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Influence of Capital Structure to the Growth of Women Micro Businesses in Bugesera District

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Abstract

Women micro business play a great role in providing employment and contribute towards the Gross Domestic Product (GDP) of Rwanda and any other Nation (Boudreaux, Kenneth. 2007). To achieve this feat, there is a need to properly manage the available financial capital. Working Capital Management which is one of the components of capital structure is expected to play a role in this process. Frank, Murray, & Goyal, Vidhan. (2009). This study therefore examined the influence of Capital structure on the growth of women micro business in Bugesera District. The study was anchored on the research objective which was to examine influence of entrepreneurial capital structure to the growth of women micro businesses establishing whether loan accessibility, cashflow and capital stability, influence the growth of women micro business in Bugesera District. The study adopted a descriptive survey design Cooper, Donald, Schindler, Pamela, & Sun, Jianmin. (2006). The target population of this study comprised of all registered women micro businesses by the district authorities as at 01st January 2017 that have been in operation with a focus on the women micro businesses. Primary data was collected by structured questionnaires. Secondary data was collected from district documents and relevant publications in referred journals. The collected data was edited, coded and entered into SPSS software for analysis. Data was analyzed using descriptive and inferential statistics. In particular, Regression Analysis was used to investigate the relationships between hypothesized variables. Analysis of Variance (ANOVA) was also used to investigate whether independent variables had combined effect on the dependent variable. Regression Models were then used. The results of the study indicated that all the components of Capital structure (loan accessibility, cashflow and capital

stability) influence the growth of women micro business in Bugesera District. The study also recommends that women micro business should among other things strive to shorten the cash conversion cycle, utilize the value of relationship with suppliers and develop strong alliance, seek knowledge on stock optimization techniques, introduce more and elaborate credit terms, Government at all levels to be more involved in financing micro-enterprises and financial institution such as commercial banks should also be ready to provide loan facilities to micro business with less stringent conditionality. The findings were presented using figures and tables. The study found out that capital structure was key to making better financial decisions. Loan and capital stability management need to be addressed to keep proper growth. The study however established that, capital structure had significant and positive influence on growth of women micro businesses in Bugesera District. This study is envisaged to aid in the development of policy documents to grow women micro business in Rwanda.

Introduction

Owolabi, Shaw, & Alayemi, (2004). assert that in the past, working capital strategies has been the responsibility designated to those managers in accounting and finance departments. However, today's economy is changing those roles and many managers who traditionally were not part of this process are being called upon to take pro-active steps in reducing the risk associated with working capital. Chowdhury and Amin (2007), Deloof (2003) cited in Muhammad and Syed (2012) stated that working capital management refers to all management decisions and actions that ordinarily influence the size and effectiveness of the working capital, and that it is aimed at maintaining an optimal balance of each of the working capital component (cashflow, loan management, capital stability).

According to Raheman, Abdul & Nasr, Muhamed. (2007), efficient working capital management involves planning and controlling current assets and current liabilities in a manner that eliminate the risk of inability to meet short term obligations on one hand and avoids excessive investment in these assets on the other. Sunday *et al.*, (2012) observed that, a company's ultimate long-term success is based upon all departments within the organization coming together to fulfill its business purpose or mission and that traditionally, focus had been on the study of long-term financial decisions, particularly investment, dividends or company valuation decisions. Short-term assets and liabilities are thus, important components of total cashflows and liability needs to be carefully analyzed. Singh and Asress (2010) observed that firms which have adequate working capital in relation to their operational size do performed better than those firms which have less than the required working capital in relation to their operational size. The theoretical underpinning of this study is enriched by the theories which explains the study. These theories informed the study variables which contributed the basis for the research. The theory contributed to the existing knowledge through assessing the influence of capital structure of women micro business which is determined by its earning power and by the risk of its underlying assets, and that its value is independent of the way it chooses to finance its net worth.

Statement of the Problem

Most of the studies carried out revealed that capital structure has affected the SMEs negatively. This is evidenced in the studies of Egbiide (2009), Falope and Ajilore (2009), Nwidobie (2012),

James (2011) and Onugu (2005) who revealed that, all components of working capital affect profitability at varying level of significance, and that cost of capital exceeds return on investment, women micro business perform below expectation, and that most businesses fail within 2 years after start while strongest fail within 6 years living few survivors all due to problems related to finance especially working capital. There is therefore the need for women micro business to properly manage their resources especially working capital so as to enhance their performance and growth. These problems as mentioned above coupled with others challenges like loan accessibility problems prompted this study as a modest contribution to bridge the gap in the influence of capital structure management on the growth of women micro business in Bugesera District.

Objectives of Study

To examine capital structure system on growth of women micro businesses Bugesera District
To find out the relationship between capital structure and women micro business in Bugesera district

Research Hypothesis

H₀: There is no influence of capital structure on growth of women micro business in Bugesera District.

Justification of Study

The finding of this study has multi-dimensional benefits in the sense that many stakeholders would find its usefulness. The findings of researchers like Das and Dey (2005), Hashim (2005), Abor and Quartey (2010), and Duru and Kehinde (2010) attested to this when they stated that micro business provide a greater portion of the workforce in many societies. This study therefore, gave more insight on the significance of capital structure management especially with regard to performance on cash flow and capital stability of women micro business. Apart from the owner/managers of women business, their employees and Government, the study could also be significant to other stakeholders like the creditors, other providers of loans, prospective investors in women micro business and the academia who would want to make further research on capital structure management.

Scope of Study

The study paid much attention to the women micro businesses registered in Bugesera District These areas also have entrepreneurs comprising production, trade and services activities and was managed within the limit of the study. Findings of this study were then inferred to other populations in Rwanda

Limitations of Study

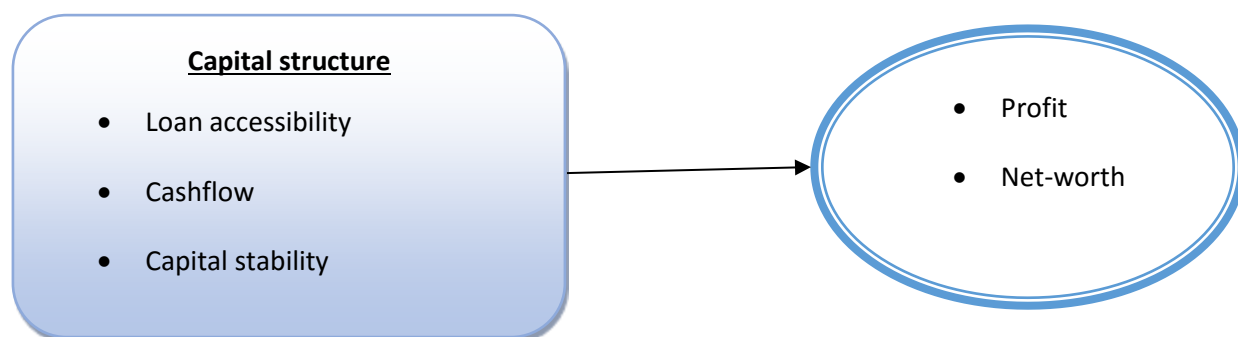
In a study of this nature, there are bound to be some challenges which were not possible to foresee. The only solution was to assume that some challenges may occur, and self-adjusting mechanisms were made. Problems such as apathy on the part of the managers who did not wish to provide the required information because doing so may appear divulging confidential

information of their business. With regard to this study limitations like incomplete, inaccurate or non-existing financial records and absence of schedule managers in some cases were envisaged and encountered.

Other limitations envisaged were inadequate files and data from the collapsed or non-performing business and reluctance in providing information by owners and managers of the Business. For these and other limitations possible solutions were therefore proffered. Limitations were mitigated through calling back in the case of managers who were not on sight during previous call. Information from the internet regarding collapsed and failed SMEs was used. Confidence was also built through making assurances to Business owners of the confidentiality of any information given by them.

Literature Review

Modigliani, Franco & Miller, Merton. (1958), two professors in the 1950s, studied capital-structure theory intensely. From their analysis, they developed the capital-structure irrelevance proposition. Essentially, they hypothesized that in perfect markets, it does not matter what capital structure a company uses to finance its operations. They theorized that the market value of a firm is determined by its earning power and by the risk of its underlying assets, and that its value is independent of the way it chooses to finance its net worth. The basic Modigliani & Miller proposition is based on the following key assumptions, no taxes, no transaction costs, no bankruptcy costs, equivalence in borrowing costs for both companies and investors, symmetry of market information, meaning companies and investors have the same information, no effect of debt on a company's earnings before interest and taxes. Additionally, since there are no changes or benefits from increases in debt, the capital structure does not influence a company's stock price, and the capital structure is therefore irrelevant to a company's stock price Myers, Stewart. (2001). However, as we have stated, taxes and bankruptcy costs do significantly affect a company's stock price. According to Modigliani, Franco., & Miller, Merton. (1958), included both the effect of taxes and bankruptcy costs.



Capital structure irrelevance can be demonstrated in numerous circumstances. There are two basically different types of capital structure irrelevance propositions. The classic arbitrage based irrelevance propositions provide settings in which arbitrage by investors keeps the value of the firm independent of its leverage. In addition to the original Modigliani and Miller, other theorists that contributed in this arena are Hirshleifer, Jack. (1966) and Stiglitz, Joseph. (1969). The second irrelevance proposition determines that "given a firm's net worth policy, the dividend pay-out it

chooses to follow will affect neither the current price of its shares nor the total return to its shareholders" (Miller and Modigliani, 1961). It can be said that in perfect markets, neither capital structure choices nor dividend policy decisions matter. However, this research has revealed that the Modigliani-Miller theorem failed to explain theoretical principles of capital structure under a variety of circumstances. The most commonly used features include consideration of taxes, transaction costs, bankruptcy costs, agency conflicts, adverse selection, lack of separability between financing and operations, time-varying financial market opportunities, and investor clientele effects.

Basic Propositions of Modigliani-Miller Approach

At any degree of leverage, the company's overall cost of capital and the value of the firm remains constant. This signifies that it is independent of the capital structure. The total value can be obtained by capitalizing the operating earnings stream that is expected in future, discounted at an appropriate discount rate suitable for the risk undertaken. The cost of capital (K_i) equals the capitalization rate of a pure equity stream and a premium for financial risk.

Assumptions of Modigliani-Miller Approach

The assumption assumes that Capital markets are flawless, all investors have the same expectancy of the company's net operating income for the purpose of evaluating the value of the firm and within similar operating environments, the business risk is equal among all firms and finally assumption of no tax was there earlier which has been removed.

Methodology

A research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose (Blanche, Martin. Terra., Durrheim, Kevin., & Painter, Durrheim. (Eds.). (2006). This study adopted a mixed research design where both quantitative and qualitative approaches were used to determine the influence of entrepreneurial dimensions on women micro businesses in Bugesera District. Creswell (2014), showed that both forms of data provide different types of information. Each type of data collection has both limitations and strengths that can be combined to develop a stronger understanding of the research problem or questions (and, as well, overcome the limitations of each). This "mixing" or blending of data provides a stronger understanding of the problem or question than either by itself. Blanche, Martin. Terra., Durrheim, Kevin., & Painter, Durrheim. (Eds.). (2006) describes target population as total items about which information is desired. Since most women micro businesses, the target population of this study comprised of all registered women micro businesses by the district authorities as at 01st January, 2017 that have been in operation with a focus on the women micro businesses. The target population comprised of 8,629 registered businesses in Bugesera district, from different sectors as classified by the Bugesera district registry of business as shown in Table 3.1. The sample business units were selected randomly by the researcher on the basis that the sample unit selected out of the sample size was typical or representative of the whole (Kothari & Garg, 2014).

Table 3.1: Target Population

Business (Industry) Activity	Total Number	Population Percentage	Sample Size
Trading, Shop & hardware Retail	5,459	63.2%	237
Transport, Services	317	3.7%	10
Agribusiness, Fisheries	1,532	17.7%	38
Tourism, Hotel and Restaurants	38	0.4%	4
Financial, Services	48	0.5%	12
Garage, Service	1,157	13.4%	16
Cottage, Industries	78	1.1%	17
Total	8,629	100%	324

Data collected was analyzed by descriptive and inferential statistics. Descriptive statistics was used to summarize the survey data and provide immediate summary statistics for the various objectives. These included measures of central tendency and measures of relationships. In particular, Regression Analysis was used to investigate the relationship(s) that had been hypothesized amongst the variables of study. Analysis of variance (ANOVA) was also used to investigate whether independent variables had combined effect on the dependent variable. Content analysis was also conducted on the data that are of qualitative nature. Results were presented on frequency tables.

Findings

Capital structure Results

The study sought to determine the influence of capital structure on women micro businesses in Bugesera District. Capital structure was operationalized by three measures namely; loan accessibility, cashflow and capital stability,

Sample Adequacy Results of capital structure

The KMO and Bartlett's tests were used to test the correlation between capital structure variables. The KMO measure of sample adequacy results is 0.702 as shown in Table 4.1. This value indicates good partial correlation exhibited in the data for this study.

Table 4.1: KMO and Bartlett's Test for capital structure

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.702
	Approx. Chi-Square	1734.088
Bartlett's Test of Sphericity	Df	28
	Sig.	.000

Ali *et al.* (2016), pointed out that the KMO index ranges from 0 to 1, with 0.5 and above considered suitable for factor analysis. For the Bartlett's Test of Sphericity, p-value should be less than 0.05 for factor analysis to be suitable. The Bartlett's Test of Sphericity was used at significant level of $p < 0.05$ to confirm sufficient correlation among the capital structure variables.

The Bartlett's Test of Sphericity result is 0.000 which shows high significance. Rusuli *et al.* (2013), explained that Measure of Sampling Adequacy should exceed 0.5 and for Bartlett's test of Sphericity the p-value should be less than 0.05.

Capital structure Data Normality Test Results

Normality was used to test for significance and construction of confidence interval estimates of the parameters. The assumption is that the variables are normally distributed. In their study, Ali *et al.* (2016), showed that the assumptions and application of statistical tools as well as suitability of the tests are important aspects for statistical analysis. To check for normality, the study adopted Skewness and Kurtosis test and Auto correlation test.

a) Skewness and Kurtosis Results

Measures of skewness is based on mean and median while kurtosis measures the peaked-ness of the curve of the frequency distribution (Kothari & Garg, 2004). The results presented in Table 4.2 show that a skewness coefficient of 0.752 and kurtosis coefficient of 0.943. Based on these results, it was concluded that data was normally distributed since their statistic values were between -1 and +1.

Table 4.2: Skewness and Kurtosis Test

Variable	N	Skewness		Kurtosis	
		Statistic	Std. Error	Statistic	Std. Error
Capital Structure	317	.752	.138	.942	.277

b) Durbin-Watson Test Results

A high degree of correlation among residuals of the regressions' data sets may produce inefficient results. As such, the presence of serial correlation among the OLS regressions is checked using Durbin and Watson's test statistic (Yupitun, 2008).

Table 4.3: Durbin-Watson (Autocorrelation) Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.475 ^a	.225	.217	.36820	1.932

a. Predictors: (Constant), Loan accessibility, Cashflows, capital stability

b. Dependent Variable: Profit

Durbin-Watson statistic ranges in value from 0 to 4 with an ideal value of 2 indicating that errors are not correlated, although values from 1.75 to 2.25 may be considered acceptable. Some authors consider Durbin-Watson value between 1.5 and 2.5 as acceptable level indicating no

presence of collinearity (Makori & Jagongo, 2013). Durbin-Watson value of 1.932 indicates that the model did not suffer from autocorrelation.

Factor Analysis Results of Capital structure

Factor analysis was done on capital structure variables where constructs were subjected to variance tests through the principal component analysis test. The principal component analysis was thus used for interpretation of the large set of data.

Table 4.4: Capital Structure Total Variance Explained

Component	Initial Eigenvalues			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.063	50.813	50.813	2.718	33.973	33.973
2	1.631	20.503	71.219	2.220	27.752	61.725
3	1.017	12.954	84.274	1.804	22.553	84.191
4	.620	7.623	91.903			
5	.210	2.753	94.653			
6	.202	2.510	97.167			
7	.161	2.033	99.201			
8	.063	.798	100.000			

Extraction Method: Principal Component Analysis.

All the measures of capital structure were subjected to factor analysis and the results showed that there were three factors extracted that were explaining capital structure variables which had cumulative of 84.191% of the total variance. Factor one was the highest with 50.813%, factor two had 20.503%, while the third factor had 12.954 of the total variance. These three factors had their Eigen values greater than 1 and were considered to have the greatest influence on capital structure as they explain about 84.191% of the total variance as shown in Table 4.4.

Capital Structure Rotation Component Matrix Results

Table 4.5 depicts the rotated component factor loadings for determinants of capital structure measures. Component 1 was loan accessibility which had three constructs, Component 2 was cashflow which had two constructs and Component 3 was Capital stability which had three constructs. Therefore, the component values indicate that they are highly interrelated with each other rotated component analysis.

Table 4.5: Capital Structure Rotated Component Matrix

Opinion Statement	LACF	Component CS
1. Loan helped to boost business capital acquisition	.975	
2. Loan accessibility is very simple in commercial banks	.889	
3. The source of entrepreneurial capital acquisition	.912	
4. Challenge to cashflow of business establishment.		.923
5. The flow of capital stability in the business meet Operation requirement.		.936
6. Once requested for external finance support from Commercial banks.	.916	
7. Loan interest are fair to support businesses.	.854	
8. Challenges to acquire capital in the business		
9. Book keeping, and other accounting norms are performed	.908 .932	
10. Saving culture is practiced in women micro businesses	.846	

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

Rotation converged in 5 iterations.

KEY: LA = Loan accessibility, CF = Cashflows, CS = Capital Stability

All the variables of capital structure have a factor loading of higher than 0.4.

Descriptive Results of Capital Structure

Capital structure was assessed by three measures namely loan accessibility, cashflows and capital stability. Descriptive data shown on Table 4.5 presents the relevant results on a scale of 1 to 5 (where 5 = Strongly Agree and 1 = Strongly Disagree).

Table 4.6: Capital Structure Descriptive

Variable	Mean	Std. Deviation	Cronbach's Alpha
Loan accessibility	4.0267	.42957	.874
Cash flows	4.0728	.54230	.746
Capital stability	4.3140	.47471	.865

KEY: Scale 1= Strongly Disagree and 5 = Strongly Agree, Overall mean = 4.1374, Overall Cronbach's Alpha = 0.935

Cronbach's alpha was used to test the reliability of the proposed constructs (Ali *et al.*, 2016). The findings indicated that loan accessibility had a coefficient of 0.874, cash flows had a coefficient of 0.746, while capital stability had a coefficient of 0.865. Capital structure measures depicted Cronbach's alpha of 0.935 which is above the suggested value of 0.7 hence the study was reliable. It was ascertained that business cash flow is corresponding to the business cash budgets as indicated by mean score of 4.01. Study findings were supported by Abioro (2013) that cash is the basic input required to keep the Sole proprietorship business running on a continuous basis and that firms should keep sufficient cash as cash shortage will disrupt business operations.

It was also noted that women micro business prefers to hold liquid cash for their daily business transactions and as such cash transactions are mostly preferred than credit terms to their customers. These findings were supported by Waweru and Ngugi (2014), where managers create value by reducing their inventories and the number of days their accounts are outstanding. The findings were also in accordance with findings of Akinyomi (2014) who point out the determination of the most favorable cash to hold and the need to have a trade-off between the opportunity cost of holding too much cash and the trading cost of holding too little. These findings were consistent with study by Hamza *et al.* (2013) and Akinyomi (2014) that the main objective of capital structure is to determine the optimum level of cash required for business operations; while Duncan *et al.*, (2015) point out that determination of optimum cash levels involves a combination of net worth and financial decisions, the determination of the amount of "buffer" money to hold is seen as net worth decision.

It was also noted that, loan accessibility to women micro business is a very big challenge and simply because interest rates are high coupled with collateral required by banks which are extremely high as well , as indicated by mean score of 4.07. These findings were supported by Ayeh (2001) who pointed out that, even though there exist many money lenders in the informal sector who are readily available to grant credit to the rural folk, the incidence of high interest rate on the loan facilities discourages the people within these areas to invest such funds in a better income generating ventures. The findings also are in line with Cuevas *et al.* (1993) who pointed out that, the high cost of transaction that normally comes along loan accessibility prevents most SMEs from applying for credit. This assertion has been confirmed Aryeetey *et al.* (1993) who said that information asymmetry could be problematic thus stopping SMEs from having the opportunity to access a loan. Lenders sometimes do not avail themselves to grant the facilities to smaller or lesser known clients or issue strict collateral obligations making it difficult for these applicants to have such facilities.

It was noted that women micro businesses saving culture is also still low as indicated by mean score of 4.03. These findings were supported by Browning and Lusardi (1996) who pointed out that there are several unresolved issues about savings. Many works emphasize that there is huge heterogeneity in household saving behavior, and much more than can be justified in traditional models of saving. For example, Diamond and Hausman (1984), Poterba, Venti and Wise (1994), Venti and Wise (1997, 1998), and Lusardi (1999) all show that there are vast disparities in wealth holdings and that those disparities persist even when looking among households of similar age and economic status. Not only do wealth holdings vary widely across households, but also many families report low savings even close to retirement.

Capital structure Correlations Results

Correlation analysis was used to establish the strength and nature of the relationship between capital structure measures (loan accessibility, cashflows and capital stability), and women micro business (in terms of profit and net worth) of women micro business in businesses in Bugesera District.

Table 4.7 shows correlation matrix showing the correlation analysis with varied degree of interrelationship between loan accessibility, cashflows and capital stability, and women micro business (Profit and net worth) of women business. The Pearson correlation coefficient was generated at 0.01 significance level (2-tailed). The output indicates a strong positive relationship between capital structure measures (loan accessibility, cashflows and capital stability) and women micro business (profit and Networth) of women businesses in Bugesera, $p = 0.000$. The $p\text{-value} < 0.01$, significant at 0.01 level as the correlation matrix indicates.

Table 4.7: Capital Structure Correlation Results

		LA	CF	CS	PR	CNW
	Pearson					
		1				
Loan accessibility (LA)	Correlation					
	Sig. (2-tailed)					
	N	317				
Cash flows (CF)	Pearson	.611**	1			
	Correlation					
	Sig. (2-tailed)	.000				
Capital stability (CS)	N	317	317			
	Pearson	.516**	.818**	1		
	Correlation					
Profit (PR)	Sig. (2-tailed)	.000	.000			
	N	317	317	317		
	Pearson	.373**	.132*	.274**	1	
Change in Net Worth (CNW)	Correlation					
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	317	317	317	317	317

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

KEY: LA = Loan accessibility, CF = Cashflows, CS = Capital stability, PR = Profit, CNW = Change in net worth

There is a strong relationship between loan accessibility, cashflows and capital stability, and profit of women businesses (loan accessibility $\rho = 0.373$, cash flows, $\rho = 0.132$ and capital stability, $\rho = 0.274$). There is a positive relationship between loan accessibility, cashflows and capital stability, and net worth of women micro businesses (loan accessibility, $\rho = 0.332$, cashflows, $\rho = 0.467$ and capital stability, $\rho = 0.594$).

Therefore, the capital structure measures (loan accessibility, cashflows and capital stability) are very important factors in women micro businesses (profit and net worth) of women businesses. This is supported by Abiuro (2013) that cash is the most important current asset for the operation of any business and is the basic input required to keep the business running on a continuous basis.

Capital structure Goodness-of-fit Model Results

The results on Table 4.8 showed that capital structure measures (loan accessibility, cashflows and capital stability) had explanatory power on profit of women micro businesses as it accounted for 42.5% of its variability (R Square = 0.425) as indicated in Model 1, hence the model is a good fit for the data. This implies that there is a positive relationship between capital structure measures (loan accessibility, cashflows and capital stability) and profit of women micro businesses.

Table 4.8: Capital structure Model Summary on Profit

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.475 ^a	.425	.418	.36810

a. Predictors: (Constant), Loan accessibility, Cashflows, capital stability

b. Variable: Profit

On Model 2, the explanatory power of capital structure measures (loan accessibility, cashflows, and capital stability) did not change when women micro business (profit, net worth) was incorporated into the model (R Square = 0.225) hence the model is a good fit for the data. This implies that the capital structure (loan accessibility, cashflows and capital stability) had not weakened the relationship with women micro business (profit, net worth) of women businesses.

Table 4.9: Capital Structure Model Summary on net worth

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.600 ^a	.361	.354	.38074

a. Predictors: (Constant), Loan accessibility, Cashflows, capital stability

b. Dependent Variable: Net-worth

The results on Table 4.9 showed that capital structure measures (loan accessibility, cashflows and capital stability) had explanatory power on net worth of women businesses as it accounted for 36.1% of its variability (R Square = 0.361) as indicated in Model 1, hence the model is a good fit

for the data. This implies that there is a weak positive relationship between capital structure measures (loan accessibility, cashflows and capital stability) and net worth on women businesses.

Capital Structure ANOVA Results

Table 4.10 presents the analysis of variance of the study on capital structure measures (loan accessibility, cashflows and capital stability) and profit. The results reveal that a significant relationship exists between loan accessibility, cashflows, capital structure and profit on women micro business. ($F = 29.652$, $p = 0.000$) as indicated in Model 1.

Table 4.10: Capital Structure ANOVA – Profit Results

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	12.061	3	4.020	29.652	.000 ^b
Residual	41.349	305	.136		
Total	53.410	308			

a. Dependent Variable: profit

b. Predictors: (Constant), Loan accessibility, Cashflows, capital stability

Table 4.10 presents the analysis of variance of the study on capital structure measures (loan accessibility, cashflows and capital stability) and Net worth. The results reveal that a significant relationship exists between loan accessibility, cashflows and capital stability and net worth of women micro businesses ($F = 57.211$, $p = 0.000$) as indicated in Model 1.

Table 4.11: Capital Structure ANOVA – Net worth

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	24.892	3	8.297	57.211	.000 ^b
Residual	44.216	305	.145		
Total	69.108	308			

a. Dependent Variable: Net worth

b. Predictors: (Constant), Loan accessibility, Cashflows, capital stability

P value for both models is less than 0.05, thus indicating that the predictor variables explain the variation in the dependent variable which is loan accessibility, cashflows, and capital stability on net worth of women businesses. From the significance value, the measures of capital structure measures (loan accessibility, cashflows and capital stability) are indeed different from each other and they affect in net worth of women businesses in a different manner. If the significance value of P was larger than 0.05 then the independent variables would not explain the variation in the dependent variable (Lakew & Rao, 2009).

Regression Results of Capital Structure and Profit

To establish the influence of capital structure measures (that is, loan accessibility, cashflows and capital stability) on the profit of women businesses in Bugesera District, the following hypothesis was tested:

H_{01} : There is no influence of capital structure on growth of women micro business in Bugesera District.

Regression analysis was conducted to empirically determine whether capital structure measures (loan accessibility, cashflows and capital stability) had any significant influence on the profit of women businesses in Bugesera District.

Table 4.12: Regression Coefficients of capital structure and profit

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2.286	.221		10.348	.000
1 Loan accessibility (X_1)	.437	.063	.454	6.968	.000
Cashflows (X_2)	.358	.064	.525	5.609	.000
Capital stability (X_3)	.372	.072	.454	5.153	.000

a. Dependent Variable: Profit

Table 4.12 displays the regression coefficients results of the capital structure measures (loan accessibility, cashflows and capital stability). Loan accessibility (supported by $\beta=0.454$, p-value = 0.000), cashflows (supported by $\beta=-0.525$, p-value = 0.000), and capital stability (supported by $\beta=0.454$, p-value = 0.000) are statistically significant in explaining profit of women businesses in Bugesera District.

The influence of capital structure measures (loan accessibility, cashflows and capital stability) is therefore significant indicating that increased levels of capital structure by women micro businesses, increases the profit generated from their businesses. Thus, higher levels of capital structure in micro women businesses are associated with increased net worth of women businesses.

Therefore, the null hypothesis is rejected since $\beta \neq 0$ and p-value<0.05. The regression model is summarized by equation 4.15.

$$Y = 2.286 + 0.437X_1 + 0.358X_2 + 0.372X_3 \dots \dots \dots \text{Equation 4.15}$$

Where,

Y = Profit, X_1 – loan accessibility, X_2 – Cashflows and X_3 –capital stability

Regression Results of capital structure and net worth

To establish the influence of capital structure measures (loan accessibility, cashflows and capital stability) on the net worth of women businesses in Bugesera, the following hypothesis was tested:

H₀₁: There is no influence of capital structure on growth of women micro business in Bugesera District

Regression analysis was conducted to empirically determine whether capital structure measures (loan accessibility, cashflows and capital stability) had any significant influence on the net worth of women businesses in Bugesera District.

Table 4.13: Regression Coefficients of capital structure and net worth

Model	Unstandardized		Standardized	T	Sig.
	Coefficients		Coefficients		
	B	Std. Error	Beta		
(Constant)	2.050	.228		8.991	.000
1 Loan accessibility (X ₁)	.026	.065	.023	.398	.000
Cashflows (X ₂)	.080	.068	.091	1.061	.000
Capita stability (X ₃)	.609	.074	.660	8.230	.000

a. Dependent Variable: Net worth

Table 4.13 displays the regression coefficients results of the capital structure measures (loan accessibility, cashflows and capital stability). Loan accessibility (supported by β = 0.023, p-value = 0.000), cashflows (supported by β = 0.091, p-value = 0.000), and capital stability (supported by β = 0.660, p-value = 0.000) are statistically significant in explaining net worth in women micro businesses in Bugesera District.

The influence of capital structure measures (loan accessibility, cashflows and capital stability) is therefore significant indicating that increased levels of capital structure by women businesses, increases the net worth in the businesses. Thus, higher levels of capital structure in women businesses are associated with increased net worth in women micro businesses.

Therefore, the null hypothesis is rejected since β ≠ 0 and p-value < 0.05.

$$Y = 2.050 + 0.026X_1 + 0.080X_2 + 0.609X_3 \dots\dots\dots \text{Equation 4.17}$$

Where,

Y = Net worth, X₁ – loan accessibility, X₂ – Cashflows and X₃ – capital stability

iscussions

It was ascertained that business cashflow are corresponding to the business cash budgets as indicated by mean score of 4.01. Study findings were supported by Abioro (2013) that cash is the basic input required to keep the Sole proprietorship business running on a continuous basis and that firms should keep sufficient cash as cash shortage will disrupt business operations.

It was also noted that women micro business prefers to hold liquid cash for their daily business transactions and as such cash transactions are mostly preferred than credit terms to their

customers. These findings were supported by Waweru and Ngugi (2014), where managers create value by reducing their inventories and the number of days their accounts are outstanding. The findings were also in accordance with findings of Akinyomi (2014) who point out the determination of the most favorable cash to hold and the need to have a trade-off between the opportunity cost of holding too much cash and the trading cost of holding too little. These findings were consistent with study by Hamza et al. (2013) and Akinyomi (2014) that the main objective of capital structure is to determine the optimum level of cash required for business operations; while Duncan et al., (2015) point out that determination of optimum cash levels involves a combination of net worth and financial decisions, the determination of the amount of “buffer” money to hold is seen as net worth decision.

It was also noted that, loan accessibility to women micro business is a very big challenge and simply because interest rates are high coupled with collateral required by banks which are extremely high as well, as indicated by mean score of 4.07. These findings were supported by Ayeh (2001) who pointed out that, even though there exist many money lenders in the informal sector who are readily available to grant credit to the rural folk, the incidence of high interest rate on the loan facilities discourages the people within these areas to invest such funds in a better income generating ventures. The findings also are in line with Cuevas et al. (1993) who pointed out that, the high cost of transaction that normally comes along loan accessibility prevents most SMEs from applying for credit. This assertion has been confirmed Aryeetey et al. (1993) who said that information asymmetry could be problematic thus stopping SMEs from having the opportunity to access a loan. Lenders sometimes do not avail themselves to grant the facilities to smaller or lesser known clients or issue strict collateral obligations making it difficult for these applicants to have such facilities.

It was noted that women micro businesses saving culture is also still low as indicated by mean score of 4.03. These findings were supported by Browning and Lusardi (1996) who pointed out that there are several unresolved issues about savings. Many works emphasize that there is huge heterogeneity in household saving behavior, and much more than can be justified in traditional models of saving. For example, Diamond and Hausman (1984), Poterba, Venti and Wise (1994), Venti and Wise (1997, 1998), and Lusardi (1999) all show that there are vast disparities in wealth holdings and that those disparities persist even when looking among households of similar age and economic status. Not only do wealth holdings vary widely across households, but also many families report low savings even close to retirement.

Conclusions

It can be concluded that capital structure measured through loan accessibility, cashflows, and capital stability had a significant and positive influence of on women micro businesses (profit and net worth) of women micro businesses. The regression results reveal statistically significant positive linear relationship between capital structure (loan accessibility, cashflows, and capital stability) and profit and net worth of women micro business in Bugesera district. This was as a result of improved loan accessibility that was translated into improvement of cashflow levels and management and stabilization capital for financial emergencies. It can therefore be concluded that capital structure greatly influences women micro businesses in Bugesera District.

Recommendation

It can therefore be recommended that management should put stringent policies on cash flow management. It is also recommended that women micro businesses should refrain from holding too much cash for emergencies which in long run drain business cash flow as misappropriation of funds. Proper cash management will result in maintaining optimum levels of cash purely for business purposes. This will eventually lead to continuous growth of such businesses.

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