

RETHINKING SUPPORT FOR FEMALE-LED MICRO, SMALL AND MEDIUM-SCALE INFORMAL BUSINESSES IN GHANA

Key findings

- Knowledge of support avenues among micro, small- and medium-scale enterprise (MSME) owners is appreciable but needs to be improved.
- Some MSME entrepreneurs were able to access financial and non-financial support from formal and informal sources.
- Financial services provided by telecommunication companies (mobile money quick loans) are a key source of funds for MSMEs.
- The majority of female (and male) entrepreneurs could not access the government's Covid-19 relief package for businesses, although they indicated preference for it over other support options due to its low interest rate and flexible payment plan.
- Informal networks (families and friends) proved to be a valuable source of financial and non-financial support for female-led MSMEs in both urban and rural areas.
- MSME owners who received financial support channelled it into their business operations.
- Inadequate information on business support, high interest rates and demands for collateral are among the main constraints inhibiting female entrepreneurs' access to much-needed financial support.

Recommendations

- Improve access to finance and financial services through tailor-made and flexible financing products for MSMEs.
- Sensitise MSMEs, and promote, the necessary business registrations and formalisation to improve their access to financing and formal relief packages.
- Enhance information flow on business support services to both female- and male-led MSMEs.
- Develop and promote MSME clinics in rural areas, paying particular attention to the specific needs of female-led MSMEs.

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September 2021

Brief 2

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Medium-Scale Informal Businesses in Ghana**

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How to cite: Afenyo-Agbe, E., Alexander, A., & Sefa-Nyarko, C. (2021). Rethinking support for female-led micro, small and medium-scale informal businesses in Ghana

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Special thanks to the Mastercard Foundation team for reviewing and providing useful comments to improve the content of this brief.

Introduction

Why support for female-led MSMEs matters

Micro, small- and medium-scale enterprises (MSMEs) are very relevant actors in economies globally. These businesses cut across all sectors of the economy and significantly contribute towards human resource development, employment and income generation, economic growth, poverty reduction, development of indigenous entrepreneurship, and youth and female employment, in developed and developing countries (OECD, 2017; Eggers, 2020; Turkson, Amissah & Gyeko-Darko, 2020). In Ghana, MSMEs contribute about 70% of Gross Domestic Product. They also account for about 90% of businesses and 80% of employment within the country's informal sector (Oppong, Owiredo & Churchill, 2014; GSS, 2015). More importantly, the MSME landscape in the informal sector is dominated by women (Minta & Darkwah, 2018). These women are making significant contributions to their economies in terms of job creation and economic growth (Ahmad & Arif, 2015). The 2018/2019 Global Entrepreneurship Monitor (GEM) report estimates that about 231 million women were starting or running businesses in 59 economies worldwide. The 2018 Mastercard Index of Women's Entrepreneurship report also indicated that about 46.4% of businesses in Ghana are owned by women.

The unregulated nature of the informal MSME sector, coupled with the low capital and skill entry requirements, makes it easier for women to start such businesses. This has become a necessary pathway for empowering women, reducing poverty and gender inequality and dealing with unemployment issues (Peprah et al., 2019). However, the support needed to aid these female-owned businesses remains limited. Female business owners are constrained by limited access to credit and land, new technologies, information, education, low institutional support and high interest rates (Peprah et al., 2019). While no preferential provision is given to male-led businesses to access these resources, traditional roles, educational attainment, and occupational segregation by gender restrict women's access to socioeconomic resources (Dzansi et al., 2021; Asare et al., 2015; Baah-Boateng et al., 2013; Boohene, Sheridan and Kotey, 2008). Consequently, their businesses are less successful than those owned by men. They tend to be smaller, grow slower, generate less profit and have a shorter life span (<5 years) (Minniti & Naudé, 2010).

The ongoing Covid-19 pandemic has not only exacerbated the problems of MSMEs, it has particularly worsened the woes of female-led MSMEs (Orser, 2020). This is because women dominate in the business sectors that have been affected the most by the pandemic, such as the hospitality and tourism, retail, agribusiness and service sectors (Jaim, 2020). The International Labour Organization (2020) estimates that MSMEs are at a higher risk of collapse due to the general decline in economic activities spurred on by the pandemic. Since MSMEs dominate economies, whatever happens to them will have ripple effects throughout the economy, so we need to be concerned. Given the inherent risks associated with MSMEs, such as their small size, financial inadequacy and newness in the sector, which makes them more vulnerable to crises such as the current pandemic (Eggers, 2020), female business owners in that space are in a more precarious position. Further, the pandemic has increased the household and caregiving

responsibilities of women and limited their finances and business networking opportunities more than those of men (Jaim, 2020). Hence, specific, tailored support to female MSME owners will help them navigate and recover from this pandemic and build resilience.

Governments and non-governmental organisations have implemented diverse stimulus packages to support businesses during the pandemic. This policy brief seeks to assess how these forms of support have been accessible and helpful to female-led MSMEs in Ghana. Specifically, the policy brief addresses the following questions:

- How knowledgeable are female-led MSMEs in Ghana about available business support services?
- What support did female- and male-led informal MSMEs receive during the peak of the Covid-19 pandemic and how were they utilised?
- What constraints did female (and male) informal MSME owners face in accessing this support?

Methods

This policy brief draws on a qualitative study conducted by Participatory Development Associates (PDA) and the Overseas Development Institute (ODI), with funding from the Mastercard Foundation (MCF), to assess the impact, coping and recovery strategies of female-led MSMEs in Ghana. The study further examined access to financial and safety net services by female-led MSMEs in the informal sector, during and after Covid-19 lockdowns. The data and other information used for this brief was collected from 173 female and male entrepreneurs from three regions of Ghana—Northern, Ashanti and Greater Accra—and six localities: Tamale, Kumbungu, Greater Kumasi, New Edubiase, Accra Metro Area and Ningo Prampram (see section 3 of the [main report](#) for more on the methods used). The study locations and sampling were selected to reflect the rural and urban setting and dynamics in Ghana in terms of gaps in service provision and accessibility. This helped us to learn about the different experiences of female entrepreneurs in rural and urban areas as well as the Northern and Southern regions of Ghana.

Key Findings

Knowledge of Available Covid-19 Business Support

There is general awareness of business support options but limited knowledge of how to access them.

The respondents (women and men) demonstrated knowledge of where they could access business support for their enterprises during the peak of the pandemic. The emphasis for them was financial support. Given the economic downturn associated with the pandemic, businesses will logically look for financial support to keep afloat. Respondents cited four main sources they were aware of from which such financial support could be obtained. These were: government agencies and institutions, non-governmental institutions, financial institutions and informal networks. However, they had limited knowledge of how to access these business support services due to limited information and the fact that for majority of MSME owners in the informal sector,

applying for such support services particularly from the government was an entirely new exercise and needed much guidance to apply than what was provided.

During the pandemic, the Government of Ghana rolled out some stimulus packages targeting businesses. These included the Coronavirus Alleviation Programme Business Support Scheme (CAPBuSS), worth USD 172 million, through the Ghana Enterprises Agency (GEA), formerly called the National Board of Small-Scale Industries (NBSSI), and the Covid-19 relief programme. MSMEs that benefited from the government package were given low-interest loans (at 3%), payable within two years with a one-year moratorium (Ministry of Finance, 2021). This was expected due to the publicity associated with the implementation of the government relief packages. However, respondents could not tell of any government support that had been made available prior to the pandemic. In Ghana, the government, through the GEA, the Business Advisory Unit (BSU) and the Microfinance and Small Loans Centre (MASLOC), with offices in almost all districts across the country are mandated to provide technical and flexible credit financing to MSMEs. However, their services are not usually advertised and many informal sector MSMEs are unaware of the available support options they could seek from these government agencies.

Some respondents also indicated their awareness of support given by non-governmental institutions like Mastercard Foundation, Camfed and trade associations. These respondents were either past beneficiaries of these NGOs or members of a trade association, like the Artisans Association of Ghana. As further sources of support, respondents gave financial institutions, such as banks, savings and loans companies, credit unions, telecommunication companies (mobile money) and the last source—informal networks—in the form of family and friends.

The respondents' acknowledgement of informal networks as an important source of non-financial support is in line with Smart's (2007) assertion that non-financial support is equally relevant for businesses. This support often takes the form of advice and consulting, sharing of information and transfers of skills and knowledge through training.

Female-led MSMEs' Access to Available Covid-19 Business Support ***Female entrepreneurs' ability to obtain business support was low.***

Although there was awareness regarding avenues to follow for support for their businesses among the respondents, a small minority of both female and male interviewees in both rural and urban areas were able to obtain support they required or applied for. Government of Ghana Support for MSMEs was the preferred support by the respondents because of the flexible payment plan and low-interest rate. In the urban areas, only 3% of the respondents (three men and two women) indicated receiving the CAPBuSS support.

*I received GHS 2,500 as a loan from the government's Covid-19 relief programme.
(Youth, female, fashion designer, urban area, Ashanti Region)*

*I received GHS 1,800 from the NBSSI Covid-relief fund which I added to my money
to restock. (Adult female, footwear seller/retailer, urban area, Greater Accra Region)*

In the rural north, the GEA official at Kumbungu indicated that 280 MSMEs had received the government support in their catchment area. However, most of the interviewees indicated that they had been unable to apply for it or had been unsuccessful after applying for it (22% rural and 19% of urban respondents applied for it):

With the government scheme, I did not get help from them. I did not hear about it early and besides, the information was not forthcoming. (Adult female, food vendor, rural area, Northern Region).

We wasted a lot of money because of the NBSSI loan but we didn't benefit from it. We had to open bank accounts and TIN numbers because of it but nothing came out of it. (Adult female, palm-oil seller, rural area, Northern Region)

I applied for the NBSSI loan. I went to the city three days consecutively, but I didn't get anything. That would have helped me a lot, but I wasn't successful. (Adult female, hairdresser, rural area, Ashanti Region)

Only 14% of urban participants (seven women and five men) and 6% of rural participants (three women and two men) accessed loans from formal and informal financial institutions, such as savings and credit unions, or benefited from some financial packages from NGOs such as Mastercard Foundation and Camfed, and trade associations such as the Artisan Association of Ghana. About 3% of the respondents also accessed 'quick' loans from the telcos through the mobile money platform. Respondents who accessed support from these financial institutions had been either already saving with them or were members and so got assistance through the already established relationships. Beneficiaries of the financial package from NGOs had some pre-existing relationship with the NGOs.

I had support from the Artisan Association of Ghana (AAG). I had a loan of GHS 3,000. I needed to support my shop because of the effects of the pandemic. It is interest-free and payable in a year. (Youth, male, electrical goods shop owner, urban area, Ashanti Region)

I went for a loan from a credit union to diversify into the sale of fabrics and second-hand clothing when Covid-19. (Adult female, seamstress, urban area, Northern Region)

In addition, respondents got both financial and non-financial support from their families or friends. Some of the support was directly related to their business and some was extended towards the entrepreneur. In terms of the business support, respondents recounted securing loans from family and friends to reinvest in their business. Others also received business advice, emotional support (words of affirmation and encouragement), free labour and free skills training.

A friend of mine offered me part of his savings to use in running my business and we agreed that I will pay him back when he needs it. I accessed this loan because it was readily available, and my friend didn't demand interest from me. (Youth, male, mobile money vendor, rural area, Northern Region)

My husband assisted me in the business. He sometimes comes to sit with me at the shop to sell when he closes early from his workplace. (Youth, female, wood seller, urban area, Ashanti Region)

Indirectly, approximately 7% of respondents reported receiving support from informal networks, which ranged from accommodation to food and money for personal upkeep during the peak of the pandemic. Although the original intent of giving this support was not to impact the business, it reduced the recipients' reliance on their business capital and savings that could otherwise have been channelled into catering for those needs.

My family is the one that was buying food for me to eat but I didn't receive any help with my business. (Youth, female, fashion designer and interior decorator, urban area, Ashanti Region)

Utilisation of Business Support by Female-Led MSMEs *MSMEs used the support given to cushion their businesses.*

Even though access to support was low, those who received it channelled it into their businesses. Specifically, respondents used it to restock their shop to keep their business in operation. Thus, wider access to this form of support and safety net would have been more beneficial to MSMEs in the country.

I received GHS 1,800 from the NBSSI Covid-relief fund which I added to my money to restock. (Adult female, footwear seller/retailer, urban area, Greater Accra Region)

Constraints to Female-led MSMEs' Access to Business Support

A significant proportion of the interviewees (69%) indicated that they had not received any support during the pandemic. The main constraints they had encountered in accessing credit, especially from banks and other formal financial institutions, included high interest rates, unfavourable loan tenure, a cumbersome loan application process and expensive collateral demands. The respondents feared that the interest rate charged by financial institutions could lead to the collapse of their business because it was high:

The bank's interest rate is too high and besides, people are not buying things so it will become difficult to even pay back. Honestly, I am not interested in collecting loans because the interest rates charged by the bank is ridiculous. (Youth, female, provisions shop owner, urban area, Ashanti Region)

If you take loan from the rural bank in the area, you will run out of town. The interest rate is high and the term of payment is not good. The loan is paid weekly and there is no grace period. If they give you GHS 1000, the bank will deduct GHS 100 as commitment fee. We call it 'kakaduro' (ginger) because you start paying back the very week you are given the loan. (Adult male, agrochemical and provisions shop owner, rural area, Northern Region)

Respondents also could not access the government's Covid-19 relief packages because of the cumbersome nature of the application process. Accessing the relief package required that the business was registered with the GEA and belonged to a trade association or group. The entrepreneurs were also required to open bank accounts, register for a Taxpayer Identification Number (TIN), and complete an online application form. This was particularly disadvantageous to those female entrepreneurs who had no formal education. In addition, adequate information on the application process was lacking. Others went through the process but were not successful. Unfortunately, they never received feedback regarding why they were not successful.

The fact of applying online was a challenge for many people and this technically knocked out many people, particularly women. (Key informant interview with NBSSI/GEA representative, rural area, Northern Region)

Even with the government programme we were encouraged to do TIN which cost us GHS 20 to do and yet we still did not get the money. We were promised and yet up to date we did not get the help. (Adult female, liquid soap producer, rural district, Northern Region)

Policy Implications

- **Improve access to finance and financial services through tailor-made and flexible financing products for MSMEs.** Financial institutions need to design gender- and market-segment-specific financial products for the MSMEs market. Also, alternative collateral schemes to secure mainstream financing products for MSMEs must be introduced. The government, through its agencies like the Ghana the GEA and MASLOC, as well as state-owned business-oriented banks—National Investment Bank and Agricultural Development Bank—could work together to mobilise, register and deliver appropriate financing schemes for this category of businesses.
- **Sensitise MSMEs, and promote, necessary business registration to improve their access to financing and relief packages.** The GEA and the Metropolitan, Municipal and District Assemblies (MMDAs) need to sensitise MSMEs in their localities and encourage them to register their businesses to improve their chances of accessing government and non-government business support services. This would also help to ascertain accurate and reliable data on MSMEs and as well as regularise their operating environment and thereby promote their inclusion in services and programmes.
- **Enhance information flow on business support services to female- and male-led MSMEs.** There seems to be a disconnect and lack of adequate information flow between informal MSME owners and the relevant government institutions responsible for serving the business interests and needs of this group of businesses. For these reasons, most MSME owners have limited knowledge/information about their business entitlements and how to access the available support services. The outbreak of Covid-19 was a test case as these business owners then began to look for information on how to access support services. Most of them realised too late that they needed to have some form of registration to be eligible for support. To address this gap, the GEA, MMDAs and other agencies should strengthen information flow to women in the informal sector on the registration requirements for running a small business and the associated benefits in times of emergencies such as Covid-19. This could be done through working with trade and market associations, through a public information system and the mass media (radio, television, etc.) in the catchment areas.
- **Develop and promote MSME clinics in rural areas.** Female (and male) entrepreneurs operating within the MSME landscape, especially in rural areas, have limited capacities and resources, so need to be supported. Through the development and promotion of MSME clinics or programmes in the local dialects via community radio, an interactive platform can be created for mentoring and developing the capacities of these business owners in terms of marketing, financing, improving productivity, adapting to changing market trends and building resilience. Public and private organisations with an interest in MSMEs can utilise these mediums to provide reliable and timely information to business owners in the rural areas. Such clinics would help to create a community of practice and a network of female MSMEs who could continue to support each other. The business owners would also get the opportunity to engage with relevant stakeholders within their own space.

This policy brief draws from the report: *'Navigating the Covid-19 Pandemic: The Experiences of Female-Led Micro, Small and Medium-Scale Enterprises in Ghana'*; available from PDA Ghana. You can read the full report [here](#)

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