

Entrepreneurship for Improved Life Conditions - Female Entrepreneurs in Tanzania Searching for Finance

Marta Lindvert¹

¹Mid Sweden University, Department of Social Sciences, Östersund, Sweden

Marta.Lindvert@miun.se

Well functioning business sectors, where small business and entrepreneurship are encouraged, are crucial driving forces for economic growth in any society. For Sub-Saharan African countries, creating supportive environments for entrepreneurs is not only a matter of economic growth, but really a matter of lifting people out of poverty. Running business has also proved to be an important tool to strengthen the role of women in many places. When women increase their income and consumption level, they tend to invest in things which benefit the family, which, in the long run, benefits the whole society. However, a major obstacle for many business owners is to find capital to start or expand the business. Research on financing has traditionally focused on the supply side, how banks and other financiers act, and it has been assumed that the financial institutions cannot, or do not want to, meet the demand on the financial markets. Lately, there has been an increasing interest for the actions and attitudes among the entrepreneurs towards their need for resources and capital. This paper focuses on female entrepreneurs in search of finance, which financial sources they use and how they relate to different financial sources. A better understanding for their financial behavior will assist in developing improved environments for entrepreneurs, on their own terms. Empirical data has been collected during 2009-2010. 15 female entrepreneurs in Tanzania occupied within service and retailing sectors have participated in semi-structured interviews, where questions about their financial behavior and advertising of the business were asked as well as the business' effects on life condition and consumption level. Results show that female entrepreneurs to a large extent depend on financial sources within the informal sector, such as own savings, family and friends. Institutions within the formal sector, especially micro finance institutions, also play an important role. However, the entrepreneurs relate very differently towards different financial sources, where informal sources are related to with confidence and trust, whereas formal sources are related to with insecurity and mistrust. This stresses the importance of reliable and fair access to finance from regulated, formal institutions, as well as the need for business training for women in Sub-Saharan Africa.