

CHAPTER 1

INTRODUCTION

1.1 BACKGROUND AND CONTEXT

Small-scale rural non-farm enterprises are an important part of the rural economy of the sub-Saharan Africa region. Recent studies in development economics show that income streams from on-farm enterprises alone cannot sustain the livelihood needs of the region's rural population (Haggblade *et al.*, 1989; Lanjouw & Feder, 2001; Davis, 2003). However, such studies have discovered robust forward and backward production linkages between non-farm and on-farm enterprises (Haggblade *et al.*, 1989 and Ngqangweni, 2000). Consequently, in the past decade, significant investments have been directed into both on-farm and non-farm small-scale enterprise development programmes as a strategic economic growth lever for the region (Bolnick, 2003; USAID Initiative for Southern Africa, 1998; Akweskie, 2007). The small-scale enterprise sector's major advantage is that it requires relatively small amounts of start-up capital to create diverse economic options for the region.

Recent studies carried out in the region support this pro-small-scale non-farm enterprise development strategy. McPherson (1998) estimates that in a significant number of sub-Saharan African countries small-scale enterprises employ between 16% and 33% of the working-age population. McDade & Spring (2005) also estimate that between 20% and 40% of the total Gross Domestic Product of several African countries can be attributed to the activities of small-scale entrepreneurs, who also contribute between 40% and 60% of the non-agricultural Gross Domestic Product. Perks (2004) quotes Van Aardt & Van Aardt (1997:1), who have established that more than 80% of all businesses in South Africa can be described as small to medium-sized enterprises, accounting for about 40% of the country's economic activity, creating 80% of all new job opportunities and employing about 70% of the working population.

The New Economic Partnership for Africa's Development (NEPAD) and the African Renaissance programmes advocate a paradigm shift in the strategies used by economic development institutions to boost the region's small-scale enterprises (see Makgoba, 1999; Mbeki, 2002). Consequently, small-scale enterprises have come to assume a strategic position in the economic development programmes of sub-Saharan Africa (see de Klerk & Havenga, undated; USAID Initiative for Southern Africa, 1998; Mitchell & Co, 2004; Spring, 2005; McDade & Akweskie, 2007). As regards Zimbabwe's economy, Kapoor *et al.* (1997) established that small-scale enterprises employed 30% more people than medium and large-scale enterprises.

Consequently, small-scale enterprises are considered a strategic option for poverty alleviation in the country.

Running parallel to this shift in understanding, from the 1970s onwards, has been a renewed interest in social capital theory. This is based on the general assumption that entrepreneurial activities, like any other socio-economic phenomenon, are heavily embedded in their social environments (Granovetter, 1973; Granovetter, 1985; Putnam, 1995; Temple & Johnson, 1998; Johannesson *et al.*, 2002; Mitchell & Co, 2004; Granovetter, 2005). The works of Coleman (1988) and Putnam (1993) are widely quoted as having been instrumental in this renewed interest in social capital in economic development. Since the publication in 1993 of Putnam's thesis, "Making Democracy Work", there has been a great deal of research on how the social environment affects entrepreneurs (Granovetter, 1985; Fafchamps, 1997; Anderson & Jack, 2002; Fafchamps, 2001; Johannesson *et al.*, 2002; Fafchamps, 2004; Udry & Conley 2004). Present studies show that social capital has beneficial and positive economic outcomes for entrepreneurs, and that it is comparable to other forms of capital.

Barr (2000) established that social capital, in the form of social networks between small-scale manufacturing enterprises in Ghana, enhances economic performance by facilitating the flow and diffusion of transaction-cost-reducing technical information. Fafchamps (1997, 2001 and 2004) also established that social networks are important sources of information for urban small-scale entrepreneurs in sub-Saharan Africa in mitigating transaction costs of obtaining credit from formal financial markets. Similarly, Green & Changanti (2004), Fredrick & Henry (2004), Kristiansen (2004) and Sequeira & Rasheed (2004) established that minority Asian ethnic groups in the United States of America rely on their social networks for pertinent information when starting enterprises.

Studies on social networks and economic development nexuses have associated the level of social networks with the ability of entrepreneurs to combine information and resources from inside and outside their locale for the purpose of achieving economic goals. Social networks have been established to be sources of useful information on technology adaptation by smallholder farmers; sources of start-up capital for urban-based enterprises; and on increased access to markets by small-scale farmers, by among others, Granovetter (1973), Granovetter, (1985), Burt (1992), Fafchamps (1997, Barr (2000), Adger (2001), Fafchamps, (2001), Fafchamps (2004), Granovetter (2005) and Obstfeld, (2005).

1.2 RESEARCH GAP

However, while resources have been and will continue to be invested in small-scale enterprise development programmes (USAID Initiative for Southern Africa, 1998; Bolnick, 2003; Akwesie, 2007), very little is known about the role of social networks in the various stages of small-scale non-farm enterprise development in Zimbabwe. Rural non-farm enterprises operate in a setting where there is little in the way of support services from government, poor infrastructure, and lack of access to formal microfinance markets. Such settings preclude them from accessing formal sources of capital and other needed resources. Studies on social networks and economic development nexuses have mainly concentrated on definitional aspects of social networks in general (Routledge & Amsberg, 2002; Griman, 2003; Christensen & Knudsen, 2004; Rogerson, 2004; Sabatini, 2006), with little effort being directed at investigating the role of social networks in non-farm enterprise development.

Whereas recent investigations have established how on-farm and urban-based small-scale entrepreneurs use their social networks to improve their operations (Fafchamps 1997, 2004), can the same conclusions be drawn with regards to non-farm entrepreneurs? This question is crucial, given that small-scale rural non-farm enterprises are a critical component of Zimbabwe's rural economic environment, and the observation that social networks facilitate economic performance (North, 1992; Temple & Johnson, 1998, Whiteley, 2000). In fact, as was also noted by Duke *et al.* (2005), the social networks concept will have more relevance to rural economic development if more empirical studies demonstrate its essential role in small-scale enterprise development.

In an extensive study of on-farm and urban-based small-scale entrepreneurs in sub-Saharan Africa, Fafchamps (1997) established that small-scale entrepreneurs depend mainly on their “weak” social networks to get access to trade credit, which they would not otherwise obtain through existing formal credit lines. The same author established that such social networks make useful information available to mitigate the transaction costs encountered by entrepreneurs when trying to access better markets (Fafchamps, 2001 and 2004). The argument is that entrepreneurs with more extensive “weak” ties are better informed about where to market their products and who to do business with, at a lower cost. However, whether the same can be said with respect to rural non-farm entrepreneurs is yet to be established given that they operate in an environment that lack support services such as adequate infrastructure, access to banks and they cannot use their properties as collateral security.

Furthermore, most previous studies of social networks and economic development treated entrepreneurs as being uniform, despite inherent socio-economic disparities between male and female entrepreneurs and between the urban and rural economic environments, which are the factors most likely to differentially influence economic development. Some studies have established certain important dynamics differentiating entrepreneurs on the basis of minority racial groups (Kristiansen & Ryan, 2002; Green & Changanti, 2004; Fredrick & Henry, 2004; Kristiansen, 2004; Mitchell, 2004; Mitchell & Co, 2004 and Sequeira & Rasheed, 2004). In addition, few studies investigate the gender dimension of social capital, particularly for rural non-farm entrepreneurial activities in Zimbabwe.

1.3 JUSTIFICATION AND MOTIVATION

It is generally agreed that small-scale enterprises in developing nations play the dual role of being a major contributor to job creation and in bringing rural populations into the mainstream economy. This is particularly so given prevailing problems of diseconomies of scale faced by large industries in both developing and developed nations. More benefits from small-scale enterprises could be realised if the structural constraints hindering many enterprises in surviving beyond their first year of establishment are addressed (Bollingtoft & Ulhoi, 2005).

A survey of most pre-2000 literature on social networks shows that most researchers concentrated on its conceptual aspects, especially its definition (Fukuyama, 2000). The bulk of literature on economic development and social networks nexuses in sub-Saharan Africa dwells on the activities of urban-based, medium to large-scale enterprises (see Fafchamps, 1997; Barr, 2000; Fafchamps, 2001; Fafchamps, 2004; Mitchell, 2004; and Mitchell & Co, 2004). Some researchers however, have detailed the use of social networks by farm-based enterprises (see Isham, 1998; Katungi, 2006), and the structural nature of social networks and household welfare (Maluccio, *et al.*, 1999; Haddad & Maluccio, 2002). However, there is growing evidence that rural households diversify their livelihoods between farm and non-farm activities (Haggblade *et al.*, 1989; Ngqangweni, 1999; Barrett *et al.*, 2001). This motivates a need for research on social networks and its gender dimensions, across a broad spectrum of small-scale rural non-farm enterprises.

Admittedly, some progress has been made to demonstrate the positive relationship between social networks and economic development. However, further research to comprehensively detail the social networks and rural non-farm enterprise development nexuses is needed to direct future rural economic development and poverty-reduction strategies in sub-Saharan African countries. Baliamoune-Lutz (2005), using cross-country panel data collected in 39 African countries,

established robust linkages between social networks and the income streams of entrepreneurs. However, given the context specificity of social networks, insights from the multi-national level need to be corroborated by context-specific research that can be used for policy recommendations.

1.4 OBJECTIVES OF THE STUDY

The aim of this study is to investigate the role played by the social networks that rural non-farm entrepreneurs maintain with others (kinship, social groups, membership of organisations and links and contacts maintained with individuals and other entrepreneurs) and under what situations these are used for mutual assistance at various stages of rural non-farm enterprise development in Zimbabwe. The specific objectives of this study are to establish:

- The role of social networks – kinship, social groups, membership in organisations and links and contacts maintained with individuals and other entrepreneurs – in the various stages of rural non-farm enterprise development;
- The role of social networks – kinship, and links and contacts maintained with workers – in achieving economic goals within the enterprises;
- The most important aspects of social networks used by rural non-farm entrepreneurs during the various stages of enterprise development and then to suggest possible policy implications for small-scale rural non-farm enterprise development strategy.

1.5 HYPOTHESES

Since the literature shows that social capital is a multi-dimensional concept measured by many proxies, this study selected for social networks as a broad proxy for social capital since it easier to measure. For that reason, in this study, social networks in the form of kinship, social groups, membership of organisations and links and contacts maintained with individuals and other entrepreneurs were used as a measure of social capital.

The setting in which rural non-farm entrepreneurs operate is unique in the sense that they lack support services from government such as adequate infrastructure, access to banks and use of their buildings or assets as collateral security. This therefore a potential institutional and market failure scenario and differentiates the small-scale rural non-farm enterprises' operations from their urban-based counterparts and leads to the following hypotheses.

Hypothesis one: In order to establish and develop an enterprise, an entrepreneur needs among others, more information about business viability and markets, financial capital and reliable

employees. Rural-non-farm entrepreneurs rely on mutual assistance from their social networks (kinship, social groups, membership of organisations and links and contacts maintained with individuals and other entrepreneurs) for enterprise establishment and expansion. This will be tested in chapter 5 using data on social networks and relational ties and sources of capital.

Hypothesis two: Rural non-farm entrepreneurs do not rely on written contracts to govern the relationship between themselves and their employees, but instead rely on mutual assistance from their kinship and social groups, and links and contacts maintained with workers (“strong” social networks). This will be tested in chapter 6 using data on relational ties and employee selection and management of intra enterprise activities.

Hypothesis three: Whereas small-scale rural non-farm entrepreneurs maintain membership of many social networks and associational activities, it is possible to isolate the most important aspects of their social networks used in the various stages of enterprise development. These will be isolated in chapter 7, using the Principal Component Analysis model.

1.6 THEORETICAL BACKGROUND AND CONCEPTUAL FRAMEWORK

Figure 1.1 conceptualises the role of social networks in the various stages of small-scale rural non-farm enterprise development. In this framework, once an entrepreneur has identified a business opportunity there is a need to mobilise external resources for the various stages of enterprise development because in most cases the entrepreneur does not have enough own resources. However, as for small-scale rural non-farm entrepreneurs, their setting prevents the entrepreneurs from approaching the formal markets and other institutions for assistance. As a result, their likely last resort is social networks with relatives and friends for more information and capital during enterprise establishment, and use the “weak” links developed with established business people for further capital needed for expansion of their enterprises. Because of the nature of their enterprises and the size of their operations, they cannot draw formal contracts to govern the relations between themselves and their employees. As a result, they are likely to rely on mutual assistance from relatives and friends to facilitate the coordination of intra-enterprise activities.

While it could be suspected that small-scale rural non-farm entrepreneurs rely on their social networks during the various stages of their enterprise development, there is also a gender dimension to the use of such social networks. This is because in any society there are social structures that influence who participates in particular social networking platforms. Moreover, while the entrepreneurs are likely to maintain membership to many social networks, there are a

few particularly important aspects of the social networks for each stage of enterprise development. The above theoretical position will be elaborated below with backing from literature.

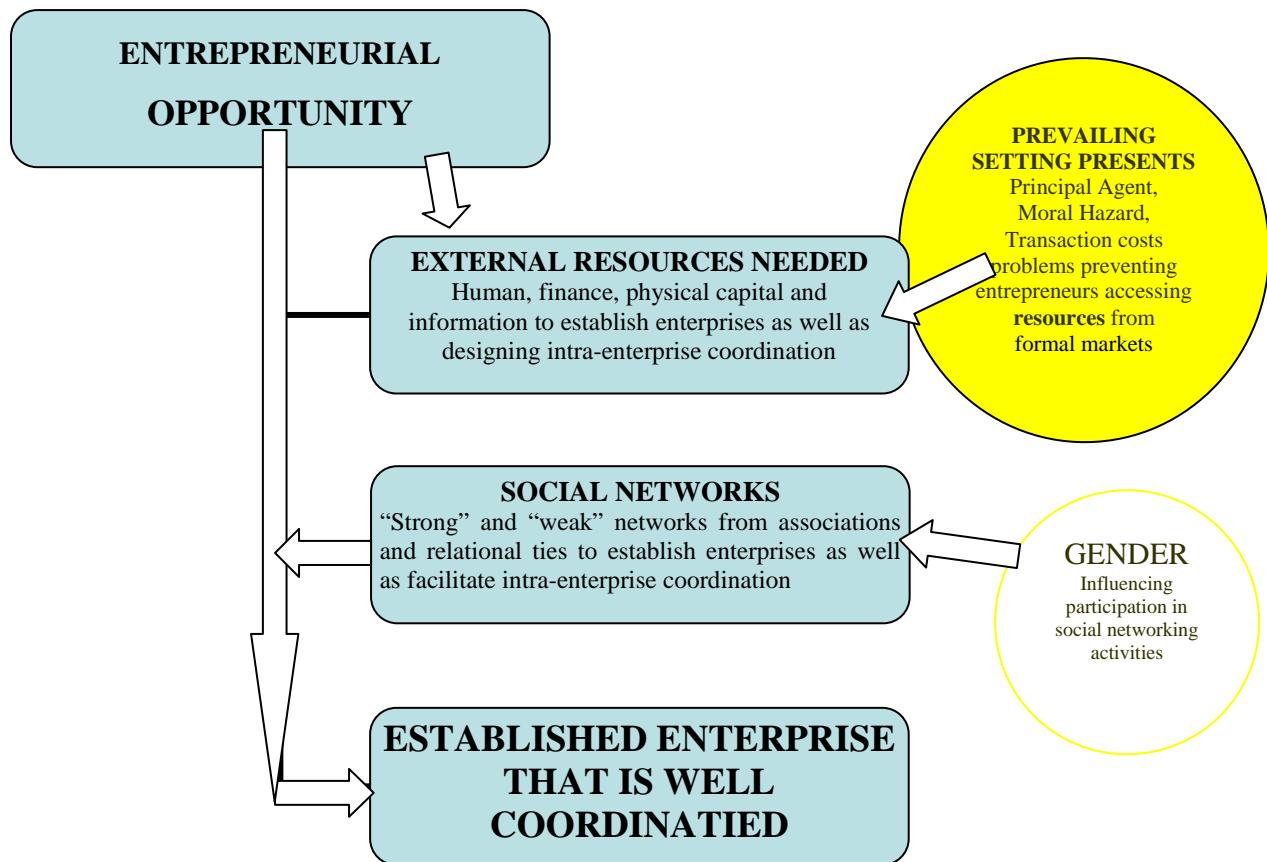


Figure 1.1: Conceptual Framework

This study's conceptual framework borrowed some of its aspects from the asymmetric information theory of Akerloff (1970), Weiss (1981), Kletzer (1984), Green and Soo-Nam Oh (1991), the social networks theory of Granovetter (1973), Granovetter, (1985), Coleman (1988), Burt (1992) and Granovetter, (2005) and the social structural theory of Mitchell (1969) and Bourdieu (1997, 1990). In an ideal world, after an entrepreneur has conceived an entrepreneurial opportunity, resources will be mobilised from the formal market to meet the demands of the various stages of enterprise development. The assumption is that economic agents are rational and operating in a perfect functioning market where there is full information disclosure by all parties. However, it can be suspected that modelling the behaviour of economic agents' processes using the above assumption is too simplistic given the prevailing imperfect markets, particularly in rural settings. For that reason, this study has proposed social networks as the asset used by small-scale rural non-farm entrepreneurs for obtaining more information and other resources.

Social networks as defined by Burt (1992) enables people achieve higher economic outcomes and has been associated with positive and beneficial outcomes to network members. Social networks have been given different names such as bridging ties, bonding ties, horizontal ties and vertical ties, by among others Granovetter (1973), Burt (1992) and Lin (2001). Perhaps the earliest and strongest argument was given by Granovetter, in his work ‘The strength of weak ties’ (1973), when he argued that loosely connected members benefit from access to unique, non-redundant information from their networks. Such networks provide tried and tested knowledge to network members at low transaction costs, which in turn leads to higher levels of performance. Network members become reliable parties to any economic transaction, be it borrowing money, repayment of loans, obtaining business information or forming contractual relations governing employees and employers. The argument is that economic agents benefit both by participating in heterogeneous and homogeneous networks, and by controlling information diffusion within them.

Development economics literature shows that many economic agents resort to social ties because of information asymmetries and transaction costs (Akerloff, 1970; Stiglitz and Weiss, 1981; Kletzer, 1984; North, 1990; Green & Soo-Nam Oh, 1991). It can be suspected that rural non-farm entrepreneurs in particular, given their prevailing setting, are most likely to resort to their relational ties with relatives, friends and trusted business partners to transform their entrepreneurial ideas into enterprises. They are as well likely to borrow capital from trusted friends, based on mutual relationships. They are not likely to rely on formal markets for such resources because formal markets impose high transaction costs when dealing with such new and unknown entrepreneurs due potential principal agent problems. They are also likely to identify and recruit employees from such trust-based networks without designing elaborate formal contracts. Because of the nature and size of their operations, they find it difficult to design formal contracts to govern the relationship between themselves and their employees. Instead, they are likely to resort to their “strong” relational ties with family members and relatives to carry out various activities within their enterprises.

The importance of such trust based relationship between economic partners was also established in a study of contractual relationships between Swaziland’s sugar supply chain members (Masuku, 2003). The study established that trust-based relationships alleviate principal agent problems as well as moral hazards in situations associated with information asymmetries and incomplete contracts. Halpern (2003) also observed major economic benefits to entrepreneurs who employ people based on trust and use reciprocity to govern the contractual relationship entered into. Halpern concluded that long term relationships between economic agents and their

employees reduce problems of drawing up and enforcing complex contracts, and that this in the long run ensures higher employee productivity.

These perspectives on social networks theory have guided this study's investigation of small-scale rural non-farm enterprises, development. It was suspected that the entrepreneurs rely on bridging networks for tried and tested information and access to resources they cannot obtain from the formal markets. Homogeneously connected entrepreneurs and their employees depend on internal cohesion and trust to pursue collective, mutually beneficial business goals. Such internal cohesion was suspected to develop intra-enterprise norms and values that promote co-operation and trust. Similarly, it creates social sanctions and rewards for members that encourage them to behave according to the rules of the network.

Within the above framework, highly networked entrepreneurs will have superior dexterity to leverage more value from any given bundle of resources (Nonaka *et al.*, 2000). The ability to continuously create and coordinate knowledge at lower transaction costs is critical for entrepreneurs' success (Nonaka *et al.*, 2000). For this reason, the difference in entrepreneurs' social capital stocks is positively correlated to their capacity to coordinate knowledge at their enterprises for economic productivity. Enterprises are therefore not just static information processing entities, but dynamic configurations of knowledge (Nonaka *et al.*, 2000). In uncertain and turbulent rural socioeconomic environments, entrepreneurs have to be innovative, and develop efficient knowledge-creating structures and transmission mechanisms at all levels in order to make economically sound decisions (Poppo & Zenger, 1998; Ndlela & du Toit, 2001).

The externality and continuity of knowledge creation, where existing knowledge ignites a quest to create new knowledge, leads entrepreneurs to actively expand their knowledge boundaries. This was also suspected with respect to acquisition of additional resources, which most entrepreneurs cannot obtain from the formal market. Nascent entrepreneurs position themselves strategically in information circles to make informed decisions in order to reap economic benefits as well as facilitate internal cohesion, cooperation and commitment of workers. Therefore, small-scale rural non-farm entrepreneurs need to have constant access to reliable knowledge and structures that facilitate the creation, expansion and coordination of intra-enterprise activities at lower transaction costs.

It is then the duty of nascent small-scale rural non-farm entrepreneurs to continuously network and internalise processes of knowledge generation and diffusion within the workforce (Nonaka *et al.*, 2000). Their workforce is a key ingredient in this process, given the limited capacity of an

individual entrepreneur to single-handedly accumulate and create the knowledge needed for various stages of enterprise development (Nonaka *et al.*, 2000; Ndlela & du Toit, 2001). When the entrepreneurs interact, they transcend their knowledge boundaries and end up with more knowledge than before (Nonaka *et al.*, 2000). It can be argued that the knowledge stocks of any entrepreneurs are positively correlated to the effectiveness of the entrepreneur in networking to facilitate and coordinate knowledge. It has also been argued that successful exploitation of entrepreneurial opportunities depends on the entrepreneur's ability to bridge "structural holes" by Burt (1992).

Furthermore, recent studies on social capital by Katungi *et al.* (2008) have revealed some gender dimensions to the social networks theory. In most pre-2000 social networks literature, by among others Granovetter (1973, 1985), Coleman (1988), Putnam (1993), and Lin (2000) the gender dimension is absent (Mayoux, 2001; Norris and Inglehart, 2003 and Shaw *et al.*, 2006). This is despite earlier literature by Mitchell (1969) and Bourrdieu (1970; 1990) showing that all social activities, including entrepreneurship, are embedded in social structures. They established that socially constructed structures determine who participates in various social activities and who gets what from such social learning platforms.

In most pre-2000 social networks literature, the impact of vertical and horizontal stratification based on several social structures such as education level, age and origin is not clearly articulated. There is a need to unpack the gender dimensions of social networks and the forms of association activities that female and male entrepreneurs engage in. This gender dimension and how it influences the levels of social networks used by different entrepreneurs needs to be fully investigated.

1.7 APPROACH AND METHODOLOGY OF THE STUDY

The study was carried out in Chimanimani district of Zimbabwe that is found in Manicaland Province in the eastern side of the country. The district has a population of +/-150 000 according to the records of the last census. The nearest town servicing the district is 180 km away implying that there is an opportunity for nascent entrepreneurs to service the population. The area also has a relatively developed business support infrastructure in the form of road network, telecommunication, electricity and water and reticulation systems. Another important aspect about the district is the presence of tourist attractions in the form of Chimanimani game park, Bridal Veil Falls and Vimba bird sanctuary that used to attracts more than 10 00 tourists annually. It should also be highlighted that the study was conceived in 2003 when the inflation rate was still

manageable and the exchange rate between the Zimbabwe dollar and United States dollar was Zim \$824 -00 to US\$1-00.

In the study a mixed approach designs (MADs) strategy that combined positivistic and phenomenological approaches were used to gather the data.. In this study qualitative and quantitative data were collected from 130 entrepreneurs purposively selected from 945 entrepreneurs who had been operating for at least three years in the Chimanimani district. Since there were more male entrepreneurs than female entrepreneurs in the district, it was decided to do a purposive selection to capture the gender perspective of entrepreneurs as well as the major economic activities in the district. Of the 130 respondents, 67 were male entrepreneurs, 36 female entrepreneurs and 27 family-run enterprises, engaged in diverse business activities in the district.

For the data gathering process a combination of a biographical profiling of the entrepreneurs and an intensive social capital assessment questionnaire were used to capture various quantitative and qualitative social networks from the entrepreneurs. In line with the MADs strategy, the analysis required multiple techniques that combined quantitative statistical analysis in the form of Pearson's correlation coefficient significant test, Analysis of Variance, the Principal Component Analysis model and qualitative analysis techniques to further develop findings from the quantitative analysis.

1.8 ORGANISATION OF THE STUDY

Figure 1.2 below illustrates how the literature review chapter is related to the empirical chapters 5-7 and the concluding chapter 8.

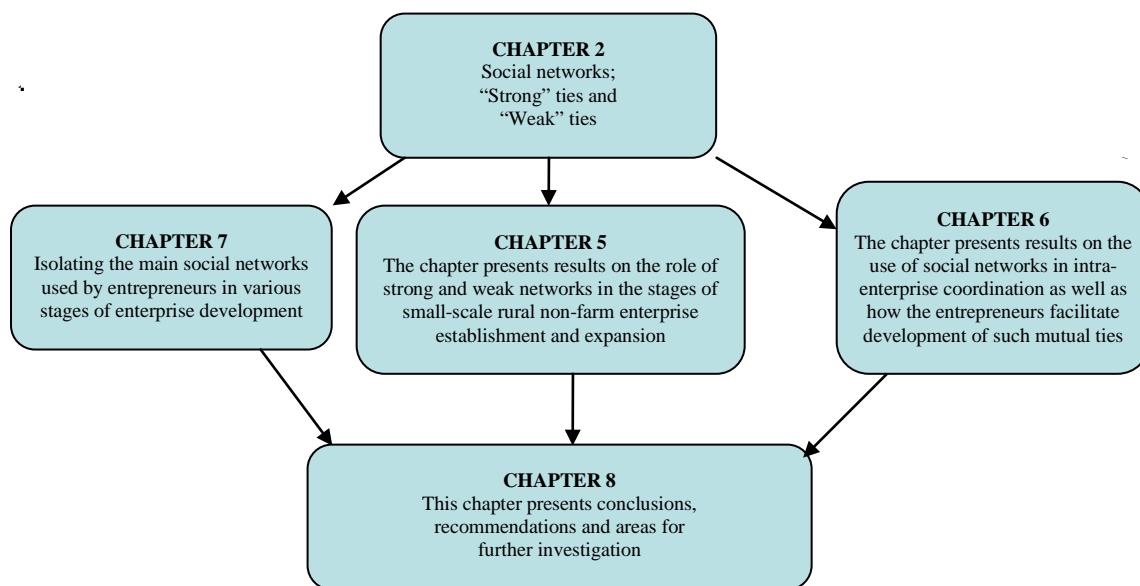


Figure 1.2: Organisation of the study’s chapters

Chapter two provides a synthesis of social networks and economic development literature. Chapter three provides the research design and approach used in the study, with chapter four providing some general background information on the study area in terms of economic opportunities, existing entrepreneurial activities and the socio-economic characteristics of the entrepreneurs in the study. Chapters five to seven are standalone papers on each of the study objectives, with chapter eight concluding and giving areas for future research and policy implications. Chapter six was published as a contributed chapter in a book edited by Michael Osborne, Kate Sankey and Bruce Wilson, titled *Social Capital, Lifelong Learning and the Management of Place* (2007), while chapter five was presented at an international conference organised by the University of Stirling in 2005. Chapter 7 was also presented at an international conference, Region Lifelong Learning: Reaching the Regions that other Learning doesn't Reach! Faculty of Adult Education and Human Resources Development, University of Pécs, Hungary, 23-25 September 2007.

CHAPTER 2

A SYNTHESIS OF SOCIAL CAPITAL AND ECONOMIC DEVELOPMENT LITERATURE

2.1 INTRODUCTION

This chapter gives a general literature overview of social networks and economic development nexuses. Specific literature around each of the study's objective will be given under the respective chapters to avoid repetition. This chapter starts with a review of literature on the genesis of social capital arguments and the role of social capital in economic development. Emphasis is placed on "strong" ties and "weak" ties as well as associational activities, and how participation in such platforms contributes to economic development. It will sum up by providing a gender dimension to social networks. Having noted the multi-dimensional nature of social capital, this study settled for social networks that incorporate kinships, social groups, membership of organisations, contacts maintained as well as the mutual assistance given by such social networks and how they are used in various stages of small-scale rural non-farm enterprise development.

2.2 THE RESURGENCE OF SOCIAL CAPITAL RESEARCH

Scholars from diverse disciplines such as sociology, anthropology, political science and economics agree that social capital is a valid object for research. Consequently, the application of the social capital lens has now been extended to generate further understanding of various social phenomena such as getting employment, educational performance and the provision of health care, and of course, economic growth and development processes (Putnam, 1995; Fukuyama, 2000; North, 2000; Frederking, 2001 and Henrich *et al.*, 2004).

It could be argued that the establishment and acceptance of the human capital concept in economics has forced researchers to accept the concept of social capital in economic development research. As can be observed from the literature there has been a meticulous application of social capital theory to an understanding of the connection between economic agents' environments and their economic capabilities. The seminal works of Coleman (1988 and 1990) and Putnam (1993) are widely referred to, and have been instrumental in the revived debate on social capital. Currently, social capital is talked about with increasing frequency in academic corridors and political circles, being discussed alongside established concepts such as financial, physical and human capital (Dasgupta, 2004).

Social capital arguments are nested within the understanding that recurring social interactions lead to the formation of social structures that affect and shape economic agents' decisions through facilitation of information sharing, reduction of transaction costs and amelioration of collective action dilemmas (Isham, 2000). Scholars now concur that a dense network of social connections, associational activities and conventions has beneficial effects for the economic efficiency of individuals, regions and even nations. However, although no one should claim that social capital alone accounts for all the economic variations between regions or individuals, it is also clear that neither should anyone ignore its significance for economic outcomes.

From a review of the social capital literature, a common position that can be discerned is that social capital research has been pursued along roughly two planes, one being the structural formulations of social capital and the second being its empirical testing. Representative work on the structural formulation of social capital includes work by Coleman (1990), Putnam (1993), North (1999 and 2000), Arrow (2000), Dasgupta & Serageldin (2000), Fukuyama (2001) and Durlauf & Fafchamps (2004).

The second plane, devoted to empirical testing of social capital, although still on-going, has demonstrated that indeed social networks influence economic agents' outcomes in various ways. Fafchamps (1997), Isham (1998), Grootaert (1999), Barr (2000), Fafchamps (2001 and 2004) and Duke *et al.* (2005) are some of the researchers who have introduced new and interesting perspectives on the social capital discourse. Some of the perspectives that have been established are that social networks are conduits of useful information for the adoption of new technology by smallholder farmers, sources of microfinance for urban-based small-scale entrepreneurs, as well as being useful in employee identification. Currently, there is a growing volume of empirical research demonstrating that social capital can actually improve the economic outcomes of regions and nations (Fafchamps, 1997, Isham, 1998; Grootaert, 1999; Fafchamps, 2001; Barr, 2000; Johnson *et al.*, 2003; Masuku, 2003; Fafchamps, 2004; Mitchell, 2004; Sabatini, 2006).

Furthermore, a synthesis of the literature on social capital shows that there is a near convergence with respect to the definition of social capital as a relational product between members. The major benefits from social capital include the achievement of mutual goals, hence the adage, "It's not how much you know, rather it's who you know that matters most in life". Some researchers, though, are still sceptical about the use of many definitions of the social capital concept. This has led Dasgupta (2000) to retort that the idea of social capital sits awkwardly in contemporary economics, for it is fiendishly difficult to measure.

While it is beyond the scope of this study to engage in the exhaustive debate on the definitions of social capital, it seems prudent to have a working definition for this study. A critical review of social capital literature shows that one school of thought has been influenced strongly by the work of Coleman, with the other school leaning strongly to Putnam's definition. Coleman (1990) defines social capital as those aspects of social organisation that facilitate the achievement of goals that could not otherwise have been achieved in its absence or would be achieved at higher costs. On the other hand, Putnam (1993) defines social capital as features of social organisation that include trust, norms and networks that can improve the efficiency of the society. A critical analysis of these two schools of thought will show that they are mutually reinforcing. Coleman (1990) and Dasgupta & Serageldin (2000) for example proxied social capital with social networks and trust-based relationships that permit cooperation leading to achievement of agreed goals. Notwithstanding, this study preferred social networks perspective as motivated by Coleman.

What could be inferred from the accumulating literature is that the definition and focus on social capital is becoming clearer, as shown by the near converging views of writers from different disciplines such as sociology, economics, philosophy, anthropology, political science and education. Lin (2000) views social capital as a product of individual interactions and networking that facilitates the flow of information. Barr (2000:539) defines social capital as the networks of relationships between the agents within an economy. Fukuyama (1995) opts to see social capital in the context of trust-based relationships that reduce coordination problems for economic agents.

The World Bank's Social Capital Initiative Project defines social capital as the norms and social relationships embedded in social structures that enable people to coordinate their actions to achieve desired goals (Krishna & Shrader, 1999). Cohen & Prusak (2001) prefer to understand social capital as an outcome of active connections among people, which make cooperation possible. Field (2003) defines social capital as connections between people, which enable them to achieve goals that would otherwise be difficult for an individual alone to achieve. Dasgupta (2005) believes that social capital should be defined as "interpersonal networks and nothing more."

The literature shows that social capital is found in the structure of social relations between and among actors in the form of obligations and expectations, information and knowledge disseminated and exchanged in social networks, with social norms and values enhancing the coordination and achievement of mutual, common actions between economic agents (Tiepoh, 2004). It may therefore suffice to define social capital as a product of relational connections and networks that facilitate coordination of members' activities and efforts towards a common goal

by being a conduit of useful information and knowledge needed by economic agents. The outcomes are not just limited to those that are beneficial, as there are also some negative outcomes related to the use of social capital.

By and large, there seem to be two approaches in analysing social capital, namely, those that look at social networks and associational activities on the one hand, and those that consider trust and social convention, on the other. The social networks approach is firmly rooted in the works of Granovetter (1973 and 1985), Putnam (1993), Coleman, (1990) and Burt (1992) who are credited with having pioneered the theoretical framework for social capital. Researchers within this approach argue that social networks act as useful conduits of information needed by economic agents. On the other hand, the social-conventions approach argues that social structures establish conventions that shape individual behaviour in the broadest terms (Lawson, 1993; Thevenot, 2003 and Westlund & Bolton, 2003; Bibow *et al.*, 2005). Social conventions are believed to be key in reinforcing and facilitating the coordination and cooperation of economic agents for mutual benefit. However, the literature ultimately shows that social networks and social conventions are mutually self-reinforcing.

2.3 SOCIAL NETWORKS AND ECONOMIC DEVELOPMENT

Since its acceptance in the corpus of mainstream economics, social networks have now travelled beyond the initial applications in the northern and southern Italian regions to other countries and regions. Of particular interest has been the application by, among others, Granovetter (1973, 1985), Burt (1992), Barr (2000) and Granovetter (2005). Its application in entrepreneurship studies has been rooted on the realisation that social networks provide information about economic opportunities to be exploited by entrepreneurs. The central argument is the bounded rationality of the entrepreneurs, who like any other human beings have limited capacity to gather and process all the information they need to exploit an economic opportunity (Dew *et al.*, 2004). As a result, being connected to many other entrepreneurs assists them in acquiring more information at lower transaction costs. Perhaps this is why information is now considered as important as other known inputs in the economic production process.

However, it is important to understand how entrepreneurs make use of their social environment in order to inform policy aimed at improving the use of social capital to accelerate economic development. Firstly, information on entrepreneurial opportunities exists as incomplete bits and pieces possessed by separate individuals located at different places and at different times (Dew *et al.*, 2004). Given such a scenario, there arises an Akerlofian information asymmetry problem,

which will in turn lead to higher levels of uncertainty with respect to coordination of activities. Over and above the information asymmetry problem, there is also the Knightian uncertainty with respect to contract designing and enforcement between economic agents and their workers. According to Dew *et al.* (2004), these forms of uncertainty lead to heterogeneous expectations amongst players, which manifest in the form of enterprise management and coordination challenges. To navigate their way through such uncertainties, all entrepreneurs need a rich source of up-to-date and diverse information; otherwise only nascent entrepreneurs will capture the opportunity.

It is within this context that the social network theory has been proffered in economic development. The argument here is that to exploit an economic opportunity an entrepreneur needs to have the dexterity to bring together dispersed information and coordinate it in order to produce useful context-specific knowledge. This is where an entrepreneur's social networks and associations come in. For instance, to overcome problems associated with the uncertainty inherent in new enterprises, entrepreneurs with more expansive social networks are better placed to leverage a high organisational dexterity and other necessary resources.

In the same vein, such social networks purvey business intelligence from dispersed sources to entrepreneurs who will then process it into useful knowledge needed to achieve enterprise goals. Following this line of argument, Dew *et al.* (2004) argue that while the acquisition of information by an entrepreneur does not guarantee the recognition and exploitation of an entrepreneurial opportunity, individual entrepreneurs with more expansive social networks are better informed to discover and exploit economic opportunities. Nonaka *et al.* (2000) argue that even with the same bundle of other known resources, entrepreneurs with more social networks are likely to realise more value than those with fewer or smaller networks. This social learning process of bringing together dispersed information led Granovetter (1985) to conclude that entrepreneurship, like any other economic activity, is heavily embedded in social networks.

The question that is yet to be addressed is what the specific role of these social networks within the various stages of rural non-farm enterprise development. Studies on social networks conjecture that dense or closed networks are major conduits through which useful information stocks are transmitted between small-scale farming households (Katungi, 2006). It can be argued that social networks, the primary manifestation of cooperative connections between people, are the sites of organisational learning where knowledge develops, therefore the adage that the knowledge of a firm exists in the firm's networks (Cohen & Prusak, 2001). If information about economic opportunities exists as bits and pieces, within different people at different locations and

at different times, interactions with many diverse people will automatically enhance the creation of new and rich knowledge stocks.

Granovetter (1973 and 1985) categorised networks as consisting of either “strong” ties or “weak” ties and Burt (1992) and Lin (2001) described them as “bonding” and “bridging” networks. Johannisson *et al.* (2002) discussed them in terms of being “glue” or “lubricants” for entrepreneurs’ economic actions. Some writers (Sabatini 2006) have characterised them as “vertical” ties between members in clearly hierarchical structures or as “horizontal” ties, where network members are loosely organised and have almost equal status.

Central to the social networks discourse, is that “strong” ties or strong networks are products of a strong relational social interface based on strong emotional commitment. This is normally observed between homogeneous groups or between people with familial ties or those who are close friends. On the other hand, “weak” ties, also known as lubricants, linking or bridging ties, are networks loosely linking heterogeneous groups of people who are normally brought together by a single cause. The heterogeneity of such networked members could be a result of geographical location, professional or operational diversity and many other factors.

While different names have been used to define network categories by different authors, what they are discussing is similar. What Johannisson *et al.* (2002) describes as “glue” is the same as what Burt (1992) calls “bonding” networks and Granovetter (1973) terms “strong” ties. This category of network is useful for entrepreneurs during the establishment of enterprises, since trust between closely related persons like family members makes it easier to share information and deal with moral hazards. Where members are more or less homogeneous with strong relational bonds that “glue” them together, it is easy to diffuse useful knowledge, coordinate the efforts between the agents and above all to foster group identity and modify the preferences of group members (Durlauf & Fafchamps, 2004).

2.4 “STRONG” TIES AND ECONOMIC DEVELOPMENT

“Strong” ties are understood to be beneficial in assisting new entrepreneurs in “getting started” (Granovetter, 1973) since such strong relational and emotional bonds discourage members from acting contrary to group goals and norms. For that reason entrepreneurs rely on such strong networks in establishing new enterprises. Due to previous interaction between members of strong networks, members are more familiar with each other, which makes it easy to monitor each other’s activities, which also make it possible to deal with principal agent and moral hazard issues. Relational ties encourage those who have already made it in business to be socially and

morally obliged to advise and mentor their own kith and kin should they wish to establish their own businesses.

There is a strong psychological contract between such related members. Besides sharing limited resources, networks are a foundation upon which entrepreneurs develop the capacity to address resource constraints and coordination problems through referring strategies (Fafchamps, 1997 and 2001; Warren *et al.*, 2001; Fafchamps, 2004). Equally, these networks are more reliable and cost effective social enforcement mechanisms to compel members to honour contractual obligations entered into than elaborate formally constructed contracts.

Strong bonds have been understood to be critical for the success of entrepreneurs from minority groups who resort to non-market sources like friends, family and relatives as recourse for start-up capital (Basu & Goswami, 1999). Dew *et al.* (2004) established that entrepreneurs leverage and acquire productive factors from their social networks, at a price well below what they would otherwise have paid for at the factor market, given similar conditions of high uncertainty. New entrepreneurs are most likely to rely on their social networks to get start-up capital and employees, as their ideas are perceived to be risky by most formal financial institutions and labour markets. The inherent scepticism by formal financial institutions towards new enterprises means that, had it not been for help from social networks, most new entrepreneurs' ideas would have remained only on paper. Fafchamps (1997) attributed the reason why sub-Saharan Africa has few successful entrepreneurs to the risk-averse behaviour of formal financial institutions in extending capital to new entrepreneurs.

Kristiansen & Ryan (2002) and Kristiansen (2004) attributed the success of Asian entrepreneurs in East Africa to their strong familial social relations. The social networks of Asian entrepreneurs act as conduits of initial capital, market access information and technical knowledge. The strong cultural unity and economic solidarity of Asian entrepreneurs lubricate cooperation in credit and risk spreading arrangements. The Asian minority groups are also known for being highly geographically mobile in search of business opportunities.

Green & Changanti (2004), Fredrick & Henry (2004) and Sequeira & Rasheed (2004) established that “strong” social networks are critical sources of business intelligence for minority Asian entrepreneurs in the United States during the process of establishing new enterprises. Their observation was that minority ethnic entrepreneurs would start by working for their relatives and ethnic members to gain experience after which they will then be able to borrow start up capital from their kinsmen who even provide important business and market-knowledge. In the same

vein, these minority Asian entrepreneurs in the United States are known to have developed strong social bonding among themselves during their ethnic encounters, which they also use to identify reliable employees. Just as Asian entrepreneurs managed to succeed in East Africa by tapping into their social resources so have the minority Asian entrepreneurs managed to succeed in the United States.

While “strong” ties have been hailed as a critical resource for entrepreneurs in getting started, they have their downside and limitations for further economic growth. Observations are that strongly knitted members have limited knowledge stocks and those associations whose members are homogeneous offer less diversified knowledge as members have a high proclivity to exclude outsiders (Burt, 1992; Grootaert, 1999). More so, strong-networked members have a village mentality that constrains adventurousness into innovations. Debate is also limited because of a high propensity to maintain the status quo and functionality of the association. Cohesive contacts are likely to have similar information and therefore provide redundant information as anything originating outside the group is viewed with suspicion (Burt, 1992).

It has also been argued that the high in-group solidarity among Chinese entrepreneurs is behind their reduced ability to cooperate with outsiders (Fukuyama, 1999). The Chinese strong social networks reside in families or a narrow circle of friends, resulting in strong in-group bonding that deters members from trusting and working effectively with those outside these groups. This absence of a broad generalised trust in such family-based societies prevents strongly bonded entrepreneurs from receiving beneficial outside information, hence the tendency of their enterprises to remain small and organised around family structures. Group solidarity is purchased at the price of hostility towards outsiders and this is typified by the proclivity to divide communities into friends and enemies.

2.5 “WEAK” TIES AND ECONOMIC DEVELOPMENT

According to Fukuyama (1999), a stunted economic growth is associated with an absence of what Granovetter (1985) called heterodox individuals who move between groups and beyond the group’s geographic divide, who brings in new ideas and information. Literature on social networks research stress the significance of “weak” ties, also known as bridging or linking ties in facilitating the flow and diffusion of diverse information between members (Granovetter, 1973 and 1985; Burt, 1992; Fukuyama, 2000; Lin, 2000). Whereas strong networks are critical in “getting started” with an enterprise, they are less effective in assisting entrepreneurs in “getting ahead”, when diverse knowledge and additional resources are needed. An entrepreneur’s capacity

to collect and process diverse information and coordinate its use will determine the pace at which expansion takes place. Feder & Slade (1984) and Wozniak (1993) established that passive informal information gathering from diverse sources by farmers is critical in their formulation of decisions to adopt innovations, and the same can be said of non-farm entrepreneurs. A lack of such heterodox entrepreneurs is probably the reason why there are highly over-traded rural economic spaces in most developing nations.

In development economics literature, “weak” ties between loosely connected economic agents, bridging networks between different social groupings and linking ties between different associations are believed to give economic agents sustained economic growth. Such networks manifest as products of heterogeneous associations, groupings or diverse individual members who are not emotionally bonded (Granovetter, 1973 and 1985; Burt, 1992; Fukuyama, 2000). When networked members are drawn from wider and diverse backgrounds and even wider geographical locations the pool of knowledge between them is richer and more diverse. This makes it possible for members to acquire better business information at a lower transaction cost.

“Weak” networks are advantageous in that their sphere of influence is limited only to a specific aspect of the members’ life thereby giving more room for unconstrained debate in order to arrive at a more informed decision (Granovetter, 1973 and 1985). By virtue of being widely networked, entrepreneurs benefit from the rich and diverse information stocks inherent in such relationships between persons in different geographical locations. In such networks, entrepreneurs are forced to be highly reputable since anyone identified to be engaging in any business malpractice will face social sanctions. Moreover, one has to be actively engaged and investing in maintaining such networks in order to continuously benefit from them, as social capital appreciates with constant use.

From another angle, entrepreneurs with more diverse networks are more likely to have rich and diverse information on how to harness an economic opportunity. With more extensive, non-redundant contacts and networks, entrepreneurs are better placed to know what works and what does not, through learning from their peers’ experience. Highly networked entrepreneurs are more likely to have access to tried and tested tacit knowledge, which is crucial for innovation processes. Such networks, which Burt (1992) termed structural holes, link entrepreneurs located in different clusters and facilitate access to richer information and other opportunities.

Isham (1998) established that smallholder farmers in Tanzania who belong to more associations are better informed when making decisions on adopting new technology. According to Isham

(1998)'s findings, associational networks provide practically tested information needed to adopt new production technology. Makhura (2001) concluded that small-scale farmers in South Africa who have many diverse social networks are better positioned to overcome market-related transaction costs. Barr (2000) concurs that small-scale manufacturing entrepreneurs in Ghana rely on social networks as a conduit for technical knowledge.

Mitchell (2004) investigated the role of networks among entrepreneurs from different ethnic groups in South Africa and established that there are some differences in the use of social networks between the African and Indian entrepreneurs. The conclusion was that the endowment of social networks explains the differential success between the African and Indian entrepreneurs as well as between male and female entrepreneurs of both ethnic groups. Mitchell (2004) suggests that since entrepreneurship is a social activity embedded in a social context, there is need for entrepreneurship studies to examine the influence of the wider socio-economic environment on entrepreneurship.

Grootaert (1999) established that Indonesian households who belong to diverse associations have improved human capacity to engage in welfare improving activities. In the same study it was established that households with more social networks have higher expenditure per capita, more assets, higher savings and better access to credit, which was associated with improved access to information that enabled them to make more informed decisions. Johnson *et al.*, (2002) established that social networks enhance the capacity of agri-business entrepreneurs in Colombia by providing access to useful transaction-cost reducing information and sustained capacity for collective action. In the same study, social networks (measured by membership of associations maintained by an entrepreneur) were positively related to the economic performance of agri-business entrepreneurs. The conclusion was that investing in such transaction-cost reducing social relationships yields higher returns, and can be comparable to investing in physical capital or labour.

The few cases discussed above present the arguments around the social networks theory emerging from the broad social capital research, though not exhaustive given the pace with which literature on the subject is growing. The central argument revolves around the potential of social networks to mobilise information and knowledge as well as other resources needed by the entrepreneurs at lower transaction cost. Strong relational ties are understood to be critical in the early stages of setting up enterprises due to the strong psychological contract-binding members. On the other hand, "weak" ties in their various forms have been observed to be a major source of rich and diverse information and knowledge needed by entrepreneurs to get ahead. The social networks

theory provides a new perspective to the economic development discourse with respect to how entrepreneurs overcome the challenges of asymmetric information and related principal agent and moral hazard problems when trying to access more resources. This is particularly so given the acceptance that rational conduct alone has limitations when relied on to inform and account for economic agents' coordination mechanisms.

2.6 THE GENDER DIMENSIONS OF SOCIAL CAPITAL IN ECONOMIC DEVELOPMENT

The above section considered the major arguments forming social networks theory, which has become popular among scholars as an important lever in development policy frameworks, whether in natural resource management, adoption of agricultural technology, or even entrepreneurship. However, in most pre-2000 literature on social capital, even in the pioneering work by among others Granovetter (1973, 1985), Coleman (1990), Putnam (1993) and Lin (2000) the gender dimension is absent or included in a superficial manner (Mayoux, 2001; Norris and Inglehart, 2003; Shaw *et al.*, 2006; Narain & Morse, 2008). This is despite the abundance of literature on social structure and gender.

The question to be asked here is, since social networks are heavily embedded in social environments of the actors, what role does gender play in distributing the rewards from such social structures? No one appears to have questioned whether women and men have equal access to the various social networks and even their levels of participation in the associational activities from which social capital is built. These questions need to be fully investigated if policies are to be recommended in entrepreneurship development programmes where male and female members of the society are to be equal participants.

Development economists who popularised social networks seem to have taken too long to adopt the concept in their modelling of economic agents' behaviour. This is despite the sociologists having demonstrated the role of social structure and how meaning and authentication of social action are embedded in social systems where gender is intrinsically evident (Bourdieu 1977 and 1990). Mitchell (1969), Bourdieu (1977; 1990), Moore, (1990) and Norris and Inglehart, (2003) for instance have demonstrated that all social activities are embedded in social structure in which there are gender inequalities. According to them, in any society there are gender-based social structures that determine who participates in various social activities and who gets what from such social learning platforms. The social structures have an impact on the direction of the social capital debate as most social networks have a salient gender dimension. This gender aspect is of

importance when trying to understand how small-scale rural non-farm entrepreneurs establish their enterprises or the adoption of new technology by farmers or by small-scale manufacturers in the urban area.

In a study of gender and technology adoption, Padmaja *et al.* (2006) established that there are entrenched inequalities in the control of assets as well as differential participation in social capital building platforms, based on gender. They established that as per the dictates of social structures, women are less likely to participate in wider networking activities and in cases where they do participate they are in most cases not active in the decision making process due to social norms and values that restrain them. This obviously affects the group dynamics and the distribution of the social capital benefits. Padmaja and Bantilan (2007), in an investigation of the gender dimensions of social capital building in India, established that decision making roles and socially constructed roles within the households restrict women from benefiting equally from social networks. Women have certain other social roles such as child minding and general home making that to some extent militate against their participation in wider networking activities. These are some of the gender dimensions that will undermine the success of development programmes implemented with the general assumptions that this very useful social capital is equally accessed by all intended beneficiaries.

Shaw *et al.* (2006) established that although social networks are crucial for the mediation of microfinance by small-scale entrepreneurs, the process is influenced by a host of complex social processes of which gender is key. They observed what they termed a bimodal funding pattern between male and female owned enterprises in which female entrepreneurs always start their enterprises with lower capitalisation and few of them access start up capital from banks, which they say could be partially explained by structurally dissimilarities between male and female entrepreneurs. The argument is that the structural and interactional dimensions determine and enact the social networks from which the entrepreneurs derive their social capital. The point is that such gender-based social structures will determine the intensity of interaction by persons in the various social networks, the frequency of their participation in such network activities, and the durability and direction of power relations among the network members (Shaw *et al.*, 2006).

Tata and Prasad (undated) and Norris and Inglehart (2003), argued that while the success or failure of micro-enterprises depends on social networks and the resources derived from them, participation in network activities is determined by gender. The argument is that gender determines access to resources and the time at the disposal of the entrepreneur, which differs between men and women. There are clearly differences in social networking platforms between

male and female entrepreneurs in terms of diversity of membership and intensity of interaction. Female entrepreneurs have to juggle business activities and their role as homemakers hence they have less time for networking activities. As such, they will be restricted to engage in associational activities within the locality and with same members, thereby denying them access to the beneficial outcomes from heterogeneous networks or bridging ties. Moreover, there are also hierarchical differences even between female entrepreneurs, which will result in differential beneficiation of the networked members. Mayoux (2001) argues that gender inequality in resources, power and rights, norms and rules structures the ways in which different types of social networks operate to benefit the entrepreneurs differently.

2.7 SUMMARY

The chapter provided a broad literature overview of the social networks and economic development nexuses according to the objectives outlined in the previous chapter. Pertinent to the study is the fact that the information and other resources that entrepreneurs need to exploit an economic opportunity do not reside in one person or in one place. Given that, there arise Akerlofian and Knightian uncertainty problems with respect to the mobilisation of resources and the information needed to exploit economic opportunities as well as to coordinate and align the efforts of heterogeneous persons towards the goal of exploiting an opportunity. This is when social networks come in, and the chapter outlined the levels at which social capital has been debated. The first level involves the theoretical work linking social capital and economic development and the second level is devoted to empirical testing of the concept. The chapter also provided a literature review on the gender dimensions of social capital.

CHAPTER 3

RESEARCH DESIGN AND METHODOLOGY

3.1 INTRODUCTION

Having provided a broad literature review on social networks and economic development nexuses in chapter two, this chapter's main aim is to outline the research design and methodology used in the study. As such, in this chapter the research design and methodology of the study is discussed in detail. Section 3.2 presents the research design process as well as the approach taken and the reasons behind this. This is followed by section 3.3, which explains the research methods used to gather the data and the analytical tools applied to these findings. Section 3.4 provides a summary of the chapter.

3.2 THE RESEARCH DESIGN AND APPROACH

According to Dudwick *et al.* (2006:1), 'while using a single approach may be necessary in some circumstances, a judicious combination of methods increases the analytical richness of a study and provides a sounder empirical basis for making policy and project recommendations'. This was the basis for a systematic combination of approaches to gather information in order to understand the role of social capital in rural non-farm enterprise development, as was also encouraged by Ethridge (1995). The premises was that because social networks used for enterprise development are isolated parts of social reality in different forms, which have to be identified, labelled and linked together. This use of many different research methods to identify, capture, codify and analyse these dispersed parts of social reality has also been recommended by Bernard, (2000).

This study was approached by combining positivist (quantitative) and phenomenological (qualitative) research designs. According to Chia (undated), social science research has to selectively abstract, identify and recombine social realities from human beings' initially undifferentiated interactions and sense impressions. The rationale was to take advantage of the strengths of each approach in gathering both quantitative and qualitative data. These will be discussed in detail below.

3.2.1 The positivist/quantitative research approach

The quantitative research design was relied upon in order to establish relationships between the various aspects of social capital and enterprise development. This approach facilitated the design

of methods to gather quantitative data on the associations and networks maintained by the different entrepreneurs. This approach has been found to be suitable for studies that make use of quantitative data to generate knowledge on cause and effect relationships by statistical analytical methods (Bernard, 2000; Mouton, 2001 and Dudwick *et al.*, 2006). Most previous social capital research has also heavily relied on this approach to establish the relationship between levels of trust, for instance, or membership of associations and economic development (Sabatini, 2006). This approach allows the results to be compared with existing literature in terms of objectivity. This was the reason why for this study some research tools used in previous social capital research were borrowed and applied.

However, the above approach has its limitations when handling non-statistical aspects of social capital, given that the researcher has to behave as a disinterested party during the data collection process. This is despite the fact that most social capital research recommends a need to understand the reactions of the research subjects during the surveys as well as the reasons for engaging in some social activities, which could not be quantified. In addition, to gather data on social capital proxies, there is a need to come as close as possible to the reality of the respondents. More so, as in most social capital literature sample representativeness is not as important as coming up with a sample that can yield data that can describe the social reality as experienced by the respondents. This was the reason why the phenomenological or qualitative approach was also adopted. This will be discussed below.

3.2.2 The phenomenological/qualitative research approach

Given the context specificity of social networks, where qualitative data are crucial building blocks to generate an in-depth understanding of entrepreneurs' social actions and the reasons behind such actions, the qualitative approach was adopted, as was also recommended by Mouton (2001). This was done in order to deal with the subjective nature of the use of social networks in non-farm enterprise development and how the entrepreneurs make sense of their collective social learning processes during entrepreneurship development. The premise is that human beings (entrepreneurs included) are always engaged in a continuous social process of constructing and developing knowledge out of their everyday experiences (Mouton, 2001). Since the study wanted to generate an understanding of the role of social capital in enterprise development, a qualitative approach was found to be appropriate as it allowed the capturing of subjective data on context-specific activities of the respondents.

As was also noted by Dudwick *et al.* (2006), the phenomenological approach allowed the researcher to have a deeper comprehension of the situation of the subjects studied through being actively involved in the research process. In addition, for this research, the selected sample was not based on the statistical representativeness of the entrepreneurs in the district. Rather the respondents were purposively selected based on their potential to typify the characteristics of respondents and the entrepreneurial activities in the district.

In this study there was need to use some data collection methods that went beyond capturing observable behaviour, and to include descriptions of people's intentions, meanings and reasons. That was the reason for using the phenomenological approach and engaging in systematic direct observations, in-depth interviews and guided open-ended questionnaires. As shall be seen in the empirical chapters, just like in most social capital studies the research outcome is less likely to be expressed in statistical figures that permit precise comparability and replicability in different settings alone. Qualitative data from statements captured in the survey were used to develop a story around the statistical data that was captured from all the 130 respondents interviewed.

3.3 SAMPLING PROCEDURES AND DATA

A number of research steps and techniques were followed to gather data on the role of social capital in the establishment and expansion of rural non-farm enterprises. The data was collected from 130 out of 945 entrepreneurs who were registered as members of the Chimanmani Business Trust and as well as having been in operation for at least 3 years. Of the 130 respondents, 27 were family-run enterprises, 36 were female entrepreneurs, with the remaining 67 being male entrepreneurs. The disaggregating of the respondents into male, female and family owned enterprises was done to capture the gender dimensions of entrepreneurship and social networks. This is because there was a general suspicion that use of social networks in general as well as in economic development has strong gender dimensions that need to be carefully understood.

Of the respondents, 3.8% had been operating for 3 years, 40.8% had been operational for up to 5 years, 36.2 % had been operational for up to 10 years, with 19.2% having more than 10 years of business operation. Those having at least 3 years' experience were selected on the understanding that after having survived for at least 3 years they were more likely to generate more information about the use of social capital in enterprises. The respondents were purposively selected to get more in-depth information to understanding of the use of social capital by the different entrepreneurs, as was also advised by Mouton (2001). The other reason for the use of purposive sampling was the observation that within the 945 entrepreneurs with membership of the Business

Trust there were fewer than 150 female entrepreneurs, hence use of random sampling would reduce the chances of including female entrepreneurs in the survey. This would have perpetuated misrepresentation of female entrepreneurs in economic research. In addition, given that the research wanted to generate more in-depth gender-based insights into such a phenomenon, an investigation of a small manageable sample was appropriate.

The researcher's previous experience of working with entrepreneurs in the district, which dated back to 1999, assisted in identifying the respondents who were better placed to providing more in depth responses. Other than that, the district's economic profile documents were also consulted in the process of selecting the respondents, exploiting the perceived economic drivers of the district. The district's economic strategic plan, documents generated by the Chimanimani Business Trust and other service providers working with entrepreneurs in the district were reviewed before selection of the respondents. The respondents were drawn mainly from those engaged in the major entrepreneurial activities in the district, such as carpentry, craftwork and trading activities. Largely, the other critical reason for selecting only 130 respondents was the issue of time as well as financial constraints. The researcher had a limited budget and limited time in which to collect data, analyse it and then produce the research report.

For the purposes of this research, the owners of enterprises were the unit of analysis and were approached and interviewed at their respective enterprises. The preference for owners of the enterprises as respondents rather than the general community was in line with Fafchamps's studies (1997, 2001 and 2004) that used individual entrepreneurs as the unit of analysis. While using the whole community as an entry point can give a broad and general perspective on social capital, for a specific study aiming to get a detailed understanding of social capital's application by individual entrepreneurs, respective entrepreneurs are the best unit of analysis. Most social capital literature argues that individuals, households, or small groups who have access to important resources, or who occupy key strategic positions in a network, are said to have "more" social capital than others, and their positions in these networks give them better access to and control over valued resources (Dudwick *et al.*, 2006:1). This is in line with Bellemare and Kroger's (2003) argument that due to the subjective nature of social capital it should be approached at the micro level where the individual entrepreneurs are the research subjects.

Having purposively selected the respondents, the next step was to determine the data gathering tools. The multiple tools used gathered both quantitative and qualitative data that was later analysed using multi analytical techniques to build a story behind use of social capital by the respondents and to bolster the internal consistency and robustness of the research results. The

data gathering tools used were a Biographical Data questionnaire and then a comprehensive modified Social Capital Assessment questionnaire.

The biographical data questionnaire was used to capture the biographical data of the respondents. This questionnaire, other than capturing data on the entrepreneurs' general socio-economic history and background, also facilitated further discussion with the respondents on various socio-economic aspects. It was an open-ended questionnaire, which initiated a one-on-one discussion with the entrepreneur. The assistants and the researcher also actively noted some observations during the whole process.

The last tool that was administered was a modified version of the World Bank's social capital assessment tool as developed by Krishna & Shrader (1999) (see Appendix 2). This was modified from its initial regional and country level perspective where the entry point was the general community, to one more applicable to small-scale non-farm entrepreneurs. In its original format, it captured data not just on social capital and economic development but also included data on social capital and health, civic participation, education, and involvement with on-farm associations. This research also modified the original tool to include some open-ended questions that allowed discussion in order to interrogate issues surrounding the use of social capital to get start-up capital as well as finance for enterprise expansion. In its initial format the World Bank assessment was too large for the data requirements of the nature and level of this study, and would otherwise have taken much longer and required even more resources to administer. It was found that even the modified tool was still considered time consuming by some of the respondents, but because of the need to capture the necessary data, it was then administered in phases.

The tools used in the study are attached in the Appendices and the modified social capital assessment can be compared with the World Bank's Social Capital Assessment Tool on the Bank's Social Capital website.

The researcher was assisted in the data collection process by research assistants selected from the community. The reason for using local research assistants other than their being familiar with the study area is that this saved time and money as this strategy did not require translation and transcribing of the responses into English after the data gathering process. In addition, in accordance with the requirements of most studies, pre-testing of the tools was done to check for sticking points and ensure that the questions were asked properly to capture the right responses. The outcome of the pre-testing process was then discussed with the research assistants and

changes were made accordingly. After being satisfied with the training on how to administer the questionnaire, the assistants were introduced to the leadership structure of the district and then the research was done periodically between November 2004 and July 2005. However, the researcher was at all times actively involved in the whole process of data gathering, where interesting observations were noted down.

3.4 ANALYTICAL METHODS

Data collected by the research tools was both qualitative and quantitative in nature, hence, as per the dictates of the MADs approach, multiple analytical techniques were used. The analyses were made possible by use of the Special Package for Social Scientists (SPSS) version 10 programme and the STATA programmes. The descriptive statistics, the Principal Component Analysis and Pearson's Correlation coefficient techniques and Analysis of variance were used to handle the quantitative data captured in the study.

The quantitative results were then combined together with the qualitative data to generate deeper understanding beyond simply establishing causal relationships between social capital and economic development. The qualitative analytical techniques were used to build a story behind the quantitative statistics, with respect to questions of 'why' and 'how' which could not easily answered by the quantitative analytical methods. The responses from the entrepreneurs' biographical data were used to corroborate the findings from the Principal Component Analysis models as well as to bolster the explanatory part of the study.

3.5 SUMMARY

This chapter discussed the research methodology followed in this study. This entails interrogating the background of the research approaches that guided the investigation of the role played by social capital in the development of rural non-farm enterprises in the Chimanimani district. The philosophical background was briefly interrogated to inform the research methods used to gather the data and subsequently the analytical process. The study was conducted according to a Mixed Approach Designs strategy to benefit from the advantages of such diverse research methodologies; this included research design, data gathering techniques and ultimately analytical techniques.

CHAPTER 4

THE SOCIO-ECONOMIC PROFILE OF THE CHIMANIMANI DISTRICT

4.1 INTRODUCTION

This chapter details the socio-economic settings from which the sampled respondents for this study as discussed in chapter 3 were taken. The aim was to introduce a socio-economic profile of entrepreneurs in the Chimanimani district, such as household livelihoods options as well as the entrepreneurs' education level, their reasons for becoming entrepreneurs and their locus of control. These socio-economic characteristics of the district provide the background information about the entrepreneurs in the study. This background information paves the way for further analysis in chapters 5, 6 and 7. The chapter starts by providing data on the socio-economic profile of the district and then zeroes in on the socio-economic characteristics of the sampled respondents.

4.2 THE GEOGRAPHICAL LOCATION OF THE CHIMANIMANI DISTRICT

The Chimanimani district is situated in the southerly part of Manicaland province, in the eastern part of Zimbabwe. Located within the southern tip of Zimbabwe's Eastern Highlands, the district shares its eastern border with Mozambique, on its northern and western sides is Mutare district, Buhera district is to the south and Chipinge district on the southeastern side. It is approximately 150km from Zimbabwe's third largest city of Mutare and roughly 65km from Chipinge town. Its administrative centre is located at the Chimanimani Village, established in 1895 by the Thomas Moodie family, who named it Melsetter after their ancestral home in the Orkney Islands north of Scotland, United Kingdom. The name was changed to Chimanimani in 1982 in honour of the picturesque, rolling Chimanimani Mountains and their famous natural forest wilderness. Figure 3.1 shows its geographical location within Manicaland province.

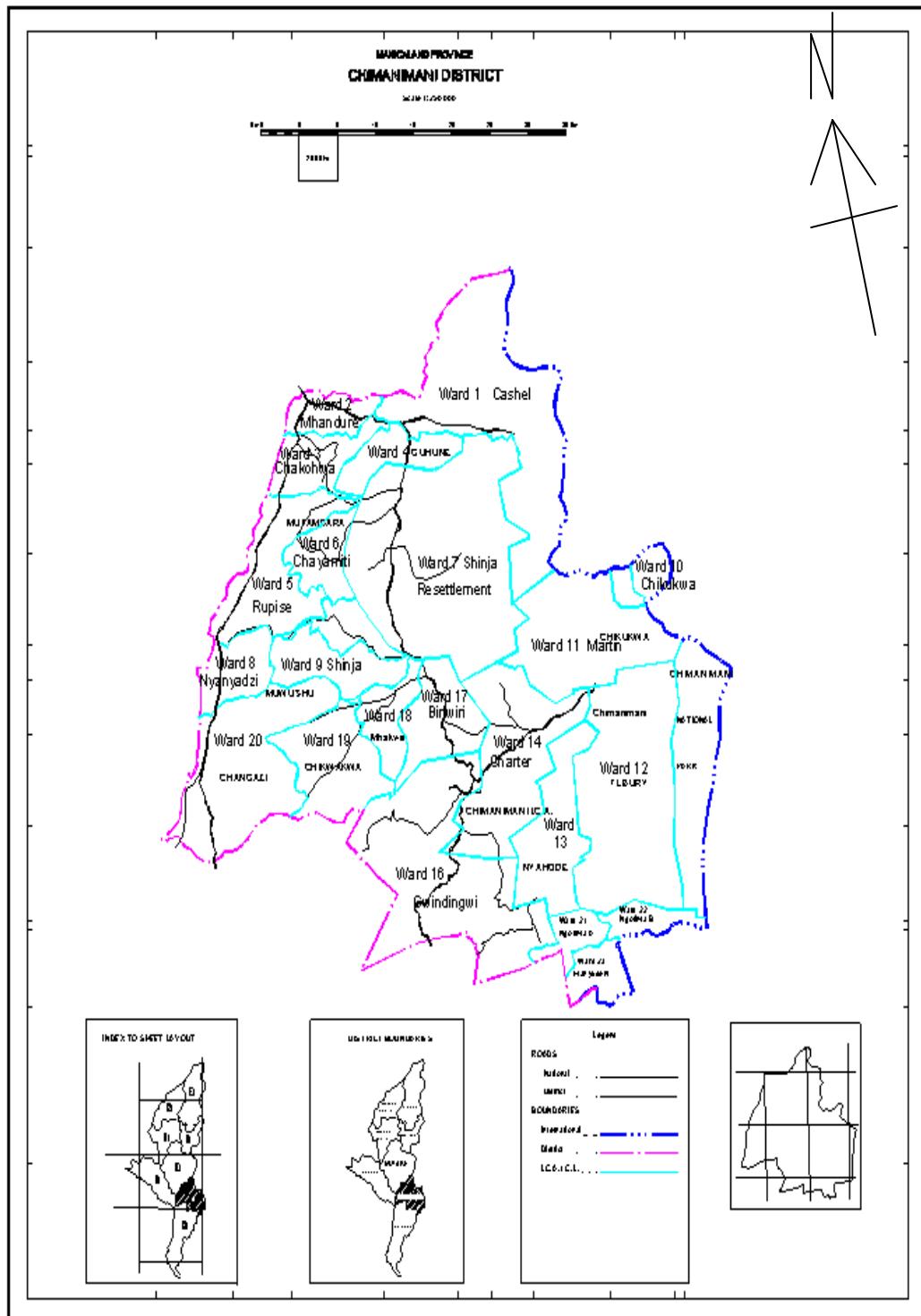


Figure 4.1: Map of the Chimanimani district

In terms of population and area, the district is the smallest of the seven districts that make up Manicaland province. The Chimanimani district's population is plus or minus 150 000 when figures from the last census conducted in 2002 were adjusted by the annual growth rate of 3%. Of

this population, 52% are female and 48% male. The district's population is distributed in 23 administrative wards shown on the map.

4.3 THE ECONOMIC PROFILE OF THE CHIMANIMANI DISTRICT

The Chimanimani district is peculiar in that it has all of the five agro-ecological conditions found in any part of Zimbabwe. The implication is that livelihood interventions successfully implemented in any part of the country can be carried out here as well. The fact that this district is representative of the socio-economic conditions of the whole country was another reason for its selection as a study area, besides the researcher's long history of working with entrepreneurs in the district.

Agro-ecological region one, covering 185 547 hectares of the district, has the highest agricultural potential as it receives above 1 000 mm of rainfall annually. This region is highly mountainous; hence most of its land area is delegated to commercial timber, tea and coffee production. Due to the region's high rainfall and rich soils, land-use in places that are not mountainous is mainly intensively used for horticultural crop production. As a result, the average land holding per household is very small, with population density per square kilometre being equally very high. Of note, Zimbabwe's largest timber sawmill is located in this region, at Chisengu, where timber is sown for export. There are also some small-scale bush sawmills scattered around the region as well as some small-scale intensive commercial horticultural enterprises. Region two, with an average annual rainfall of up to 800 mm, covers 30 878 hectares, is less mountainous and is mainly used for intensive crop farming. There are also several intensive horticultural farming activities producing flowers, vegetables and fruits.

Regions three to five, covering the remainder of the district's area, are the driest parts of the district, with an average annual rainfall of below 500 mm. Due to the low agricultural potential of these zones, average land holding per household is greater, and they are subsequently more sparsely populated, with land use mainly extensive cattle and subsistence crop farming. Most of the district's several small-scale irrigation schemes are located in this region. The major economic activities in the area include small-scale subsistence farming. Most farming activities are dependent on natural rainfall with the exception of a few small-scale irrigation schemes located mostly at Nyanyadzi, Changazi, Tonhorayi, Nhakwe, Cashel and Chakohwa. The district's economy is agro-based, on the borderline between commercial and subsistence farming. Table 4.1 shows the land distribution, land holdings per household and population density by agro-ecological zone.

Table 4.1: Land size and population density of the district

Agro-ecological region	Average land size per household	Average population density per sq km
I	0.8 ha	2,040
II	0.8 ha	2,040
III	2 ha	651
IV	2 ha	651
V	2 ha	651

Adapted from Zimbabwe Opportunities Industrialisation Centres and Development Technology Centre 2002 Report.

The Chimanimani district has also been divided into eastern, central and western socio-economic zones. In terms of average household income, families in the eastern zone have the highest income, mainly coming from fruit and crop sales and timber products. The central zone is slightly drier, with livestock sales and crops being the major sources of household livelihood. The western zone is the driest, so that the rearing of animals and subsistence crop production are the most common sources of livelihood, with crafts made from baobab tree fibre and palm leaves (ilala) also making a significant contribution.

Besides farming activities, the district has other economic drivers, namely tourist attractions such as the scenic Bridal Veil waterfalls, the Hot Springs resort, the picturesque Chimanimani Mountains, the Vimba and Haroni forests and their rare bird and butterfly species, as well as the Haroni River with its rugged surroundings, which usually attracts those with an interest in white-water rafting. There are also two game parks, the Eland and Chimanimani parks, where tourists can enjoy game viewing. The district's potential to attract more than 10 000 tourists annually has led to the development of a vibrant craft and curio sector among other facilities to service the tourist industry.

Table 4.2: Average household income sources (Z\$ as at 2001)

	Fruit	Vegetables	Crops	Timber products	Livestock	Crafts	TOTAL
1. EASTERN						None	
Average	25 833	4 666	16 666	10 000	4 166		60 500
Percentage	43 %	8 %	28 %	15 %	7 %		100 %
2. CENTRAL				None			
Average	3 166	5 166	7 266		25 000	1 000	41 600
Percentage	8 %	12 %	17 %		60 %	2 %	100 %
3. WESTERN				None			
Average	3 750	13 500	17 500		22 500	6 000	63 250
Percentage	6 %	21 %	28 %		36 %	9 %	100 %

Adapted from Zimbabwe Opportunities Industrialisation Centres and Development Technology Centre 2002 Report.

The Zimbabwe Opportunities Industrialisation Centres and Development Technology Centre has categorised household livelihoods in the district, as shown in Table 4.2 above.

4.4 CHARACTERISATION OF THE ECONOMIC ACTIVITIES IN THE DISTRICT

4.4.1 Major formal business activities

A diversity of off-farm business activities complement on-farm incomes, and it has been established that there are robust and beneficial backwards and forward linkages between on-farm and off-farm activities. Shops and general dealers dominate the formal small-scale enterprise sector activities, followed by bottle stores and grinding mills. Hotels and restaurants also feature strongly in the entrepreneurial activities of the district, to service tourists who visit the district. The central zone of the district has the greatest number of non-farm activities, mostly located around the district's administration centre.

Table 4.3: Number of enterprises in the formal sector

	Eastern zone	Central zone	Western zone
Wholesale/supermarkets	8	5	2
Shops/general dealers	83	98	78
Hardware stores	3	2	6
Hotels and restaurants	4	4	6
Lodges	7	2	1
Butcheries	12	24	21
Bottle stores/bars	42	35	37
Hair salons	7	12	11
Pharmacies	1	0	0
Filling stations	5	3	1
Garages	8	4	6
Motor spare parts	3	6	0
Book shops	1	1	1
Craft shops	3	6	12
Grinding mills	25	30	24
Milling/packaging	0	1	1
Food processing	1	1	1
Bakeries	4	2	1
Secretarial services	10	7	6
Tailoring	4	5	8
Construction/builders	13	26	10
Others	10	4	11
Total	254	248	245

Adapted from Zimbabwe Opportunities Industrialisation Centres and Development Technology Centre 2002 Report

As shown in Table 4.3 above, the range of activities indicates that the district has diverse entrepreneurial activities. Most of the activities are located around the designated service centres. The local authorities and some central government ministries provide the infrastructure services at these service centres to support business enterprises. It can also be deduced from the number of shops or general dealers and bottle stores that some lines of business are overtraded, given the size of the population from which the market is drawn.

4.4.2 Major informal sector business activities

While Table 4.3 above provides an overview of the formal business activities in the district, there is a thriving informal sector complementing formal enterprise activities in the district. The informal sector activities include carpentry businesses, largely because of the abundance of timber in the district, welding, electronic repairs and flea-market businesses also known as cross-border traders. The last group is mainly engaged in buying second-hand clothing and scarce groceries from neighbouring countries for resale. The central region has the largest number of informal businesses, as was identified in a survey conducted by the Chimanimani Business Trust. Table 4.4 summarises the various types of informal enterprises in the district.

Table 4.4: Number of enterprises in the informal sector

Zone	Welding	Carpentry	TV / Radio Repairs	Bicycle Repairs	Shoe Repairs	Flea Markets
Eastern	9	21	2	0	4	13
Central	12	14	4	3	14	12
Western	10	17	4	9	7	8
Total	31	52	10	12	25	33

Adapted from Zimbabwe Opportunities Industrialisation Centres and Development Technology Centre 2002 report

4.4.3 Business support services

Entrepreneurship thrives best where there are support services such as telecommunications, health facilities, electricity, education and financial services. As of 2002, the district had 217 public and private landline telephones serving a population of plus or minus 150 000. The district also has 17 health facilities and 67 primary and secondary education facilities. Almost two in every three service centres in the district have access to electricity.

The district has four training centres, four post offices, two commercial banks and a number of non-governmental organisations that are in one way or another involved in business development activities. The Chimanimani Business Trust, a community initiated entrepreneurship development venture, provides various business services to the business community. Most of the district's service centres are linked to the administrative centre by a tarred road network that also links the district with the nearest urban centres of Mutare and Chipinge. With respect to water reticulation infrastructure, 7 in every 12 business centres have piped water. Table 4.5 below summarises the business support services in the district.

Table 4.5: Number of business support services in the district

Zone	Public telephones	Private telephones	Hospitals	Clinics	Primary schools	Secondary schools
Eastern	6	41+	2	6	21	9
Central	3	57+	2	4	15	5
Western	1	114+	0	3	12	6
Total	10	207+	4	13	47	20

Adapted from Zimbabwe Opportunities Industrialisation Centres and Development Technology Centre 2002 Report

4.5 SOCIO-ECONOMIC CHARACTERISTICS OF THE ENTREPRENEURS IN THE STUDY

It was from the above socio-economic landscape that 130 entrepreneurs (27 family enterprises, 67 male and 36 female entrepreneurs) were selected from 945 entrepreneurs registered with the Chimanimani Business Trust. It is very important to understand the socio-economic characteristics of the entrepreneurs, as these influence their business outcomes in a number of ways. For instance, Katungi *et al.* (2007) noted that women in rural areas in Uganda have a high opportunity cost of time, which is likely to restrict them to particular types of economic activities. In addition, Makhura (2001) established that the education level of entrepreneurs determines their ability to make use of social capital, and the same was noted by Katungi (2006) with respect to the ability of their participation in networks. It can be argued that the level of participation in different economic opportunities in Zimbabwe is influenced by gender, as male and female entrepreneurs gain different benefits from social capital.

The district's abundant timber explains why carpentry and joinery enterprises are dominant entrepreneurial activities in the area. Craftwork and restaurants are also a dominant form of enterprise in the district. This sector was initiated to respond to the needs of the district's once thriving tourism sector, which used to attract more than 10 000 tourists annually. Enterprises providing trading and services are expected in a district like Chimanimani whose nearest urban centre, the town of Chipinge, is 65km away.

Table 4.6 below shows the diversity of enterprises in the study as well as the employment trends between the period when enterprises were created and at the time of the survey. The employment trends are consistent with worldwide trends, where small-scale enterprises usually start with only a few workers, as was established by Liedholm *et al.* (1994) and Lighelm (2005). In this study, a

majority of the respondents started with between one and two workers, with less than 6% of the respondents having started with more than five workers. This tends to change with time, as at the time of the survey more than 50% of the entrepreneurs were employing more than five workers. The largest enterprise, a family owned business, had 45 workers and this was followed by a male enterprise with 20 workers.

Table 4.6: Types of enterprises in the study and number of workers

Entrepreneurial activities	Male % (n=67)	Female % (n=36)	Family run % (n=27)
Trading	13.4	11.1	18.5
Construction	7.5	0.0	3.7
Carpentry and welding	20.9	0.0	14.8
Craftwork and restaurant	4.5	50.0	0.0
Dressmaking and saloons	3.0	25.0	3.7
Electronics and repair	11.9	0.0	11.1
Agro-processing & manufacturing	4.5	0.0	22.2
Graphics and design	9.0	0.0	0.0
Office services, & phone shops	10.4	11.1	14.8
Vehicle servicing and spare parts	9.0	0.0	0.0
Others	6.0	2.8	11.1
Total	100	100	100
Number of workers			
At establishment: 1	65.67	36.11	14.82
2	23.88	33.33	62.96
3	8.96	13.89	18.52
4	1.49	11.11	0.00
5+	0.00	5.56	3.70
Total	100	100	100
During survey			
1	7.46	2.79	0
2	8.96	8.33	7.41
3	19.40	19.44	14.81
4	19.40	5.56	11.11
5+	44.78	61.11	66.67
Total	100	100	100

Source: survey data

The findings do not deviate from findings in similar studies elsewhere. For instance, Piergiuseppe & Giuseppina (2005) established that in Italy enterprises employing less than 10 workers represent a majority of Italy's national enterprises. This was also observed in South Africa by Mitchell (2004), Mitchell & Co (2004), Perks (2004) and by Lighelm (2005), and in Botswana, Kenya, Malawi and Swaziland by Liedholm *et al.* (1994).

4.5.1 Education level of the entrepreneurs in the study

Research has established that the education level of entrepreneurs is positively correlated to long-term economic development, through improving human capital and enterprise intelligence in order to collect and interpret business information and enhance decision-making. Makhura (2001)

established that small-scale farmers in South Africa who are able to read and write, and to communicate in both Afrikaans and English, have better chances of overcoming the transaction costs that restrict their participation in the market. The argument was that entrepreneurs with a certain level of education could read and interpret market information, thereby reducing transaction cost incurred in market search. This has been the central argument of the human capital debate.

In the survey, more than 50% of the respondents had completed ordinary level education, and 60% of the male and family business owners had completed more than ordinary level education. Of the female entrepreneurs, 51.43% had completed primary education, with the remainder having at least an ordinary level education. It can be concluded that most of the respondents have the requisite level of education and subsequently the human capital needed to make informed business decisions. Table 4.7 shows the education levels attained by the respondents in the study.

Table 4.7: Educational level of the entrepreneurs

Level of formal education	(n=130)	Cumulative %
		% for each category
Primary education	15.9	15.9
Junior certificate	3.2	19.1
Ordinary level certificate	31.0	50.1
Advanced level	21.4	71.4
Diploma level	16.7	88.1
Degree	4.8	92.9
Postgraduate	7.2	100.0

4.5.2 Number of years since the enterprise was established

Many small-scale enterprises rarely survive beyond their first year of establishment due to unfavourable social environment, access to finance, market conditions and business management styles. This has led some researchers to have misgivings about the effectiveness of small-scale enterprise programmes as a sustainable strategy for employment creation. As shown in Table 4.8 below, up to 95% of the enterprises in the study had been in operation for more than 5 years.

Table 4.8: Number of years since the enterprise was established

Number of Years	(n=130) % For each category	Cumulative %
3	3.8	3.8
5	40.8	44.6
10	36.2	80.8
10+	19.2	100.00

Source: survey data

In terms of gender, 94% of the enterprises owned by male entrepreneurs had been in existence for between 3 and 10 years, with 54% of female-owned and 85% of family-owned enterprises having been in existence for between 3 and 10 years. It was also noted that almost 46% of the female-owned enterprises had been in existence for more than 15 years.

4.5.4 Reasons for establishing the enterprises

Another important aspect in the study of entrepreneurs is their reasons for establishing the enterprises, as this also determines their sustainability in terms of economic development. Table 4.8 above shows the reasons given by the respondents for creating the enterprises. Of the 130 respondents, only 3.1% inherited family businesses, 15.4% being established to exploit an economic opportunity and 22.3% being established to buffer the entrepreneurs against financial insecurity. The need to establish an enterprise as a buffer against financial insecurity was the reason for the establishment of 47.2% of the female-owned enterprises, 10.4% of the male-owned enterprises and 18.5% family-owned enterprises respectively. The reason why more female entrepreneurs established enterprises as a cushion against financial insecurity concurs with the general observation that women are the most financially vulnerable members of rural communities. The presence of economic opportunities to be exploited and the desire to be independent entrepreneurs led more than 58% of the males, 39% of the females and 55% of the families to establish enterprises.

Table 4.9: Reason for enterprise establishment

Reason for enterprise creation	Male % (n=67)	Female % (n=36)	Family owned enterprise % (n=27)
Death of bread winner	3.0	0	3.7
Unemployment	28.4	13.9	7.4
Financial insecurity	10.4	47.2	18.5
To run own businesses	44.8	16.7	44.4
An economic opportunity	13.4	22.2	11.1
To continue family business	0	0	14.8

Source: survey data

It was noted that only male and family-owned enterprises were established because of the death of a breadwinner. A possible explanation is that after the death of a breadwinner it will be the responsibility of the oldest surviving male member to fend for the family. Alternatively, with the death of a family breadwinner, remaining family members are forced to pool their resources and start a family business. However, this does not necessarily imply that there are no cases where after the death of a male household breadwinner the remaining female head will not start her own business. It is only that in this specific study such a scenario was not captured.

The need to exploit an economic opportunity (mostly those in timber processing or tourism) motivated the establishment of 13.3% of the male-owned enterprises, 22.2% of the female-owned enterprises and 11.1% of the family-owned enterprises. Unemployment accounted for the establishment of 28.4% of the male-owned enterprises, 13.9% of the female-owned enterprises and 7.4% of the family-owned enterprises.

4.6 SUMMARY

This chapter provided an over view of the district's economic activities as well as the respondents' socio-economic characteristics. In this study, the respondents were categorised into male, female and family-run enterprises for a specific purpose. The rationale for this categorisation was based on the understanding that in most societies there are inherent gender differences with respect to educational attainment, economic opportunities and how these are pursued. Such socio-economic differences obviously filter through to influence the kinds of enterprises ventured into and even the size of such enterprises. Many studies have left this aspect aside, but in this study it was included, hoping to unravel underlying salient gender dimensions within these categories of enterprises. This chapter has set the stage for the next chapters, which

will give a more detailed analysis of how these entrepreneurs use social capital for the purpose of enterprise development.