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# Social capital of entrepreneurs in a developing country: The effect of gender on access to and requests for resources

Giacomo Solano*, Gerrit Rooks

*School of Innovation Sciences, Eindhoven University of Technology, P.O. Box 513, 5600 MB, Eindhoven, The Netherlands*

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ABSTRACT

This paper addresses gender differences in the social capital of entrepreneurs in a developing country. Social networks are often an important asset for accessing resources; however, they may also be a liability in developing countries, since entrepreneurs are often expected to support their contacts. Using a recent survey among urban and rural Ugandan entrepreneurs, we focus on the financial resources that entrepreneurs can obtain from their contacts on the one hand, and requests for financial support made to the entrepreneurs from these contacts on the other hand. Our results show that there are gender differences associated with access to, and requests for, financial resources.


## 1. Introduction

Female entrepreneurship in developing countries is increasingly receiving attention from scholars and policy makers (Minniti and Naudé, 2010; Lindvert et al., 2017). Female entrepreneurs can make significant contributions to innovation and economic growth in developing countries (Brush and Cooper, 2012; de Bruin et al., 2007; Welter et al., 2007). However, female entrepreneurs are still an 'untapped source' of growth (Vossenberg, 2013), given that they face many barriers related to their gender, and this prevents them from reaching their full potential (Jamali, 2009; Lindvert et al., 2017; Yetim, 2008). Notwithstanding the increasing attention and policy initiatives, and despite the importance of female entrepreneurship for developing countries, there is still a significant gender gap when it comes to entrepreneurship in developing countries (Vossenberg, 2013). Businesses owned by women are generally more likely to under-perform or fail, due to formal and informal obstacles (Roomi and Parrott, 2008; Vossenberg, 2016a,b).

One possible reason for this gender gap is the difference between the social networks of male and female entrepreneurs in developing countries (Jamali, 2009; Lindvert et al., 2017). Researchers have long since acknowledged that entrepreneurial activity is embedded in network relationships (Dubini and Aldrich, 1991; Hoang and Antoncic, 2003). There is consensus that networks of personal relations are an important asset that determines the success of a business, hence entrepreneurial networks are often said to constitute a form of social capital (Stam et al., 2014).

In general, it has been noted that the type and amount of support that women can obtain from their networks differs from what men can obtain (van Emmerik, 2006). There is a lack of systematic evidence on the differences between male and female entrepreneurs in their social capital in developing countries (Al-Dajani et al., 2015; Mair et al., 2012; Lindvert et al., 2017; Myroniuk, 2016). As underlined by Lindvert et al. (2017, 759), "recent works have increasingly questioned whether theoretical frameworks on social capital from mature economic contexts apply to women entrepreneurs in developing country contexts, where religious and cultural norms could be a prominent hindrance in leveraging social capital".

Moreover, most research regarding networks of entrepreneurs predominantly focuses on the positive outcomes of networks in developing countries, namely the resources that an entrepreneur can get from his/her contacts (Boso et al., 2013; Berrou and Combarnous, 2011, 2012; Bruton et al., 2007; Fafchamps, 2001; Fafchamps and Minten, 1999, 2002; Fafchamps and Quinn, 2016). The downsides of social networks both in developing and developed countries have received less attention in the literature, although various negative aspects derived from social networks have been mentioned on occasion (Barr, 2002; Deguilhem et al., 2017; Nordman, 2016; Nordman and Pasquier-Doumer, 2015; O'Brien, 2012; Portes, 1998). Anecdotal evidence, early anthropological research (Hunter, 1962; Khalaf and Shwayri, 1966) and a few recent studies (Alby et al., 2014; Grimm et al., 2013) suggest that excessive claims on entrepreneurs is an important issue in developing countries, and this is linked to a scarcity of resources (Comola, 2016). Successful entrepreneurs face distributive obligations. Once a business becomes successful and generates profit, further growth

* Corresponding author.
*E-mail addresses:* giacomo.solano@gmail.com (G. Solano), g.rooks@tue.nl (G. Rooks).

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may be hindered because entrepreneurs are expected to support relatives, friends, and community members. However, systematic research into the downsides of networks in developing countries is scarce, especially with regard to the Sub-Saharan African context (see Rooks et al., 2016).

In this article we compare female and male entrepreneurs in terms of both the benefits they can get from their contacts (access to resources), and the claims they might receive from these contacts (requests for resources). In other words, we focus on access to, and requests for, resources via the entrepreneurs' contacts (i.e., their social capital). We focus on financial resources in particular.

In developing countries, where the financial and legal systems are still underdeveloped, financial resources are a critical issue for entrepreneurs (Beck and Demirguc-Kunt, 2006; Cook, 2001). Siba's (2016) elaboration on World Development Indicators (WDI) showed that this issue is even more critical in sub-Saharan Africa, where the formal borrowing rate is lower compared to other developing areas (e.g. Latin America and East Asia). Previous studies underlined that there are differences between men and women in terms of accessing financial capital (Amine and Staub, 2009; Fletschner, 2009; Makena et al., 2014; Malmström et al., 2017; Marlow and Patton, 2005; Mwobobia, 2012; Lindvert et al., 2017; Siba, 2016). By and large, women (entrepreneurs) have more difficulty getting formal financial support (e.g., loans) than men (entrepreneurs). Figures from the International Finance Corporation report (IFC, 2013) estimated that 63–69% of businesses owned by a woman are unserved or underserved by financial institutions in developing countries. Women are less likely than men to have a bank account and to borrow formally (Demirgüc-Kunt et al., 2015; Siba, 2016, Zins and Weill, 2016). This is linked with (formal and non-formal) collateral requirements. For example, studies in Kenya (Makena et al., 2014; Mwobobia, 2012) highlight that, although formally men and women can access loans equally, in practice, women face more difficulties when trying to access credit, as traditional beliefs and gender roles continue to influence resource allocation. As a consequence, women do not have the assets that banks normally require to secure credit (Makena et al., 2014). In addition, women often lack the pieces of information required to get loans (Vossenberg, 2016a,b) For example, Fletschner and Mesbah (2011) found that Paraguayan wives were less likely to have knowledge of financial markets and institutions than their husbands. Finally, as noted by Vossenberg (2016, 15), "women entrepreneurs often (. . .) may face discriminatory practices, such as banking clerks questioning the legitimacy and ability of women entrepreneurs to grow a business when asking for a loan". Given this, the difference between male and female entrepreneurs in the role of social networks when it comes to financial resources seems particularly important.

The aim of this article is to empirically investigate gender differences in the formation of networks of support and requests in relation to small business activities in a developing country, namely Uganda (East Africa). We conducted a large-scale survey in two regions: an urban area (the country capital, Kampala) and Nakaseke (a more rural area in Central Uganda). This allowed us to compare gender differences in networks between a more traditional, collectivistic context (the rural area) and a more modern, individualistic context (the urban area). Indeed, as noticed by Vossenberg (2013), the context in which the entrepreneur is embedded is particularly important when it comes to gender dynamics.

## 2. Theory

### 2.1. Social capital and access to/requests for resources

Social capital is a broad concept with many different interpretations (for reviews, see: Lin, 2001; Adler and Kwon, 2002; Akçomak and ter Weel, 2009). In this article we draw upon Portes (1998), who defined social capital as the "ability of actors to secure benefits by virtue of membership in social networks" (Portes, 1998, 6). Entrepreneurs – in developed and developing countries – can obtain various resources from their social connections, such as: information, finances and emotional support (see for example; Greve and Salaff, 2003; Hoang and Antoncic, 2003). However, as noted by Portes (1998), the creation of, and participation in, social networks is not cost-free.[1] While entrepreneurs may gain access to resources from contacts, conversely those relations may also involve costs, and the entrepreneurs' contacts may in turn try to obtain resources from them.

In this paper we adopt Portes' (1998, 8) double-edged view[2] that social capital entails both "network-mediated benefits" – namely, the resources that a person can obtain from his/her contacts – and "claims on group members" – namely, the resources that a person may be 'forced' to give to his/her contacts –. We therefore distinguish between access to resources through social contacts and requests for resources on the part of these contacts.

As already illustrated in the introduction, we focus on financial support for two main reasons. First, financial issues and, in particular access to financial resources, is critical when it comes to running a business, especially in developing countries where resources are limited (Beck and Demirguc-Kunt, 2006). Second, previous literature has underlined that there is a gender dimension in access to financial resources (Marlow and Patton 2005; Lindvert et al., 2017; Vossenberg, 2016a,b).

### 2.2. Gender differences in social capital

The existing literature has repeatedly suggested that male and female entrepreneurial networks differ in terms of their composition and structure (Agneessens et al., 2006; Aidis et al., 2007; Bastani, 2007; Moore, 1990; Myroniuk, 2016; Liebler and Sandefur, 2002; van Emmerik, 2006). In her pioneering article on determinants of men's and women's personal networks in the US, Moore (1990) found dissimilarities between men and women: whereas men discuss personal matters with a wider range of contacts (co-workers, friends, relatives, etc.), women are more likely to discuss them with relatives and neighbourhood friends, and have closer, and more homogeneous contacts in their personal-advice networks.

Less is known about the differences between male and female entrepreneurs when it comes to the resources they can obtain from their networks (Ahl, 2006; Foss, 2010). In one of the few articles addressing this topic, van Emmerik (2006) found that men were more able to access job-related resources through their contacts than were women.

#### 2.2.1. Gender (ego level)

Gender roles are influenced by cultural context, which shapes expectations and relations between men and women (Acker, 1992; Baughn et al., 2006). In more traditional societies, gender roles cause men – entrepreneurs and non-entrepreneurs – to take on the responsibility of providing financial support for their 'group' (Farré, 2013; Jamali, 2009; Risman and Davis, 2013).

[1] Portes (1998, 5) provided a clear example to explain his view: "Saying, for example, that student A has social capital because he obtained access to a large tuition loan from his kin and that student B does not because she failed to do so neglects the possibility that B's kin network is equally or more motivated to come to her aid but simply lacks the means to do so. Defining social capital as equivalent to the resources thus obtained is tantamount to saying that the successful succeed".

[2] We took the expression 'double-edge view of social capital' from Lindvert et al. (2017).