

BEYOND MAKING LOANS; MARKET CREATION FOR WOMEN ENTREPRENEURS

A REPORT BY SILVER UPHOLDERS MICROFINANCE



Silver Upholders
Microfinance

www.silverupholders.org

P.O Box 10454, Kampala, Uganda

2013

This research report was prepared by the research department at

Silver Upholders microfinance.

research@silverupholders.org

FOREWARD

Finding a sustainable market for the women entrepreneurs has been one of Silver Upholders microfinance's major targets beyond just making loans to them. We have thousands of clients, who are already willing and able to register and begin getting involved in this program and to us indeed the sky is the limit.

Such a program requires commitment, strategy and high innovation in order to keep it working properly and for this matter we have dedicated a lot of our effort to make sure that we deliver the best as far as the program is concerned, there for the company is willing to cooperate with any individuals or organizations that share the same philosophy; that's creating market for women entrepreneurs by a microfinance institution.

As far as Silver Upholders microfinance is concerned, we can't say that we have reached our journey's end but we promise to continue doing the best in terms of research, innovation and development of new products so as to meet our endless clients' needs.

We want to thank every body that has contributed or is willing to stand with us to make this dream a reality.

Julius Sselwambala

Managing Director, Silver Upholders Microfinance

ACKNOWLEDGEMENTS

Silver Upholders microfinance would like to thank all its clients that participated in the market creation program, this research would not have been complete without you. We would also like to thank the managers of UCHUMI supermarket and Grand Imperial Hotel for the strong consideration that they gave us for supply of commodities.

Lastly we would also like to thank the managing director at Silver Upholders Microfinance Mr. Sselwambala Julius who worked very hard to see that this program gets the finance and support that it got at the time

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LIST OF ABBREVIATIONS

MFI Microfinance Institution

PPAF Pakistan Poverty Alleviation Fund

SU Silver Upholders

USAID United States Agency for International Development

ABSTRACT

The major objective of this research was to create market for women entrepreneurs beyond just making loans, the study used both secondary data from the company's loan software and also primary data from the questionnaires designed by the researcher. The study utilized the graphical approach in order to represent the findings.

The results of the study showed that with some commodities, there was a higher demand as compared to their supply while for some there was higher supply than the demand; charcoal never had any demand in the hotels and supermarkets. The study also found out that a lot of the women entrepreneurs were willing to participate in the program as they found it very helpful to them, similarly most of the supermarkets and hotels were very interested in the arrangement as it issued them with a guarantee against the supply of the commodities that they were interested in at any time. However, despite this high interest in the program by both parties (buyers and sellers) , the program was faced with number of problems which included unfavorable seasons, unfair fixed prices set by the hotels and supermarkets, high operating costs which made it very hard for the our clients to break even.

Despite the above problems, the study found out that market creation for women entrepreneurs is very important and should be carried out by every microfinance institution beyond just making loans. However for effective operation of the process, the study recommended that clients should set up an efficient and convenient place to handle all the transactions and maintain quality and quantity, put in place a buffer for extra commodities so as to easily meet shortages in supply, set up a team of professionals to help out clients in marketing and so on, develop strong leaders within the various groups of the women entrepreneurs so as maintain the system working properly among others were also discussed.

BACKGROUND

1.0 Introduction

Silver Upholders microfinance has been working in Uganda since the year 2008 offering loans to women entrepreneurs ranging from USD 40 to USD 1,600. These women invest the borrowed funds into their small and medium enterprises with the view of making a profit. However finding a sustainable market for their produce has always been a challenging part as most of them lack the correct information and knowledge to penetrate these markets.

Different studies have argued that the only way to improve incomes of women entrepreneurs in Uganda is to give the entrepreneurs better access to education and therefore better opportunities to market their own crops, making them less dependent on middlemen. This also includes better access to market information, such as pricing and demand information (IFAD, 2000).

Thus our major objective is to see to it that these entrepreneurs can easily access the market for their commodities at the right price and at the right time so as to stay in business and remain with a stable supply of working capital.

1.1 Statement of the problem

Most of our women borrowers are people who operate their businesses on a small scale, this makes it very hard for them to find a stable and gainful market for their products reasons being that;

- a) They are not known or registered in any group.
- b) They have a small capital base hence they cant incur huge expenses like packaging and transportation.
- c) They can not guarantee their supply.
- d) They produce in small quantities therefore cannot reap from economies of scale and offer a favorable price.

However the most puzzling part is that almost all the products they deal in for example chicken, eggs, bananas, beans, maize flour and other products are on high demand in hotels, supermarkets and other big markets in the country.

Despite this many women have tried to organize themselves in small groups in different regions of the country so as to better market their products but always faced a number of problems ranging from organizational to financial. Thus for this reason that most of them end up producing below capacity, making losses or even dropping out of business; this not only affects their loan performance but also the overall development of the economy.

1.2 Study Objectives

The major objective of this research was to establish a sustainable market for our women entrepreneurs; specifically the study was aimed at the following objectives.

1. To eliminate the exploitative middlemen in the transactions carried out by our clients.
2. To create a robust database of both the sellers and buyers of specific commodities to facilitate linkages.

1.3 Research questions

The study attempted to answer the following question;

1. Which markets are interested in the goods produced by our clients?
2. How much money can act as a guarantee for the buyers?
3. Can our clients supply the required goods at right time and right quality?
4. Do our clients have the capacity to become and stay organized?

1.4 Scope of the study

The study was focused on the women entrepreneurs who were already active borrowers with Silver Upholders Microfinance, these women entrepreneurs belonged to the different branches of the company that's; Abayita, Makindye, Maganjo, Mpererwe and Kireka. The study was carried between the months of August to October of 2013.

1.5 Significance of the study

The study will help Silver Upholders microfinance to understand better the dynamics of the market in which our clients trade in and also be able to set up market connections for its clients in top markets in the country, this shall help the company create trade hence boosting the incomes of our clients.

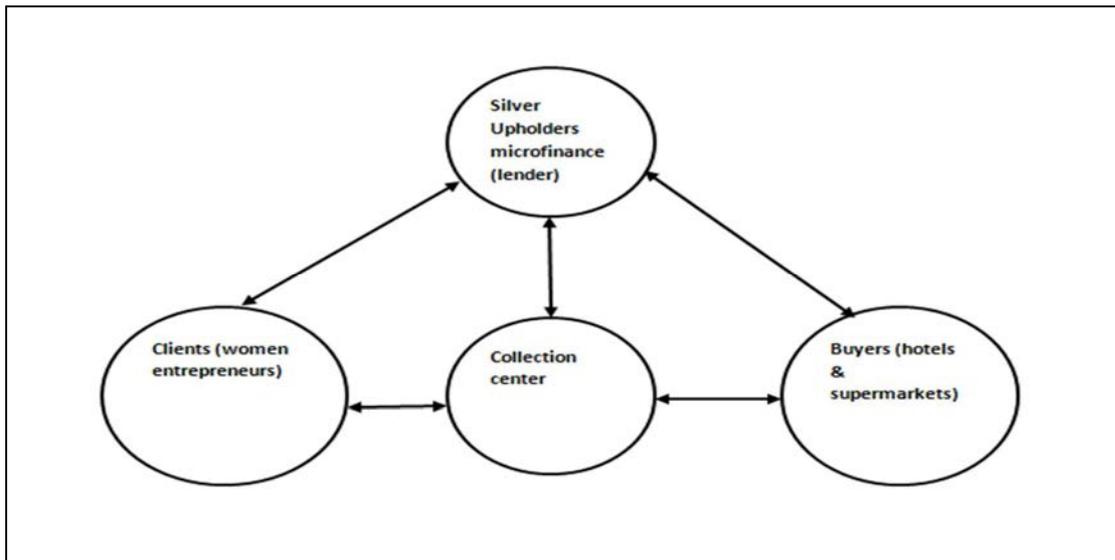
This study shall also help policy makers in coming up with relevant policies to promote trade thought the country and beyond.

1.6 Methodology

The study used both secondary data from the company's loan software and also primary data from the questionnaires designed by the researcher, the study also used interviews with different managers and or procurement managers of supermarkets and hotels. Observations were also used in some cases in order to get detailed information from both our clients and the prospective buyers of our clients' commodities.

The arrangement that was used in this study is illustrated by the following model.

Figure 1: The process of Market creation



The entrepreneurs met up in a conference at Silver Upholders head office (see facebook photos) to choose leaders who would collect commodities from a designated central location referred to as the collection center where quality would be checked before dispatching the goods to the hotels and supermarkets. After delivery, with deliver orders Silver Upholders would pay the entrepreneurs immediately because the hotels and supermarkets most times paid two weeks later yet our clients did not have sufficient cash to maintain a constant supply, Silver Upholders would be reimbursed by the hotels and supermarkets.

LITERATURE REVIEW

2.0 Introduction

Kotler & Armstrong (2001) define marketing as a social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging value with others, and marketing consists of actions taken to build and maintain desirable exchange relationships with target audiences. This definition reaches human's most primary mind—exchange for “needs” and so is a basis for this research.

2.1 Creation of market for female entrepreneurs by a microfinance institution

Product development plays a vital role in increasing the client outreach for any organization (Kapoor and Sinha, 2013). This increase in customer base, in turn, catalyzes the effort of any organization for achieving sustainability and increasing profitability. The product development process starts with conceiving an idea for a new product and ends with its launch followed by feedback cycles. It passes through the stages of evaluating the idea of introducing new product, background preparations for designing a new product, prototype designing, and pilot testing before it is finally launched (Brand, 2001). For this matter, many microfinance institutions have come up with different products some for helping their clients while others simply to make profits. However, microfinance institutions have not come up with products that can help create market for their female clients.

The social capital prospect is not necessarily the same for males and females (DeTienne and Chandler, 2007). Most writers describe the motivating factors for female entrepreneurs using the pull-&-push theory “The array of factors that may contribute in varying degrees to pushing or pulling a woman into business ownership” (Stevenson, 2011). Personal factors like self fulfillment and achievement are motivational factors for females across the globe. One significant factor contributing to this is the status of females in society, especially in the developing world. Their leadership-role is discouraged; they are considered subservient to males (Dzisi, 2008). They come to business because they want to prove themselves to others, including family members (Itani et al., 2011).

Despite the current modernization of the world, Access to finance has been the major issue across the globe for female entrepreneurs especially in under-developed countries. The World Bank has introduced many initiatives with its partners to provide funding for female entrepreneurs. In Nigeria, the World Bank in collaboration with Access Bank P.L.C. (McLymont, 2008) is providing lending facilities to such females. In Pakistan, the World Bank is one of the donors of PPAF which is actively involved in micro-financing; female entrepreneurs represent a large group-54%-among their creditors (Mustafa & Ismailov, 2008). The USAID is working actively in Pakistan for female entrepreneurs. They assist women in running small businesses in far-flung areas and provide them opportunity to improve the standard of their products and enable their entrance into potentially profitable markets (USAID Web-blog). USAID also initiates programs to develop basic management skills among female entrepreneurs in collaboration with local institutions (Daily Times, 2011). The US Department of State has also extended its assistance for the development of female entrepreneurs in many countries; it convinced Goldman Sachs to include Pakistani females in their training program for female entrepreneurs. Other partners in this venture involve Organization for Pakistani Entrepreneurs of North America (OPEN) and the Thunderbird School of Global Management –both of them work to promote female entrepreneurship (US Department of State Official Blog, 2011).

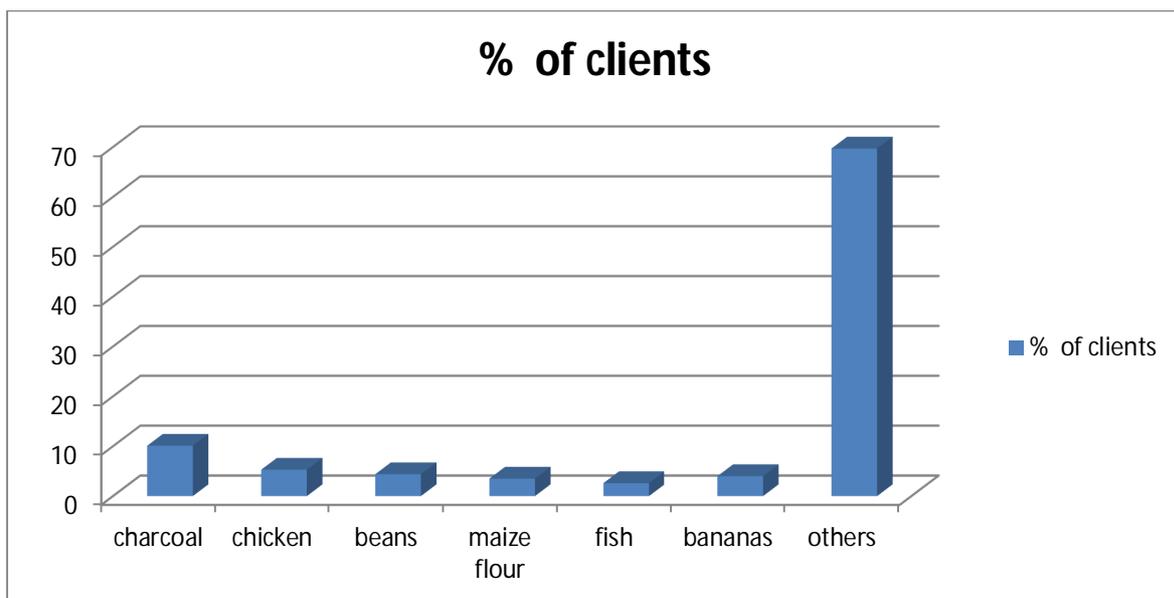
In many parts of the world, ground realities are different despite funding and effort. Female entrepreneurs still have problems in accessing markets due to the lack of governmental support (Singh and Belwal, 2008). Businesses formed by women are sometimes very small scale and may not even be registered with the government (Tambunan, 2009); this may happen due to Complex registration procedures. These women have the capacity to sell their produced commodities to different supermarkets and hotels within the country but this rarely happens. A World Bank report (2003) on Zambia confirms the mixed impact of these supermarkets in Zambia, estimating that 60% of the value of food items is sourced within the country, but that higher value processed and packaged foods are mostly imported. They list a series of factors which constrain local suppliers including difficulties with consistency in product delivery, food safety assurance, and cash flow problems imposed by Shoprite's payment terms. These

problems continue to happen in many other African countries even after women have accessed credit from financial institutions, therefore if financial institutions can offer more than credit to the female entrepreneurs, that's also provide adequate market for their produce then its highly anticipated that this could have outstanding impact on the improvement of incomes of the women entrepreneurs in Africa.

ANALYSIS, PRESENTATION AND DISCUSSION OF FINDINGS

From the entrepreneurs that were invited for a conference, a database of these entrepreneurs was got with their corresponding economic activities. The following results were generated.

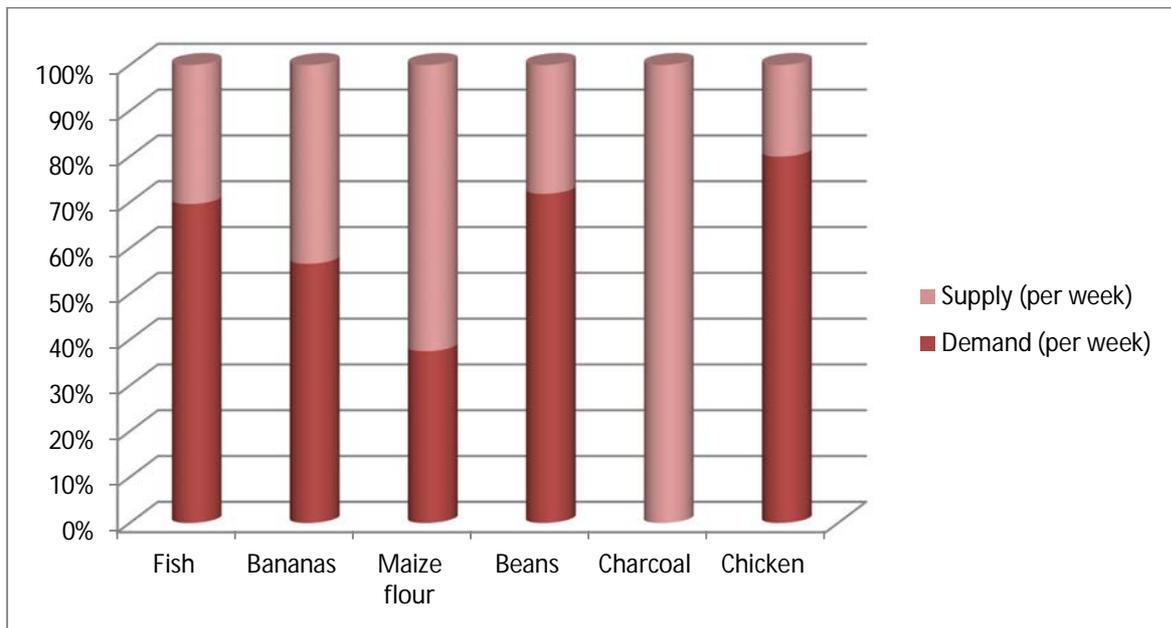
Figure 2: Percentage of clients per business type.



From the above results, we managed to establish the number of entrepreneurs per commodity that was to be supplied. A high number of our clients engaged in selling of charcoal, a relatively high number engaged in selling of bananas, chicken and beans while very few of them were really engaged in fish trading, there was a large number of entrepreneurs that were engaged in other businesses which included selling beer, cement, shoes, clothes, bricks and so many others. The above results could indicate that the businesses of charcoal, bananas, chicken and beans trading are the ones that our clients considered to be most profitable against others. However the high percentage of our clients who engage in other businesses could indicate that our clients businesses are highly diversified.

The study went further to model the number of orders that the buyers (supermarkets and hotels) wished to be supplied per week against the quantity of commodities that our clients would manage to supply, the following statistics were generated.

Figure 3: Demand against supply per week



From Figure 3 above, our clients noticed that with some commodities like fish, beans and chicken, there was higher demand for them as compare to the rate at which our clients were willing to supply them per week. Bananas on average had an equal amount of supply as compared to their demand whereas charcoal had no demand in any of the hotels or supermarkets despite its high supply, maize flour had more supply as compared to its demand.

The shortage in supply as compared to demand for some commodities could be due to the disorganization of the members of the groups that engaged in those particular commodities, they could have failed to fully organize themselves and come up with adequate supply of the given order. The inability of hotels and supermarkets to take on charcoal could be to the advance in technology in most hotels and high packaging standards required which could have made it impossible for our entrepreneurs to sell their charcoal in those places.

CONCLUSIONS AND RECOMMENDATIONS

3.0 Conclusion

The study aimed at creation of market for women entrepreneurs beyond just making loans, the study looked at a variety of commodities (chicken, fish, maize flour, charcoal, bananas and beans) that would be used to create this market as it was highly thought that these were the commodities that were demanded by supermarkets and hotels and which our clients had in abundance. The results showed that the largest number of our clients were very interested in the market creation and were willing to register in various groups and begin trading; this was evidenced by the high turn up at the market creation conference despite the small short notice given for attendance.

However, despite the need for these entrepreneurs to engage in this program of market creation, there various obstacles that hindered the smooth operation of the process; these included the following.

The entrepreneurs were located in different geographical locations were each of them carried out their sole businesses, this made communication a big problem as they would take long time without talking to each other, in turn this affected effective market creation.

Some of the commodities that were supposed to be marketed were affected by seasonal problems were in some months there were shortages and in other months there were surpluses, this led to constant supply problems.

Some hotels and supermarkets set "unrealistic prices" for the commodities that they wanted for supply, these prices could not be easily be met by our clients hence shortages in supply despite the demand.

Lastly, the high cost of doing business turned out such a big factor as supermarkets wanted well packaged goods. This packaging and transportation pushed up operating costs and ended up making the whole process of market creation hard to achieve.

3.1 Recommendations

For a microfinance institution to engage in market creation for its clients, the followings issues are recommended.

The microfinance institution should be limited to only the financial aspect and leave the trading of commodities to its clients.

The clients should set up an efficient and convenient place that is well facilitated and ready to handle all the collection, storage, packaging and transportation of all the goods that are to be supplied so as to meet the relevant quality, quantity and time.

The entrepreneurs should put in place a buffer where extra commodities can be stored or got from such that in case of a shortage in supply according to the given order, this buffer can then top up on that supply so as to meet the order.

The clients must organize a large network of buyers for their commodities such that they can always have a large sample space of markets where to sell their commodities and reap big from the alternative markets available.

The women entrepreneurs should set up a team of professionals so as to help them when it comes to marketing, packaging and warehousing, this is necessary as many of the clients might be unaware of the above skills.

The clients should strengthen supervisory capacity, this can help to mitigate fraud, negligence or even supply of poor quality goods as any of these can have negative impacts on the name of the MFI.

Develop strong leaders within the various groups of the entrepreneurs such that the system can become autonomous and self sufficient, this is the only way a MFI can avoid getting too much involved in the trading and transactions.

The groups of the clients should monitor seasonal changes, price fluctuations and market variations closely so as to produce and supply accordingly. This can help minimize problems of shortages and surpluses in the market.

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