

**AN INVESTIGATION OF ACCESS TO FINANCIAL SERVICES BY
MICRO ENTERPRISES IN OPEN MARKETS IN WINDHOEK**

A THESIS SUBMITTED IN PARTIAL FULFILMENT

OF THE REQUIREMENTS FOR THE DEGREE OF

MASTER OF BUSINESS ADMINISTRATION - FINANCE

OF

THE UNIVERSITY OF NAMIBIA

BY

CLARETA GAMSES

9336202

AUGUST 2017

Supervisor: Prof. J. P. S Sheefeni

University of Namibia

ABSTRACT

Access to financial services by micro enterprises has long been regarded by the government as an important developmental tool. Poor access to financial services can hamper proper development of small and micro enterprises. Financial services encompass access to banks, which includes access to savings products, loans and operational bank accounts as well as access to insurance products. The study focused not only on the financing part but also on other products, such as savings products and insurance products enjoyed by micro traders.

The research followed a quantitative and qualitative approach. Questionnaires were administered and interviews were conducted with the respondents. Interviews were also conducted with financial institutions to obtain a supply side view. 139 questionnaires were prepared and 108 were received back, this represented 15% male and 85% female respondents.

The results suggest that 92% of the respondents have access to banks and Nampost Bank, and are therefore formally included, whereas only 8% of the respondents are excluded, meaning that they do not have bank accounts at all. However the study showed that the traders in open markets do not have access to insurance products. Only 1% of respondents had access to insurance services. Interviews with financial institutions also revealed that there are products specifically tailored for micro traders such as micro loans and SME cheque accounts.

From the study it is observed that none of the respondents have access to informal or semiformal financial products.

The conclusion of the study is that although some progress has been made with regard to access by micro-traders to banking services, much need to be done in terms of access to insurance services.

TABLE OF CONTENTS

ABSTRACT	ii
LIST OF TABLES	vi
LIST OF FIGURES	viii
ABBREVIATIONS	ix
DECLARATIONS	x
CHAPTER ONE: INTRODUCTION	1
1.1 Orientation of the proposed study	1
1.2 Statement of the problem	3
1.3 Research objectives	4
1.4 Definition of terms	4
1.5 Significance of the study	5
1.6 Limitations of the study	6
1.7 Organisation of the study	6
1.8 Conclusion	7
CHAPTER TWO: LITERATURE REVIEW	8
2.1 Introduction	8
2.2 Access to financial services	8
2.2.1 Access to micro-credit and finance	11
2.2.2 Access to insurance products	12
2.2.3 Access to savings	13
2.3 Global access to financial services	14
2.3.1 Access to financial services in Latin America	15
2.3.2 Access to financial services in Europe	15
2.3.3 Access to financial services in Asia	16
2.3.4 Access to financial services in Sub-Saharan Africa	17
2.4 Factors influencing access to financial services	24
2.5 Conceptual framework	26
2.6 Gap in the literature	28
2.7 Summary of literature review	28
CHAPTER THREE: RESEARCH METHODOLOGY	30
3.1 Introduction	30

3.2	Research design.....	30
3.3	Population.....	30
3.4	Sample.....	31
3.5	Research instruments.....	31
3.6	Data collection.....	32
3.7	Data analysis	32
3.8	Research Ethics	35
CHAPTER 4: DATA ANALYSIS, RESULTS AND DISCUSSION		36
4.1	Introduction.....	36
4.2	Response rate.....	36
4.2.1	Questionnaires at open markets.....	36
4.2.2	Interviews with traders	41
4.2.3	Interviews with banks.....	42
4.3	Discussion of findings	42
4.3.1	Objective 1	42
4.3.2	Objective 2	44
4.3.3	Objective 3	56
CHAPTER 5: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS		79
5.1	Conclusions	79
5.2	Recommendations	80
5.3	Further research.....	83
References		84

LIST OF TABLES

Table 3.1: Definition of financial access strand

Table 4.1: Number of respondents per financial institution

Table 4.2: Mean length of business

Table 4.3: Education

Table 4.4: Interviews with traders

Table 4.5: Case processing summary

Table 4.6: Gender*access cross tabulation

Table 4.7: Chi-square test

Table 4.8: Symmetric measures

Table 4.9: Case processing summary

Table 4.10: Age*access cross tabulation

Table 4.11: Chi-square test

Table 4.12: Symmetric measures

Table 4.13: Case processing summary

Table 4.14: Market*access cross tabulation

Table 4.15: Chi-square test

Table 4.16: Symmetric measures

Table 4.17: Case processing summary

Table 4.18: Education*access cross tabulation

Table 4.19: Chi-square test

Table 4.20: Symmetric measures

Table 4.21: Case processing summary

Table 4.22: Contingency table for Hosmer and Lemeshow test

Table 4.23: Hosmer and Lemeshow test

Table 4.24: Classification table

Table 4.25: Variables in the equation

LIST OF FIGURES

Figure 2.1: Financial exclusion in Sub- Saharan Africa

Figure 2.2: Access to financial services in Uganda

Figure 2.3: Access to financial services in Kenya

Figure 2.4: Sources of start-up capital in Ghana

Figure 2.4: Theoretical framework

Figure 4.1: Respondents by gender

Figure 4.2: Respondents by market

Figure 4.3: Response rate by business type and age

Figure 4.4: Response rate by length of business and registration status

Figure 4.5: Financial institutions used by micro-traders

Figure 4.6: Sources of capital

Figure 4.7: Account types used

Figure 4.8: Reasons cited for exclusion

Figure 4.9: Micro-traders who approached financial institutions for financial assistance

Figure 4.10: Financial assistance obtained by micro traders

Figure 4.11: Affordability of loans

Figure 4.12: Gender and access

Figure 4.13: Age and access

Figure 4.14: Open market and access

Figure 4.15: Education and access

Figure 4.16: Summary

LIST OF ABBREVIATIONS

AfDB – African Development Bank

IMF – International Monetary Fund

MDG – Millennium Development Goals

MFI's – Micro Finance Institutions

NGO's – Non-Governmental Organisations

ROCSA's – Rotating Savings and Credit Associations

SME's - Small –Medium Enterprises

SMME's – Small-Medium-Micro Enterprises

ACKNOWLEDGEMENTS

First I acknowledge my Heavenly Father who blessed me in so many ways and who has always been present to give courage, strength and inspiration to complete this study.

I would also like to express my gratitude to my supervisor, Prof Sheefeni of the University of Namibia for his advice, assistance, insight and mentorship in writing this thesis.

Finally, I express my profound gratitude to the traders in the informal markets in Windhoek, who sacrificed their valuable time by attending to the questionnaires, and provided the valuable information, without which this study could not have been completed.

DECLARATIONS

I, Clareta Gamses, declare hereby that this study is a true reflection of my own research, and that this work, or part thereof has not been submitted for a degree in any other institution of higher education.

No part of this thesis may be reproduced, stored in any retrieval system, or transmitted in any form, or by means (e.g. electronic, mechanical, photocopying, recording or otherwise) without the prior permission of the author, or The University of Namibia in that behalf.

I, Clareta Gamses, grant The University of Namibia the right to reproduce this thesis in whole or in part, in any manner or format, which The University of Namibia may deem fit, for any person or institution requiring it for study and research; providing that The University of Namibia shall waive this right if the whole thesis has been or is being published in a manner satisfactory to the University.

.....

Date.....

Clareta Gamses

CHAPTER ONE: INTRODUCTION

1.1 Orientation of the proposed study

Access to financial services is a challenge to micro-enterprises in Namibia. According to the National Planning Commission's National Development Plan 4 (2012), access to finance by startup as well as micro and small enterprises is a challenge. Due to their small scale operations, financial institutions do not find micro-enterprises profitable. Traditional banking has failed the poor and micro-enterprises in developing countries. The reasons for this failure are attributable to the need of guarantees, reputation and collateral by traditional banks, which the poor cannot provide (Koveos & Randhawa, 2004). The inability to provide collateral by the poor and micro-enterprises makes financing inaccessible and unaffordable.

A study by Rao, Kumar, Gaur and Verma (2017, p. 8), segregated the factors that influence access to finance between demand side and supply side difficulties. Demand side difficulties are cost of borrowing being too high, collateral requirements as well, procedural requirements of lending institutions being too complex and inefficient information dissemination about the financial products and services available to SME's. The supply side difficulties are mainly the institutions requiring information that is not available, past financial records hamper future lending and credit worthiness.

Namibia is a signatory to the United Nations Convention on poverty eradication and therefore there is a duty on Namibia as a country to implement mechanisms that will assist in poverty reduction and eradication. The accessibility by micro and small

business to finance could contribute to poverty reduction and could take Namibia a step closer to meeting the millennium development goals (MDG's), (National Development Plan 4, 2012).

The findings of a study by Andongo and Swarray (2006) in Namibia confirmed the notion that improved access to financial services is associated with higher levels of income and can therefore contribute to poverty alleviation in rural Namibia.

Financial inclusion has been used successfully as a tool in poverty alleviation in a country such as Bangladesh (Ahmed, 2009). The Grameen Bank of Bangladesh is an example of a micro finance institution that is regarded as being very successful in reaching the poor. Abdullah (2014, p. 332) stated that the success of MFIs can be based on their achievement in providing micro finance, saving and insurance services to poor and vulnerable groups of people such as women, youth and the disadvantaged.

The Namibia Financial Sector Strategy (2011) sector development document states that where financial services are supplied broadly and efficiently, they accelerate economic growth and improve the distribution of wealth and subsequently reduce poverty. The Namibia Statistics Agency (2012) defined the poverty line in Namibia as the cutoff point separating the poor from the non-poor. Poor in this context means people living below N\$377.96 per month. The survey also found that 28.7% of the Namibian population lives below the poverty line and 15.3% of the population is regarded as severely poor. Although Namibia has a small population, it is one of the countries with a highly

skewed income structure, as measured by a Gini coefficient of 0.58 (National Development Plan 4, 2012).

A country's wellbeing can be measured in terms of its people's access to basic services including financial services. Access to finance is defined in the Namibia Financial Sector Strategy (2011) as access to financial services and products as well as access to financial service infrastructure.

It is against this backdrop that the study intends to investigate access to financial services of micro-enterprises in open markets in Windhoek, Namibia. Collins, Morduch, Rutherford, and Ruthven (2009) argued that poor people including micro traders need financial services more than any other group, because of the uncertainty and irregularity of their income. The access to financial services will enable them to engage in projects that can generate income to sustain them and their families.

1.2 Statement of the problem

Access to financial services is a problem for small enterprises in Namibia. Micro enterprises find it challenging to access services from commercial banks. Lack of financial services isolates some members of the society, especially small enterprises, whereas financial inclusion leads to economic growth and development of small businesses. The National Planning Commission's, National Development Plan 4 (2012), highlighted access to finance by startup and micro and small enterprises as a challenge.

The Bank of Namibia has embarked on various strategies to ensure financial inclusion in Namibia. The Minister of Finance, Calle Schlettwein said that although statistics

show that financial inclusion is on track, and more people opened bank accounts, more needs to be done when it comes to availing funds to micro businesses (Shihepo, 2015). Schlettwein noted that access to funding for new and existing businesses is still a challenge that needs to be looked into if financial inclusion is to materialise (Shihepo, 2015).

Although it appears as if financial inclusion is on track, no further study was carried out to confirm this and therefore this study is carried out with the objective of establishing whether micro traders in selected open markets in Windhoek have access to financial services.

1.3 Research objectives

The main objectives of this study were to:

1. Identify the financial institutions used by micro-enterprises
2. Establish the extent to which micro-enterprises have access to financial services
and
3. Identify variables that enable micro-enterprises to have access to financial services or causes lack of access to it.

1.4 Definition of terms

Financial services – Includes, borrowing, bank accounts and all bank services provided by financial institutions.

Financial inclusion – is defined in the Namibia Financial Sector Strategy document (2011) as the process of ensuring access to financial services and timely and adequate credit were needed by vulnerable groups such as micro and small enterprises.

Micro Finance Institutions (MFI's) – Are institutions that provide services such as savings, investments and insurance in addition to lending.

Micro finance – Micro finance refers to the provision of financial services such as savings, loans and insurance products to low income individuals or groups. The term micro finance and financial services will be used interchangeably in this study.

Poor - means people living below N\$377.96 per month.

Severely poor - means people living below N\$277.54 per month.

Small and Medium Enterprise (SME's) - For the purpose of this study, SME's are defined as entities with a work force of between 1 and 10 employees. This definition also includes micro-enterprises and micro-traders as well. Micro enterprisers are usually owner managed and mostly only have the owner as an employee.

1.5 Significance of the study

The study intends to highlight the financial ex/inclusion of micro enterprises trading in open markets in Windhoek. This work shall assist policy makers and stakeholders in the financial services industry of the financial needs of micro traders in open markets. It may also sensitise financial institutions on the progress made in financial inclusion as well as shortcomings in their efforts to improve access to financial services. Financial

institutions may be able to develop appropriate and innovative products that will increase accessibility by micro enterprises.

1.6 Limitations of the study

The geographical coverage was limited to the City of Windhoek as the study was done in the open markets of Windhoek only. Hence the findings might not be applicable to the rest of Namibia. The other anticipated limitation was the reluctance of people to share financial information as it is regarded as very sensitive. Some challenges in collecting data via interviews were the lack of understanding of the concept of research by the interviewees as well as language barriers.

1.7 Organisation of the study

The study contains five chapters structured as follows:

Chapter 1 provides the introduction to the study, which lays out the orientation of the study, the problem statement and the research objectives. It further contains sections that deal with the significance and limitations of the study.

Chapter 2 contains the review of literature. It also contains the theoretical framework of the study.

Chapter 3 focuses on the research methodology. It provides a motivation for the research design. It defines the population and the sample and also describes how the sample was selected. The research instruments and the ethics governing the study are also described in this chapter.

Chapter 4 provides information regarding the data that was collected and the analysis of the data.

Chapter 5 sets out the recommendations and conclusion of the study.

1.8 Conclusion

Access to financial services by small and micro-enterprises remain a challenge in many countries. Studies by Kumar, 2005; Akande, Adewayo, Oldejo and Ademola (2011); Osei-Assibey (2012) concluded that the majority of the subjects in their study obtained funding from internal sources or cited that the ability to obtain finance is their biggest constraint.

Gichuki, Mutuku and Kinuthia (2015) stated that gender also affects the ability of traders to get finance because in sub-Saharan Africa, women entrepreneurs have a bigger disadvantage when assessing credit, compared to their male counterparts.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter discusses the literature that has been reviewed for the study. The literature reviewed is related to the access to financial services by micro enterprises. Section 2.2 discusses the access to various financial services. Section 2.3 discusses global access to financial services, whereas Section 2.4 highlights the factors influencing access to financial services. Section 2.5 deals with the conceptual framework and Section 2.6 points out the gap in the literature and Section 2.7 provides a summary of the literature reviewed.

2.2 Access to financial services

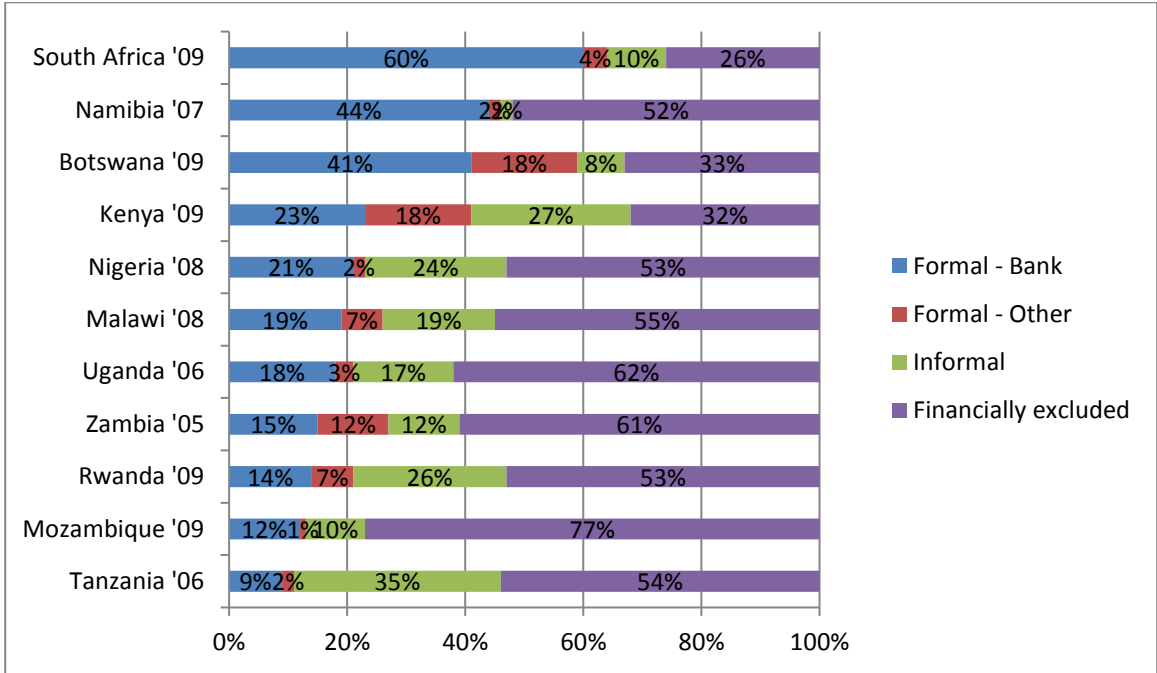
Yadav and Sharma (2016) defined financial inclusion as the state of easy and unconstrained access to basic financial services (money deposit, credit, remittance and monetary advice) in a timely manner and at an affordable cost to all sections of the society in general and socially-cum-economically weaker sections in particular. Claessens (2006) also concurs with this view, but cautions that access to financial services is not the same as the use of financial services. Claessens (2006) further clarifies this by explaining that access refers to the availability of a supply of reasonable quality financial services at reasonable costs. It is clear from the above two definitions that affordable costs are at the core of access to financial services.

Imboden (2005, p. 66) is of the view that an inclusive financial sector offers the vast majority of the population sustainable access to a range of financial services. Imbonden

(2005) further claims that the range of financial services will ideally include access by bankable households, micro-enterprises and small-enterprises to savings, short- and long-term credit, mortgages, insurance and pensions. It is however also important that these services are cost effective and affordable.

Commercial banks never penetrated the informal markets, as it is not regarded as profitable. This led to a scenario where some sections of society are without bank accounts. Keulder and Naidoo (2012) defined financial exclusion as adults who do not have/use any financial products and/or services. These people rely only on their friends and family for borrowing and they save at home. The FinScope IMF survey also found that only 62% of adults in Namibia are banked, which means that 38% of the population does not have access to formal banking services as shown in Figure 2.1 below. These figures are even more disturbing in rural areas where 39% of the population is financially excluded. The proportion of the unbanked population in Namibia is a concern for the government.

Figure 2.1: Financial exclusion in Sub-Saharan Africa



Source: FinScope IMF working paper

Obamuyi (2009) used a qualitative approach with an exploratory perspective in their study and found that the majority of entrepreneurs (74.1%) in Nigeria had loans mainly from a micro-credit agency, followed by cooperatives (12.6%), while friends and relatives, banks and owners funds constituted 7.4%, 3.2%, and 2.6%, respectively. The low percentage of bank loans is an indication of the difficulty in accessing formal sources of credit, forcing enterprises to use informal sources of finance.

Andongo and Swarray (2006) state that, policymakers and practitioners in Namibia have continued to show interests in increasing access to financial services. Access to financial services provides a valued contribution to efforts aimed at alleviating poverty in the rural areas. This involves increasing access to savings, credit, insurance and remittance facilities.

2.2.1 Access to micro-credit and finance

Small firms have traditionally encountered problems when approaching providers of finance for financial assistance (Jonathan & Jonathan, 2003). Obamuyi (2009) concurs with this view by citing that one of the aims of micro finance is to assist the poor and unemployed to sustain self-employment or to start-up very small businesses. Obamuyi (2009) further states that, the idea of MFI's development from the inability of the formal financial institutions to satisfactorily provide credit for the poor entrepreneurs, who are desirous of starting businesses.

In contrast, Block (2012) argues that micro-finance will not help the poor; on the contrary it reduces the effectiveness of the market's ongoing fight against poverty. Block (2012) further states that micro-finance is either a mischievous attempt to undermine the libertarian society, or the embodiment of a benevolent, but ill-conceived, attempt to promote prosperity among the poor.

Hulme (2000) also argues that MFI's have created the myth that poor people always manage to repay loans because of their ability to exploit business opportunities. Hulme (2002) further states that not all micro credit produces favorable results, especially for people working in low return activities. Due to some external shocks beyond their control these borrowers encounter great difficulty in repaying these loans. That is why clients pretend to want loans for micro enterprise.

Madichie and Nkamnebe's (2009) study, which was based on in-depth interviews with a sample of 20 women entrepreneurs drawn, using convenience sampling, found that one of the constraints for access to credit by women traders in Nigeria are internal

constraints. Those are lack of mental access, such as phobia and anxiety, where women do not believe in micro-credit and micro finance, mainly due to ignorance, fear of the consequences of default and the belief that banks are only meant for rich people.

Green, Kirkpatrick and Murinde (2006) argue that inadequate access to finance and other financial services has long been recognised as a constraint on the expansion of medium and small enterprises. In the same line of arguing Quayes and Hasan (2014) also noted that micro credit has emerged as a viable financial alternative for people with no access to credit from formal financial institutions. Micro credit therefore provides easy access to credit by small scale entrepreneurs. In contrast to the findings above, a study by McPherson and Rous (2010) found no evidence that firms with access to credit grow more rapidly than those without such access. McPherson and Rous (2010) pointed out that firms that grow do so for other reasons rather than access to formal credit. Hulme (2000) also regard the belief that micro credit is the answer to the problems of poverty, as a dangerous line of argument as it distracts attention from the fact that poverty reduction requires action on many fronts. In this regard, Hulme (2000) also regards the claims that micro credit reduces poverty as an exaggeration of the role of MFI's.

2.2.2 Access to insurance products

The use of insurance products protects small entrepreneurs from losses suffered as a result of external shocks. Demirguc-Kunt and Klapper (2013, p. 46) found that the use of insurance products remains limited in Africa. Only 3% of the respondents report having personally paid for health insurance and only 6% of those who work in farming,

forestry or fishing industries report having purchased crop, rainfall, or livestock insurance in the past 12 months. The study also found that on average, men as compared to women are twice as likely to have personally paid for health insurance. In addition adults with a tertiary education or more are more than seven times likely as compared to adults with a primary education or less to have personally paid for health insurance.

A study by Olaosebikun and Adams (2014) found that through offering collateral for micro-credit and providing indemnity cover in the event of some severe loss event such as death or disability to the primary borrower, micro-insurance is clearly a potentially important mechanism for promoting entrepreneurial development and sustained economic growth in less-developed countries.

2.2.3 Access to savings

Hulme (2000), states that MFI's designed their savings services as a means of collateralising loans and providing low cost capital. Furthermore, they are not designed to meet the poor's need for savings mechanisms. Hulme (2000) criticised the MFI's that, whereas with bank services one will find that demand for savings is greater than loan accounts, the opposite is true for MFI's where the demand for loan accounts is greater than the demand for savings.

Solo (2002) indicates that apart from the costs of opening a bank account, maintenance costs can deplete the savings of low income earners. Solo (2002) also found that, to the extent that access to banking services allows for increased savings, this would be a solid

backing for the claim that financial services provide a form of empowerment and a sense of participation in the economy.

Demirguc-Kunt and Klapper (2013, p. 46) uncovered that in Africa 13% of adults (and 35% of savers) reported having saved at a formal financial institution in the past year. Based on the regions the study revealed that 50% of adults in West Africa and 16% of adults in North Africa report having saved money. More than 16% of adults in Southern and West Africa report having saved at a financial institution, while only 4% of adults, report having formally saved in North Africa. Formal savings practices are particularly common in Nigeria, South Africa and Kenya.

The same study also found that of the population that saves, in Sub-Saharan Africa, 34% saved using only a community based savings club.

2.3 Global access to financial services

A study by Ardic, Heimann and Mylenko (2011, p. 3) indicates that 56% of adults worldwide are unbanked, although the numbers differ across high income and developing countries. They further found that sub-Saharan Africa and South Asia are the two regions with the lowest percentage of banked individuals.

Access to financial services by micro enterprises is not just about access to credit, but it also includes access to banking accounts and access to insurance services. Financial exclusion is to the detriment of the excluded, as it deprive them of participating in the economy of the country (Devlin, 2005; Mckillop et al., 2007, as cited in Koku, 2015, p. 660). These studies also found that exclusion is mainly a problem of lower income individuals who are unable to access bank loans or open bank accounts.

2.3.1 Access to financial services in Latin America

Solo (2008) found that an interesting characteristic of the unbanked in this region is that they overwhelmingly tend to be self-employed; 72% of the unbanked are unemployed. The study collected data from 1500 households taken from a census group in major cities in Latin America and found that 65-85 percent of households in these countries had no access to any formal financial institution. In total, 65% of the unbanked interviewed in Columbia and 70% in Mexico indicated that they do not use banking services because of the fees, the high required minimum balance as well as the high initial deposit.

A study by Hurtado, Torres and Hayem (2013 p. 140) found that of the 39% of adults in Latin America and the Caribbean with an account, only about 30% conduct more than three transactions (deposits and withdrawals) a month, while close to 50% make between one and two transactions a month. An estimated 10% are inactive. In the same study it was also found that there is limited information with regards to micro-insurance, 44.9 million people in 19 countries in Latin America and the Caribbean benefit from micro-insurance. The most common product is life insurance, followed by accident insurance, property insurance and health insurance.

2.3.2 Access to financial services in Europe

According to a study by Koku (2015, p. 656), it was found that the percentage of adult population in Europe who do not have banking accounts amount to 22.4% in Italy, 17.9% in Greece, 16.8% in Ireland 16,7% in Portugal, 13.5% in Austria and 10,5% in the United Kingdom. Furthermore, it was found that the effects of not having a banking

account are serious, for example not having a bank account means that one cannot receive or make payments through the bank. Other problems encountered by those excluded are the ability to obtain insurance coverage.

In a study by Fielden, Davidson and Makin (2000) in North West England, respondents reported that a number of banks were in-flexible and unable to cater for the needs of micro and small business owners, particularly during the creation of a new enterprise. In addition, potential and new business owners found that the banks were unwilling to invest in small businesses.

The study by Cowling, Liu and Zhang (2016, p. 922) found that SMEs in the United Kingdom that apply for longer-term finance (term loans) are significantly less likely to succeed, indicating that banks have a strong preference towards the provision of short-term finance. It is also evident from this study that, first-time applicants are significantly more likely to be rejected than firms applying for loan renewal, indicating that information asymmetry is less acute for returning borrowers.

2.3.3 Access to financial services in Asia

A study by Abe, Troilo and Batsaikhan (2015, p. 23) has found that one of the big issues in lending to SMEs in Asia is the lack of credit information. Funding SME start-up and growth with debt will remain hampered until the information is available. SME's often lack vital information such as accounting and credit records and audited financial information.

Another study by Thaker, Mohammed, Duasa and Abdullah (2016, p. 264) also concurs with the view that micro enterprises face the problem of accessing external finance from both private and government sources. This study, found that micro enterprises in Malaysia are considered a risky segment in the market, and therefore strict loan conditions are imposed on them such as collateral, proper support documents and a good business track record.

A study by Wang, Robson and Freel (2015, p. 404) found that in China, on average the firms seeking external finance received 65.86 % of the finance which they were seeking. Thus, firms on average received approximately two thirds of the finance which they seek. In addition, the type of business activity that the firm engages in will determine whether they will receive finance or not. The results suggest that in China the external sources of finance such as the banks have problems and difficulties in evaluating firms whose projects are innovation based.

2.3.4 Access to financial services in Sub-Saharan Africa

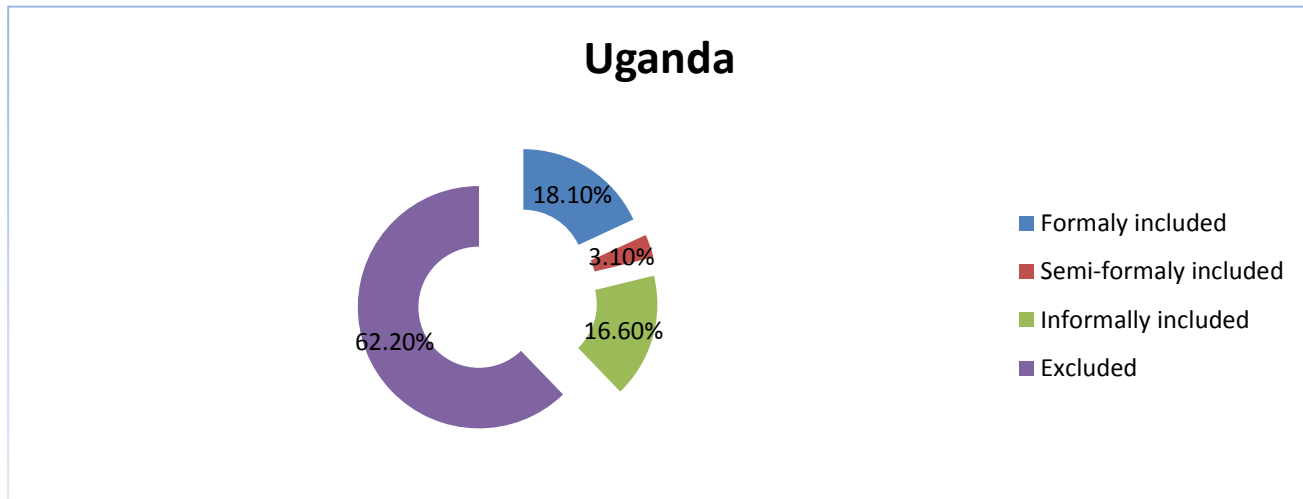
A study by the International Monetary Fund (IMF, 2011) found that a vast majority of Africans in many African countries do not have access to financial services as shown in Figure 2.1 Section 2.2 of this study. Whilst countries like South Africa have the lowest percentage of exclusion at 26%, countries like Mozambique has the highest rate of exclusion at 77%.

In Namibia, based on the Namibia Financial Sector Strategy (2011), the number of micro lending institutions increased from 186 in 2006 to 347 in 2010. The total loans granted by the registered micro lenders amounted to N\$682 million during 2008, which represents an increase of 27 % from N\$538 million granted in 2007. For 2010, loans amounting to N\$1,080 million were issued by micro lenders, an increase of 28 %, when compared to the 2009 figure. This increase can be attributed to the growth in the number of micro lenders during that period. Microfinance institutions' interest rates are, however, exorbitant compared to other conventional lenders. However these existing microfinance institutions can be regarded as pay day lenders as they only cater for a certain segment of the population, that is, salaried individuals. Thus there is a need for more microfinance institutions that will cater for the excluded segment of the population who are mainly the poor and small-scale entrepreneurs.

Amaeshi (as cited in Koku, 2015, p. 663) stated that exclusion in countries such as Nigeria is due to the high percentage of illiteracy. A study by Akpandjar, Quartey and Abor (2013, p. 450) also confirms this fact, as the results of their study indicate a positive and significant relationship between education and the demand for formal financial services. They found that a change in education status from illiteracy to a basic education increases the probability of a rural household's demand for financial services by 7%.

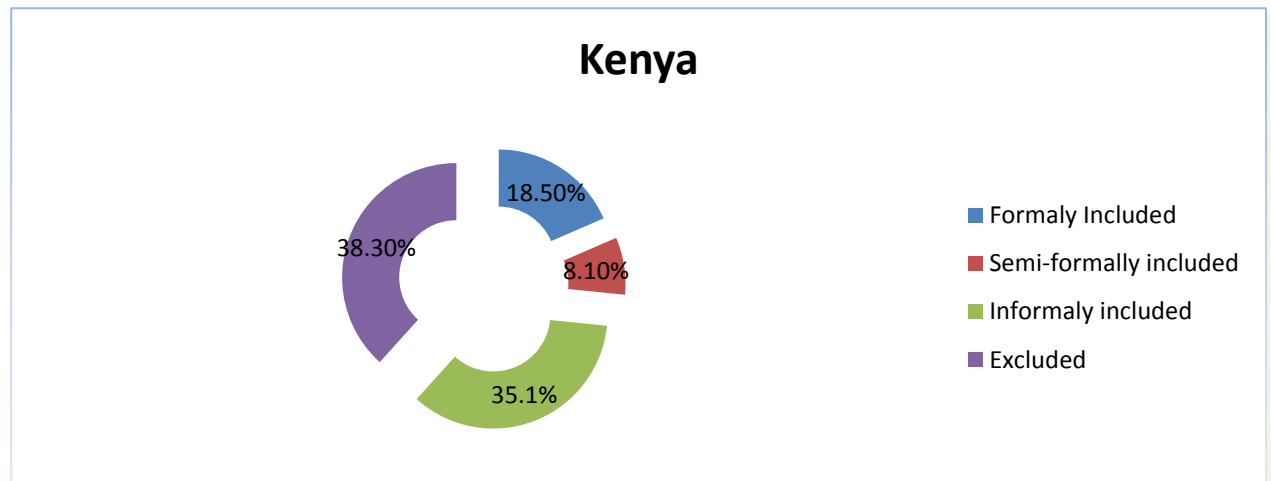
A study was done by Johnson & Nino-Zarazua, (2011, p 482) on access to financial services in Uganda and Kenya and their findings are depicted in figures 2.2 and 2.3 respectively.

Figure 2.2: Access to financial services in Uganda.



Source: Authors depiction from information obtained from Johnson & Nino-Zarazua (2011)

Figure 2.3 Access to financial services in Kenya.



Source: Authors depiction from information obtained from Johnson and Nino-Zarazua (2011)

Johnson and Nino-Zarazua (2011, p. 483) used various variables in their study such as location, gender, marital status, age, employment or main source of income and may more. The study established that employment or main source of income is the factor that is the most associated with access or exclusion in both countries. About 62.2% of respondents were found to be excluded in Uganda, whilst Kenya has an exclusion rate of 38.3%.

Mpuga (2004, pp. 4-5) underscores the need to understand the characteristics of the demand for financial services in the rural areas. Furthermore, 43% of Uganda's households have difficulty accessing credit for their enterprises, whereas current estimates indicate that only 8% of the rural households have access to bank accounts. Mpuga (2004) also states that scarcity of financial services in rural Uganda was worsened by the closure of a bank which had 14 rural branches. This is in line with a

study by Osei-Asibei (2009) on rural communities in Ghana, which also concluded that availability of banks in rural areas has an effect on the access to financial services.

A study by Demirguc-Kunt and Klapper (2013, p. 54) also found that SME's in Sub-Saharan Africa have limited access to funding. Only 22% of enterprises have access to external funding, whereas the rest is financed through internal funds. The same study also found that borrowing from family and friends is the most popular form of borrowing. Fixed fees and high costs of opening and maintaining a bank account were identified as hindering factors in Eastern and Southern Africa.

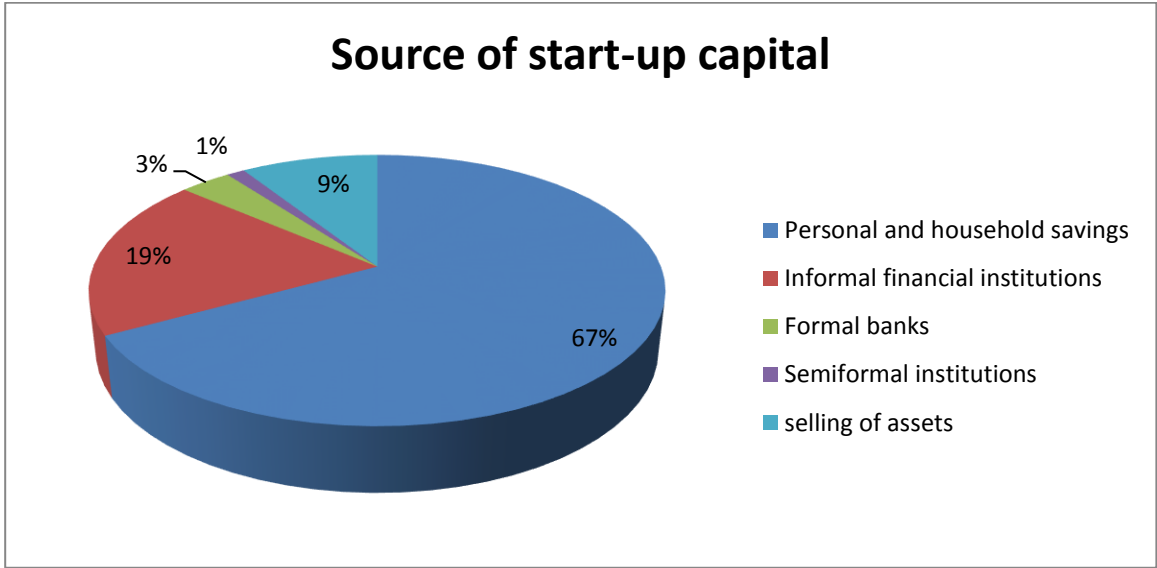
In line with the findings by Demirguc-Kunt and Klapper (2013), Shibia and Barako (2017 p. 7) by using descriptive statistics, also found that access to credit from formal financial institutions is of major concern in Kenya, with only 15.6% of Micro-enterprises reporting they accessed bank credit in the preceding five years.

Osei-Asibei 2009 (as cited in Koku, 2015, p. 664) found that the percentage of banks that operate in rural communities in Ghana decreased from 10.4% in 1992 to 5.3% in 2006. The results also further indicated that demand for bank services are driven by both market and non-market variables such as price, illiteracy, employment, wealth status, as well as proximity to the banks. The study also concluded that financial exclusion was a function of both demand and supply side factors.

A study by Osei-Asibei, Bokpin and Twerefou (2012, p. 94) found that due to limited access to mainstream funding by Micro-and-small enterprises in Ghana, they have to rely on personal and household savings and/or informal credit. The survey results as depicted in Figure 2.4, indicate that micro-and-small enterprises rely more on personal

and household savings for startup capital, whereas formal financing only accounts for 3.4%. Interestingly they also found that 45% of the micro entrepreneurs will prefer formal bank lending, with informal finance the least preferred.

Figure 2.4: Source of start-up capital in Ghana



Source: Author’s depiction from information obtained from Osei-Asibei (2013)

Although the literature suggest a very low inclusion rate for Africa, a study by Errico, Amidzic and Massara (IMF, 2013) found that Africa has the largest increase in access to depository services. The study also found that the number of branches of other types of financial intermediaries grew by close to 50% from 2004 to 2011.

Demirguc-Kunt and Klapper (2013, pp. 54-55) conducted an extensive research on access to financial services in Africa and found that on average, the percentage of enterprises with a bank account (across all firm size groups) in Sub-Saharan African countries is comparable to or greater than the percentage of enterprises with a bank

account in all other developing economies. For instance, 83% of small-sized enterprises and 94% of medium-sized enterprises in Africa report having a bank account as compared to 87% of small-sized and 93% of medium-sized enterprises in other developing economies.

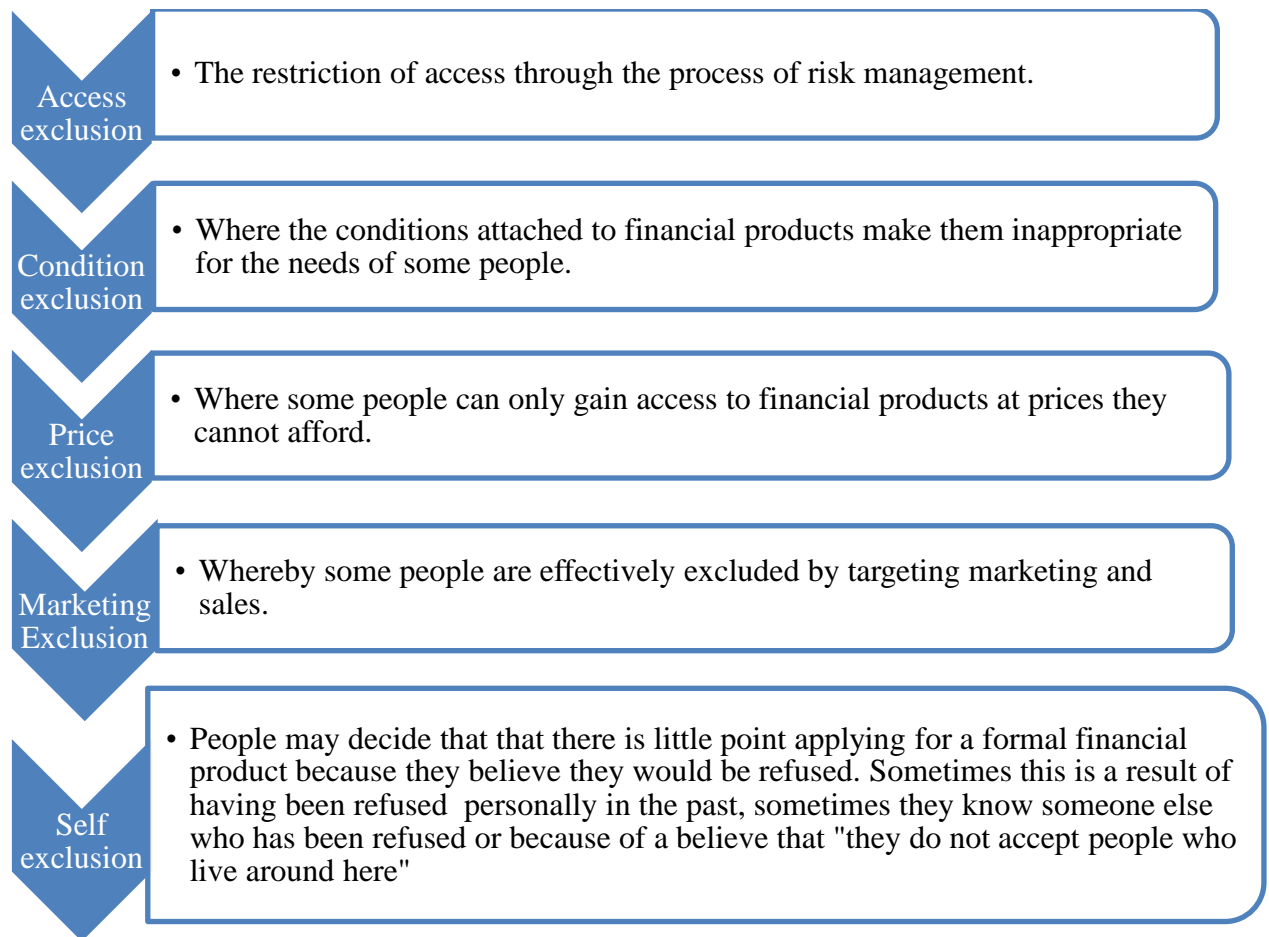
Despite this high percentage of bank accounts the study by Demirguc-Kunt and Klapper (2013), pp. 54-55) also found that firms in Sub-Saharan Africa have notably limited access to external funding. On average, only 22% of enterprises have a loan or a line of credit. In comparison, the average of enterprises with a loan or a line of credit in other developing economies excluding Africa is 43%. Like elsewhere, small firms in Sub-Saharan Africa are at a relative disadvantage in accessing external credit. In Sub-Saharan Africa, 45% of firms cite access to finance as a major constraint to growth. However, a higher percentage of small firms identify access to finance as a major constraint relative to medium and large enterprises.

A study by Stein, Bilandzic and Hommes (2013, p. 67) indicates that among all firms, the financing constraint is more acute among the micro and small firms and also among the informal businesses. It is also clear that women-owned enterprises often face higher barriers to access the right type of finance that is necessary for growth. Given the limited access to external financing from formal financial institutions, SMEs in Africa mostly rely on retained earnings or other internal sources of funding to finance their growth. The study also indicates that around 80% of SMEs in Africa finance

investments internally, around 3% by supplier credit, and only around 8% of investments are financed by banks.

2.4 Factors influencing access to financial services

A study by Leyshon and Thrift 1995 (as cited by Koku, 2015, p. 655) has identified factors influencing access and barriers to financial services. Based on a study by Demirguc-Kunt and Klapper (2013, p. 46) it was found that the most frequently cited reason by 80% of the respondents without bank accounts, for not having a bank account is lack of enough revenue to use on. Cost, distance and documentation were also cited as some barriers to open bank accounts. The high cost of opening and maintaining accounts is also one of the reasons hindering individuals to have bank accounts.



The study by Solo (2008) highlighted various reasons for financial exclusion which includes:

- High initial deposits, minimum balances, high maintenance costs for savings.

The study found that all but four banks had costs that are prohibitive to 75% of the population. This category of exclusion is termed price exclusion. Traders are unable to utilise financial services, due to the high prices.

- Documentation requirements.

The study showed that the documentation required by banks in Colombia to open accounts (proof of employment, personal references) was also prohibitive for more than half the population. This type of exclusion is classified as condition exclusion.

- The poor rarely feel welcome

Some of the reasons given by participants in Columbia for not using financial services were bad treatment. Many group members made it clear that their negative reactions towards banks were a function of the fact that they were anticipating bank rejection before the fact. This exclusion can be classed as self-exclusion.

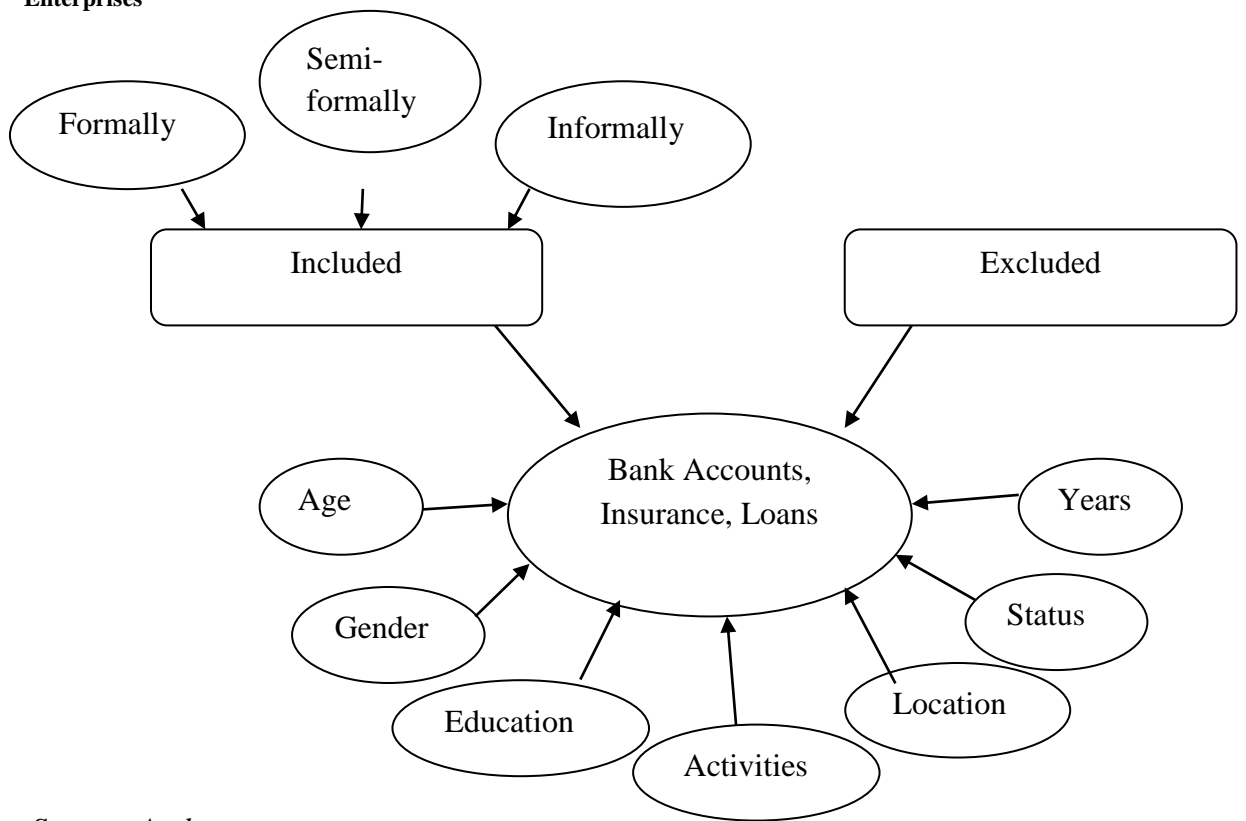
Using the concept of access possibilities frontier, drawn for a given set of stated variables, Beck and de la Torre (2006) found that a higher price/costs reduces the share of the population that will demand payment and savings services, thus resulting in a downward sloping demand curve. As the price/costs falls, marginal users, that is smaller firms and poorer households, add their demands for typically lower-value transactions. They also identified three types of access problems, which lead to the banked population being lower than the bankable population, namely the self-exclusion of agents, inefficiency due to high costs from suppliers of financial services and low bankable population.

2.5 Conceptual framework

The conceptual framework was developed to illustrate the relationships in the variables. The framework was developed with due considerations of existing literature that was reviewed and criteria used in assessing the access to financial services. This framework shows the interrelationships between the variables.

The study explores the question of access to financial services by micro traders in open markets. These gives rise to terminology used to measure access. These terms are included and excluded. Included refers to the section of the population that is exposed to financial services. These services are offered by formal institutions such as banks, whilst others are from semi-formal institutions and others are from informal sources such as family. Excluded deals with individuals that are not served by any institution at all. These two terms will be the dependent variables, whilst demographic characteristics such as age, gender, education and so forth, will be the independent variables. The independent variables such as age or education are the drivers that will explain the relationship between those traders that are excluded and those that are included.

Figure 2.5: Conceptual framework indicating variables used in analyzing access to financial services by Micro Enterprises



Source: Author

Obamuyi (2009) stated that the financial system comprises of the formal financial system, semi-formal financial system and informal financial system. The formal financial system comprises of money deposit banks, development banks and specialised banks. The semi-formal financial system includes the micro-credit established by governments and non-governmental organisations, whilst the informal financial institutions are the cooperative societies.

This study used a regression model with the independent variables being age, gender, education, activities of the traders, location, status and years in business. The dependent variable is a binary, which represents either excluded or included in the use of financial services. These are all depicted in Figure 2.5.

2.6 Gap in the literature

A study by Andongo and Swarray (2006) studied the access to financial services in Namibia, this study focused mainly on households in rural areas. Another study by Finscope (2011) also focused on access to financial services by households throughout Namibia. Both studies did not study the access of micro enterprises only to financial services, therefore this research used demand side data from micro traders to measure access to financial services by micro enterprises trading in open markets in Katutura, Windhoek.

2.7 Summary of literature review

Numerous researches have been done by various authors globally on the topic of access to financial services by small entrepreneurs. The key findings of the literature suggest

that access to finance is a challenge by most small enterprises. From the literature reviewed it was clear that Sub-Saharan Africa was the region that was the most negatively affected by lack of access to financial services by small traders.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the research methodology followed in this study. The chapter is divided into six sections. Section 3.2 presents the research design, while section 3.3 discusses the population. The sampling issues are presented under section 3.4 while research instruments are discussed under section 3.5. Data collection and data analysis are discussed under sections 3.6 and 3.7 respectively.

3.2 Research design

The research uses a cross-sectional design with a mix of qualitative and quantitative approaches. A quantitative approach will help in obtaining insight into how different variables affect the access to financial services. A quantitative approach is useful in obtaining statistically reliable data, which can be generalised. In addition, a qualitative approach has been used to probe the standardised responses deeper to get more information, regarding the opinions and needs of the participants/respondents. Qualitative research is more subjective and describes the feelings and opinions of the subjects being interviewed. By using qualitative research, which is an exploratory research, the researcher is anticipating gaining insights into the access of financial services by micro enterprises in open markets in Windhoek.

3.3 Population

The population comprises the open markets in Windhoek. The population consists of five hundred and twenty five (525) traders from five open markets in Windhoek. A list

of stands has been obtained from City of Windhoek, for the five targeted open markets, and this serves as a sample frame.

3.4 Sample

The sampling method used is non- probability sampling. A list of stands of traders at the open markets in Katutura has been obtained from the City of Windhoek. The stands at the open markets are not numbered and some of the numbering was not easily visible and therefore convenience sampling was used. This sampling method allowed for the respondents to be chosen based on availability and easy access. A sample size has been calculated at a confidence level of 95% and a confidence interval or margin of error of $\pm 5\%$, and an expected proportion of .9, translating in a sample of 139 stands. The following formula has been used to calculate the sample size:

$$\text{Sample Size} = n = ((Z\text{-score})^2 * P*(1-P)) / (\text{margin of error})^2$$

Where n = sample size,

Z = Z - score for a level of confidence of 95%, is 1.96

P = expected prevalence or proportion

(in proportion of one; in this case a $P = 0.9$), and

Margin of error of 5% has been used.

(in proportion of one; if 5%, Margin of error is = 0.05).

Interviews were conducted with 10 entrepreneurs as well as representatives of two banks; these selections were made using purposive sampling.

3.5 Research instruments

The research instruments used were face-to-face interviews and questionnaires. A questionnaire was administered to 139 micro business owners to get primary data related to access and affordability of financial services. The questionnaires were administered by the researcher and a data collection assistant and follow-ups were made to ensure a high response rate. The questionnaires were administered and the

respondents were assisted in completing them due to high illiteracy rate as well as the language barriers. A quantitative approach helps in obtaining insight into how different variables affect the access to financial services. The interviews were conducted with a smaller group of 10 purposely selected entrepreneurs, 2 from each open market, to get more in depth information about the problem under study. In order to obtain a better understanding from the supply side, interviews were also held with representatives from two banks, dealing with small and micro-enterprises, to obtain their views and perceptions on access to financial services. Although four banks were approached initially, two could not avail themselves for the interview and therefore only two representatives were interviewed. In planning the interviews, an interview schedule was prepared with a fixed set of questions to be discussed; this ensured that time was not wasted by asking unnecessary or irrelevant questions.

3.6 Data collection

The study was a field study, where data was collected by going out to open markets, directly through questionnaires and by interviewing the respondents. The interviewer took notes during the interviews and the notes were used in the findings. The questionnaire was administered by the interviewer to ensure a high response rate. Secondary data was obtained from books, journals and other publications relevant to the topic.

3.7 Data analysis

Data analysis is the process, through which data collected is sorted, coded, organised and interpreted. A financial access strand was used to analyse and categorise the information. Four access strands were used to measure access to financial services as

shown in Table 1. The strands place each respondent in a single and mutually exclusive category of financial service use dependent on the most formal service they use (Johnson & Nino-Zarazua, 2011).

Table 3.1: Definition of financial access strand.

Formal	Banks, Building societies, Nampost, Insurance companies
Semi-formal	Savings and credit co-operatives, Micro-finance institutions and government institutions.
Informal	Rotating Savings and Credit Associations, Accumulating Savings and Credit Associations
Excluded	None of the above financial services

Source: Adapted from Johnson & Nino-Zarazua (2011)

Logistic regression is a model used to predict an outcome variable that is categorical. Logistic regression have been applied to each access strand to analyse the data to identify the variables that enable micro-enterprises to have access to financial services or causes lack of access to it. This regression method is appropriate because it is suitable in cases where the dependent variable is a binary variable and is categorical.

To use a logistic regression, the dependent variable must have two values. Access to financial services is a binary variable because respondents can be either included or excluded. The independent variables that have been used are the age, type of business activity, gender, education, location and the dependent variable (outcome) are the access strands, which are formal, semi-formal, informal and excluded. Independent variables relate to variables that do not change with a change of the dependent variable.

The outcome, included was related to respondents that use formal, semi-formal or informal institutions. Respondents were regarded as excluded if they did not fall in any of the above strands. If a respondent was included an outcome value of 1 was allocated and if they were excluded a value of zero was assigned.

The age refers to the age of the respondents, the type of business relates to the services offered or commodities that are sold. The gender and education level of the participants was used to gauge whether it had any influence on the access of traders to financial services. The location of the enterprise is a variable that is considered in ascertaining whether the market where the trader is located has an effect on their access to financial services.

Qualitative data have been analysed using a deductive approach. The data has been coded and grouped based on the research objectives and then sorted according to the similarities and differences.

The questionnaire data was analysed using SPSS software. Quantitative data was analysed by using SPSS. All the questionnaires were numbered from 001 to 108. The data from the questionnaires was sorted and uploaded in SPSS and graphs and tables were derived from the data.

SPSS analysing techniques such as descriptive statistics, correlation and regression, which includes binary logistics, were used to interrogate the relationships in the data. Graphs and tables were then developed in SPSS to show the relationships between different variables.

3.8 Research Ethics

All information gathered during the fieldwork was treated with utmost respect and confidentiality. The data collected has been used for the purposes of this research only. Honesty has been displayed at all times with the interviewees, with respect to the purpose of the research and all information has been cited truthfully. Informed consent has been obtained, where the respondents were given full information of what the study entails. Participation was voluntary and no respondent has been coerced or forced into participating in the interviews.

Hard copies of the data such as questionnaires and interview notes will be kept in a lockable cabinet that can only be accessed by the researcher. The key to the cabinet will be kept by the researcher alone. After submission of the research project the data will be kept by the researcher for a minimum of two years and will be destroyed by shredding.

CHAPTER 4: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

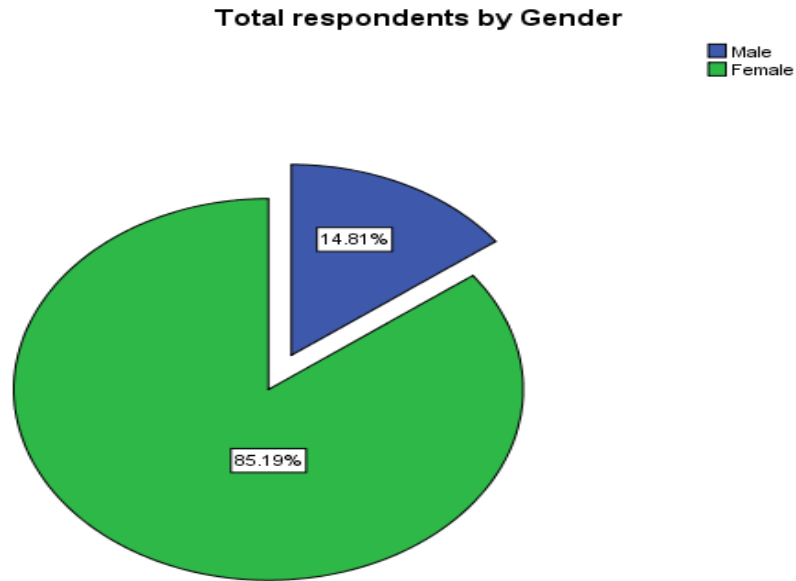
In this chapter the results of the study are analysed and presented. The chapter consists of four sections. Section 4.1 represents the introduction and Section 4.2 elaborates on the response rate. Section 4.3 describes the method of the data analysis whilst Section 4.4 deals with the discussions of the findings.

4.2 Response rate

4.2.1 Questionnaires at open markets

A total of 139 questionnaires were prepared and administered, but only 108 questionnaires were received back, and considered to be appropriate for the research. The response rate therefore was 78%. Respondents were asked to indicate their gender on the questionnaires by placing a tick in the box indicating their respective genders. The numbers of respondents per gender were 16 males, which represents approximately 15% of the total respondents and 92 females, which represents 85% of the respondents. It is clear that most of the respondents are female.

Figure 4.1: Respondents by Gender



Source: data collected through questionnaires, June 2016.

The respondents are predominantly female, because trading at open and markets have historically been a female dominated trade. A study by van Hulst (2012), found that female entrepreneurs are more likely than males to be sole traders and to run small firms. This study also found similar traits as those in a study done in Australia that female entrepreneurs are more likely than males to be involved in the retail and personal services.

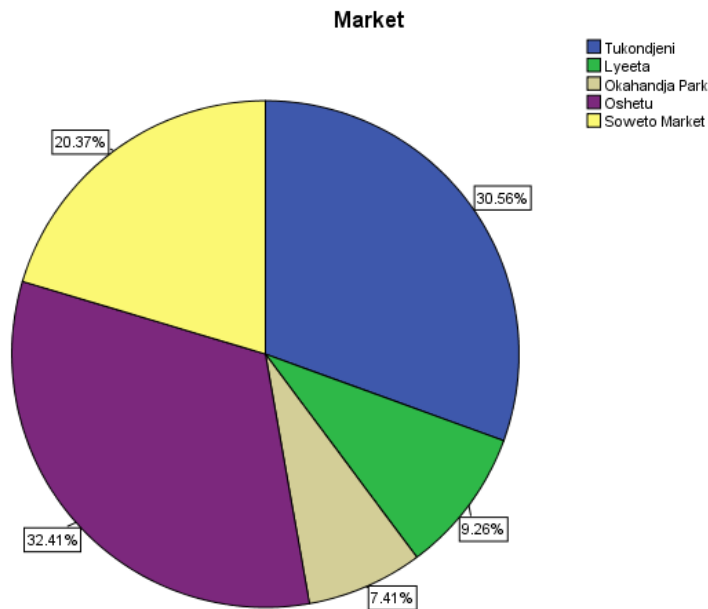
Table 4.1: Number of respondents per financial institution

Institution	Total	Percentage
Banks	79	73%
Savings and credit co-operatives	0	0%
Building societies	0	0%

Insurance companies	1	1%
SME bank	5	5%
Nampost	15	14%
Rotating Savings and Credit Associations	0	0%
Micro-finance institutions and government institutions.	0	0%
Accumulating Savings and Credit Associations	0	0%
None of the above financial services	8	7%
Total	108	100%

The results in Table 4.1 indicate that 73% of the respondents do have bank accounts.

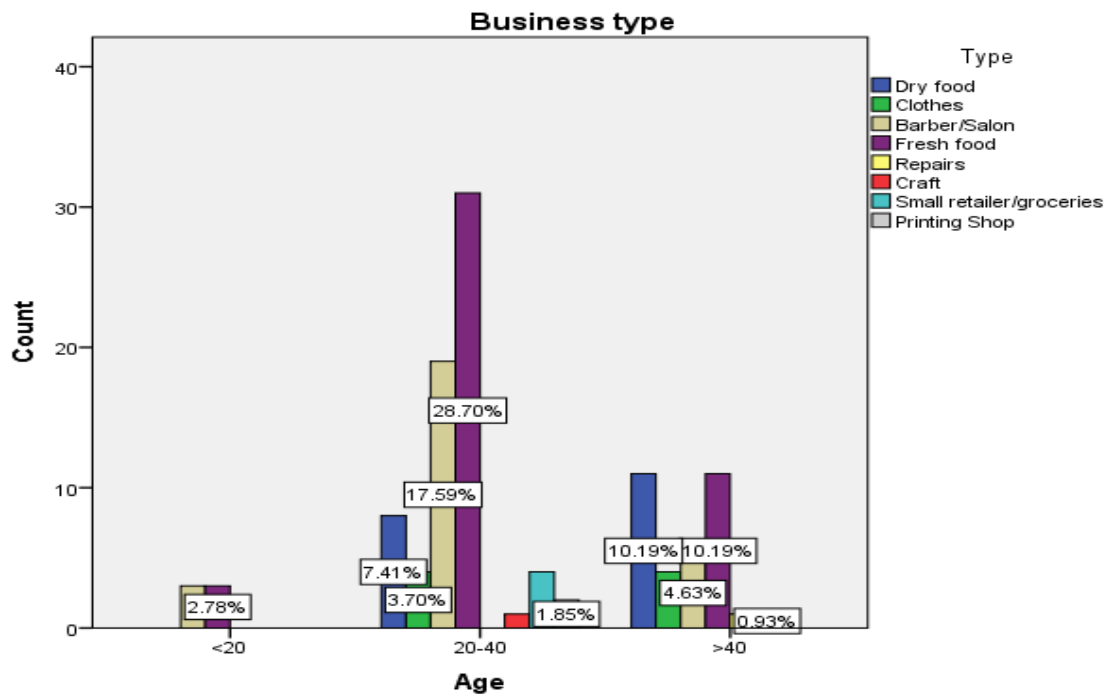
Figure 4.2: Respondents by market



Source: data collected through questionnaires, June 2016.

The respondents reflect the size of the markets visited. Okahandja Park is the smallest market and it shows in the number of respondents, which are only 7.41%.

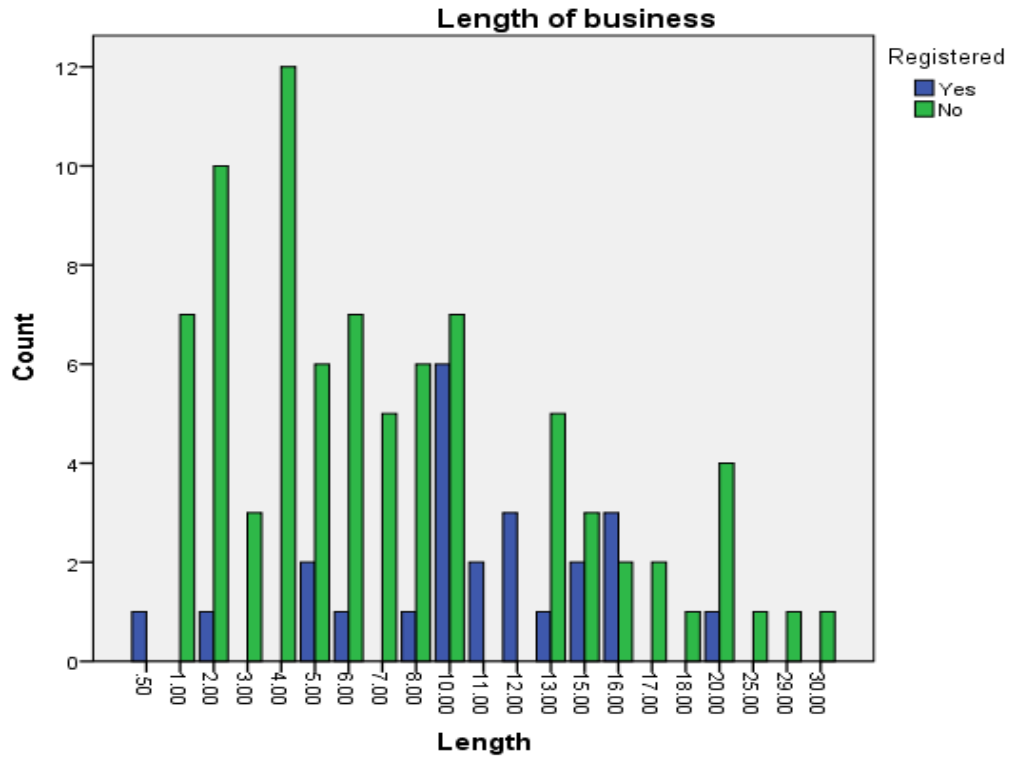
Figure 4.3: Response rate by business type and age



Source: data collected through questionnaires, June 2016.

Figure 4.3 shows the different types of industries that the traders are involved in as well as their age groups. From this figure it is evident that the majority of traders in the age group 20-40 are involved in the fresh food trade followed by barbershops and hair salons.

Figure 4.4: Response rate by length of business and registration status



Source: data collected through questionnaires, June 2016.

Figure 4.4 shows that most businesses are not registered. Most of the traders in open markets are sole traders and one person informal businesses. The average age of the business is 8.5 years.

Table 4.2: Mean length of business

Length		
N	Valid	108
	Missing	0
Mean		8.5509

Table 4.3: Education

		Education					Total
		No formal education	Primary School	High School	College	University degree	
		Count	Count	Count	Count	Count	
Institutions	Banks	4	12	60	1	2	79
	Savings and credit co operatives	0	0	0	0	0	0
	Building Society	0	0	0	0	0	0
	Insurance Company	0	0	1	0	0	1
	SME Bank	0	1	4	0	0	5
	Nampost	3	2	9	1	0	15
	Rotating Savings	0	0	0	0	0	0
	Micro Finance	0	0	0	0	0	0
	Accumulating savings	0	0	0	0	0	0
	None	2	0	5	1	0	8
Total		9	15	79	3	2	108

Source: data collected through questionnaires, June 2016.

From the data presented in Table 4.3 it is evident that education has an influence on access to financial services. The study indicates that two people that is, 22% of people with no formal education do not have access to financial services, whereas all the respondents with a primary school education do have access to financial services. It is also clear that all university degree holders do have a bank account.

4.2.2 Interviews with traders

Ten interviews were held with 10 traders. The purpose of the interview was to obtain in-depth explanations on answers provided in the questionnaires. The interviews focused on reasons why traders do not use financial services.

4.2.3 Interviews with banks

Two interviews were obtained from banks. Interviews were only conducted with two financial institutions as the representatives of the other two institutions did not avail themselves for the interviews. The two banks have been called Bank A and Bank B for analysis purposes.

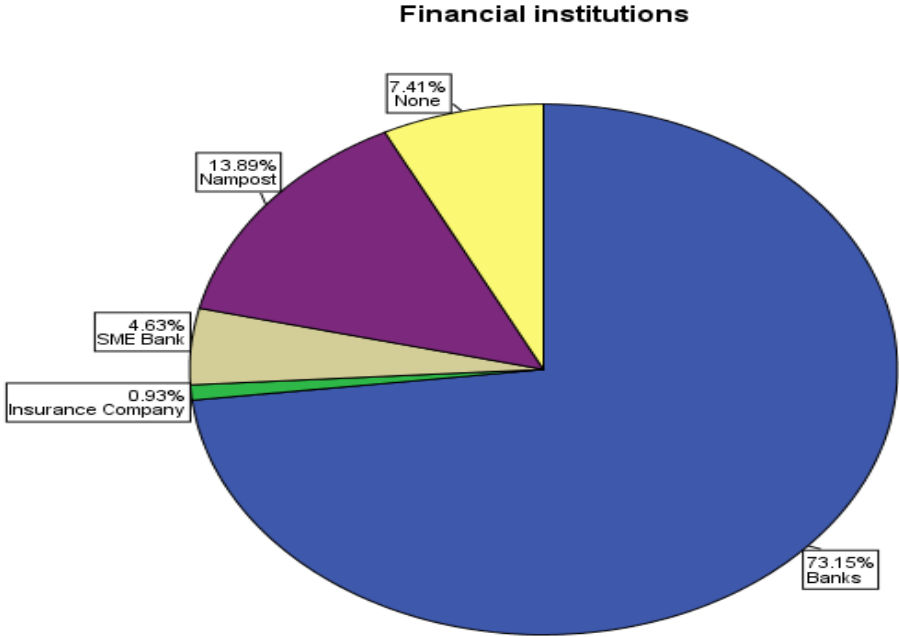
4.3 Discussion of findings

The findings have been grouped based on the objectives of the study. The study has three main objectives as outlined in Chapter 1. In order to meet the objectives the questionnaires and interviews were designed in such a way as to answer the objectives.

4.3.1 Objective 1

The first objective of the study was to identify the financial institutions used by micro-enterprises. In order to answer this objective the question posed in the questionnaire is: “Which financial institutions do you use for your business operations? (You may tick one or more)”

Figure 4.5: Financial Institutions used by micro-traders



Source: data collected through questionnaires, June 2016.

It is evident that almost 92.5% of the respondents do have access to formal financial institutions and can be regarded as included. The study also revealed that less than 1% of the respondents had access to insurance products.

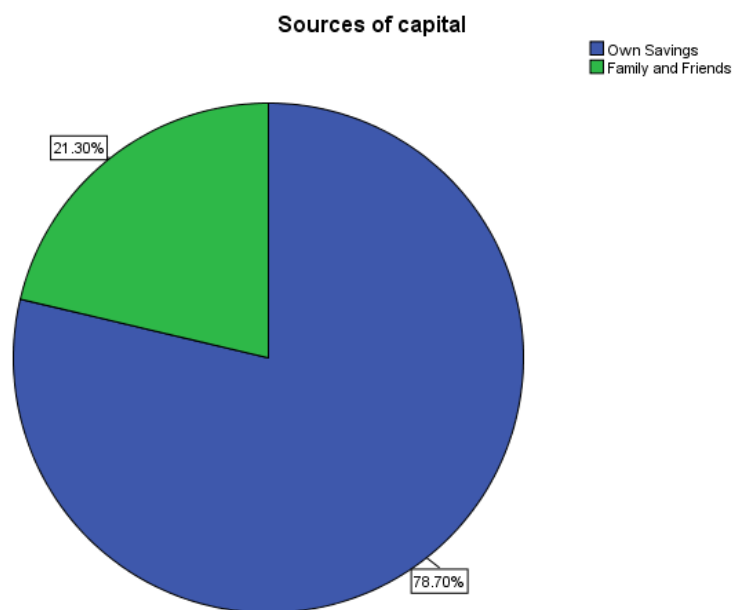
Interviews were conducted with two banks namely Bank A and Bank B. The banks are not named by their actual names to protect their identity. One of the questions posed to both banks was “Do you offer financial services to micro traders (traders in open market)? To this question both banks answered in the affirmative.

4.3.2 Objective 2

The second objective was to establish whether micro-enterprises have access to financial services. In order to answer this objective, the questionnaire had four questions that relate specifically to this objective. The findings on these questions will be discussed below.

The first question to establish this objective was: “What was the source of your startup capital?”

Figure 4.6: Sources of capital



Source: data collected through questionnaires, June 2016.

Figure 4.6 shows that none respondents have access to finance from financial institutions to start their businesses. All start-up capital was sourced from either family or friends or the traders use their own savings. The study found that the majority that is, 79% of start-up capital was sourced from the own savings of the traders, whilst 21%

was sourced from family members and friends. These results were in line with the findings of a study done by Kumar (2005) on access to financial services in Brazil, which found that 49% of the respondents use loans from family and friends and 20% use own private savings. This confirms that the majority of funding by micro traders is not sourced from financial institutions.

A study by Akande et al. (2011) on selected micro-enterprises in South-Western Nigeria also found that 65.8% of micro-traders obtained the initial funding of their enterprises from their own personal savings, followed by 17.5%, who obtained their initial funding from friends and relatives. None of the 240 respondents in this study obtained funding from commercial banks.

The results above are in agreement with a study done by Osei-Assibey et al. (2012), based on a field survey that was conducted in the Ashanti region, which is the most populous region in Ghana. Their findings were that access to finance is the greatest constraint to startup capital of micro-enterprises. About 58.2% of the respondents in their study cited start-up capital as the biggest constraint in setting up their businesses.

Osei-Assibey et al. (2012), argued that due to the limited access of micro-enterprises to mainstream formal finance, due to perceived high risk associated with the sector and the inability of the micro-entrepreneurs to provide viable business plans or collateral, they have to rely on personal or household savings. The survey further found that the most important source of start-up capital is personal or household savings which accounts for 67% of funding for startups, followed by financing by informal institutions such as

friends and relatives at 19.3%. Only very few sourced credit from formal commercial banks and this represented 1.1%.

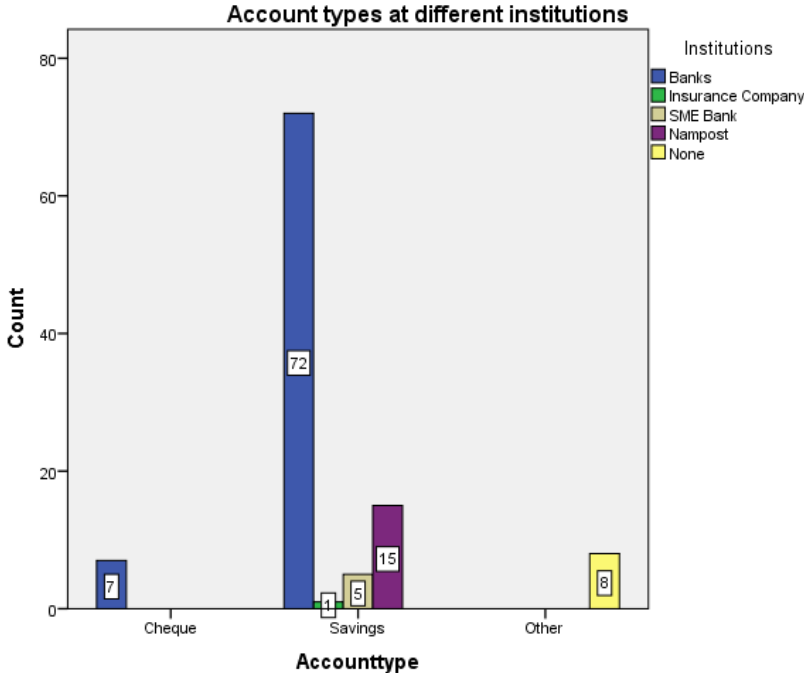
A study by Fielden et al. (2000), using in-depth interviews and focus group discussion on business start-ups in North West England found that financial difficulties were reported by all potential new business owners to be the main barrier encountered during enterprise formation. Access to start-up capital was a problem that many found particularly frustrating, regardless of where it was sought or the amount required. The study further found that, as with the pre-start-up traders, financial problems were perceived as a serious issue for all micro and small new business owners. The difficulties reported fell into two main categories: barriers to external financial assistance; and high internal financial demands. About 68% of the participants shared that it had been a lack of access to adequate start-up funds that had restricted the development and growth of their new micro and small businesses.

Demirguc-Kunt and Klapper (2013, p. 55) found that a great percentage, that is, 84% of investments of SMEs in Africa are financed through internal funds compared with 70% in other developing economies. The share of bank financing in Africa is 8% (compared to an average of 11% in other developing countries). This clearly indicates and confirms various literature in this regards that small and micro business are at a disadvantage when it comes to formal bank financing and have to rely heavily on internal funds.

The second question posed in the quest to satisfy objective number two was: “Do you have any of the following financial products? The financial products that reference was

made to were; Cheque account, Savings account, Insurance policy or any other (please specify).”

Figure 4.7: Account types used



Source: data collected through questionnaires, June 2016.

Figure 4.7 shows that 92 of the traders, which translate into 85% of the respondents, had access to savings accounts at banks, 7 respondents that is, 6.5% had access to cheque accounts and 1 person has an insurance savings policy, whilst 8 which is 7.5% do not have accounts at all.

Although the inclusion rate seems high, it appears that the account type that the majority of the micro-traders have access to, are savings accounts. The usage of the cheque accounts and insurance products are very low. Cheque accounts give the holder an opportunity to build up a credit record, which is not available with savings accounts. This also confirms the very low loan take up, due to the fact that savings account

holders do not qualify for loans without collateral. The results of the low uptake of insurance products are also confirmed by a study by Demirguc-Kunt and Klapper (2013).

The interviews with the selected traders were conducted at all the open markets included in the sample. The interviews confirmed the results of the questionnaires that the traders do have access to savings account. However access to products such as cheque accounts, loans and credit were still limited. This excludes micro-traders from obtaining much needed finance. Figure 4.8 shows some of the reasons provided, it must however be emphasised that some of the traders provided more than one reason for the exclusion from having cheque accounts and loan facilities.

The interviews with the Banks also enquired from bankers the type of services offered to micro-traders. Both banks indicated that they offered cheque accounts and savings accounts. However Bank A in addition also offered insurance policies to micro traders.

Another question posed to the banks was “In your opinion, does the bank have products specifically tailored for micro traders? If yes, please state the products.

The responses from the two banks were as follows:

Bank A:” Yes, SME cheque accounts are available for micro traders.”

Bank B: “Yes, microloans for up to N\$100 000 for traders.”

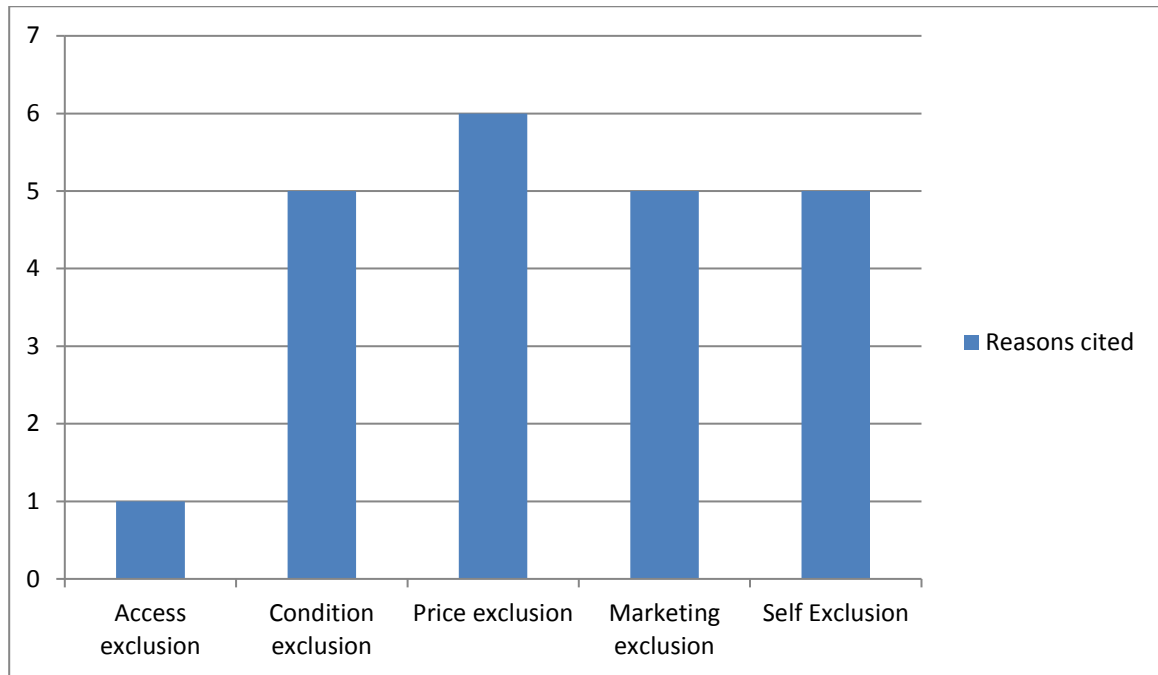
A question posed to the selected 10 traders was to identify from the list provided the type of financial services that they used:

Table 4.4 Interviews with traders

Type	Frequency	Percentage
Insurance/Funeral	3	30%
Savings	8	80%
Credit Card	5	50%
Cheque account	1	10%
Loan	0	0%

It is again evident that the overwhelming majority of traders had savings accounts, with only one having a cheque accounts and none having a loan as reported in Table 4.4. The traders had more than one option in terms of the products that they used. The credit cards that are indicated above are the cards from retailers such as Jet and Ackermans.

Figure 4.8: Reasons cited for exclusion



Source: data collected through questionnaires, June 2016.

According to Figure 4.8, the most cited reason by traders who do not have cheque accounts and loan accounts were price exclusion, were traders regarded these products to be expensive. To add to this argument, according to Claessens (2006), households and firms often state that they do not use financial services because the services are too costly or not the right type. They often mention problems of high minimum deposits and high administrative burdens and fees. Many small borrowers are deterred by the high fixed costs of applying for loans and the often-high rejection rates.

Two interviews were conducted with financial institutions. Both financial institutions indicated that traders do have access to all products offered by financial institutions.

In the study by Solo (2008) the reasons cited for not using banks and formal financial institutions were insufficient resources, high charges and mistrust of or discomfort with

financial institutions. This study also found that access is limited by banking costs not by poverty.

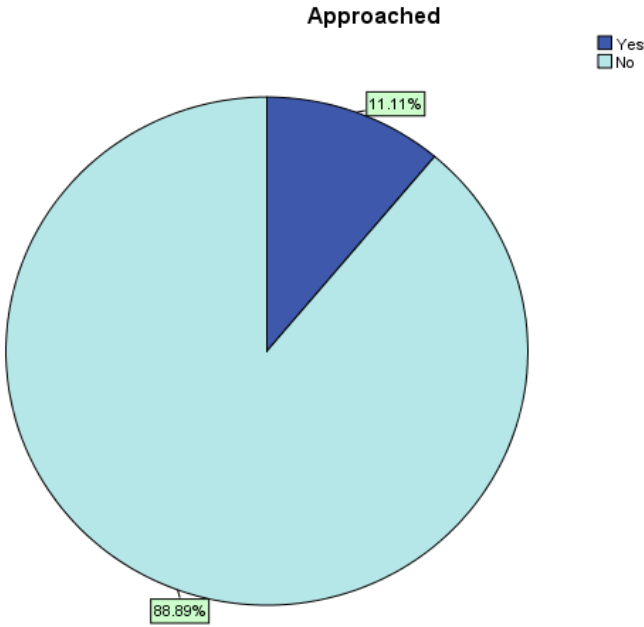
During the interview a question was posed to the two banks to state some of the reasons of declining loan application from micro-traders. Bank A stated that “Repayment of the loan is doubtful, the applicant is not full time in the business and the owner has not made an own contribution to the business.”

The response of Bank B to the same question was “Unavailability of banking history, (no account held with the financial institutions, performance record and knowledge /experience of the industry.”

Both replies mediate literature in this regard by scholars such as Obamuyi (2009) and Claessens (2006), who cited that there are stringent requirements in obtaining loans from commercial financial institutions. These are impediments which prevent small traders from obtaining finance and hindering the growth of micro-enterprises.

The third question posed to meet objective number 2 was: “Have you ever approached a financial institution for funding? If yes what was the outcome?”

Figure 4.9: Micro-traders who approached financial institutions for financial assistance



Source: data collected through questionnaires, June 2016.

Figure 4.9 above shows the number of traders who approached a financial institution for a loan and those who did not. Roughly 88.89% of the traders did not approach financial institutions for funding, whether it is startup capital or capital to expand operations, and 11.11 % indicated that they have at some point approached a bank to obtain funding.

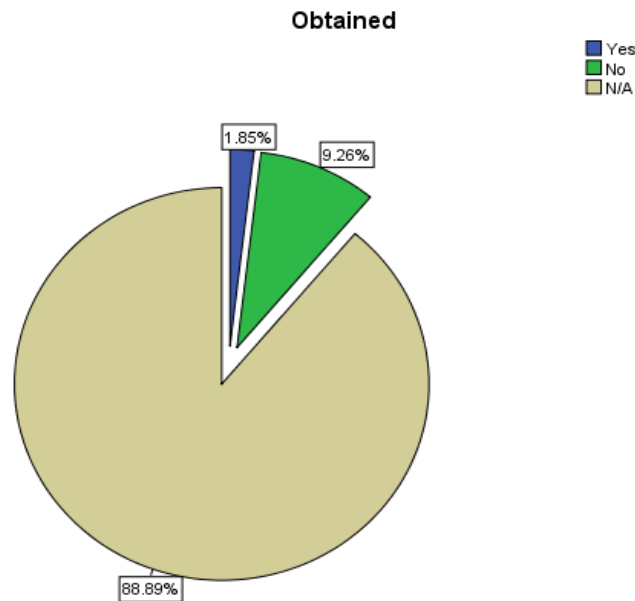
A big proportion of the respondents did not even approach financial institutions for loans, as they assumed that the reply will be negative. One can then deduce that micro traders do not approach financial institutions such as commercial banks, due to their stringent conditions attached to availing credit, which most traders cannot meet.

In their study, Osei-Assibey, Bokpin and Twerefou (2012), indicated that due to their low income as well as the risk normally associated with them, micro-traders are more likely to be constrained.

Both Bank A and bank B confirmed that they received more than 20 applications from micro traders on an annual basis, however Bank A only approves between 20% and 50% of the loans, whereas Bank B approves more than 50% of the loan applications.

The questionnaire enquired whether the traders had ambitions to expend or grow their business and how much funding they would need for that purpose. All the traders indicated that they would like to grow their business and that they would need funds of between N\$10 000 and N\$20 000. However very few traders, 11% have ever approached a financial institution for funding.

Figure 4.10: Financial assistance obtained by micro-traders



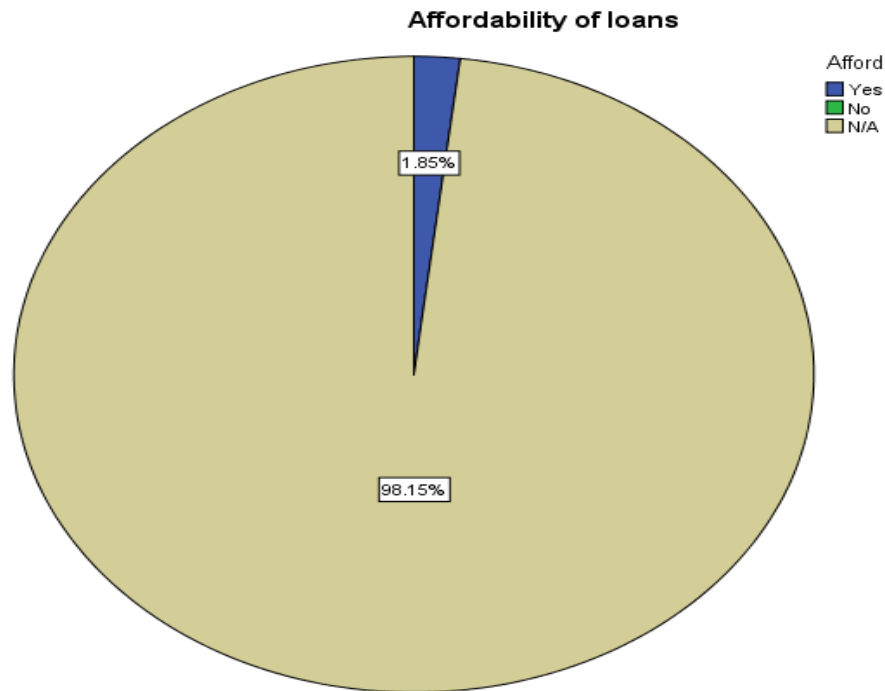
Source: data collected through questionnaires, June 2016.

As depicted in Figure 4.10, of the 11.11% of micro lenders who approached financial institutions for assistance only 1.85% obtained the financial assistance, whereas 9.26% did not obtain funding. The traders who obtained financial assistance indicated that they had repaid these loans in full. For those who did not obtain funding, some of the reasons cited were lack of collateral and not having a steady income.

In contrast with the findings above, a study by Mpuga (2004) found that 82% of those that applied for credit, received credit. A study by Mthimkhulu and Aziakpono (2015) on micro traders in South Africa also found that access to finance was the second top obstacle to growth, cited by micro enterprises out of a list of 15 possible constraints.

The fourth question posed to meet objective 2 was: “If you have obtained a loan from a financial institution, were you able to afford the loan payments and interest payments?”

Figure 4.11: Affordability of loans



Source: data collected through questionnaires, June 2016.

Figure 4.11 shows of the traders that obtained loans, all of them were able to repay the loans. The 98.15% represents the traders that either did not approach a bank or did approach the bank for a loan, but did not obtain the loan from the bank.

A further question was also posed to the respondents whether they know of any products offered by micro finance institutions or government to assist micro traders and if so which. Only two respondents that is,. 1.8% responded in the affirmative, they stated that they were aware of the machine grant offered to small and medium sized businesses.

The results of a study by Fielden et al. (2000) also confirms the observation above, by stating that the inaccessibility of government grants was raised in their study by focus

group members, with 55 % complaining that there was little information about what grants were available or how the grant process worked.

4.3.3 Objective 3

The third objective of the study was to identify the variables that enabled micro-enterprises to have access to financial services or caused lack of access to it. The variables used in the study were categorical variables, which were nominal referring to variables such as gender and ordinal variables such as education level. The variables that were used are mutually exclusive. In order to meet this objective, correlation and logistic regression was used.

4.3.3.1 Correlation

Correlation is the statistical measure of the extent to which two or more variables move together. The majority of the variables in the questionnaires represented categorical data which is qualitative in nature. The objective was to test for the variables that caused micro-traders to be excluded or included. Because the data used in the study was categorical data, the most appropriate test to test for the correlation between the variables is the Chi-square. The chi-square is a test of independence and is used to measure the significance of the relationships between categorical variables. In this study the chi-square test has been confined to testing two variables at a time and therefore the Pearson's chi-square has been used.

The calculation for the Pearson's chi-square was done in SPSS. The tables and graphs were developed through SPSS. The level of confidence in interpreting the results is set at 95%.

4.3.3.1.1 Gender and access

In order to establish the relationship between gender and access, the tables were generated from the two nominal variables in SPSS.

The following hypotheses are to be answered by the results of the chi-square:

H₀: Gender is not related to the access of micro-traders to financial services.

H_a: Gender is related to the access of micro-traders to financial services.

Table 4.5: Case processing summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Gender * Access	108	100.0%	0	0.0%	108	100.0%

Table 4.6: Gender * access cross tabulation

		Access		Total	
		Excluded	Included		
Gender	Male	Count	0	16	16
		Expected Count	1.3	14.7	16.0
	Female	Count	9	83	92
		Expected Count	7.7	84.3	92.0
Total	Count	9	99	108	
	Expected Count	9.0	99.0	108.0	

Table 4.7: Chi-square tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	1.708 ^a	1	.191	.350	.222
Continuity Correction ^b	.667	1	.414		
Likelihood Ratio	3.025	1	.082		
Fisher's Exact Test					
Linear-by-Linear Association	1.692	1	.193		
N of Valid Cases	108				

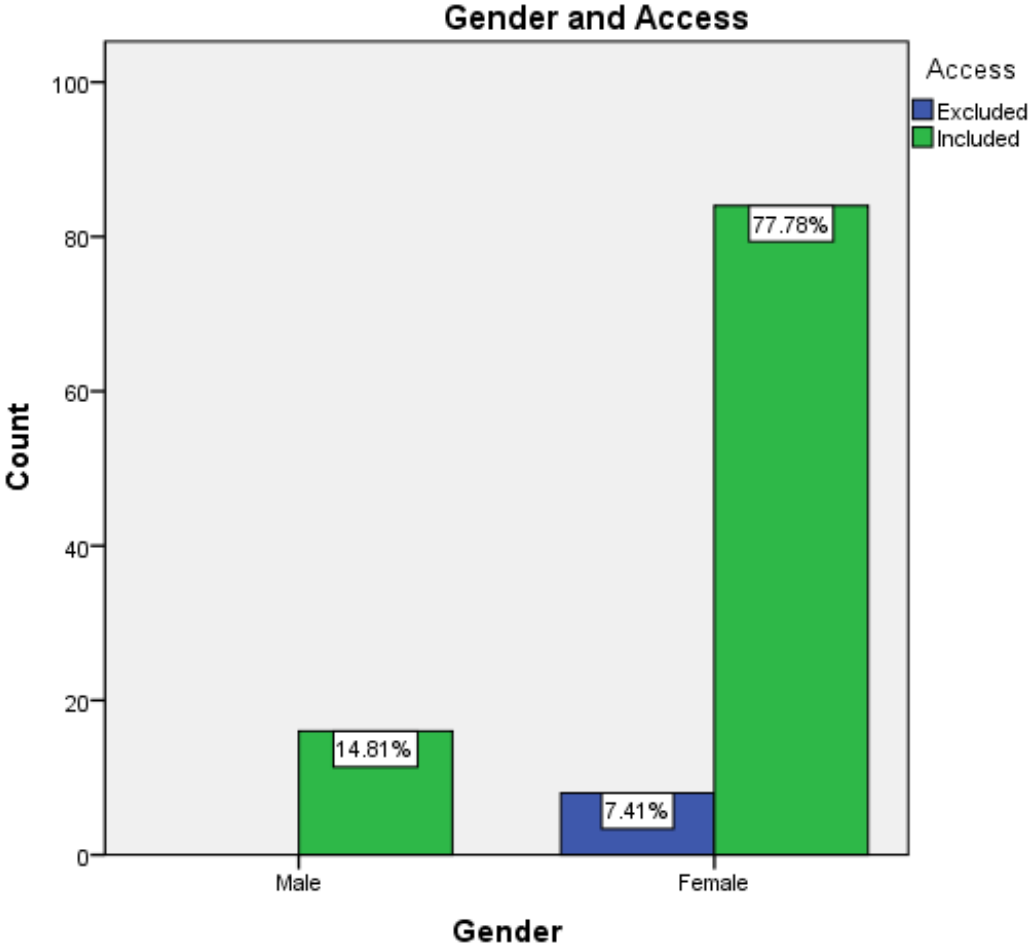
- a. 1 cells (25.0%) have expected count less than 5. The minimum expected count is 1.33.
- b. Computed only for a 2x2 table

Table 4.8: Symmetric measures

		Value	Approx. Sig.
Nominal by Nominal	Phi	-.126	.191
	Cramer's V	.126	.191
N of Valid Cases		108	

The results of the chi-square test in Table 4.7, show a Pearson's chi-square statistic of $\chi^2 = 1.708$ and $p > 0.05$. Therefore the results fail to reject the null hypothesis, and indicate that there is no relationship between gender and access to financial services. The Phi and Cramer's V results of -0.126 and 0.126 respectively, both indicate a weak relationship between gender and access to financial services.

Figure 4.12: Gender and access



Source: data collected through questionnaires, June 2016.

Figure 4.12 above shows that whilst 100% of enterprises owned by men are financially included, 7.41% of female owned businesses are excluded. In contrast to the chi-square test, a study by Demirguc-Kunt and Klapper (2013, p. 45) found that men are more likely to have an account at a financial institution. The study by Cowling et al. (2016, p. 920) found that female entrepreneurs are less likely to seek external finance than male entrepreneurs. This suggests that risk aversion-based theories might help explain why women appear more reluctant to borrow than men. Interestingly the study also found

that women entrepreneurs had a higher loan approval rate, despite a lower general demand for loans.

4.3.3.1.2 Access and age

In this section the relationship between age of the traders and access to financial services is interrogated. The Pearson's chi-square tests below have been obtained by using SPSS.

Table 4.9: Case processing summary

	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Age * Access	108	100.0%	0	0.0%	108	100.0%

Table 4.10: Age * access cross tabulation

Age		Access		Total
		Excluded	Included	
<20	Count	2	4	6
	Expected Count	.5	5.5	6.0
20-40	Count	5	64	69
	Expected Count	5.8	63.3	69.0
>40	Count	2	31	33
	Expected Count	2.8	30.3	33.0
Total	Count	9	99	108
	Expected Count	9.0	99.0	108.0

Table 4.11 Chi-Square tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	5.239 ^a	2	.073
Likelihood Ratio	3.353	2	.187
Linear-by-Linear Association	2.036	1	.154
N of Valid Cases	108		

a. 2 cells (33.3%) have expected count less than 5. The minimum expected count is .50.

Table 4.12: Symmetric measures

		Value	Approximate Significance
Nominal by	Phi	.220	.073
Nominal	Cramer's V	.220	.073
N of Valid Cases		108	

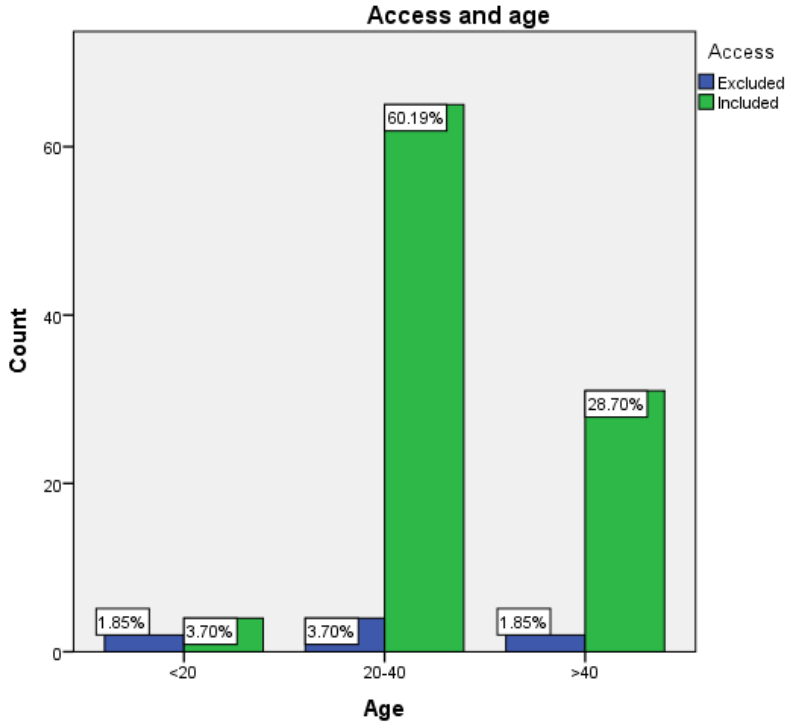
The following hypotheses are to be answered by the results of the chi-square:

H₀: Age is not related to the access of micro-traders to financial services.

H_a: Age is related to the access of micro-traders to financial services.

Table 4.11 represents the calculated chi-square as $\chi^2=5.239$ with a degree of freedom of 2. The value of $p>0.05$ and again it fails to reject the null hypothesis. It therefore indicates that age is not related to access by micro-traders to financial services. The Phi and Cramer's V indicate a weak positive relationship between age and access to financial services at 0.220.

Figure 4.13: Age and Access



Source: data collected through questionnaires, June 2016.

Figure 4.13 shows that age clearly plays an important role in determining whether someone is excluded or not. Individuals in the age group 20-40 are more likely to be included, compared to those that are either younger or older. The inclusion rate for adults over the age of 20 is 89%. These findings are in agreement with that of Demirguc-Kunt and Klapper’s (2013, p. 45), who have also found that adults with a tertiary education and those aged 25-64 are particularly likely to report having an account at a formal financial institution. Similarly, the study by Mpuga (2004) also suggests that there is a positive and significant relationship for age groups 31 to 50 between age and demand for credit.

4.3.3.1.3 Market and access

The nominal variables to be tested are the market where the traders operate and whether they are exposed to financial services.

Table 4.13: Case processing summary

	Valid		Cases Missing		Total	
	N	Percent	N	Percent	N	Percent
Market * Access	108	100.0%	0	0.0%	108	100.0%

Table 4.14: Market * access cross tabulation

			Access		Total
			Excluded	Included	
Market	Tukondjeni	Count	6	27	33
		Expected Count	2.8	30.3	33.0
	Lyeeta	Count	0	10	10
		Expected Count	.8	9.2	10.0
	Okahandja Park	Count	2	6	8
		Expected Count	.7	7.3	8.0
	Oshetu	Count	0	35	35
		Expected Count	2.9	32.1	35.0
	Soweto Market	Count	1	21	22
		Expected Count	1.8	20.2	22.0
Total		Count	9	99	108
		Expected Count	9.0	99.0	108.0

Table 4.15: Chi-square tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	11.603 ^a	4	.021
Likelihood Ratio	13.530	4	.009
Linear-by-Linear Association	5.144	1	.023
N of Valid Cases	108		

a. 5 cells (50.0%) have expected count less than 5. The minimum expected count is .67.

Table 4.16: Symmetric measures

		Value	Approximate Significance
Nominal by	Phi	.328	.021
Nominal	Cramer's V	.328	.021
N of Valid Cases		108	

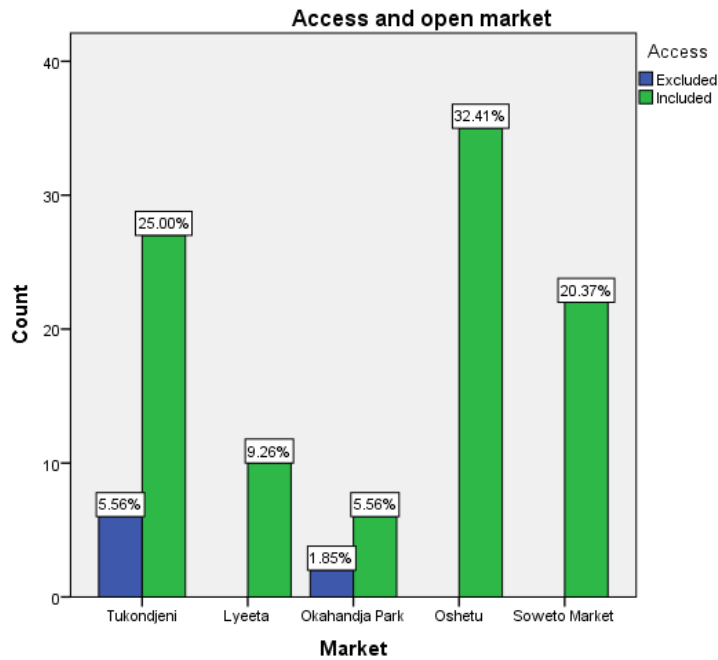
The following hypotheses are to be answered by the results of the chi-square:

H₀: The market where the micro-traders trade is not related to the access of micro-traders to financial services.

H_a: The market where the micro-traders trade is related to the access of micro-traders to financial services.

The test results from table 4.15 shows a $\chi^2=11.603$ and $p < 0.05$ and therefore the null hypothesis can be rejected. These results therefore confirm that there is a relationship between the open market where the traders conduct their business and whether they are included or excluded in terms of using financial services.

Figure 4.14: Open market and access



Source: data collected through questionnaires, June 2016.

The results of exclusion as shown in Figure 4.14 on the location of the open markets is very interesting as traders at some of the markets such as Soweto Market, Oshetu Market and Lyeeta are 100% included. However traders at Okahandja Park and Tukondjeni Market display a combination of financially excluded and included. The three markets with a 100% inclusion rate are located in well-established areas and have been in operation for a long period of time. The high rate of exclusion in Okahandja Park and Tukondjeni Market can be ascribed to the fact that banks regard low population areas as unprofitable to operate in.

4.3.3.1.4 Education and access

Table 4.17: Case processing summary

	Valid		Cases Missing		Total	
	N	Percent	N	Percent	N	Percent
Education * Access	108	100.0%	0	0.0%	108	100.0%

Table 4.18 Education * access cross tabulation

		Access		Total
		Excluded	Included	
Education	No formal	2	7	9
	Primary School	0	15	15
	High School	6	73	79
	College	1	2	3
	University degree	0	2	2
Total		9	99	108

Table 4.19: Chi-square tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	6.329 ^a	4	.176
Likelihood Ratio	6.138	4	.189
Linear-by-Linear Association	.162	1	.688
N of Valid Cases	108		

a. 6 cells (60.0%) have expected count less than 5. The minimum expected count is .17.

Table 4.20: Symmetric measures

		Value	Approximate Significance
Nominal by Nominal	Phi	.242	.176
	Cramer's V	.242	.176
N of Valid Cases		108	

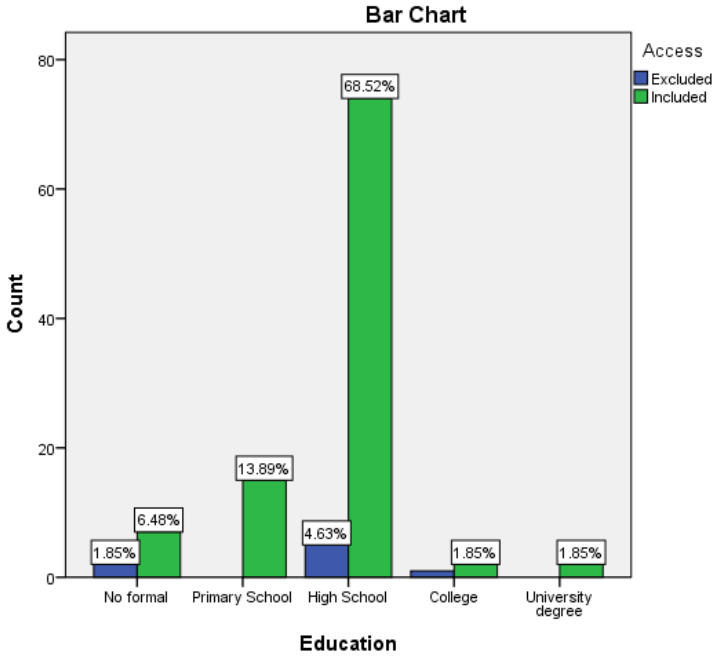
The following hypotheses are to be answered by the results of the chi-square:

H₀: Education is not related to the access of micro-traders to financial services.

H_a: Education is related to the access of micro-traders to financial services.

The results from table 4.19 show a $\chi^2=6.329$ and $p>0.05$, which means that the null hypothesis cannot be rejected. There is no significant relation between education and access to financial services. The association between the two variables is positive, but weak, at 0.242.

Figure 4.15: Education and access



Source: data collected through questionnaires, June 2016.

Figure 4.15 above indicates that the education level of the traders plays a big role in whether they are likely to be included or excluded. The figure further shows that high school graduates are most likely to be included in the provision of financial services. It

is also clear that the more literate people are the more likely they are to make use of financial services. This study shows that 72% of traders with more than secondary education have access to financial services, whilst 20% of those below high school have access to financial services. These results are consistent with a study by Mpuga (2004), which finds that education of an individual positively affects the decision to apply and obtain credit. His study found that an additional year of education increases demand for credit by 0.3%.

A study by Solo (2008), showed that in the Latin American countries studied, the unbanked showed the same characteristics which are lower incomes and lower educational levels. Solo (2008) used a regression analysis, which showed a significant correlation between educational levels and the likelihood of being banked or unbanked. Perhaps surprisingly, a study by Cowling et al. (2016, p. 921) found that entrepreneurial experience and educational qualifications were not found to influence the banks' loan decision but entrepreneurs with financial qualifications were more likely to be granted loans.

4.3.3.2 Logistic regression

The logistic regression has been used because the dependent variable, access has two values or dichotomous outcomes. Access to financial services can only assume two values, which are excluded and included. Excluded from access to financial services has been coded as 0 and included has been coded as 1. The dependent variable is classified as categorical data and is binary and therefore the logistic regression is the most appropriate tool to test for the relationship between the dependent variable and independent variables. The logistic regression has been used in addition to the chi-

square, because the chi-square only tests for correlation, whilst the logistic regression tests for the strength of the relationship by using variables.

The data has been uploaded in SPSS using SPSS statistics data editor. To obtain the logistic regression coefficients, the independent variables or predictors were as follows:

1. Age (nominal): coded as 1=<20, 2=20-40, 3=>40
2. Type of business activity (nominal): coded as 1=dry food, 2= clothes, 3=barber/salon, 4=fresh food, 5= repairs, 6= craft, 7= small retailer, 8=printing shop.
3. Gender (nominal): coded as 1= male, 2 = female.
4. Education (nominal): coded as 1= no formal education, 2= primary school, 3= high school, 4= college, 5=university degree.
5. Location of Market (nominal): coded as 1= Tukondjeni market, 2= Lyeeta market, 3= Okahandja Park, 4= Oshetu market, 5= Soweto market.

Table 4.21 Case processing summary

Unweighted Cases ^a		N	Percent
Selected Cases	Included in Analysis	108	100.0
	Missing Cases	0	.0
	Total	108	100.0
Unselected Cases		0	.0
Total		108	100.0

a. If weight is in effect, see classification table for the total number of cases.

Table 4.21 shows the number of respondents that have been included in the analysis and those that have not been included. The respondents were 108 and this means that 100% of the questionnaire data was used in the analysis.

Table 4.22: Contingency table for Hosmer and Lemeshow test

	Access = .00		Access = 1.00		Total
	Observed	Expected	Observed	Expected	
1	8	6.278	5	6.722	13
2	0	2.374	11	8.626	11
3	1	.348	9	9.652	10
4	0	.000	11	11.000	11
Step 1 5	0	.000	12	12.000	12
6	0	.000	11	11.000	11
7	0	.000	11	11.000	11
8	0	.000	1	1.000	1
9	0	.000	28	28.000	28

Table 4.23 Hosmer and Lemeshow test

Step	Chi-square	df	Sig.
1	5.203	7	.635

Table 4.22 and Table 4.23 represent the contingency table for Hosmer and Lemeshow test. This test is for assessing the goodness of fit of the model. The tables suggests that the model is a good fit to the data because the significance level (p) of 0.635 is greater than 0.05.

Table 4.24 Classification table

	Observed	Predicted		
		Access		Percentage Correct
		Excluded	Included	
Step 1	Excluded	3	6	33.3
	Included	1	98	99.0
	Overall Percentage			93.5

a. The cut value is .500

Table 4.24 shows that there is an accuracy level of 93.5% in terms of predicting who has access as opposed to those that are excluded. The table indicates a 93.5% correct classification, which is higher than the cut value of 0.5.

Table 4.25: Logistic regression results

		Variables in the equation					
		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1 ^a	Gender(1)	18.122	8336.508	.000	1	.998	74162204.356
	Age			.249	2	.883	
	Age(1)	-.473	1.389	.116	1	.733	.623
	Age(2)	.125	1.209	.011	1	.917	1.133
	Type			.748	7	.998	
	Type(1)	1.050	27277.986	.000	1	1.000	2.858
	Type(2)	1.066	29038.567	.000	1	1.000	2.905
	Type(3)	-17.018	26107.650	.000	1	.999	.000
	Type(4)	-18.245	26107.650	.000	1	.999	.000
	Type(5)	-17.134	48647.525	.000	1	1.000	.000
	Type(6)	1.804	37448.296	.000	1	1.000	6.073
	Type(7)	1.086	31427.927	.000	1	1.000	2.963
	Education			.772	4	.942	
	Education(1)	-1.640	28564.647	.000	1	1.000	.194
	Education(2)	17.592	29784.466	.000	1	1.000	43665626.908
	Education(3)	-1.283	28564.647	.000	1	1.000	.277
Education(4)	-2.715	28564.647	.000	1	1.000	.066	

Market			1.242	4	.871	
Market(1)	-1.327	1.331	.995	1	.319	.265
Market(2)	17.527	10529.584	.000	1	.999	40930133.991
Market(3)	-1.722	1.670	1.063	1	.302	.179
Market(4)	17.523	6037.398	.000	1	.998	40762179.307
Constant	21.498	38698.124	.000	1	1.000	2170288562.74
						0

a. Variable(s) entered on step 1: Gender, Age, Type, Education, Market.

Table 4.25 shows B as the values predicting the dependent variable from the independent variable and is also called the log of the odds (logit), SE is the standard error, Wald represents the Wald test statistics, df is the degree of freedom, Sig is the significance level (p-values) and Exp (B) is exponential coefficient of B also referred to as the odds ratio or likelihood variable. To obtain the probability of an event occurring, the following ratio is used: $Odds\ ratio / (1 + Odds\ ratio) \times 100$. The sample size for the research was 108 traders. The significance level indicate whether it can be stated with a 95% confidence level whether the relationships found between these variables and access to financial services in the sample hold true for the population. The table further shows how much each variable contributes to variations in the dependent variable when controlling for other variables.

4.3.3.2.1 Gender

The significance level of gender is 99.8% which is above the conventional significance level 5% and therefore the conclusion is that gender has no influence on predicting whether traders in open markets have access to financial services or not, controlling for other variables. The addition of gender to the model does not explain the inclusion or exclusion of micro-traders from the use of financial services. The table also shows that

the probability of a male trader having access to financial services is higher than a female trader.

These results are consistent with a study by Hulten (2012), which confirmed that there was no evidence that there are gender-based differences in the demand for finance. Second, although the database was structured along gender lines there was also no evidence of gender-based differences in discouragement and denial rates. The study also found no gender-based differences in the sources of business finance, neither is there evidence to suggest that there are gender-based differences in levels of self-reported financial constraint; that is, women are no more likely than men to report foregoing investment opportunities due to inadequate access to external finance.

The study by Johnson & Nino-Zarazua (2010, p. 17) using the access strand analysis found that the relationship between gender and access is interesting and somewhat surprising in both Uganda and Kenya. In Kenya, being a woman significantly lowers the likelihood of exclusion from financial services overall. According to the access strand analysis, women are less likely to access formal and semi-formal services but not significantly so. However, the service level analysis shows that gender is significantly associated with access to particular types of service. Supporting this trend is the study in Uganda, where it was found that women were significantly less likely to be included via the formal sector compared to men. The same study found that women are also significantly more likely to be included via the informal sector. Overall this does not result in a significant gender bias in the likelihood of being excluded as it does in the case of Kenya.

A study by Osei-Assibei et al. (2012) which was done in Ghana, using an ordered logit found that, females compared to males have a higher probability of having access to formal banking, as the coefficient is statistically significant and positive albeit in the start-up model only. This suggests that while at the business start-up, females are more likely to have access to formal banking credit than their male counterparts, as the business is up and running there is no major difference between the two as far as financing preference is concerned.

4.3.3.2.2 Age

It can be deduced from Table 4.25 that in the age group 20-40, for every one unit or year increase in the age of the respondents, controlling for all other variables in the model, the odds for the respondents in this age group are 0.623 times more likely to be included in the use of financial services. As the age increases, the access to financial services decrease for the age group 20 - 40, as shown by the negative log of odds at -.473. For respondents over 40 one unit increases in age will lead to a 0.125 increase in the likelihood to have access to financial services. The probability of this age group to have access to financial services is $1.133/1+1.133=53\%$, which indicates that those in this age group have an almost equal chance of making use of financial services. The odds of those over the age of 40 having access to financial services is 1.13 which is significantly higher than for those between 20 and 40 which is 0.623. This means that the traders over 40 are more likely to have a bank account than those between 20 and 40. The significance levels of all the categories of age are high and therefore indicate that age is statistically insignificant in predicting access to financial services.

The study by Johnson and Nino-Zarazua (2010, p. 14), using logistic regression found that age is strongly associated with use of financial services in both Kenya and Uganda. The study in Kenya found that the older age groups are much less likely to be excluded than 18–24 year olds. The oldest age groups are much more likely to be formally or semi-formally included and less likely to be only informally included. However the relationship of age with use in Uganda indicated that those in the 25–34 and 35–44 age groups are significantly more likely to be formally included than the 18–24 years category, but age categories over 45 are not. This formal inclusion is also reflected in the fact that the 25–44 year olds are significantly less likely to be excluded; the 45–54 age groups are also less likely to be excluded than 18–24 year olds. People in the over 55 category were also significantly less likely to be included through the informal sector.

4.3.3.2.3 Type of business activity

The model indicates that barbershops and salons are 2.905 times more likely than dry food traders to have access to financial services, eliminating any overlap between predictors. The probability of a clothing shop to have access to financial services is $2.858/1 + 2.858 \times 100 = 74\%$. The co-efficient of fast foods, repairs and craft shops are all negative, which means that with a change in the scale of type of business has the likelihood of having access to financial services decreasing by 17,018, 18.245 and 17.134. The odds of a respondent trading in clothing items having access to financial services is 2.85 and therefore the probability of such a trader having access to financial services is 74%.

All the p-values of the various types of businesses that traders engage in are above the alpha of 0.05 and indicates that type of business is not statistically significant in reaching a conclusion as to whether a trader has a bank account or not.

4.3.3.2.4 Education

The odds ratios for all the education levels are less than 1 except for those with a high school education. The odds ratio of less than 1 infers that with every one unit or grade increase in education the odds of having access to financial services becomes smaller. The odds of having a bank account with a primary school education is 0.194 which translates into a probability of having a bank account of $0.194/1.194 = 16\%$, whereas the probability of a university degree holder is $.066/1.066 = 6\%$. The coefficient of high school certificate holders is positive at 17.592 and shows that for every increase in a unit of education, after controlling for the other predictors, will lead to an increase in access to financial services. High school graduates are therefore more likely to have a bank account compared to those with other education levels.

Education is statistically insignificant in arriving at a decision as to whether traders in open markets are included or excluded from having access to financial services.

The study by Johnson and Nino-Zarazua (2010, p. 14), found a strong relationship between use of financial services and education level. In Kenya, educated people are significantly less likely to be excluded than those without formal education, and are much more likely to use formal and semi-formal services. At the same time, secondary education also results in a reduced likelihood of exclusion via the informal sector, these results agree with the findings above. In Uganda the picture is similar and having a

secondary education is one of the strongest positive predictors associated with the use of formal sector financial services, compared to those having no education, while primary education more than doubles this likelihood. But, educational level does not significantly increase the likelihood of inclusion via the semi-formal sector.

The results of a study using ordered logit by Osei-Assibey et.al (2012) suggests that a one year increase in the number of years a micro entrepreneur spent in school will result in a 1.942 and 1.505 increase in odds of being in a higher category of formal finance for a start-up capital and future financing, respectively. On the contrary, the level of education in the ongoing finance estimation results, suggests that a highly educated micro entrepreneur is less likely to prefer formal finance.

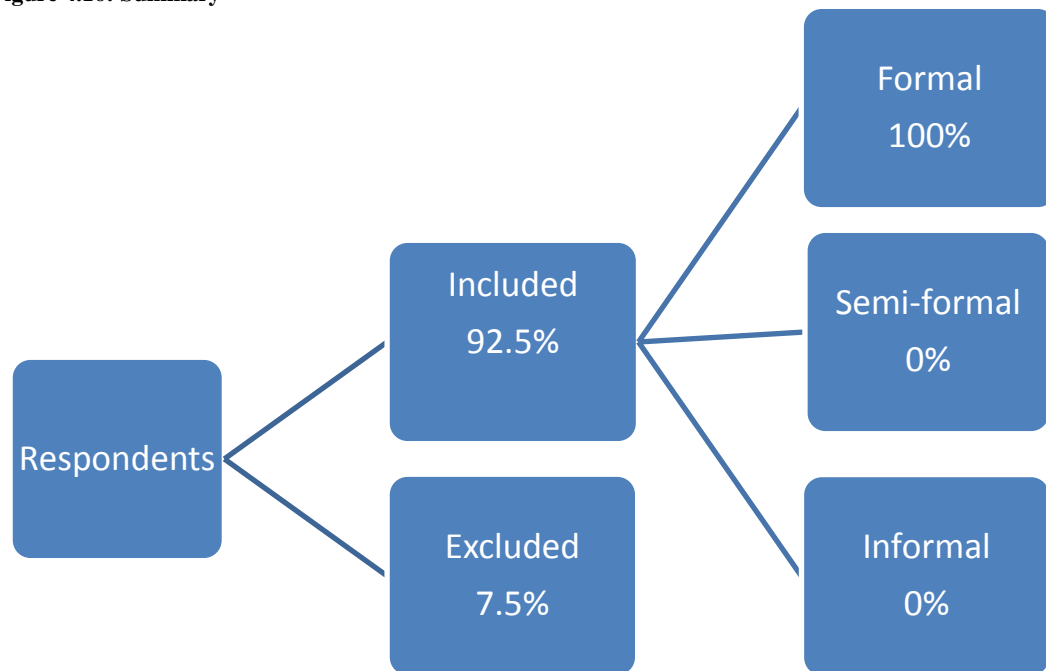
4.3.3.2.5 Market

The place of trading is statistically insignificant in deciding whether to make use of financial services or not. A trader at Lyeeta Market has a probability of $0.265/1.265 = 21\%$ compared to Oshetu Market where the probability of having access to financial services is $0.179/1.179 = 15\%$. The odds of having access to financial services at Soweto Market are very good where the odds of making use of financial services are 40m.

The logistic regression model overall effect indicates that there is not a strong relationship between the predictors and having access to financial services by the traders in open markets in Windhoek.

SUMMARY

Figure 4.16: Summary



Source: data collected through questionnaires, June 2016.

The study revealed that 100% of the respondents, who were regarded as included in terms of having access to a bank account, had access to formal financial services. From the non-usage of semi formal and informal services, it is clear that respondents in open markets do not have access or knowledge of semiformal and informal financial services, because the access to these categories of services is zero. In contrast to our findings above where none of the respondents were exposed to semiformal or informal financial services, Demirguc-Kunt and Klapper (2013, p. 50) indicated that community-based savings methods such as ROSCAs are used by close to 100 million adults in Sub-Saharan Africa. In West Africa, 29% of the population (and 59% of savers) report having saved using a savings club.

CHAPTER 5: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

The purpose of this study was to determine whether micro enterprises were included or excluded in the provision of financial services. To accomplish this purpose, objectives were established and literature was reviewed to gain an understanding of what access to financial services mean. This chapter outlines the conclusions and recommendations that were reached in this study.

Micro enterprises are regarded as an important vehicle that people can use to lift themselves out of poverty, and therefore government should support initiatives that are geared towards developing this sector. Small businesses are also regarded as employment providers, especially in countries with high unemployment rates. There is a need to educate traders in informal markets of financial services that they can use.

5.1 Conclusions

Micro-traders are one of the most innovative sectors of the economy. They have proven themselves to be able to start and maintain businesses with very little capital and resources. They contribute to economic growth through employment creation and poverty reduction.

There is very low awareness of other informal and semiformal sources of finances. Micro-traders in open markets in Windhoek do not make use of rotating saving and credit associations for business purposes.

Although access to savings accounts is high, more should be done in term of access to other financial services such as insurance, loans and cheque accounts. Imboden (2005) also highlighted the fact that product offering is not diverse enough and the use of technology is limited. Traders do not have a wide range of products to choose from and in many cases the products available might not meet their needs.

There is a financing gap in the market, as more traders rely on internal financing for their business operations. Respondents felt that the criteria used to appraise and grant loans and credit by banks were very stringent and exclude them. Certain open market have more traders without banking accounts than others and policy makers could introduce more facilities to make it easier for micro traders to have access to banking accounts and other financial services.

The study revealed that gender has no influence on whether a micro trader is included or excluded from the use of financial services. Traders between the ages of 20 – 40 are more likely to be included, therefore age has an effect on whether traders in informal markets are included or excluded. The locations of the market where the traders do business, as well as the type of business influence their access to financial services. Education is another variable that influence access to financial services. Traders with higher levels of education are more likely to make use of formal financial services.

5.2 Recommendations

This study reveals that although there is undeniable confirmation of access to savings accounts, it also highlighted the fact that most traders in open markets remain illiterate as far as other financial products such as loans and insurance products are concerned.

Therefore awareness should be raised in these communities by continuous training outlining the benefits of financial services.

A further recommendation is that legislators should introduce legislation that will introduce and ensure growth of informal institutions such as micro-finance institutions and rotating savings schemes that could serve as sources of funding also.

The government should encourage financial institutions to develop inclusive financial services products, such as loans and insurance products that are suitable for micro-traders. It should also be at the forefront of creating a regulatory framework. Imboden (2005) noted that finance ministries, central banks and government bodies should recognise financing to micro-enterprises as a legitimate business line within the mainstream financial sector.

Government agencies should also establish funds to be made available to small traders either as grants or loans. This will assist small traders in establishing their businesses and to provide the much needed working capital to expand their operations. Many small traders have ambitions to expand their businesses, but are hampered by lack of credit.

Another duty of government and central bank is to relax some of the strict regulation and legislation to allow smaller provider of financial services. These smaller providers would cater to the needs of small traders who are regarded as unprofitable and high risk by large commercial banks.

Financial services institutions should reduce the cost of banking for micro-traders, by introducing products that are tailor made for this segment, without compromising on quality and prudent banking policies. These institutions should also become visible in

informal trading environments and should advertise their services adequately. Potential users in informal markets should be made aware of the various options that are available to them. Financial institutions should also streamline their processes and remove bureaucratic processes which could delay the granting of services. Such delays could discourage traders.

Imboden (2005) has summarised that access to financial services can be increased by tackling three areas. The first is cost reduction by using increased technology. The second intervention is to increase information by establishing standards in reporting and lastly by assessing risk correctly. Financial institutions should focus on evaluating real risks rather than focusing on perceived risk.

Due to the very low access to insurance products, regulators should encourage insurance companies to develop tailor made insurance products, which are affordable, for micro traders to protect themselves against perils. Micro traders are most vulnerable in situations of loss or damage, and might not easily recover from disasters. Increased marketing and awareness creation of insurance policies is required to sensitise potential users.

Financial inclusion should be monitored continuously. In order to design policies and regulations that will benefit the economy, regulators and government should ensure that they have reliable data and monitoring tools to monitor progress being made in this regard.

Financial institutions should treat financial inclusion as their corporate social responsibility. They should strive to include as many people in the community as

possible in using financial services. The services offered by financial institutions should be widely marketed to reach as many people as possible.

Non-governmental organisations should be on the forefront of advocating for social intermediation and financial literacy. Social intermediation encourages group based provision of financial services. Informal traders should be trained in the various forms of savings accounts, insurance policies and loan services available to them. They should encourage the establishment of micro finance institutions and also help them to develop products suitable for micro traders and increase their outreach to small business.

Non-governmental organisations should also advocate for group lending, where communities come together and support each other and hold each other accountable for the progress of the group.

5.3 Further research

Further research can focus on investigating the relationship between high banking costs in Namibia and the level of exclusion.

Research could also be carried out in determining access to financial services by women entrepreneurs in Windhoek.

Instead of focusing only on open markets, the research could be extended to all small business.

Future research could also extend to other regions and towns in Namibia.

References

- Abdullah, R. (2014). Al-Tawhid in relation to the economic order of microfinance institutions, *Humanomics*, 30(4), 325 –348. doi.org/10.1108/H-01-2014-0006
- Abe, M., Troilo, M., & Batsaikhan, O. (2015). Financing small and medium enterprises in Asia and the Pacific. *Journal of Entrepreneurship and Public Policy*, 4(1), 2–32. doi.org/10.1108/JEPP-07-2012-0036
- Ahmed, S. (2009). Microfinance institutions in Bangladesh: Achievements and challenges. *Managerial Finance*, 35(12), 999–1010. doi.org/10.1108/03074350911000052
- Ali, A. H., Abu-Hai, A. O., & Ali, A. Y. S. (2013). The accessibility of microfinance for small business in Mogadishu, Somalia. *International Journal of Humanities and Social Science*, 3(11), 172-180.
- Akande, O. O., Adewayo, J. O., Oladejo, M. O., & Ademola, A. O. (2011). Performance analysis of the strategic effect of age, size and sources of funds on micro enterprises in Nigeria. *Journal of Emerging Trends in Economics and Management Sciences (JETEMS)* 2(6), 483-489.
- Andongo, J., & Swarray, M. D. (2006). Poverty alleviation in rural Namibia through improved access to financial services (*Nepu Working Paper 109*). Retrieved from <http://internationalbudget.org/wp> on 21 September 2015.
- Beck, T., & de la Torre, A. (2006). The basic analytics of access to financial services (*World Bank Policy Research Working Paper 4026*). Retrieved from <http://elibrary.worldbank.org> on 26 June 2015.

- Block, W. E. (2012). Micro-Finance: A critique. *Humanomics*,(28)2, 92-117.
doi.org/10.1108/08288661211228870.
- Claessens, S. (2006). Access to financial services: A review of the issues and public policy objectives. *The World Bank Research Observer*, (21)2, 207-240.
doi:10.1093/wbro/lk1004.
- Collins, D., Morduch, J., Rutherford, S., & Ruthven, O. (2009). *Portfolios of the poor*. Princeton University Press. Retrieved from <http://www.portfoliosofthepoor.com/book.asp>
- Cowling, M., Liu, W., & Zhang, N. (2016). Access to bank finance for UK SMEs in the wake of the recent financial crisis. *International Journal of Entrepreneurial Behavior & Research*, (22)6, 903 – 932. doi.org/10.1108/IJEER-06-2015-0126
- Demirguc-Kunt, A., & Klapper, L. (2013). Financial inclusion in Africa: A snapshot. *Financial Inclusion in Africa*. Ghana, African Development Bank. 43–61
Retrieved from [http://www.afdb.org/fileadmin/uploads/afdb/documents/project-and-operations/financialinclusion in Africa.pdf](http://www.afdb.org/fileadmin/uploads/afdb/documents/project-and-operations/financialinclusion%20in%20Africa.pdf) on 8 May 2016.
- Errico, L., Amidzic, G., & Massara, A. (2013). Inclusive Africa: The number of Africans with access to banking and other financial services is growing. *Finance and Development: A quarterly publication of the International Monetary Fund*, 50(1), retrieved from www.elibrary.imf.org on 6 May 2016.
- Fielden, S. L., Davidson, M. J., & Makin, P. J. (2000). Barriers encountered during micro and small business start-up in North-West England. *Journal of Small Business and Enterprise Development*, 7(4) 295 – 304.
doi.org/10.1108/EUM0000000006852

- Gichuki, C.N., Mutuku, M.M., & Kinuthia, L.N. (2015). Influence of participation in “table banking” on the size of women-owned micro and small enterprises in Kenya. *Journal of Enterprising Communities: People and Places in the Global Economy*, 9(4) 315-326. doi.org/10.1108/JEC-11-2013-0036
- Green, C. J., Kirkpatrick, C. H., & Murinde, V. (2006). Finance for small enterprise growth and poverty reduction in developing countries. *Journal of International Development*, 18,1017-1030. doi:10.1002/jid.1334
- Hulme, D. (2000). Is micro debt good for poor people? A note on the dark side of micro finance. *Small Enterprise Development*, 11(1). doi.org/10.3362/0957-1329.2000.006
- Hurtado, A. R., Torres, A. M., & Hayem, M. L. (2013). Financial inclusion: Lessons from Latin America and the Caribbean. *Financial Inclusion in Africa*. Ghana, African Development Bank. 139-146. Retrieved from [http://www.afdb.org/fileadmin/uploads/afdb/documents/project-and-operations/financialinclusion in Africa.pdf](http://www.afdb.org/fileadmin/uploads/afdb/documents/project-and-operations/financialinclusion%20in%20Africa.pdf) on 8 May 2016.
- Imboden, K. (2005). Building inclusive financial sectors: The road to growth and poverty reduction. *Journal of International Affairs*, (58)2, 65-86.
- Johnson, S., & Nino-Zarazua, M. (2011). Financial access and exclusion in Kenya and Uganda. *Journal for Development Studies*, 47(3), 475-496.
- Jonathan, T., & Jonathan, L. (2003). Small firm finance and public policy. *Journal of Small Business and Enterprise Development*, 10(1), 50 – 61. doi.org/10.1108/14626000310461367

- Keulder, C., & Naidoo, K. (2012). Finscope consumer survey 2012 Namibia. Retrieved from www.finmark.org.za/sites/finscope/consumer_namibia on 8 May 2016.
- Koku, P. S. (2015). Financial exclusion of the poor: A literature review. *International Journal of Bank Marketing*, 33(5), 654 – 668. doi.org/10.1108/IJBM-09-2014-0134
- Koveos, P., & Randhawa, D. (2004). Financial services for the poor: Assessing microfinance institutions. *Managerial Finance*, 30(9), 70-95. doi.org/10.1108/03074350410769281
- Kumar, A. (2005). Access to financial services in Brazil. *Directions in Development*. Retrieved from www.worldbank.org on 26 may 2015.
- Madichie, N. O., & Nkamnebe, A. D. (2010). Micro-credit for microenterprises? A study of women petty traders in Nigeria. *Gender in Management: An International Journal*, 25 (4), 301 – 319. doi.org/10.1108/17542411011048173
- McPherson, M. A., & Rous, J. J. (2010). Access to finance and small enterprise growth: Evidence from East Java. *Journal of Developing Areas*, 43(2). doi.10.1353/jda.0.0066.
- Ministry of Finance (2011). *Namibia Financial Sector Strategy 2011 - 2021*. (A Sector Development Document Towards Achieving Vision 2030). Retrieved from www.bon.com.na/ on 23 June 2015
- Mpuga, P. (2004, March). *Demand for credit in rural Uganda: Who cares for the peasants?* Paper presented at the Conference on Growth, Poverty reduction and Human Development in Africa Centre for the Study of African Economies, Retrieved from: <http://www.csae.ox.ac.uk> on 5 May 2016.

- Mthimkhulu, A. M., & Aziakpono, M. J. (2015). What impedes micro, small and medium firms' growth the most in South Africa? Evidence from World Bank Enterprise Surveys. *South African Journal of Business Management*, 46(2), 15-27.
- National Planning Commission. (2012). *Namibia's Fourth National Development Plan*. Retrieved from www.environment-namibia.net/ on 23 June 2015
- Namibia Statistics Agency. (2012). *Poverty dynamics in Namibia: A comparative study using 1993/94, 2003/04, and the 2009 /10 NHIES surveys*. Windhoek. Namibia Statistics Agency.
- Obamuyi, T. M. (2009). Credit delivery and sustainability of micro-credit schemes in Nigeria. *Journal of Enterprising Communities: People and Places in the Global Economy*, 3(1), 71–83. doi.org/10.1108/17506200910943689
- Olaosebikan, O., & Adams, M. (2014). Prospects for micro-insurance in promoting micro-credit in sub-Saharan Africa. *Qualitative Research in Financial Markets*, 6(3), 232-257. doi.org/10.1108/QRFM-09-2012-0028
- Osei-Assibey, E. (2013). Source of finance and small enterprise's productivity growth in Ghana. *African Journal of Economic and Management Studies*, 4(3), 372–386. doi.org/10.1108/AJEMS-03-2012-0017
- Osei-Assibey, E., Bokpin, G. A., & Twerefou, D. K. (2012). Microenterprise financing preference. *Journal of Economic Studies*, 39(1), 84–105. doi.org/10.1108/01443581211192125

- Quayes, S., & Hasan, T. (2014). Financial disclosure and performance of micro institutions. *Journal of Accounting & Organisational Change*, 10(3), 314-337. doi.org/10.1108/JAOC-12-2011-0067
- Rao, P., Kumar, S., Gaur, V., & Verma, D. (2017). What constitutes financing gap in Indian SMEs—owners perspective? *Qualitative Research in Financial Markets*, 9 (2). doi.org/10.1108/QRFM-01-2017-0001
- Shibia, A. G., & Barako, D. G. (2017). Determinants of micro and small enterprises growth in Kenya. *Journal of Small Business and Enterprise Development*, 24(1),105-118, doi.org/10.1108/JSBED-07-2016-0118
- Shihepo, T. (2015, May 21).Namibia on course to achieve financial inclusion. *The Southern Times*. Retrieved from <http://www.southerntimesafrica.com>. On 23 June 2015.
- Solo, T. M. (2008). Financial exclusion in Latin America- or social costs of not banking the urban poor. *Environment and Urbanisation*, 20(1), 47-66. doi:10.1177/0956247808089148
- Stein, P., Bilandzic, N., & Hommes, M. (2013). Fostering financing for Africa’s small and medium enterprises. *Financial Inclusion in Africa*. Ghana, African Development Bank. 65-74 Retrieved from <http://www.afdb.org/fileadmin/uploads/afdb/documents/project-and-operations/financialinclusion in Africa.pdf> on 8 May 2016.
- Thaker, M. A. B. M. T., Mohammed, M. O., Duasa, J., & Abdullah, M. A. (2016). Developing cash waqf model as an alternative source of financing for micro

enterprises in Malaysia, *Journal of Islamic Accounting and Business Research*, 7(4), 254–267. doi.org/10.1108/JIABR-09-2014-0029

Van Hulten, A. (2012). Women's access to SME finance in Australia. *International Journal of Gender and Entrepreneurship*, 4(3), 266–288. doi.org/10.1108/17566261211264154

Wang, J., Robson, P., & Freel, M. (2015). The financing of small firms in Beijing, China: Exploring the extent of credit constraints. *Journal of Small Business and Enterprise Development*, 22(3), 397–416. doi.org/10.1108/JSBED-01-2014-0008

Yadav, P., & Sharma, A. K. (2016). Financial inclusion in India: An application of TOPSIS. *Humanomics*, 32(3), 328 – 351. doi.org/10.1108/H-09-2015-0061