

The Contribution of Microfinance Interventions on Women Entrepreneurs' Performance in Gondar District of Ethiopia

Adanech Gedefaw Birhanu

Lecturer, Faculty of Business and Economics, University of Gondar, P.O. Box 196, Gondar, Ethiopia

Bayeh Asnakew Kinde

Lecturer, Faculty of Business and Economics, University of Gondar, P.O. Box 196, Gondar, Ethiopia

Abstract

Recently, empowering women entrepreneurship through microfinance is one of the top ranked issues in Ethiopia taking in to consideration its tremendous contribution to the socio-economic development of their families and country. However, most studies concentrated on outreach and sustainability of microfinance institutions, and only little focus found on the effect of microfinance interventions on women entrepreneurs' performance in Gondar district of Ethiopia. The objective of this study is, therefore, to assess the contribution of microfinance interventions on women entrepreneurs' performance. To achieve this objective, the researcher employed a mixed research approach. Purposive and simple random sampling techniques were used sequentially to select respondents from 20 sub-districts. Both closed ended and open-ended survey questionnaire, and semi-structured interview were used as data collection tools. Ordered logistic regression was used for data analysis. Thus, the result of the study indicates that credit access, saving mobilization and training were found to be statistically significant in contributing for women entrepreneurs' performance controlling the effect of attitude to risk, business location and family size. These findings lead to a suggestion that preparing infrastructure for easy credit access should be given due attention alongside its related orientations on how to use the credit and saving promotion among women entrepreneurs.

Keywords: entrepreneurship, microfinance intervention, women, Ethiopia, Gondar

1. Introduction

Poverty is one of the main challenges that are still widespread in the world, it is about 4 billion people getting less than US \$2 per day (MicroBanikg Bulletin, 2008). The severity of poverty is highly pronounced in developing countries ranging from 9% to 41% in East Asia and the Pacific and Sub-Saharan Africa respectively (Dieckmann, 2007). Currently, the Millennium Development Goals (MDGs) that are to be accomplished by 2015 is doing a worldwide attempt that might really aid to wrestle poverty, and developing countries have also been doing accordingly by designing their strategies to achieve MDGs through empowering women (ibid).

In the current agenda of reducing poverty, women are therefore increasingly vital in the socio-economic development of developing economies because they own the significant portion of small business, and small business development is the key intervention area for government and other development agencies (Mayoux, 2001). Women entrepreneurs make a considerable involvement to national economies through their participation in small and medium businesses (Szabo, 2006). According to Szabo women entrepreneurship is a central aspect and driving force of economic development and public policy concern in most countries from different perspectives: creation of employment and wealth, poverty alleviation and provision of resources. This significantly helped to expand the number of women-owned entrepreneurial business in the world.

Thus, contribution to the economic development of their families and community as a whole has enabled the role of women in economic development to seize the agenda of scholars and decision makers. But various impediments mostly in developing countries have still hindered their effective performance, and as an option most of them engage in small necessary entrepreneurial but non-lucrative activities to support their families (Loice & Razia, 2013).

Though necessity entrepreneurship is a larger motivator for women than men in low-income countries, it is found that the entrepreneurship performance of women is less in contrast with men (Allen, Elam, Langowitz & Dean, 2008). Shane (2003) identifies that low performance of women entrepreneurs can be ascribed to factors such as lack of credit, savings, training and social capital. Microfinance institutions (MFIs) intervene and play vital role in providing these services. MFIs offer financial services to those who are not served by the traditional financial sectors especially for poor women who are major victims of severe poverty in developing countries. Still there is unmet demand for access to financial services in the poor people worldwide (Helms 2006). For commercial banks, the poor were considered as un-bankable for decades because they cannot fulfill the required collateral, and thus it is projected, in developing countries, about 90% of the people have no access to formal financial services (Robinson, 2001).

However, MFIs aggressively working and playing a key role in providing credit and promoting women entrepreneurship. As evidence, empirical studies also found positive relationship between women entrepreneurs'

performance and microfinance factors: credit access (Loice & Razia, 2013), saving (Soltane & Imen, 2013), training (Ekpe et al., 2013; Loice & Razia, 2013), and social capital (Soltane & Imen, 2013).

Similarly, in Ethiopia, improving access to financial services is taken as an important development tool, because it helps in creating employment for unemployed and increase their income and consumption of the excluded population, with the final goal of reducing poverty. Thus, periodically the number of MFIs operates in the country increasing and now reached to 31. According to the ACSI (2012) annual report, MFIs reached to a total capital of Birr 2.9 billion and assets of Birr 4.3 billion and emulates their ever growing importance in the economy with the major aim of poverty alleviation through empowering women entrepreneurs. However, critical success factors and degree of contribution of MFIs is subject to the level of genuine changes accounted on the targeted group of population.

This study, therefore, tries to examine the effect of microfinance interventions on women entrepreneurs' performance in Gondar district of Ethiopia in which the largest MFI, Amhara Credit and Saving Institution (ACSI) with around 775,399 borrowers (ACSI, 2012), is working.

2. Literature review

Small enterprises act as a vital player for the economic growth, poverty alleviation and rapid industrialization especially in developing countries. They play a significant role in developing country's economic growth, employment generation and accelerate industrialization (Rahman & Alam, 2013). However, their success is highly dependent on the microfinance institutions commitment; women entrepreneurs are also majorly own these small businesses.

Microfinance is defined as an instrument that provides financial services to needy poor society to very poor self-employed ones (Ojo, 2009). Ojo also explains that microfinance has been launched as an economic development tool proposed to benefit low-income sections of the society. It provides financial services to low income customers especially women, including the self employed and encourages entrepreneurship. Shane (2003) also defines entrepreneurship as an activity that involves search, assessment and utilization of alternatives available to introduce new goods and services, which had not previously in service or existed. However, it has many constraints.

2.1. Constraints of women entrepreneurs

Women entrepreneurs have various impediments in their business activities. The proportion of women entrepreneurs who expect pioneering potential in the early age of their businesses is high in low-income countries (Allen et al., 2007). Studies identified various constraints of women entrepreneurs such as lack of credit, training, saving and social capital. These constraints tend to inhibit potential entrepreneurs entering to business activities. And in turn, constrains tend to limit growth of small businesses by confining them in terms of scale and scope of operation. Moreover, Rahman and Alam (2013) states that women entrepreneurs encounter different obstacles from their family, society and within the business including capital inadequacy, lack of business experience, shortage of inputs of production or business, and market access problems to sell their products or services and buy raw materials.

Accessing credit service is the most constraint to the development and growth of small and micro enterprises especially for women business and very poor households because lenders need more collateral for hedging borrowers' riskiness (Mwangi & Ouma, 2012). Borrowers lack the collateral that lenders demand, and they have information asymmetry. Mwangi & Ouma also state that the dearth of information about borrowers and lack of collateral assets relentlessly constraint access to credit even if borrowers are willing to pay prevailing credit interest rates. Thus, various evidences show that such borrowers may then be forced to limit their investments to retained earnings thereby restricting enterprises growth and development. Jain (2009 as cited in Rudd, 2011) states that the poor borrowers, as an option, use credit access from informal sources at very high interest rate, which makes the vicious circle of poverty to persist.

Ekpe et al. (2013) links credit with training. However, other studies (Loice and Razia, 2013) also consider saving as important constraint for women entrepreneurs because saving mostly serve as perquisite for accessing credit from microfinance institutions; it can serve as a collateral. Other studies, (e.g. Bauernschuster et al., 2010) are also exclusively focused on social capital and argue that social capital (net works, bonding etc.) helps entrepreneurs to triumph over resource constraints. They also explained that social capital is highly important in small communities where there is a lack of market-oriented institutions; this typically works in less developed countries.

2.2. Microfinance interventions and women entrepreneurs' performance

Performance is the act of performing and doing something effectively and profitably. However, performance seems to be conceptualized, operationalised and measured in different ways (Teoh & Chong, 2007), thus making comparison difficult. The most widely used operationalizations are increase in profit, sales growth, and growth

in employees. Different scholars argue that business performance is not only affected by the ability and motivation of an entrepreneur but also a function of many other factors like credit access, saving ability, training access and networks to create opportunities specially for women entrepreneurs.

However, microfinance institutions take part an important role in providing important intervention services (credit, training, saving, building social network) for women entrepreneurs. The interventions have a profound effect on women entrepreneurs' performance since they provide skill acquiring trainings for startup entrepreneurs besides the credit and saving services (Ekpe et al., 2013; Loice & Razia, 2013; Soltane & Imen, 2013).

In these days, microfinance intervention projects have been an improvement tool and poverty reduction strategy (Onay & Ozer, 2011). This means that microfinance gives a walking light for those in poverty and lack collateral, and encourage entrepreneurship. As evidence, most studies (Loice & Razia, 2013; Onay & Ozer, 2011; Ekpe et al., 2013) found positive relationship between microfinance interventions and women entrepreneurs' performance.

2.2.1. Credit access and women entrepreneurs performance

According to Ekpe et al. (2010), adequate credit supports entrepreneurship performance. The effect of credit assistance on improving performance of entrepreneurs, especially women, reflected in improved profit, investment and employment of the entrepreneurs (Kuzilwa, 2005). Similarly, Loice and Razia (2013) found positive association between credit access and women entrepreneurs' performance in Kenya, and they justified that loans assist female entrepreneurs to invest in and expand their business and thereby they make various decisions. Moreover, Soltane and Imen (2013) found a positive and statistically significant relationship between credit access and women entrepreneurs' performance, and the study tried to confirm the claim that credit positively related to women entrepreneurs' performance in Tunisia. Other studies also found a positive impact on business performance of entrepreneurs in Nigeria (Ojo, 2009) and Tanzania (Kuzilwa, 2005).

Ojo (2009) also shows that financially constrained firms find rarely invest in fixed assets and this limits their capacity, which implies that those firms have less opportunity to innovation. In other words, the speed of innovation for enterprises is highly dependent on their access to external financing. Similarly, Soltane and Imen (2013) note that inadequate access to external finance adversely influences decisions of micro and small enterprises to make investment in fixed capital and research and development; consequently this affects growth, innovativeness and then business performance. Moreover, Cabral & Mata (2003, p.12) find that "constraints in credit access leads to firm size skewedness towards small firms" and they conclude that "when financing constraints are eliminated, small firms grow to their optimal size giving rise to a more symmetric distribution of firm sizes in the economy". This reflects the contribution of credit access for the growth of small business.

On the contrary, Karnani (2007) argues that microcredit does not improve women entrepreneurs' performance; instead, the government should invest and build more industries so that it creates more jobs. The study by Ekpe et al. (2013) also indicates that credit access has no significant impact on Nigerian women entrepreneurs' performance, and the authors concluded that without skill acquisition loan in itself could not lead to women entrepreneurs' performance. In general, the arguments above lead to:

H1: Credit access has significant and positive contribution to women entrepreneurs' performance.

2.2.2. Saving mobilization and women entrepreneurs performance

Savings are differed consumptions, and it is a basis for growth. According to Harrod- Domar growth theory, saving plays a significant role in the growth of income. The theory states that savings determine the rate of growth. More specifically the theory says income growth, especially in developing countries, is positively related to savings (Solow, 2002). The savings mobilization has also recently been recognized as a major force in microfinance since it can help to deal with the unexpected shocks and reduce vulnerability. Savings could also be used to acquire another microfinance cycle and a primary source of working capital (Gudz, 1999). However, Loice and Razia (2013) found no significant relationship between saving mobilization and women entrepreneurs' performance. They state that "because the women entrepreneurs felt that the procedure for withdrawing savings was difficult and took so long" (Loice & Razia, 2013, p. 90). On the other hand, the positive contribution of savings mobilization has also been highlighted in several studies (Ojo, 2009; Rahmat et al., 2006). The results of these studies indicate that savings have positive effect on enterprise productivity and performance especially for small business owner women entrepreneurs. Therefore,

H2: There is a significance positive relationship between saving and women entrepreneurs' performance.

2.2.3. Training and women entrepreneurs performance

Experience and skill acquiring training are the main reasons for the success of many firms especially for new ones. For instance, in South Africa, Herrington and Wood (2003) point out that lack of education and training has reduced management capacity in new firms. Those entrepreneurs with larger stockpiles of human capital, in terms of education and vocational training, are better located to acclimatize their enterprises to continuously changing business environments.

Women entrepreneurs, who are capable in terms of education and/or skill acquiring training, are better

expected to perform well in the business environment. This might be the reason that training has been found in many studies as a key success factor for small businesses. For instance, Ekpe et al. (2013) found positive relationship between skill acquisition and women entrepreneurs' performance. The more the skills acquired the more the women entrepreneurs' performance to be good. Likewise, Soltane and Imen (2013) found training to be a very important micro-finance factor in determining women entrepreneurs' performance. In addition, Ekpe et al. (2013) signifies the importance of training stating that having prior experience and acquired skill, women entrepreneurs become willing to take risk and this contributes to their business performance. However, with no training their attitude towards risk does not change though they have access to credit. Training allows small entrepreneurs to acquire the essential skills to guarantee the survival and success of their business (Kuzilwa, 2005; Kessy & Temu, 2010). Therefore, we can hypothesize as:

H3: Training has a significance and positive contribution to women entrepreneurs' performance.

2.2.4. Social capital and women entrepreneurs performance

Small borrowers including women entrepreneurs, who are poor in collateral property and their creditworthiness is difficult to know to lenders, use social capital to improve their accessibility to credit (Mwangi & Ouma, 2012). According to Mwangi and Ouma (2012, p.8) "social capital refers to connections among individuals that characterize social networks where norms of reciprocity and credibility arise". This indicates that social capital creates effective and efficient relationships based on reputation as a borrowing channel to impoverished society. Thus, it promotes small women entrepreneurs to work for economic growth and development.

Networking is crucial to small business, and it can positively influence their performance and access to finance. According to Allen (2000), social connections are sources of information for access to micro-finance factors and business opportunities. It can be conceptualized as network diversity, network size and bonding. Similarly, Fatoki and Asah (2011) explain networking in a small business context as an activity in which entrepreneurially oriented owners build and manage personal relationships with particular individuals in their surroundings. Thus, networking is considered as a vital technique of getting the required finance, identifying market opportunities, obtaining professional and skilled personnel, selecting important buyers and suppliers.

Okten & Osili (2004) found that the building of networks helps entrepreneurs to look at opportunities and tap resources in their environment, and positively influences the firm's access to external financing. It is a means to learn other experiences and obtain the required support from various bodies. It also creates opportunities, which leads to performance (Allen et al., 2008). Even though women entrepreneurs, especially in developing economies do not have social connections that are a source of credit and market information; in different studies, it is found that social capital has positive impact on the performance of women entrepreneurs (Lawal et al., 2009; Brata, 2004). Thus, it can be hypothesized as follows:

H4: Social capital positively and significantly influences women entrepreneurs' performance.

2.2.5. Attitude towards risk taking

Entrepreneurs have different attitudes in taking risky decisions in their business activities and implement opportunities available. In line with this, Entrepreneurship Theory of Shane (2003) states that the ability to access information and willingness to use the information in terms of risk differ from individual to individual. Studies have found that attitude to risk has positive effect on women entrepreneurs' performance. The theory ranges from opportunity discovery, evaluation of the opportunity to the decision to exploit the opportunity. Moreover, the Theory of Planned Behavior also discussed entrepreneur's attitude. It states that behavioral intentions are the most important determinants of attitudes to predict behavioral intentions (Ekpe et al., 2013). This in turn determines individual's ability to exploit the opportunities available.

Moreover, various studies show that women have higher constraints for entrepreneurial intention. Yordanova and Davidkov (2009) state female-owned firms are smaller than those owned by men even after controlling for firm age, good education level, experience, and motivation. They hypothesized the reasons as female entrepreneurs start their businesses with relatively less resources such as human, social, and financial capital, than male entrepreneurs. The causes may be associated with their lower risk preferences; this also affects their business performance.

2.2.6. Impact of business location and family size on firm performance

Location has its own impact on the profitability of businesses; it can minimize costs while maximizing income especially for small business, which do not have image yet. However, the focus on entrepreneurship and small business expansion as a means of economic sustainability and growth through emphasis on location has not been commonly utilized and openly declared (Lucky & Minai, 2011). However, their findings indicate that location strongly contributes for firm performance.

Moreover, Nguyen et al. (2011) found that the profitability and thus competitive success of a log trucking firm significantly influenced by location. It is identified that log trucking firms are more profitable where the demand for hauling service is concentrated. This is highly linked with the cost of transportation. Nguyen et al. (2011) further state that location decisions notably influence the profit margins and finally the success of a firm due to availability and proximity of raw materials and labor, proximity to customers and

competitors, infrastructure and transportation costs. Similarly, Fatoki and Asah (2011) states that geographical closeness to either important buyers or suppliers creates a form of better environmental scanning that allows small business to more straightforwardly recognize and utilize growth opportunities in the market. Finally, Fatoki and Asah reach to a conclusion that firms located on the center of the cities may have higher chance of success than those located in rural and semi-urban areas.

Mwangi & Ouma (2012) also found positive relationship between access to credit and business location. This indicates that suitability of business location can help firms especially small women owned businesses to access credit from formal financial institutions. Similarly, family size of women entrepreneurs influences business performance since significant portion of the profit may be used for consumption and other expenditures. In line with this, Marge (2003) states that large family size is one constrain in business activities. Thus, based on the above discussions, the theoretical framework of the study is as follows:

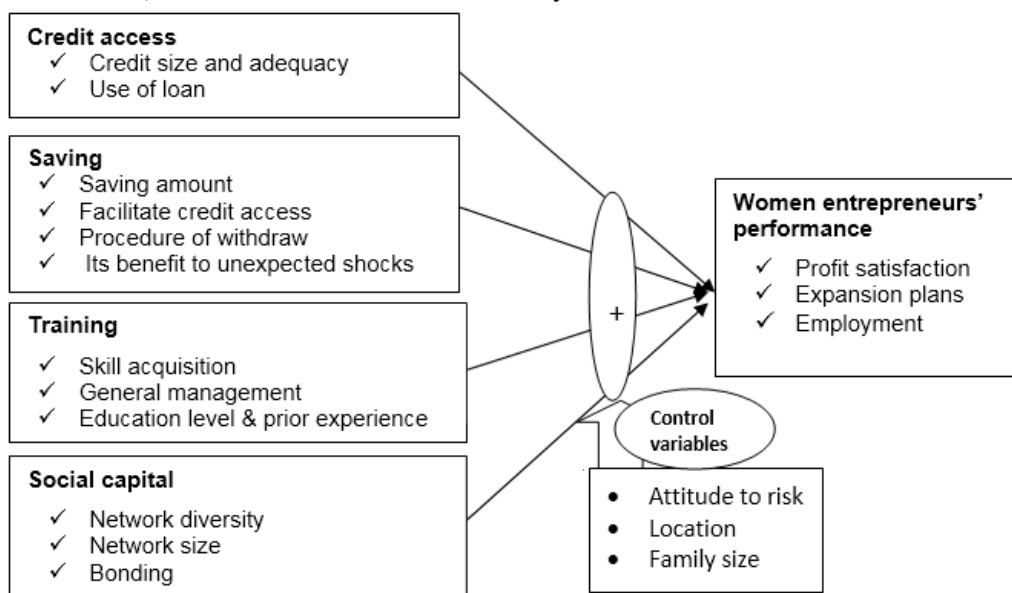


Figure 2-1: Theoretical framework (adapted from Ekpe et al., 2013) with modification

3. Methodology of the study

The objective of the study is to test empirically the contribution of microfinance interventions for women entrepreneurs' performance. The objectives and hypotheses were formulated based on existing knowledge and theories. Thus, in this study a deductive research approach was used. The study tests the hypotheses stated through newly collected data. In this approach, data follows theory that is the use of theoretical framework to design and formulate hypotheses (Saunders et al., 2007).

A cross-sectional survey research strategy was used which aimed at establishing the effect of microfinance interventions on empowerment of women entrepreneurs. According to Saunders et al. (2007), to find the suitable strategy the study's research approach and the specific research questions and objectives have to be taken into consideration. This corresponded with the aim of this study to determine the effect of microfinance interventions on the performance of women entrepreneurs. The reason for selecting survey was due to its versatility and ability to collect "abstract information of all types by questioning others" (Blumberg et al., 2011, p. 207). It can help the researcher to process large amount of data in a very efficient manner.

The target population of the study was women entrepreneurs and users of microfinance services in Gondar District of Ethiopia in which there are 20 sub-districts (kebeles). For this study, women entrepreneurs were those who owned and ran business and had a physical existence (shop, workshop, house from where the business operates) with contact details that enabled the researcher to distribute and collect questionnaires. The report from ACSI (2012) for Gondar district indicates that eleven thousand (11,000) clients got microfinance services in the district. Accordingly, women account for 52% of the total client base.

The study used a two-stage sampling procedure: purposive and simple random sampling techniques sequentially. In the first stage, five sub-districts were selected using purposive sampling technique from the 20 sub-districts based on the availability of small business owned by women entrepreneurs. Purposive sampling was used here because some sub-districts have no small businesses rather offices for large companies like banks, insurance companies, government companies and some are exclusively homes for residences.

As far as the second sampling stage concerned, 360 microfinance service-user women entrepreneurs from the five sub-districts were selected randomly from the records in the microfinance institution of Gondar

district based on the number generated using random number generator, and then they were contacted based on their address. Simple random sampling technique was used because it provides an equal chance of selection for each element of the population (Blumberg et al., 2011).

In this study all women entrepreneurs who started their own business were included providing that they were not younger than three years business experience. Those who had less than three years business experience were excluded because it might be difficult to evaluate their trend of performance. Thus, some years of business experience enables them to compare their performance over time.

Close ended survey questionnaire (5 point-Lickert scale) with some open-ended questions to entertain respondents' opinion about the microfinance contributions in their business progress. Some survey questions were adapted from ECB (2013), Grootaert et al. (2004), and Skandia (2005) with modifications. Moreover, a semi-structured personal interview guide, to get in-depth information and detailed (Blumberg et al., 2011), was developed to generate data on the variables supposed to affect women entrepreneurs' performance.

In this study, validity was checked by distributing the questionnaire to senior researchers and experts in the field. Moreover, validity was also checked by reading various relevant literatures to understand and correctly measure since the items must be consistent with theory and the concept under study. Similarly, to achieve reliability, the questionnaire was verified for accuracy and completeness of all the items. Each question was framed succinctly to reduce ambiguity and minimize bias, thereby ensuring the high statistical value of the data. In order to ensure that the questions in the questionnaire reliably measured, and the value of Cronbach's alpha as a measure of reliability in this study was 0.672, which is acceptable because values ≥ 0.6 is considered acceptable (Yoshida & James, 2010).

Both quantitative and qualitative analysis methods were used. After having various tests on the data (linearity, normality, homoscedasticity of residuals and multicollinearity), ordered logistic regression was used to find out the predictive potential of independent variables (credit access, saving mobilization, training, social capital) on the dependent variable (women entrepreneurs' performance). The major reason of using ordered logistic regression is that many scholars argue that Likert scale does not fit with linear regression as the intervals between the scale values are not equal, and thus they recommend ordered logistic regression (Acock, 2012). This means that the study assumes the intensity of feeling between 'strongly disagree' and 'disagree' is not equivalent to the intensity of feeling between other consecutive categories. Hence, in this study, ordered logistic regression was used. Therefore, the ordered logistic regression model for this study is specified as follows:

$$y_i^* = \beta x_i + e_i, \quad e_i \sim N(0,1), \quad \forall i = 1, \dots, N. \dots\dots\dots 1$$

Where y^* is the observed ordinal dependent variable, takes on values 0 through N with a linear combination of some predictors, x , plus a disturbance term that has a standard normal distribution.

4. Findings

To empirically investigate on the contributions of microfinance interventions and achieve the objectives, women entrepreneur respondents were selected in Gondar district of Ethiopia. A total of 360 study participants were taken among credit user women entrepreneurs in Gondar District of Ethiopia. Of these, 275 (76%) of the study participants filled and returned the questionnaire. Out of 275 questionnaires, 65 were invalid because of incompleteness for analysis. Therefore, 210/275 (76.36%) questionnaires were used to analyze the contribution of microfinance interventions on women entrepreneurs' performance in the Ethiopian context particularly in Gondar district.

The result of ordered logistic regression as shown in table 4-1 below indicates that credit access (CA), saving (SV), and training (TR), are important microfinance interventions. Likewise, among control variables business location (LO), and family size (FS) are highly statistically significant in explaining women entrepreneurs' performance. Moreover, the likelihood ratio chi2 (7) of 256.48 with a p-value of 0.000 shows that the model as a whole is statistically significant.

Table 4-1: Ordered logistic regression output

WEP	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]	
CA	4.320464	.5882883	7.34	0.000	3.16744	5.473488
SV	1.096996	.4445732	2.47	0.014	.2256481	1.968343
TR	.9255331	.4603663	2.01	0.044	.0232318	1.827835
SC	.136427	.2363181	0.58	0.564	-.326748	.599602
ATR	-.0474639	.3535526	-0.13	0.893	-.7404143	.6454866
LO	1.691052	.2542802	6.65	0.000	1.192672	2.189432
FS	-.6978358	.1847817	-3.78	0.000	-1.060001	-.3356704

LR chi2 (7) = 265.48; Prob > chi2 = 0.0000; Pseudo R² = 0.2958

The model implies that all other variables held constant, for a unit increase in credit access, we expect a

4.32 increase in the log-odds of being in a higher level of performance. Similarly, a one unit increase in saving and training score would result in a 1.096 and 0.92 unit increase respectively in the ordered log-odds of being in a higher performance category for women entrepreneurs while the other variables in the model are held constant. However, for a unit increase in family size, 0.7 unit increase in the ordered log-odds scale of being in a lower level of women entrepreneurs' performance.

4.1. Credit access

The finding indicates that credit access had a positive role on women entrepreneurs' performance, and it was the statistically significant determinant of women entrepreneurs performance (measured using profit satisfaction, expansion plan and employment opportunities). Consequently, the first hypothesis could be supported, allowing the investigator to assert that credit positively and significantly influences women entrepreneurs' performance in Gondar district of Ethiopia. This result implies that adequate credit supports entrepreneurship performance.

The Grameen Bank experience shows that most of the conditions imposed by formal credit institutions like collateral requirements should not actually stand in the way of smallholders and the poor in obtaining credit. Similarly, various authors found that credit access through microfinance institutions using group collaterals helps small women entrepreneurs, who are disadvantaged to access credit from banks. Moreover, according to the response obtained from the microfinance officials' personal interview in the study area, women entrepreneurs mostly get credit by using the group (3-5 members) as collateral, which is very impossible in banks; this motivates the poor to do business. This might be the reason that credit access found to be very relevant microfinance intervention for women entrepreneurs' performance in this study. Moreover, the positive and statistically significant influence of credit access in this study is in line with the empirical investigations of Ekpe et al. (2010), Loice and Razia (2013), Kuzilwa (2005), Kessy and Temu (2010), Brata (2004), and Lawal et al. (2009).

4.2. Saving mobilization

In agreement with the stated hypothesis, the result also shows a positive relationship between saving mobilization and women entrepreneurs' performance, and its relationship was statistically significant at 1% significant level. The reason might be that saving serves as the most important source of finance throughout the business cycle and builds confidence in business decisions since it covers unexpected shocks. In line with this, Gudz (1999) states that saving provides a hedge against income variability and serve as a guarantee to access credit; it also enables entrepreneurs to pursue investments that yield higher rates of return, which lead to higher performance. Likewise, the interview response in this study indicates that not all savings in microfinance institutions (compulsory and voluntary) of women entrepreneurs used as a collateral to get credit; a compulsory saving of 10% is required and the remaining can be used for any business decision at any time, which gives confidence to use it for unexpected shocks.

The finding of this study supported by Ojo (2009) and Rahmat et al. (2006), however, Loice and Razia (2013) found insignificant relationship between saving mobilization and women entrepreneurs' performance. The investigators claimed for the insignificant result of saving was that women entrepreneurs felt that the procedure for withdrawing savings was difficult and took so long. Similarly, in this study the response for the procedure of withdrawing savings was not positive. However, from the responses of other survey questions for saving, the investigator could understand that respondents were highly positive to evaluate the contribution of saving in their business; this leads to a cumulative effect of positive response for saving. This might be the reason that saving was highly statistically significant in explaining women entrepreneurs' performance in Gondar district of Ethiopia.

4.3. Training

A positive relationship between training and women entrepreneurs' performance expected from theoretical point of view and based on various empirical studies. Similarly, in this study, training was found to have positive and statistically significant impact on women entrepreneurs' performance.

According to the responses obtained from interview with microfinance officials in the study area, microfinance institution in Gondar district of Ethiopia provides training at three levels of the women entrepreneurs business. First, before they take the credit on how to find and create business opportunities, and how they utilize the credit for their business including preparation of business plan. Second, after they start their business, the credit provider also gives training on managerial, marketing, reporting, and on how to handle their customers or customer service. The third one is post evaluation training. In this stage the training is given after the real problem of women entrepreneurs are identified specifically to fill the gap identified mostly based on entrepreneurs feedback and microfinance officials own evaluation. Therefore, these might be the major reasons for the highly statistically significant contribution of training for women entrepreneurs' performance in Gondar district of Ethiopia.

The positive and significant influence of training on women entrepreneurs' performance is in line with Ekpe et al. (2013), and Soltane and Imen (2013) findings. The result also gives sense in such a way that the more the skills acquired the more the women entrepreneurs' performance to be good because it provides women entrepreneurs the experience and skill required to handle business challenges and make them to be willing to take risks. This indirectly contributes to their business performance. This is also in line with Ekpe et al. (2013) justification of the relevance of microfinance training for women entrepreneurs performance.

4.4. Social capital

According to the hypothesis of the study, social capital of the firm has a positive and statistically significant association with women entrepreneurs' performance. In this study, though social capital positively affects women entrepreneurs performance its contribution was statistically insignificant (p -value = 0.564) which is against Lawal et al. (2009) and Brata (2004) findings. According to Mwangi and Ouma (2012), social capital refers to connections among individuals that characterize social networks where norms of reciprocity and trustworthiness arise.

However, in this study it was found that being member in various local associations, having active participation in the decision making process and social connections could not build effective and efficient relationship based on reputation as a borrowing channel to women entrepreneurs. This might be the reason that social capital had no significant contribution to women entrepreneurs' performance. Otherwise, almost nil regression coefficients of social capital can also show the absence of microfinance institution in considering social connections of women entrepreneurs as a component of their credit analysis and give less regard to this factor.

4.5. Business location and family size

Among the control variables included in the model location and family size found to be highly and statistically significant at 1% significant level. In the study area, the location of the business that is being in the center or situated in the place where more customers are available is highly important because the nature of the population is highly fragmented in some areas and highly concentrated in other areas. Moreover, the response obtained from interview indicates that the amount of credit given to individual women entrepreneur depends on the collateral type, credit history and the location where they are working. This indicates that women entrepreneurs who are working in the right location can easily get adequate credit from microfinance institutions since the risk of giving credit to those women entrepreneurs might be less as compare to those working in remote areas. This might be the major reason that made business location was highly and statistically significant in influencing women entrepreneurs' performance in this study. In line with this, Mwangi & Ouma (2012) indicates that suitability of business location can help firms, especially small women owned businesses, to access credit from formal financial institutions.

The result also indicated that there was a statistically significant negative relationship between family size and women entrepreneurs' performance at 1% significant level. The significant influence of family size implies that women entrepreneurs who had more family size negatively influence their business performance. The reason might be that the more the family size, women entrepreneurs expend more of their profit for family consumptions and other expenditures. Therefore, their investment in expanding their business and giving employment opportunities (proxy to measure women entrepreneurs' performance) might be limited.

5. Conclusion and practical implications

The aim of the study is to examine the effect of microfinance interventions (credit, saving, training and social capital) on women entrepreneurs performance. This study is undertaken within the Ethiopian context specifically in Gondar district of Ethiopia. The study shows that there is evidence that microfinance interventions significantly influence women entrepreneurs' performance. Besides, by bringing together different factors of resources accessed from microfinance (credit access, saving, training and social capital) helps to know which of these factors are more important than others and this helps decision makers where to target their efforts in an attempt to provide access to easy and cheap credit. More specifically the findings of the study have the following implications for practice:

- ✚ The study identified credit access as the most relevant microfinance factor for women entrepreneurs. This leads to practical implications that microfinance institutions in Gondar district of Ethiopia, with the help of government, should take bold steps to develop infrastructures necessary for women with entrepreneurial traits to have easy access to microfinance factors. Thus, this needs microfinance institution and government policy makers to concentrate their effort on eliminating credit constraints, especially amongst small women entrepreneurs since a significant portion of small business owned by them. Hence, this might be an effective strategy for poverty reduction in Gondar district of Ethiopia.

- ✚ Moreover, the finding signifies the importance of saving on women entrepreneurs' performance. This shows a direction that women entrepreneurs should be encouraged to save their earnings since it provides confidence in their business decisions, and thus microfinance institutions should play a vital role in promoting the relevance of saving in empowering women entrepreneurs towards their endeavors.
- ✚ The statistically significant contribution of training on women entrepreneurs' performance indicates the success of microfinance institution in Gondar district of Ethiopia in providing skill-acquiring trainings. The credit institution should also recognize its effect on women entrepreneurs' performance and able to further factor in its role and then providing training first on how to identify opportunities and create networks to help them reduce the existing information asymmetry. Secondly, provide regular skill acquisition training on managerial, marketing, reporting and customer service areas.
- ✚ In addition to microfinance interventions, business location and family size are found to be very important variables for women entrepreneurs' performance. This indicates that the selection of business location is crucial to be profitable in the study area. The interview response also supports that business location determines the amount of credit given to individual women entrepreneur; that is, those in the right location can easily get adequate credit from microfinance institutions. However, microfinance institution in Gondar district of Ethiopia should realize its initial objective because this might lead to move away from its social objectives of working for the poor (mission drift). Similarly, the significant and negative influence of family size leads to a practical indication that requires the government to give due attention to family planning for women entrepreneurs to be effective in their business in Gondar district of Ethiopia.

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