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An Empirical Analysis of Social Capital and Enterprise Performance in Tanzania: The Case of Women Owned Businesses

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This paper explores the impact of social capital on the performance of women owned microcredit supported enterprises. The paper uses data from a random sample of 429 women business owners who had accessed microloans in Morogoro and Iringa municipalities. An ordered probit was used to determine the impact of social capital on enterprise performance. Results have shown that certainly, social capital plays a significant role in the performance of women owned businesses. Specifically, results have demonstrated that business owners who received business support and advice from informal networks were more likely to experience profits increase in their enterprises than otherwise. Results have also shown that overall, the impact of bridging social capital on enterprise performance was more important than the bonding social capital. Our results suggest that for women business owners to enhance performance of their enterprises they need not only financial capital and human capital (business training and management skills) but also they need to develop, promote and use appropriate forms of social capital. In particular, women business owners could be facilitated to establish social capital beyond their immediate neighbourhoods, such as joining heterogeneous networks both formal and informal. Efforts could also include strengthening women's associations with a view to widening their sources of resources and information for them to unleash their business growth potentials.

Keywords: Tanzania, social capital, enterprise performance, women-owned, businesses

Introduction

Tanzania, just like other countries in the developing world recognizes the importance of micro and small enterprises in employment creation and income generation (URT, 2002). Micro and small business sector is one of the leading employers (next only to peasant agriculture) and is considered to have the brightest potential for making the highest contributions to employment growth and increased incomes (Finseth, 1998). The sector development is therefore, viewed as an important strategy for bringing equitable distribution of income and as an indispensable tool of poverty reduction; and the overall economic growth. The sector is also given importance for its ability to add value to the agro products especially in the rural areas, but also its ability to facilitate the dispersal of enterprises and providing a ground for training of nascent entrepreneurs (URT, 2002).

Estimates show that women business owners in Tanzania make up around 43 per cent of the total numbers of operators in the micro and small business sector (Stevenson & St-Onge, 2005). However, women are mainly represented in informal and micro activities. Consequently, for the majority business ownership has not translated into significant improvements in their overall welfare and that of their households. The lack of sufficient levels of financial capital is the most cited reason that condemns women to operate in the informal sector activities. Nevertheless, it is argued that even when women are able to access sufficient level of financial capital, the performance and contribution of their businesses to economic empowerment and growth have been trifling (IFC, 2007). Among other factors include inadequate stocks of social capital. Research has shown that women micro and small business owners in Tanzania lack sufficient stocks of social capital from which they could extract support services needed for the growth of their businesses (Stevenson & St-Onge, 2005). This implies that so long as micro enterprising is a multidimensional process that requires different inputs and a holistic approach in its support, evidently, women business owners need not only, physical, human and financial capital but also need social capital. This is because enterprise performance cannot be attributed entirely to the effects of physical, human and financial capital but also to the role of social capital. Coleman (2000:16) argues that like other forms of capital, social capital is productive, making possible the achievement of certain ends that would not be attainable in its absence. Coleman (1990) also argues that social capital has the ability to amplify and supplement the effects of both physical and financial capital. Similarly, Lin (1999) views social capital as

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important for entrepreneurship in the same way financial capital is for business start -ups and growth. Research has also established that one of the key factors for business growth is the building and utilisation of appropriate forms of social capital (Audretsch *et al.*, 2006) and specifically for the survival of women owned businesses (Dah & Zolnik, 2011). For nascent women business owners, the use of social capital provides them with the best means to overcome their liabilities of smallness and newness (Roberts & Dowling, 2002). Because of its role in facilitating access to other forms of capital, social capital is therefore considered to play a vital role particularly in the promotion of business ownership and entrepreneurship among the women. Nevertheless, the role of social capital in the performance of women owned businesses is an area that is grossly under researched. Precisely, Audretsch *et al.* (2006) argue that most research on small business ownership does not adequately provide empirical evidence of the impact of social capital on business ownership and entrepreneurship. This is despite the fact that during the past three decades, studies (for example, Bourdieu, 1986; Putnam, 1993; Narayan & Pritchett; 1997; Grootaert, 1999; Maluccio *et al*., 2000) have explored the important roles of social capital in socio-economic development.

While there could be several empirical studies on the role of social capital in socio-economic development in Tanzania, such studies are limited. To our knowledge, the only available evidence on such studies is that of Narayan and Pritchett (1997). Using data from the Tanzania Social Capital and Poverty Survey (SCPS), Narayan and Pritchett investigated the impact of social capital at household levels among rural communities in Tanzania. Their study found that social capital contributed to improvements in rural household incomes. Specifically, they found that households experienced improvements in their incomes because through their village social capital in the form of associational relationships and social norms, household members were able to enjoy the increased use of credit for agricultural improvements, adoption of improved agricultural practices and improved provision of public services.

The objective of the current paper is to investigate the effects of social capital on the performance of women owned microcredit supported enterprises in urban Tanzania. This is because there is a dearth of data and empirical evidence on the role of social capital on the performance of women businesses that have access to microcredit in the country. Micro enterprising and small business ownership are the main source of household incomes for the majority of urban dwellers particularly women. This study goes beyond social capital in the form of microcredit group liability to consider the effects of other forms of social capital on enterprise performance.

Literature Review

Literature shows that social capital is a multifaceted concept and it has been defined differently by different scholars. Likewise, literature has established that social capital has different types, characteristics and functions (Portes, 1998). Thus, there is still a lack of agreed definition and how it should be measured (Dah & Zolnik, 2011) and the definitions adopted in various studies have tended to hinge on the discipline and level of investigation (Robison *et al*., 2002). Adler and Kwon (2002) contend that due to its multifaceted nature, definition and measurement of social capital have been left to the researchers' interest and discretion. As a result, scholars have focused on different dimensions of social capital including its sources, substance and effects; and its miscellany of applications (Adam & Roncevic, 2003). However, it is agreed that social capital occurs at both individual and organizational levels (Davidsson & Honig, 2003).

According to Bourdieu (1986:248), social capital is 'the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance and recognition'. On the other hand, Coleman (1990:302) defines social capital in terms of its functions. Coleman argues that social capital "is not a single entity, but a variety of different entities, having two characteristics in common: they all consist of some aspect of a social structure, and they facilitate certain actions of individuals who are within the structure". Social capital is also referred to as stocks of social trust, norms and networks that people can draw upon to solve their common problems (Adler & Kazanowski, 1998). Knack (1999) defines social capital from the governmental and the civic point of view. Knack defines social capital as the features of both government and civil society that facilitate collective action for the mutual benefit of a group, at individual households and the nation at large. According to Knack, such features include all institutions of the government that impact people's capability to work together for their mutual benefits including enforceability of the rule of law, contracts, and the functioning of civil liberties. On the other hand, civil social capital includes shared values and norms, membership in informal networks and associations that make individuals to cooperate with a view to achieving their common goals. The World Bank looks at social capital as institutions, relationships and norms that reconfigure and determine the quality and quantity of a society's social connections. The Bank also considers social capital as not only the entirety of the institutions which underpin a society but also as the glue that holds institutions together (quoted in Rankin, 2002:4). Lin (1999) defines social capital as resources embedded in a social structure which can be mobilized and used in purposive actions. According to Putnam (2000:19) “social capital is connections among individuals – social networks and the norms of reciprocity and trustworthiness that arise from them”. Liao and Welsh (2005) regard social capital as a set of associations or relationships between individuals, communities or societies that entail norms and values. Liao and Welsch also suggest that social capital is more than just a structure or network, but a social phenomenon that also includes many facets of social context, such as social interaction, social ties, trusting relationships, and value systems that facilitate the actions of individuals located in a particular social context. From these definitions, we construe social capital to include the number and types of contacts and networks (formal and informal) that persons and institutions possess or use to gain access to information, knowledge and other resources with a view to realising a specified objective or mission. We also deduce that at the heart of social capital is the building and maintaining of trust; and formation of formal and informal social networks including the norms of behaviour that reinforce them.

Forms or types of social capital

As already noted, social capital has various forms and characteristics, the most common being bonding social capital, bridging social capital and linking social capital (Putman, 2000; Woolcock & Sweetser, 2002). Bonding social capital (also referred to as strong ties) describes closer connections between people or a homogenous group of related people for example, spouses, parents, partners, friends and relatives. At enterprise level, social bonding capital is formed when departments or units within the enterprise are able to interact and work together for their common interests and goals (Adler & Kwon, 2002; Putnam, 2000). On the other hand, bridging social capital (which is also referred to as weak ties (Granovetter, 1973) is a more distant connection between people or diverse social groups, such as business associates, acquaintances, people from different ethnic groups, former employers and former co-workers. Bridging social capital develops when individual members of one group or an organisation are able to connect and interact with members of other groups or institutions with a view to seeking access to support, gain information or solve a problem of a common interest. In other words, bridging social capital is formed when social networks or contacts enable individuals and enterprises to benefit or take advantage of the outside world resources including associations and organisations. In contrast, linking social capital refers to connections and interactions with influential people or people in positions of power, such as political leaders, financial managers and experienced business owners (Mayoux, 2001). These three forms of social capital not only differ in terms of their characteristics, but also in terms of their importance (Putnam, 1993). However, the development of the quality and effective forms of bridging social capital and linking social capital depends on the strength and quality of the bonding social capital (Warren, Thompson & Saegert, 2001).

The role of social capital

As portrayed by its definitions, social capital has multidimensional functions. However, the role of social capital depends very much on the level at which it is studied and put to use. Literature shows that there is a growing appreciation of the role that social capital plays in socio-economic development at the individual/ household, enterprise and national levels. Bourdieu (1986) contends that individuals can gain direct access to other economic resources through their social capital. Social capital through social relations is capable of providing individual entrepreneurs with financial and physical support (e.g. start-up capital and labour); useful information (for example, market intelligence, information on customers and other business opportunities) (Maskell, 2001; Landry *et al*., 2002); and psychological and moral or emotional support (Sanders & Nee, 1996). Similarly, social capital facilitates the accumulation of other kinds of resources (Burt, 1992). At the firm level, the stock of social capital that an entrepreneur brings to the business at start-up and the subsequent phases has a significant influence on business survival and growth (Liao & Welsch, 2005). In particular, social capital expedites resources exchange among different units and promotes efficiency within the firm (Davidsson & Honig, 2003). Social capital also helps to strengthen supplier relations and inter-firm learning; and enhance enterprise performance by promoting innovation and by nurturing the diffusion of knowledge (Murphy, 2002). Social capital also enables firms to lower their transaction costs including the cost of access to useful information but also to circumvent other uncertainties facing them (Lin, 1999; Murphy, 2002). Looking at the role of social capital at the level of individual entrepreneurs and firms, Lin (1999) views social capital as the process of certifications and reinforcement of individual's and firm’s social credentials, identity and recognition. This process in turn enables individuals and firms to receive emotional support, public endorsement; and access and entitlement to other economic resources. Liao and Welsch (2005) argue that social capital not only enhances individual entrepreneur’s ability to make assertive business decisions and ability to enterprise but also helps firms to acquire organizational legitimacy and reputation. The acquired reputation facilitates their access to external resources, but may also replace their lack of experience and track record (Stuart *et al*., 1999). Social capital also plays a significant role in enterprise productivity especially in environments characterised by information asymmetry, barriers to credit access or credit markets, poor enforcement of property rights and business contracts (Biggs & Shah, 2006; Knack, 1999). Social capital also provides an opportunity to access latest technological innovations (Davidsson &Honig, 2003). As such, social capital allows individuals and firms to take advantage of a wider range of economic opportunities and resources (Davidsson & Honig, 2003). It is also argued that social capital provides the enterprise with an important source of competitive advantage and enhanced ability to identify and exploit new business opportunities (Maskell, 2001). Because of its roles and functions, social capital has been regarded as one of the important drivers of entrepreneurship (Dah & Zolnik, 2011). Empirical evidence on the effect of social capital on business performance has established that there is a positive relationship between utilizing appropriate forms of social capital and the rates of business formation, survival, and growth (Liao & Welsch, 2003). Moreover, in a study that compared the impact of social capital (networking) among low-growth with high-growth firms in China, Zhao and Aram (1995) found that growth prospects were higher in firms that had a wide range and intensity of business networks than otherwise. The study also found that businesses with less established networks grew more slowly.

Studies also posit that at the national level, social capital is one of the important factors in economic development and growth (Putnam, 1993). The precise role of social capital at the national level includes knowledge production and exchange in research, supporting commercial and education research and development processes (Westlund, 2006). In addition, social capital through social cohesion and public engagement is able to strengthen democratic governance, improve efficiency and transparency in public administration (Putnam, 1993) and improves the quality of economic policies (Easterly & Levine, 1997). The World Bank also considers social capital as a very important development tool (Grootaert, 1998) and an important ally in poverty alleviation efforts and in achieving the overall socio-economic development (Eade, 2003).

For credit constrained and resource poor individuals, social capital in the form of microfinance solidarity groups, enables them to overcome their lack of collateral and thus, access credit with less difficulties (Anderson, Locker & Nugent, 2002). Similarly, social capital formed on the basis of microfinance solidarity groups enables the borrowers to access other forms of capital (Basargekar, 2010). In addition to overcoming a borrower's lack of collateral, social capital also allows individual participants in microfinance programmes to increase their levels of enterprise profits (Gomez & Santor, 2001).

Social capital and gender of the entrepreneur

Long (1999) contends that the most critical needs of women entrepreneurs are not related to technical areas but to non-technical areas. Long argues that while the technical needs are the same irrespective of gender, the non-technical needs have far-reaching effects on women entrepreneurs than on men. To him among the non-technical needs facing women include the development of relevant forms of social capital and mentors. Social capital in the form of networks helps women gain access to business advice; facilitates the formation of business partnerships and gives them access to alternative sources of financing (Kelley et al., 2010). In a study that explored strategy formulation in small business in Hong Kong, Chan and Foster (2001) found that reliance on the immediate bonding social capital (strong ties-spouses, parents, partners, friends and relatives) was more important to women than it was to men business owners. Renzulli, Aldrich and Moody (2000) in their study on family matters: gender, networks, and entrepreneurial outcomes they found that differences in business start-up between male owned and female owned businesses were partly explained by the differences in social capital stocks created through ties. However, they also found that social capital stocks owned by the women did not have a positive significant impact of their business start-ups up and performance. To them the problem is not with gender but with social capital composition. They argue that social capital composition rather than gender is a key obstacle to business start-ups and operation by women entrepreneurs.

Other factors for the limited impact of social capital on the performance of women businesses include limited outreach, smaller size and more personal nature of their social networks (Kelly *et al*., 2010). Women also spend less time to nurture and maintain their social capital than their male counterparts (Verheul *et al*., 2005; Andersson *et al*., 2007) and women are also more likely to be involved in the social capital that is not directly related to their business activities(Marcucci, 2001). This is because of a combination of family, work and business responsibilities on the one hand; and time constraints and restricted movement on the other hand (Marcucci, 2001). In addition, women's social capital is mainly organized around spheres of work, family and social life and women are more likely to participate in a gender homogenous social capital (Verheul, Rissew & Bartesse, 2002). As result, women often times seek guidance from family members especially spouses (Kelly, et al., 2010). However, social capital formed on friendship, family and kinship basis tends to decrease the chances of access to useful information and resources that are important in successful venture creation process (Renzulli *et al.*, 2000). Because of the nature and structure of their social capitals, women are constrained to access the same kind of information and support services required for business growth as their male counterparts (Verheul, Rissew & Bartesse, 2002).

Women Business Networks in Tanzania

As we have already noted, research has shown that women micro and small business owners in Tanzania lack sufficient stocks of social capital from which they could get support services needed for the growth of their businesses. This is partly because women's associations have limited organizational and management capacities (UDEC, 2002) including the necessary business skills needed to provide support services to their members (Stevenson & St-Onge, 2005). There is also the lack of awareness among the women about existence and functions of women associations largely because most of these associations are comparatively new. In addition, a good number of women associations are focused and based in urban areas. They also suffer from limited representation and do not have financial capabilities to support their promotional activities (Richardson *et al*., 2004). As a result, the majority of women entrepreneurs are members of informal business or ethnic associations. Only a small number of women entrepreneurs belong to professional women entrepreneur's associations (WEAs) and microfinance programmes that require them to form solidarity groups for them to access credits (Richardson *et al*., 2004).

Sample and Methodology

This paper is based on a survey of 429 women business owners who had accessed microloans in Morogoro and Iringa municipalities in Tanzania. A clustered random sampling design was used to select the clients to be studied. The clients were then selected from microfinance programme's list of clients depending on their duration of membership. It was presumed that the duration of membership in the programme bears a significant influence on the members to build social capital among them and beyond their liability groups.

During data collection, no visits were made to the respective business locations of the clients. Instead, the sampled respondents participated in the survey/interviews when coming for their weekly loans repayment meetings. Self-administered questionnaire was used to collect data from the respondents. The average time taken to administer the survey instrument was forty (40) minutes per individual. However, after the first round of interviews, the target sample of 400 could not be reached. Therefore, to reach the target, the clients who indicated their readiness to take part but could not turn up for the interviews were given another chance to participate in the interviews. Generally, this approach resulted into a response rate of more than 100 per cent of the original sample.

Study Variables

Dependent variable

This paper uses enterprise profitability to determine the impact of social capital on enterprise performance. Enterprise profitability is usually calculated as sales revenue less cost of sales. While sales revenue is given as the product price multiplied by the quantities of output sold, for a typical micro or small enterprise, costs may include cost of raw materials, labour, utilities and rent. To estimate enterprise profits, respondents were first asked to indicate their enterprise production cycle. Secondly, based on the inputs used, clients were asked to estimate their total cost for their last enterprise production cycle (cost per week, cost per two weeks and cost per month). Moreover, respondents were asked to estimate the amount of total sales including cash and credit per week, per two weeks and per month during their last enterprise production cycle. Lastly, respondents were asked to estimate their enterprise profits per production cycle and indicate whether during their last loan; enterprise profits increased, stayed the same or decreased. This approach was used because evidence from literature shows that occasionally owners of micro and small businesses especially in the developing countries keep records of their businesses financial transactions (Wolff & Pett, 2006).

Independent variables

For the purpose of this paper we focus on bonding social capital and bridging social capital variables. Bonding social capital variables include family support and business advice, being married; and spouse, parents or other household members in business. They also include encouragement and advice by friends and partnership in business. On the other hand, bridging social capital variables include receiving business advice from/or membership in professional and non-professional associations, previous business experience and years of business operation experience. To control for the effects of other variables on enterprise performance, business age, owner's age and education level were included as control variables.

Family network and support

Studies suggest that families are important source of business support, advice and networks including the provision of more secure and consistent access to resources (Davidsson & Honig, 2003). The role of family support is especially important for the survival and growth odds of a new venture because family ties help to augment venture's performance through sharing of information, trust building, and joint problem solving (Uzzi, 1999). Social networks provided by families are also able to facilitate the development of relevant human capital (Coleman, 1990). For women business owners, families play an important role in the survival and growth of their businesses because they give them a leeway to receive emotional support and to use household resources including unpaid family labour. Similarly, for married women, in addition to emotional support, active help from spouses play a more important role in the success of their enterprises (Casson, 2004; Teoh & Chong, 2008).

Household or parental role model

Research has also noted that entrepreneurs are more likely to come from a household in which parents or other members own a business (Davidsson & Honig, 2003; Casson, 2004). Having a parent or any other household member in business increases individual's likelihood of becoming an entrepreneur and improves chances of business success (Honig, 1998). Presumably, when individuals are involved in running a business operated in a household milieu they develop knowledge and acquire the necessary skills in business operation and management (Papadika & Chami, 2002). As a result, they become more prepared to take advantage of any emerging business opportunities or face challenges that might arise on their way. Besides, they can easily take advantage of the family pool of knowledge and skills when setting up their businesses (Cooper *et al.*, 1994).

Partners

Businesses started as joint ventures and partnerships have advantage particularly if their members possess a diverse set of talents, resources, professional contacts and intellectual capabilities (Barringer, Jones & Neubaum, 2005). Likewise, joint ventures and partnerships help to augment the credibility of the business to potential lenders and reduce reliance upon choices, decisions and actions of a single entrepreneur (Cooper *et al.*, 1994). Partnership also helps to spread risks, enables sharing of costs; and allows the opening of new markets and the development of new products, services and processes (Papadaki & Chami, 2002). Studies that have examined the impact of partnerships on business performance have found that a business started by partners is more likely to grow than a business started by a single person (Lussiers &Preifer, 2001). Barringer, Jones & Neubaum (2005) found that there is a positive relationship between business performance and the number of partners in a business. Cooper *et al*. (1994) also found that businesses with partners at start-up have higher odds of growth as opposed to businesses without partners.

Use of professional advisory services and membership to professional organisations

Businesses that use professional advisory services, for example from lawyers, bankers, and accountants are more likely to survive and grow than businesses that do not use such services (Barney *et al*., 1996). This is because the use of professional advisory services enhances entrepreneurs' access to more financial resources, necessary information for business growth; and encouragement, counselling and advice (Cooper *et al.*, 1994). The following table presents study variables and their measurement.

Table 1. Study variables and measurement.

Variables	Measurement
1. Marital status	1= Married, 0=otherwise
2. Education level of the business owner	1= post primary, 0= otherwise
3. Owner's age	1= 18-25 years, 0= otherwise
	1= 26-45 years, 0= otherwise
	1= 46-54 years, 0 =otherwise
	1= over 54 years
4. Previous business ownership	1= Yes, 0= otherwise
5. Economic activity of spouse	1= Business, 0= otherwise
6.Receiving advice and support from parents or other household members in business	1= Yes, 0= otherwise
7. Source of business advice and support	1= Family, 0= otherwise
	1= Friends, 0= otherwise
	1= Informal networks, 0= otherwise
	1= Professional business advisors, 0=otherwise
	1= Financial institutions, 0=otherwise
8. Nature of business ownership	1= Primarily owned by the owner, 0= otherwise
	1 = Primarily a household enterprise, 0= otherwise
	1= Partnership with others not in the household, 0=otherwise
9. In case of partnership	1= Business owner and another woman/other women
	0 = Business owner and another man/other men
10. Years of business operation experience	Years transformed into ln
11. Business age	1 = Less than 1 year, 0 = otherwise
	1 = 1-5 years, 0 = otherwise
	1 = 6-10 years, 0 = otherwise
	1 = over 10 years, 0= otherwise

Model Specification and Results

To model the relationship between our dependent variable and the social capital variables determining enterprise performance, we used ordered probit regression model. When a response variable is categorical with two responses (dichotomy), a probit or logistic regression analysis is used. However, when a response variable has more than two scales (limited dependent variable) an ordered probit or ordered logit is used instead (Duncan *et al*., 1998). In our case, our response variable is categorical with more than two scales: business profits decreased, stayed the same or increased. The probability that enterprises will experience profits decrease, stay the same or increase is assumed to be a function of the vector of social capital variables.

The ordered probit models take the following functional form: $y^* = \beta x+\epsilon$. Where y^* is the dependent variable (in our case enterprise profitability) coded as 1, 2 and 3. β is the vector of estimated parameters; x is the vector for explanatory variables; and ϵ is the error term which follows a normal distribution with cumulative distribution function denoted by ψ.

Given enterprise profitability categories, an enterprise falls in category n if $\mu_{n-1} < y^* < \mu_n$. The profitability levels 'y" are related to the underlying latent variable y^*, through thresholds μ_n, where n =1...3. The probability functions for individual response categories are:

$\Pr(Y = 1) = \psi(-\beta x)$;

$\Pr(Y = 2) = \psi(u_1 - \beta x) - \psi(-\beta x)$ and

$\Pr(Y = 3) = \psi(u_2 - \beta x) - \psi(u_1 - \beta x)$.

Where $\mu_1 = 1$ and $\mu_2 = +\infty$ and $\mu_1 < \mu_2$ are two thresholds between which categorical responses have to be estimated. The thresholds μ show the range of normal distribution associated with specific values of dependent variable, whereas β represents the effect of changes in independent variables for n=1….3. We can also calculate the marginal impacts of variables x on enterprise profitability categories as: $\partial \Pr(y=n)/\partial x = -(\psi(\mu_n - \beta x) - \psi(\mu_{n-1} - \beta x))\beta$, n=1…3. We used the STATA statistical package to model our econometric relationships.

Results

Results from the ordered probit model are presented in Table 2.We also present the impacts of social capital variables on enterprise profitability status based on their respective marginal effects (Table 3). These effects measure the change in the enterprise profitability resulting from a one unit change in social capital variables. For easy interpretation and comparison of results, our marginal effects are reported for the lowest and highest values of enterprise profitability status only: (1) = enterprise profits decreased and (3) = profits increased. Results are also discussed in terms of marginal effects.

However, it should be noted here that we could not operationalize partnership variable including the nature of business ownership in our estimation because all the sampled respondents appeared to own enterprises that were primarily theirs. Likewise, we could not estimate the impact of professional networks; and advice and support from friends on enterprise performance because the sampled respondents were overwhelmingly not members of professional networks and were not receiving any business advice and support from friends.

Table 2. Ordered probit results.

Variables	Coef.	Std.e	Z	P>z
1.Marital status	-0.239	0.147	-1.62	0.105
2. Education level of business owner	-0.033	0.149	-0.22	0.822
3. Owner's age :18-25 years	-0.606	0.309	-1.96	0.050
:26-45 years	0.532	0.244	2.18	0.029
:46-54 years	0.854	0.225	3.80	0.000
:over 54 years	-0.506	0.259	-1.95	0.051
4. Previous business ownership	0.224	0.126	1.77	0.077
5. Economic activity of spouse	-0.319	0.150	-2.13	0.033
6. Receiving advice from family	-0.377	0.130	-2.90	0.004
7. Parents/other household member in business	0.014	0.125	0.12	0.908
8. Receiving advice from Financial Institutions	0.253	0.151	1.67	0.095
9. Receiving advice from or membership in informal networks	0.518	0.154	3.37	0.001
10. Years of business operation experience	-0.075	0.062	-1.22	0.221
11. Business age :less than one year	0.500	0.211	2.37	0.018
:1-5 years	0.625	0.193	3.24	0.001
:6-10 years	-0.300	0.217	-1.38	0.167
:over 10 years	-0.415	0.252	-1.65	0.100
/cut1	0.248	0.398	-.532	1.028
/cut2	0.887	0.400	.1035	1.671

N	=	429
LR chi^2 (18)	=	92.25
Prob > chi^2	=	0.000
Log likelihood	=	-372.65
Pseudo R^2	=	0.110

Table 3. Marginal effects.

Variable	Marginal effects profits decrease			Marginal effects profits increase		
	dy/dx	Z	P>z	dy/dx	Z	P>z
1. Marital status	0.065	1.65	0.099	-0.092	-1.64	0.102
2. Education level of business owner	0.009	0.22	0.824	-0.013	-0.22	0.823
3. Owner's age :18-25 years	0.199	1.74	0.082	-0.238	-2.04	0.042
:26-45 years	-0.131	-2.47	0.014	0.198	2.32	0.020
:46-54 years	-0.281	-3.43	0.001	0.330	4.10	0.000
:over 54 years	0.164	1.74	0.083	-0.200	-2.00	0.046
4. Previous business ownership	-0.063	-1.73	0.083	0.087	1.77	0.077
5. Economic activity of spouse	0.092	2.04	0.041	-0.125	-2.13	0.033
6. Receiving advice from family	-0.107	-2.82	0.005	0.147	2.91	0.004
7. Parents/other household member in business	-0.004	-0.12	0.908	0.006	0.12	0.908
8. Receiving advice from financial institutions	-0.066	-1.77	0.077	0.097	1.71	0.088
9. Receiving advice from or membership in informal networks	-0.127	-3.82	0.000	0.193	3.6	0.000
10. Years of business operation experience	0.021	1.22	0.221	-0.029	-1.22	0.221
11. Business age :Less than one year	-0.156	-2.15	0.031	0.197	2.40	0.016
:1-5 years	-0.169	-3.29	0.001	0.239	3.35	0.001
:6-10 years	0.086	1.33	0.183	-0.117	-1.38	0.168
:over 10 years	0.131	1.48	0.139	-0.164	-1.66	0.097

Results and discussion

As we have indicated, the objective of this paper was to provide an empirical evidence of the impact of social capital on the performance of women owned microcredit assisted businesses. Certainly our results have established that social capital plays a significant role in the performance of women owned businesses.

Social bonding capital

Results have demonstrated that receiving business support and advice from families had a positive and statistically significant effect on enterprise performance. Business owners who were receiving business support and advice from their families were 14.7 per cent points more likely to experience increase in enterprise profits ($p < 0.01$). On the other hand, those who were not receiving any advice from families were 10.7 per cent points more probable to report decrease in their enterprise profits ($p < 0.05$). These results replicate results by Teoh and Chong (2008) who found that among women business owners, the use of family support and networks plays an important role in the growth of their businesses.

Moreover, results have shown that previous entrepreneurial experience was positively related to profits increase. Specifically, the businesses owners who had previous entrepreneurial experience or who owned a business before applying for loans were 8.7 per cent points more likely to report profits increase ($p < 0.05$). Conversely, those who lacked previous business experience were 6.3 per cent points more likely to experience decrease in their enterprise profits ($p < 0.1$). These results suggest that probably through business operations owners were able to acquire the necessary skills and experiences that allowed them to effectively respond to entrepreneurial opportunities but also be able to circumvent any businesses hurdles. These results also suggest that if microcredit and micro enterprising are to produce significant impact on women business owners, microfinance programmes should wittingly target borrowers with prior business experiences. Or else, potential borrowers could be trained in business skills and management. We also find that having a spouse in business was negatively impacting women businesses. Business owners were unlikely to report profits increase in their businesses by 12.5 per cent points ($p < 0.05$). Those whose spouses were involved in other economic activities were 9.2 per cent points unlikely to experience decrease in their enterprise profits ($p < 0.05$). These results may suggest that women resources and other enterprise proceeds were hijacked or used by husbands to support their own businesses. Similarly, being married had a negative impact on enterprise performance. Results show that married entrepreneurs were unlikely to report profits increase in their enterprises by 9.2 per cent points. Nevertheless, being married was not significantly impacting enterprise performance for owners who experienced increase in enterprise profits ($p = 0.102$). In contrast, business owners in other marital status categories were only 6.5 per cent points more unlikely to experience decrease in their enterprise profits at 10 per cent level. These results contradict findings by Morris *et al.* (2006) who found that for married business owners, conflicting business and household/family responsibilities have a far reaching effect on their businesses than businesses owned by men. In addition, having parents or other household members in business could not have any significant impact on enterprise profitability both for owners whose profits increased ($p = 0.908$) or decreased ($p = 908$). Again, these results do not support the general view that having a parent or any other household member in business increases the chances of business success (Honig, 1998).

Bridging social capital

Our results regarding membership in informal business associations or receiving advice from these associations are particularly robust. Specifically, being a member of an informal business association had the strongest positive marginal effect on enterprise performance than any other social capital variables included in the analysis. Business owners who were members of informal business association were 19.3 per cent points more likely to report profits increase in their enterprises ($p < 0.001$). Those who were not involved in any informal business associations were 12.7 per cent points more likely to experience decrease in their enterprise profits ($p < 0.001$). This result supports earlier finding by Davidsson and Honing (2003) who found that membership in business networks had a significant impact of firm's probability of profits increase than otherwise.

We also find that receiving business advice and support from financial institutions had a positive and statistically significant impact on enterprise performance. However, its marginal effect was somewhat weak. Business owners were 9.7 per cent points more likely to report profits increase in their enterprises ($p < 0.1$), whereas those who were not receiving any advice were more likely to experience decrease in their enterprise profits by 6.6 per cent points ($p < 0.1$). Possibly, assistances and support provided by these institutions were somehow dislodged from the actual needs of the business owners and their businesses. This further reinforces the fact that microfinance programmes in addition to training their clients on how to better manage their loans; they could also provide their clients with training on basic skills in business management.

Results have also shown that while the likelihood of reporting profits increase, decreased with the years of business operation experience, its impact on enterprise profitability was insignificant ($p = 0.221$) both for business owners who experienced increase and decrease in enterprise profits. These results controvert the general expectations that experienced business owners are more likely to experience profits increase than inexperienced business owners. We also find that education level of business owners was not a significant predictor of enterprise performance for both owners whose profits increased ($p = 0.823$) or decreased ($p = 0.824$) respectively. This finding may suggest that the education levels of the studied clients were too low to produce any significant impact on enterprise performance.

We have mixed results regarding the impact of owner's age on enterprise performance. For example, entrepreneurs who were 18-26 years old were more probable to experience profits decrease in their enterprises by 23.9 per cent points ($p < 0.05$). Correspondingly, business owners whose ages were above 54 years old were 20.0 per cent points more likely to experience decrease in their enterprise profits ($p < 0.05$). On the other hand, those who were aged 27- 45 years old were 19.7 per cent points more likely to experience profits increase in their enterprise ($p < 0.05$). Similar experience is noted for entrepreneurs aged 46-54 years old. These were 33.0 per cent points more likely to experience profits increase ($p < 0.001$). These results suggest that the likelihood of reporting profits increase is higher for entrepreneurs in their late twenties and early fifties than otherwise. This could further be explained by the fact that younger business owners often lack the experience and skills needed to operate a business that come with age. On the other hand, studies (for example, Majumdar, 2006) suggest that with increase in owner's age, owners suffer entrepreneurial fatigue and hence predisposing the business to apathy and bureaucratic red tapes. As a result, decision making processes in the firm are plagued by less prompt and less timely actions. Similarly, new entrepreneurial opportunities are easily missed and the dangers facing the business are also not easily avoided (Jovanovic; 1982; Majumdar, 2006).

We also have mixed results regarding the impact of business age on enterprise performance. Younger businesses (less than one year) were 19.7 per cent points more likely to experience profits increase ($p < 0.05$); and businesses that were 1-5 years old were 23.9 per cent points more likely to experience profits increase ($p < 0.05$). In contrast, businesses which were 6 -10 and above 10 years were 11.7 and 16.4 per cent points more likely to suffer decrease in their profits respectively. However, overall, results have shown that businesses aged less than five (5) years performed better than otherwise. There was also a big number of businesses ownership in that age category. These findings support previous research that younger businesses perform better than older businesses (Carter *et al*; 2004; Moreno & Cassilas, 2007) and that a business increases in age, the odds of business ownership among the women decreases (Carter & Shaw, 2006). Robson and Bennett (2000) speculate that when firms have reached the minimum efficient scales of production, owners may be reluctant to pursue growth to avoid additional responsibilities and other inconveniences that may jeopardize the successes already realized.

On the other hand, decreasing business ownership among women as businesses increase in age could also mean that women businesses experience high churning or discontinuance rate. Similar views are shared by Carter *et al*. (2004) who contend that the ownership of newer businesses among women could imply that women's entry into business ownership is not only a recent phenomenon but also an indication of a lopsided exit from business ownership. Kelly *et al*. (2010) also found that more women than men are likely to start and run new businesses than managing established ones.

Conclusion and Policy Implications

The objective of this study was to explore the impact of social capital on the performance of women owned microcredit supported enterprises, using enterprise profitability as a measure. Our results showed that social capital played a significant role in the performance of women owned businesses. Precisely, business owners who were receiving business support and advice from their families were more likely to experience increase in their enterprise profits. In contrast, business owners whose spouses were involved in other economic activities were unlikely to experience decrease in their enterprise profits. On the other hand, business owners who received business support and advice from informal networks were more likely to experience profits increase in their enterprises than otherwise. However, results demonstrated that overall, business owners who were receiving business advice and support from their bridging social capital were more likely to enjoy increase in their enterprise profits as compared to those who were receiving business advice and support from their bonding social capital.

From the policy perspective, our results suggest that for women entrepreneurs to enhance performance of their enterprises, it is imperative that they are facilitated to access not only financial capital and human capital (business training and management skills) but also to develop, promote and use appropriate forms of social capital. In particular, they could be assisted to establish social capital beyond their immediate neighbourhoods, such as joining heterogeneous networks both formal and informal. This is particularly important given the rapid changes and advances in communication technologies. As their businesses grow, avenues for them to interact with high-flyer or experienced business owners and managers should be created and nurtured. Efforts could also include strengthening of women's associations with a view to widening their sources of resources and information to make women businesses to unleash their growth potentials.

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