

LOAN ACCESS, SKILL ACQUISITION, BONDING AND THE MODERATING EFFECT OF SELF-CONFIDENCE ON WOMEN ENTREPRENEURS' BUSINESS PERFORMANCE: A CASE OF NIGERIA

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—Abstract —

The objective of this study was to examine the moderating effect of self-confidence in business on the relationship between loan access, skill acquisition and bonding; and women entrepreneurs' business performance. A quantitative research method (survey) was used to solicit responses from 161 women clients of three homogenous micro-finance institutions in Nigeria. The samples were selected through stratified proportionate random sampling. Data were analyzed using hierarchical regression. The results indicated that loan access (loan access), skill acquisition (skill acquisition) and bonding (bonding) had significant positive influence on women entrepreneurs' business (sales) performance in Nigeria. Self-confidence moderated the relationship between loan access and skill acquisition (not bonding); and women entrepreneurs' sales performance.

Keyword: *Business performance, Loan access, skill acquisition, bonding, self-confidence*

JEL Classification: L26.

1. INTRODUCTION

1.1. Background of the Study

Women contribute positively to the economic wellbeing of their families and countries. In Nigeria, for instance, women involvement in agriculture before the oil boom of the early 1970s contributed to their economic wellbeing and that of the country (Adepelumi, 2007; Edozien, 2008). Their contribution to the country's economy through agricultural micro-enterprises, before the advent of the crude oil, was noticeable. However, the government's diversion of attention from agriculture, where women had dominated, and other economic sectors to the production of crude oil as a major export commodity in the early 1970s led to women unemployment. Therefore, entrepreneurial activity is necessary because it could help women to tap opportunities in the market and gain profit to support families (Kuzilwa, 2005).

Women entrepreneurs lack adequate physical capital (loan access and savings) for business as well as human capital (skill acquisition and education) and bonding which force them into quest for micro-finance (Ibru, 2009; Kuzilwa, 2005). This is due to unemployment, low household and business income, lack of asset collateral required by conventional banks, high interest rates, their inability to save, small nature of their firms, age of their firms and type of industry they engage in (Antoncic, 2006; Brata, 2004).

Women generate less profit, less sales turnover relative to men and have low survival rate due to low start-up capital, and are less growth oriented. Therefore, providing them with micro-finance services would create an opportunity for them to engage in new business or improve an existing one (Allen et al., 2008), thereby leading to business performance in terms of increased income (Brana, 2008). However, the ability of women entrepreneurs to exploit entrepreneurial opportunity depends on their attitude towards risk-taking; that is their willingness and ability to engage in risky activity (Shane, 2003). Thus, this study seeks to identify if women entrepreneurs' self-confidence in business is high, then micro-finance factors may lead to good business performance. On the other hand, if they have low confidence in business, then micro-finance factors may not lead to good business performance.

2. LITERATURE REVIEW

2.1. Loan-Access (Credit)

Women's lack of capital at the start-up and growth stages is due limited personal savings (Brana, 2008) and so they require start-up and working capital from micro-finance institutions (Carter & Shaw, 2006). The problem is much pronounced in developing countries due to unemployment and gender discrimination in high-paid jobs (Brana, 2008; Carter & Shaw, 2006). However, Gatewood et al. (2004) argued that women use more of personal savings than loan, to start and grow their enterprises. Previous studies found that loan access had positive impact on enterprise profit performance in Nigeria (Ojo, 2009), Nicaragua (Martin, 1999) and Croatia (International Fund for Africa Development, 2006). The study therefore hypothesizes that:

H1: Loan access is positively related to women entrepreneurs' business performance.

2.2. Skill-Acquisition (training)

Women entrepreneurs in high-income countries are better educated than those in low or middle income countries (Ibru, 2009); and skill skill acquisition and tertiary education may lead to business opportunities and impact on entrepreneurship (Gatewood et al., 2004). Exploitation of entrepreneurial opportunity also depends on the entrepreneur's level of education, skills or knowledge acquired through skill acquisition, experience and social network (Shane, 2003). Skill acquisition and/or education produce prior experience which leads to preparedness for entrepreneurial activity (Shane, 2003). But women entrepreneurs, mostly in developing countries, lack such prior business experience due to limited formal education and lack of former paid employment (Brana, 2008). Therefore we hypothesized that:

H2: Skill acquisition is positively related to women entrepreneurs' business performance.

2.3. Bonding (social-capital)

This refers to group membership and the level of closeness among the members within a social group; which could be assessed by the frequency of their meetings or interactions. Women groups have closer ties than men which help to sustain the group. The ability of the group members to access information and resources

through their loan groups depends on the strength of social bonds and control in the group (Olomola, 2002). Bonding is necessary for start-ups and growing firms (Lawal et al., 2009; Shane, 2003) as it provides entrepreneur an opportunity for group membership and unity in order to source information and other resources for business (Tata & Prasad, 2008). However, women entrepreneurs especially in developing countries lack social connections that are a source of information for access to micro-finance factors (Olomola, 2002) whereas bonding has been found to have positive impact on the performance of women entrepreneurs (Olomola, 2002; Tata & Prasad, 2008). The study therefore hypothesizes that:

H3: Bonding is positively related to women entrepreneurs' business performance.

2.4. Self-confidence in business (attitude)

This represents entrepreneur's attitude towards risk-taking. Self-confidence is one of the psychological characteristics of entrepreneurs in the execution of identified entrepreneurial opportunity, and it is an indication of entrepreneur's risk propensity (Shane, 2003). Attitude towards risk-taking used in this study is supported by the General Theory of Entrepreneurship (Shane, 2003) and the Theory of Planned Behaviour (Ajzen, 1991). The study therefore hypothesizes that:

H4: Self-confidence in business moderates the effect of loan access, skill acquisition and bonding on women entrepreneurs' business performance.

3. METHODOLOGY

3.1. Survey Procedures

A quantitative research method (survey) was used to collect data from women entrepreneurs. A total of 280 questionnaires were administered to the clients of three homogenous micro-finance banks in the north, east and west regions of Nigeria; using stratified proportionate random sampling. From the returned questionnaires, 161 were usable after data cleaning. Data were analyzed using hierarchical regression analysis.

3.2. Measures

Loan access was measured in terms of loan access. Skill acquisition was measured in terms of skill acquisition, and bonding was measured in terms of group membership and bonding. Performance was measured in terms of increased sales.

Measures for loan access, skill acquisition and performance were adapted from Kuzilwa (2005), Lakwo (2007), Peter (2001) while measures for bonding were adapted from Olomola (2002) and Allen (2000). All the measures were tapped on a 7-point Likert scale.

4. RESULTS

Table 1: Results of Hierarchical Regression on Sales Performance

Variables	IV-DV (Step 1) (Beta 1)	IV-Mod-DV (Step 2) (Beta 2)	Interaction (Step 3) (Beta 3)	Hypothesis
Independent Variables:				
Loan access (LA)	-.132*	-.128*	-.459***	H1
Skill acquisition (SA)	-.664***	-.681***	.471	H2
Bonding (BD)	.151*	.334**	.490***	H3
Self-Confidence (SC): Moderator		-.228*	-.314	
Interaction Term:				H4
LA * SC			-.375**	
SA * SC			-1.120*	
BD*SC			-.191	
R Square	.544***	.559*	.589*	
Adjusted R Square	.535	.548	.571	
R Square Change	.544	.016	.030	
F Value	62.340	5.490	3.753	
Sig. F. Change	.000***	.020*	.012*	

Note: *p<.05; **p<.01; ***p<.001

DV = Sales Performance

LA = Loan access, SA = Skill acquisition, BD = Bonding, SC = Self-confidence.

Hypothesis 1 predicted a positive relationship between loan access and women entrepreneurs' sales performance. The regression analysis result, Table 1 (step 1) revealed that loan access had significant relationship (beta = -.132, p < .05) with women entrepreneurs' sales performance. Thus, hypothesis 1 was supported.

Hypothesis 2 predicted a positive relationship between skill acquisition and women entrepreneurs' sales performance. The regression analysis result in Table 1 (step1) indicated a significant relationship between skill acquisition ($\beta = -.664$, $p < .001$) and women entrepreneurs' sales performance. Thus, hypothesis 2 was supported.

Hypothesis 3 predicted a positive relationship between bonding and women entrepreneurs' sales performance. The regression analysis result in Table 1 (step1) indicated a significant relationship between bonding ($\beta = .151$, $p < .05$) and women entrepreneurs' sales performance. Thus, hypothesis 3 was supported.

Hypothesis 4 predicted the moderating effect of self-confidence in business on the relationship between loan access, skill acquisition and bonding; and women entrepreneurs' sales performance. As shown in Table 1 (step 3), self-confidence in business interacted with loan access ($-.375$, $p < 0.01$) and skill acquisition (-1.120 , $p < 0.05$) to predict women entrepreneurs' sales performance. The significant beta coefficient for the interactive terms ($\beta = -.375$, $p < 0.01$ and -1.120 , $p < .05$) indicated that the impact of loan access and skill acquisition on women entrepreneurs' sales performance differ by the degree of emphasis on self-confidence in business on the part of women entrepreneurs. The regression coefficient for self-confidence was not significant. This indicated the existence of pure moderator (Baron & Kenny, 1986; Sharma, 2003). The interaction of self-confidence with bonding was insignificant. Thus, hypothesis 4 was partially supported.

5. DISCUSSION

The current findings supported previous studies that loan access is positively related to women entrepreneurs' business performance (Martin, 1999; Lakwo, 2007; Peter, 2001), skill acquisition is positively related to women entrepreneurs' business performance (Kickul et al., 2007; Kuzilwa, 2005) and bonding is positively related to women entrepreneur's performance (Allen, 2000; Kickul et al., 2007; Olomola, 2002; Tata & Prasad, 2008). For example, Olomola (2002), using multiple regression, found a significant positive relationship ($\beta = 0.08$, $p < 0.10$) between bonding and entrepreneurs' loan repayment which was a measure of performance in Nigeria. Kuzilwa (2005) using multiple regression, found that loan access and skill acquisition collectively had significant influence (Sig. F change = 0.05, $p < 0.10$) on entrepreneurs' business performance in Tanzania. He

therefore advocated for joint effect of loan access and skill acquisition on women entrepreneurs' business performance in developing countries.

Interestingly, the interactions of self-confidence with loan access and skill acquisition were significant (not bonding); indicating that self-confidence in business fully moderated the relationship between loan access and skill acquisition; and women entrepreneurs' sales performance in Nigeria. That is, loan access and skill acquisition could only lead to business performance if women entrepreneurs have self-confidence in doing business. This is a novel contribution of this study to the theory of micro-finance and/or entrepreneurship.

6. CONCLUSION

The results of these analyses confirmed that the overall model of the effect of loan access, skill acquisition and bonding on women entrepreneurs' business performance was significant. Individually; loan access (loan access), skill acquisition (skill acquisition) and bonding (bonding) had significant influence on business (sales) performance of women entrepreneurs in Nigeria. This study recommends that the government should tie-in loan access with skill acquisition skill acquisition and group membership to women entrepreneurs in Nigeria. This will enhance their business performance and subsequent wellbeing. The women entrepreneurs too should have self-confidence in doing business as a positive attitude towards risk-taking in order to achieve good business performance.

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