



Access to Capital and Performance of Women Entrepreneurs In Potiskum Local Government Area.

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Abstract

Small and Medium Enterprises (SMEs) can be a cushion for unstable condition of the economy. They are generally believed to be capable of strengthening the economic growth and development of a nation. Therefore, this study examined the effect of access to capital and performance of women entrepreneurs in Potiskum Local Government Area in Yobe State. The study collected data from 353 participants through structured questionnaire. Data gathered were analysed using both descriptive and inferential statistics. With regard to inferential statistics multiple linear regression models was employed. The study revealed that access to capital and performance of women entrepreneurs are positively related. The study recommends that women entrepreneurs should take the advantage of available financing to promote their performance.

Keywords: Access to Finance, Performance of Women Entrepreneurs

I. Introduction

The significant role of Small and Medium Enterprises (SMEs) cannot be under-rated in growth and development of a country's economy activities, like manufacturing, trading, farming, transport, accommodation and food services among others. The entrepreneurship aims at producing goods and services for profit making and creates jobs

opportunities, creating of new enterprises, raising formation of capital, among others (Dhliwal, 2016).

Small and Medium Enterprises (SMEs) are business formed across the globe by private individual with a common aim of making profit. They represent up to 90% of business, offer up to 50% of employment across globe and contribute up to 50% of gross domestic product (World Bank, 2021). While, in Nigeria SMEs make up of nearly 75% shares in almost all business enterprises and create jobs for 59,647,954 persons which is equal to 86.3% of national work-force (SMEDAN, 2017). However, these SMEs did not performed laudably well due to both internal and external factors effecting them (SMEDAN, 2017). Thus, the survival and performance of the Small and Medium Business in Nigeria is an issue of concern and it has proved that there is rise in SMEs death rate and poor contribution to gross domestic product (Bello, 2014). Performance of SMEs are globally affected by lack of financing, constrained managerial capabilities, difficulties in exploiting technology, low productivity, marketing, regulation and culture (OECD, 2000; Alyafie & Al-Mubarak, 2016).

Moreover, in Nigeria, SMEs encountered with many challenges such as inadequate management skills, high mortality rate, inadequate support, multiple taxation, lack of information, lack of qualified manpower, poor entrepreneurial efficacy, inability of entrepreneurs to access the required capital and insecurity among others



(SMEDAN, 2012). Several efforts made by previous government towards the development of SMEs in Nigeria. Since, 1970s various governments of Nigeria have introduced different policies, programs, schemes and institutions for the purpose of promoting SMEs, which consist Youth Enterprises with Innovation in Nigeria (YOUWIN), Bank of Industry (BOI); Small Scale Industries Credit Guarantee Scheme (1971); Peoples Bank (1989); Rural Banking Scheme (1977); Small and Medium Enterprises Equity Investment Scheme (SMEEIS); Nigerian Industrial Development Bank (NIDB); Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), trader money among others (Babied, 2012). This scenario has drawn attention of researchers such as Civelek (2021), Taiwo (2023) and Dzomoda (2022) to conduct studies on SMEs' performance but yet the problem still exists. Despite all these studies, policies and programs by the researchers and government, yet majority of SMEs in Nigeria failed in their first five years of existence (Onugu, 2005).

According to Lagos Business School (2022) many SMEs fail to survive and reach maturity and some of them in the end stop operation with estimated ratio given at 5 in 10 per year. Similarly, according to SMEDAN (2017) the performance of SMEs in Yobe State was among the lowest in Nigeria in terms of market share, efficiency and profitability. Performance of SMEs has different dimensions. Therefore, this study adopted the dimension which was put forward by Zannah (2017) who used both financial and non-financial measures. The dimensions are sales growth, sales volume, return on sales, increase in productivity, increase in profit, increase in return on asset and overall business performance. Most of the SMEs are owned by individual entrepreneurs and they do not have any legal obligation to publish their statement.

Access to capital is one of the key resources that SMEs needed in order to promote performance (Abdullahi, 2023). The dimensions of access to capital are ownership of bank account, accessibility of loan usability of the assessed loan (Sabana, 2014). These could either be obtained through banks, associations, personal saving, donations and gift from friends and families (Aminu, 2017). Based on this background, this research therefore, seeks to assess whether or not access to capital will enhance the performance of women entrepreneurs.

1.2 Statement of the Problem

In terms of performance, SMEs in Nigeria were left behind and as a result they are performing a significant role in the economic growth and development of the country (Zannah, 2017). Every year the government of Nigeria is allocating a huge sum of money to the sector and is taking different measures in terms of developmental programs and policies so as to boost the performance of entrepreneurs. However, these SMEs did not performed laudably well due to both internal and external factors effecting them (SMEDAN, 2017). Wakhungu and Mbuva (2023) opined about 50% of SMEs failed to witness their fifth years of formation.

Access to capital from financial institution has become a challenge for women entrepreneurs in Nigeria because most of them are not even aware available financing. Some of the reasons are lack of financial literacy such as procedures for obtaining loan, knowledge on the calculation of interest charges and literacy on collateral and other legal requirements of obtaining loan from banks (Abdullahi, 2023).

The findings from previous studies on effect of access to capital and performance of SMEs are inconclusive and produced mixed result, For instance, Civelek (2021), Taiwo (2023) and Dzomoda (2022) all found positive relationship between access to capital and performance of SMEs. While Goldhausen (2017), Abiola (2012) and Akande (2012) found that access to capital and performance of SMEs are negatively correlated. All these studies focused on all entrepreneurs (males and females) while study focused on women entrepreneurs only. Moreover, Potiskum local government is the focus of this study because despite extensive research on access to capital and performance of women entrepreneurs, there is still a scarcity of study in the Potiskum.

1.3 Research Questions

What is the effect of access to capital on performance of women entrepreneurs in Potiskum local government area?

1.4 Research Objectives

Examine the effect of access to capital on performance of women entrepreneurs in Potiskum local government area

1.5 Research Hypothesis

Access to capital has no significant influence on performance of women entrepreneurs in Potiskum local government area



II. Literature Review

This section explains the concepts of performance of women entrepreneurs and access to capital and its relationship with each other as well as theory relevant to the study which explains applicability of these variables. The research variables includes of independent and dependent variable

2.1.1 Performance

Syahdan, Djaelani and Mahdi (2020) viewed performance as the process or action which realised the objectives of the business. Similarly, Singian, Rini and Ishandarini (2020) opined that performance can be defined as a goal or as the result of individual behaviors, while Ghodke, Bhate and Vaidy (2021) defined performance in term of effectiveness and efficiency. Therefore, performance of SMEs is viewed as how well the business is managed and what the business provided for its owners and customers (Syahdan et al, 2020). In addition, Rakmawati and Nizar (2023) stated that performance of SMEs is evaluation or measure of how well SMEs the objectives of their business and how profitably and efficiently they operate. Performance can be measure using both financial and non-financial indicators. Hence, this study measured both financial and non-financial performance of women entrepreneurs

2.1.2 Access to Capital

Access to capital can be defined as the availability of SMEs' owners/managers to access financial capital either from external or internal sources indicating critical abilities for survival of the business in an environment that is competitive (Adomako & Damoah, 2016). This is because the objective of the business will be difficult to realize without access to capital (Agymang & Ansong, 2017). Moreover, Ahmad and Arif (2015) opined that access to capital is an essential for business to flourish by assisting them to boost their growth and opportunities in investment. Addo, Asantey and Awadzie (2022) stated that using accessible services of financial institutions is termed access to capital. With insufficient access to capital to entrepreneurs, operating potential and power for growth stand to be challenges (Kyari, Gulani & Abdullahi, 2020).

2.3 Theoretical Review

This sub-section review theory that is relevant to the study. The study adopted pecking order theory as the underpinning theory.

2.3.1 Pecking Order Theory

The Pecking Order Theory describing the company's ideal capital structure which was propounded by Myer & Majluf in 1984. According to pecking order theory, managers know more about their businesses than investors do. It highlights how information asymmetric influences how much debts and equity a business will issue. To minimise the negative signals that may be sent, firms should finance investments first with internal resources, then with safe debt, then with risky debt, and ultimately with equity.

2.2 Empirical Review

Ssekakubo et al (2022) evaluated the effect of credit access to the financial performance of micro enterprises. The study collected data using primary source. The study analysed data using correlation and multiple regression analysis. The finding reveals that access to credit and financial performance are positively related. The study recommends among others that micro enterprise's owners/managers should be encourages to know the ways of accessing credit from micro finance banks. Civelek (2021) examined the effect of access to finance on the performance. The study collected data from 479 SMEs in Turkey using questionnaire. The study employed Andrew Hayes' process macro test in testing the formulated hypothesis formulated. The study revealed that there is positive significant relationship between access to finance and performance. The study recommends that seminars, education training should be provided to entrepreneurs

Audu, Abubakar and Baba (2021) evaluated the role of services rendered by micro-finance institution on SMEs' performance in Gombe State. Data were gathered using questionnaire from 360 SMEs. The research used linear regression in analyzing the data. Finding reveals that formal credit and performance of SMEs are positively related. The research recommends that micro-finance institutions are encouraged to conduct a study into more successful lines of business in order to lend financing to their customers who have the ability to leverage such lines of business, consequently lowering the default rate. Taiwo (2023) examined the financing issues faced by Nigerian female entrepreneurs and their performance. Data was gathered using questionnaires from 975 respondents. The study tested formulated hypothesis using multiple regression analysis. The finding reveals that formal credit and SMEs performance are positively related.



The study's recommend the female SMEs owners/managers should take the advantage of available financing to promote their performance. Similarly, Amadasun and Mutezo (2022) evaluated the effect of access to finance on competitive growth of SMEs in Lesotho. The study collected data through primary source and analysis data using regression. The study reveals that, there is relationship between financial access to finance and alternative growth. The study recommends that the future studies should investigate the sustainability of alternative source of finance outside the conventional banking.

Dzomoda (2022) examined the relationship between environmental sustainability commitment and access to finance in South Africa, the study collected data using quantitative research method and analysed the data using structural model testing the formulated hypotheses , the finding reveals that environmental sustainability commitment indirectly predict access to finance through financial performance, moreover, the future the studies should focus on factors such as credit history, networking and having a professional accountant in the business.

Audu, Abubakar and Bala (2021) evaluated the role service rendered by micro-finance institutions on SMEs performance, collected data using cross-sectional research and using regression analyses method, the finding of the study reveals that services rendered by micro-finance should conducted in other sources of finance. Kyari, Gulani, and Abdullahi (2020) examined the effect of access to finance on entrepreneurial development, the study collected data through primary source and analyses the data using regression. The finding of

the study reveals that, there is significant positive relationship between access to finances and entrepreneurial development.

III. Methodology

The study was conducted using a descriptive research design. The population is 3000 (Yobe State Ministry of Women Affairs, Damaturu, 2023) women entrepreneurs in Potiskum Local Government Area. The sample size is 353 which were obtained using Taro Yamani's formula and simple random sampling technique was used. The study collected data through primary source which involved the use of structural questionnaire which was administered to respondents. Similarly, the study analysed the collected data using both descriptive and inferential statistics. With regard to inferential statistics multiple linear regression model was employed.

The multiple linear regression model used for this research is indicated in mathematical terms as follows:

$$Y = \beta_0 + \beta_1 AC + \mu_i \dots \dots \dots \text{Eq (1)}$$

Where Y = performance of women entrepreneurs (DV), AC = Access to capital (IV).

IV. Result and Discussion of Finding

4.1 Result

Descriptive statistics

Respondents' Profile

Table 1 Present the demographic profile of the respondents. It highlights to the users of the research finding the characteristics of the respondents in terms of age, types of business, number of years in business, and level of education in Table 1.

Table 1 Respondents Profile

	Frequency	Percentage
Age:		
20 - 29 years	110	31.2
30 – 39 years	107	30.3
40 - 49 years	78	22.1
50 – 59 years	45	12.7
60 and above	13	3.7
Total	353	100
Business Type:		
Sole Proprietorship	249	70.5
Partnership	83	23.5
Joint Venture	21	5.9
Total	353	100
Educational Background:		
SSCE	112	31.7



Diploma/NCE	113	32.0
Degree/HND	95	26.9
Postgraduate	33	9.3
Total	353	100
Number of Years in Business:		
1 – 5 years	113	32.0
6 – 10 years	108	30.6
11 – 15 years	96	27.2
16 – and above	36	10.2
Total	353	100

Correlation Analysis

Table 2 shows the relationship between the predictor and the dependent variables. The variables displayed consist of Small Business Performance as the (DV) while the predictor variable is Access to Capital as the (IV).

Table 2 Pearson Correlation between Variables Access to Capital and Small Business Performance

	Access	Small Business Performance
Access to Capital	1	.993**
Small Business Performance		.000
		1

** . Correlation is significant at the 0.01 level (2-tailed).

Source: Authors Field Survey via SPSS

Table 2 above, indicates Access to Capital variable that has high correlation of 0.993 which means it has the high positive effect on performance of women entrepreneurs.

Multiple Regression Analysis

The study came up with a model which is shown in Table 3 as a summary.

Table 3 Model Summary showing Variables of Access to Capital Effect on Small Business Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.993 ^a	.985	.985	.12177

a. Predictors: (Constant), Access
 b. Dependent Variable: Performance of women entrepreneurs

Source: Authors Field Survey via SPSS

Table 3 above indicates the variables score an Adj. R² of 98.5% as shown in Table 3. However, the 98.5% Adj.R² is an indication that there are other unexplained variables 1.5%, which are not considered in this study. The model was tested in the study by ANOVA, and the results indicated in Table 4 below:

Table 4 ANOVA showing the Effect of Access to Capital Variables on Small Business Performance

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	200.691	1	200.691	13535.367	.000 ^b
	Residual	2.995	202	.015		
	Total	203.686	203			

a. Dependent Variable: Performance of women entrepreneurs

b. Predictors: (Constant), Access to capital

Source: Authors Field Survey via SPSS

The goodness fit for the model was tested using ANOVA and the F value of the predictor was observed to be 13535.367 and was significant at 0.000 making the model fit.



The regression analysis of the study was conducted that determined the significance of Access to Capital which influences the performance of women entrepreneurs. The data presented in Table 5

Table 5 Correlation Coefficients showing the Effect of access to finance on SME Performance

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
1	(Constant)	.004	.019		.237	.813
	Access	1.000	.009	.993	116.342	.000

• Dependent Variable: performance of women entrepreneurs

Source: Authors Field Survey (2024) via SPSS

Table 5 provides answers to the RQ 1 which were stated based on RO 1. The results indicate that there is a positive significant effect of the independent variable (Access to capital) on the dependent variable which is performance of women entrepreneurs.

4.2 Discussion of finding

The finding of this study is in agreement with the findings of Abosede et al., (2017) who found that access to finance and performance are positively related. It is also consistent with the findings of Audu et al., (2022), Abdullahi, (2023), Taiwo (2023), Kyari et al., (2022) who found that access to finance and performance of SMEs are correlated positively. However, the finding of this study is in contrast with the finding of Goldhausen (2017) whose finding revealed negative correlation between access to finance and performance of SMEs. This shows access to capital is very vital resources that entrepreneurs need so as to boost performance.

V. Conclusion and Recommendation

The study assessed the effect of access to capital on the performance of women entrepreneurs in Potiskum. In accordance with previous literatures, this study used structural questionnaire to collect data from respondents and utilized multiple linear regression in analyzing the data. The study revealed that access to capital and performance of women entrepreneurs are correlated positively. Based on the finding, this study concludes that once there is limited access to financial capital, there is the probability that the contribution to economic growth will be very small. Moreover, future studies are suggested in other places and they should employ longitudinal design. In addition, future studies should focus on merging the perspectives of various internal respondents with those of external respondents.

The study also suggests that women entrepreneurs should take the advantage of available financing to promote their performance.

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