

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

*Marta Lindvert, Mid Sweden University
Kunskapens Väg 1, SE 831 25 Östersund, Sweden
Marta.Lindvert@miun.se, www.miun.se*

Well functioning business sectors are crucial driving forces for economic growth. In developing countries, entrepreneurship can function as a tool to fight poverty as well as to strengthen the role of women and promote gender equality. 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 women entrepreneurs. 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. 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.

INTRODUCTION

During perfect market conditions, it is widely recognized that demand and supply will create equilibrium, and that an increase in demand will make prices rise, leading to decreasing demand and/or increased supply, until a new equilibrium is reached. At capital markets, it means that the supply and demand of capital is regulated by the interest rate (which is the price for lending capital). So if the interest rate was functioning, there would be a balance between supply of capital and demand for loanable funds (Stieglitz & Weiss 1981). However, this is obviously not the case at capital markets, where lack of capital is a major constraint to entrepreneurship, in advanced as well as developing economies. In the short run, lack of capital has been viewed as a temporary disequilibrium, where an exogenous shock creates a scarcity, and where some stickiness in the interest rates causes a time lag before a new level

of balance is reached. In the long run, scarcity of capital has been explained by different governmental constraints (Stieglitz & Weiss 1981). What is commonly referred to as “the financial gap” therefore appears on the capital markets (Bhide 1992).

The majority of all firms will sooner or later need external capital, in order to start or expand the business (Austin, Stevenson et al. 2006) but since institutionalized financiers require securities from the firm in order to grant loans, it is often hard for small and/or new firms to get credits. Other reasons for the banks to reject small firms is that these often seek small amounts of capital, and are expected to generate lower returns, meaning that they imply higher risks and higher transaction costs for the bank. The small firms are facing financial barriers at all stages of their development and with no, or very limited, access to traditional capital markets, they are forced to move towards segmented and imperfect markets (Walker 1989). The only option left is often to search for finance at the informal level, where the entrepreneur will turn to family or friends in order to solve the need for capital and other resources.

When looking at female entrepreneurs, previous research in industrialized countries show that this group faces greater obstacles in the search for capital, compared to their male counterparts (de Bruin et al 2006) The Diana-group¹ has examined how women develop financing strategies in the search for capital and how they act to show the sustainability in the business to potential investors. They argue that the strategies differ significantly, depending on which stage the business is in (de Bruin, Brush et al. 2006, Carter et al 2003, Brush et al 2006). In developing countries, women face multiple obstacles that diminish their potential as entrepreneurs and businesswomen. They have limited access to education and training, they find it harder to enter business associations, have less freedom to select business sector and are often met by discriminatory attitudes in property, marital and inheritance laws. Without property ownership, they lack collateral to get access to formal credit (Sida 2009). A majority of women entrepreneurs in developing countries run small-scale or micro-enterprises and they usually operate within trade or service sectors (Dzisi 2008). This further increases their barriers towards capital at formal level.

Apparently, there are numerous entrepreneurs, both men and women, operating all over the world, who manage to run small businesses despite the lack of external capital. So how do they manage to overcome the financial barriers and where do they find capital and other resources to start their businesses? In general, entrepreneurs in developing countries seem to strive for capital at formal level, but for different reasons find and use capital and other resources at informal level. Reasons for the entrepreneur to prefer formal capital could be that it is based on control, and, at the perfect market, is predictable and reliable for the entrepreneur. It should be based on business performance and professional ability, placing the individual loan client in focus. Reasons to search for informal capital could be the foundation

¹ The Diana Project is a research program focused on women business owners and entrepreneurs. It was established in 1999. A wide range of topics are covered, but primary emphasis is on financing and growth strategies for women-led ventures in the US.

of trust between individuals, where personal relations are in focus and social capital is part of the agreement. There could also be other reason affecting the balance between the uses of capital on formal versus informal levels, which will be discussed in this paper. According to bootstrapping theory, there are a number of creative ways to acquire resources, without borrowing money from traditional sources (Freear, Sohl et al. 1995). However, previous theory on financial behavior has been developed in westerns context, and very little has been done on how entrepreneurs in other contexts relate towards financial sources.

Given that entrepreneurship is a key driving force for economic development (Schumpeter 1934), where women entrepreneurs participate and contribute significantly, it is of great urgency to increase our knowledge about how they operate and how to support them in better ways.

Aim and research questions

The overall aim of this paper is to contribute to our previous knowledge on women's entrepreneurship (WE) in developing countries, by examining which financial sources women entrepreneurs use, and how they relate to these financial sources. Two research questions have been in focus, summarized as: *Which financial sources are used by women entrepreneurs in Tanzania (as an example of developing countries) and further how do women entrepreneurs relate to different financial sources?*

BARRIERS FOR WOMEN ENTREPRENEURS IN DEVELOPING COUNTRIES

Focus on women entrepreneurs

Even though significant improvements have been made in the area of women's empowerment during the last decades, there are still many immense inequalities left to address. One out of many reasons for strengthening women is that gender equality and the empowering of women have large multiplier effects on other development goals; it might even be the most important linkage across all the MDGs (Millennium Development Goals).² The empowering of women has strong bearings on poverty reduction, growth and human development. It has been shown that birth rates are likely to be lower in households where the woman's position has been strengthened, which in turn means that the children will get better health and education (UNDP, 2010). It is also commonly known, that women tend to invest in what is beneficial for the family – food, medical treatments, housing and school fees. While prioritizing food for the children, they become more resistant for diseases, and investing in schooling means preparing them for the future. What is beneficial for the family is therefore beneficial for the society as a whole, in the long run.

² The biggest international joint effort for development is the Millennium Development Goals (MDGs), adopted by world leaders in the year 2000 and set to be achieved by 2015. The 8 MGDs are: 1) Eradicate extreme poverty and hunger, 2) Achieve universal primary education, 3) Promote gender equality and empower women, 4) Reduce child mortality, 5) Improve maternal health, 6) Combat HIV/AIDS, malaria and other diseases, 7) Ensure environmental sustainability, 8) Develop a Global Partnership for Development. The MDGs break down into 21 quantifiable targets, which are measured by 60 indicators (www.undp.org).

The single most important factor contributing to equality between men and women is the economic empowering of women. The Swedish development cooperation (Sida) has defined economic empowering as the process *“which increases women’s real power over economic decisions that influences their lives and priorities in society... [this] can be achieved through equal access to and control over critical economic resources and opportunities, and the elimination of structural gender inequalities in the labor market, including a better sharing of unpaid care work”* (Sida 2009:7). One crucial aspect of strengthening women as economic actors has to do with the removal of barriers to female entrepreneurship and the promoting of inclusive financial services and trade policies.

Women entrepreneurs are one of the fastest growing entrepreneurial populations in the world, and they make significant contributions to innovation, employment and wealth creation in all economies. However, they are understudied and we know relatively little about them – studies about women entrepreneurs comprise less than 10 % of all research in the field (Brush et al 2010). Research on female entrepreneurship is generally dominated by the USA. When looking at research on female entrepreneurs in developing countries, it is clear that very little has been done.

Barriers to women’s entrepreneurship

Most of women entrepreneurs in developing countries run small-scale or micro-enterprises, with a majority operating within trade or service sectors (Dzisi 2008, Spring 2009). Some common examples are to run small shops or market stalls where clothes, food products or jewelry are sold. Within service, it is common to run hair- and beauty salons, restaurants and guest houses. Enterprises within these sectors have been perceived as less important to economic development and growth, compared to enterprises within manufacturing and technology, a perception which has been a great disadvantage for WEs. Lately, it has been observed that small-scale economic activities of women in Africa have been undervalued and that their specific role and involvement in the economic development of their countries are neither well-known nor recognized (Dzisi 2008).

Even though one needs to remember that female entrepreneurs in developing countries are a heterogeneous group, just as entrepreneurs in general, there are three levels of similarity among them to be considered. First, women all over the world usually face the same kind of role complexity, especially in the combination of working wife and mother. Second, when women try to start or expand their business activities, they are experiencing similar obstacles, wherever they live. Third, women entrepreneurs have to deal with unique obstacles related to the local domestic market environment in which they operate, in contrast to their male counterparts (Amine & Staub 2009).

Informal barriers

The barriers to women’s entrepreneurship are to be found in both informal and formal structures. Barriers found within informal structures are often very difficult to identify, change and overcome, since they are closely linked to cultural views, values and norms and it takes very long time to change values and attitudes in a society. It has to do with the status of

women in a society in general, women's rights and women's role complexity, but also attitudes towards women as entrepreneurs.

Family situation and role complexity

In all countries around the world, women continue to be primary caregivers for their children and other family dependants, whether they work outside the home or not. Moreover, in developing countries, women are often the sole breadwinner of the family, and are therefore forced to seek paid employment outside the home, alternatively to start a business. Thus, it might not be surprising that a frequent theme in previous research on women's entrepreneurship is that women run their business in relation to their family situation, which is not the case when looking at research on men's entrepreneurship (Berglund 2007).

Women often have a number of dependants to provide for, except husband and children, there are often aged parents, siblings and extended family members to care for, putting additional burdens on the women (Dzisi 2008). Looking at the general living conditions and women's status in sub-Saharan Africa, one major constraint to potential entrepreneurship is high fertility rates. With an average of five to six births per woman, the opportunities to start a business will decrease. With repeated pregnancies it may be difficult to run a business, or even work outside the home at all, due to ill health. And with a number of children to care for, there may be little time to work outside the home. In many cases in sub-Saharan Africa, women are not only responsible for their own children, but also for young relatives who have lost their parents due to AIDS. Moreover, in these communities, children are still seen as insurance against incapacity and for support in old age, putting an extra physical and emotional burden on women in their most productive years (Amine & Staub 2009).

Attitudes towards women as entrepreneurs

In Muslim communities in sub-Saharan Africa, it is not socially accepted for women to run their own business, or even to work outside the home. The reason is fear that a married woman who starts to make her money becomes too independent and that it will change traditional family roles and undermine the patriarchal domestic relations. Too independent women might change the balance of power within the household, which can lead to divorce and even self-determination. If a married woman works for money outside the home, it is interpreted as the husband's inability to control his wife, or his inability to provide for his family. From fear of losing such control, social standing and personal honor, many men simply forbid their wives to operate their own business. The social stigma would be even worse if the wife turns out to be more successful than the husband, leading to deep social embarrassment and dishonor of the family name. This kind of social constructs concerning female entrepreneurs are to be found in many cultures all over the world, and not just in Africa (Amine & Staub 2009). As discussed by Dechant and Lamky (2005) women entrepreneurs in Arab countries face similar formal and informal barriers as in other countries, but for one difference, which has to do with the influence of Islamic values. For example, women in these countries only recently got the right to vote, and they still often need the signature from the husband or a male relative to apply for a loan. They can also still be denied

the right to open a bank account. Thus, there are a number of formal barriers, originated from informal, religious values (Dechant & Lamky 2005).

Normative institutions in different countries

Drawing on institutional theory, Baugh, Chua and Neupert (2006) discuss how the normative context affects women's participation in entrepreneurship in a number of industrialized and transition economies. They show that the relation between female entrepreneurs in a country is not connected to the level of welfare, but instead that cultural norms and values affect the proportion of women-owned businesses in a country. These norms and values are related to the general support systems towards entrepreneurship, but also to the level of gender equality in that country. They state that the institutional context, and the preconditions it creates for female entrepreneurs, is of great importance, because it affects the kind of support that will be available for individual women (Baugh, Chua & Neupert 2006).

Formal barriers

Formal structures that are disadvantageous for women entrepreneurs can for example have to do with regulatory system, inheritance laws, ownership of property, access to capital and access to education.

Inheritance laws and ownership of property

In many places, women are still excluded from the right to inherit or own land or property, due to discriminating national laws. Further, there might be regulation which prohibits women from buying land, even if they do have the funds for it. Consequently, women who want to start a business have to rely on their husbands' or relatives' land, alternatively renting from someone else. This is of course particularly troublesome for women entrepreneurs operating within the agriculture sector. In some African countries, the government addresses this problem by issuing land certificates, which gives the holder a number of personal rights to use the land. However, land certificates cannot be used as collateral towards the bank. For women, who also are excluded from owning land, it is impossible to get a bank loan which is needed to achieve business growth (Amine & Staub 2009).

Lack of access to capital

Looking at previous research on women's entrepreneurship, it is clear that the most frequently discussed external barriers are lack of access to capital and discrimination when applying for loans. (Berglund 2007). Even if access to capital is a real challenge for both men and women entrepreneurs in developing countries, it is usually most challenging for women, especially if they are unable to legalize their business. Another reason for banks to exclude women from external loans is that women often run micro scale businesses, and micro businesses in general have smaller chances of obtaining bank loans (Winborg 2003). It is particularly hard for women in rural areas in developing countries to overcome these types of regulatory discrimination, since they usually do not own land, they usually do not have any savings and usually do not have anything else to use as other collateral for a traditional bank loan (Amine & Staub 2009).

Many businesses run by women are home-based, because they do not have the funds to buy or rent other business premises. Even though this might be a convenient arrangement, especially when profession has to be combined with family responsibilities, it also means that this will function as a brake on potential growth of the business (Amine & Staub 2009).

However, the micro finance (MF) sector has grown rapidly during the last couple of decades, as a response to the need for capital for small businesses in developing countries. The great attention towards the MF sector shows that there is a general awareness within the international community about the importance of access to capital for entrepreneurs in developing countries. (<http://yearofmicrocredit.org>) Today, it is estimated that thousands of organizations are operating within the field of microfinance, all over the world. The vast majority of micro finance institutions (MFIs) are specifically targeting women, with around 90 % of the clients being women. Many of the MFIs show extremely high repayment rates, often over 90 % (<http://www.microfinancegateway.org>). Even though micro finance has been a way out of poverty for many, there is an ongoing debate on whether this really is the best way to serve the poor. One of the basic ideas with micro loans is that a number of clients form a loan group, and this group has the function of collateral towards the MFI. Within the group, clients are mutually responsible for each other, and no one will be granted a second loan until everyone has repaid the first. This has turned out to be very troublesome for many microfinance clients, and is one of the reasons for criticism towards this sector.

Level of education

In many places, girls still participate in primary school to a much lower degree than boys, and when looking at high school or higher education, this imbalance is even more apparent. In an area where there is no tradition of entrepreneurship, and no formal educational support for entrepreneurship, both men and women might lack even the most fundamental concepts of how to start or run a business. For women, who are illiterates and/or have been excluded from school to a higher degree than men, the barriers to start a business will be even higher (Amine & Staub 2009). Previous studies show that female micro entrepreneurs in Africa generally have no to some primary school education, while women running large-scale firms usually have secondary or even some college education. Those in between, running small- or medium sized businesses, have usually completed secondary school, some even collage (Spring 2009).

Financial barriers lead to bootstrapping behavior

Many of the above discussed barriers to entrepreneurship have no direct relevance for the financing of a business. Nevertheless, even attitudes and values which are negative towards female entrepreneurship, indirectly affects women's access to capital. Therefore, both informal and formal barriers towards female entrepreneurship can have direct or indirect effects on the opportunities to get access to capital or other resources.

Bootstrapping is a central concept in this field, defined as *"highly creative ways of acquiring the use of resources, without borrowing money or raising equity financing from traditional sources"* (Freear, Sohl et al. 1995). Further, *"the true entrepreneurial spirit is often demonstrated in the business owner's ability to creatively find and use bootstrap finance"*

(Bhide 1992). Thus, bootstrapping has to do with methods used by the entrepreneur, to meet the need for resources without relying on long-term external finance. Financial bootstrapping has only recently attracted some attention in the empirical research on small enterprise financing. But to the extent this field has been researched, the studies have been carried through in western contexts. Since the financial systems differ considerably between different countries, the results from previous studies are not fully applicable at the context of developing countries.

According to previous theory, there are different categories of bootstrappers, who show vast differences in their way to raise resources. They represent different aspects of 1) internally-based resource acquisition, 2) socially-based resource acquisition, and 3) quasi-market-based resource acquisition. The bootstrappers who base their resource acquisition on internal methods use those methods available within the company – either to minimize the financial burden on the company, or to delay outflow of funds from the company. Socially-based resource acquisition is represented mainly by the relationship-oriented bootstrappers, who use personal relationships to attract resources on preferential terms. Concepts as social capital, networking and trust seem to be important for this group. The quasi-market-based resource acquisition is represented finally by subsidy-oriented bootstrappers. These use subsidies available from public institutions to meet the company's need for resources. "Quasi-market" refers to the fact that the public institutions operate at the financial markets, but not to market conditions (e.g. through favourable interest rates) (Winborg 2000, Winborg 2003). It is of course also possible, and common, to combine these methods in different ways.

RESEARCH APPROACH AND METHODS

Research Procedures and Data Sources

A field study in Tanzania was conducted during 2009-2010, when empirical data was collected. Before the main data collection took place, a smaller pilot study was carried through, consisting of 3 interviews. The interview guide was thereafter modified and the main data collection could start, consisting of 15 interviews. In order to track suitable respondents, a combination of snowball sampling and serendipitous sampling was used. Respondents were female entrepreneurs operating within service and retailing sectors. They run micro enterprises, defined as businesses with less than 10 employees. All interviews were semi-structured, meaning that the interview guide was used, but that it was also open to reply in different ways and the interviews could therefore take different turns. 14 of the interviews were held in Swahili, where a local interpreter was assisting, and one interview was held in English. All interviews were carried through at the business location of the respondent and they took between 35 minutes and 1 hour and 20 minutes. A digital voice recorder was used and all interviews were transcribed within a few days.

Analytical Approach

In the process of analyzing the data, I am following Van Maanens (1979) suggestions on how to approach qualitative data. He argues that the researcher first should search for first-order categories, described as the "facts" of an ethnographic investigation, i.e. the informants' first-

order conception of what is going on in the setting. Thereafter, the researcher should organize and explain these facts, by sorting them into second-order themes, which is the researchers' conception of what is going on. First-order categories are empirical, expressing the respondents' point of view, whereas second-order themes are theoretical, expressing the researchers point of view. Second-order themes are thereafter aggregated to more abstract overarching dimensions.

All interview transcriptions were read carefully one by one, and words, phrases and terms were labeled, i.e. first-order codes were identified. The interviews were then reread several times, and respondents were compared in order to find similarities and differences between them. Gradually, codes which expressed similar ideas among the respondents could be sorted into first-order categories. This coding continued until no more conceptual patterns shared by the respondents could be found. Thereafter, the first-order categories were grouped into second-order themes, or theoretically distinct groupings, at a more abstract level. Eventually, the second-order themes were assembled into overarching dimensions. At this level, the different phenomena emerging from the data could be linked together in a comprehensive theoretical framework.

The emergent data structure is illustrated in figure 1. The boxes to the left and to the right depict the first-order categories (empirical “facts” as expressed by respondents) and the concepts in the ovals depict the second-order themes (theoretical/analytical concepts as expressed by the researcher). The boxes in the center show the overarching dimensions, which emerged from the data. Thus, first-order categories are to be found on both sides of the figure. The left side represents technical and financial perspectives, where the data has been read and interpreted in an abductive way, whereas the right side illustrates first-order categories as implicitly expressed by respondents. Underlying feelings, attitudes and behaviors are presented here, and the data has been read and interpreted in an inductive way. (Van Maanen 1979).

In the beginning of the process of analyzing the data, I was primarily concerned with the categories, themes and dimensions connected to financial sources and the behavior to overcome financial barriers among the respondents. However, it gradually became apparent that the financial behavior and the way that the respondents related to different financial sources were embedded in the wider perspective of social capital, which turned out to look very different depending on whether the financial sources were to be found within informal structures or formal structures in society. Therefore, the figure is divided by a line, to illustrate that the social capital on micro level has a function and meaning for the female entrepreneurs, very different from the function and meaning of social capital on macro level, within formal structures.

FINANCIAL SOURCES AT INFORMAL LEVEL

The first part of the empirical findings concerns financial sources used by the female entrepreneurs at an informal level. This has been divided into three groups – the individual level, where the entrepreneur uses her own capital to finance the business, family level, where the entrepreneur uses financing or other resources based on family or relatives, and group level, where the entrepreneur uses friends, neighbors or business contacts to solve the need for finance or other resources. Data is group “level wise”, so that explicit and implicit interpretations are presented together, before moving on to the next level.

At individual level (1 & 2)

Many of the respondents confirm that a great part of the initial funding for the firm is based on their own savings. Private economy and business economy is often not separated, even if the woman is doing book keeping for the business. The most common sources at individual level are private savings from previous business or from previous employment, or that the woman has other incomes besides the business.

“I am also working as a teacher, but teacher’s salary is low.” (Elisa, 33)

“I use to do poultry farming. I have some cattle, people take the milk and give me around 10 000 at the end of the month”. (Philomena, 38)

A majority of the entrepreneurs express pride and independence when we discuss their driving forces for running business.

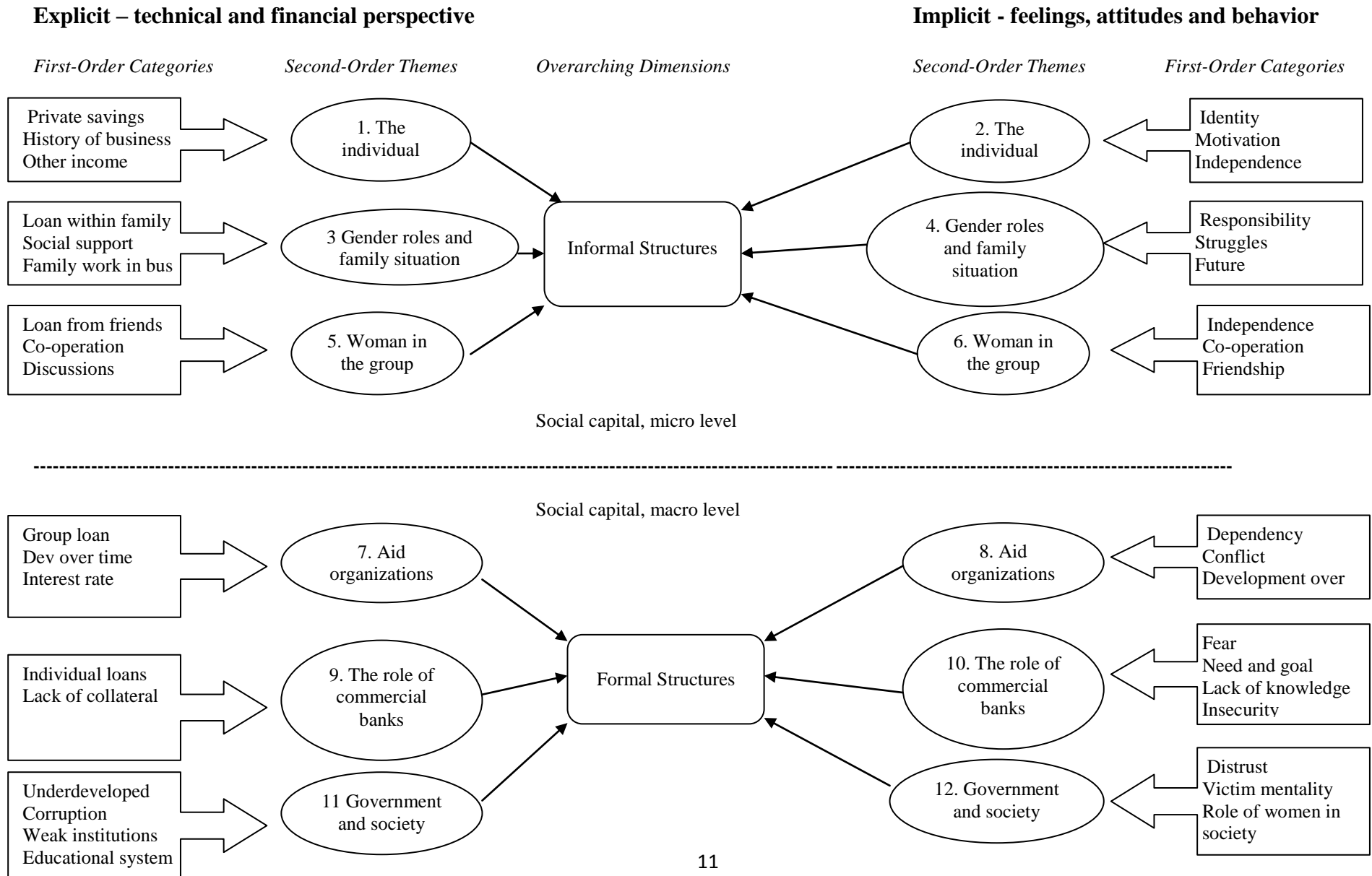
“The first things, I mean, you become independent, not dependant, you don’t depend on anything.” (Mariam, 39)

“You are free, you meet with the people.” (Elisa, 33)

Many have high ambitions of growing and expanding. They enjoy the freedom of being their own boss, but there are also feelings of loneliness and of being too exposed, as well as the struggle of poor health. The general impression is that they want the freedom of running their own business, but reality is also that there are often no alternatives if you want to get an income.

“I am not using this medicine [for HIV]. I use the traditional medicine. There is nobody to help me. In our country, it is very stigmatizing to be infected. Even at this place, if people knew that I am infected, it could be that no one would come, no costumers. So you keep it confidential. But it is a good thing to run the business, keeps you busy...” (Elisa, 33)

Figure 1: Data structure



The woman entrepreneur in relation to family and relatives (3 & 4)

In some cases, the husband or other family members support with capital for the start-up of the business, or support when there is a special need for additional capital. It is also quite common that family members help out in the business in practical ways.

“I use to discuss with my husband, and sometimes he supports me, when I go to get these, I mean, the equipment, or small things for the business. When the capital is a bit small, my husband tries to give me some more money, and he tries to give more thinking about how to run the business, sometimes...” (Angelina, 35)

“When I have got a problem with money from this business, sometimes I go to relatives to the family. I mean, you will find that they give me some money, yeah...” (Nmzero, 50)

Clearly, there are husbands and families who support and encourage. At the same time, many of the respondents are talking about problems because of their husbands, where physical abuse, alcoholism and lack of shared responsibility for the family of course also affect the ability to run a business in a successful way.

“After completing the course of being a teacher, my father died. And that’s when I was forced to be married. And I got married at that time. But my husband whom I was living with... I got many tortures with that husband. But I got six children with him. But when the tortures, I mean, when I got more tortures, I decided to get out. I separated from that man. And when I came out from that man, I went to my sister. That’s where my sister gave me an amount of money, 200 000, that’s where I started running the business.” (Sara, 47)

“But the problem – my husband is a drunkard man. To drink... He is a drunkard, so you will find that when more money is... you will find that we get more money here, but he don’t know how to use the money.” (Harieth, 39)

In the Tanzanian culture, the concept of the extended family is important, and most of the women have dependants. School fees for young relatives are a financial burden and relatives put expectations on the woman entrepreneur. Many respondents express frustration because of this.

“I used to save money from this business, but this year, I used the money which I saved to pay for school fees for my young sister. I used almost 1 700 000.[...] The bad things, when you are running your own business, I mean you can’t use your own money... because the relatives they are just looking at you, that you have something there, some money, what, so it is easily them to come with their problems, asking for assistance... And because they find you, you have something here, they saw people coming, costumers, they know that you have money, so sometimes you can find you, you use lot of money helping them...” (Angelina, 35)

The woman at group level (5 & 6)

Not many of the respondents co-operate with other business owners or other contacts in a strategic way. Only two say that they have taken a loan from a friend to be used as start-up capital. Some respondents co-operate in sharing business premises with other female entrepreneurs. The most common is that they discuss business related issues with each other. It is also common to save in SACCOS or ROSCAs, which requires both faithfulness and trust among the participants.

“When I have a problem, I use to turn to Mama Tomaini. When I go there, and tell her that I have this problem, maybe the capital is small, she uses to give me a loan and tell me after a certain time, just to return that money.” (Angelina, 35)

Even if the majority of the respondents do not co-operate in an organized way, they often mention the importance of friendship and trust towards other female entrepreneurs.

“There is an importance of having discussions, small discussions with those other women, because you will find that when you are discussing about something, maybe you need someone to give you an advice about how to run this business, maybe you get problems about your products, when you go to other women, you will find, they advice you.” (Mariam, 39)

“...they believe on me, and I believe on them. When I have got a problem concerning this business, I just go and ask them and they assist her.” (Fatima, 41)

However, trust towards a SACCOS or ROSCAs group can also get expensive:

“I have already saved in three different kinds of SACCOS, but all of these three stopped, not working. And the money... lost. Those SACCOS you will find, they are not continuing. It stops in a way that you not know. And you will find that you lost your money...” (Sara, 47)

“I am also saving in SACCOS, it is a SACCOS for helping women, UWT, women organization in Tanzania, so it’s called SACCOS UWT. But there are political issues, so you will find that, [...] sometimes, you don’t get the money at the right time. There are some complications, one way or the other.[...] And at home, we are just a few women, four, maybe ten... we get to help each other when we got some problem, if someone, I mean, someone dies, a close relative... I mean, everyone is just giving... we are just taking some money and helping this one. If someone is sick... yeah. But not to get the money, like ROSCAs, it is just helping to run the business.” (Rosie, 47)

FINANCIAL SOURCES AT FORMAL LEVEL

The second part of the empirical findings concerns financial sources used by the female entrepreneurs at a formal level. Just like the data on the informal level, this has been divided into three levels – MFIs and other aid organizations, commercial banks and finally the general level of society as a whole.

Loans from MFIs and other aid organizations (7 & 8)

The micro finance sector has played an important role in giving female entrepreneurs access to finance in Tanzania. It is usually the only capital available at a formal level. Even though micro finance gives these women access to capital, it goes with a lot of complications for many of them. The major problem is the function of group loans. Examples of MFIs in Tanzania are Pride, BRAC, FINCA, Vikoba, Presidential Fund and NMB. Only one respondent said that she got help from a non-Tanzanian NGO. The MFIs usually gives a small loan first, and when it is repaid, the woman can get an increased amount.

“I started with PRIDE in 1988. I started with 50 000. After that one, 50 000. Another loan of 300 000. Then 500 000. Then 1 million.” (Elisa, 33)

“It is just like a training, because they must have an exercise book and a pen, and they were trying to train them, I mean, how to take the money, how to go about, I mean, when you are doing this kind of business or that kind of business, how to run about the business.” (Philomena, 38)

The problem of micro loans is that the clients are organized in groups, where they are responsible for each other's repayments. This requires faithfulness and trust by everyone. Another problem is the frequency of repayment meetings.

“...the hard thing is that you have to be in a group of five, or something. And when you are in a group... when someone is not going to pay, you have to pay for her. And the difficulty is to repay per week. Every week you have to pay the money. That is where the difficulties come...” (Angelina, 35)

“Everyone should know your group, because if you don't know anyone, is a new one, when it will happened, she failed to repay, and you don't know where she is staying, it will be difficult to do follow-up with that person. So, every group, you must know each other, from the place where someone is living.” (Philomena, 38)

Many of the respondents express fear or insecurity towards the officials of the MFIs.

“I am afraid of going there and getting loans. I mean, if you go there and get loans, if you fail to repay, they will just come to take these freezers, so if they will take this, I can't run my own business.” (Nmzero, 50)

“They are listing everything you have. [...] In case you fail to repay, they are just coming, and sell those things which you have.” (Philomena, 38)

The role of the commercial banks (9 & 10)

Not one of the respondents has taken a loan at a commercial bank. However, many express that they are aiming at reaching commercial bank loan, since the commercial banks provide

bigger amounts and individual loans. The main obstacle is usually lack of collateral. Some express reluctance towards the bureaucracy.

“They want me to have a house [as collateral]. Those who accept this [business] as a collateral, they are the ones who only provide small amounts of loans. But banks, they ask for a house as collateral.” (Elisa, 33)

“I would like to get loans as myself. Not as a group. And the place where I can get loan as myself is maybe at bank. I tried to go to the bank, but I failed to get loans because I have no license.” (Dora, 45)

“The most challenging [...] is that there is bureaucracy, too long processes, and when you find that you have no one to assist you, maybe selling the products that are here...” (Mariam, 39)

As many as one out of three of the respondents express very clearly both insecurity and fear towards the commercial banks.

“I haven’t applied for any loans from bank, I am afraid, because they need to have title deeds of the house. I am afraid to get any loans from bank, because, I don’t know... if you get loans, you have to show collaterals, title deeds of the house, so, I don’t know, if I apply, if I will get it or not.” (Nmzero, 50)

“I am afraid from getting these loans. I have never... I did not get loans from any institutions or bank loan. First of all I am, I mean, I don’t dare going there, afraid.” (Harieth, 39)

Tanzanian businesswomen in relation to the government and society (11 & 12)

When discussing how female entrepreneurs relate to the society as a whole, and to the role of the government and other public institutions, almost all of them require the same things – access to better loans (individual loans with low interest) and education/business training for women. Only one says that she ever got support in running her business from a governmental institution. It is clear that these women still have many barriers to overcome.

“The government should just give those women who are running small business big loans with low interest, I can say. And then to give them seminars on how to run the business.” (Fatima, 41)

Some also discuss the role and status of women in society, where they see themselves as strong and capable, but at the same time undervalued in society. Women are the ones who take responsibility for the family, and are faithful towards financial institutions as well.

“These women, we can do something. For example, women they are the ones who are responsible for the family. And if we get good loans, we can run our business. And women are quite different from men. If you give women loans, they are faithful in returning the loan.

Quite different from men. When men get loans, you will find that if he fails to return, to repay, he runs away. But on our side, the majority of women, they are faithful in returning, in repaying, and not easy to run away. You find most of them, they have a family, so it is quite difficult to run from their family. And on the side of banks and other micro finance, you find the interest is big. It's high. So, I can advice, at least this interest to be, to give us loans in low interest.” (Grace, 45)

“...most women of Tanzania, who are running business, they are at least trying to fight for rights, I mean to run their business...” (Dora, 45)

Even though these women might be proud of their achievements, and express demands towards the authorities, they still have major respect for officials. One lady, who runs a guest house, talks about the consequences of not paying a certain tax:

“You will find that many other guesthouses, they are not paying it. But on my side, I am paying it, because I'm afraid, maybe they will just come and... Because sometimes, if someone is not paying, they will come and take you to the police...” (Grace, 45)

Results confirm that WEs 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 control-based and reliable, regulated financial institutions targeting female entrepreneurs.

A DYNAMIC PROCESS BETWEEN INFORMAL AND FORMAL CAPITAL

The most prevalent theme emerging from the interviews is that the women entrepreneurs on one hand express their striving for capital at more formal levels, but on the other hand express reasons for why they use capital at informal level. The way they relate to different financial sources can be seen as a process, where a number of push and pull factors affect the financial behavior among them. This process is illustrated in figure 2, where capital at informal level is found on the upper side, capital on formal level is found on the lower side and where the wavelike line in between represents the balance between the two sides. Differently expressed, this line represents the financial behavior among WEs and the arrows illustrates factors which affect their behavior. Some of these factors are explicitly expressed, whereas others are more implicit, based on attitudes and feelings. As expressed in the interviews, there are also reasons for many WEs to accept and enjoy the opportunities to get capital at informal level. Examples of this are trust, friendship and the joy of good relations to family members.

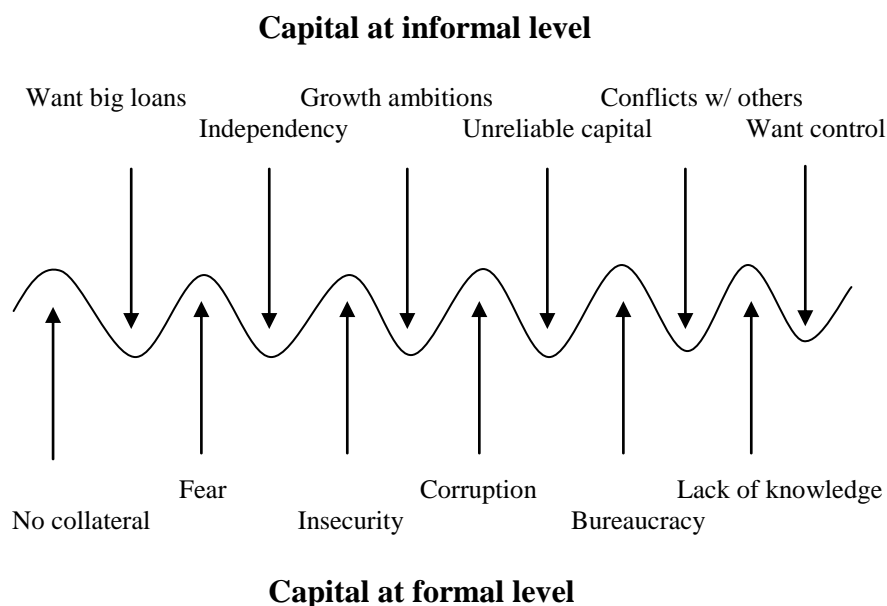


Figure 2: Financial behavior as a dynamic process

CONCLUDING DISCUSSION

Given that entrepreneurship is a key driving force for economic development, where women entrepreneurs participate and contribute significantly, it is of great urgency to lower financial and other barriers as much as possible. A number of actions have to take place simultaneously, where both informal and formal barriers need to be dealt with at highest political level.

Informal barriers are often deeply rooted in traditions, norms and values and might therefore be very complicated to remove. In regions where there are negative attitudes towards women as entrepreneurs, social marketing programs could bring about a change in the attitude among men towards their wives and daughters, to see them as independent individuals with their own rights. Campaigns also need to address attitudes at a community level, aiming at increasing the social status of women by showing female entrepreneurs as responsible parents and spouses, who can contribute economically to the family and to the society. Additionally, campaigns also need to encourage women to believe in themselves, and to believe in their ability to be entrepreneurs.

Only political decisions can bring change in the regulatory system, giving women equal rights to inherit and buy land and other property. As women get the right to own land, not only do they get an improved civil status, but they can also use the land as collateral for bank loans and thereby start or expand a business. In countries where legislation already gives women equal rights to inherit and own land, actions must be taken to ensure that legislation is implemented at local community level. When it comes to lack of access to capital, there has been a very quick growth of micro finance institutions, operating all over the world. Even though many of these specifically target women, lack of capital still severely limits the ability

for many women to start or expand a business. Especially the rural areas are in urgent need of financial services targeting women. Women's literacy and level of education is of course also a matter to be addressed by political reforms. Educational and training programs, specifically targeting girls and women are needed, and again – in places where legislation already states that girls have the same right to education as boys, it is important to follow up that this legislation is implemented at local community level.

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