, the conceptual framework was formulated. From the interview, the researcher noticed that the attitude toward applying for loans varies between women in formal and informal enterprises. Thus, the quantitative questionnaire was designed based on the interview conducted and tried to capture both sides (formal and informal women-owned businesses) of the story.

3.3 Data Source

The researcher has collected and analyzed the data collected from primary and secondary resources. The primary data was collected through a survey from the database at the Entrepreneurship Development Institute (EDI) and the interviews carried out on six women enterprises. The secondary data was generated through reviewing several documents of projects, research, and desk reviews for minister offices, banks, and microfinance websites.

3.4 Target Population

This thesis aimed to examine both formal and informal businesses. As seen in the sample size, 400 women entrepreneurs were selected for this study. 200 formal and informal businesses were sorted out. This means out of the 10 sub-cities being examined each sub-city has a quota of 40 women enterprises out of which 20 are formal and 20 are informal (unregistered) businesses.

3.5 Sampling Framework and Sample Size

A survey will be taken from formal and informal women's enterprises. This will help the researcher analyze if a difference exists between formal and informal women-owned enterprises. The number of women business owners in Ethiopia is vast, thus the population is unknown. Thus, this research will be using the equation to calculate a sample size when the total population is unknown.

$$\text{Unlimited population: } n = \frac{z^2 \times \hat{p}(1-\hat{p})}{\varepsilon^2}$$

$$\text{Finite population: } n' = \frac{n}{1 + \frac{z^2 \times \hat{p}(1-\hat{p})}{\varepsilon^2 N}}$$

where

z is the z score
 ϵ is the margin of error
 N is the population size
 \hat{p} is the population proportion

To calculate the sample size of the population with 95% confidence, and a margin of error of 5%. Assuming a population proportion of 0.5 and an unlimited population size.

z for a 95% confidence level is 1.96. (I referred to a z table scores of a range of confidence levels.

$$n = \frac{z^2 \times \hat{p}(1-\hat{p})}{\epsilon^2}$$
$$n = \frac{1.96^2 \times 0.5(1-0.5)}{0.05^2} = 384.16$$

For this case, a sample size of at least 385 people would be necessary. Thus, the researcher needed to take 385-400 respondents for the demand side analysis from the women-business owners and Structured interviews with the financial institutions. The data source for this research was sourced from the Entrepreneurship Development Institute (EDI). This institute has comprehensive data on MSMEs in Addis Ababa across all sub-cities. As indicated above the research methodology, this research used a descriptive analysis model. To conduct the reliability analysis, this research will use the SPSS software.

3.6 Sampling Framework and Techniques

Quantitative research approach

Quota Sampling technique

The study has adopted a quota sampling technique. A quota sampling methodology is a non-probability sampling method that depends on the selection of a specified number or proportion of units at random. This is known as a quota. The sample first divides the population into mutually exclusive groupings (called strata) and then recruits sample units until the quota is met. The quota has been allocated as follows. This thesis aimed to examine both formal and informal businesses. As seen in the sample size, 400 women entrepreneurs were selected for this study. 200 formal

and informal businesses were sorted out. This means out of the 10 sub-cities being examined each sub-city has a quota of 40 women enterprises out of which 20 are formal and 20 are informal (unregistered) businesses.

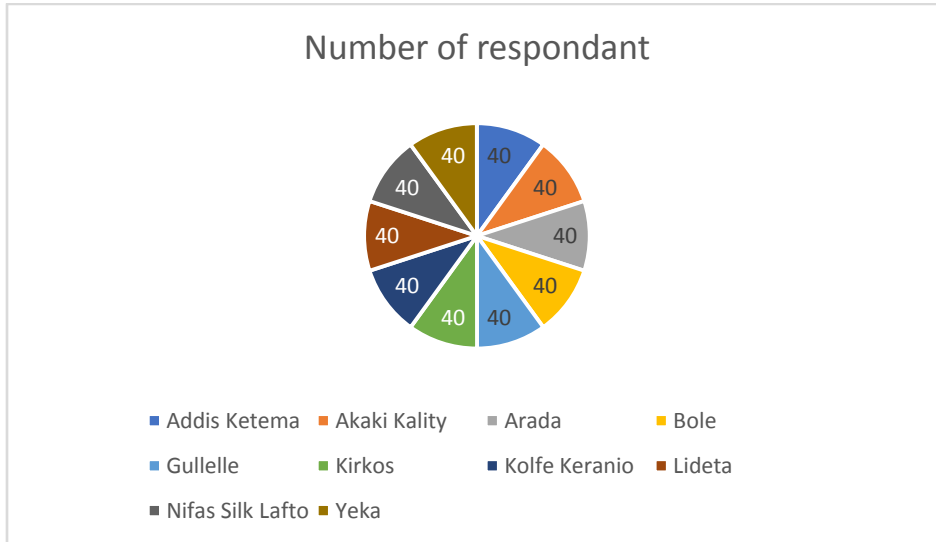


Figure 2: Sub-cities sampled

As indicated in the data source the women entrepreneurs were selected from a primary source of data received from the Entrepreneurship Development Institute (EDI). The analysis was conducted in 10 sub-cities in Addis Ababa namely Addis Ketema, Akaki Kality, Arada, Bole, Gullelle, Kirkos, Kolfe Keranio, Lideta, Nifas silk Lafto and Yeka.

For this study, questionnaires with both open and close-ended questions were prepared and administered. Open-ended questions were included to ask questions that don't have direct answers but are subjective to respondents.

The data has been narrated using descriptive statistics. The study will adopt the use of the 5 Likert scales where 1 = "to no extent at all", 2 = "to a small extent", 3 = "to some extent", 4 = "to a high extent", 5 = "to a very high extent" average to predict the extent to which the identified variables affect the dependent variable, which in this case is the obstacle to access credit. other form of likert scales has also been used where 1= "Strongly disagree" 2= "Disagree" 3= "uncertain" 4= "Agree" 5= "Strongly Agree". Some "Yes" or "No" questions were also administered in the questionnaire.

Qualitative research approach

Descriptive analysis

In the sampling for the qualitative data, descriptive analysis was used. Descriptive analysis, also known as descriptive statistics, is the process of using statistical techniques used to describe and understand the data to describe or summarize a set of data. As one of the major types of data analysis, descriptive analysis is popular for its ability to generate accessible insights from otherwise uninterpreted data.

The sampling for the interview was purposive. Since there is a need to examine both women that have accessed finance and women that did not have access to credit. We will purposively modify the samples to have an equal number.

Purposive sampling

Purposive sampling is a type of non-probability sampling in which units are chosen because they possess traits you specifically require in your sample. In other words, units are chosen "on purpose" in purposive sampling. In this particular instance, we're looking for women who have used credit and women who haven't. We further classify them based on their legal registration as formal and informal enterprises owned and operated by women.

This sampling strategy, also known as judgmental sampling, focuses on the researcher's judgment when choosing and selecting persons, instances, or events that can give the greatest information to accomplish the study's objectives. In mixed methods as well as qualitative research, purposeful sampling is widespread. It is especially beneficial when looking for packed with information situations or making the most of limited resources, but it is prone to analysis flaws such as biases of the observer.

Over all the study used mixed method of qualitative and quantitative research methodologies. It used a quota sampling method for the quantitative analysis and a purposive sample for the qualitative analysis and to interview the women micro-enterprises.

3.7 Measurement of Variables

The below tables show the variables that are under study. The generic information will be analyzed using descriptive analysis. The relationship between the dependent variable (access to finance) and the independent variable (Interest rate, collateral requirement, and level of literacy) has been analyzed using descriptive analysis. Using purposive sampling, a life story interview has also been conducted. And this interview has also been analyzed using descriptive analysis.

Variables	Data Analysis Method	Measurement
Generic Information		
Age	Descriptive analysis	Number of years
Sector of business	Descriptive analysis	As per the questionnaire (Manufacturing, Service, Agriculture, Trade, and Other)
Marital Status	Descriptive analysis	Single or married
Age of business	Descriptive analysis	Number of years
Perceived ease of accessing financial institutions	Descriptive analysis	As per the Likert Scale
Dependent Variable		
Access to Finance	Descriptive analysis	As per the Likert Scale
Independent variables		
Collateral requirements	Descriptive analysis	As per the Likert Scale
Interest rates	Descriptive analysis	As per the Likert Scale
level of literacy	Descriptive analysis	As per the Likert Scale

Business management skills	Descriptive analysis	As per respondents' responses to the open-ended question
Finance recording history	Descriptive analysis	As per respondents' responses to the open-ended question
Interview	Descriptive analysis	As per respondents' responses to the open-ended question

Source: own computation and Annexed questionnaire

Table 1: Measurement of variables

3.8 Reliability and Validity Analysis

If the findings of a measuring device are consistent, it is considered reliable. A trustworthy measuring instrument adds to validity, but it does not have to be a valid instrument (Kothari, 2009). The questionnaire is divided into five sections: collateral, interest rate, literacy level, company management abilities, and financial recording history. The results were manually graded. The Cronbach Alpha value was then determined, and according to Croswell (2008), a result of 0.7 or higher suggests that the data is extremely credible.

The researcher computed the reliability analysis on SPSS and garnered a result of 0.732. This entails that the questioner employed is reliable and could appropriately analyze the dependent and independent variables.

Reliability

Scale: ALL VARIABLES

Case Processing Summary			
		N	%
Cases	Valid	398	99.5
	Excluded	2	0.5
	Total	400	100.0
a. Listwise deletion based on all variables in the procedure.			

Table 2: Reliability; case processing summary

Reliability Statistics	
Cronbach's Alpha	N of Items
.732	30

Table 3: Reliability statistics

RELIABILITY

```

/VARIABLES=Collateral Interest_Rate Level_of_Literacy
/SCALE('ALL VARIABLES') ALL
/MODEL=ALPHA.

```

3.9 Ethical Considerations

Before distributing questionnaires and interviews, the researcher informed the participants of the study about the objectives of the study, and consciously considered ethical issues in seeking consent, avoiding deception, maintaining confidentiality, respecting privacy, and also protecting the anonymity of all respondents.

Chapter 4 Data Analysis, and Findings

Introduction

This chapter includes the findings of the research from the data collected based on the methodology stated in chapter three. The chapter is organized into the following sub-sections: Response rate; Sample Characteristics (age, marital status, Education level, sampled sub-city and sector of the business); Collateral, Formal education level, Interest Rates, business management skills, finance recording history, Perceived Ease of Access to Credit from Financial Institutions, an obstacle to receiving access to finance.

4.1 Response Rate

The research has been administered to 415 women-owned businesses in Addis Ababa; 400 have responded representing 96% of the response rate. This result is achieved by the approach the researcher has used to distribute the questionnaire. The researcher briefed each responder on the goal and guaranteed them anonymity, followed by a request for them to participate by answering the questionnaire truthfully. Once the participant agreed to participate, the researcher promptly distributed the questionnaire, assisted the respondents in filling out their replies, and filled out the questionnaire for the women that have low literacy levels, clarified any questions for which the participants asked clarification, and quickly collected the completed questionnaires. This guaranteed that the sample size stayed as close to the initial plan as possible, making the findings broadly generalizable to the desired population.

The researcher succinctly explained the purpose to each respondent, assured them of confidentiality, and made a passionate appeal to the respondent to participate by responding to the questionnaire honestly. Once a respondent accepted to participate, the researcher administered the questionnaire, helped the respondents fill in their responses, and clarified any question for which the respondents sought clarification and collected the filled-in questionnaires swiftly. This ensured that the sample size remained intact as originally designed sample size as possible, thus making the findings largely generalizable to the target population.

4.2 Descriptive analysis

4.2.1 Distribution of respondents by their age

The respondents have replied and indicated their age category as follows Table 4.2.1

Table 4: Age distribution of respondents

Age Category	Frequency	Percentage
18-25	8	2%
26-30	28	7%
30-40	206	52%
40-60	154	39%
60 and above	4	1%
Grand Total	400	100%

Of the 400 women entrepreneurs, 52% of the respondents were between the age of 30 and 40 followed by women between 40-60 which accounts for 39%. This shows that 91% of the respondents are adults (women above 30). This reveals that older women are more dominant in both the formal and informal sectors. The least represented in this sample were young women entrepreneurs between the age of 26-30 to 7%, followed by women entrepreneurs between 18-25 to 2% and women above the age of 60 for 1%.

4.2.2 Marital Status

As the table below indicates, the marital status of the respondents exhibits that 18 % of them are single and 82% of the respondents are married and have a dependent in their households.

Table 5: Marital Status

Marital Status	Frequency	Percentage
Married	328	82%
Single	72	18%
Grand Total	400	100%

4.2.3 Sector of the business

As indicated in the table below, about 87% of the respondents are working in the trade and service sector. This indicates that most Services and trade are the most preferred sector for women. This also takes into account that this study was conducted in 10 sub-cities in Addis Ababa and being in the capital city most women entrepreneurs couldn't secure premises to conduct large large-scale nesses like manufacturing, agriculture, or Agro-processing. The least percentage sectors include manufacturing with 10% followed by Agriculture with 2%.

Table 6:sector of the business

Sector	Frequency	Percentage
Agriculture	8	2%
Manufacturing	38	10%
Service	112	28%
Trade	236	59%
Other	6	2%
Grand Total	400	100%

4.2.4 Distribution of Businesses by Age

According to the findings displayed below, 62% of the business have stayed in the business for 5 years or more, then some had been in business between 3 and 4 years at 23%, followed by 2 and 3 at 9%. The percentage of women entrepreneurs that have been running their businesses for 1 to 2 years is 5%, while the remaining 2% had run their businesses for less than a year.

Table 7:Business age distribution

Years in business	Frequency	Percentage
Below 1 year	6	2%
1-2 years	20	5%

2-3 years	34	9%
3-4 years	92	23%
Above 5 years	248	62%
Grand Total	400	100%

4.2.5 Number of Employees

93% of the respondents can be classified as micro-enterprises due to their employee number being less than 5. 7% have employees between 5-30. Only 1% of the respondents can be classified as a medium enterprise and have more than 30 employees.

Table 8: Number of employees

Number of Employees	Frequency	Percentage
> 5	372	93%
5-30	26	7%
30+	2	1%
Grand Total	400	100%

4.2.6 Formal registration of the business

50% of the businesses have a formally registered business license, whereas the remaining 50% are informal businesses. The respondents were asked why they haven't registered the business and if they have any reservations. The informal businesses have mentioned that they don't have the capital to pay tax yearly, they have low capital that they don't qualify to have a license, and the working space they are currently operating in is provided by the government thus making it temporary. Most of the businesses don't make a profit that will enable them to expand, most of the revenue they generate directly goes to consumption and supporting their family.

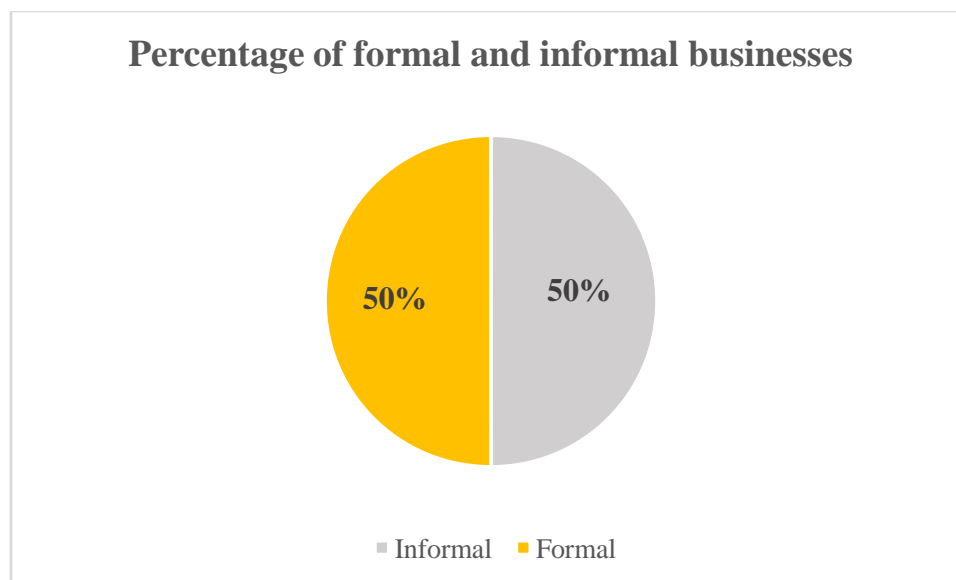


Figure 3: Percentage of Formal and Informal businesses

4.2.7 Access to Credit Finance for Women Entrepreneurs

Women MSME's response to access to finance as a challenge

Up to 73% of the respondents mentioned that access to finance is one of the major obstacles or severe obstacles or their growth. 17% mentioned that it is a moderate obstacle; 9% said it is a minor obstacle and 2% said it is not an obstacle or it doesn't apply to their business. This analysis further pushes to investigate how to solve access to finance problems faced by women MSMEs.

Table 9: Analysis of access to finance obstacles

Responses	Frequency	Percentage
No obstacle	4	1%
Minor obstacle	34	9%
Moderate obstacle	68	17%
Major obstacle	102	26%
A very Severe obstacle	188	47%
Does not apply	4	1%
Total	400	100%

Women MSMEs who have applied for credit

As seen in the diagram below, 62% of the women have applied for and received credit. All the respondents mentioned that the credit they received has affected their business positively. 38% have never applied for credit before. When asked what financial institutions could do to create awareness of credit options, they suggested that financial institutions could give training on credit options and how to be eligible for loans. Most of the respondents mentioned that it is not possible to close their businesses and go to take training. They have suggested social and mainstream media (Radio commercials, TTV, etc ...) and other social media platforms. Women that don't have access to media communications suggested training their workplaces since they can't close their shops. The SMS message was also suggested as one means of communication.

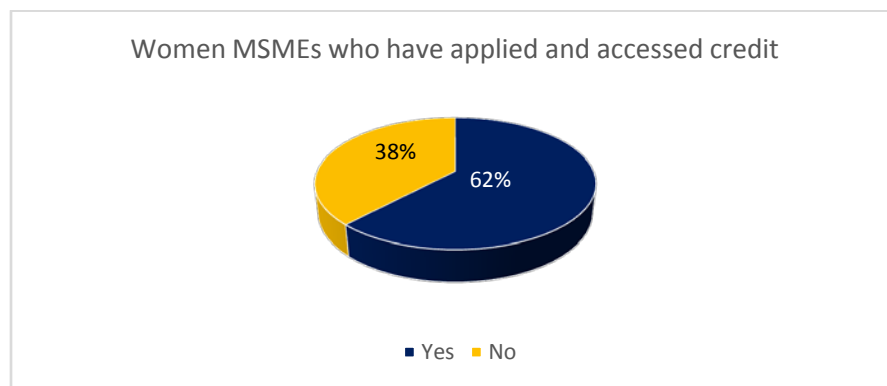


Figure 4: women MSMEs who have applied and accessed credit

4.2.8 Ease of accessing finance from Financial Institutions by Small Scale Women Entrepreneurs

Women enterprises have varied thoughts on the eases of accessing credit from FIs. For banks, 38.5% of the WEs have the opinion that accessing credit is not possible at all. 25% think it is slightly accessible, 20.5% said it is moderately accessible, 13.5% and 0.5% said that is accessible or very easy to access credit. 2% mentioned that they have never considered going to the bank for a loan.

About Microfinance institutions, 9% indicated that credit was easy to access, 25.5% accessible, 26.5% reported it is moderately accessible, and another 26.5% responded it is slightly accessible. Whereas 12% found it difficult to access credit from MFIs.

Usually Saving and Credit Cooperative Organizations (SACCOs) are seen as close to micro-enterprises. The respondents for this study supported the research question 50.5% rest of the respondents think SACCOs are accessible, and 9.5% thinks it is very easy to access credit from SACCOs. 31% of the respondents replied it is moderately accessible, followed by 7% reply it is slightly accessible, and 1 and .5% implied that SACCOs are not accessible at all.

Lease finance is one of the recent developments in the finance sector in Ethiopia. 13% of the respondent replied that they don't know what the term means and never considered it as an alternative means of finance. 31.5% of respondents said that it is inaccessible, followed by 29% of respondents replying it is slightly accessible. 14% replied that moderately accessible, and 1.5% replied that it is easy to access finance from lease finance providers like DBE & other Capital Goods Finance Companies (CGFCs).

Equib or in other foreign countries known as the Rotating Savings and Credit Association (ROSCA) is one of the informal ways to access credit. According to the respondents, Equib is one of the easiest ways to secure finance. 66% of the respondents find it very accessible and 29% find Equib to be accessible. 3% find it moderately accessible, 0.5% find it slightly accessible where as 1% couldn't access credit via Equib.

This study has again proved the question that most women entrepreneurs resort to families and friends for their financial needs. 19.5% of the respondents, 43.5% of the respondents find finance to be accessible from family and friends followed by 23.5% replying it is moderately accessible. 6% find it slightly accessible while 5.5% acquiring finance from their family members and friends is impossible.

The above findings exhibit that generally, women enterprises had a positive perception of formal and semi-formal financing institutions like MFIs and SACCOs where cumulatively 61% of the respondents replied they can access finance from MFIs. Whereas a cumulative of 91% of the respondents find it easy to access credit from SACCOs.

Even though women entrepreneurs have a positive perception of formal finance, the table shows that they mainly rely on social capital to access credit. The cumulative figure shows that Equib (98%) is one of the substantial ways to secure finance followed by family and friends (86.5%).

Table 10: perceived ease of accessing credit from financial institutions

Credit providing institutions	Inaccessible	Slightly accessible	Moderately accessible	Accessible	Very accessible	I never used this FI	Sum
Banks	38.5%	25%	20.5%	13.5%	0.5%	2%	100%
Micro Finance Institutions	12.0%	26.5%	26.5%	25.5%	9%	0.5%	100%
SACCOs	1.5%	7%	31%	50.5%	9.5%	0.5%	100%
Lease Finance	31.5%	29.0%	14.5%	10.5%	1.5%	13%	100%
Equib	1%	0.5%	3%	29%	66%	0.5%	100%
Family & Friends	5.5%	6%	23.5%	43.5%	19.5%	2%	100%

Respondents were also asked to explain which alternative means of finance they prefer and why. Most replied SACCOs are better alternatives due to low-interest rates, they require less collateral and they encourage saving. The next alternative for most was the government-owned MFIs. This is due to the low-interest rates charged by government-owned MFIs. Some respondents mentioned that it is better to go to banks for loans than private MFIs due to the high cost they charge. Some also replied that they are afraid to take any loans from FIs due to fear of over-indebtedness and lack of collateral. Few said that they lack awareness about these institutions to make any decision.

4.2.9 Effect of Demand for Collateral on Small-Scale Women Entrepreneurs' Access to Credit Finance

The respondents were asked if they possess any kind of asset that could be considered as collateral and if they do, what are the collateral types. 77.5% said don't have any collateral under their name, while 14.5% own a car, 5% own a house and 2% have both a house and a car. Only 0.5 has a land certificate and the other 0.5% has other assets.

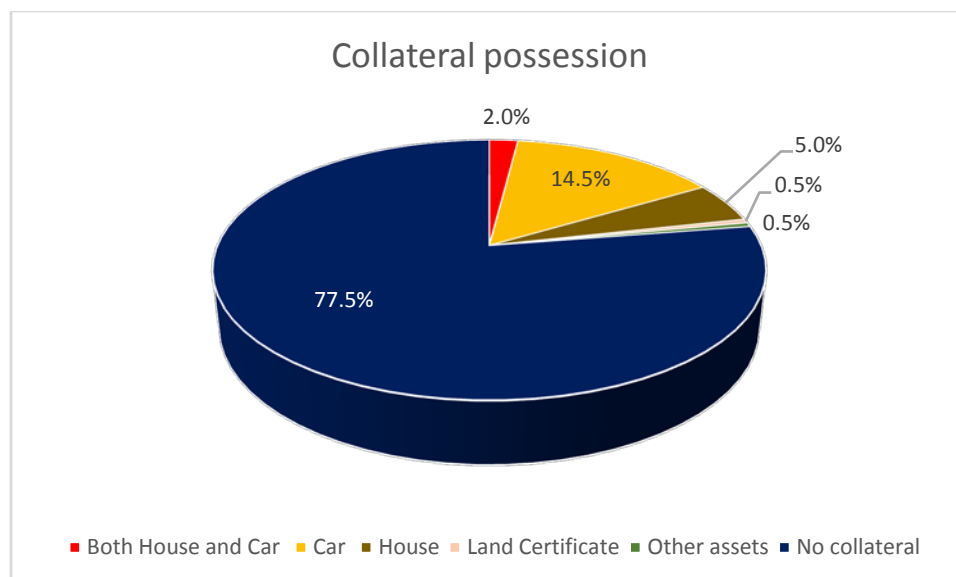


Figure 5: Collateral possession of women entrepreneurs

Table 11: Analysis of collateral requirements

Questions	Strongly Disagree (1)	Disagree (2)	Uncertain (3)	Agree (4)	Strongly Agree (5)	Mean
The form of collateral is acceptable by the Finance institutions	3.5%	59.5%	6.0%	19.5%	11.5%	2.76
The value of my collateral is adequate to guarantee me access to credit facilities from financial institutions	9.0%	57.0%	4.0%	20.5%	9.5%	2.645
My spouse is willing to allow me to use the collateral to access credit from a financial institution	36.0%	23.0%	17.0%	14.0%	10.0%	2.39
Financial Institutions consider the ability to repay loans rather than the collateral an	14.0%	30.0%	45.5%	8.5%	2.0%	2.545

entrepreneur has						
Demand for collateral is a major hindrance to my access to credit	0.8%	3.0%	3.3%	13.0%	80.0%	4.685

According to the table seen above, respondents disagree that the form of collateral they have is not accepted by financial institutions. The majority of respondents (36% strongly disagreed and 23% disagreed) outlined that their spouse allows them to use available collateral to borrow from financial institutions. This means that women don't have access to the collateral of their spouses. 45% of women are uncertain and 35% of them disagree that finance institutions are considerate of their ability to pay back loans rather than collateral. In the final statement, 80% of the respondents highlighted that demand for collateral is one of the critical challenges that is hindering them from accessing credit.

4.2.10 Aspects that may hinder women entrepreneurs' Access to formal finance

The respondents were asked about other factors that may affect their access to credit. Their responses are analyzed as follows. Based on the mean 3.7 (around 62%) agree with the statement that FIs ask for business experience before availing of a loan. They also don't exactly know if it is due to the tendency of default. Nearly all respondents (4.61 of the mean or 96.5%) replied that FIs demand excess collateral to approve the loan amount they have requested. Most women entrepreneurs think that there is a lengthy loan disbursement process. 80% of the respondent agreed or strongly agree that FIs have a lengthy loan disbursement process. 58% agree or strongly agree that FIs demand high managerial skills.

80% of the respondents replied that FIs require legal registration documents. While formal women businesses have no problem providing such documentation, the informal women entrepreneurs mentioned this requirement as one of the impediments to accessing credit. 82% strongly agree or agree that most banks follow the traditional way of assessing risk. This usually means that banks demand hard collateral as risk mitigation. Often, they require 200% of the value of the loan they will avail.

94% agree with the statement that FIs require evidence of creditworthiness. This evidence could be previous loan history, managerial capacity, having sufficient collateral, the character of the individual requesting the loan and the overall condition of the business will be assessed before avail loans. Of the total respondents 98.5% agree that financial institutions have high interest rates and service charges. Though respondents have their preferences for financial institutions, the overall market can be considered overpriced.

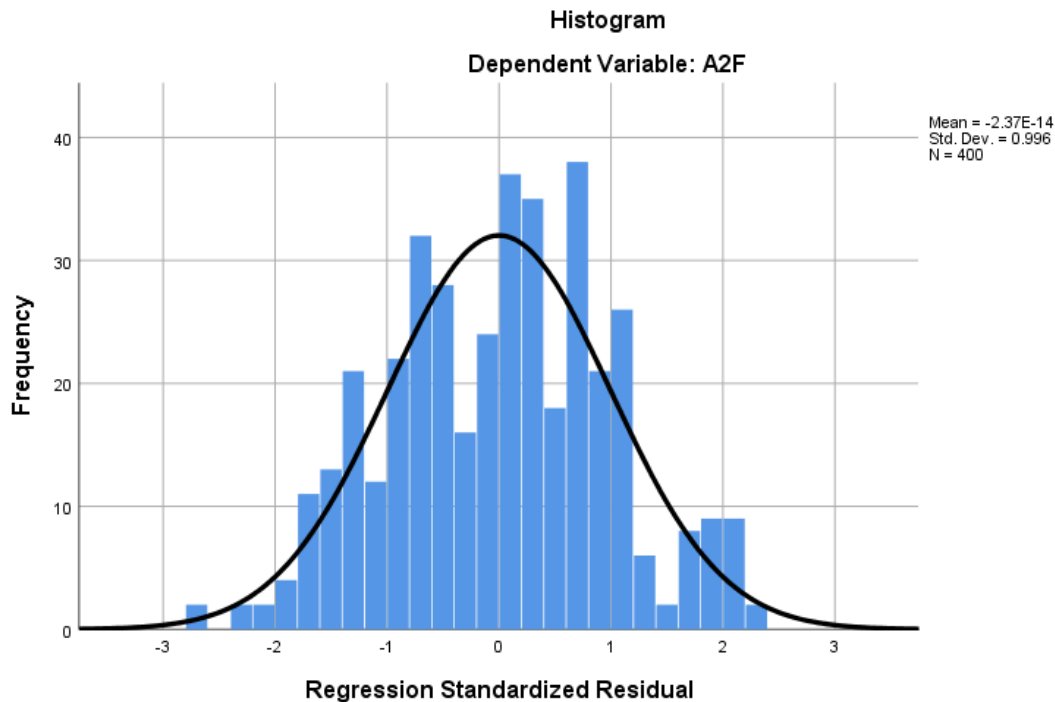


Figure 6: Histogram of the dependent variable (access to finance)

Women entrepreneurs have given their outlook on gender discrimination whilst trying to access credit. 66.1% said that they are uncertain or disagree that gender plays a role in acquiring credit. 97.5% of the respondents agree or strongly agree that adequate initial capital is needed to secure a loan. 97.5% of the women entrepreneurs responded that high early installments are required from them. This could be due to the loan products they are accessing or the manner of interest computation. Interest Computation manners could be flat or declining. Flat means the same amount is paid throughout the loan period and declining meaning the amount paid will decline with every installment. Some loan products also require compulsory saving which makes loans even more expensive to acquire.

60% of women think that financial institutions are biased when availing loans to a certain business type. 35.5% are uncertain if there is a favored business category. With a cumulative mean of 4.665 (98% of the respondents replied that FIs are very selective of individuals or businesses who can bring a guarantor. MFIs are known to have certain loan products that consider a guarantee (either third-party or employee guarantee) as collateral to facilitate a loan.

The women entrepreneurs have replied that most loan terms and conditions are not clear to them as per the table below, 77.5% agreed to the statement FIs have complicated terms and conditions for a loan.

Table 12: multiple factor analysis contributing to access to finance

	Questions	1	2	3	4	5	sum	Mean
1	Ask for business experience	0.0%	6.0%	31.5%	42.5%	20.0%	100%	3.765
2	The tendency not to pay the small loan	0.0%	2.0%	35.0%	48.0%	15.0%	100%	3.76
3	Demand for excess collateral	0.0%	0.0%	3.5%	32.0%	64.5%	100%	4.61
4	Lengthy loan disbursement process	0.0%	0.0%	20.0%	44.5%	35.5%	100%	4.155
5	Demand high managerial skill	0.0%	5.0%	36.5%	29.0%	29.5%	100%	3.83
6	Require business-related legal documents	0.0%	2.5%	6.5%	38.5%	52.5%	100%	4.41
7	The traditional attitude of banks in assessing risk	0.0%	0.0%	18.0%	47.5%	34.5%	100%	4.165
8	Demand for evidence of creditworthiness	0.0%	1.0%	5.0%	40.5%	53.5%	100%	4.465
9	High-interest rate and service charge	0.3%	0.3%	1.0%	20.0%	78.5%	100%	4.762
10	Gender Discrimination in loan	1.8%	6.3%	58.0%	12.5%	21.5%	100%	3.457

	disbursement			%	%	%		5
11	Require adequate initial capital	0.0%	0.0%	2.5%	28.5%	69.0%	100%	4.665
12	Charge early high installment	0.0%	0.0%	2.5%	35.0%	62.5%	100%	4.6
13	Biases in selecting the type of business	1.8%	2.8%	35.5%	26.0%	34.0%	100%	3.877
14	Very much selective for a guarantor	0.0%	0.5%	1.5%	29.0%	69.0%	100%	4.665
15	Complicated terms and conditions for a loan	0.8%	2.8%	19.0%	49.0%	28.5%	100%	4.017

4.2.11 Impact of Interest Rate on Small-Scale Women Entrepreneurs' Access to Credit Finance

From the total of 400 women entrepreneurs who have responded to this survey, 166 of them have never taken any loan from any financial institution. 18 uses other financing means like Equib, families and friends, and other financing means. 146 businesses have accessed credit that is less than ETB 50,000. 28 have accessed a loan between 50,000-100,000 and only 2 respondents have taken a loan between 150,000 and 200,000. 40 businesses have taken a loan between 150,000-200,000.

The women entrepreneurs have been asked the maximum loan tenure they had for the loans they have taken. 41.5% haven't taken any loans. While 12.5% have a loan tenure of 1 year, 37.5% has a loan repayment period of 2 years. 6% has a 3 years loan tenure, 1% has a 4 year and 0.5% has a 5-year loan tenure.

Table 13: Loan tenure

Loan Tenure	Frequency	Percentage
1 year	50	12.5%
2 years	150	37.5%
3 years	24	6.0%

4 years	4	1.0%
5 years	2	0.5%
Other	4	1.0%
No loan taken	166	41.5%
Total	400	100%

This begs the question does the interest rate of the loan facilitated affect their decision to take or leave the loan? 99% of the respondents said that it has a direct impact on their decision.

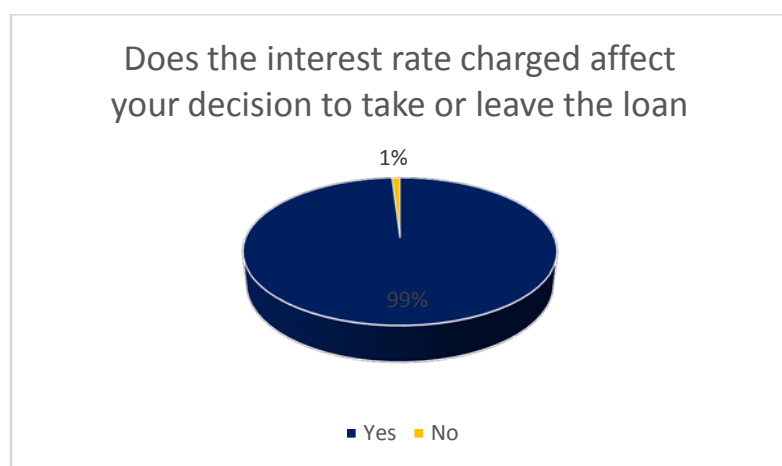


Figure 7: Interest rate charge and its impact on the decision on loan

Table 14: Interest rate analysis

Questions	Strongly Disagree (1)	Disagree (2)	Uncertain (3)	Agree (4)	Strongly Agree (5)	Sum
Financial institutions charge a very high-interest rate	0.5%	1.5%	1.0%	15.0%	82.0%	100.0%
The level of interest rates charged by financial institutions discourages me to take a loan	0.5%	0.0%	2.5%	32.0%	65.0%	100.0%
The interest rate charged by the financial institutions is reasonable and	34.0%	46.5%	18.0%	0.0%	1.5%	100.0%

timely						
I fear applying for a loan since I am not sure whether I will be able to pay back the loan due to interest charges	12.5%	35.5%	14.5%	15.0%	22.5%	100.0%

95% of the respondents either strongly agree or agree that FIs charge a high-interest rate. Another 97% responded that it discourages them to take a loan from FIs. This shows that the cost of financing is very high and unfair. 80.5% of the women MSMEs reflected that interest rates charged by FIs are neither reasonable nor timely. However, 48% of the respondents pointed out that they don't fear defaulting.

4.2.12 Impact of the Level of Literacy on Small-Scale Women Entrepreneurs' Access to Credit Finance

The below study shows that most of the respondents are literate. 40% have a high school education, 30% have an elementary school education, 20% have graduated from either universities or TVET colleges, 1.5% have postgraduate degrees; where 8.5% haven't received any education what's so ever.

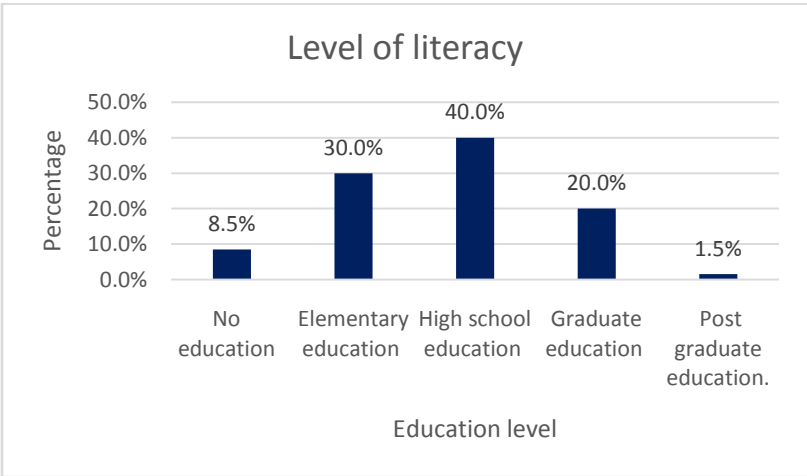


Figure 8: Level of literacy

Often time there have been generalizations that our education level or the level of literacy have an impact to acquire loans. Respondents were asked to what extent their education level affects FIs and decided whether they will be granted loans or not. The below diagram shows their response. 39% of the respondents are indifferent that their education level will have a say on the loan application and approval. And 27% said that it may have an impact to a moderate extent.

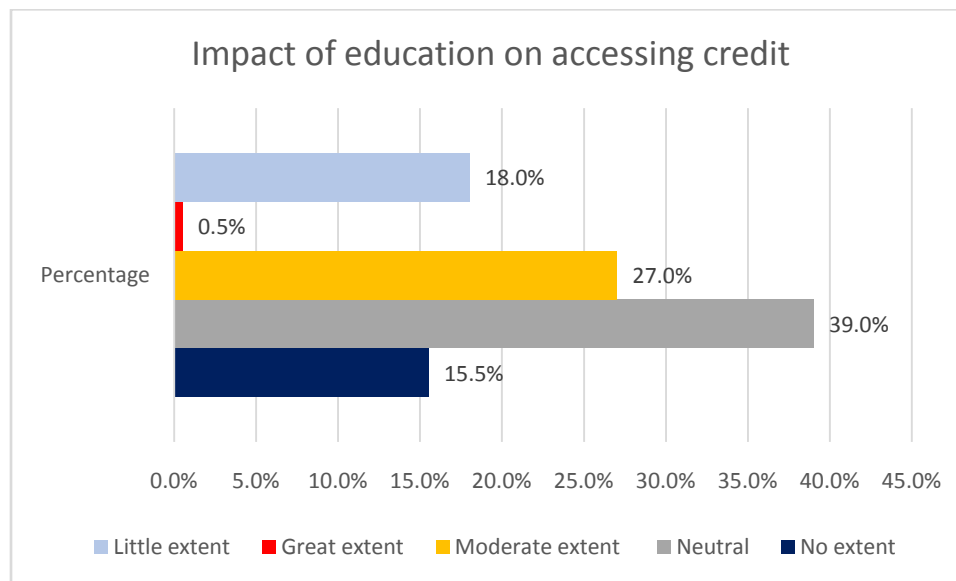


Figure 9: Impact of Education on Accessing Credit

When asked about their financial literacy and if there is any financial institution that is providing training on financial literacy 86.5% said there isn't and is not a pre-condition to take a loan. 13.5% said they have received financial literacy training from different institutions like MFIs gave financial tracking/book kipping courses. Safety net programs and NGOs have given training on how to access credit and finance management.

Most women entrepreneurs haven't progressed their studies once they have started their businesses. 60% and more women in MSMEs don't think their academic qualifications doesn't affect their decision-making in business. 47% of them access useful information about their business. 49% of respondents are uncertain if the level of education they have has helped them to successfully run their business. Furthermore 25% of the respondents either strongly disagree or disagree that the education level they have is helpful to the business they are running.

Table 15: level of literacy analysis

Questions	1	2	3	4	5	Sum
Over time, I have enhanced my knowledge and skills through further education opportunities	7.0%	54.5%	14.0%	18.5%	6.0%	100%
My level of academic qualification influences my ability to make sound decisions relating to my enterprise.	9.0%	52.5%	19.0%	15.5%	4.0%	100%
Over time, I have had an opportunity to access useful information and training on how to access credit	5.8%	45.8%	18.0%	24.5%	6.0%	100%
Over time, I have had an opportunity to access useful information about the survival of my business	3.3%	30.3%	19.5%	40.5%	6.5%	100%
I believe that my level of education has helped enable me to successfully run my business	3.5%	21.5%	49.0%	14.3%	11.8%	100%

4.2.12 Impact of Business Management Skills on Small-Scale Women Entrepreneurs' Access to Credit Finance

Only 29.5 % of the respondent has received training in business management. The remaining 70.5 said that they haven't received any kind of training. those who have responded yes further clarify the training they have taken over the past 12 months including skills like business plan development, organizing, bookkeeping skills, computer skills, and others.

Most of the women's surveyed mentioned that soft training skills like bookkeeping and finance management skills are applicable but training like computer skills are not applicable in there day to day businesses.

Table 16: Business management training

I have Received Training in business management	Frequency	Sum
Yes	118	29.5%
No	282	70.5%

4.2.13 Impact of Finance Recording History on Small-Scale Women Entrepreneurs' Access to Credit Finance

71.5% of the respondents responded that they account for their books periodically. 30.5% have received bookkeeping training and only 19% have an accountant employed at their company. Of

those who have an accountant and have received bookkeeping training, it has ameliorated their financial performance and enabled them to keep a keen track of their expenses and revenues.

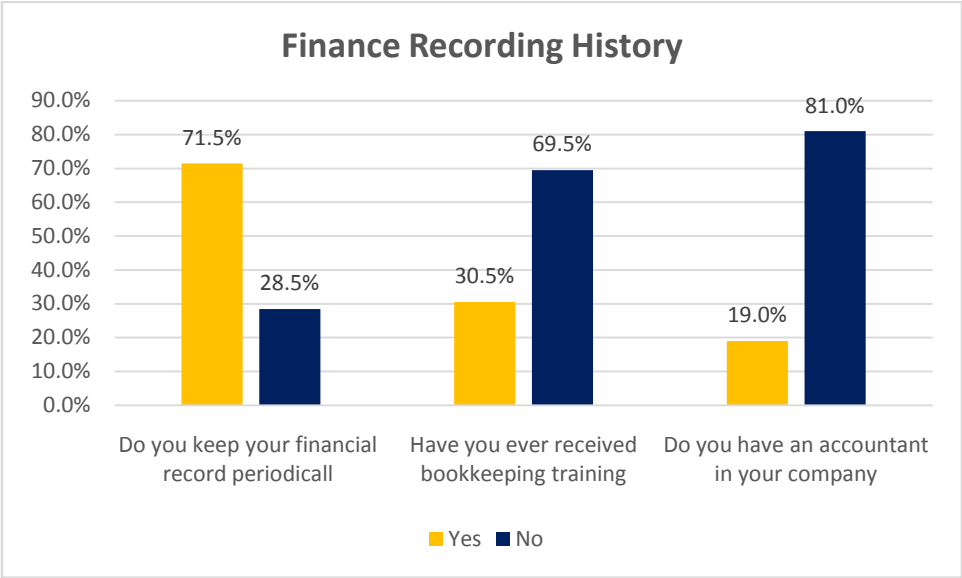


Figure 10: Finance Recording History

4.2.14 Formal vs Informal women entrepreneurs

Out of the 400 women respondents, 200 are formal and 200 are informal enterprises. This section of the analysis will try to compare and contrast if there is any difference between formally registered women-owned enterprises and informal women-owned enterprises.

Formal women entrepreneur respondents

Age

61% of the respondents are between 30 and 40 years old, and 29 percent are between the age of 40-60. Followed by 7% between 26 and 30 and 2% between 18 and 25 years old.

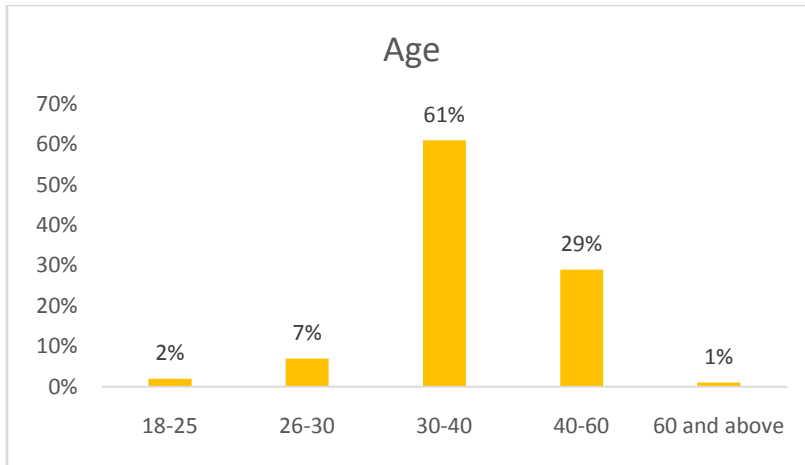


Figure 11: Age of formal women enterprises

Marital Status

16% of the formal enterprises are single and 84% are married.

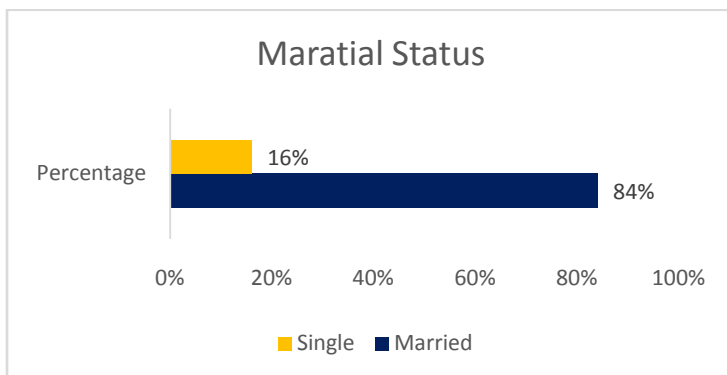


Figure 12: Marital status of formal women enterprises

Sector

53% of the women entrepreneurs work in trade, 31% work in the service sector, 12% are in manufacturing, 2% are in agriculture and 2% are working in other sectors.

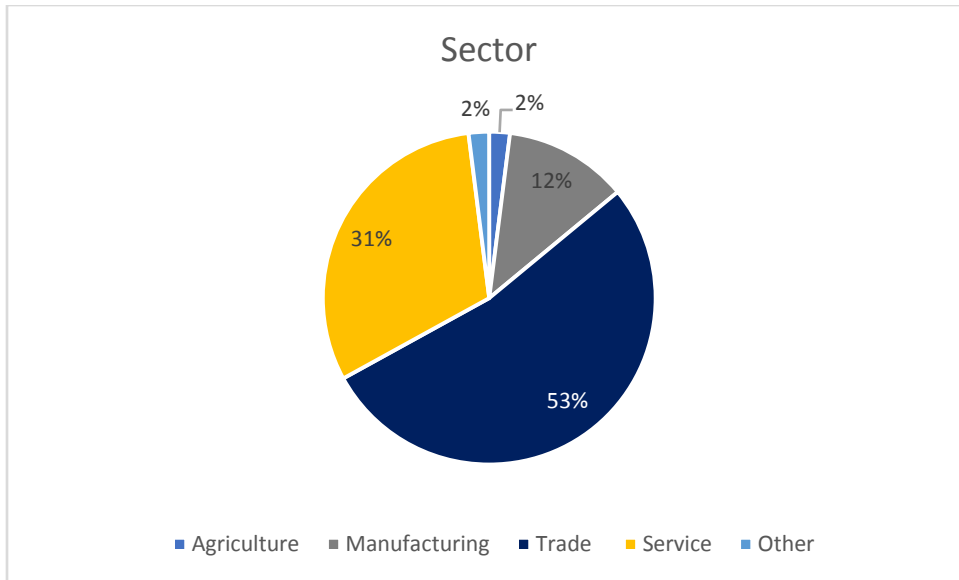


Figure 13: Sector distribution of formal women enterprises

Number of employees

86% of the formal enterprises have less than 5 employees. 13% have employees between 5 and 30. Only 1% have employees greater than 30 people.

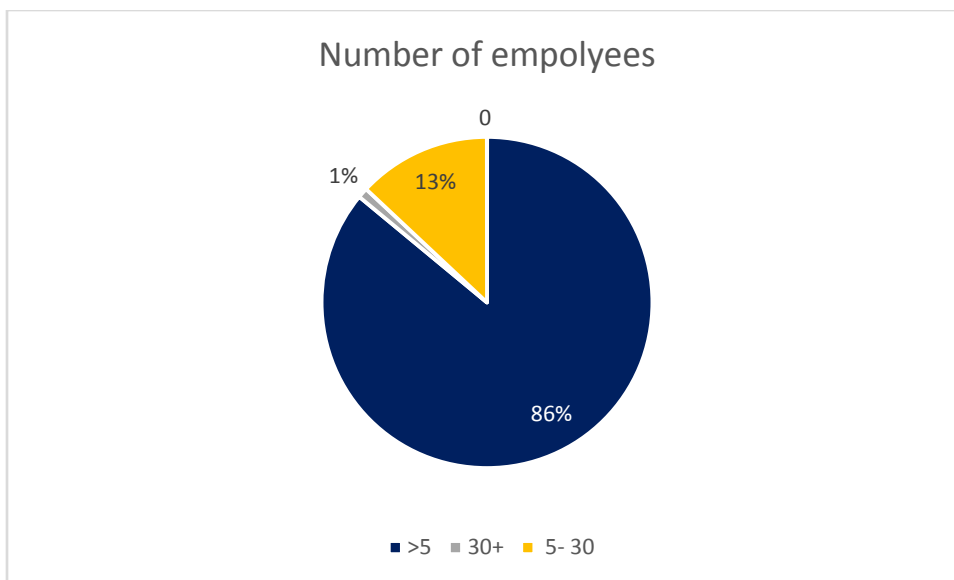


Figure 14: Number of employees of formal women enterprises

Application of loan

90% of the formal women enterprises have applied for loans. 10% have never applied for a loan from a formal financial institution.



Figure 15: Loan application for formal women enterprises

Amount of loans taken

50% of the women entrepreneurs have taken credit of ETB 50,000 or less. 10% has taken a loan between ETB 50,000-100,000. Only 1% of formal women enterprises accessed a credit between 100,000-150,000. 20% of the women have taken a credit between 150,000-200,000. Only 11% of the formal women enterprises have never taken a loan from any formal institution and 8% have access to credit from other means of finance.

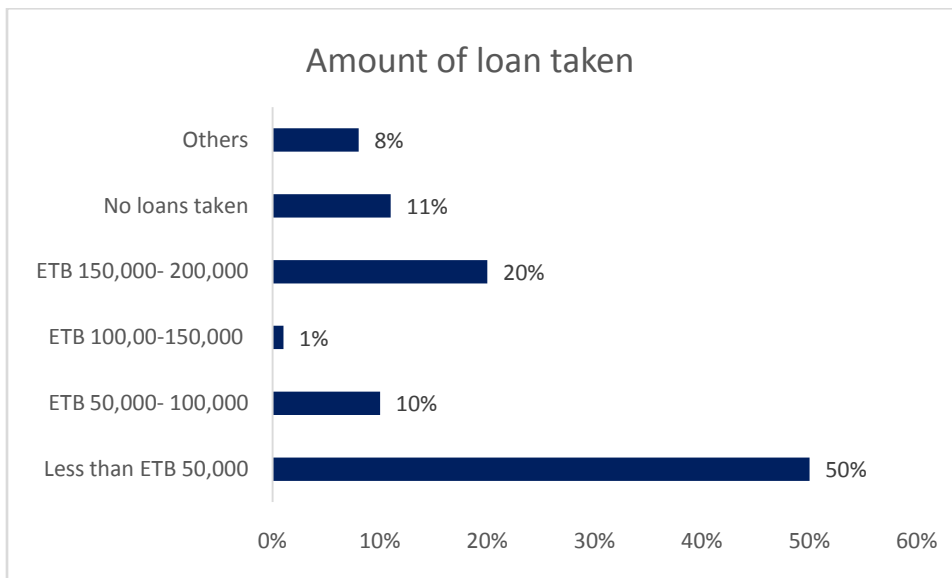


Figure 16: Amount of loan accessed for formal women enterprises

Collateral Possession

58% of the formal women enterprises have no collateral possession, and 30% have a car that they can provide for FIs as collateral. 8% have a house and 4% of the respondents have both car and a house.

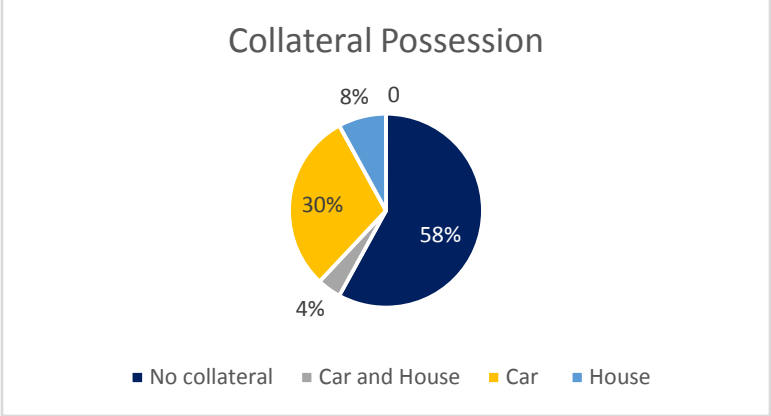


Figure 17: Collateral possession of formal women enterprises

Education Level

54% of the formal women entrepreneurs have a high school education. 34% have passed through graduate education and 2% have post-graduate education.

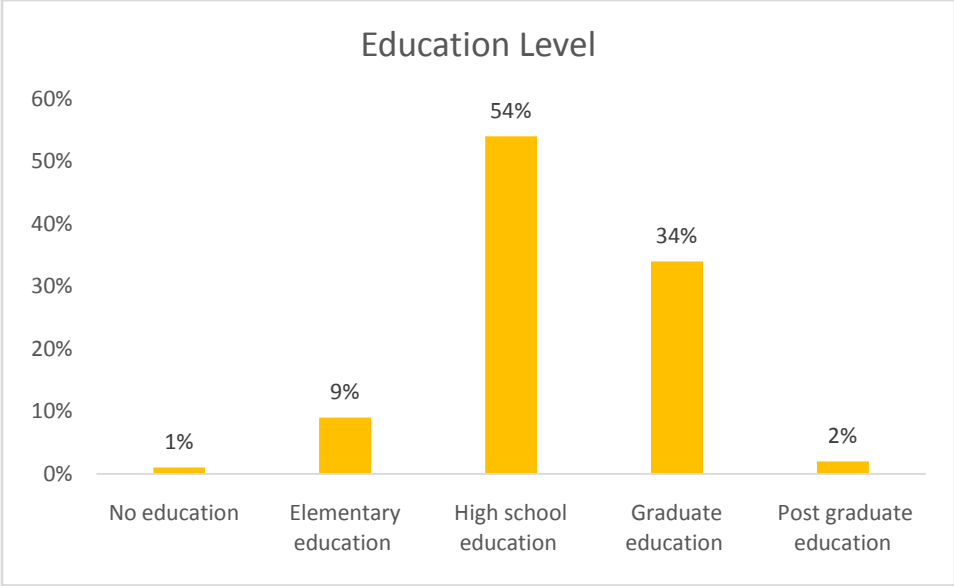


Figure 18: Formal education level of formal women enterprises

Bookkeeping skills

95% of the formal women entrepreneurs have received bookkeeping training while the 5% responded that they have never taken any training concerning bookkeeping.

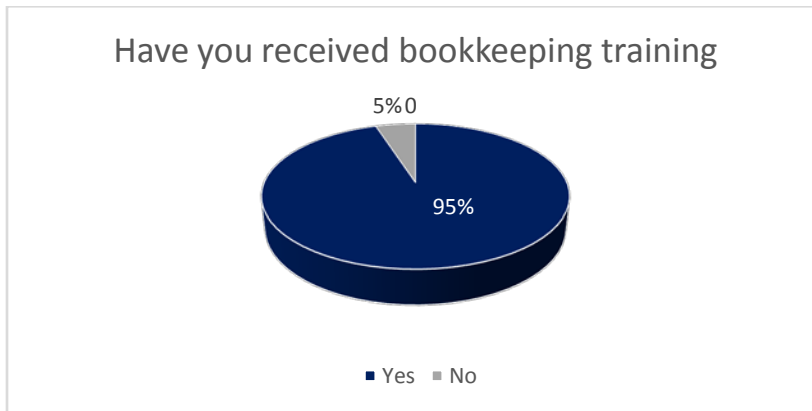


Figure 19: Bookkeeping training of formal women enterprises

Informal women entrepreneur respondents Age

48% are between the age of 40 and 60; 42% of the respondents are between the age of 30 and 40. 7% are between 26 and 30. 2% are between 18 and 25 only one percent is above 60.

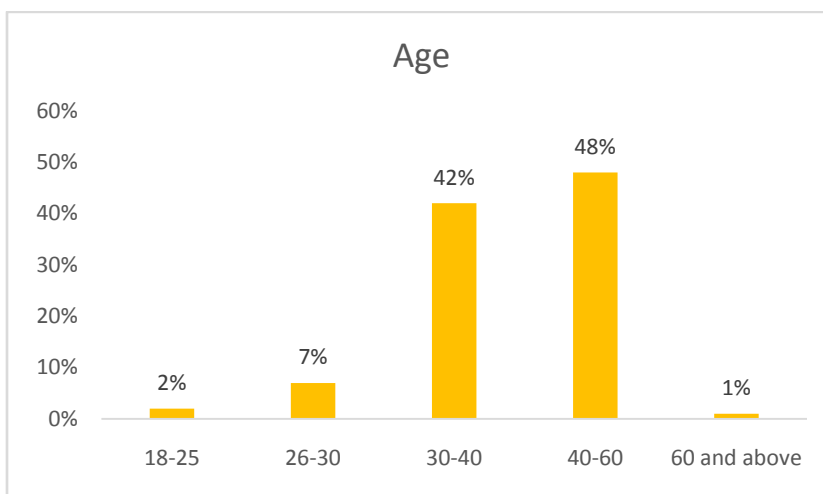


Figure 20: Age of informal women enterprises

Marital Status

82% of the informal women enterprises are married and only 18% are single.

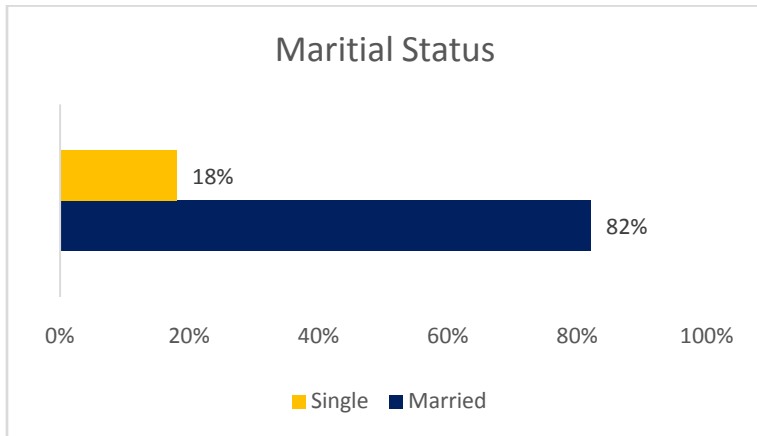


Figure 21: Marital status of informal women enterprises

Sector

65% of the informal women enterprises work in trade; followed by 25% in service and 7% in manufacturing, 2% in agriculture, and 1% in other sectors.

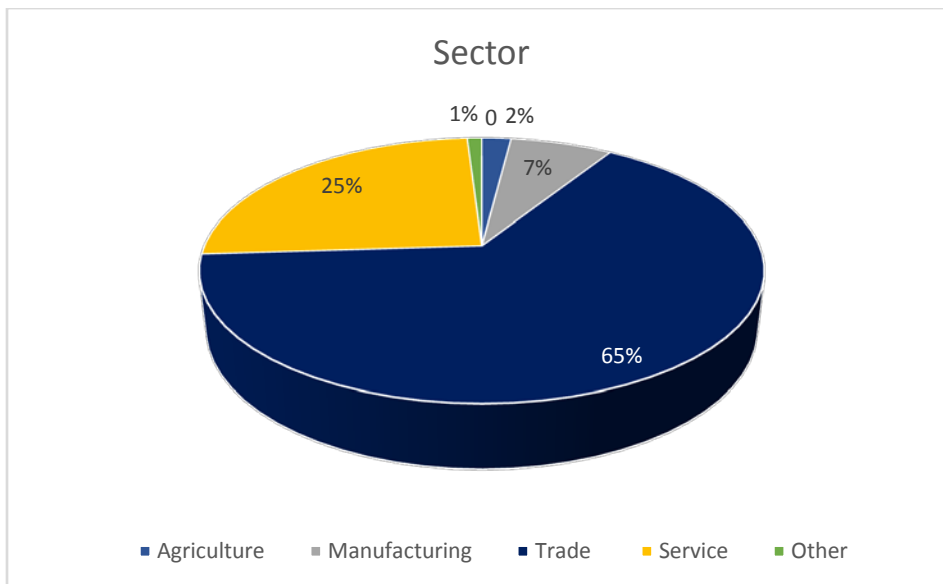


Figure 22: Sector distribution of informal women enterprises

Number of employees

100% of the informal women enterprises have less than 5 employees.

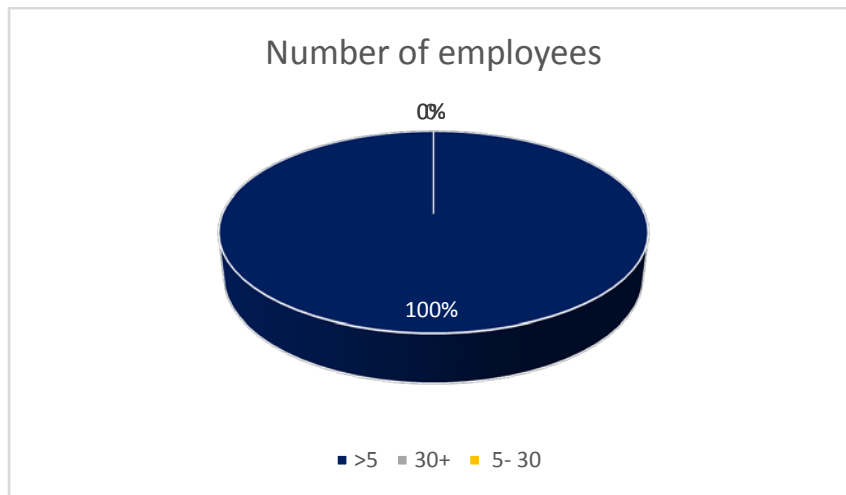


Figure 23: Number of employees of informal women enterprises

Application for loan

66% have never applied for a loan and 34% have previously applied for a loan from a formal financial institution.

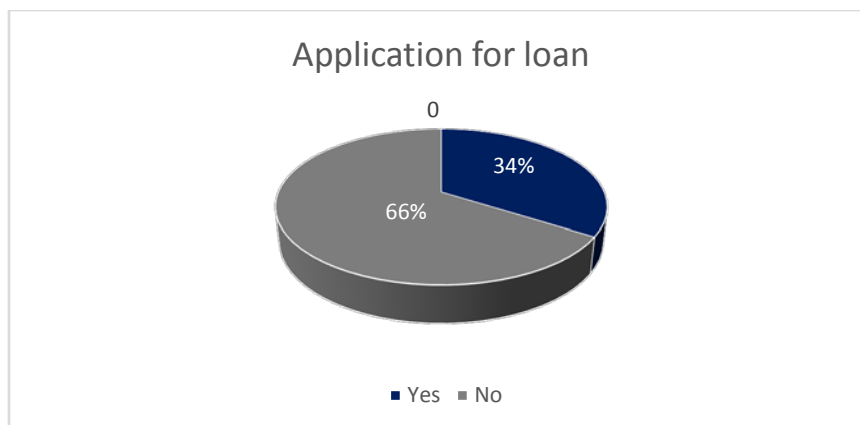


Figure 24: Loan application for informal women enterprises

Amount of loan taken

Even though 34% of women applied for credit only 27% have accessed credit. Out of these 23% have received a loan of less than ETB 50,000 and 4% have received finance between ETB 50,000-100,000. 73% haven't received any credit from a formal financial institution.

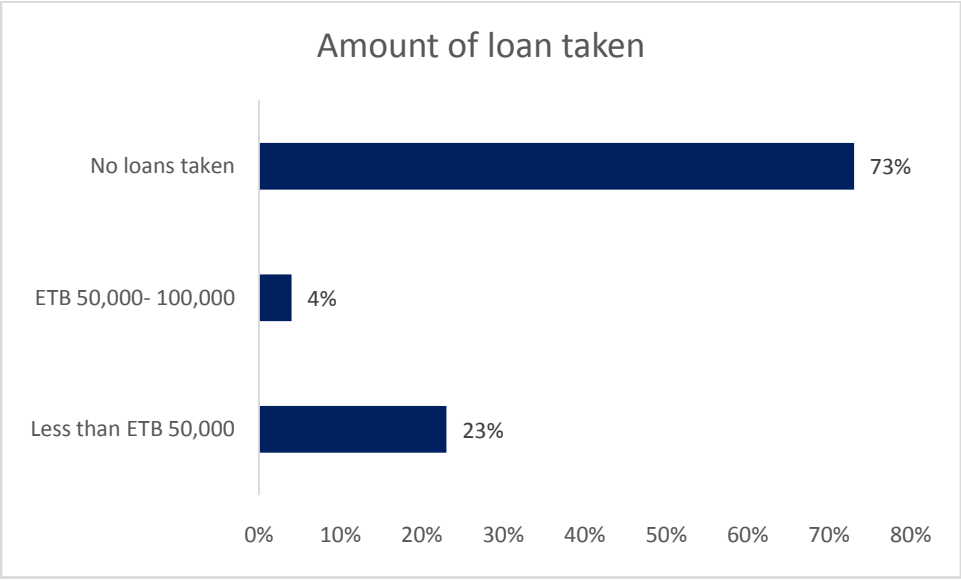


Figure 25: Amount of loan accessed for informal women enterprises

Collateral possession

97% of the women enterprises operating informally have no collateral possession they can provide to an FI. Only 2% have a house and 1% have a land certificate.

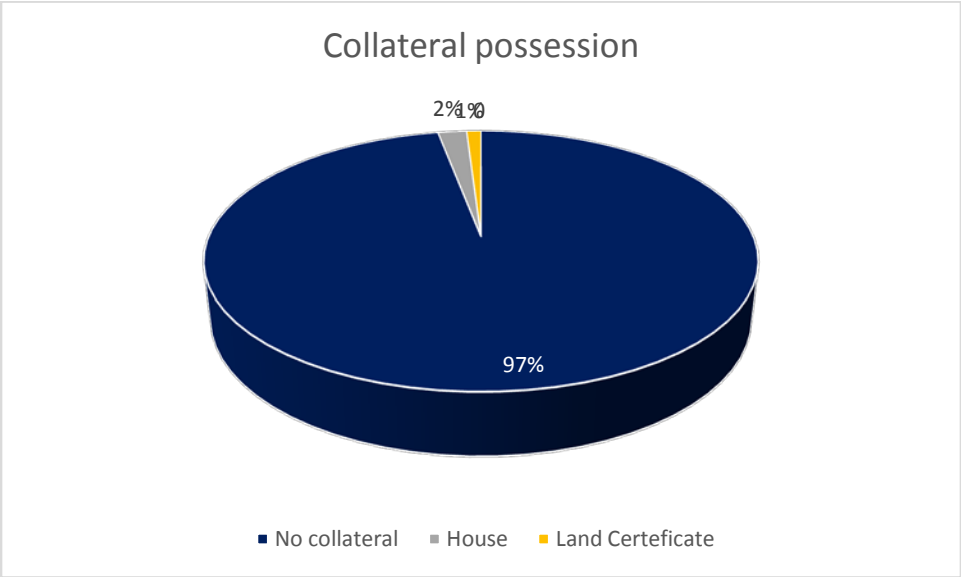


Figure 26: Collateral possession of informal women enterprises

Education level

51% of the women enterprises operating informally have an elementary education followed by 27% has a high school education, 16% haven't received any education at all and only 6% have received a graduate education.

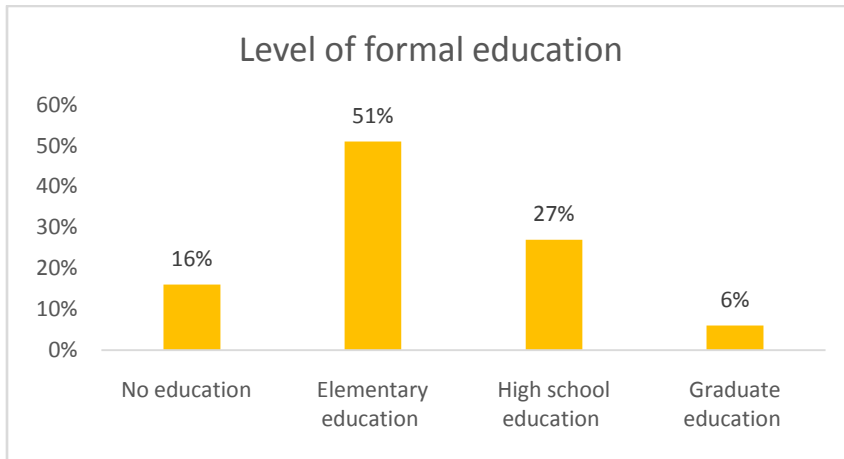


Figure 27: Formal education level of informal women enterprises

Bookkeeping Skills

41% of the women enterprises operating informally have received bookkeeping training. 59% haven't received any training regarding bookkeeping or financial management.

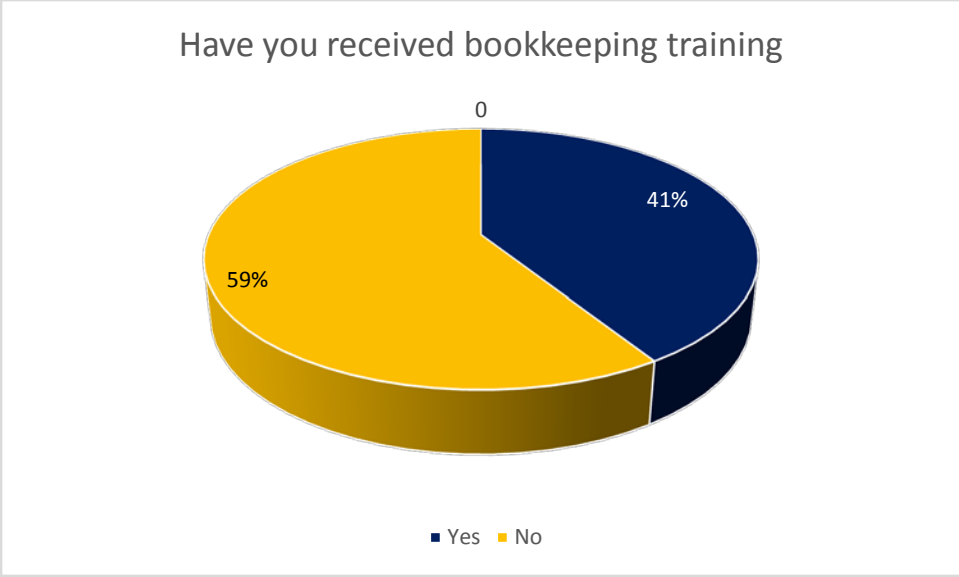


Figure 28: Bookkeeping training of informal women enterprises

As can be seen from the above descriptive analysis, the age range of both formal and informal women’s enterprises falls between 30 and 40. 61% of the formal enterprises are between the age of 30 and 40, and 42% of informal women enterprises fall in the same age range. Most informal women enterprises (48%) are between the age range of 40 and 60%. 59% of this business’s age is above 5 years.

Regarding marital status, both the formal and informal women’s enterprises have similarities 84% of the formal women’s enterprises are married while 82% of the informal enterprises are married as well. 18% of informal are single, similarly, 16% of the formal enterprises are single. This implies that both formal and informal women-owned enterprises have dependent on their households.

Sector-wise there is a similarity between formal and informal enterprises. 53% of the formal women’s businesses are in trade. Alike that, 65% of the informal women’s businesses are also operating in the trade sector. 31% of the formal enterprises are in the service sector and 25% of the informal enterprises are also in the service sector.

When we consider the number of employees, we see that formal businesses have a high capacity for job creation. 86% of formal enterprises have an employee less than 5, followed by 13% have

an employee between 5 and 30. 1% has an employee greater than 30. Whereas 100% of the informal businesses have an employee of less than 5. This shows that most informal women's enterprises are survival based and unless they scale up, their potential for improvement and job creation will be low.

90% of the formal women enterprises have applied for a loan. Concerning the informal enterprises, only 34% have applied for a loan. It can be concluded that formal women entrepreneurs are more comfortable going and applying for a loan from a formal FI.

In this study applying and accessing loans are seen differently. Even though the application process is mandatory to get the loan; it doesn't necessarily mean that every applicant will be granted a loan. From the formal enterprises 50% have received finance of ETB 50,000 or less 10% have accessed between ETB 50,000-100,000. 1% have received a credit between ETB 100,000-150,000 and 20% have received credit between ETB 150,000-200,000. Only 11% didn't take any loans from formal FIs. In comparison to informal enterprises, 73% of them have never taken any loan from an FI. 23% have received a loan less than ETB 50,000 and 4% have received a loan between ETB 50,000-100,000. This indicates that formal women enterprises are more likely to access credit than informal women enterprises.

On the descriptive analysis above, both formal and informal women enterprises see it as mandatory to have collateral to access credit. Even though 89% of formal women enterprises have accessed credit, only 42% of them have collateral, (30% have a car, 8% have a house and 4% have both a car and a house). 58% of the formal women enterprises have no collateral whatsoever. From informally operating women businesses 97% have no possession of collateral. 2% have a house and 1% have a land certificate.

When considering the formal education level of formal and informal WEs, we see that there is a gap between formal and informal women entrepreneurs. At least 54% of formal WEs have

received a high school education only 27% of the informal women businesses have received a high school education. While 34% of formal WEs have passed through a graduate program, only 6% of the informal women enterprises have passed through a graduate program.

Separating business from personal consumption is one of the paramount rules to succeed in business. Bookkeeping plays a key role in keeping an account of business expenses and tracking revenue and costs. 95% of the formal women enterprises have taken bookkeeping training and only 41% of the informal businesses have taken such training. This indicates that formal women's enterprises track their accounts sufficiently while the majority of informal women's enterprises leave on daily incomes and often profits from the business go to consumption.

Generally, this analysis concluded are formal women's enterprises are more literate and have better access to credit than informal women's enterprises. Being financially literate is helpful as FIs ask for financial statements and bookkeeping skill is a mandatory skill to understand and prepare financial statements.

4.2.15 Other Variables and their relationship to Access to Finance

Other variables have also been considered while administering the questionnaire to the respondents. When answering which financial institution is more accessible to women enterprises, it can be understood that they know the existence and operation of institutions like SACCOs, MFIs, and Banks. The descriptive analysis exhibits that generally, small-scale women entrepreneurs had a positive perception of formal and semi-formal financing institutions like MFIs and SACCOs where cumulatively 61% of the respondents replied they can access finance from MFIs. Whereas a cumulative of 91% of the respondents find it easy to access credit from SACCOs. The respondents confirmed that even though the closeness of financial institutions is advantageous for them in helping with repayments, it doesn't necessarily ensure they will secure a loan from the finance institute.

In comparison to males, women encounter more challenges in meeting know-your-customer (KYC) standards at banks among other financial organizations. This unfairly limits their access to financial services. According the government of Ethiopia should consider how it could better

ensure women were increasingly included in the national identification program and give priority to women. A study from Alene, E. T. (2020) reveals that women entrepreneurs paying lower taxes can increase their profits and expand for a longer period than those that pay higher taxes. Thus, the government should consider giving tax advantages to women entrepreneurs, especially women-owned micro-enterprises, and develop regulations that encourage women entrepreneurs in Ethiopia.

From the life story interview conducted, the researcher generalized that women with more household dependents are less likely to develop their enterprises, and the majority of their earnings go to support their families rather than their businesses. This is reflected in the descriptive analysis where 69.5% of the women have never received bookkeeping training while 81% of the businesses don't have accountants in their firms. According to the questionnaire administered, 82% of respondents were married and had more than one dependent in their household.

As for finance, many women entrepreneurs choose to use their social networks and financing systems like Equib instead of traditional financial institutions. Most started their business either with their saving, family or friends' loan, or Equib.

4.2.16 Qualitative Data Analysis of the life story interview

The researcher has conducted a life story interview with six women enterprises. Below is the detailed narration of the interview.

Sisay Teshome

Business: Fruit and Vegetable

Sub-city: Yeka

Sisay was born at Dukem in the farmers union. She is the daughter of farmers. she came to Addis Ababa after her mother passed away and she stayed with her relatives. She encountered a fallout with my relatives. She left home and went to a broker. She started working in different houses whilst she continued her studies on the night shift. She started to work on shifts. That enabled her to have spare time.

That's when she decided to start her own business. she didn't pass my grade 8 matric examination. She has tried to take it once again in private, but she still failed. Then she started to learn sewing at 6 kilos in front of Yared music school. she had a certificate from that TEVT. She couldn't find a job with what She have learned. That's when she decided to get married and have kids. She has three kids. One is 1, the other 5, and the older is 8 years old. She supports her kids with what she sells on the daily bases.

The most pivotal moment in her life is the time she left her aunt's house. Her niece told her "Do you think you will be making any change in your life by learning?". At that moment she said that she has to prove him wrong. Studying while working at someone's house is tough. Sisay used to help out this woman named Shewaye. She had a corner shop, and Sisay used to help her out in my spare time. Shewaye provided her with food and a place to stay.

The market price of goods has increased, and she has to also pay rent; with the three kids she is supporting it is a bit tough. My total household including her is 5 in total. She has to support the other 4 people in the household.

The one opportunity she grabbed was in the TVET education she had. She used to sell clothes on the street as well. She firmly believes that change will come on trading not being employed. After graduating from TVET, People suggested that work at Ambassador as a tailor with a salary of ETB 300. She thought "Life will only go down after that."

Education has enabled her to live her life with a plan. The biggest challenge she is currently facing is house rent. The house rent is ETB 3,500 now; which is escalating overnight. It doesn't have a proper restroom, and the sanitation system is horrible. During COVID she received support from the Ras Aid women saving group around Saris. Most of the goods she has she buys from "Atkelet Tera" this is at early dawn. Since all are in a rush and she doesn't see the goods, some may be rotten. Vegetables are usually perishable; this increases the probability of loss.

One of the biggest factors that pushed her to start her own business is the requirement for experience in formal offices. Having the certification is not enough and It needs a recommendation or relative. This was back in 2003 E.C. Ambassador needed a lot of employees at the time, and due to lack of experience, the salary they offered was ETB 300. She started selling socks on the street. The capital to start that business was ETB 1,500. She used to work around churches for religious holidays. She used to work at Shola Marketplace. She stopped that business after she got pregnant. She will raise her kids for two years and then give them to daycare to start working again.

After that, she started working as a cleaning staff in Derartu Building. The employer there told me she have to abort my kid or they will not pay me 3 months of my salary. She sued them at the Women and Children's Ministry around Kazanchis. After this incident, she learned that being employed was not for her.

The government has given her this place to work on. It has been 3 years since she started to work here, along with many women who have received such support. She used to sell cooking supplies. That didn't work during COVID. So, she asked the women around her, what alternative goods she could sell. She saw other women selling green cabbages. The dealers were not willing to sell to her and didn't answer my calls. Thus, she resorted to asking a friend who works in Legedadi to deliver the green cabbages to her that is how she changed her area of work.

To start the vegetable business, she wanted a loan. she heard the woman working around her saying that Dashen Bank is giving a loan so she went and asked for the requirements. The requirements include a marital certificate, birth certificate, etc. She hates going to the kebele. Instead of going through this process, She prefers to ask for the support of the people she knows. The process is very long. The bank asks for a personal guarantee! Who would be a guarantor at this time? Instead of giving a lot of money and asking for a guarantor, they could give a smaller portion of the money without asking for a guarantor. The government has given us a TIN but she doesn't have a license. She even visited Awash Bank, and one of the pre-conditions of the loan was to have a formally registered business with a proper business license. she can't afford to close my business for 15 days to process the license.

She believes that money is important but the process to get is a bit long. So, she continued her business from the saving of the previous socks and undergarment selling business. Her primary

source of finance is Equib. No individual is willing to give her a loan. She knows a bit about financing centers. she has taken a loan from Ras Aid three times. The last loan she took was ETB 3500. Once she repays that she wishes to take a loan of ETB 6000. She first heard of Ras Aid from the other women that work around me. They trained them and opened a bank book for them. Then they start saving. The first loan amount was 1,200 then 1,500 then 3,500.

She doesn't keep a tight record of her spending and revenues. How she keeps her account is when she purchases the good that she will be selling for tomorrow, there will be spare money remaining. That money will go to Equib or be put aside. She doesn't go to banks to save. She saves it at home a usually it pays the house rent, or milk for my child. she has taken courses on money utilization and trading skills. How to plan and time utilization. she even has a refresher training every 6 months. She has learned not to ever give my business money to other relatives.

She believes that the training she has taken was very useful. It changed her thinking. One of the challenges she encountered was this one time that she lost her and her friend's TIN Certificate, badge, and money. She lost all hope at that time. She told it to a few people and the supplier. They told her that it will be fine and gave her the goods she will purchase on credit. Currently, there is a lack of some goods, which affects her business heavily.

She hasn't gotten that much support from individuals. And the Kebele administration thinks that she is benefiting from multiple NGOs while in reality, we haven't got significant support. Money is the major shortage. It will be good if she could access credit by using her ID.

Her plan for the future is to open a boutique for Kids' clothes and shoes. This work is tough because she has to get up early 3:00 AM to buy the goods from wholesalers and retail them later. She plans to work in the daytime. She has no regrets. She envisions being a shop owner. She doesn't think of the past much, she always look forward to the future. In her opinion, age is the biggest school, and she learned a lot as she grows old. With a plan, she says "If we have a plan, life is very simple"

Name-Bethlehem Aseged

Business -Tea, coffee &Food

Sub-city: Lemikura

She was born and raised in the Feil Woha neighborhood of Addis Ababa, raised by her father and family. She attended school in Addis Ababa. She attended school up until her tenth-grade year before taking some courses, stopping to start a teaching program, and starting a teaching career. That helped her in her attempts to teach in other places, but when she saw that she wasn't making any money, she decided to work toward starting her own business. She begins to prepare and trade seasonings. That's where she met her future spouse around the same time, and she eventually got married. Eight years have passed since she got married. Since then, she with her husband have worked together to prepare small-scale catering cuisine.

Starting and running a business is challenging for her especially when no loan is available. That, in her opinion, is the toughest problem. Despite not having the necessary funds, she struggled to grow her business.

She is determined to pursue anything that she believes has the potential to bring in money. She does all of her work; she doesn't choose between jobs. she considers herself to be an entrepreneur who operates without any outside funding.

The only thing that still drives her was the desire to Start a business. When she first started in 1996, wire phones were being introduced frequently, so she had one at the time and charged customers for calls. she then tried working as a sandwich salesperson for a while before switching to her current position in food preparation for catering. In addition, she continues to do a variety of jobs that may pay her money to improve her life. She then started making and selling seasonings and spices. But it was too difficult for her to expand further given her limited resources and the intense competition in the marketplace. As a result, she stopped doing that and began selling grains under the "Rema" brand. It was well recognized by that time. on the side, she began selling clothes, but it wasn't successful thus, she changed to a yogurt shop. selling food, coffee, and detergents independently.

Unfortunately, she lacked the necessary funds to begin her own business, so she created a business connection to carry on. She makes connections with other businesses by taking things on credit and paying after she sells the goods. She also sells products like coffee and detergents on loan from people she knows, which she then sells and pays back despite not having the necessary capital.

She started her business buying goods on credit from distributors and Ekuib, Additionally, she has received a loan from certain institutions, such as vision microfinance and others to keep running the business. The hardest part, though, is when the due date for the loan's monthly payment arrives and there isn't much left over to pay due to the business's poor performance. Such as Vision Fund and Addis Microfinance. These two organizations help her a Lot. As that time, neither family nor friends are prepared to help, and if you have already taken out a loan from the microfinance you have nowhere else to turn. Finance Institution She is aware of the Addis microfinance and vision funds. The steps are obvious. But they will only lend up to a certain amount.

To understand the state of the business, she and her husband compute the profit and loss of the business. Her account is continuously under review. She is aware of her expenses and tracks them daily. Every night, they calculate their daily profits and expenses. They invest some money in the business, some in savings, and some in living expenses.

She has taken numerous courses about goals, business development, and saving from a variety of organizations, including microfinance. Even though inflation makes it difficult to put money aside, saving is still crucial. It is essential to set aside money for saving and to use the money responsibly. The training was helpful and it modifies her viewpoint on priorities and saving in some ways.

Bankruptcy is one of the difficulties businesses face. Because it is difficult to foresee what will happen without trying. Failure is difficult on its own. Any business started should be profitable, and if it isn't, one should adopt a different approach every time one tries something new to be successful, learn from mistakes, and never give up.

Bethlehem is content with her life and delighted to have a lovely family and a fulfilling relationship with her partner. She wants to better her business and let it grow. She also wants to run a café and a restaurant because she wants to be successful at what she does and make people happy. She has a dream that she wishes to work towards. She dreams to develop a means of subsistence for people other than herself.

Bethlehem is a workaholic ; she says that the only drive is an innate need for work and never giving up. If giving up was the answer, she would have plenty of excuses. The only regret she has is leaving her father's house even if she didn't agree with all of his views. Even after she expressed her regret to him, she still feels as though she hasn't been forgiven. she had a challenging journey after leaving, especially as a young woman.

There have been many failures in other areas of her life, but she has never given them a place. she finds it boring to discuss failure. Because she believes that there is always a way to overcome a challenge. When she looks back on her life's journey, she is amazed that she hasn't failed. She is grateful that she has something to offer the world.

Badowerk Naser

Business: Tea, Coffee & Food

Sub-city: Kirkos

She was raised in Gunchere. Her early years were great and she had a wonderful family. Unfortunately, she was not given the chance to attend school like other young people her age. She has worked at numerous businesses that paid her well. After being married, she stayed there for five years before moving to Addis Ababa. At the time, her husband and she were residing in Addis. She had frequent illnesses her sister in Addis Ababa offered to help her receive medical attention and moved here 12 years ago, and now she has 2 kids. An infant and a 12-year-old. After she got married, her life became even more difficult because she had no other financial means and her income was not and is still insufficient to meet all of the family's needs. Her husband has little interest in looking for a job, therefore she is left to carry all of the weight to support the family. Then her parents passed away. Due to the high cost of living she relocated to several different places in search of a reasonable rental. When she was unable to pay my rent, there was a disagreement between her husband. Then she left the house for two years. People

tried to help her husband by promising to pay the rent so she could return home. She tried to earn a living lot of other ways to make money before she started selling sambusa and washing people's clothes she have overcome many challenges. It has been difficult for her because of her poor health and the subpar quality of our lifestyle. She always says “It’s for my kids”!

Having health concerns and not being able to support her children is a very challenging situation for her. The most difficult time in her life and the one that wounded her the most was when her firstborn quit attending school because of the family’s financial problems and the public school's distance from where we were living. Her daughter was a bright child who even won first place in classes, which made her feel even more sorry. Her daughter is now enrolled in school.

Her parents and sister inspired her to work. She then proceeds to sell sugar and bread to support her family. She initially started selling roasted corn on the street, then she purchased equipment to help her make fries and sanbusa with the support of an organization. She currently sells coffee and tea, and in her spare time, she washes people’s clothes.

She mentioned that she never had any finance-related training. She appreciates the retailers who offer coffee in grain form. She bought the coffee on credit and paid her debt with the money she earned from preparing and selling coffee. She doesn’t know about getting a loan from a reputable institution, but she does know some of the requirements and the interest is what prevents her from getting a loan. Fortunately, she gets a loan from the folks from whom she purchases supplies and pays them back after sales. She is aware of institutions lending money. However, the risk is that she may not be able to pay back the loan, so she prefers creditors.

Since she doesn’t have much money, she doesn’t know her business' profit and loss. she set aside some cash for tomorrow's coffee bean buy, and I'll spend the rest for living expenses. When she had more money, she used to save money, but lately, she doesn’t have much to save. Some of the major challenges she had in life are Inflation, not having the money to start her own business, and finding a place to work are all challenges.

She wishes to improve the lives of her children. She knows she can provide a better life for her children if she had a place to call home. she hopes for my children to receive the necessary education and a better standard of living.

As for her business, she wants to expand her coffee store and give her kids a better life. What drives her to work came from seeing her business make money.

The regret she has is she occasionally questions whether she should have had another child since she couldn't meet the needs of my firstborn due to my financial situation, she has given up on having another child.

W/ro Alem Benzu

Business: café And Restaurant

Sub-city: Ledeta

Her family-owned a large juice cafe in the heart of Merkato. Growing up, She observes how her family runs enterprises. She was raised in a big family. She has 7 siblings out of which 5 were boys. She is the older sister.

She progressed her studies till her diploma. She eventually started a business and has spent the last 16 years working on it. When she was pregnant with her first child's twins, it was difficult for to operate the business. She had three kids in three years.

She doesn't have anything she considers to be an opportunity because she was successful after starting her business. Being married and having kids is what she thinks of as a chance. She currently has four children that's what she sees as an opportunity.

Maintaining a healthy balance between her career and family obligations has been a challenge for her. It is essential to have a means of support. Growing up W/ro Alem has witnessed her family operating a business, A huge juice bar and supermarket owned by her parents. Thus, that shape her idea and perspective on business.

She remembers how difficult and time-consuming her family's business was, so she didn't want it for herself. She, therefore, considered starting a clothing company. she decided on the

clothing/garment sector. Moreover, she was immature, so things didn't turn out the way she had anticipated. she had to move to this business café and restaurant business.

She received her initial capital to start her business from her family. It was going well for a while as she even began importing some clothing from Dubai. She tried to move it forward two years before switching to a different business. But things didn't turn out the way she had anticipated.

She has made several attempts to get a loan from a bank. She planned to utilize the loan to run her business. And she makes timely loan payments. She started her finance journey with microfinance grown to banks. Some, however, have a high-interest rate. This presents a difficulty to her. Most often, especially with microfinance, when applying for a loan, chances of getting it are slim.

However, over time, she chose to use a bank as my primary source of credit. she used it numerous times, but it's a laborious application procedure. The loan application procedure could take up to a month. she uses collateral to get a loan. Initial institutions frequently visit and evaluate my company's performance before approving the loan.

She is aware of some microfinance in addition to banks, such as Sheger and Addis International.

w.ro Alem always keeps track of her income and expenses. She has an accountant on staff. Her upbringing has taught her about bookkeeping. She uses Ekub to save money. Its essential techniques.

She purchases goods and stores them in a storefront. Due to inflation, she won't pay the same amount tomorrow for what she can purchase today. So, having a store is an excellent idea to be safe from inflation and she also considers it as a way of saving money.

Her employees have been with her for the last 15 years. Some even live together with her. She receives financing from several banks, including NIB International Bank. She can now run her business better because of that. She underlines that if she has the chance to get a loan, she is confident that her company will grow and expand. She has also assisted her spouse to start his own business and he has become successful swiftly.

In her life journey she has face a major challenge when she first opened a motel in Kasanchis, she was forced to shut it down because the authorities required the space for another use. She had

run it smoothly for four years. COVID was also another challenge. It was challenging for her to make the payment without the firm operating. She still had to continue making monthly payments to all of her employees at that challenging time. Once all of that futility, she renovated her palace and resumed work once the pandemic had ended.

The major motivation to her was the profit she garnered from her businesses. The regret she had is turning down her family's offer to give her his business. Since the working conditions there are harsh, she declined to accept it. W.r.o Alem wishes for growth for her business. Although she is aware that she could have achieved more, she is still appreciative of what she has.

Bewongel Kibre

Business: nail salon

Sub-city: Bole

Bewongel grew up in Addis Ababa where she was born. She is a third child to her parents. She studied business management for her undergraduate degree. She did well in her class but she always had a passion for business. Around 2011 E.C., she completed her degree. After graduation, several job offers came her way. She started as an assistant but decided to quit and start her own business. Thus, she started a cosmetics store and then aligned it with the nail manicure and pedicure in the cosmetics shop. she didn't take a course to learn it she learned by observing her sister doing it. After starting the cosmetics business, her income from the nail salon starts to increase. She attributes all her success to the nail salon. It has been two months since this sector completely shifted.

Continuing the business has been difficult for her following government regulations on cosmetics import. She is single and leaving with her parents. A very challenging period for her was during the Pandemic, she struggled to get her business back on track. But this challenge has taught her a lot. Given that she had no one teaching her about business. That challenge greatly influenced how she approach business. She had to battle the challenges by herself. It has taught her patience and to never give up.

No opportunities were presented to her; she has to work hard to achieve her goals. She enjoys her business as long as it brings in revenue. She mentioned that the class she has taken has helped her to learn business terms thanks and better her communication skills but most importantly, it has helped her make better financial decisions.

She started working as an office assistant for three months but decided to quit and start her business she was never successful in that position. She commenced her cosmetics shop with money she has borrowed from a friend. For the first couple of months, business was great. she quickly repaid her friend's debt but unfortunately, our government changed the currency at the time. Additionally, the war and inflation began. Then, new policies were introduced on the imports of cosmetics. All of this hurts her business and knocks her off the market. She couldn't stay in that Cosmo business, but fortunately, her nail-painting skills improved, and she was able to transition to the manicure salon industry. Even though it was reasonable to quit at the time, she persisted and now feels proud of the resilience of her business.

To rescue her business from closing she had taken applied for a loan from Yemeserach Microfinance. But her request was rejected due to not having sufficient collateral. Her advice for small businesses is to find alternative means of obtaining financing without the use of collateral. Without a loan, operating a business is impossible. The system is subpar in light of this. She outlined that she asks her family and friends for a loan. In addition, she utilizes Equib.

She mentioned that she is familiar with banks and microfinance and she is aware that all want collateral before giving loans. She doesn't inquire further about any financial institutions because she doesn't have any property to provide as collateral.

Her expenses include housing rent, supplies for manicures, and compensation for her employment. In addition, she keeps a track record of her earnings and expenses. And Thanks to Equib, She also saves money.

When she first started seeking a loan to launch her company, things were difficult. she tried a variety of borrowing options but was unsuccessful but one exceptional friend was willing to lend her the necessary amount thus, starting her business.

She has an additional business plan to train housekeepers how to network with potential employers. She thinks that will benefit women the most. She doesn't have any regrets in life

because she learns from her mistakes and never repeats them. She is grateful that she is living a life that she truly feels she has chosen.

Alemnesh Leka

Business: Store

Sub city: Akaki Kality

Alemnesh was raised in a remote community called Metu near Elubabur. She was in ninth grade when my mother passed away. By then, her father was employed in Addis. She moved to Addis and she began her life. She has three other siblings and she is the firstborn. She found a job at the factory and worked there for 3 months. Then she received a passport to travel to Saudi. After spending two years in Saudi Arabia, she returned to Addis Ababa. She then went back a final time, spending another two years there. she was supporting her siblings' education while working there. Her intention was not to stay in Saudi. She went there to work to save up money to start her own business.

Alemnesh was responsible to look after her siblings. She requested the school to give her a working area nearby after she discontinued her class. They gave her a space to work on, which she appreciated. She then began brewing tea and coffee and began to earn money. She learned how to run a business there. She has no opportunities to speak of and she earned everything by working hard.

One of her life difficulties was the poor self-esteem she experienced while living in Saudi. Other than that, there aren't any obstacles worth mentioning. The people who accommodated her in Saudi were kind.

She planned to open a shop, and she thought of renting a store. She called a landlord and explain her strategy. The landlord declined because they believed the business won't be successful. By then, she had 50,000 Birr which she invested 20,000 birr to start her business. She purchased a portion of a share at a microfinance institution with the remaining money. She intended it as a bounce-back plan in case her business doesn't go as she had hoped, she will still have a share of microfinance.

She has never imagined herself working for someone else as an employee. And she used to run a business selling ready-to-eat fruit, among other things, and she used to earn some money. She then started the tea and coffee with that money. She hasn't received any loan from a financial institution to start her business. She used her savings. She tries to avoid dependence to lead a debt-free life. She never bothered to look for a loan. Alemnesh said that she knows nothing about financial institutions.

She also mentioned that she doesn't keep track of her spending and expenses and she has no idea how much money she makes in a month. If there is a profit she always buys inventories. But she also makes an effort to spend less money. She used to save 300 birrs per day. She also used to have Equib.

The challenge Alemnesh faces is to control her income as her business grows. Even the amount of goods in my shop is unknown to her. She handles her business alone because it is challenging to hire staff. she never leaves her place of work; she lives and works there, thus affecting her social life as well.

She has a vision to hire people. She also wishes to have support which might be a loan or training to grow my business. She also wishes to switch locations to an ideal working place. She plans to transition from being a self-employed businesswoman to a businesswoman.

Analysis

The above life story interview shows that different women have different needs. While women like Alemnesh are scared of loans and don't have bookkeeping skills; women like W.ro Alem have experience in running their businesses, have taken multiple loans from financial institutions, and have managed to employ 15 employees. Some women might have the privilege to group in business-oriented families whilst others may not even have the opportunity to go to school.

Based on the Interviews conducted, the researcher found the fact that female entrepreneurs do not borrow very often to invest in their business was partly because of a lack of collateral and partly because they do not feel comfortable making financial decisions. As can be seen from the interviews above most of the respondents are married thus, mostly engaging their significant other in most of the financial decisions they make. In the case of Badowerk Naser for example,

she has to support her entire family including her spouse by selling tea, coffee, and food. This means that all her earnings are going to support her household and not the business.

Each story highlights the challenges of accessing finance for starting and running a business in Ethiopia. Almost all women entrepreneurs interview faced difficulties in obtaining a loan due to the complex requirements, lack of a formal business license, collateral requirement, and interest rate. Despite this, they managed to start their own business by using financing methods like Equib, taking things on credit from suppliers, and making connections with other businesses.

Some of them have received training from NGOs like Ras Aid and Care Ethiopia. Most of them stressed the need for proper record-keeping and tracking expenses to understand the state of the business, but basic needs have to be met before thinking of business. The women's micro-enterprise uses their revenue to buy supplies for their kids and household. It is really hard to keep track of and separate their business from consumption. Only 19.5% of the women enterprises have an accountant in their firm.

When it comes to accessing credit, most rely on Equib. Some went to formal FIs but they request formal business registration, charge high-interest rates, and requires collateral. Even if after all this procedure FIs approve the loan, they have set a maximum borrower limit. And that is not sufficient enough for business growth and expansion.

4.2.17 Conclusive analysis

Based on the descriptive analysis, research question one asks do women entrepreneurs find it hard to access finance? Up to 73% of the respondents mentioned that access to finance is one of the major obstacles or severe obstacles to their growth. 17% mentioned that it is a moderate obstacle; 9% said it is a minor obstacle and 2% said it is not an obstacle or it doesn't apply to their business. This for a start proves that the obstacle of accessing credit does exist and it is worth exploring why women are facing this obstacle.

For the research question "Do collateral requirements affect women entrepreneurs access to credit? and if they do, what are the collateral types." 77.5% said don't have any collateral under their name, while 14.5% own a car, 5% own a house and 2% have both a house and a car. Only

0.5 has a land certificate and the other 0.5% has other assets. According to respondents, they disagree that the form of collateral they have is not accepted by financial institutions. The majority of respondents (36% strongly disagreed and 23% disagreed) outlined that their spouse allows them to use available collateral to borrow from financial institutions. This means that women don't have access to the collateral of their spouses. 45% of women are uncertain and 35% of them disagree that finance institutions are considerate of their ability to pay back loans rather than collateral. In the final statement, 80% of the respondents highlighted that demand for collateral is one of the critical challenges that is hindering them from accessing credit.

For the research question "Do interest rates charged by financial institutions affect women entrepreneurs' access to finance?" 95% of the respondents either strongly agree or agree that FIs charge a high-interest rate. Another 97% responded that it discourages them to take a loan from FIs. This shows that the cost of financing is very high and unfair for most women entrepreneurs.

For the research question "What is the role of a loan history in receiving a loan for women entrepreneurs?", 71.5% of the respondents responded that they account for their books periodically. 30.5% have received bookkeeping training and only 19% have an accountant employed at their company. Of those who have an accountant and have received bookkeeping training, it has ameliorated their financial performance and enabled them to keep a keen track of their expenses and revenues. They have also mentioned the FI's confidence increases when they review the financial statements of the enterprise.

For the research question "What is the role of women entrepreneurs' education level in determining their credibility to receive finance?" Most women entrepreneurs haven't progressed their studies once they have started their businesses. 60% and more women in MSMEs don't think their academic qualifications doesn't affect their decision-making in business. 47% of them access useful information about their business. 49% of respondents are uncertain if the level of education they have has helped them to successfully run their business. Furthermore 25% of the respondents either strongly disagree or disagree that the education level they have is helpful to the business they are running.

However, it is seen in the comparative analysis that formal women's businesses have better access to credit than informal businesses which have a relatively low literacy rate.

For the question "Can women entrepreneurs access a long-term loan?" The answer to this research question is no, due to majority (41.5%) of women entrepreneurs don't have access to formal credit, and those women who have accessed credit mentioned that their loan tenure doesn't exceed 2 years.

For the research question "Does women entrepreneurs prefer to go to financial institutions to access credit or do they prefer to use their social capital?" The responses indicated that they even started their businesses using the funds of their families and friends and heavily relies on Equib. 95% of the respondents mentioned that either it is accessible or moderately accessible for them to get finance from Equib. Another 86.5% said that either it is moderately accessible or accessible to acquire finance from their families and friends.

Finally, from the respondent's perspective, women entrepreneurs tend to prefer to use their social capital as an alternative means of finance instead of visiting formal financial institutions.

CHAPTER FIVE: Conclusion and Recommendations

5.1 Introduction

The objective of this thesis was to investigate the factors that affect access to credit for women entrepreneurs that are operating in 10 sub-cities of Addis Ababa; Ethiopia. The sub-cities included in this study are Addis Ketama, Akaki Kality, Arada, Bole, Gullele, Kirkos, Kolfe Keranio, Lideta, Nifas silk lafto, and Yeka. The previous chapter has highlighted and interpreted the findings of the study obtained from the analysis of data collected. This chapter will summarize the findings, draw a conclusion and offer recommendations to different stakeholders. It has also shed light on the gaps so that further research can be made by other researchers.

5.2 Summary of the Study

The document presents the results of a survey conducted to examine the factors affecting women entrepreneurs access to credit in Ethiopia. According to the survey, 77.5% of the respondents did not have any collateral under their name and 96.5% replied that FIs demand excess collateral to approve the loan amount they have requested. Thus, hindering them from accessing credit from FIs.

80% of the respondents replied that FIs require legal registration documents. While formal women's businesses have no problem providing such documentation, informal women entrepreneurs mentioned this requirement as one of the impediments to accessing credit. By the comparison analysis conducted 95% of the formal women enterprises have taken bookkeeping training and only 41% of the informal businesses have taken such training. This indicates that formal women's enterprises track their accounts sufficiently while the majority of informal women's enterprises leave on daily incomes and often profits from the business go to consumption.

Even though 89% of formal women enterprises have accessed credit, only 42% of them have collateral, (30% have a car, 8% have a house and 4% have both a car and a house). 58% of the formal women enterprises have no collateral whatsoever. From informally operating women businesses 97% have no possession of collateral. 2% have a house and 1% have a land certificate. Out of the Informalwomen-owned enterprises, 73% of them have never taken any

loan from an FI. 23% have received a loan less than ETB 50,000 and 4% have received a loan between ETB 50,000-100,000. This indicates that formal women enterprises are more likely to access credit than informal women enterprises.

This analysis shows that formal women enterprises have a better chance of accessing credit, at times even without having a hard collateral, have better bookkeeping or financial literacy, they have progressed in their formal education well. Whereas informal women-owned businesses have low financial literacy, 97% of them have no collateral possession and lack the minimum KYC required by the Financial Institution. This documents includes Business license, ToTor VAT registration document etc.

The survey also revealed that women entrepreneurs faced various challenges in accessing credit, including high-interest rates and service charges, lengthy loan disbursement processes, and excessive collateral requirements. Respondents also mentioned that most banks followed the traditional way of assessing risk and demanded hard collateral as risk mitigation. 95% of the respondents either strongly agree or agree that FIs charge a high-interest rate. Another 97% responded that it discourages them to take a loan from FIs. The survey further revealed that women entrepreneurs needed adequate initial capital to secure a loan and faced high early installments. Nearly all respondents agreed that finance institutions demanded excess collateral to approve the loan amount requested.

5.3 Conclusion

This paper had the objective to examine what are the major factors contributing to women's access to finance. To do so various literatures across the globe have been reviewed. According to the literature, the researcher has outlined the variables to be studied. Thus, starting a journey to examine the extent to which lack of collateral limits the access to finance by women entrepreneurs in Ethiopia; across the ten sub-cities of Addis Ababa. If Interest rates charged by financial institutions have any relationship to the accessibility of credit by women entrepreneurs; to find out the extent to which business management skills and lack of bookkeeping practice limit the accessibility of finance by women entrepreneurs. To assess these factors; a questionnaire was administered, and an interview was carried out.

For the research question “Do collateral requirements affect women entrepreneurs’ access to credit? and if they do, what are the collateral types.” 77.5% said don’t have any collateral under their name, while 14.5% own a car, 5% own a house and 2% have both a house and a car. Only 0.5 has a land certificate and the other 0.5% has other assets. According to respondents, they disagree that the form of collateral they have is not accepted by financial institutions. The majority of respondents (36% strongly disagreed and 23% disagreed) outlined that their spouse allows them to use available collateral to borrow from financial institutions. This means that women don’t have access to the collateral of their spouses. 45% of women are uncertain and 35% of them disagree that finance institutions are considerate of their ability to pay back loans rather than collateral. In the final statement, 80% of the respondents highlighted that demand for collateral is one of the critical challenges that is hindering them from accessing credit.

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For the research question “What is the role of women entrepreneurs’ education level in determining their credibility to receive finance?” Most women entrepreneurs haven’t progressed their studies once they have started their businesses. 60% and more women in MSMEs don’t think their academic qualifications doesn’t affect their decision-making in business. 47% of them access useful information about their business. 49% of respondents are uncertain if the level of

education they have has helped them to successfully run their business. Furthermore 25% of the respondents either strongly disagree or disagree that the education level they have is helpful to the business they are running. However, it is seen in the comparative analysis that formal women's businesses have better access to credit than informal businesses which have a relatively low literacy rate.

For the question "Can women entrepreneurs access a long-term loan?" The answer to this research question is no, due to majority (41.5%) of women entrepreneurs don't have access to formal credit, and those women who have accessed credit mentioned that their loan tenure doesn't exceed 2 years.

For the research question "Does women entrepreneurs prefer to go to financial institutions to access credit or do they prefer to use their social capital?" The responses indicated that they even started their businesses using the funds of their families and friends and heavily relies on Equib. 95% of the respondents mentioned that either it is accessible or moderately accessible for them to get finance from Equib. Another 86.5% said that either it is moderately accessible or accessible to acquire finance from their families and friends.

Finally, from the respondent's perspective, women entrepreneurs tend to prefer to use their social capital as an alternative means of finance instead of visiting formal financial institutions.

This paper examines the factors contributing to women's access to finance in Ethiopia, including lack of collateral, interest rates, business management skills, and other factors. The research concluded that accessing credit is a major obstacle for women enterprises in Addis Ababa, with up to 73% of respondents saying it is a major obstacle to their growth. Women entrepreneurs are unable to access credit due to financial institutions having high collateral requirements, high-interest rates, lack of access to long-term loans, and preferring to explore social capital instead of visiting formal financial institutions. These hypotheses are accepted based on the respondents' responses to the administered questionnaire.

This study also coincides with the empirical evidence which mentions that women had limited eligible collateral and they have typically lacked control over household assets. Our finds confirmed that 36% strongly disagreed and 23% disagreed that their spouse allows them to use

available collateral if the women cannot access the collaterals and other household assets of their spouses. This means that women don't have access to the collateral of their spouses.

Empirical evidence indicates that financial institutions don't have a product tailored to women and most often loan sizes and conditions were not suitable for women entrepreneurs. While loan sizes and conditions are strictly tight, microfinance institutions have a women-centric product called WEDP (Women entrepreneurship development project). This program addresses the challenge of accessing credit, the financial literacy gap, and entrepreneurial skill development.

The results from the MSME survey in Ethiopia in 2022 confirm that collateral requirements are the biggest constraint for microenterprises. FIs request high-value property collateral to extend loans to MSMEs to cover their loss in case of default. In Ethiopia, about 85% of the loans are highly collateralized with a collateral value of 296% of the value of the loan requested. Only well-known customers with good track records could access loans with a collateralization level of around 100%.

To address this challenge WEDP created a line of credit focused on women-entrepreneurs. By improving loan appraisal techniques, the project helped Ethiopia's leading financial institutions reduce collateral requirements from an average of 200 percent of the value of a loan in 2013 to 125 percent in 2018. MFIs that access the WDEP credit line are developing new loan products and recognizing new forms of collateral such as vehicles, personal guarantees, and even business inventory, which benefit women.

Thus, it is fair to say that some partner microfinance institutions have a product that is tailored for women entrepreneurs. The biggest gap of this project is that it excluded informal enterprises. Recent studies from the Ministry of Labour and Skills show that 71% of the enterprises in Ethiopia are micro-enterprises of which more than 60% are women-owned. This shows that even with several incentives like WEDP, there remains a large segment of underserved women entrepreneurs operating in the informal sector.

Informal micro companies are much more likely to be rejected for a loan than larger and established companies. The WB Enterprise survey shows that the rejection ratio for micro and small firms is 22.7%, or three times higher than that of medium-sized companies. Financial institutions, including MFIs, are risk-averse and prefer to channel their liquidity to well-known, low-risk customers that can provide sufficient bankable collaterals and show viable business plans.

Banks lag when it comes to having a women-centric product or credit line. The only initiative currently that is serving women entrepreneurs is the Enat Banks guarantee scheme implemented in partnership with USAID and SIDA. The proposed intervention is a guarantee designed to facilitate financing from an Ethiopian local commercial bank, Enat Bank, over 7 years to women and SMEs. The risks resulting from increased lending to the intended recipient group are shared by USAID, SIDA, and Enat Bank. Enat Bank retains 50% of the risk of loss associated with the increased loan portfolio, with the remaining 50% shared by SIDA and USAID. This guarantee will cover a total estimated credit growth of 10 million USD.

Therefore, the overarching goal of the interventions is to increase Ethiopian women's and SMEs' access to credit through the recipient bank. SMEs are anticipated to better fulfill their growth potentials, which are now constrained by financial repression in Ethiopia, through improved access to credit.

This implies that banks don't have the appetite to lend to women entrepreneurs who have a hard collateral. Both incentives were started and implemented by development partners. Local financial institutions don't consider women as a profitable segment and didn't design and product that could cater to women entrepreneurs' needs.

From the life story interview conducted, when it comes to accessing credit, women entrepreneurs most rely on Equib. Some went to formal FIs but they request formal business registration, charge high-interest rates, and requires collateral. Even if after all this procedure FIs approve the loan, they have set a maximum borrower limit. And that is not sufficient enough for the business growth and expansion the women entrepreneurs are looking for.

Empirical findings mention that women entrepreneurs also face challenges like inadequate credit assistance, working space issues, and infrastructure problems. This thesis partly supports this claim due to the finding that accessing credit is a major obstacle for women's enterprises. However, women entrepreneurs in Addis Ababa haven't mentioned the lack of working space as a challenge. Respondents formally registered pay rent and the majority of the informal businesses operate in the space provided by the government. They have to organize into a team of five and register at the nearby kebeles to access these working spaces.

The other empirical finding that aligns with the thesis finding is taxes. Mass of the respondents operating informally mentioned that they can't afford to pay taxes thus, preferring to stay informal. Having a proper business license and registration is one of the pre-conditions of financial institutions to avail of a loan. Thus, their informality is prohibiting them from accessing formal credit.

Youth in the informal sector suggest that the government should encourage and support existing companies seeking to operate legally by designating locations for informal enterprises to operate and resolving deficiencies in services that inhibit formal company operations. Before legislating those informal actors be legalized, local authorities should first provide a conducive environment for enterprises to function. The government should change its approach to small enterprises from merely assisting those organized into groups to supporting individual businesses that have proven capability and a desire in conducting business.

This aligns with the Ten-year development plan of the government which supports the homegrown economic reform. The development plan focuses on "women and youth" and aims to ensure the leadership of the private sector in the economy. The ten-year plan will work to change informal businesses to formal ones and aims to stimulate the increased participation of the private sector in the economy by creating a conducive environment and incentivizing the informal sector.

5.3 Recommendation

Based on the conclusions analyzed in the survey, it is recommended that financial institutions should revise their loan products to be more inclusive and flexible. They should also consider

alternative collateral types, such as business assets, and cashflow-based lending, using a psychometric behavior test and simplify their loan terms and conditions.

The first step to creating better access to credit for women entrepreneurs in Ethiopia is to address the underlying cultural and social barriers that prevent women from accessing financial resources. This includes investing in education and awareness campaigns that promote women's economic empowerment and challenge gender stereotypes. Additionally, policymakers and financial institutions should consider implementing affirmative action policies that prioritize lending to women-owned businesses.

Another important intervention especially for women-owned enterprises is to increase the availability of financial products tailored to the needs of women entrepreneurs. This could include loans with flexible repayment terms, lower interest rates, and smaller loan sizes. Policymakers and financial institutions should also explore innovative approaches to lending, such as peer-to-peer lending or crowdfunding, which may be more accessible to women who lack collateral or credit history.

The comparison email suggests that formal women's enterprises strive for acquiring knowledge, whereas informal women-owned businesses are dormant on literacy especially financial literacy. To ensure that informal women entrepreneurs have the skills and knowledge necessary to successfully manage and grow their businesses, development partners and NGOs should invest in training and capacity-building programs. These programs could focus on financial literacy, business management, marketing, and other key areas. By equipping women entrepreneurs with the tools, they need to succeed (preparing tailored training material), these programs can help to reduce the risk of loan defaults and increase the likelihood of long-term success.

Another important intervention is to create a supportive ecosystem for women entrepreneurs, which includes access to mentorship, networking opportunities, and other forms of support. This could be achieved through partnerships between financial institutions and women's business associations, or the establishment of dedicated incubators and accelerators for women-owned businesses. By providing women entrepreneurs with a supportive community and access to resources, programs can help to increase their chances of success.

In addition, financial institutions should provide more business management training to women entrepreneurs, especially in soft skills like bookkeeping and finance management. Finally, finance institutions should mainstream gender in credit access and be more transparent in their loan approval processes. FIs should consider designing women-centric products specifically tailored to address the need of women entrepreneurs, with much focus given to women in the informal businesses

Finally, policymakers and financial institutions should prioritize data collection and analysis to better analyze the unique challenges encountered by women entrepreneurs in Ethiopia. This could include conducting surveys and focus groups to gather information about the barriers to accessing credit, as well as tracking loan repayment rates and other determining metrics. By using data to inform policy and programmatic decisions, stakeholders can ensure that their interventions are effective and responsive to the questions of women's enterprises.

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ANNEX 1: Research Questionnaire

This questionnaire is designed to collect data on factors that affect access to credit for women in micro small and medium enterprises in Addis Ababa City. As such the survey is intended to provide indicators of how MSMEs finance and expand their operation and the financial institution they are trying to access the finance from. The outcome of the research will provide short and long-term solutions for the challenges the enterprises are facing. The data you will be sharing will not be used for other than the purpose intended and indicated here in the questionnaire. Thus, please respond to the questions honestly and truthfully.

PART A: General Information

Please answer the following questions by putting a tick (✓) where appropriate.

1(a) What is your age?

18-25

26-30

30-40

40-60

60 and above

(b) Gender of the proprietor

Male

Female

c) Martial Status

Single

Married

d) Nature and Sector of the business

Sector	Formal	Informal
Manufacturing		
Service		
Agriculture		
Trade		

Others		
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(e) Age of the business

- 5 years +
- 3-4 years
- 2-3 years
- 1-2 years
- Below 1 year.

(f) Number of employees

>5 () 5-30 () 30+ ()

(g) Does your business have a business license?

- Yes
- No

(h) If No to question g, can you please indicate what is preventing you from having a business license?

PART B: Access to Credit Finance Small-Scale Women Entrepreneurs

1. To what degree is access to finance an obstacle to the current operations of your organization?

Access to finance	No obstacle	Minor obstacle	Moderate obstacle	Major obstacle	A very Severe obstacle	Does not apply

2. Have you ever applied for credit finance from a financial institution? Yes () No ()

3. Does the credit finance offered by the financial institution affect the performance of your business ?

Yes() No()

4. In what ways can financial institutions increase the awareness of the credit finance services they have tailored for small-scale women entrepreneurs?

.....

5. How can you rate accessibility to credit finance from the following financial institutions?

Use a scale of 1-

5 where 1=Inaccessible 2=Slightly Accessible 3=Moderately Accessible 4=Accessible 5=Very Accessible 6=I have never used the finance means listed below.

Credit giving institutions	1	2	3	4	5	6
Banks						
Micro Finance Institutions						
SACCOs						
Lease Finance						
Equip						
Family & Friends						

6. Based on your response to question number 5, please explain which alternative means of finance you prefer and why?

.....

PART C: Factors That Determine Access to Credit Finance by Small-Scale Women Entrepreneurs

SECTION 1: Collateral

1. Indicate the form of collateral in your possession

- (a) House () (b) Car () (c) Land Certificate () (d) Other (Specify).....

2. The lending institutions in my area require collateral

- (a) strongly disagree () (b) disagree () (c) uncertain () (d) agree () (e) Strongly agree ()

3. To what extent do you agree with the following aspects of collateral and accessibility to credit finance by micro small and medium enterprises?

Use a scale of 1-5 where (1) Strongly Disagree (2) Disagree (3) Uncertain (4) Agree (5) Strongly agree

Questions	1	2	3	4	5
The form of collateral is acceptable by the Finance institutions					
The value of my collateral is adequate to guarantee me access to credit facilities from financial institutions					
My spouse is willing to allow me to use the collateral to access credit from a financial institution					
Financial Institutions consider the ability to repay loans rather than the collateral an entrepreneur has					
Demand for collateral is a major hindrance to my access to credit					

4. To what extent do you agree with the following aspects that may hinder women entrepreneurs access to institutional finance. Use a scale of 1-5 where (1) Strongly Disagree (2) Disagree (3) Uncertain (4) Agree (5) Strongly agree

	Questions	1	2	3	4	5
1	Ask for business experience					
2	The tendency not to pay the small loan					
3	Demand for excess collateral					
4	Lengthy loan disbursement process					
5	Demand high managerial skill					
6	Require business-related legal documents					
7	The traditional attitude of bank in assessing risk					
8	Demand for evidence of credit worthiness					
9	High interest rate and service charge					
10	Gender discrimination to loan disbursement					
11	Require adequate initial capital					
12	Charge early high installment					
13	Biases in selecting the type of business					
14	Very much selective for a guarantor					
15	Complicated terms and conditions for a loan					

SECTION2:Interest Rates

1. State the highest amount of loan you have obtained so far in Ethiopian Birr
 - (a) Less than ETB 50,000()
 - (b) ETB 50,000- 100,000
 - (c) ETB 100,00-150,000
 - (d) ETB 150,000- 200,000
 - (e)Other (specify)
2. State the maximum length of repayment of the maximum loan you have taken from any lending institutions (s)

- (a) 5 years () (b) 4 years () (c) 3 years () (d) 2 years () (e) 1 year () (f) other.....

3. Does the interest rate charged by a financial institution influence your decision to take up a loan?

() Yes () No

4. To what extent do you agree with the following statements on the interest rate charged and its effect on access to credit for women entrepreneurs?

Use a scale of 1-5 where (1) strongly disagree (2) Disagree (3) Uncertain (4) Agree (5) Strongly Agree

Questions	1	2	3	4	5
Financial institutions charge a very high-interest rate					
The level of interest rates charged by financial institutions discourages me to take a loan					
The interest rate charged by the financial institutions is reasonable and timely					
I fear applying for a loan since I am not sure whether I will be able to the loan due to interest charges					

SECTION3:Level of Literacy

1. Indicate your highest level of education

- No education
- Elementary education
- High school education
- Graduate education
- Postgraduate education.
- Other specify

2. In your own opinion, indicate the extent to which your literacy level has influenced your ability to access credit from finance institution

a) No extent ()

- b) Little extent ()
 - c) Neutral ()
 - d) Moderate extent ()
 - e) Great extent ()
3. Do financial institutions in your area offer training on how to access credit and the preconditions they have? Yes () No ()
4. If yes in 3 above identify the type of training offered.

5. To what extent do you agree with the following statement on the level of literacy's effect on access to credit?
 Use a scale of 1-5 where (1) strongly disagree (2) Disagree (3) Uncertain (4) Agree (5) Strongly Agree

Questions	1	2	3	4	5
Over time, I have enhanced my knowledge and skills through further education opportunities					
My level of academic qualification influences my ability to make sound decisions relating to my enterprise.					
Over time, I have had an opportunity to access useful information and training concerning how to access credit					
Over time, I have an opportunity to access useful information in relation to the survival of my business					
I believe that my level of education has been helpful in enabling me to successfully run my business					

SECTION 4: Business Management Skills

1. Have you received any training on the management of your business?
 () Yes () No
2. What type of training have you taken over the past 12 months to improve your business management skills?

- a) Computer skills ()
- b) Financial management skills ()
- c) Book Keeping skills ()
- d) Business planning ()
- e) Organization Skills ()
- f) Others (Specify).....

3. To what extent do you apply the business managerial skills in the listed areas of your business?

Use a scale of 1-5 where 1= NoExtent2=LittleExtent3=Neutral
4=ModerateExtent5=GreatExtent

Questions	1	2	3	4	5
Computer Skills					
Financial management skills					
Book Keeping skills					
Business planning					
Organizational skills					
Other ()					

SECTION5:Finance Recording History

- 1. Have you ever recorded your financial history periodically? It could be monthly, quarterly, or yearly.
() Yes () No
- 2. Have you ever received bookkeeping training?
- 3. () Yes () No
- 4. Do you have an accountant in your enterprise?
() Yes () No

Thankyou foryour cooperation and honestresponses

ANNEX 2: Life story interview with six women entrepreneurs

Questionnaire

A life story interview: Questionnaires designed to study the Journey of women MSMEs in accessing finance.

Thank you for agreeing and giving your consent to be interviewed and recorded. This interview is designed to have an understanding of factors that affect access to credit for women in micro small and medium enterprises in Addis Ababa City. The interview will take around 1 hour. We would like to hear about your life and entrepreneurial journey.

Practical detail: This interview is for academic purposes. I would like to ask your permission to record the interview to be able to transcribe your responses accurately. The interview will be anonymous.

1. Life Story

1. Can you describe the early stages of your life.
2. What are the major milestones in your life?
3. 1. Life Opportunities: Looking back over your entire life, please identify and describe what you consider to be the greatest single opportunity you faced in your life. What is or was the opportunity or problem? How did the opportunity develop? How did you realize or deal with this opportunity? What is the significance of this opportunity in your life story?
4. Can you tell me the various challenges, struggles, and problems you have encountered in your life? You can begin with a general challenge, and then you can focus in on three particular areas or issues where many people experience challenges, problems, or crises.
5. **Life challenge.** Looking back over your entire life, please identify and describe what you now consider to be the greatest single challenge you have faced in your life. What is or was the challenge or problem? How did the challenge or problem develop? How did

you address or deal with this challenge or problem? What is the significance of this challenge or problem in your own life story?

II. Business and life Story

6. What encouraged you to start a business?

When did you move into action and opened your business? What was the turning point in your life?

7. Tell me about the development of your business and how you came to this stage. Please describe the overall opportunities you were able to realize while developing your business.

8. In developing your business, do you have the need for capital or a loan?

9. Did you ever try to get a loan from any financial institution? If yes, what were those challenges? How did you resolve those challenges?

10. Where do you go first or whom do you ask when needing credit or a loan? Why?

11. What do you know about financial institutions and loans? How did you get this information?

12. Do you keep constant tracking of your accounts or account your credit?

13. Have you ever received any training concerning finance or bookkeeping? Was it helpful? If yes, in what ways? If not, why was it not helpful?

14. What are your current needs regarding finance?
15. What are the major challenges you have faced when starting your business?
16. Has anyone helped you resolve these challenges? Please discuss each individual's role and in what ways they have helped you?
17. Have you received any institutional support (government, NGO, or any other organization)?
18. What kind of support do you need and whom do you need it from?
19. **Dreams, hopes, and plans for the future.** Please describe your plans, dreams, or hopes for the future. What do you hope to accomplish in the future in your life?
20. What do you envision for your business?
21. Can you tell me your motivation for becoming an entrepreneur or business owner and also the motivation for the specific business type?
22. Do you think of switching to other businesses or expanding?
23. Do you have any failures and regret in your life?
24. How do you see your journey in business and life?

Thank you for this interview.

Do you have any other comments about the interview process?

