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"You cannot rely on bank loans to expand your business": aversion to formal credit among female micro-entrepreneurs in Ghana

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Abstract

Purpose – The marginalisation of female entrepreneurs in accessing credit is well documented. Yet, how female entrepreneurs navigate through the marginalisation to gain funding is under-explored.

Design/methodology/approach – The authors address this gap using qualitative data from 30 female entrepreneurs in three neighbourhoods with varying socio-economic characteristics in Ghana's capital, Accra.

Findings – The authors find a marked aversion to bank loans among respondents. Consequently, they nurtured trust in their social circles in order to facilitate access to informal credit from internal (e.g. family and friends) and external (e.g. trade credit, associations and religious organisations) sources. This aversion to loans from formal financial institutions (FFIs) had a socio-cultural aspect, including cumbersome application procedures, a deep-rooted fear of the social consequences of defaulting and religious prohibition against interest payment for Islamic traders.

Social implications – This paper shows that providing formal access to credit is not enough to support women's entrepreneurship if the socio-cultural factors inhibiting women's access to credit from FFIs are not addressed.

Originality/value – The findings suggest that trust is an important factor that bridges the gap in female entrepreneurs' access to funding given their heavy reliance on informal sources of funding.

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Introduction

Access to finance has been widely documented as one of the greatest challenges facing female entrepreneurs (Elam *et al.*, 2022; Lins and Lutz, 2016; Snellman and Solal, 2022). While there are no known legal barriers to female entrepreneurs' access to credit in many countries, women seem to face significant barriers to raising start-up or business development funding (Shoma, 2019). Women's limited access to credit has been a noted feature of women's entrepreneurship in both developing and developed economies (Ghosh *et al.*, 2018; Ackah

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et al., 2023; Gupta and Mirchandani, 2018), and is an important cause of the poor performance of many female-owned businesses. This has been confirmed by a recent study that found that well-funded Ghanaian businesswomen outperform their male counterparts (Ackah *et al.*, 2023). In response to this constraint, both state and non-state agencies have instituted micro-finance interventions to improve women's access to credit to raise their standards of living (Nukpezah and Blankson, 2017). Regardless of these interventions, a financing gap remains between male and female entrepreneurs in Ghana (Hillesland, 2019). This notwithstanding, women still far outnumber men in the entrepreneurship landscape of Ghana (Adom, 2014).

The persistence of female entrepreneurship in spite of serious financial constraints remains a puzzle. While women's lack of access to enterprise finance is well documented in the literature, there is inadequate understanding of how they navigate their way around this obstacle. This is partly due to the predominance of quantitative studies focused on measuring the financing gap between male and female entrepreneurs (Ghosh *et al.*, 2018; Metu and Nwogwugwu, 2022; Taqi *et al.*, 2021) to the relative neglect of in-depth studies of the strategies by which female entrepreneurs overcome their limited access to funds. To address this gap, this paper throws light on the ways that women navigate around the problem of limited access to formal credit facilities in order to start, operate and expand their enterprises as well as the factors that shape their attitudes towards different credit sources. The study focuses on the micro-sector since most female-owned businesses in the sub-Saharan Africa context are micro-enterprises, and the micro-enterprise sector is critical to the livelihoods of women and their dependents (Kuada, 2022).

Drawing on qualitative data from a sample of 30 women entrepreneurs in Ghana's capital, we find that while credit for women's businesses came from debt and equity funding, our respondents showed a clear preference for informal sources of funding and a marked aversion to bank loans. Debt funds from formal financial institutions (FFIs) like banks and micro-finance companies are the least preferred options because of high interest rates, religious prohibition against interest payment, cumbersome application procedures and negative experiences with FFIs. Consequently, women entrepreneurs nurture trust in their social circles in order to facilitate access to informal loans. Thus, trust is an important factor that bridges the gap in female entrepreneurs' access to funding given their heavy reliance on informal sources of funding.

The rest of the paper proceeds as follows: the next section presents a literature review on female entrepreneurs' access to funding. The methodology of the study is then described, after which the findings of the study is presented. The last section presents the paper's conclusion.

Financing female-owned micro-enterprises

For ages, women have been navigating the patriarchal, socio-cultural, and historical challenges which shape their entrepreneurial experiences and practices in many parts of the world. In some areas, it is women entrenching themselves in female dominated enterprises, while in others, women have shattered barriers in sectors that are male dominated. The literature on entrepreneurship has established that although some aspects of the entrepreneurial experience remain general, males and females, nevertheless, face distinctive opportunities and challenges (Galloway *et al.*, 2002; Hovorka and Dietrich, 2011; Lewis, 2006; Marlow *et al.*, 2019). A recent study on women entrepreneurship found a gender performance gap of between 11 and 19%, but after controlling for financial constraints, the gap disappears. Indeed, the study observes that women-owned businesses that did not experience any funding constraints actually performed better than businesses owned by men (Ackah *et al.*, 2023).

While in principle, women have equal access to multiple sources of funding, in practice, there are various barriers that constrain their options. When it comes to formal financing, institutional lenders tend to consider them as high risk and low reward (Abor and Biekpe, 2006; Eddleston *et al.*, 2016) while the complex terms of institutional loans often discourages those with low levels of education (Robson and Obeng, 2008). Thus, female entrepreneurs predominantly source for funding from a variety of informal sources (Aterido *et al.*, 2013; Debroux, 2010). One such source is the rotating credit scheme, popularly known as "susu" in Ghana (Chamlee-Wright, 1997) and "ajo" in Nigeria (Simba *et al.*, 2023). This is an indigenous form of crowd funding (Kuma *et al.*, 2021) that builds on the strength of community relations in the absence of formal collateral (Sarpong and Adusei, 2014; Stoesz *et al.*, 2016; Witbooi and Wilfred Ukpere, 2011; Bruton *et al.*, 2021). It remains a resilient and viable source of credit for women in the developing world (see Allen *et al.*, 2019).

The consensus in the literature shows that female entrepreneurs have a negative attitude towards sourcing funds from FFIs because of the perception of bias in the approval of loan applications (Boateng, 2018; Morsy *et al.*, 2019). While this shows credit taking self-selection, it also points to the entrenched impacts of socio-cultural norms and practices, as well as the highly bureaucratic loan application process. In addition, some studies have shown the centrality of age, level of education, wealth status and experience in the entrepreneurial space as critical factors in loan access in general. In a study in rural India, Mazumder *et al.* (2017) found that people below age 30 have greater access to credit. Relatedly, higher levels of education, years in business and higher household income are positively related with access to credit. Other determinants include possession of a bank account, financial literacy and household asset.

These factors are symptomatic of the broader structural factors that underpin women's disadvantageous position in society, including the problems of feminised poverty, lower female literacy (both educational and formal financial) and a relatively low asset base. Similarly, a study of rural youth in rural Benin, found a gender gap in access to credit where more male youth than females accessed credit. This gap has been explained by lack of female youth's access to land. Generally, education also determined rural youth's access to credit. Other determinants include working experience in micro business, existence of micro finance institutions and banks (Senou and Manda, 2022).

Loan assessment criteria, which are supposedly gender neutral, tend to have differential gender impacts given the wealth gap between males and females (Agyapong *et al.*, 2011). Niethammer *et al.* (2007) argue that discriminatory cultural practices that affect women's property ownership and inheritance of property is a barrier to women's ability to meet loan conditions, of which collateral, mainly landed property, is one of them. The constraints that female entrepreneurs face in accessing loans, according to Adesua-Lincoln (2011), can be attributed to the undervaluing of women's economic contributions and this is embedded in cultural practices.

The gender gap in access to finance can be mediated by securing credit through one's social networks (D'Agostino *et al.*, 2022; Kuada, 2009; Neumeyer *et al.*, 2019; Wang *et al.*, 2022). Social networks allow female entrepreneurs, especially those in the micro-enterprise sector, to borrow from family, friends and other informal sources (Ghouse *et al.*, 2019; Ng and Fu, 2018; Singh *et al.*, 2018). A study in Nepal shows that the family is central in women's entrepreneurial trajectories. The establishment of the enterprise, its continuous existence and success might depend on the presence of a family member in the business as a study in Nepal has shown. Dhaubhadel and Modi (2022) demonstrate how female micro business owners relied on relatives such as husband, parents, in-laws and other family members. In terms of financing the business, many women relied on family members, their own savings, neighbours and other informal sources. Only a few took loans from a bank due to the structural and systemic issues that hinder their access to credit.

The review above points to the key issue of credit constraint for female-owned businesses and the continuing need for sustainable financing options for them by highlighting the structural nature of the problem, the literature emphasises the need to move beyond a focus on the financial circumstances of individual women to a broader focus on the societal factors responsible for the performance of female-owned businesses.

Method, data and analysis

This study uses the qualitative research approach to gain insights into the funding modalities of female entrepreneurs in the micro-business sector. This enabled us to explore the finance sourcing, activities and the experiences of the respondents on the research phenomenon (Creswell *et al.*, 2007). The study adopted a multi-stage sampling approach. We first selected three neighbourhoods through cluster sampling. We first selected neighbourhoods are Nima, North Kaneshie and Labone, representing low income, middle income and high-income neighbourhoods, respectively. Nima and North Kaneshie are in the Greater Accra Metropolitan Area, while Labone is in the La Dade Kotopon Municipality. Quota sampling technique was used in selecting the three neighbourhoods and the respondents (Etikan *et al.*, 2016). The selected neighbourhoods are vibrant areas for business activities in the region; hence, they are a good representation for a study like this. We subsequently use the purposive sampling technique to select thirty (30) female entrepreneurs in the selected neighbourhood.

The reason for selecting female entrepreneurs from the three contrasting neighbourhoods is to help understand if the socio-economic characteristics of locations influence how female entrepreneurs go about sourcing for finance. Female entrepreneurs who owned relatively established businesses – i.e. who had been in business for at least 3½ years per Elam *et al.* (2019) classifications – were selected for the study. The sample size of thirty respondents is enough to allow the study to gain meaningful insights into a research phenomenon as Hennink *et al.* (2017), state that a sample size of sixteen to twenty-four is enough to gain a thematic saturation of data. In each neighbourhood, ten study participants were interviewed (see Table 1 for a distribution of respondents across the three study sites).

Data was gathered through face-to-face semi-structured interviews in September 2017. The researchers had access to the study participants through businesswomen associations in the various study areas. The leaders of the various groups were contacted, and contacts were established with prospective respondents who eventually became the study participants. This method is effective at facilitating access to members of associations, especially if initial reluctance to open up to an outsider may pose obstacles for the research (Cypress, 2018). Respondents were asked open-ended questions, which enabled them to give detailed information as they wished (Tasker and Cisneroz, 2019), while follow-up questions were asked to probe for further details where necessary (Sholokhov *et al.*, 2022). Following the interviewing principles outlined by McNamara (2022), the researchers ensured that the venue for conducting the interviews had minimal distractions. To achieve this, the venues for the interviews were arranged with the respondents beforehand. All interviews were conducted at the business premises of the respondents. The study complied with ethical principles by seeking informed consent form respondents before each interview while anonymising all respondents in the analysis of data.

The interviews were conducted in four languages: English, Hausa, Twi and Ga. By conducting interviews in the language of choice of the respondent, the study was able to elicit detailed accounts of the respondents' experiences and opinions. The interviews conducted in English were transcribed verbatim (Halcomb and Davidson, 2006), and the interviews in the other languages were transcribed through translation (Taber, 2018). Following Miles *et al.* (2014), data analysis occurred synchronously via three key actions: data condensation, data display, and drawing and verifying conclusions. The data was analysed using the textual thematic analysis (TTA) technique (Mushfiqur *et al.*, 2018) based on the guide proposed by

Name	Age	Nature of business	Number of paid employees	Levels of education	Place of interview
Adwoa	27	Manicure and pedicure	None	Basic	North Kaneshie
Afriyie	47	Sells drinks and beverages	None	Basic	Labone
Andaratu	33	Fashion design	2	SHS	Nima
Anita	36	Food vending	None	None	Nima
Awurama	49	Trades in cosmetics	1	SHS	Labone
Azara	26	Sells cosmetics	None	None	Nima
Bacci	31	Trades in clothing	None	Basic	Labone
Charity	32	Food vending	None	None	Nima
Dede	38	Sells FMCG	None	None	North Kaneshie
Dzigbordi	52	Trades in clothing	None	Tertiary	North Kaneshie
Esenam	33	Fashion design	None	SHS	Labone
Faith	38	Sells FMCG and mobile money	None	None	North Kaneshie
Fauzia	32	Trade in cosmetics	None	Basic	Labone
Hawawu	28	Trades in FMCG	None	None	North Kaneshie
Latifa	37	Food vending	1	Basic	Nima
Matilda	35	Hairdressing	None	Basic	North Kaneshie
Maud	44	Trade in foodstuff	None	SHS	North Kaneshie
Mawuli	38	Food vending	None	Basic	North Kaneshie
Mufida	29	Make-up artistry	None	None	Nima
Muna	36	Food vending	None	None	Labone
Peace	33	Trades in foodstuff	None	Basic	Labone
Pinamang	34	Stationary and FMCG	1	Tertiary	Labone
Rafiatu	35	Trades in clothing	None	SHS	North Kaneshie
Rubina	55	Sells menswear	None	None	North Kaneshie
Safia	52	Food vending	4	None	Nima
Safura	35	Trades in fashion accessories	None	None	Nima
Sakina	27	Fashion design	None	None	Nima
Yayra	57	Sells electronics	3	Basic	Labone
Yvette	42	Trade in foodstuff and charcoal	None	None	Labone
Zara	40	Trades in FMCG	None	Basic	Nima

Note(s): *FMCG – Fast Moving Consumer Goods
Source(s): Field Data, September 2017

Table 1.
Profile of respondents

Braun and Clarke (2006). TTA is "a research strategy for identifying and reporting patterns (themes) within a data set or text corpus" (Mushfiqur *et al.*, 2018, p. 875).

The analysis process began with the researchers creating and assessing the coding framework, and the subsequent development of analytical themes at a higher level of abstraction. Initial codes included internal sources of debt funds, external sources of debt funds, religious principles, fear of default in loan repayment, high loan interest rates and negative experiences. These were grouped under the organising themes "sources of enterprise financing" and "attitude towards debt funds". In the subsequent sections, the data is analysed following the themes that emerged, after a brief overview of the profile of respondents.

Profile of respondents

The respondents are quite youthful, with about half of the respondents being thirty-five years and below, as shown in Table 1. The study respondents operated micro-enterprises (employing up to five employees – Osei *et al.*, 1993) mainly in the informal sector and engaged in different sectors of businesses like beauty, fashion, catering and petty trade. Twenty-four of the study participants operated enterprises with no paid employees. The remaining six respondents owned businesses that employed between 1 and 4 employees.

Findings

Funding modalities for female entrepreneurs

Scholars have recognised that the need for credit could arise at any point in an enterprise's lifecycle – idea generation, trigger event, implementation, growth, maturity and harvest (Hatten, 2011). Consistent with this observation in the literature, the respondents indicated that the need for credit did not only occur at the business start-up stage but at various stages in the growth of their businesses. Funds were mainly needed to fund growth and expansion activities, upgrade the business premises, relocate the business and diversify into other sectors when the initial start-up matures. To meet these needs, respondents relied on multiple sources of funding. We explore the funding modalities of our respondents both at the start-up stage and over the course of the business lifetime. The credit came from both debt and equity funding, with debt funds being the most dominant.

Debt funding. Debt funds came from a variety of sources, which we have categorised into internal and external sources. While the internal source of debt funds are intimate partners, relatives and friends, the external sources are women's groups or associations, trade credit, financial institutions and faith-based organisations. As explained by Sakina, ". . . I had had help from my aunty to buy a container for my shop, but it was not free. We agreed that I will pay back later". Ewurama also indicated, "At the start-up stage, my husband was my first point of call for credit. He loaned me 10 million cedis – old currency [1,000 cedis in the new currency]".

Despite the lack of documentation on the credit funds acquired from these internal sources, the respondents emphasised that debt agreements are often honoured without conflict, emphasising the importance of social trust in interpersonal transactions (Asante, 2023). Respondents attached a strong moral obligation to repayment of their debts. Adwoa averred, "As long as the purpose of the loan is to invest in the business rather than to be squandered on 'expensive soup' or to be used to buy dresses to wear, one should have no trouble paying it back". Because these internal sources of credit were generally interest-free, they were the preferred choice for respondents in need of loans to invest in their businesses.

Credit facilities from external sources like trade credit, women's groups, financial institutions and faith-based organisations involve formal documentation of agreements surrounding the loan and repayment terms. Loans from faith-based organisations were interest-free while trade credit may attract interest if the goods supplier is not repaid before a certain time frame. Faith-based organisations that offer loan facilities to members usually do so as a form of support and thus charge no interest.

A noteworthy feature of credit from faith-based organisations that distinguishes it from the others is that it is the organisations itself that invites "application" for its loan facilities.

Thus, many of the respondents availed themselves of faith-based loan opportunities when they became available. It should be noted that respondents often made use of multiple sources consecutively or at the same time. Regardless of the source used, however, access to credit is deeply enmeshed in their social ties (Kuada, 2009), as the examples below from internal and external sources show:

> . . . After hearing my story, she (a supplier) decided to help me. She was willing to supply me with some quantity of fruits, and I only paid her back after I had sold everything. So, I did that for a long time until I was able to save enough money. I then bought five pieces of 'Kente' (woven cloth) using the savings as my capital. I was able to sell it all within a week. So, it motivated me to do more trading – Bacci

> My son was the one who gave me the capital which I used in buying the container; that's my first born. After buying the container, I went for a loan of about 500 cedis [new currency] and added it to my personal income of about 500 cedis too . . . - Yayra

Of all the sources of debt funding, loans from FFIs were the least used. Most of the respondents were decidedly opposed to the idea of securing loans from such institutions. This was partly due to the high interest rates, which many considered to be a threat to the survival and growth of their businesses. But even for those willing to accept the high interest rates, the excessive paperwork and complex procedures involved in securing a loan serves as a disincentive.

Equity funding. The only source of equity funding for respondents came from personal savings, despite the availability of several sources of equity funds like partners (partnership), venture capitalists, shareholders and the likes. Given their small scale of operations and extreme volatility, micro-enterprises do not appeal to investors like venture capitalists and angel investors (Weinberg, 1994). However, there is a strong value attached to sole proprietorship among respondents, as it serves as a symbol of hard work and a source of pride, as declared by Dzibordi, "I am a hustler who did not look up to anyone for financial assistance".

However, the personal funds of the respondents were usually insufficient to start or expand an enterprise on a large scale, requiring them to seek debt funds from other sources. As such, some of the respondents used multiple sources of funding at each point of finance sourcing, for example, a combination of equity funding (personal savings), loan from friends and trade credit. Thus, strategy adopted by female entrepreneurs in the study context was one based on "what is available" rather than on the entrepreneur's preference.

The funding trajectory of the respondents who accessed debt funds shows that debt funds give female entrepreneurs the chance to build up equity funds for later use in the same business or different lines of business.

> I have come a long way. I started small, selling children's stuff from a loan I got. I have done so many things before, including selling oranges as well as bananas at different points in time. The little money I made from these hustles, I invested in the business. I also sold powder, a little bit of this and that, and God being so good, I made money to invest in selling cloths (African prints). I started small but added anything attractive that comes on the market. I used to go to Glamour Stores . . . and I would add whatever I found there to the clothes. I also began selling on credit. Little by little, I bought about 3 or 4 bedsheets and I added to it. So as the seed money was growing, I would invest a little in something new, like footwear. And that is how I did it. God has been great! – Zara

But even for those respondents who relied exclusively on their own savings, the networks they built during and after their previous jobs were important in other ways. For instance, apprentices and employee hairdressers often made friends in the course of the work who sometimes recommended their services to others. For respondents like Matilda, the income from these side gigs allowed her to slowly accumulate enough savings to enable her to purchase the needed equipment to open her own hairdressing saloon.

Attitude towards loans from formal institutions

The sections above have revealed a lack of preference for debt funds from FFIs like banks and micro-finance companies. Much of the aversion towards loans from financial institutions was rooted in negative personal experiences of respondents themselves or people close to them. Part of the apprehension stems from the widespread perception that FFIs were unapproachable or difficult to deal with (Boateng, 2018).

> . . . I have had a bad experience with them before. But now, even before they start introducing their loan scheme and packages, I stop them. I do not even wait for them to mention the institutions they are coming from. Even those small savings and loans companies also come here to offer their services, but I decline. I save my own money in my room . . . I do not need any institution. – Anita

> I will only consider a bank loan if they give softer terms. – Matilda

High-interest rates stood out as a key negative experience or notion that respondents had about loans from FFIs. There was, however, a religious undercurrent to some of these perceptions. Muslim respondents opined that the interest rate most FFIs charged on loans is against Islamic principles. As Andaratu stated, "If the loan is without interest, I will take it. Those with exorbitant interest are those that are considered to be bad in our religion". Once Islam is against "Riba" (interest), the respondents who practice Islam considered receiving loans that are not interest-free as "Haram" (sinful). High interest rates were also a problem for non-Muslims but for a different reason, viz. its tendency to put a strain on cash flow and risk of triggering bankruptcy. In line with the foregone assertion, Muna and Faith emphasise respectively that:

> . . . you cannot rely on bank loans to expand your business.

> So, if you go for a loan to invest into a business and at the end of the year the same profit or income you got from the business is what you use in repaying the loan, then the business cannot progress. That is why I am personally not interested in loans.

For some respondents, the loan acquisition process and requirements were too cumbersome and characterised by bureaucratic red tape. These cumbersome process and requirements were signals to respondents that FFIs do not find micro-enterprises as worthy of being a target market although they may have such on paper. Maud said, ". . . I think they do not want to help us. Maybe we are too small for them".

The fear of the consequences of defaulting on payment was a major cause of the aversion to bank loans. Fallouts from defaulting on payment, such as losing one's shop or, worse, being prosecuted, constituted a significant disincentive to the respondents. Esenam expressed fear in sourcing for a loan from a financial institution by saying "I do not have the heart for it. What if I am not able to repay?" Given the nature of the enterprises captured (micro, with profits that reflect the size) a loan from a bank or a micro-finance company was too risky per the stance of the respondents. They felt that it was prudent to run a micro-business and plough back profits than to undertake an expansion drive using loans from high interest-charging institutions.

> . . . the business in this community is not reliable. If I should go for a loan today, I am not sure I can repay based on the sales I make. If I do not repay, I will be arrested, and I cannot afford to leave my little children behind and go to jail. I would rather not go for any loan at all. – Anita

> If you take a loan, once the month ends, they will come hustling you. But our sales are seasonal. There are weeks that nobody comes to fix the hair. So, if you take a bank loan, how will you pay it back? You cannot. – Matilda

> I do not want it. If I owe someone, I cannot sleep. So, I was not interested. Even if you bring that to me, I will not take it. I am okay with the little I have. I want to sleep and have my peace of mind. I do not

> want any bank giving me a headache because I owe. If I decide to close the shop today and go and sleep, I can freely do that. A lot of women are suffering from hypertension because they are indebted to banks and cannot sleep. I do not want that. –Mawuli

The experiences of some respondents in the past deterred them from sourcing for bank loans, mirroring the saying "Experience is the best teacher". The stories of two respondents with bitter experiences are presented.

Sakina. Sakina had stood as surety for a friend who took a loan to finance a trip abroad and had subsequently absconded. The responsibility for repayment having fallen on her, the bank resorted to all kinds of intimidation to ensure that she repaid everything. Her work machines in her shop were seized and the police arrested her. She added that "... That time I even had surgery at the polyclinic, but this bank did not even have mercy on me. It was a very terrible experience .... So, because of that, I do not even want to hear about loans".

Awurama. Awurama, three days after restocking her shop using money from a loan, had thieves break into the shop to steal everything. She then took a police report to the bank, but "I was told at the bank that when they give out loans, they do not have any insurance backing them so the best they could do was to extend repayment by an extra month". When Awurama defaulted in repayment after the one-month Grace period, the bank brought in the police to arrest her. The worst part of it all was that she had to suffer in silence since she did not inform her husband about the loan sourcing. Her husband (who was then working abroad) had promised to send her money to restock her shop. However, he could not honour his promise at the promised time. Being anxious to restock before the Christmas season, Awurama took the loan at the blind side of her husband. She lamented that this situation robbed her of sympathy from her husband because, during the long repayment period, she could not mention a word of it to him for fear of incurring his wrath.

Discussion

Micro-entrepreneurship is widely adopted in Ghana as a coping strategy to mitigate against economic hardship. However, female entrepreneurs, generally, have a harder time accessing financing than their male counterparts due to structural factors like types of the sector, managerial practices, and ownership structure of enterprises (Aterido *et al.*, 2013; Debroux, 2010). Aside from these structural factors, other individual-level factors such as the level of education of the entrepreneur and lack of collateral to use as security for the repayment of borrowed funds are a bane to female entrepreneurs' successful finance sourcing (Agyepong *et al.*, 2011; Robson and Obeng, 2008). As established in the extant literature, female entrepreneurs are disadvantaged in access to funding. What is now pertinent is to discover how female entrepreneurs go about sourcing funding in their disadvantaged states, a gap that this paper has attempted to fill.

Our findings are consistent with previous studies that show that even though women entrepreneurs access funds from both internal (relatives, intimate partners and friends) and external sources (faith-based organisations, trade credit and women's group) (Ghouse *et al.*, 2019; Ng and Fu, 2018; Singh *et al.*, 2018), they prefer debt funds from sources that are characterised by informal loan arrangements (Boateng, 2018; Ackah *et al.*, 2023). This preference for informality has been observed in other areas of socio-political life in Ghana (Asante, 2020). The fact that the women in our study do not take advantage of the lack of documentation to default on payment suggest that these informal transactions are facilitated by trust. This paper, therefore, argues that trust and social networking are important factors that bridge the gap in female entrepreneurs' access to funding given the over-reliance on informal sources of funding. Female entrepreneurs in the study context access funds from mostly informal sources – relatives, friends, intimate partners, women's groups and faith-based organisations. We, thus, argue that social networks are a vital resource in closing the access to financing gap between female entrepreneurs and their male counterparts (Kuada, 2009; Neumeyer *et al.*, 2019). However, social networks can also be a double-edged sword as they can negatively affect a business's bottom-line by blurring the line between business and sociability (Asante, 2018).

Religion also has a strong influence on what types of credit women seek out. Per the Islamic principles of "Riba" (interest), Muslim respondents avoided financing sources that attracted an interest rate. The size of the interest rate did not matter. Once interest was charged on borrowed funds, then it was "Haram (sinful) for a Muslim to go in for them. In the quest to conduct "Halal" business, loans with interest rates are shunned" (Yasin *et al.*, 2020). Accordingly, in the Muslim-dominated Nima neighbourhood, the respondents particularly eschewed the idea of taking a bank loan. This further points to the importance of normative considerations in entrepreneurs' credit-seeking behaviour.

Conclusion

The study was conducted to understand women's credit-seeking behaviour and the strategies they adopt in response to constrained access to funding. Drawing on qualitative data from 30 female entrepreneurs in three areas (Nima, North Kaneshie and Labone) in the Greater Accra Region of Ghana, the study found that female entrepreneurs showed a clear preferred for informal funding sources. Social networks are thus critical in female entrepreneurs' access to finance. Debt funds from FFIs like the banks and micro-finance companies are the least preferred credit options because of high interest rates, adherence to religious principles, negative experiences with FFIs and cumbersome loan application procedures. Thus, women who rely on informal sources of credit to finance their business, may be forced to do so from a lack of competitive alternatives.

The findings of this paper have important implications for the development of female-owned enterprises. Female business owners in Ghana are seriously impeded by a lack of formal credit access, a fact that has been well-documented in the literature. However, the findings show that even if credit is available, this would not necessarily equate to access if the socio-cultural constraints highlighted above are not addressed. For women entrepreneurs, these constraints are significant and make formal credit unattractive to female entrepreneurs, forcing them to rely on informal networks to finance their businesses. Meanwhile, as a very recent study has revealed, not all business liquidity is created equal – liquidity sourced from informal providers does little to raise the productivity of firms owned by women (Ackah *et al.*, 2023). To support female entrepreneurship, policymakers need to create funding programmes with flexible terms and conditions that mimic the informal credit sources that women are forced to use.

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