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Article in *Current Research Journal of Social Sciences* · October 2015

DOI: 10.19026/crjss.7.1691

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## Resources and Benefits for Participation in Social Networks among Small Scale Women Entrepreneurs in Mwanza City, Tanzania

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**Abstract:** In recent decades, there has been a shift in entrepreneurship theory and practice from viewing entrepreneurs as 'independent' towards viewing them as 'interdependent' and rooted in social networks. This study discusses the resources and benefits for participating in social networks among small scale women entrepreneurs in Mwanza City in Tanzania. The specific objectives of the paper were to (i) identify the categories of social networks and groups of women entrepreneurs (ii) examine the resources needed for participation in social networks and groups and (iii) assess the benefits accrued from social networks and groups by small scale women entrepreneurs in the study area. The paper is based on empirical data collected from 194 small scale women entrepreneurs in Mkuyuni and Kirumba wards in Mwanza City, using a questionnaire survey, semi-structured interviews and documentary review. The study found that small scale women entrepreneurs are embedded in different types of social networks, which they rely on for their entrepreneurial activities. In order to become members and to actively participate in these networks and groups, women contributed different resources, including time, money and labour in expectation of reciprocity from other members. Such social networks and groups are important tools for women's entrepreneurial activities as they enhance their access to financial, human and social resources. While it is important to encourage and mobilize small scale women entrepreneurs to establish groups, such efforts should also take into consideration the costs and benefits for women's participation in the groups.

**Keywords:** Benefits, resources, social networks, women entrepreneurs

### INTRODUCTION

Women entrepreneurs are increasingly recognized across the world for their important contributions to their countries' economic well-being. Globally, it is estimated that women perform about 66% of the world's work and produce 50% of the food, yet earn only 10% of the income and own 1% of the property (World Bank, 2007). In developing countries, entrepreneurship has been recognized as a tool to fight against poverty as well as to strengthen the role of women and promote gender equality (Renzulli, 2000). In Tanzania, women constitute 51% of the total population representing a big proportion of the labour force (United Republic of Tanzania, 2013). Apart from their involvement in activities related to cash and food crops production, women also perform other numerous and vital productive and reproductive roles, including entrepreneurship to ensure the survival of their households and communities (Rutashobya, 2001). Most of the women income generating activities fall under informal sector, which is an important source of employment opportunities especially in urban and peri-urban areas (Chen, 2001). Statistics show that about

43% of micro and small enterprises in Tanzania are owned by women (ILO and ADB, 2004). However, as elsewhere, women's businesses tend to be smaller, have fewer employees and bleaker growth prospects than those owned and managed by their male counterparts (World Bank, 2007).

To address these constraints and gain access to the different resources required for their entrepreneurial activities, most women entrepreneurs tend to use social networks. Although defined differently by different authors in this study, social networks are conceptualised as the various types of formal and informal relations among individuals ranging from small informal groups based on kinship to formal organizations with membership criteria and constitutions established in order to achieve a common goal (Shane, 2003; Hisrich *et al.*, 2004). The literature on social capital shows that social networks and groups are important factors in the developmental process of entrepreneurial activities, because they are formed to respond to the rapid changing environments as well as to meet the skills and sustain the competitive position in the market (Lin, 2001; Shane, 2003; Hisrich *et al.*, 2004). It is argued that entrepreneurs are dependent on others in their

environment to gain access to resources such as information, capital, personnel, technology, raw materials and markets. Recently, there has been a shift in the literature from viewing entrepreneurs as 'independent' towards viewing them as 'interdependent' and rooted in social networks (Hoang and Antoncic, 2003). Research suggests that potential entrepreneurs not only discuss their ideas about starting new ventures with their family members, close friends and colleagues, but also receive emotional support in return (Bosma *et al.*, 2004; Manolova *et al.*, 2007). Such emotional support enhances the motivation, confidence and determination of entrepreneurs to build successful firms and increased entrepreneurial actions such as aggressive sales and marketing activities, risk taking and more rapid decisions making (Lin, 2001; Shane, 2003; Hisrich *et al.*, 2004).

When discussing the role of social networks on entrepreneurship, gender should also be considered as an important factor because men and women are embedded in different social networks, use social networks differently and in different frequencies (Shane, 2003; Gartner, 2004; Aldrich and Zimmer, 2006). The literature shows that women social networks are historically not strong as men's but they differ in both composition and characteristics (Renzulli, 2000; Ozgen and Baron, 2007). Studies have found that women business owners tend to include more kin and less non-family members in their business discussion networks than men whereas men's networks comprise of fewer family ties and more co-workers (Renzulli *et al.*, 2000; Batjargal *et al.*, 2009). Women's networks are, therefore, more homogenous than those of their male counterparts (Global Entrepreneurship Monitor, 2007). Such gender differences have been interpreted to pose a disadvantage for women in the business world.

As in many other developing countries, women entrepreneurs in Tanzania have tended to rely on social networks for their entrepreneurial activities. Rutashobya (2001), for example, examined the effects of interpersonal network differences between male and female entrepreneurs and their effects on entrepreneurial outcomes in Dar es Salaam. Hisrich *et al.* (2004) analyzed how human capital variables contribute to the creation and performance of women owned businesses. In another study, Mehta and Semali (2009) describe the primacy of trust in the social networks and livelihoods of rural women engaged in agro-entrepreneurial activities in Arusha. However, few studies have focused on the resources and benefits for participating in the social networks especially among small scale women entrepreneurs.

The present paper, therefore, aims at bridging this gap by examining the resources and benefits for participating in social networks among small scale women entrepreneurs in Mkuyuni and Butimba wards in Mwanza City. The specific objectives of this study were to:

- Identify the categories of social networks and groups of small scale women entrepreneurs
- Examine the resources needed for participation in social networks and groups and
- Assess the benefits accrued from social networks and groups by women entrepreneurs.

The paper contributes to entrepreneurship theory from social capital and gender perspectives by providing empirical evidence to explain the resources and benefits of social networks in women's entrepreneurial activities. In part, the paper also draws on the resource-based theory of entrepreneurship, which stresses the importance of the financial, social and human resources as important predictors of opportunity based entrepreneurship and new venture growth (Davidsson and Honig, 2003; Busenitz *et al.*, 2007), but with an emphasis on the 'social' resources, which have tended to receive less attention in most studies.

## STUDY AREA AND METHODOLOGY

The present paper is based on an empirical study that was conducted among women entrepreneurs in Mkuyuni and Butimba wards in Mwanza City. The area was selected due to the presence of many women who are engaged in different entrepreneurial activities and the presence of social networks like Savings and Credit Cooperative Societies (SACCOS), village community banks (VICOBA) and other networks. The major focus of the study was women entrepreneurs especially food vendors, fish traders, tailors, restaurant owners and hair dressing saloon owners. A cross sectional design that involved collecting data at a single point in time was used in this study.

Both primary and secondary data of quantitative and qualitative nature were collected. Primary data were collected from small scale women entrepreneurs. Secondary data were collected from the literature and leaders of women social networks, ward leaders and street leaders in the study area. A survey entailed interviewing small scale women entrepreneurs in their business areas using a structured questionnaire with both closed and open-ended questions was conducted. In addition, semi-structured interviews were held with key informants including women groups' leaders and ward leaders using a checklist.

In this study, the sample size (n) was estimated using a formula  $\left( Z_{\alpha/2} \right)^2 p (1-p)/d^2$  as described by Fisher *et al.* (1991), where,  $Z_{\alpha/2} = 1.96$ ,  $p$  = probability of finding women entrepreneurs participating in the social networks and  $d$  = maximum error. Since  $p$  was not known for the study population, its value was assumed to be 50% as it ensures maximum sample size. By assuming a maximum error of 10% and design

effect of 2, the estimated sample was 194 women. Women entrepreneurs were obtained through simple random sampling technique whereas purposive sampling was employed to select the key informants. Assessment of the benefits accrued from social networks and groups was performed using a 3-point Likert scale questions (1 = not at all, 2 = to a small extent, 3 = to a large extent). These questions were aimed at exploring respondents' views and perspectives on how they were or had benefited from their participation in the social networks and groups. The survey data were analysed for descriptive statistics such as frequencies, means and bivariate correlation. Qualitative data were subjected to qualitative content analysis so as to interpret and construct meanings from the text.

## RESULTS AND DISCUSSION

**Categories of social networks used by small scale women entrepreneurs:** The first objective of this study aimed at identifying the categories of social networks used by small scale women entrepreneurs in the study area. This was operationalized in terms of the type, number and composition of social networks women entrepreneurs belonged to. It was found that close to two-thirds of the respondents (63.4%) belonged into business groups. Different types of groups in which women were members are presented in Table 1. These include religious groups (18.6%), financial groups (15.5%) and ethnic based groups (12.9%). Other women were members of the production groups (2.6%) and co-workers' groups (0.5%). About seven in ten women belonged into one group (69.6%), 28.3% had membership in two groups and very few (2.0%) had membership in three groups. The average number of groups per woman was 1.3, similar to what was observed by Masanyiwa *et al.* (2014) in Kondo and Kongwa districts in Tanzania. This confirms the findings by Ozgen (2007) that women find few networking opportunities partly because most of them perceive networking as a burden.

The number of groups one belonged to was positively correlated with the duration of stay in the area ( $r = 0.392, p < 0.01$ ), type of business one was engaged in ( $r = 0.166, p < 0.05$ ) and the duration one had been a member of social networks and groups ( $r = 0.182, p < 0.05$ ). Although most respondents had few social networks and groups, the study also found that women stay longer in social networks. On average, respondents had been members of social networks and groups for 5.9 years. The majority of women were members of social networks and groups for 3 to 5 years (43.3%), followed by 6 to 10 years (40.2%) and over ten years (3.6%). It is presumed that women stayed longer in these social networks and groups because of

Table 1: Composition, type of groups and relationship among women entrepreneurs (n = 194)

Variable	Categories	Frequency	%
Gender	Women only	179	93.0
	Both men and women	15	7.7
Type of group	Religious group	36	18.6
	Financial group	30	15.5
	Ethnic based group	25	12.9
	Production group	5	2.6
	Co-workers' group	1	0.5
	Relationship	Relatives only	12
Relationship	Close friends only	18	9.3
	Neighbors only	28	14.4
	Mixed members	36	18.6
	Same ethnic group	12	6.2
	Same religion	37	19.1
	Same type of business	51	26.3

the benefits accrued from them, as will be discussed later in this study.

The findings in Table 1 also show that an overwhelming majority of the respondents belonged into groups with women only (93%), indicating that most of the social networks and groups were homogeneous in terms of their gender composition. This could possibly be explained by the psychological boundaries between men and women that have been created by gender based power differences, thus, making it easier for small scale women entrepreneurs to share experiences with fellow women (Renzulli, 2000). In terms of relationship, many women were members of groups composed of people with the same type of business (26.3%), followed by same religion (19.1%), mixed members (18.6%) and neighbours (14.4%) meaning that the networks and groups were heterogeneous in that respect. Renzulli (2000) views heterogeneous networks as crucial in compensating for an individual's biased or incomplete perceptions. In this study, a large majority of respondents indicated to be actively participating in the social networks (87.1%) and about one-tenth (9.8%) were group leaders. Indeed, as others have noted, an individual's decision to participate in social networks and groups entails costs in terms of time and resources needed to contribute to the group (Molyneux, 2002; Cleaver, 2005) and is linked to the potential benefits that derive from them (Nombo, 2007). Thus, it was important to examine the resources and benefits accrued from participating in the social networks and groups. These aspects are discussed in the following sub-sections.

**Resources for participation in social networks:** Time and money were the two most important resources that all respondents contributed to their respective social networks and groups. The majority of the respondents (60.8%) used between 3 to 5 h per week on group activities. On average, respondents spent 2.7 h per week on group activities, including group meetings. Weekly monetary contributions ranged from TZS 4,000 to 30,000 with an average of TZS 14, 447 (1USD≈1800TZS).

Table 2: Distribution of respondents by resources contributed to social networks (n = 194)

Variable	Categories	Frequency	%
Time	1-2 h	76	39.2
	3-5 h	118	60.8
Money	Less than TZS 5000	44	22.7
	TZS 5000-10000	51	26.3
	More than TZS 10000	99	51.0
Other resources	Labour	28	14.4
	Cooking utensils	41	21.1
	Involvement in social events	95	48.9

Table 3: Distribution of respondents by benefits obtained from social networks (n = 194)

Variable	Ranking			Mean score
	Not at all	To a small extent	To a large extent	
Capital for business	0 (0)	19 (9.8)	175 (90.2)	2.9
Business and market information	5 (2.6)	29 (14.9)	160 (82.5)	2.8
Training/education for entrepreneurship	20 (10.3)	45 (23.2)	129 (66.5)	2.6
Opportunity recognition for business	24 (12.4)	92 (47.4)	78 (40.2)	2.3
Mentoring on entrepreneurship from peers	20 (10.3)	78 (40.2)	96 (49.5)	2.4
Credit or savings	3 (1.5)	3 (1.5)	188 (96.5)	2.9
School requirements for children	0 (0)	17 (8.8)	177 (91.2)	2.9
Money to pay for water services	1 (0.5)	18 (9.3)	175 (90.2)	2.9
Money to pay for energy	1 (0.5)	20 (10.3)	173 (89.2)	2.9
Money to pay food	0 (0)	22 (11.3)	172 (88.7)	2.9
Clothes	3 (1.5)	27 (13.9)	164 (85.4)	2.8
Money to pay for house rent	19 (9.8)	87 (44.8)	88 (45.4)	2.4
Money for buy land	21 (10.8)	88 (45.4)	85 (43.8)	2.3
Money to invest in other business	11 (5.7)	40 (20.6)	143 (73.7)	2.7
Overall mean				2.7

Figures in parenthesis are percentages

More than half of the respondents (51%) paid more than TZS 10,000 per week (Table 2). Other resources that members contributed to their groups were labour (14.4%), cooking utensils (21.1%) and involvement in social events of other members like funerals and weddings (48.9%). Although involvement in social events was not mandatory, members were expected to provide both moral and material support to other members' social events. In this regard, we found that expectations of reciprocity in interpersonal relationship were high.

This mirrors Molyneux's (2002) observation that female networks rely more frequently on time and other labour exchanges that can be accommodated within the gender division of labour. A study by Cleaver (2005) in the Usangu Basins in Tanzania arrived at more or less similar conclusions that female networks are often heavily dependent on investments in time and efforts to secure very limited resources. This means that the 'right' ways of participating in social networks and groups may place heavy burdens on some people, especially those who cannot afford these contributions (Masanyiwa *et al.*, 2014). Thus, women's participation in the social networks and groups should not be assumed to be cost free. The cost benefit analysis for participation in social networks and groups should, thus, take into account the direct and indirect costs members contribute to these networks.

**Benefits accrued from social networks:** Benefits of social networks are presented in Table 3. Results from a

3-point Likert scale shows that the overall mean score was 2.7, which could be interpreted that most respondents scored 'large extent' on most items. A large majority of respondents indicated to have had benefited from the social networks and groups to 'a large extent' by obtaining credit and savings (96.5%), capital for their businesses (90.2%) and access to business and market related information (82.5%). In turn, this enabled women entrepreneurs to meet the basic needs such as water services, energy, food, school requirements for their children and clothing. It was established from the key informant interviews that most of social networks and groups had some savings and credit schemes in form of village community banks or rotating savings and credit schemes. Other groups obtained loans from financial institutions and NGOs that supported women entrepreneurs through their groups. Thus, these social networks and groups provided opportunities for women entrepreneurs to access financial services in form of savings, credit, loans and grants that helped them to improve their entrepreneurial activities and contribute to meeting their basic needs. This contradicts the observation by Molyneux (2002) that women do not usually belong to the kinds of networks that bring economic advantage.

Further, a substantial proportion of respondents scored 'to a large extent' on training and capacity building on entrepreneurship (66.5%), mentorship on entrepreneurship from peers (49.5%) and opportunity recognition for business (40.2%). This implies that by virtue of being members and participating in the social

networks and groups, small scale women entrepreneurs gained different knowledge and skills from peers and experts in business skills, financial management and opportunity recognition. This is partly because the degree of recognition on entrepreneurial opportunities hinges on access to information and differences in network composition which increases access to knowledge required to discern attractive opportunities for new ventures or discovery of an entirely new means of creating value or new class of products (Renzulli, 2000). In her study, Rutashobya (2011) showed that social networks increase the profitability of entrepreneurs by increasing their sales and leading to growth in profit as a result of getting connected to more customers.

### CONCLUSION

The overall conclusion emerging from this study is that small scale women entrepreneurs in the study area are embedded in different types of social networks, which they rely on for their entrepreneurial activities. The study has shown that membership and participation in social networks and groups are important tools for women's entrepreneurial activities as they enhance their access to financial, human and social resources. However, membership and participation in the social networks and groups also entails some costs in terms of time, financial and other resources they contribute to the groups and networks. Thus, any efforts to mobilize women entrepreneurs to establish groups, as has been the practice of most development practitioners in recent decades, should take into consideration the costs and benefits for women's participation in the groups.

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