Demand for Microfinance Institution Loan by Women Entrepreneurs in selected Markets in Ghana

Raymond K. Dziwornu
University of Professional Studies

Kingsley K. Anagba
University of Professional Studies

This study explored factors driving the demand for Micro-Finance Institution (MFI) loan by women entrepreneurs in selected markets in Ghana, using robust regression model. Structured questionnaire was used to collect data from 300 purposively selected women. The average loan demanded by the women from MFIs was GH¢4139.50, representing 92 percent of total amount needed. Proximity to MFIs, flexibility in loan repayment and time-lag are the main factors driving the demand for MFI loan by market women in the study area. MFIs should provide timely, tailor-made loans with flexible repayment plans to the doors of their customers to increase loan demand.

INTRODUCTION

The informal sector in most developing economies has over the years been excluded from the financial services sector as a result of market failure (Littlefield and Rosenberg 2004). Various governments have made conscious efforts to address this to provide financial services to the underprivileged (Srinivasa, 2012). Microfinance institutions (MFIs) emerged over the past three decades to address this market failure, and to provide financial services to low-income clients (Littlefield and Rosenberg 2004; Ademola and Kayode 2014). According to Otero (1999), microfinance institutions create access to productive capital for the poor, and enables people to move out of poverty. They also contribute to poverty reduction, improve livelihood, help the poor to reduce risk and raise productivity (Fisher and Sriram, 2002; Goldberg 2005). Microfinance is seen as a viable means to reach the needy and poor, to invest in income generating activities to increase their livelihood (Kausar, 2013). The former United Nations Secretary General Kofi Annan during the launch of the International Year of Micro Credit (2005) acknowledged the significance of microfinance and asserted that "sustainable access to microfinance helps alleviate poverty by generating income, creating jobs, enabling families to meet their basic needs and empower them to make choices that best serve their needs". The microfinance sector therefore has enormous potential when well harnessed, to bring significant transformation in the lives of the unbanked poor, reduce poverty and make sustainable contributions to emerging economies, particularly women in Ghana.

Ghana's economy is predominantly informal and characterized by lack of formal registration, high levels of self-employment, competition and insecurity (Carroll, 2011). The sector comprises of enterprises that are not legally regulated and protected. According to the 2000 population and housing census, 80 percent of the working population of Ghana is in the private informal sector, of which women constitute 70 percent (GSS, 2008). These women hardly access financial products from universal banks due to their inability to meet conditions associated with the administration of bank products (Kessey, 2014). They are also considered unbankable and less creditworthy by the traditional financing sector (Fletschner, 2009). This makes it difficult for women entrepreneurs to expand their businesses to improve their incomes and livelihood. The search for a reliable and sustainable investible capital by women entrepreneurs in the informal sector is a difficult and frustrating task, affecting the growth of their businesses. Most of these women who are excluded from the formal financial sector are now relying on microfinance institutions for credit to run their businesses. In 2006, it was estimated that over 3,300 microfinance institutions reached 133 million clients globally with a microloan (ILO, 2007). By the end of 2006, microfinance services had reached over 79 million of the poorest women in the world (Daley-Harris, 2007). Microfinance services empower women by positively influencing their decision-making power and enhancing their overall socio-economic status. Mayoux (2005) argued that microfinance enables women to start their own economic activities, invest more in existing activities, acquire assets or raise their status in household economic activities through their visible capital contribution.

Since its emergence in the 1990s as a strategic tool to reach out to the poor, there has been a tremendous growth in the number of registered microfinance institutions in Ghana. Available data indicates that there are 508 licensed microfinance institutions in Ghana, categorized into Tier-2 for deposit taking and Tier-3, non-deposit taking institutions (BOG, 2015). The capital requirement for setting up microfinance institution is currently pegged at GH₵500,000.00, equivalent to $240,000. This is to ensure that microfinance institutions are well capitalized to operate in the sector. MFIs offer wide range of financial services such as credit, savings, fixed deposits among others to their customers who are mainly women in the informal sector. These women are primarily engaged in activities such as farming, food processing, petty trading, service provision and street vending. A study carried out by the Ghana Microfinance Institutions Network (GHAMFIN) in 2004 revealed that women make up 56 percent of borrowers in the country, close to the Sub-Saharan average of 57 percent. Women have become the most preferred clients of MFIs as they tend to be better borrowers, and proven better at paying on time than men (McCarter, 2006). Almeyda (1996) asserts that women borrowers' average delinquency rates tend to be lower than men's for micro-loans.

The cost of borrowing is a major factor considered by an individual or firm before applying for loan from any financial institution. Economic theory asserts that all other things being equal higher interest rate reduces the demand for loanable fund (Amonoo, Acquah, and Asmah, 2003). David (2001) also argues that when the cost of credit goes up, the marginal utility per shilling raised from that credit goes down. Household will choose to consume or use less of credit. High interest rate on loan therefore discourages individuals or businesses from borrowing from any financial institution. The interest charged on loans by microfinance institutions to their clients in Ghana is increasingly becoming expensive. MFIs charge interest of between 4 to 6.5 percent per month on principal loans to their clients, translating into an average of about 48 percent per annum. This is higher than the 20 percent to 25 percent per annum interest rate being charged by commercial banks (BOG, 2015). If a typical loan costs about 50 percent or more per year, then microfinance institutions are extracting about half of the monies they give out as loans to their clients every year. Ironically, despite the high interest rate, loan patronage from micro finance institutions seems to be growing. According to Pollio and Oboubie (2010), the demand for loans from microfinance institutions in Ghana has increased rapidly since early 2000, growing between 20-30 percent annually. Microfinance institutions provide financial services to an estimated 15 percent of Ghana's total population compared with 10 percent for the commercial banking sector (Ministry of Finance, 2008). According to BOG (2015), loans and advances of MFIs increased by 171.8 percent from GH¢177.7million in 2013 to GH¢481.1million in 2014. This indicates increasing demand for loans from microfinance institutions in Ghana. Could microfinance institutions in Ghana be doing something

attractive that may be encouraging patronage of their loans? What factors might be driving the demand for microfinance institution loans in Ghana? Most studies on microfinance focus on poverty reduction and livelihood of women (Ferka 2014; Addae-Koranky 2012; Otoo 2012), but not loan demand. This paper investigates the factors driving the demand for microfinance institution loans by women entrepreneurs in the Greater Accra Region, Ghana. This would ensure appropriate strategies are implemented by micro finance institutions to increase loan demand by women to improve their income levels and livelihood.

METHODOLOGY

Data and Sampling

The study focused on women entrepreneurs in five selected markets in the Greater Accra Region of Ghana. These markets were the Madina, Dome, Mallam, Makola and Mallam Atta markets where numerous trading and commercial activities take place. In addition, there are large numbers of MFIs operating in these markets, and providing various financial services to the women. The Greater Region is found on the coastal belt of Ghana and lies between longitudes 1^{o} 8' East – 0^{o} 30 West and latitude 5^{o} 70' – 6^{o} 8' North of the equator. It shares border with the Volta Region to the east, Eastern Region to the north and Central Region to the west. The region has the smallest area among the 10 administrative regions in Ghana, and has a total land size of 3,245 square kilometers or 1.4 percent of the country's total land area.

Structured questionnaire was used to collect primary data purposively from 300 market women who have ever applied and benefited from MFI loan in the study area. Although microfinance institutions were reluctant to provide a list of loan beneficiaries for the study, a preliminary interview with industry players indicates that there are over 1000 women entrepreneur beneficiaries of MFIs in the Greater Accra Region. It is on record that women constitute about 80 percent of the informal sector and are key actors in most market centres. The women are engaged in various economic activities in the market, ranging from the sale of food stuffs, clothing and footwear, cooking utensils and hardware, service provision among others. Five (5) main market centres were first selected from the study area for the study. Purposive sampling technique was then used to select 60 women entrepreneurs who have ever benefited from loans from MFIs from each of the five selected market centres. The data collected was then prepared, cleaned and analysed with the aid of the Stata 11 computer software.

Analytical Technique

Descriptive statistics and robust regression model were used to analyse the data collected. Descriptive statistics such as percentage, frequency, mean and standard deviation were used to analyse the demographic characteristics of respondents, loan amount demanded and reasons for loan patronage from microfinance institutions. The results were presented with the aid of tables. The robust semi-log multiple regression technique was used to analyse the factors driving the demand for MFI loan among respondents. In multiple regression analysis, the use of the ordinary least square (OLS) estimation method may be affected by outliers, non-normality, multicollinearity and missing data. If the data contains these problems the sample estimates and results can be misleading (Ho and Naugher, 2000). A researcher has the option of ignoring the problem in the data set, deleting subjects or accommodating the problem in the analysis. Accommodation involves the use of robust estimation methods in computing sample estimates in multiple regression. According to Schumacker et al. (2002) it is imperative to check the accuracy and stability of estimates using robust estimation methods. Based on this this study used the VCE robust regression technique as recommended by Cameron and Trivedi (2009), which has the advantage of mitigating the effect of outliers and heterosadacitity problem associated with the standard or OLS method.

The theory of demand is a fundamental principle of microeconomics first propounded by the French economist Leon Walras (1934-1910) but later improved upon by other economists. The underlying point of the theory is that all other things being equal, there is an inverse relationship between the price of a commodity and quantity demanded (Mudida 2003; Saleemi 2000; Livingstone and Ord, 1994). These studies asserts that apart from price, other factors such as income, price of related goods, taste and

preference among others influence the demand for a product. The study used a modified demand function that included women entrepreneurs specific characteristics as well as MFIs specific behaviours or practices. Based on this, a semi-log regression model was specified for the study as:

$$LogDEMD = \alpha_0 + \alpha_1 FOEDUC_i + \alpha_2 VABUSS_i + \alpha_3 DSMFL_i + \alpha_4 INTRST_i + \alpha_5 REPLAN_i + \alpha_6 INCOME_i + \alpha_7 REKEPKG_i + \alpha_8 REQUMT_i + \alpha_9 TYLAG_i + \varepsilon_i \quad (1)$$

where LogDEMD is the dependent variable representing the natural log of total amount of loan demanded by the women entrepreneurs; FOEDUC is a dummy variable indicating 1 if the market woman had formal education and 0 otherwise; VABUSS is the value of business/stock being operated by the respondent measured in Ghana cedi; INTRST is the interest charged on loan amount disbursed to respondents and measured as the difference between the loan amount taken and total amount actually paid at the end of the loan duration. DSMFI is the distance of microfinance institution from respondents business location in minutes; REPLAN is the variable representing repayment plan for paying loan amount measured in weeks; INCOME is the average weekly income of respondents measured in Ghana cedis; REKEPG is a dummy variable indicating 1 if the respondent keeps record of business operation and 0 otherwise; REQUMT is a dummy variable indicating 1 if requirement was made before loan approval was granted and 0 otherwise; TYLAG is the time lag measured as the difference between the time when loan was applied and when loan was actually approved and disbursed. ε is the error term which is assumed to be normally distributed with a mean of zero and a constant variance. The αs are the estimated coefficient that measures the proportionate change in E (y|x) as x_j changes.

The level of formal education attained by the market women is expected to positively influence the amount of loan demanded. Market women who have some level of formal education are in a better position to understand the terms and conditions required of the loan they applied for. Having some level of formal education will also help the women entrepreneurs to be efficient managing the loan they acquire to be profitable. Olaoye et al. (2011) found formal education level to positively and significantly affect demand for loans. This variable is expected to have positive influence on loan demand from MFI. The value of stock/business of the women entrepreneurs indicates the extent of cash flow of the business, and the ability or capacity of a business to repay back loan taken. Women entrepreneurs who have higher stock/business value are in a better position to repay their Loans, and hence will demand more loan and vice versa. The value of stock/business variable is expected to have a positive coefficient. The distance from a microfinance institution to a client is also expected to influence the demand for loans negatively. Women entrepreneurs will not want to leave their businesses to go and transact businesses with microfinance institutions. Instead, they will prefer that MFIs draw closer to them to provide tailor made services. Thus, the closer MFIs are to their client the lower the transaction cost and the more the demand for loans and other services. As micro finance institutions draw closer to their clients they are able to identify their needs and provide tailor-made services to meet these needs. It is therefore expected that distance from MFI variable will have a negative effect on loan demand. Bakhshoodeh and Karami (2008), asserts that the distance of bank from the borrower affect access to credit. The interest is the cost an individual pays for loan demanded. The higher the cost of loan, the lower the demand, hence this variable is expected to have a negative sign.

The repayment plan is how long a client agrees to repay back loan taken. Flexible plan gives borrowers the opportunity to time loan repayment with income inflows (Armendariz and Morduch, 2010; Bauer, Chytliová and Morduch, 2008). The more flexible the repayment plan is the more loan that will be demanded and vice versa. Hence, this variable is expected to have a positive sign with loan demand. MFIs are interested in the capacity and ability of their clients to repay back loans disbursed. The income level of their clients is a major factor the MFIs consider in approving and granting any loan application. Women entrepreneurs who have higher average weekly income from their business will demand more loans because they will be able to service the loan they received and vice versa. Income variable is expected to have positive influence on the amount of loan demanded by women entrepreneurs (Messah

and Wangai, 2011). Keeping records of once business operation provides relevant information to financial institutions in making decision on an individual's loan disbursement. Record on credit sales, cash sales, stocks among others enables financial institutions to determine the cash flow and financial performance of any business. Women entrepreneurs know that MFIs will request of them whether they keep records of their business before granting loans. They will therefore keep proper records of their business activities to acquire more loans. The record keeping variable is expected to positively influence MFIs loan demand.

Requirements such as collateral and business plan are main issues in the financial sector as it is one of the most widely used contractual devices in debt contracts. It arises from the information gap between borrowers and lenders (Stiglitz and Weiss, 1981). The high level of risk involved in loan disbursement, especially to the informal sector, pushes most financial institutions to request for some form of collateral requirements from their clients before granting loans (Kislat, Menkhoff, and Neuberger (2013). The more these requirements are made by microfinance institutions for loan approval the less the amount of loan demanded. The requirement variable in this study is therefore expected to have a negative coefficient. Finally, the time lag for loan disbursement is crucial in borrowing transaction cost and contributing to higher default (Olomola, 1990). It ensures that borrowers have quick access to the loan they applied for and to use it for the intended purpose. The shorter the time lag between loan application and disbursement, the lower loan default rate and increases the purpose to which loan is put. Women entrepreneurs will want to pay their supplies on time to have their goods delivered for sale. If it takes a longer time for loan to be approved and disbursed, women entrepreneurs will not be encouraged to demand loan for their businesses. They may divert the loan to other purposes than the purpose for which it was applied. Thus, the longer time lags in loan disbursement, the lower loan demand by women entrepreneurs and vice versa. This variable is therefore expected to have a negative coefficient.

RESULTS AND DISCUSSION

The descriptive statistics of the demographic characteristics of respondents in the study area is presented in Table 1. The table shows that 71 percent of the respondents are married, while 14 percent are single. Thirty-nine (39) percent of the respondents had Junior High school/ Middle School level of formal education, while 22 percent of the women entrepreneurs have no formal education. This is an indication that the average market woman in the study area has basic level of formal education. This is good for the women entrepreneurs because it will enable her read and understand the terms and conditions of loan applications, and also to be able to efficiently manage her finances and businesses. The result further shows that 27 percent of the respondents earn between GH¢100.00–GH¢199.00 per week after expenses, while 24 percent earn GH¢500.00 and above. Almost 50 percent of the women entrepreneurs sampled earned GH¢300.00 and above. This finding suggests that the respondents earn enough income to payback and service the loan they received from microfinance institutions. The size of one's income indicates his or her ability to pay back loan. If more loans are advanced by MFIs to women entrepreneurs they will be able to expand their businesses to make more income and contribute meaningfully to their households.

TABLE 1
DESCRIPTIVE STATISTICS OF DEMOGRAPHIC CHARACTERISTICS OF RESPONDENTS

Variable		Frequency	Percentage (%)
Marital Status	Single	43	14.3
	Married	214	71.3
	Divorced	23	7.7
	Widowed	20	6.7
		300	**100**
Formal education	No formal education	66	22.0
	JHS/MSLC	116	38.7
	SHS	53	17.7
	Vocational/Technical	36	12.0
	Polytechnic	20	6.7
	University	9	3.0
		300	**100**
Income	less than 100	26	8.7
	Between 100-199	82	27.3
	Between 200-299	45	15.0
	Between 300-399	51	17.0
	Between 400-499	22	7.3
	500 and above	74	24.7
		300	**100**
Keep Records	Yes	171	57
	No	129	43
		300	**100**
Type of Records	Daily cash sales	156	55.7
	Daily credit sales	79	29.7
	Stock records	15	5.0
	Daily sales **&** stocks	39	13.7
	All three	11	3.7
		300	**100**

Source: Survey Data (2015)

The results further show that 57 percent of the respondents keep records such as sales, stocks of their operations. This is an indication that women entrepreneurs sampled keep records of their business operation. Keeping record is vital for the women entrepreneurs to access more credit from micro-finance institutions. Table 2 presents the descriptive statistics of the age of respondent, number of dependents, years of operating business, loan amount received and duration of loan among others. The average age of the respondents in the study area was about 40 years, indicating that the respondents are young adults. Encouraging and supporting more young and educated women financially to go into business will help reduce the increasing unemployment in Ghana. The average woman entrepreneur has been in her business for about 9 years. The longer the women are in the business the more experience they become to better manage their finances. The result also shows that the respondents have benefited from MFI loan for about two times. The average amount of loan demanded by the respondents is about GH¢4139.50, with an average interest paid of GH¢173.57. The average loan duration was 24 months and was disbursed within an average of two weeks. About 55 percent of the respondents pay their loans weekly, while 29 percent and 13 percent pay daily and monthly respectively. This indicates that majority of the respondents were

comfortable paying their loans weekly. Microfinance institutions should ensure they approve and disburse loans in a timely manner with flexible repayment plan to encourage intended use of loans.

TABLE 2
DESCRIPTIVE STATISTICS OF DEMOGRAPHIC CHARACTERISTICS

Variable	Minimum	Maximum	Mean	Std. deviation
Age	20	70	40.11	8.94
Dependents	0	8	2.97	1.69
Experience	0	45	8.93	7.87
Number of time	1	20	2.28	2.01
Distance from MFI (minutes)	1	240	28.22	28.72
Loan amount applied	200	50,000	4139.50	4888.25
Time to grant loan (weeks)	1	8	2.09	1.40
Loan duration (weeks)	3	96	24.50	13.14
Amount paid to service loan	18.00	800.00	173.57	175.24

Source: Survey Data (2015)

The result in Table 2 shows that the average number of minutes to a nearest micro-finance institution is about 28 minutes. Micro finance institutions get closer to their clients to service their loan and to also save. This reduces the burden of travelling to the offices of MFIs to transact business and therefore saves them time and money. The closer micro finance institutions are to their clients the more loans will be demanded. The study however found that apart from the loan facility, 33 percent of the respondents benefited from other assistance such as business advisory services. Micro finance institutions should provide additional services such as business advisory apart from loan to their clients, to increase loan demand.

The study further attempted to find out the reasons for patronage of loans from microfinance institutions other than commercial banks. The results as presented in Table 3 indicates that timely granting of loans to applicants, flexibility of loan repayment schedule, no or minimum requirements for loan applications and proximity of microfinance institutions are the main reasons for the increasing patronage of loan by women entrepreneurs from microfinance institutions other than traditional commercial banks among respondents.

TABLE 3
RANK OF FACTORS FOR PATRONAGE OF MFI LOAN

Variable	Mean	Std. Deviation	Rank
Flexible repayment schedule	3.24	2.10	2
Quick and timely granting of loans	2.11	1.29	1
Easy accessibility and proximity to customers	3.68	1.74	4
No or minimum requirements for granting loans	3.37	2.96	3
Attractive interest charges on loans	5.02	2.00	5
Provision of business advisory services	5.42	1.55	8
Quick response to customer needs	5.05	1.58	6
Willing to grant any amount of loan applied for	5.21	1.61	7
Availability of tailor-made products for customers	5.83	1.54	9

Source: Survey Data (2015)

Quick and timely granting of loans to applicants ranked first as the main reason for patronizing loan from MFI, with the lowest mean value of 2.11 and a standard deviation of 1.29. The timely manner with

which loans are granted by microfinance institutions encourages market women to patronize the services of MFIs to be able to expand their businesses. This was followed by flexible repayment schedule of the MFIs which attracts a lot of patronage from the respondents. It had a mean value of 3.24 and a standard deviation of 2.10. MFI need to continue with their flexible repayment strategy to attract more patronage from women entrepreneurs. The study found that the repayment plan of MFI ranges between daily, weekly and monthly. The applicant or customer chooses its payment plan that meets its needs and based on this the loan is then disbursed and spread over the duration of the loan to allow easy payment by the applicants. Mostly the period schedule for settlement of facility is 6 months depending on how much was approved and disbursed. In turn, the daily mobilization makes it easier for clients to make loan repayment on daily bases, rather than waiting at the end of the month. This may ensure that the facility does not end up in delinquent and consequently default. The third ranked reason was no or minimum requirements for loan applications. Unlike MFIs, women entrepreneurs perceive the requirements of traditional banks to be more cumbersome for which reason they prefer patronizing that of MFI. This reason has a mean value of 3.37 and a standard deviation of 2.96. This result suggests that the process of loan application is less cumbersome with MFIs compared to traditional banks where stringent measures exist for accessing loan.

Regression Results of the Factors Driving Demand for MFI Loan in the Study Area

This section presents the robust regression results of the factors that drive the demand for loan from MFI among the respondents. The result as presented in Table 4 shows that formal education, value of business, distance from MFI, repayment plan or schedule income of the entrepreneur, and time for granting loan are the major factors that significantly drive the demand for loan from MFIs among respondents. This suggests that income level, formal educated level of women entrepreneurs, value of business stock and shorter time of granting loan increases the demand for loan among the respondents. The diagnostic statistic of the robust regression results indicates that the proportion of the total variation in the dependent variable explained by the independent variable around its mean (R^2) is 0.49. This means that about 50 percent of the variation in loan demand by women entrepreneurs in the study area can be explained by the factors included in the model. The F statistics or variance ratio of the independent variable is 35.372 and significant at 1 per cent, suggesting that the entire model estimated fits the data collected. The mean natural logarithm of the loan demand is about 7.72.

TABLE 4
ROBUST REGRESSION RESULTS OF FACTORS AFFECING MFI LOAN DEMAND

Variable	Coefficient	Std error	t-Statistics
Constant (C)	6.184	0.177	34.898
Formal education	0.207**	0.109	1.902
Value of business	0.001***	0.002	5.76
Distance from MFI	-0.004***	0.001	-2.66
Repayment plan	0.037*	0.021	1.777
Income	0.272***	0.029	9.399
Keep record	0.128	0.094	1.356
Requirement	-0.011	0.015	-0.782
Time to grant loan	0.080**	0.032	0.012
R-squared	0.493	Mean dependent var.	7.717
Adjusted R-squared	0.479	S.D. dependent var.	0.995
S.E. of regression	0.718	Akaike info criteria	2.205
Sum of squared regression	150.021	Schwarz criteria	2.316
Log likelihood	321.730	Hannan-Quinn criter.	2.249
F-statistic	35.372***	Durbin-Watson stat.	1.708

Source: Survey Data (2015)

The coefficient of formal education variable is positive and significant at 5 percent and consistent with study expectation. It suggests that an increase in the formal education level of women entrepreneurs will positively and significantly increase loan demand. Women entrepreneurs who are more educated will demand more loan. Formal education helps the women entrepreneurs to understand the loan requirements and application process and hence increase their demand for micro credit facilities. This result is corroborated by Messah and Wangai (2011) and Olaeyo et al. (2011) who found education level to significantly affect loan demand. The coefficient of income variable is positive and significant at 5 percent and also meets study expectation. Women entrepreneurs with high level of income from business increase the demand for loan from microfinance institutions and vice versa. The income level determines the capacity of the respondents to regularly pay back their loans. It is also an indication that they are able to safe enough money to acquire assets that can be used for any form of collateral. The value of the business variable was also found to be positive and significant at 1 percent. The value of the business determines the value of stock which could be relied upon in the event of default. It also indicates the capacity of the women entrepreneurs to make more sales to repay their loans. So women entrepreneurs who have higher value of business/stock demand more loan from MFIs. This result is consistent with the findings of Messah and Wangai (2011) who found that increase in the value of assets owned by small scale entrepreneur increases the odds ratio of demand for credit.

The distance from customers to micro finance institution was found to be a significant factor in loan demand among the respondents. The result revealed a negative and significant effect of this variable on loan demand. This suggests that the closer micro finance institutions are to their customers the more the demand for loan. This is confirmed by the fact that most of the respondents indicated that the microfinance institutions actually comes to them to transact business with them. Rashers et al. (2016) found that an increase in distance of MFI from respondents will reduce loan demand. Market women will not be willing to leave their businesses to go and transact business with microfinance institutions far away. They will lose customers and profit and may not be able to repay their loans. Demand for loan will significantly increase if MFIs adopt a door-to-door strategy of reaching their customers coupled with good customer service to give more loans and make revenue. The study also found the flexibility of payment variable to significantly and positively influence loan demand. Women entrepreneurs are involve in business that involve fluctuation of income and hence will prefer a flexible repayment scheme of their loans. The demand for microfinance loan will therefore increase with the flexibility of repayment plan. This result is consistent with Pearlmen (2010) who found in her study that flexibility matter in loan disbursement.

Finally, the time duration for granting loan variable was negative and significant at 1 percent. The shorter the time between application and for granting loan increases the demand for loan among respondents. The study found that the average week for granting loan to respondents is one week. This quick approval and disbursement of loans increases the demand for loans from micro finance institutions. Micro finance institutions need to ensure quick approval and disbursement of loans to increase the demand for it. This result is consistent with Adebosin et al. (2013) who found a significant positive effect of time lag on total credit obtained It shows that if loan delivery misses the critical period of use, due to excessive delay of loan processing, there is the tendency that such a loan is likely to be used for another purpose.

CONCLUSION AND POLICY RECOMMENDATION

Microfinance institution loan has a great potential to empower women in developing economies, expand their business and enhance their livelihood and reduce poverty. The study found that income level, formal education, value of business, time to grant loan, repayment schedule and distance of micro finance institutions from clients are the main factors significantly driving microfinance institution loan demand by women entrepreneurs. Policy measures directed at these factors will significantly increase loan demand. Based on the findings, it is recommended that MFI should adopt door-to-door strategy to get closer to their customers to provide them with tailor made products. Secondly, MFI should provide

other assistance such as business advisory services and fund management to women entrepreneurs to help grow their business. The requirements for loan applications should be flexible by MFIs, time for granting loans as well as quick delivery of loans to customers should be ensured by micro finance institutions.

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