# The Role of Gender and Personal Traits in Determining Business Performance of Ghana's Informal Slum Businesses

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## ABSTRACT

*Purpose:* It has been established that most informal businesses in Ghana are performing well and earn incomes higher than the poverty line threshold. The current study, therefore, aims at ascertaining how one's gender and personal traits (locus of control) affect business performance.

*Design/methodology/approach:* To this effect, cross sectional quantitative data was obtained from 344 participants in two informal settlements in Ghana using a structured interview. The independent sample T-test was used to analyse the data.

*Findings:* It was found out that there was no significant difference between the performances of male or female owned businesses. Furthermore, it was also discovered that there was a significant difference in the business performance of operators based on locus of control.

*Paper type:* Research paper

## I. INTRODUCTION

Ghana, a West African country has gone through some economic struggles in the past half century. In the 1980s, the difficult economic conditions led to the government of Ghana in collaboration with the International Monetary Fund (IMF) and World Bank to initiate a stabilisation programme called the Economic Recovery Programme (ERP) in 1983. The aim of this programme was to restore external equilibrium in the balance of trade account, stabilise and halt the economic decline (Kraus, 1991; Fosu, A.K. and Aryeetey, 2008). Albeit gaining economic stabilisation, the sudden deportation of about 1 million Ghanaians from Nigeria without notice in 1983, put more pressure on the frailing Ghanaian. These jobless returnees joined the country's growing informal sector at that time. According to Aryeetey, E and Tarp, (2000), the economic policies adopted in the 1980s by the then Ghanaian government in addition to other factors, contributed to the growth in slums as people who lost their jobs during the period settled in slums and engaged in informal activities.

Informal sector activities can be referred to as unincorporated household enterprises owned by households which are fully or partially outside the jurisdiction of government regulation and taxation. Slum activities include all informal sector activities that take place only in slum areas and possess most of the characteristics of the informal sector. Some studies, in developing have also concluded that operators involved in informal slum activities have high performing businesses (Das, P.S. and Meher, 2013 ; Meschkank, 2013; Hye, 2014) The

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current study aims to take a step further to find out if gender or personal traits impact the performance of these businesses.

## II. LITERATURE REVIEW

Zulkiffli, S.N.A. and Perera, N., (2011) undertook a literature survey which analysed different measurements of business performance and they concluded that, one of the key and objective measurements is to focus on actual business financial indicators such as market-share growth, and annual turnover. Hence, in the current study, net average daily income is used to measure the performance of these informal businesses. According to Chen M, Vanek J, Lund F, (2005), many factors contribute to business performance in the informal sector and the current study aims to look at the impact of only gender and personal traits.

Wilson, (1998) study in Latin America's informal economy posits that women's participation in the informal sector is more like them "helping out" their husbands or sons in their businesses. This suggests that women do not own their own businesses hence earn way lesser than their male counterparts in the informal sector. As Markovic, (2009) found out, the percentage of women in Africa's informal sector is high and asserts that lack of education and skills limits them to the basic agricultural food production economy. Some authors ((Cooke, 2006 ; (Sookram, S. and Watson, P., 2008) also corroborate this assertion that, women are mostly engaged in lower income generation informal activities. Kinicki, Angelo dan Williams, (2013) study in also arees that women are engaged in lower income generation activities as compared to men, however, women possess higher education. Furthermore, female owned businesses are seen as of necessity driven entrepreneurship. Also in Indonesia, Gallaway, J.H. and Bernasek, (2002) discovered that since women have to take care of kids, it reduces their labour participation hence affecting business performance. The current study will therefore investigate if this is a similar scenario in the informal sector of the selected Ghanaian slums.

For informal business to thrive, they need access to finance (Mugoda, S., Esaku, S., Nakimu, R.K. and Bbaale, 2020) However, it has been found out that female owned informal businesses find it difficult to assess finance. Babbitt, L.G., Brown, D. and Mazaheri, (2015) discovered in Indonesia that financial agencies are not willing to offer women credit facilities. Therefore female owned informal firms are not able to grow. A similar study by Lloyd-Evans, (2008) in Port of Spain (Capital of Trinidad) also concluded that due to inaccessibility of credit, female owned businesses are less profitable as compared to the male run ones. Furthermore, women do not have as much urban networks (social capital) as men do, which is one causal factor to women making les profit.

An entrepreneur's personal traits such as needs for achievement and locus of control has also been seen as one of the major determinants of business performance (Pramono, R., Sondakh, L.W., Bernarto, I., Juliana, J. and Purwanto, 2021). In the current study, the personal trait being considered is locus of control. Locus of control according to Rotter, (1996) is the degree to which an individual attributes personal achievement to either internal or external reinforcements. literature survey, found out that, locus of control has an influence on a range of choices an individual will make in his life including vocational and career decisions. Individuals who are high in internal locus of control are generally more concerned with trying to pursue their set goals, take risks, are innovative, proactive and strive to improve their lives (Ishak, S., Omar, A.R.C. and Moen, 2015).

In terms of business performance, studies amongst entrepreneurs have shown that high internal locus of control led to business successful while high external locus off control led to business failure (Brandstatter, 1997 ; Garoma, 2012 ; Cobb-Clark, D.A., Kassenboehmer, S.C. and Sinning, 2013). A study in Nigeria discovered that internal locus of control increases annual profit as well as annual growth by about 1.3 times (Adekunle, 2011)

## III. METHODOLOGY

To achieve the objectives of the study, the survey research technique was employed. This is a form of research technique that provides practical evidence on attitudes, knowledge and opinions (Story, D.A. and Tait, 2019). A structured questionnaire was used to solicit primary quantitative data was solicited from 344 participants selected with stratified random sampling (SRS). In SRS, a population is divided into subdivisions known as "strata" from which an even amount is randomly selected from each strata (Nguyen, T.D., Shih, M.H.,

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Srivastava, D., Tirthapura, S. and Xu, 2020). In the current study, two slums from the two largest cities (Accra and Kumasi) in Ghana form the strata. Hence, 172 respondents were selected from each slum and interviewed to obtain the data (cross sectional).

The slum in Accra is called Sodom and Gomorrah (S&G slum) while the one in Kumasi is known as Akwatia Line (AL slum). The obtained cross sectional data was coded and analysed using independent samples T test. The independent samples t-test is to be used to determine if the means of two independent sets of data are significantly different from each other (Kim, 2019). These two sets of data are mutually exclusive.

The null hypothesis for mean differences is presented as:
$H_o$: $\mu_1 = \mu_2$

Where $\mu_1$ and $\mu_2$ are the means of the first and second populations respectively. In the case that the null hypotheses is rejected, it means that there is a difference between the means of both sample, which forms the basis for accepting the alternate hypothesis ($H_1$: $\mu_1 \neq \mu_2$) (Levin J., and Fox, 2011).

In making the decision rule, the significant value (*p*-value) is compared to the alpha level (α) set prior to the test by the researcher. If $p < α$, the null hypotheses is rejected implying there is a significant difference between the means of both sample.

The current study will employ the independent sample t-test to test the following hypotheses:
Hypothesis 1
Null Hypothesis (NH): There is no significant difference between the business performance of Males and Females.
Alternate Hypothesis (AH): There is a significant difference between the business performance of Males and Females.
Hypothesis 2
NH: There is no significant difference between the business performance of operators based on Internal or external locus of control.
AH: There is a significant difference between the business performance of operators based on Internal or external locus of control.

In measuring business performance, the study used net average daily income (Zulkiffli, S.N.A. and Perera, N., 2011). To arrive at this, respondents were asked to state their daily income after meeting all expenses when:
1. Business is good – Good is described as a situation when demand for the good or service is high, leading to a high business revenue.
2. When business is not good – when demand is low, leading to low revenue.

An average was found of these two income streams to determine an operator's net average daily income measured in Ghana Cedis (currency of Ghana). As of July 2021, 1 Ghana Cedis is exchanged for 0,17 United States Dollar.

## IV. ANALYSIS AND DISCUSSION OF RESULTS

To test the difference between in business performance between male and female slum operators, the following Hypothesis 1 was developed:

NH: There is no significant difference between the business performance of Males and Females.
AH: There is a significant difference between the business performance of Males and Females.

Table 1 presents the results of the independent sample T-test in testing the difference between the business performance based on average daily income of males and females. The mean income of males and females is Gh ₵ 30.3 and Gh ₵ 28 respectively.

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*Table 1 Independent sample T-test of business performance based on gender*

| | | | Group Statistics | | Levene's test | | | t-test for Equality of Means | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| | | | N | Mean | | F | Sig | t | df | Sig (2 tailed) | Mean difference |
| Average daily income | Male | 205 | 30.3 | | Equal variances assumed | 21.8 | 0.00 | 1.86 | 342 | 0.063 | 2.24 |
| | Female | 139 | 28.0 | | Equal variances not assumed | | | 1.94 | 331.9 | 0.053 | 2.24 |

*Source: Authors own computation*

Firstly, the assumption of homogeneity of variance is tested with the Levene's *F* Test for Equality of Variances. The test proposes a null hypotheses that there is no difference between the variance of the two groups. When the significant value of the Levene's test is greater than our alpha of 0.05, we accept the null hypotheses and conclude that there is no significant difference in the variance of the two groups. On the other hand, if the significant value of the Levene's test is less than our alpha value, we reject the null hypotheses. In this case, the assumption of homogeneity of variance is not met, hence the table results associated with 'Equal variances are not assumed', is used.

Secondly, if the T-test's significant value is less than our alpha of 0.05, we reject the null hypothesis and accept the alternate hypothesis, that there is a significant difference between the mean income of male and female operators.

From the results in Table 1, one can conclude that the assumption of homogeneity of variance is violated since the significant level for the Levene's test is 0.00. This is lower than 0.05, implying that variances of the two groups (male and female) are not the same, hence we use the results of 'Equal variances not assumed', i.e., second row results in Table 1.

As the T-test's significant value (0.053) is greater than our alpha of 0.05, one can accept the null hypotheses. As indicated in Table 1, the mean daily income for male is Gh ₵ 30.3 whereas that for female is Gh ₵ 28. Thus, it can be concluded that, on an average daily basis, there is no significant difference between the incomes of males and females, at the 5% level of significance. However, at 10% level, there is a significant difference (t=1.94), with the male operators, on average, earning more than their female counterparts.

Studies in the informal sector (Chen, 2001; Chen M, Vanek J, Lund F, 2005) have shown that, women are underrepresented in high income earning activities, hence, earning less than men. Results from the current study contradicts these studies, as it was found out that both male and female operators in the AL and S&G slums of Ghana statistically earn similar average incomes.

To test the difference between in business performance based on locus of control, the following Hypothesis 2 was developed:

NH: There is no significant difference between the business performance of operators based on Internal or external locus of control.
AH: There is a significant difference between the business performance of operators based on Internal or external locus of control.

Locus of control refers to a person's views regarding the determinants of rewards or outcomes in the individual's life. With internal locus of control, one attributes outcomes to his/her personal actions and with external locus of control, outcomes are associated with external forces. The T-test is employed to find out if business performance of slum operators differ in terms of their locus of control.

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*Table 2 Independent sample T-test of business performance based on locus of control*

| | | N | Mean | | F | Sig | t | df | Sig (2 tailed) | Mean Difference |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Group Statistics | | | Levene's test | | t-test for Equality of Means | | | |
| Average daily income | External locus of control | 40 | 17.96 | Equal variances assumed | 12.470 | 0.000 | -7.6 | 342 | .000 | -12.9 |
| | Internal locus of control | 304 | 30.86 | Equal variances not assumed | | | -9.98 | 62.9 | .000 | -12.9 |

*Source: Authors own computation*

From Table 2, it can be seen that the mean daily income of an operator with external locus of control is about Gh ₵ 18 and that of an operator with internal locus of control is about Gh ₵ 31. The difference is almost Gh ₵ 13. Since the Levene's Test for Equality of Variances shows a p-value less than the alpha value of 0.05, we reject the null hypotheses of homogeneity of variance. Results from the 'Equal variances not assumed' row is therefore applicable.

The results of the t-test shows a p-value of 0.00, which is less than the critical value of 0.05, hence we reject the null hypotheses of equality of means. It can therefore be concluded that there is a significant difference in business performance of operators based on locus of control. Assessing the mean income differences between the two groups (internal and external locus of control) it can be observed that there is a substantial difference (of about Gh ₵ 13, as indicated above) reconfirming that, operators with internal locus of control's business perform significantly higher (Gh ₵ 31) than those with external locus of control (Gh ₵ 18). Hence, operators who base life outcomes on their personal actions (those with internal locus of control), have their businesses performing better than operators who attribute life outcomes on external factors such as luck, fate and circumstances (those with external locus of control), consistent with (Cobb-Clark, D.A., Kassenboehmer, S.C. and Sinning, 2013) result in Australia that, persons with internal earn more than persons with external locus of control.

## V. CONCLUSIONS AND RECOMENDATION

Globally, people engage in the informal sector in rural and urban regions as well as in slums and non-slum areas. Some researchers (Wilson, 1998) concluded that female owned businesses do not perform as well as those of their male counterparts. The current study however contradicts these findings as it was found out that there is no significant difference between the business performance of female and male owned informal slum businesses.

Personal traits have been discovered to greatly impact life outcomes such as success, income as well as business performance. Studies like (Garoma, 2012) (Cobb-Clark, D.A., Kassenboehmer, S.C. and Sinning, 2013) all concluded that individuals with high internal locus of control perform better than those high on external locus of control. These findings were also corroborated by the current study which discovered that, informal slum business owners with high internal locus of control have a better business performance that business owners who are high in external locus of control.

Based on the above findings, it is recommended that banks and other financial institutions abolish policies that favour male owned business. (Calcagnini, G., Giombini, G. and Lenti, 2015) study in Italy concluded that there is structural discrimination by financial institutions towards male and female owned businesses. As female owned slum businesses perform similarly to the male owned ones, access to finance and all infrastructure should be equal.

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As indicated by in their study in South Africa and Nigeria, small business failure rate in very high (over 50%) within the first 5 years. Therefore, as the current study concludes that business owners with high internal locus of control perform better than those with high external locus of control, business stakeholders such as financial institutions, government and agencies should concentrate on businesses run by high internal locus of control owners. These stakeholders can use the Rotter's scale (Rotter, 1996) to determine business owners who are high in internal locus of control. Doing this may help reduce informal small business failure in Ghana.

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