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Full Length Research Paper

A comparative study on the micro finance performance of male and female owned enterprises in Bahir Dar city, Ethiopia

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The study examined the impact of microfinance on female and male owned enterprises in Bahir Dar city. The study predicted that male owned enterprises have higher growth potentials than female owned enterprises. To test empirically whether there is a difference on growth performance, 104 male and 121 female small enterprise owners were surveyed. The finding shows that the female owned enterprises demonstrated a slightly lower level of micro finance growth compared to enterprises owned by male. We can conclude that female owners' have lower motivations for growth potential compared to male owners'.

Keywords: Comparative study, microfinance performance, male and female owned, enterprises.

INTRODUCTION

In developing countries there are a big number of individuals who are financially under saved. However, microfinance programmes and institutions have globally recognized as a prospective component of strategies of development organizations, governments, and societies to promote enterprises in developing countries (Hulme, 2000). They are organizations with a goal to serve the needs of un-served or underserved markets as a means of meeting development objectives (Ledgerwood, 1998). Through serving these groups, the owner of micro and small enterprises (MSEs) are expected to accumulate wealth and therefore grow after time. Specifically, microfinance institutions provide a broad range of services including deposits, loans, payment services, money transfer and insurance to the poor/low-income households and their enterprises (Chijoriga, 2000; Conford, 2001 and Pilipinas, 2002). In addition, some of microfinance institutions provide non-financial services such as training, business advice, market assistance and counseling to their clients (Hishigsuren, 2004 and CIDA, 1999). It is from this standing that microfinance institutions are seen to be a critical element to the poor and low income earners in developing economies because their services target the clients who have been excluded from other formal institutions.

Microfinance institutions enable enterprises owner to develop their micro and small enterprises, which enhance their income earning capacity, and hence enjoy an improved living standard (Mosley, 2001; ADB, 2000). For instance, over the last twenty years, microfinance providers in developing economies have shown impressive results as tools for delivery of financial services to the poor and their enterprises (Bastelaer, 2000). The existence of microfinance institutions enable the potential clients to access the services provided by the institutions. These services give the clients opportunity to support their enterprises, economic activities as well as their household financial management and consumption needs (URT, 2000). Along this line of thinking micro-credit has proved to be an important liberating force in societies where disadvantaged groups, women in particular have to struggle against repressive social and economic conditions. This is achieved because microfinance enables these disadvantaged groups to accumulate capital for their enterprises. These enterprises are expected to grow and generate income to these groups which will have positive effect to the social and economic conditions.

The principal providers of microfinance services to the low income households and their enterprises in Ethiopia consist of formal financial sector (21 micro - finance institutions), semi formal financial sector(savings and credit associations and cooperatives), informal financial systems(iqqub-a kind of Rotating Credit and Savings Associations, iddir ,mehaber , and Friends and relatives) , and NGOs whose micro-credit delivery operations are funded and supported with technical assistance by international donors (Hayder Al-Bagdadi and Dr. Michael Brüntrup, 2002). Although these institutions charge the interest rates which are relatively higher than the market rates (more than three times), they provide loans with affordable collaterals and most of the time with group-base collaterals. Microfinance institutions mainly focus on low income earners because most of them do not need very big amount of capital, which is affordable by most of the high-income earners in developing countries (Mosley and Hulme, 1998). Since the last decade, the impact assessment studies in microfinance, which are the measures of programmes' success by considering the changes they brought on their clients and their enterprises (Woller and Parsons, 2002), have become increasingly popular worldwide. Most of these impact assessment studies found that microfinance has very beneficial economic and social impacts (e.g. Mosley, 2001). While the results of these studies suggest positive impacts, nothing has been done about the impact on male owned enterprises compared to female owned enterprises in Ethiopia.

Background on Microfinance performance and Gender

In gender comparison, different studies revealed that enterprises owned by women, experience the same problems as those owned by men, however certain characteristics are typical for many women-owned firms. These characteristics include small size, limited prospects for profitability and failure to provide collateral for obtaining loans (Coleman, 2002 and Fielden et al, 2003). Women are constrained by education/training, business experience, discriminations, socialization/networking and unwillingness to take risk (Nchimbi, 2002; Coleman, 2002 and Fielden et al, 2003). Also the overall negative attitudes towards the business owned by women (particularly by men) and inadequate and affordable business premises also limit the overall performance of female owned enterprises. Additionally, it is agreed that there is a significant variation between male and female especially when considering sources of funds for start up and running their businesses. For example, Katwalo (2007) established that female entrepreneurs relied more on family funds than male entrepreneurs. In this case it is difficult for female owned enterprises to take advantage of external finance opportunities. This is against the internal finance theory of growth (see for example Carpenter and Petersen, 2002; Binks and Ennew, 1996), which argues that firms whose financial needs exceed their internal resources may be constrained to pursue potential opportunities for growth (Demirgüç-Kunt and Maksimovic, 1998). The insufficient internally generated liquidity is therefore one of the factors which are frequently cited as the causes of micro and small business failure in developing countries (Chijoriga and Cassimon, 1999).

It is from this perspective, the micro credits are considered to be an appropriate solution because the amount of money needed to start a micro or small business is generally quite minimal (Sonfield and Barbato, 1999). Access to credit enables the MSEs owner to cover some or all of the cost of capital equipment, expansion, or renovation of buildings. It helps existing or would-be entrepreneurs acquire the means for establishing or expanding a business (e.g. building premises and working capital) (ILO/UNDP, 2000). Credit also assists the business owner to cover cash flow shortage, to purchase inventories, to invest in new technology, expanding the market and being able to take advantages of suppliers' discount. Without sufficient capital therefore, micro and small firms are unable to develop new products and services or grow to meet demand (Coleman, 2002). Despite of the importance of funds to finance start up and business operations, there are other factors that can explain differences between male and female owned enterprises. These factors in totality can be explained by human motivation view of growth. The human motivation view of growth holds that the social and psychological motive can significantly influence growth seeking behavior and therefore growth itself (Shane et al, 2003; Olomi, 2001 and Nchimbi, 2002). The view sees growth as resulting from personal needs of the owner-managers and these needs are socially generated, socially sustained and socially changed (Shane et al, 2003). The theories under this view of growth can be categorized into two types. The explanatory models which relate growth to motivations and antecedents, and the second is the theories which attempt to categorize owner managers into unique typologies on the basis of the meaning they attach to business activity, which in turn imply different levels of growth motivation (Olomi, 2001).

In developing countries, gender differences are very high. The way male are groomed is quite different compared to female. The level of labor division in different social and economic activities is very high, and therefore the extent of adopting and doing things differ gender wise. Due to labor division, there are different characteristic features between male and female. These differences may explain the differences in business performance because it is argued under human motivation view that the characteristic features of firm owners are motivators that can trigger the MSEs owner to start and run business for growth motives. The argument here is based on the fact that growth would be realized when completing a job, solving problems, seeing the results of one's efforts, being recognized for a job well done and performing interesting work (Apospori et al, 2005 and Shane et al, 2003). Other prerequisites include successfully completion of a (difficult, demanding or challenging) task, having control over one's own job, upward movement of enterprises activities, creating more opportunities for enterprises, learning new skills by working in challenging environments and sometimes poverty reduction motive (Davidsson and Wiklund, 1999; Shane et al, 2003; Olomi, 2001 and Apospori et al, 2005). It is from these beliefs, the realization of these features create the possibility of MSEs to grow.

As it is mentioned above different features can be built from previous experiences and sometimes by using role models, in such a case the labor division in developing countries dictate different characteristic features between male and female. It is therefore expected that different performance would be observed when considering the performance business owned gender wise.

Another theory that have been used by researchers who subscribe on human motivation view is McClelland's (1961) achievement motivation theory (for example: Davidsson and Wiklund, 1999; Olomi, 2001 and Nchimbi, 2002). The underlying logic in this theory is that someone's choice of work-tasks and the time and energy devoted to these work-tasks, is dependent on the individual's motivation to perform different tasks. The theory argues that running a business requires people to take moderate risks, assume personal responsibility for their own performance, pay close attention to feedback in terms of costs and profits, and find new or innovative ways to make a new product or provide a new service (Davidsson and Wiklund, 1999). This view purports that most of the growing micro and small enterprises are managed and operated by the owners with a need to achieve growth of their enterprises. In this respect, the theory predicts that people with a high need for achievement, value particular work-task situations and performs well in these, while their counterparts will perform poorly. Consequently the high need for achievement should make people particularly interested in, and able to perform well as entrepreneurs. In developing countries female are considered to be risk averse compared to their male counterpart (Coleman, 2002 and Fielden et al, 2003). In this regard their business are not expected to perform better compared to that of males because it is established that the riskier businesses are expected to have higher returns than less riskier businesses (Mosley, 2001). From this discussion it can be *hypothesized that male owned enterprises have higher growth potentials than female owned enterprises*.

The objective of this paper was therefore to compare the microfinance performance of male owned enterprises against female owned enterprise. The comparison between these two groups is inevitable because it enables the researchers to identify the motivational and individual characteristics that exist between females and males received microfinance services. In achieving the objective, the whole study was guided by the following research question: does the microfinance performance of SME differ gender-wise?

METHODOLOGY

Despite of the above theoretical explanations, it was equally important to test empirically whether there is a difference on growth performance by making comparison between female owned enterprises against male owned enterprises.

Study Area

To achieve the test, a survey was conducted to different MSEs supported by microfinance institutions in Bahirdar city, Ethiopia. Specifically the survey covered four different Kebeles which were kebele 10, Kebele 09, Kebele 07 and Kitel Sefer.

DATA COLLECTION

The study used questionnaire for collecting data in addition to annual reports and magazines.

Sampling Technique

the sampling technique used for this study was purposive sampling since I purposely selected the micro finance users in the kebele mentioned above.

SAMPLE SIZE

This study used the sample of 225 microfinance users of which 104 male and 121 female.

Analytical Methods

In assessing the performance of enterprises, three different measures i.e. sales revenue, number of employees and assets level were used for comparison. In this regard, independent t-test was used to perform the analysis. Before the analysis the study applied natural logarithm to all variables (indicators of growth) in order to maintain linearity for the data collected. In order to test the homogeneity of variance assumption, Levene's test for equality of variance was used. The null hypothesis for this test is that the variances are homogeneous. Therefore, if the Levene's test is significant (i.e. less than 0.05), then the variances of the two groups are significantly different. However if the value is not significant then the null hypothesis will be rejected and conclude that they are

Table 1. Group Statistics

Indicators	SEX	N	Mean	Std. Deviation	Std. Error Mean
Number of Employees	Male	104	1.5702	.69323	.06798
	Female	121	1.2799	.53667	.04879
Average Revenue	Male	104	12.3084	6.35368	.62303
	Female	121	11.7709	1.36825	.12439
Asset	Male	104	15.1648	3.20824	.31459
	Female	121	13.3028	4.28054	.38914

not different (i.e. they are homogeneous).

FINDINGS

Demographic Characteristics of Respondents Performance of Microfinance by Gender

The profile of the respondents shows that the composition of sample size was 46.2 percent and 53.8 percent for males and females respectively. Apart from the profile the respondent surveyed, we have used t-statistic test to compare whether there is a significant difference among the growth indicators of enterprises owned by female against those owned by male. Independent samples t test was used and the output produced is presented in table 1 and table 2. The table of group statistics revealed that all averages (mean) of male owned enterprises were higher than those of female owned enterprises in all indicators of growth. That is the male owned enterprises had higher assets, average revenue and more number of employees than their counterpart.

Despite these results, the conclusion cannot be statistically accepted without the interpretation of independent samples table. In interpreting the independent samples table, the study referred one of important assumption of independent samples t test. This assumption states that the two groups that are compared by independent samples t test should have approximately equal variance on the dependent variable.

The output of our t-statistic revealed that the Levene's test for equality of variance for all indicators of growth were greater than 0.05. It is therefore concluded that the variances of these two groups were approximately equal. Because the Levene's test provides an assurance of homogeneity variances, the next step was to use the values of t-statistics in the rows of "equal variances assumed" to test and make conclusion on whether there is a significant difference among the growth indicators of enterprises owned by female against those owned by male.

By using the column of sig. (2-tailed), the values of assets accumulated and number of employees were significant at 0.05 level of significance (table 2). These results lead to the conclusion that there were significant differences among these two growth indicators (number of employees and assets) of enterprises owned by males against the enterprises owned by females. The fact that the averages of these two growth indicators of enterprises owned by males were greater than the averages of enterprises owned by females, we can conclude that the males owned enterprises had demonstrated higher growth performance than the female owned enterprises in these two indicators. When considering average revenue among these two groups, the values were not statistically different. This conclusion was made following the results obtained from the column of sig. (2-tailed) in table 2, which is 0.366. At the level of 0.05 Level of significance the value obtained is insignificant. Although the average revenue of male owned enterprises is higher than that of female owned enterprises, there is no statistical evidence of making such conclusion.

Participation in Enterprise by Gender

The fact that the above results did not support all indicators of measuring growth that have been used for comparison, we have decided to assess some motivation factors that motivated the owners of these enterprises to engage in their business. Different indicators like motives of starting the businesses, prospects of the businesses and future plan were assessed by comparing the groups. In this analysis, the findings revealed that most of the female started their business to meet the basic needs whereas male counterpart sees this objective as of no importance. Furthermore, while males admitted that they do business because they do not like to work under others' control, female were slight value this objective of starting business as of no importance. When assessing the motive of owning a growing and big organization in these two groups, it was highly agreed by male that they opened their business with intention of having very big organization while females were not willing to own very big organization because they believe that management of big organizations is tedious and consume a lot of time that can be used to care their families. Furthermore, 70% of the female surveyed preferred to open multiple small

Table 2. Independent Samples Test

Indicators		Levene's Test for Equality of Var. F	Sig.	t-test for Equality of Means T	df	Sig. (2-tailed)	. Mean Dif	Std. Error Diff	95% C.I. of the Difference Lower	Upper
No of emp	Equal variances assumed	6.301	.063	3.536	223	.000	.290	.0821	.12849	.45206
	Equal variances not assumed			3.469	192.58	.001	.290	.0836	.12524	.45531
Av. Rev	Equal variances assumed	112.60	.071	.907	223	.366	.537	.5927	- 63073	1.7056
	Equal variances not assumed			.846	111.22	.399	.537	.6353	- 72145	1.7963
Asset	Equal variances assumed	1.991	.160	3.643	223	.000	1.86	.5111	.85465	2.8693
	Equal variances not assumed			3.721	219.08	.000	1.86	.5004	.87579	2.8482

businesses rather than dealing with only one and big organization. Other motives like supplementing the businesses owners' normal income, security to the family and exploring business opportunities were rated almost the same when comparing females and males. These factors were seen to be common for males and females.

CONCLUSION AND IMPLICATION OF THE FINDINGS

The findings of this study revealed that female owned enterprise grow slowly compared to male owned enterprises. Although the results did not evidence statistical differences on average sales revenue between male owned and female owned enterprises, the level of assets and number of employees were different among these two groups. Different motives of owning and running businesses were also observed among the groups. In actual fact, females were observed to be risk averse compared to males. Due to risk averse it is clear that the returns of female owned enterprises were also expected to be low. The low level of growth of females owned enterprises also recount to our theoretical base which sees females in developing countries as a disadvantaged group which are not groomed for opening and running business. Here we concur with theoretical explanation that the growth which resulting from personal needs of the owner managers are socially generated, socially sustained and socially changed. In this regard, the social relationship explains growth motives of the business owners. It is from this point that the social environment where the females grown in developing countries can explain the differences in growth performance of their enterprises. Despite of the fact that both females owned and males owned enterprises experienced microfinance interventions; males owned enterprises demonstrated higher level of growth than females owned enterprises.

The above results call for special attention that addresses the limited motivation for female entrepreneurs. In particular the females who have benefited from microfinance services need to undergo special training that will build their capacity in doing business with growth prospects. Through training the females are expected to change their behavior and how they perceive business activities. Additionally, they will be endowed with motivational characteristics discussed under human motivation view. Training helps small business owners, managers and potential entrepreneurs to meet the challenges of today's business environment manage the ever-changing world and plan for future of their business. This would be achievable because it is argued that in order to effectively pursue growth strategies an entrepreneur requires business and marketing skills to improve management and marketing efficiencies (Fisher, 1998). Further skills obtained in training are an asset that can help to overcome uncertainty in decision making and open new avenues for opportunities. It is from this argument that different writers found that training has significant impact on participant characteristics and final participant outcomes (Edgcomb, 2002; Bratton and Gold, 2003 and Grizzell, 2003).

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