

Understanding the Factors Behind Successful Women's Entrepreneurship: Transitioning from Subsistence to Security

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Executive Summary

In October 2019, the Consultative Group to Assist the Poor (CGAP) offered a new “impact narrative for financial inclusion” that identifies two sets of potential outcomes for low-income households who gain access to financial services¹. The first is “resilience”—the ability to afford life’s necessities even when income is irregular or when illness, natural disasters, or other shocks occur. The second is “capturing opportunities that improve their well-being”—including everything from education to home improvement, medical services, and access to electricity, water, and sanitation. Even migration is considered an opportunity that financial inclusion can support.

“Investing in a business” is mentioned as one way to capture opportunity, but no longer is it the main, or even one of the central, reasons for promoting financial inclusion. This is a significant shift. The original rationale for expanding financial inclusion was that access to formal financial services enables low-income self-employed entrepreneurs and farmers to take advantage of market opportunities. Doing so makes it possible for them to grow their businesses, increasing their own incomes and creating employment for others, thereby contributing to overall economic development.

CGAP’s change of heart may have been inevitable. While the various technologies that have been used to expand financial inclusion—group guarantees, social collateral, digital payments platforms, agent networks—have indeed proven to be very effective in expanding low-income people’s access to formal financial services, they have not led to an entrepreneurship revolution. Few microfinance clients transform from subsistence livelihoods to more secure and sustainable enterprises.

The limited impact financial inclusion has had on the businesses and incomes of individual entrepreneurs, much less the communities in which they operate, is well documented. This is not an indictment of financial services. As this paper demonstrates, it is a recognition that it was wildly optimistic to expect that small-scale, undercapitalised, inefficient producers with limited information can extract profit from market transactions in which they have no power.

Because they lack market power, the fact is that most people engaged in farms and microenterprises view them as a way to get by rather than get ahead. Yet some financial inclusion beneficiaries do experience a transformative change from subsistence livelihoods. Blurbs about successful microfinance clients are a mainstay of the industry’s promotional materials, but rarely have they been systematically studied to understand what, if any, common factors contributed to business success.

¹ www.cgap.org/research/publication/toward-new-impact-narrative-financial-inclusion

This research initiative conducted 102 in-depth interviews with women entrepreneurs in the Philippines and Vietnam who experienced a transformative change in their businesses and incomes. The specific indicator the research was most interested in is the one most relevant to poverty: business income. However, the research team recognised that information on income is prone to measurement error due to poor memory, lack of records, and other reasons. As such, the research team also investigated other, more measurable, indicators of entrepreneurial success – length of time in business, growth in business assets and revenue, and the change in the number of employees working full or part time.

The research focused specifically on women entrepreneurs. In much of the global south, women are primarily responsible for managing their families' finances, even if they are not the main breadwinners. Many supplement the income earned by their husbands with their own income-generating activities, often supported by microfinance service providers. While most of their livelihood activities remain small, the women surveyed under this initiative have succeeded in scaling up their businesses, generating a substantial increase in income that transformed their lives and those of their families.

While transforming a subsistence livelihood into something more commercial and successful is always difficult, women entrepreneurs face additional challenges. Perhaps the most important constraint they face is their society's gender stereotype against women, which leads to risk-aversion and a lack of confidence about leadership and competition that impede their independence, aspiration, and priorities. The research investigated gender-specific impediments to business success and how they were overcome.

Drawing on theories of transformational entrepreneurship², the data generated through the research were interpreted through three aspects:

- Mindset and motivation
- Entrepreneurial ability and business acumen
- Business model

The research found that there was considerable heterogeneity among the business models, and in fact many respondents changed or adapted their models as they transformed. Entrepreneurial ability was mostly learned on the job or from a mentor. Only 55-60 per cent of respondents had attended formal training on entrepreneurship and other business-related topics.

Typically, business development programs aimed at farmers and entrepreneurs like those in the research sample focus on technical skills such as business plan

² See, for example, Sridharan, Srinivas & Maltz, Elliot & Viswanathan, Madhu & Gupta, Samir, (2014). Transformative Subsistence Entrepreneurship: A Study in India. *Journal of Macromarketing* 34(4), December 2014.

development, marketing and sales, and accounting. There is no doubt that these skills are necessary, and the respondents sought out training in those areas as their businesses began to expand. However, the research indicates that the key success factor was not managerial skills (which can be learned after start-up) or the business model (which often changes) but mindset—one that looks forward to a different future and causes the entrepreneur to look for opportunities to achieve it.

In other words, in order for a livelihood activity to not be just a way to get by, the entrepreneur first has to envision it as a way to get ahead. It is this entrepreneurial mindset that leads to the change in habits (continuous learning, seeking new business relationships) and actions (reinvesting profits, maintaining financial records) that contributed to business success among the respondents.

More specifically, whereas livelihood activities remain small scale because they are embedded in subsistence economies, transformed enterprises have broken out of this closed system. The entrepreneurial mindset drives the search for innovations such as new business models, new products, and especially new markets beyond the social network from which it sprang.

Gender constraints can make it more difficult for women to break out of this closed system. Women-managed businesses are often perceived as being less profitable or higher risk business clients. Women are often faced with situations where they feel intimidated when interacting with market actors.

Although the respondents attested to strong motivation and perseverance, they do not believe that their success was due to innate ability. They feel that anything they have done can be learned by others. It may be simplistic to conclude that the missing ingredient to the long-awaited entrepreneurial revolution has been found—and can be taught. Nevertheless, the results suggest that interventions that address mindset and confidence in dealing with gender-based constraints, combined with introductions to role models/mentors and new business contacts, could have greater impact on women's enterprise development than traditional business development support.

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List of acronyms

ACCESS Advisory	Applied Cross-Cutting Empowerment Strategies and Solutions (ACCESS) Advisory Assn., Inc.
BWTP	Banking with The Poor network
CGAP	Consultative Group to Assist the Poor
FDC	Foundation for Development Cooperation
FSP	Financial Service Provider
LKBPMPC	Ligas Kooperatiba ng Bayan sa Pagpapaunlad Multi-Purpose Cooperative
MHRMPC	Most Holy Rosary Multi-Purpose Cooperative
MSME	Micro, Small and Medium Enterprises
NGO	Non-governmental Organisation
UNCDF	United Nations Capital Development Fund
TYM-MFI	Tinh Thuong One-member Limited Liability Microfinance Institution

Section 1. Overview of the research

1.1 Rationale

In October 2019, the Consultative Group to Assist the Poor (CGAP) offered a new “impact narrative for financial inclusion” that identifies two sets of potential outcomes for low-income households after they gain access to financial services³. The first is “resilience”—the ability to afford life’s necessities even when income is irregular or when illness, natural disasters, or other shocks occur. The second is “capturing opportunities that improve their well-being”—including everything from education to home improvement, medical services, and access to electricity, water, and sanitation. Even migration is considered an opportunity that financial inclusion can support.

“Investing in a business” is mentioned as one way to capture opportunity, but no longer is it the main, or even one of the central, reasons for promoting financial inclusion. This is a significant shift. The original rationale for expanding financial inclusion was that access to formal financial services enables low-income self-employed entrepreneurs and farmers to take advantage of market opportunities. Doing so was supposed to make it possible for them to expand their businesses, increasing their own incomes and creating employment for others, thereby contributing to overall economic development.

CGAP’s change of heart may have been inevitable. While the various technologies that have been used to expand financial inclusion—group guarantees, social collateral, digital payments platforms, agent networks—have indeed proven to be very effective in expanding low-income people’s access to formal financial services, they have not led to an entrepreneurship revolution. Few microfinance clients transform from subsistence livelihoods to more secure and sustainable enterprises.

Evidence for the failure of the entrepreneurship paradigm has been accumulating for years. In one of the most prominent examples, the results of randomised evaluations of microfinance clients conducted in six countries on four continents in both urban and rural areas found only modestly positive, but not transformative, effects on income due to access to credit⁴. Access to formal financial services was correlated with an increase in business profits, but that was mostly because it reduced borrowing costs. It hardly led to any growth in revenues, business inputs, or the number of jobs generated.

The results of that review prompted the Foundation for Development Cooperation (FDC), an Australian foundation that pursues initiatives that reduce poverty and promote equitable growth across the Asia-Pacific region and that serves as the secretariat of the Banking with the Poor Network (BWTP), to survey BWTP’s members to understand how they, as providers of a range of financial

³ www.cgap.org/research/publication/toward-new-impact-narrative-financial-inclusion

⁴ Banerjee, Abhijit, Dean Karlan, and Jonathan Zinman “Six Randomized Evaluations of Microcredit: Introduction and Further Steps” *American Economic Journal: Applied Economics* 2015, 7(1): 1–21, p.14. <http://pubs.aeaweb.org/doi/pdfplus/10.1257/app.20140287>.

products and services to the poor and disadvantaged, understand the impact that microfinance has, as well as what works and what could be tweaked in the model.

Written in partnership with ACCESS Advisory, Inc., a non-profit consultancy promoting financial inclusion and farm and enterprise development across the Asia-Pacific region, the resulting report⁵ found that, in contrast to CGAP's new impact narrative, there was overwhelming agreement among financial inclusion practitioners that some measurement of income (gross income, net income, or steadiness of income) should be the primary metric for gauging the impact of financial services on clients' lives. Nearly 75 per cent of respondents agreed or strongly agreed with the statement "Gaining access to financial services has a direct impact on income". In other words, income growth was still the *raison d'être* of financial inclusion among industry professionals.

This report presents the results of a follow-up research initiative that focuses on identifying the key factors that contribute to the success that some women micro-entrepreneurs are able to achieve. Across the Asia-Pacific region, as in much of the global south, women are primarily responsible for managing their families' finances, even if they are not the main breadwinners.

To provide context, microenterprise in Asia is significant, accounting for over half (54%) of the world's gross loan portfolio (US\$112b) of institutions providing microfinance as measured by The Mix. Even more significant is the proportion of female borrowers in Asia—86 per cent, compared to the global average of 80 per cent. The 272 financial services providers in Asia participating in The Mix program in 2017 reported a total of 76.7m women borrowers in the region (approximately 3.8m in Vietnam and 4.8m in the Philippines)⁶.

Many women micro-entrepreneurs supplement the income earned by their husbands with their own income-generating activities, often supported by microfinance service providers. While most of their livelihood activities remain small, some women have succeeded in scaling up their businesses, generating a substantial increase in income that transforms their lives and those of their families.

Although profiles of such successful women are common, to date little systematic research has been conducted to understand the main factors that contributed to the transformational success that some women have experienced. Are certain business management skills critical factors? Is it a matter of attitude and mindset? How much did their personal and business networks make a difference in their outcomes? These are the questions this research sought to answer.

1.2 Research objectives

The limited impact that financial inclusion has had on the businesses and incomes of individual entrepreneurs, much less the communities in which they operate, has led some to indict the financial service providers themselves.

⁵ <http://bwtp.org/resources/microfinance-impact-survey-a-call-to-rebalance-industry-priorities>

⁶ The Mix (2019), "Global Outreach & Financial Performance Benchmark Report - 2017-2018", May 2019.

They have been accused of charging excessive interest rates, over-lending, and foreclosing on assets, thereby leaving their low-income clients even poorer than before.

There is no doubt that there have been abuses, but the fact that the vast majority of clients repay their loans on time and borrow again indicates that these problems are not widespread and systemic enough to be the main explanation for the failure of an entrepreneurship revolution to materialise. Rather, as this paper demonstrates, it was wildly optimistic to expect that small-scale, undercapitalised, inefficient producers with limited information to extract profit from market transactions in which they have no power. The belief that markets are “free”—that there are no power imbalances and that information is available to all—was ideology, not economics.

Because they lack market power, the fact is that most people engaged in farms and microenterprises get by rather than get ahead. Yet some financial inclusion beneficiaries do experience a transformative change from subsistence livelihoods. Profiles of successful microfinance clients are a mainstay of the industry’s promotional materials, but rarely have they been systematically studied to understand what common factors contributed to their success.

The research was intended to shed light on the knowledge, attitudes, skills, and habits that characterise successful micro-entrepreneurs to determine what, if any, success factors can be replicated in order to make financial inclusion systematically more impactful.

Based on the results and findings, this report provides insights that may guide policy recommendations that will help promote and ensure that women-directed financial inclusion interventions are geared toward expanding women’s empowerment.

1.3 Sampling, methodology and tools

3.3.1. Sampling and selection

The research used purposive sampling to identify respondents. Two of ACCESS’s partner-financial service providers (FSPs) from the Philippines, Ligas Kooperatiba ng Bayan as Pagpapaunlad Multi-Purpose Cooperative (LKBPMPC) and Most Holy Rosary Multi-Purpose Cooperative (MHRMPC) and one from Vietnam, the Tinh Thuong One-member Limited Liability Microfinance Institution (TYM-MFI), were asked to provide a list of their clients who had expanded their business or otherwise moved beyond subsistence—those they considered their most “successful” clients.

As a qualitative indicator, it is necessarily subjective in nature. On the other hand, this approach allowed for a wide range of entrepreneurial situations, personal qualities, behavioral strategies, and outcomes in the sample. A total sample of 102 women entrepreneurs from among the list provided by the FSPs were interviewed. The specific indicator that the research was most interested in is the

one most relevant to poverty: business income. However, it recognised that information on income is prone to measurement error due to poor memory recall, lack of records, and other reasons. As such, the research team also investigated other, more measurable, indicators of entrepreneurial success such as length of time in business, growth in business assets and revenue, and the growth in the number of employees hired.

1.3.2 Secondary data gathering

Desk research to review relevant literature was conducted prior to primary data gathering. Several published documents on women's entrepreneurship, microfinance, and financial inclusion from various sources were studied. The list of publications is presented in Annex 1.

1.3.3 Primary data gathering

In-person interviews were conducted from December 2018 and February 2019. Using a semi-structured questionnaire, the interviews typically lasted 60-90 minutes. As a token of appreciation, the respondents received small gifts for participating in the interviews.

The interviews began with demographic questions and gradually focused on specific issues related to the respondent's business. This sequence enabled the respondents to elaborate on the circumstances and evolution of their lives, gradually transitioning to their current life situation, including household economics, and the motivation for starting their business.

The interview then shifted its focus toward their entrepreneurial decisions and market behavior. Respondents were asked to offer their personal views on what constituted thriving in the marketplace, as opposed to eking out a subsistence livelihood, and how to get there. The questions about entrepreneurship were broad, encompassing individual traits and skills, aspirations and motivations, and the influence of the surrounding environment. This included a discussion of how they acquire knowledge about the market environment, their skills in managing their business and employees, their saving and spending habits, and their mindset (confidence, passion, innovativeness, and risk appetite). Finally, the interviewees were questioned about the specific issue of being a woman and then asked to provide their advice to other women entrepreneurs.

Photo 1. Interviews with women entrepreneurs in the Philippines



Section 2. Review of literature

2.1 Understanding subsistence entrepreneurship

In most countries of the global south, a substantial number of adults operate farms and small businesses in the “informal economy”, which is partially or fully outside government regulation, and where the poor essentially support themselves. They receive limited assistance from the public sector (including infrastructure as well as health and education services), and rarely interact with formal institutions in the public or private sectors. Indeed, they may actively avoid such interactions because they are unbalanced and often exploitative.

These farmers and microenterprise operators are the prototypical microfinance clients. They are often described as self-employed micro-entrepreneurs, but their characteristics as well as their activities are nothing like the entrepreneurs who are increasingly revered in developed economies. They are neither seeking to introduce new products or services to the market nor “disrupt” incumbent models, much less pursue some form of personal development. With barely enough resources on which to live, their entrepreneurial efforts are motivated primarily by survival. What they do can be more accurately called “livelihoods” or subsistence enterprises⁷.

Operating with limited skills and small sums of start-up capital, these smallholder farmers and micro-entrepreneurs often sell goods and services to customers who, like themselves, are at the base of the income pyramid. Their small scale, coupled with a lack of competitive advantage, make it extremely challenging for them to grow their businesses or even expand their profit margins beyond the subsistence level. This is the inherent contradiction in the market-led approach to economic development in which financial inclusion plays such a central role. At the macro level, market-based development prioritises the efficient allocation of resources through the interactions of private actors as the essential ingredient in economic growth, but at the micro level it encourages investment in small farms, livelihood activities, and microenterprises through microfinance, even though these are the least efficient producers in the economy.

The architects of modern microfinance warned about the futility of linking credit and other financial services to specific outcomes such as business growth or increased income of clients. In his 1991 book that launched the modern microfinance movement⁸, Dr. John von Pischke of the World Bank noted the

⁷ See, for example, Schoar, Antoinette. (2010). ‘The Divide between Subsistence and Transformational Entrepreneurship’, in Joshua Lerner and Scott Stern (eds). *Innovation Policy and the Economy*, pp. 57–81, vol. 10. National Bureau of Economic Research; Viswanathan, M., Sridharan, S., Ritchie, R., Venugopal, S., & Jung, K. (2012). Marketing interactions in subsistence marketplaces: A bottom-up approach to designing public policy. *Journal of Public Policy & Marketing*, 31(2), 159–177; and Falyath Babah Daouda, Paul T.M. Ingenbleek & Hans C.M. van Trijp (2016) Step-Change: Micro-Entrepreneurs’ Entry into the Middle-Class Market, *Journal of African Business*, 17:2, 129-147

⁸ Von Pischke, J.D. (1991), “Finance at the Frontier - Debt Capacity and the Role of Credit in the Private Economy”; EDI Development Studies, World Bank, Washington, D.C.

fundamental difference between a loan in cash and other productive assets such as land and equipment. Those assets could only be used for one purpose; a machine, for example, is not a substitute for food. But money borrowed to purchase a machine could be used to buy food—and actually is used that way if there is not enough income or savings that day to put food on the table. If income earned tomorrow is used to buy the machine, did the loan pay for the food or the machine?

Picture 2. Woman entrepreneur engaged in metalcraft, Nam Dinh, Vietnam



Von Pischke called this phenomenon the “fungibility” of money. A client has both multiple sources for accessing money, not just the loan, as well as multiple needs for the money. Credit is only an enabler, adding to purchasing power. What matters is not the source of money, but how it is used. As a result, “it [is] impossible to identify unequivocally the returns to borrowers from credit or from a credit project”⁹. Although fungibility is indeed real, what von Pischke left unexplained was why borrowers would use loans for purposes other than investing

more in their farm or business if that was the route through which they could enjoy a permanent increase in income.

A recent study conducted by the United Nations Capital Development Fund (UNCDF) sheds further light on why microfinance loans are not necessarily used to expand farms and businesses. Its financial diaries study followed 50 households in central Bangladesh for three years¹⁰. Although the study included some formal salary earners and some households who live off remittances sent by family members working abroad, most participants were informal sector workers: shopkeepers, street vendors, manual laborers, barbers, rickshaw pullers, bricklayers, and domestic servants. Almost all were a client of an MFI or cooperative.

Analysing more than 400,000 household transactions, the study found that the largest expense (33 per cent of the total) was inventory for retail shops. However, the shopkeepers financed their inventory purchases out of turnover, not with loans (which are too lumpy and infrequent to finance regular stock purchases). Repaying loans and setting aside savings was the second largest expense, 25 per cent of the total. The third largest, 20 per cent of the total, was living expenses (food,

⁹ Ibid., pp54-56.

¹⁰ Rutherford, Stuart (2019), “Do Low-Income Households Invest? Some Findings from Bangladesh”, United Nations Capital Development Fund (<https://spark.adobe.com/page/sPtBExAtOvr8y/>)

clothing, utilities, household necessities, children's education, etc.). With 7 per cent of expenses on discretionary items (entertainment, ceremonies, and social obligations), this left only 14 per cent for investment.

Yet two-thirds of this investment was in home improvement. The diarists rarely invested in the expansion or reform of their businesses. Even when they did, they financed it out of savings or by borrowing from relatives or friends. Microfinance loans were mainly used to refinance these informal loans, replacing large amounts outstanding with small weekly repayments to the MFI or cooperative.

This study provides further evidence that most people engaged in a subsistence livelihood activity view their enterprise as a way to get by rather than get ahead. The markets in which they operate are too poor to support products and services sold at a premium; even if a micro-entrepreneur could find a way to differentiate their offer, they have no way to protect that advantage from competitors. With no discernible competitive advantage, for most subsistence micro-entrepreneurs the barriers to growth are almost insurmountable.

Picture 3. Woman entrepreneur engaged in fish processing, Than Hoa, Vietnam



Faced with continuing uncertainty and lack of control over many aspects of their day-to-day life, subsistence entrepreneurs often rely heavily on their social networks for survival¹¹. Indeed, one of the most important characteristics of subsistence marketplaces is the "pervasive and highly social one-on-one relationships that exist among buyers and sellers, and among individuals in general"¹².

The personal nature of economic activity at the subsistence level serves to bind buyers and sellers. In a context in which products and services are largely undifferentiated and many competitors exist, anything that ensures repeat sales contributes to the survival of the business. Since most of these subsistence livelihood activities involve family members and operate where neighbours and friends gather, this interdependence often extends to non-economic dealings as well: "economic exchange is treated as an extension of everyday personal interaction rather than being divorced from it"¹³. In other words, entrepreneurship

¹¹ Kuada, J. (2009). Gender, social networks, and entrepreneurship in Ghana. *Journal of African Business*, 10(1), 85–103, and Madichie, N. O. (2009). Breaking the glass ceiling in Nigeria: A review of women's entrepreneurship. *Journal of African Business*, 10(1), 51–66.

¹² Viswanathan, Madhubalan (2007), "Understanding Product and Market Interactions in Subsistence Marketplaces: A Study in South India," in *Product and Market Development for Subsistence Marketplaces: Consumption and Entrepreneurship Beyond Literacy and Resource Barriers*, Editors, Jose Rosa and Madhu Viswanathan, *Advances in International Management Series*, Joseph Cheng and Michael Hitt, Series Editors, Elsevier, p. 5.

¹³ Ibid.

at the subsistence level acts not only as a source of income but also as a foundation for building and strengthening relationships and social networks that themselves become resources. Social capital serves as a catalyst for sustaining subsistence livelihoods.

Thus, the most common modality in a subsistence marketplace is a small business that mainly serves a limited number of regular customers. Sellers interact with their customers personally and are well acquainted with their preferences. Their transactions are fluid in the sense that they are neither standardised across people nor fixed over time. Instead, interactions with their customers are highly responsive to individual circumstances. Such responsiveness—even if it involves stocking a product for just one customer—is central to cultivating a trusting relationship¹⁴.

One way this interdependence manifests itself is through pricing. Since neither buyer nor seller has much disposable income, micro-entrepreneurs set the price of their products based on what they think is affordable to customers¹⁵. This often means that prices are often just above the marginal cost, and that sellers are also often willing to accept product returns or offer better service and higher-quality goods without a premium price.

The contrast with formal market transactions, especially at the retail level, is stark. In the formal economy, the salesperson is often an employee who may not know the owner nor met the customer before. There is no negotiation or customisation; transactions follow rules that are usually explicit and consistently applied. In formal markets, the emphasis is on fulfilling legal and contractual obligations, and those activities require basic literacy, numeracy, and information-processing ability. In informal markets, where maintaining social obligations is paramount, relationship-building is the most important skill: “successfully navigating subsistence environments requires social skills such as negotiating, recalling obligations, making meaningful promises, and asking for and accepting concessions”¹⁶. This relationship building is important for fostering customer loyalty.

Another common way subsistence entrepreneurs foster customer loyalty is by selling on credit. Since their customers’ incomes are not only low but also unpredictable, almost everyone has to buy on credit occasionally. Credit is only extended when the buyer and seller know (and trust) each other, and it can be a powerful motivator of customer loyalty¹⁷.

¹⁴ Viswanathan, M., Sridharan, S., Ritchie, R., Venugopal, S., & Jung, K. (2012). Marketing interactions in subsistence marketplaces: A bottom-up approach to designing public policy. *Journal of Public Policy & Marketing*, 31(2), 159–177, p. 169.

¹⁵ Ibid.

¹⁶ Ibid., p. 171.

¹⁷ Viswanathan, Madhubalan, José Antonio Rosa, and Julie A. Ruth (2010), “Exchanges in Marketing Systems: The Case of Subsistence Consumer-merchants in Chennai, India,” *Journal of Marketing*, 74 (3), 1-17, *passim*.

Extending credit can, however, have negative consequences if customers do not pay on time. Extending credit to customers, like offering discounts, is another way in which the reliance on social capital is a double-edged sword for most subsistence entrepreneurs. Although it provides a safety net, it is also constraining. The need to maintain solidarity often requires obeying role obligations within a social hierarchy that places limits on actions that disrupt the status quo. In the case of credit, often the problem is not that customers cannot afford to pay; it is that asking for payment can appear confrontational when dealing with customers who are also relatives, neighbours, and friends. Being confrontational is viewed by many as bad business practice that may drive their customers away.

Another way that tight social networks can also hamper business growth is by preventing new information from being accessed. Subsistence micro-entrepreneurs may not look beyond their current social network for opportunities or resources¹⁸.

2.2 Gender issues in subsistence entrepreneurship

Financial inclusion efforts often explicitly target women. Traditionally, the rationale for targeting women is that it enhances their equality, empowerment and social inclusion¹⁹. More recent research has shown that women entrepreneurs are a powerful economic resource and can play a crucial role in economic development if they have equal opportunity and access to resources²⁰.

However, the constraints that limit the growth of subsistence enterprises apply even more so to women-managed enterprises because women have more limited access to resources than men in terms of education, time, and money. Despite the continuing attention given to closing the societal gender gap between men and women by governments and international development agencies, women are still considered the second sex. The key constraint on women entrepreneurs is traditional gender stereotypes that confine women and men in their respective identity roles and biases. For example, women in the Asia-Pacific region spend between 60 per cent and 84 per cent of their time doing unpaid non-market work, including caring for their families and their home²¹. Due to their unpaid family and household obligations, women spend less time in their businesses per week than men, and they have less ability to pursue economically productive activities beyond the home.

¹⁸ Falyath Babah Daouda, Paul T.M. Ingenbleek & Hans C.M. van Trijp (2016) Step-Change: Micro-Entrepreneurs' Entry into the Middle-Class Market, *Journal of African Business*, 17:2, 129-147, pp. 131-2, 137-38.

¹⁹ Lotti, F., 'Entrepreneurship: is there a gender gap?' (working paper), 2006
https://www.researchgate.net/publication/228725164_Entrepreneurship_is_there_a_Gender_Gap

²⁰ OECD, Women's entrepreneurship: issues and policies, OECD Publications, Paris, 2004
<http://www.oecd.org/cfe/smes/31919215.pdf>.

²¹ The World Bank. 2012. *World Development Report 2012: Gender Equality and Development*. Washington, DC. p. 212.

Time is not the only constraint that women face. They also tend to be disadvantaged regarding ownership and control of assets due to longstanding norms or legal barriers. Women often have to deal with issues ranging from legal discrimination in asset ownership and control to social and cultural norms that limit their opportunities to lead a business or to network²². Another constraint women entrepreneurs face is that they have lesser say in important household and business decisions and often divert business resources to household expenditures²³.

Given the importance of social networks to sustaining their enterprises, another limitation women face is that their access to business networks tends to lag behind that of men. Indeed, cultural norms can be present in professional and economic networks which are often formed on the basis of socio-economic roles²⁴. In such organisations, women are often assumed to lack leadership or management abilities, or it may be considered culturally inappropriate for them to exhibit such qualities²⁵. For example, many mixed-gender networks and associations do not offer services tailored to the needs of their female members, and they often fail to accommodate the time constraints that women face. As a result, women entrepreneurs face limited opportunities to learn from the experience of others, develop useful business contacts, and gain market information²⁶.

The abovementioned constraints brought about by gender stereotypes and biases against women often lead to risk-aversion and a lack of confidence about leadership and competition that impede their independence, aspiration, and priorities. In fact, women are often unable to recognise their own economic potential and often have less confidence in building businesses or accepting services like loans and business training. They believe their assets are not good enough, or they fear that building a business will come at the cost of their contributions to the household²⁷. This lack of confidence can extend to their role in the household as well. Although their financial contribution to the household economy is important, women themselves do not always perceive it as such²⁸.

The perception that women are less economically important than men can create a self-fulfilling prophecy. Women-managed businesses tend to concentrate in crowded, low value-added and low capital-intensive sectors, such as tailoring, beauty salons, food processing, and retail sectors, and they tend to operate more home-based businesses.

²² Widjaja, Nancy (2015), "Markets at Full Speed Women as Economic Drivers, Fuelled by Finance", United Nations Capital Development Fund, p. 10.

²³ Siba, Eyerusalem (2019), "Empowering women entrepreneurs in developing countries—Why current programs fall short", Africa Growth Initiative at Brookings, February 2019, p. 3.

²⁴ Branisa, B., Klasen, S., & Ziegler, M. (2013), "Gender inequality in social institutions and gendered development outcomes", *World Development*, 45(0), 252–268, *passim*.

²⁵ Semavi, Sevi (2011), "Fostering Women's Economic Empowerment Through Special Economic Zones: Comparative Analysis of Eight Countries and Implications for Governments, Zone Authorities and Businesses" World Bank, 2011.

²⁶ "Emerging Lessons from Women's Entrepreneurship in Asia and the Pacific—Case Studies from the Asian Development Bank and the Asia Foundation, October 2018, p.12.

²⁷ Widjaja, Nancy (2015), "Markets at Full Speed—Women as Economic Drivers, Fuelled by Finance", United Nations Capital Development Fund, p. 12.

²⁸ *Ibid*.

Picture 4. Women entrepreneur engaged in meat processing, Bulacan, Philippines



As a result, women are often perceived as being less profitable or higher risk clients for businesses²⁹. In some cases, this is actually true because they have to prioritise family obligations over their businesses. This can lead to poor treatment or, in some cases, discrimination or harassment. As a result, women are often faced with situations where they feel intimidated when conducting business in markets where men dominate.

2.3 Understanding transformative entrepreneurship

As discussed in the previous two sections, it is exceedingly difficult for anyone with a livelihood activity to transform beyond subsistence. Subsistence entrepreneurs are deeply embedded in their local communities in a highly personal way. While these relationships with vendors, customers, and family members help the entrepreneur run a viable business at an everyday level, the closed nature of these relationships means that the economic system and most livelihood activities that are embedded in it are often static³⁰. Women entrepreneurs have to overcome not only these general constraints on livelihoods but also socially-imposed or internalised limitations based on gender or gender stereotypes.

Given that few micro-entrepreneurs have contacts or access to information outside their communities when they start, it seems unlikely that they can by-pass or leapfrog this initial, basic “evolutionary” step of having to first rely on their existing social network for opportunities and resources. In the research sample, 90 per cent of the respondents in the Philippines and 80 per cent in Vietnam learned their business either on their own or through family and friends.

²⁹ Asian Development Bank (2015). “Women in the Workforce: An Unmet Potential in Asia and the Pacific”. Manila. p. 17.

³⁰ Sridharan, Srinivas & Maltz, Elliot & Viswanathan, Madhu & Gupta, Samir, (2014). Transformative Subsistence Entrepreneurship: A Study in India. *Journal of Macromarketing* 34(4), December 2014.

However, the results of this research shows that the key factor for achieving transformative entrepreneurship is the ability to break out of this closed system. This is an important finding because it suggests that a different approach for promoting entrepreneurship is needed. Traditional business development services attempt to help entrepreneurs gain knowledge (though the development of a business plan, market research, and competitor analysis) or skills (such as bookkeeping). Although the research shows that these inputs are important, they are not practiced widely enough to be an explanatory variable for business success. Most successful entrepreneurs tend to start doing these things after they start growing their business, not before.

The problem with the traditional approach to enterprise development is that it assumes that the business owners already have an entrepreneurial mindset. Often they do not, and therefore they cannot make the best use of the inputs they receive through training. The research results presented in the next section show that the entrepreneurial mindset is what leads business owners to look outside their social network for information, ideas, and contacts. It is this mindset that fosters business acumen—the ability to identify and respond to new opportunities. It turns out that the actual business model itself—usually the main focus of business development support—is the least important factor in success. In fact, the model is not fixed. If the proprietor is truly entrepreneurial, the model is constantly evolving. Support for entrepreneurship should focus on “higher-level” issues, equipping the entrepreneurs with the ability to adjust their business model in response to changing requirements in the market.

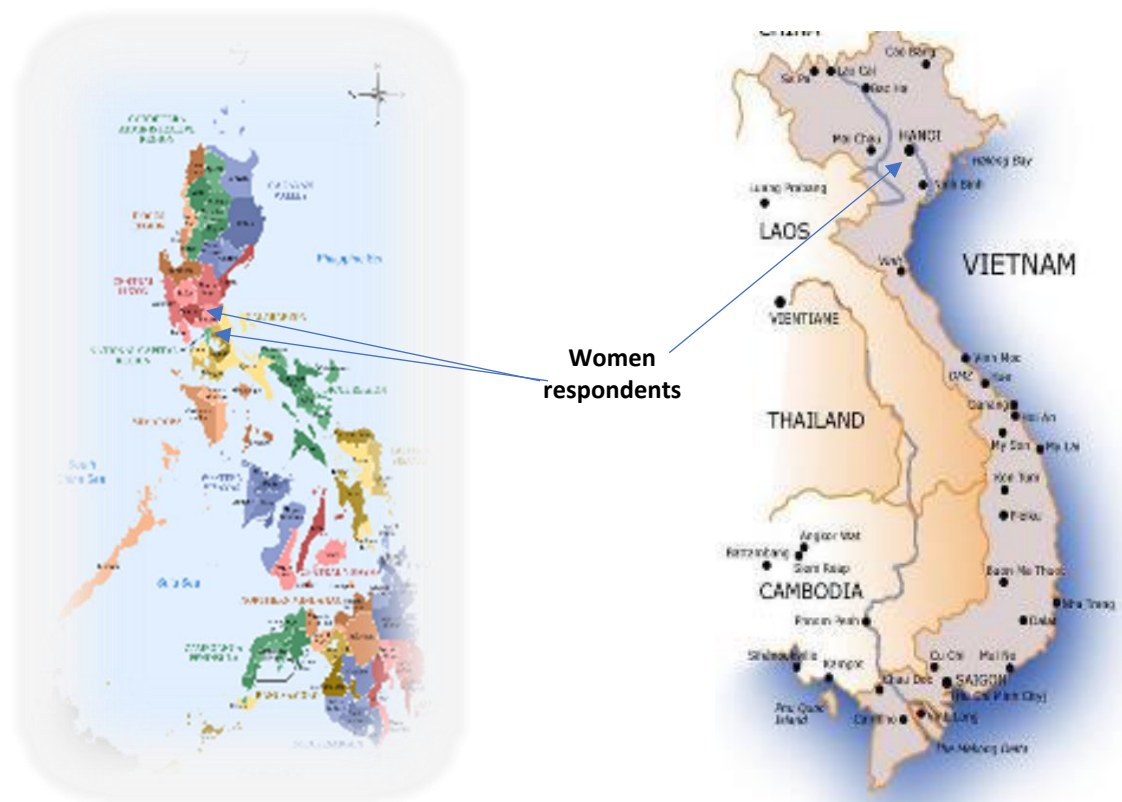
Section 3. Research findings and analysis of results

3.1 Profile of the respondents

3.3.2. Geographic location of respondents

In the Philippines, the survey was conducted in the municipalities of Bulacan and Rizal provinces, where ACCESS's partner FSPs, LKLBPMPC and MHRMPC operate. In Vietnam the respondents came from the branch offices of TYM-MFI near Hanoi (Figure 1). In both countries, the research targeted branches in peri-urban areas.

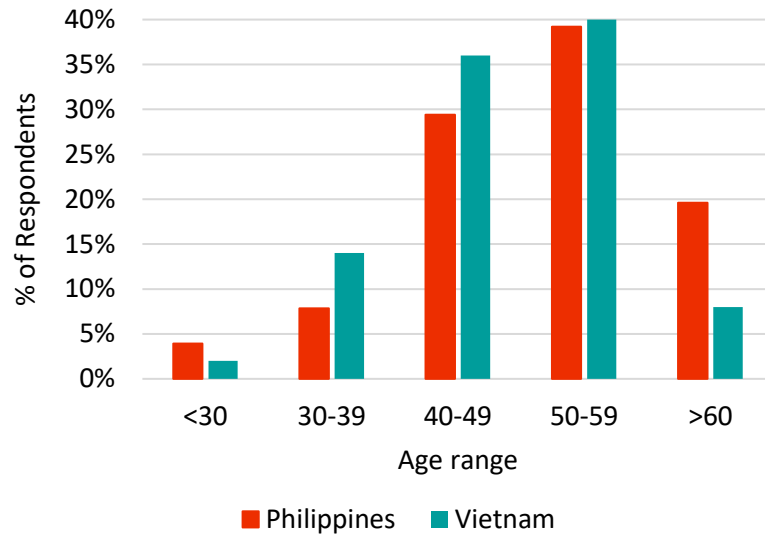
Figure 1. Geographical location of Philippines and Vietnam respondents
(Source: World Atlas)



3.3.2 Demographic profile of the respondents

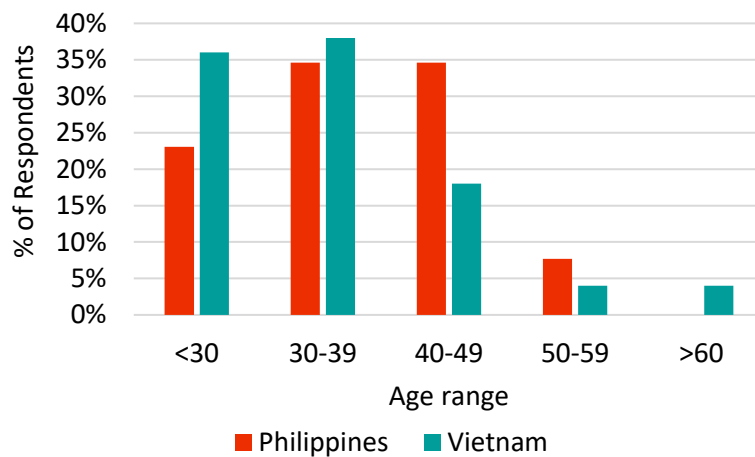
Respondents were typically between 40 and 60 years old, married, and had two or three children (Figure 2).

Figure 2. Percentage distribution of respondents according to age at the time of research



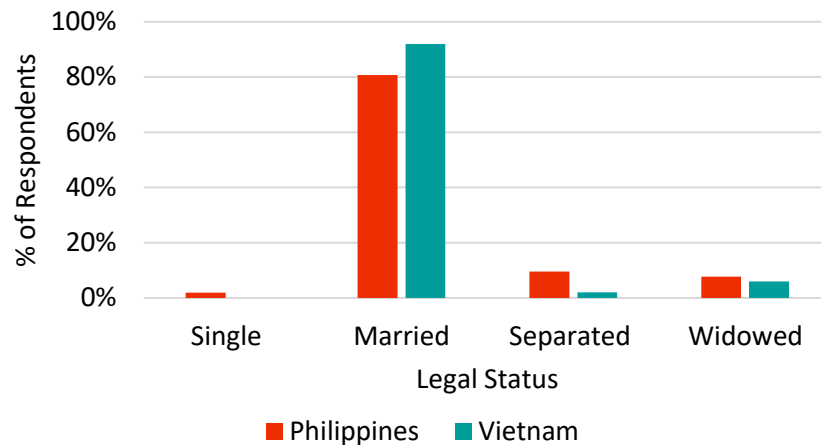
Most of the respondents were typically between 30-49 years old when they started their business (Figure 3). In other words, most of the entrepreneurs had significant life experience, in their family and the economic world, before starting a business that became successful.

Figure 3 Percentage distribution of respondents according to age (when starting the business)



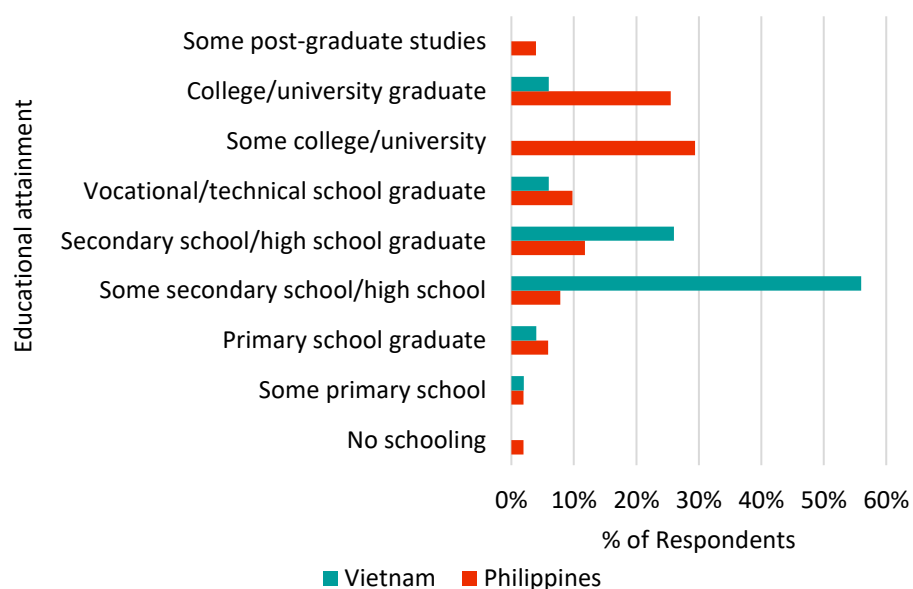
Given their age, the vast majority of the respondents (81% in the Philippines and 92% in Vietnam) were married when they started the business (Figure 4). Only one respondent in the Philippines never married, and few in either country was separated or widowed.

Figure 4. Distribution of respondents according to marital status



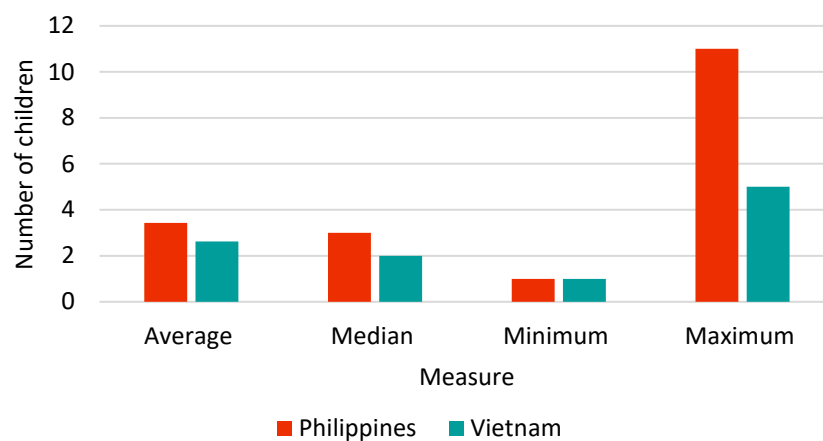
The entrepreneurs in the Philippines are relatively well-educated—29 per cent attended some college and 25 per cent were college graduates. In Vietnam, only 6 per cent are college graduates and 26 per cent high school graduates. The majority (56%) of Vietnam's respondents attended but did not complete high school (Figure 5).

Figure 5. Percentage distribution of respondents according to educational attainment



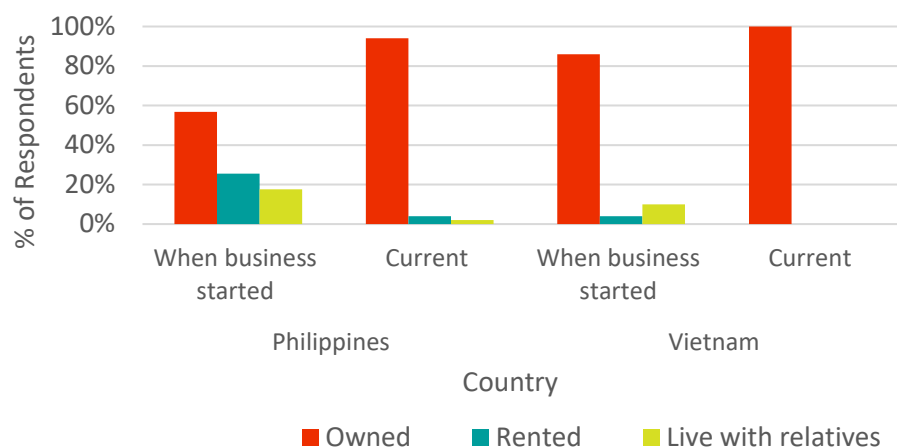
Most of the women had two or three children (Figure 6). The majority (60-66 per cent) in both countries stopped having children after they started their business; only nine in the entire sample had more than one child after they started their business. The decision to reduce or end childbirth may not have been a function of the business itself but of age since most were already older when they started their businesses. Nevertheless, one factor that may have contributed to success is that they started their business after the most intensive period of child care was over, allowing them to devote more time to their businesses. Moreover, since their children were older, they could serve as a source of labor as their mother built her business.

Figure 6. Number of children of respondents



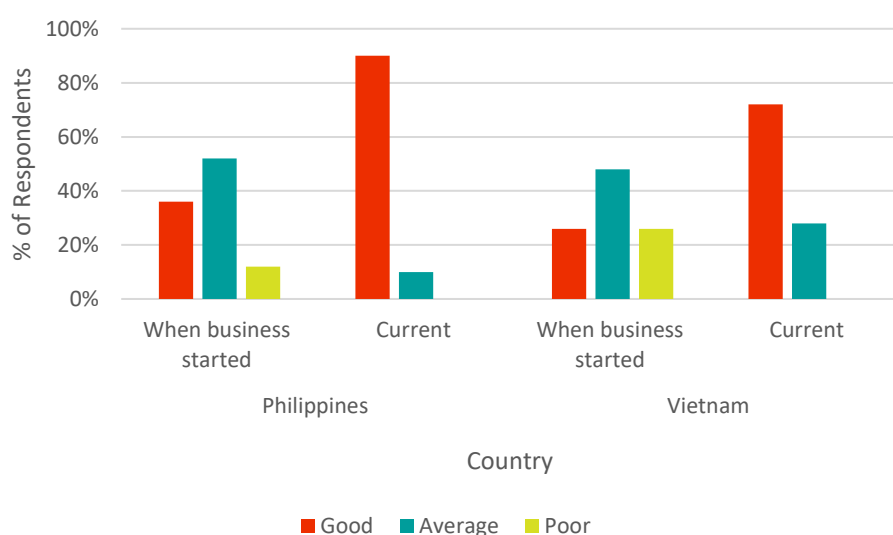
Respondents said that other than providing for their children's education, their other top priority was to provide stable shelter for their families either by owning a house (for those who rented) or by improving the condition of their house (for those who already owned a home when they started their business). It should also be noted that in both countries the size and quality of the house serves as a social indicator of success.

The majority of the respondents in both countries owned their house when they started their businesses, with the Vietnam respondents show higher percentage (86%) than those in the Philippines (56%) (Figure 7).

Figure 7. Distribution of respondents according to home ownership

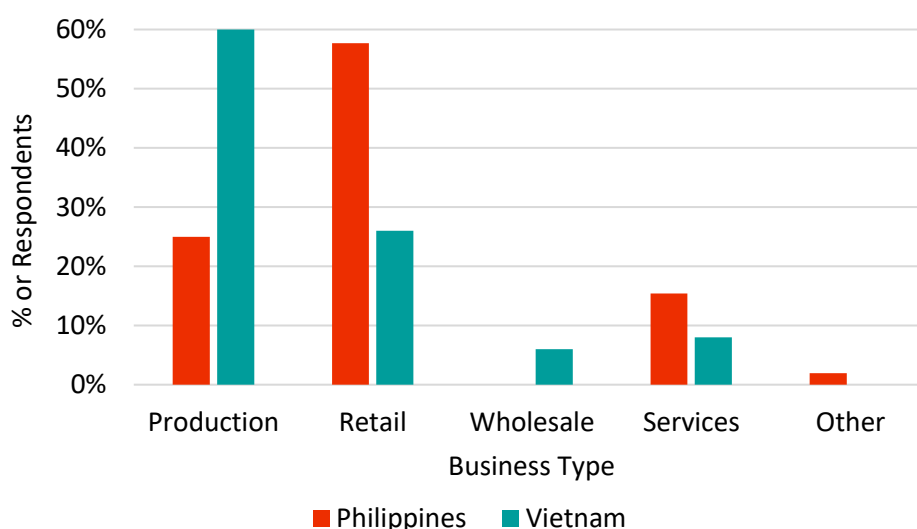
However, 52 per cent and 26 per cent of the respondents from Philippines and Vietnam, respectively, claimed that the general housing condition when they started their business was “average”, characterised by having a mix of permanent/concrete and light materials.

When the survey was conducted, not only had the rate of home ownership risen (from 56% to 94% in the Philippines and from 86% to 100% in Vietnam) but also the quality had improved: 90 per cent and 72 per cent in Philippines and Vietnam, respectively, said their current home is in “good” condition (Figure 8). They cited that part of the profit from their growing business was spent for home improvement or to purchase a new house.

Figure 8. Distribution of respondents according to the general housing condition

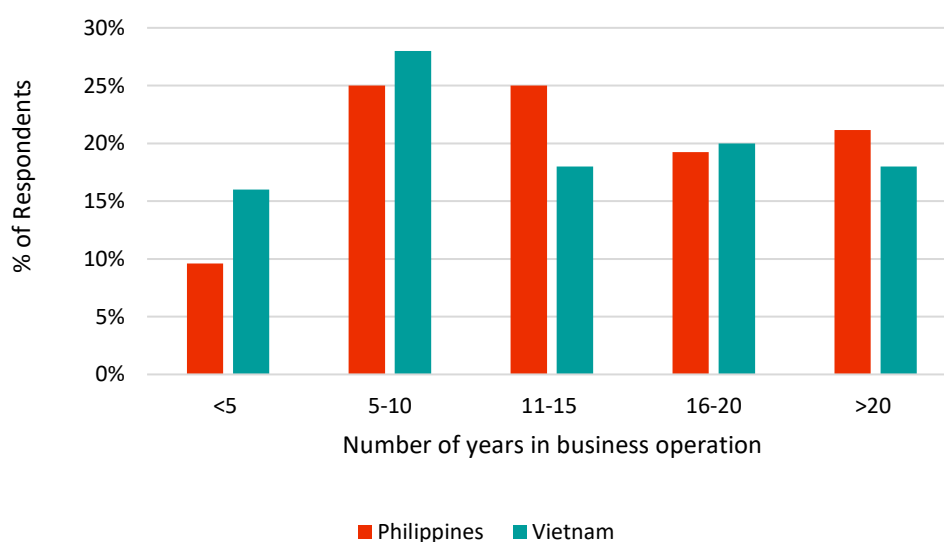
Regarding the type of business, the majority of the respondents (60%) in Vietnam were involved in production, such as handicrafts, household items, bricks, and livestock, with most of the remainder engaged in either retail or wholesale trade (Figure 9). In the Philippines, the balance was the opposite as 58 per cent were in retail trade and 25 per cent in production (mostly agricultural-related items). This difference reflects the different client bases of the FSP partners rather than indicating differences between the economies of the two countries.

Figure 9. Distribution of respondents according to type of Business



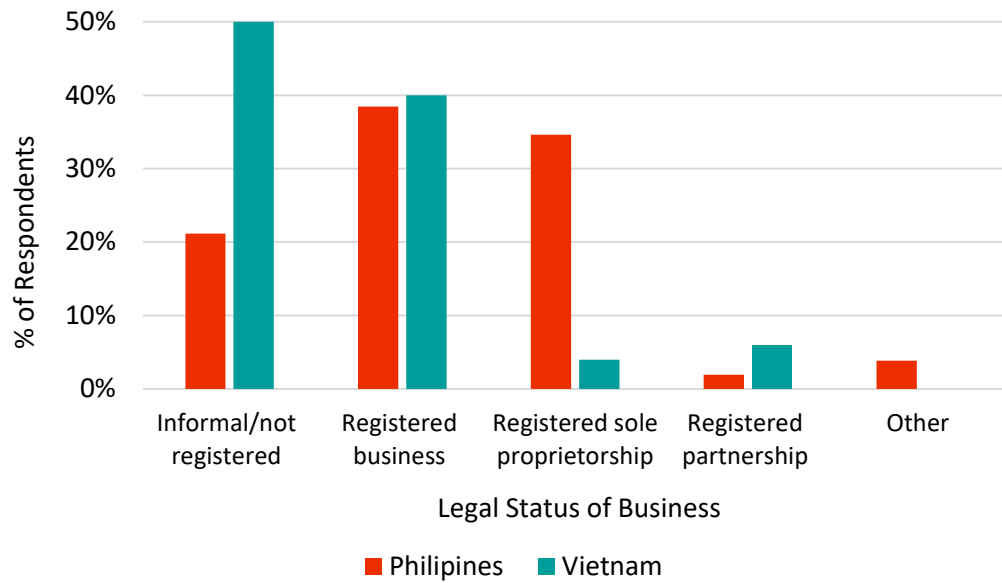
Most of the respondents in both countries have been in business for 5-15 years, with the median number of 14 and 13 years for respondents from the Philippines and Vietnam, respectively (Figure 10).

Figure 10. Distribution of respondents according to the number of years in business operation



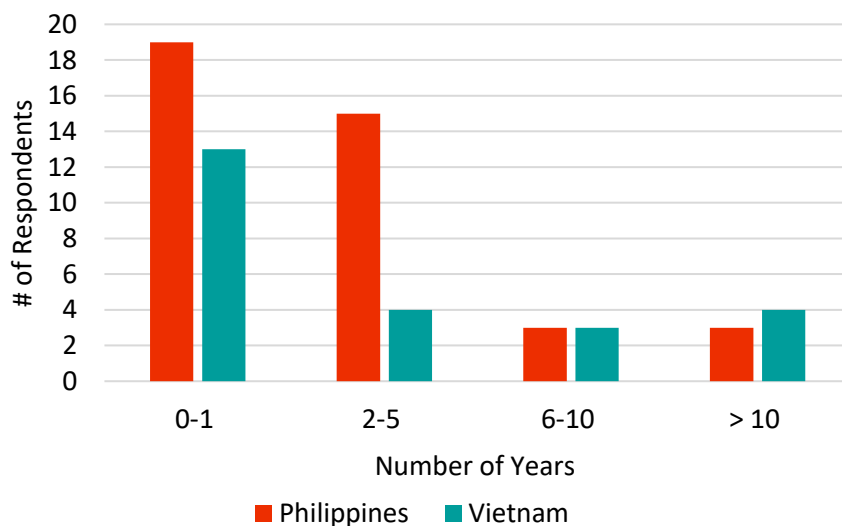
The majority of the respondents in the Philippines have formally registered their business; only 21 per cent are informal. In Vietnam, however, half of the respondents have been operating without formal business registration (Figure 11).

Figure 11. Distribution of respondents according to *legal status of business*



Those who registered their business did so quickly, often within the first year of operations and mostly within the first five years. Only a few registered after 6 years in business. The main reason for registration was compliance with the tax and legal requirements of the government (Figure 12).

Figure 12. Distribution of respondents according to the number of years from business establishment to registration

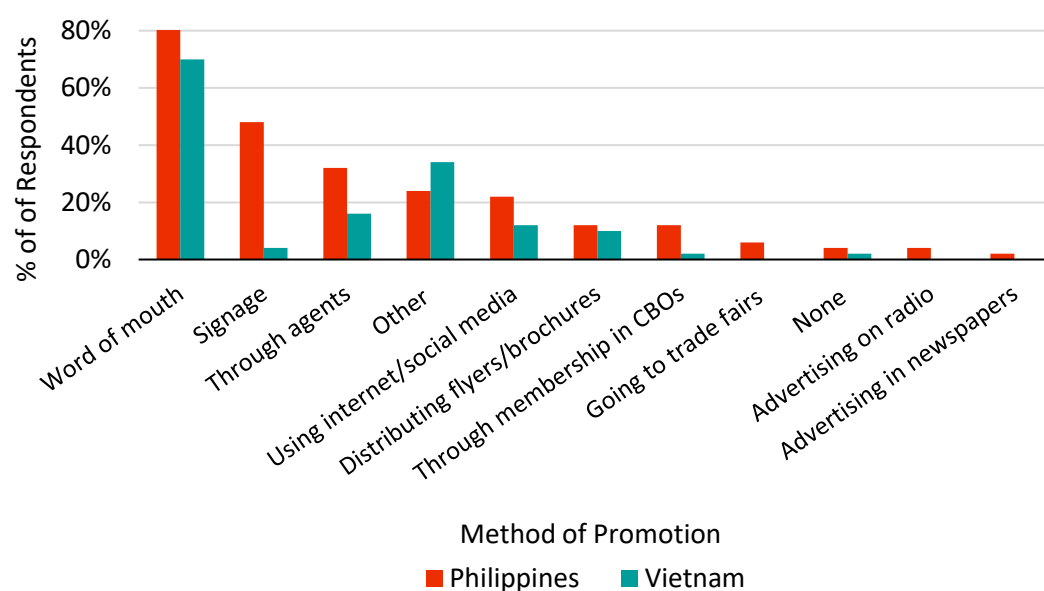


3.2 Latent subsistence entrepreneurship characteristics among the respondents

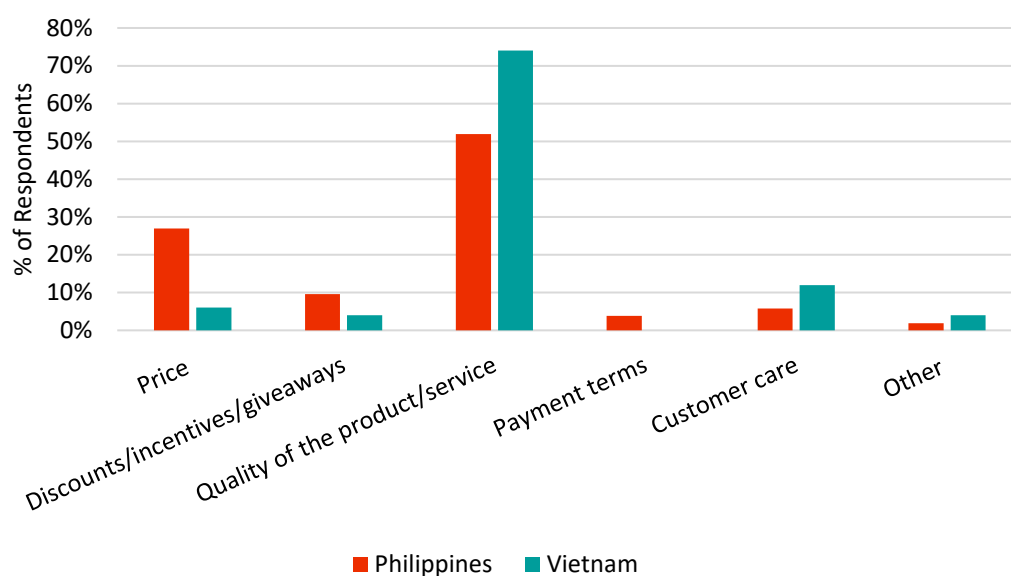
Although the entrepreneurs in the research sample have moved beyond subsistence, many still exhibit characteristics of subsistence enterprises. This is to be expected since they remain physically embedded in the area where they started and where their family and neighbours still live. It is also because they all began as subsistence enterprises.

Like subsistence enterprises, gaining and then maintaining customer loyalty is still a key business success factor. This is not only because of the expectation that repeat business will grow over time, but also because good customers provide referrals. Word of mouth is the most common way the entrepreneurs in the sample promote their businesses and reach new customers, as cited by 82 per cent of the respondents in the Philippines and 70 per cent in Vietnam (Figure 13). Very few distribute brochures or engage in any other type of formal advertising or promotion.

Figure 13. Common method of promotion used by respondents



One way the respondents said they foster customer loyalty is by ensuring that they offer good quality products and services, as cited by 52 per cent and 74 per cent of the Philippines and Vietnam respondents, respectively (Figure 14). Some also claimed that providing the right price and giving discounts or giveaways had encouraged customer loyalty. Unlike subsistence enterprises, however, only few cited that extending credit or otherwise offering easy payment terms drives repeat customers.

Figure 14. Common factors shared by respondents to drive customer loyalty

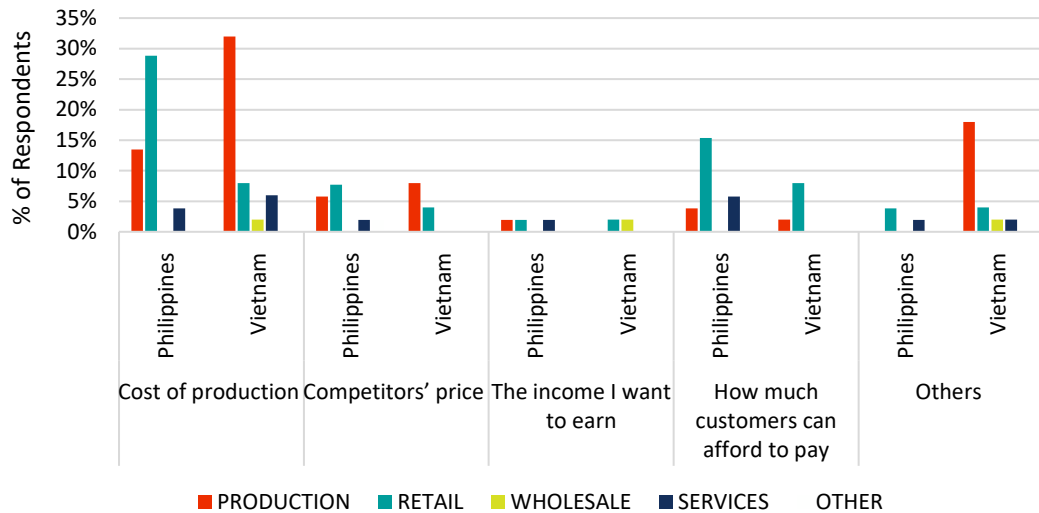
Also, unlike subsistence enterprises, nearly 50 per cent of the respondents in both countries considered the cost of production in setting the selling prices (Figure 15).

Figure 15. Distribution of respondents according to price setting determinants

On the other hand, a significant minority (25% and 10% of the respondents from Philippines and Vietnam, respectively) say they still set prices based on what they think customers can afford rather than their production costs, a desired profit margin, or competitors' prices. Respondents also cited that they offer flexibility on prices—including discounts—to make their products more affordable, arguing that less profit is acceptable as long as it creates more repeat buyers and loyal

customers. These strategies were more common among retail than production businesses. (Figure 16).

Figure 16. Factors influencing the respondents' pricing strategy



3.3 Transformative entrepreneurship characteristics among the respondents

As the previous section demonstrates, the difference between subsistence and transformative entrepreneurship is not black and white. Transformation is achieved to varying degrees on a spectrum. Some of the respondents achieved significant business growth but only gradually over long periods of time while others grew faster. Some continue to seek growth opportunities while others are focused on maintaining what they have accomplished—having achieved home ownership and education for their children, they are more interested in the welfare and stability of the family rather than becoming more wealthy or influential in their communities.

The sample can therefore be viewed as encompassing individual micro-entrepreneurs going through a process, exhibiting differing levels of progress along a spectrum of achieving transformational success beyond subsistence. Drawing on theories of transformational entrepreneurship³¹, the following section presents the factors that contributed to transformational entrepreneurship: mindset and motivation, entrepreneurial ability and business acumen, and business model.

³¹ See, for example, Sridharan, Srinivas & Maltz, Elliot & Viswanathan, Madhu & Gupta, Samir, (2014). Transformative Subsistence Entrepreneurship: A Study in India. *Journal of Macromarketing* 34(4), December 2014.

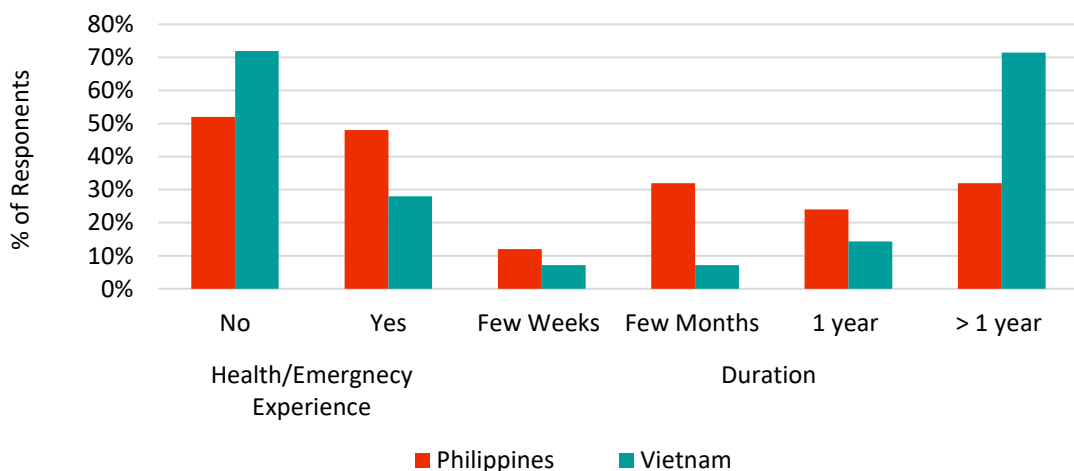
3.3.3. Mindset and motivation

As discussed above, typical subsistence entrepreneurs can be thought of as operating in a closed system that tends toward equilibrium and stability. While the system provides the means for survival, it can also create limitations (in terms of access to information, resources, and markets, as well as social expectations) that hold an entrepreneur back. One of the key questions the research sought to answer is what drives entrepreneurs who do transform to break out of this closed system. This is essentially an issue of motivation, of which there are two main types: triggers and aspirations.

Triggers spur the entrepreneur to take bigger risks to try and move beyond survival. Both negative and positive life experiences can trigger the desire to achieve a different life than the one they were born into. Positive triggers can include support from a mentor (most often a relative or employer) or simply observing a thriving business and realising that success is possible. Negative triggers can include rejection or disrespect from family members or others in the community or the experience of hardship that could not be dealt with because of poverty.

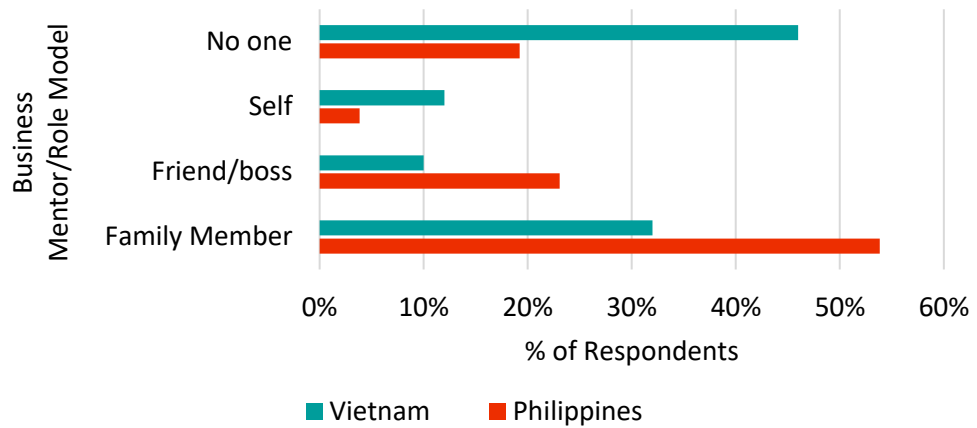
Disrespect as a trigger was not common among the entrepreneurs in the research sample: only two in the Philippines and three in Vietnam said they did not have the approval of their family members when they started their businesses. Poverty and its consequences were more important negative triggers. In the Philippines, 48 per cent of the respondents had experienced a major health emergency, and 32 per cent of them lasted at least a few months to a year or longer (Figure 17). In Vietnam, only 28 per cent experienced a major health emergency, but they were serious—71 per cent of them also lasted a year or longer. In both countries, borrowing from family/friends and MFIs were the main coping strategies.

Figure 17. Health emergency experience of respondents and duration



For many in the sample, the more common triggers were positive rather than negative life experiences. In the Philippines, 54 per cent of the respondents said that they got their business ideas and were mentored by a family member, i.e. parent, aunt, grandmother, etc. and 23 per cent by former boss or supervisor. Respondents from Vietnam were more likely to be self-starters: 46 per cent did not have mentors, although 32 per cent were mentored by a family member and 10 per cent by former boss or supervisor.

Figure 18. Respondents role model/business mentors



Box 1 (following) presents the experience of one Vietnamese respondent who demonstrated an example of these triggers.

Box 1. Case study: Triggers and breaking out of the closed loop system

Ms. Duong Thi Lien, handicrafts producer, Lam Town, Nam Dinh Province, Vietnam

Lien is the eldest daughter of a village craftsman whose family's tradition involves making of bronze statues used as objects of worship. Since she was a child, Lien expressed her passion for traditional crafts. With her father's guidance, she helped him prepare materials and tools after school hours.

Lien did not finish high school and had no formal employment. She had an early marriage at the age of 18 in 1981. Soon after her marriage, she and her husband opened their own statue production business. Due to the lack of start-up capital, the couple borrowed from moneylenders to purchase raw materials. After they began production, they realised that their new business lacked the prestige and credibility, and local buyers were not interested in their statues and figurines. They could not repay their debts and she had to buy and sell scrap materials to recyclers in order to make ends meet.

When the celebration of Tet (the Vietnamese New Year) was approaching, her family's situation was becoming desperate. She decided to bring her products as samples to show to shops in Hanoi, which is 100 kilometers to the north. Among the shops that she approached, there was one shopkeeper who gave her an order with a down-payment. With that first order, she was able to kick-start her business.

At first, customer orders were slow, despite having worked hard with her husband and trying to learn new things and develop new products. In this kind of business where reputation matters, their reputation gradually improved over time.

In 2007, the quality of their production processes and their business reputation had grown enough that they began to expand. They rented a building and set up a workshop, hiring 15 craftsmen and women. The following year, she attended business skills training courses on management, sales, and marketing, and was offered financing by TYM-MFI. In 2013, she formally registered her business as a limited liability company.

Since then, she has made several large investments in machinery and equipment like welding machines, self-propelled cranes, and trucks. She also opened a second workshop. These investments are needed to improve productivity and reduce production costs in order for her to be able to compete with relatively cheaper Chinese imports substitutes.

According to Lien, business success requires learning from others to ensure you know your business well, and being bold—daring to be different.

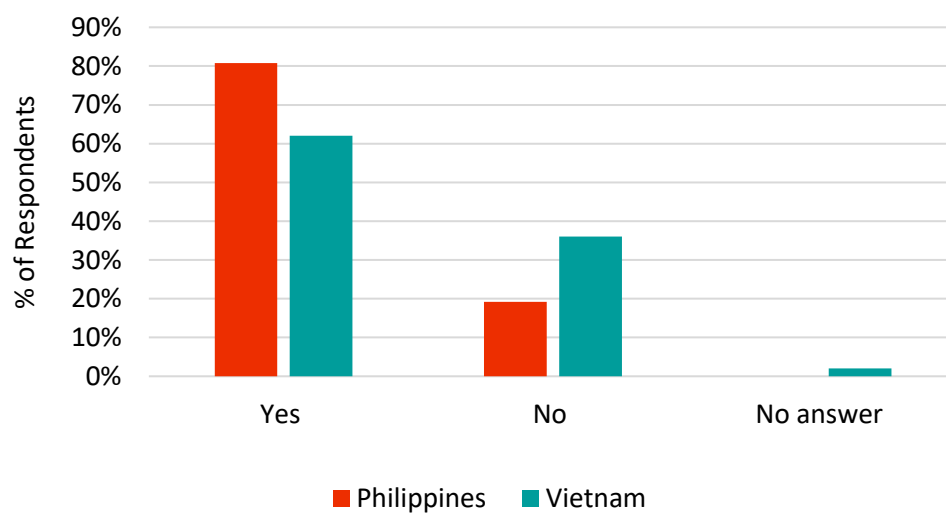
In 2017, 36 years after the shopkeeper in Hanoi gave her first order, she opened her own showroom in Hanoi. She and her husband still live in Nam Dinh Province.

Although not all the women entrepreneurs in the sample faced a trigger situation, every one aspired to improve their lot in life. In most cases, the respondents articulated these aspirations in terms of wanting a better life for their children. While it is true that almost all subsistence entrepreneurs also hope for more material comfort for themselves and a better life for their children, what separates successful entrepreneurs from idle daydreamers appears to be both a strong mindset of not just wanting to significantly improve one's life situation but also persevering in the face of tremendous personal adversity.

This is clearly manifested in the fact that the majority of the respondents (62% in the Philippines and 50% in Vietnam) previously experienced business failure (Figure 19). Their desire to recover and earn more was a key motivation for them to try again. About a third in both countries cited poor collection from customers who purchased goods on credit as the main reason for failure.

Figure 19. Respondents' business failure experience

Another aspiration cited by many is the ability to be independent and have control over their lives while being able to take care of their families. Moreover, most entrepreneurs see their business as a legacy to be passed on to their children. The majority of the Philippines (81%) and Vietnam (62%) respondents hope that their children take over their business from them (Figure 20).

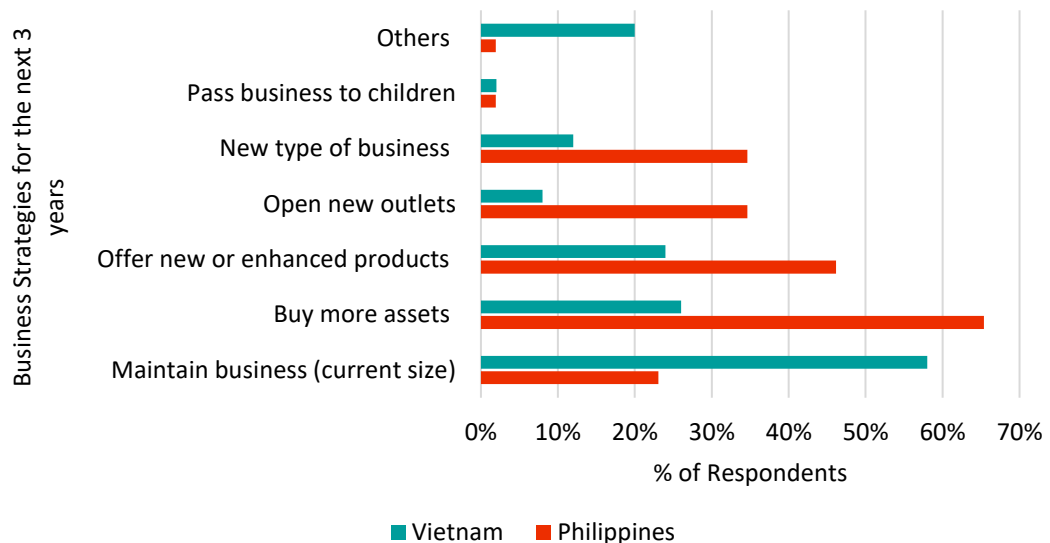
Figure 20. Possibility of respondents' children business take over

Naturally, not all entrepreneurs respond to triggers or aspirations in the same way, or even respond at all. Many accept their situation and perceive no way to alter it. Only those who respond with the determination to change have the possibility of breaking out of the closed system. The key intermediary step before taking action is to "envision the future".

Armed with a firm view of long-term improvement, they are motivated to go against the grain of delicately balancing mutual commitment of a closed system and take action in their business that promotes growth.

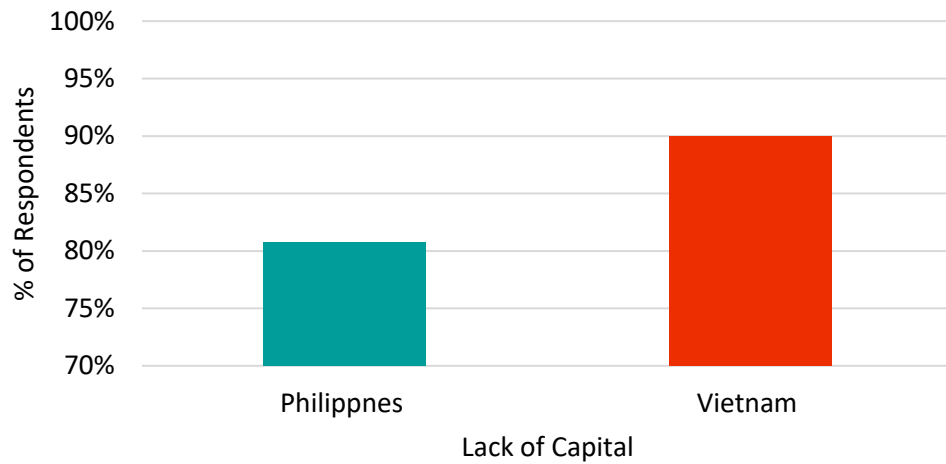
One of the key ways this forward-looking mindset manifests itself is in the ability and willingness of the successful entrepreneurs in the sample to minimise personal expenses and reinvest profits into purchasing productive assets in order to grow their businesses. This was the most popular strategy in the Philippines, pursued by 65 per cent of respondent-entrepreneurs when asked to cite the first three business strategies in the next three years. In Vietnam, it was the second-most popular strategy, pursued by 26 per cent of respondent-entrepreneurs, versus 58 per cent who chose to maintain their business at the same size (Figure 21).

Figure 21. Business strategy that respondents will pursue in the next 3 years



The ability to leverage existing assets toward greater returns beyond the immediate time frame turned out to be a recurring theme in how respondents viewed the transformation from a survival business to a thriving business. In this regard, the fact that most of the women had husbands whose income was sufficient that they did not have to divert much of their profits to the household expenses contributed to business success.

Unlike the Bangladeshi financial diarists in the UNCDF study cited in Section 1, the entrepreneurs in the research sample were more likely to use debt to invest in their business. Lack of capital was considered the most common obstacle to business growth, cited by 81 per cent of respondents in the Philippines and 91 per cent in Vietnam (Figure 22).

Figure 22. Major business problem encountered by respondents

Debt was considered useful—not something to be avoided—as long as it was used for productive purposes. However, their approach to debt further demonstrated their forward-looking mindset. Many advised that it is better to start a business from savings so that interest payments do not deplete earnings during the start-up phase. Only after profits increased did the respondents leverage that income through loans.

For many of the respondents, business success was not something that happened overnight. Rather it was the gradual result of adherence to certain business practices—not only controlling costs and leveraging existing assets, but also being attentive to every detail of the business and, most common of all, conducting business every day and working long hours.

Indeed, for these successful entrepreneurs, the *raison d'être* for running the business evolved beyond the trigger or aspirations that were the original motivation for starting their business. It became part of their identity. For this reason, almost all the respondents remain committed to their work. Only two in either country said they would stop working and relax if they had enough money to live on. These entrepreneurs had some of the oldest businesses in the sample. While most in both countries expect to maintain their business as it currently is (as shown in Figure 21 above), more than a third said they still want to grow their business further. Success, for them, has become less about income per se and more about stronger personal agency, stability in their family, that is achieving a semblance of power, acquiring an ability to exercise one's rights, and having control over everyday decisions.

3.3.2 Entrepreneurial ability and business acumen

Whereas triggers or aspirations may provide a powerful starting point, the potential for transformative success depends on producing sustained adaptation to the business. In other words, even when the impetus is there to motivate

change, transformative change depends on execution. This depends, more often than not, on entrepreneurial ability.

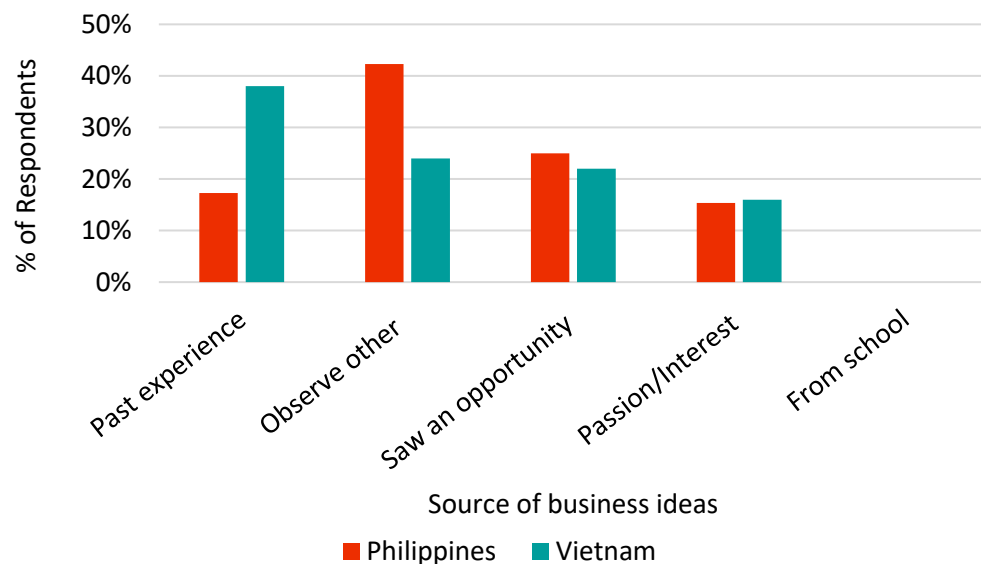
Entrepreneurial qualities relate to knowledge, traits, and social competencies that enable individuals to respond effectively to business opportunities. They fall into two broad categories:³²

- Entrepreneurial spirit—a tendency to be sensitive to new economic opportunities and motivated to respond to them
- Management acumen—an ability to link one’s assessment of new economic opportunities with an understanding of how money can be made

In this area as well, a forward-looking and positive mindset is a prerequisite. Successfully responding to business opportunities requires seeing beyond the immediate situation and turning challenges into opportunities, learning the lessons from their past experiences. Only in this way is it possible to “connect the dots” in a way that turns opportunities into businesses.

Most of the entrepreneurs in the research sample were inspired to start their business by observing others (42% in the Philippines, 24% in Vietnam) or from direct experience in the past (37% from Vietnam and 17% from Vietnam) as shown in Figure 23.

Figure 23. Distribution of respondents according to source of business idea



However, about a quarter in both countries said they came up with the business idea on their own when they saw a business a business opportunity or simply pursued the business because it was something they were interested in or

³² Sridharan, Srinivas & Maltz, Elliot & Viswanathan, Madhu & Gupta, Samir, (2014). Transformative Subsistence Entrepreneurship: A Study in India. *Journal of Macromarketing* 34(4), December 2014, p.10-11

passionate about doing. The latter group were more likely to be self-taught rather than rely on family, friends or former bosses as mentors.

None of the entrepreneurs said that school or formal education played a role in their learning how to do their business. Many in the sample did, however, seek out and receive formal training—after they started their businesses. In the Philippines, 55 per cent attended some form of training, mostly on business management, which sometimes included a financial management component (bookkeeping, accounting, inventory management, etc.). A similar ratio (60%) in Vietnam attended some form of training, although since more of the entrepreneurs in the sample were in production, the training emphasised on technical aspects. Only two received any training on financial management.

Whether mentored by a relative or friend or learning on their own, the successful entrepreneurs in the research sample are relatively systematic about their approach to their business. In the Philippines, all but seven of the sample say they conduct research to understand what customers want; four of those seven said they do not conduct research because they have enough experience in their business already. Box 2 presents an example of an entrepreneur who made use of market information through direct observation.

A larger proportion of Vietnamese entrepreneurs do not conduct market research; many of them produce handicrafts or household items that have steady and predictable demand. In both countries, the most common research methods to gather market information are directly asking relatives and customers, followed by observing competitors.

The systematic approach to the business is also seen in the fact that all but two entrepreneurs in both countries make cost and profit calculations when making business decisions. These calculations are not back-of-the-envelope: just over half analyse costs and revenues, and a quarter make more in-depth calculations and scenario analysis.

Box 2. Case study: Market research

Ms. Beatrice Sandoval, Meat Retailer, Baliuag, Bulacan, Philippines

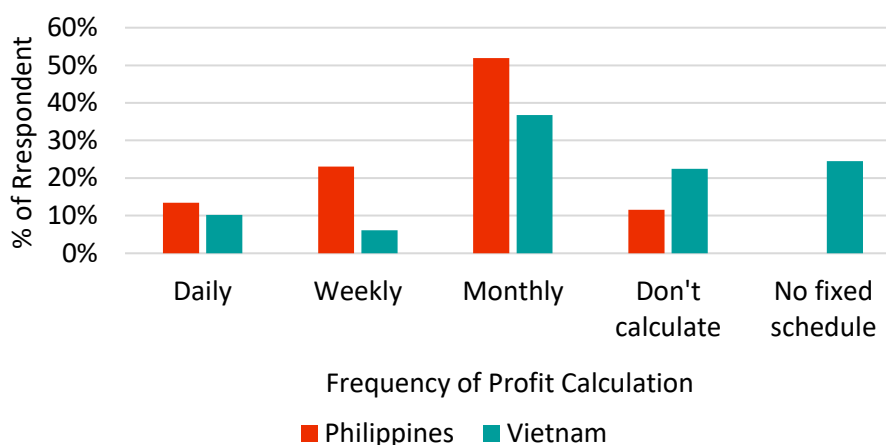
Beatrice has been a pork meat vendor for nearly 40 years. She began with a stall in the wet market. At first, she did not have enough information about where to source good quality, reliable supplies of meat to sell. She also lacked confidence that she could succeed. She did not have any formal training in business, management, or record keeping.

She studied her market through direct observations, specifically the customers' needs and wants and especially their spending cycles over each day and each month. She also studied her competitors from among the meat vendors in the market. With that information, she began selling processed meat products such as sausages with various flavors, with variations adjusted to the demands of her customers. She also began selling from 1:00 A.M., becoming the sole vendor open at that hour. In most days, she sells her meat products by 8 a.m., when most of her competitors are just starting to sell.

She long ago left the wet market and now has her own store. She sells on average eight to ten heads of hogs a day. The business is her family's only source of income since her husband is ill and cannot work.

Similarly, the majority of the entrepreneurs in the research sample calculate business profit regularly, mostly on a monthly basis as cited by 52 per cent and 37 per cent of the respondents from Philippines and Vietnam, respectively (Figure 24). Some said that they do not have a regular schedule and a few said that they do not calculate their profit at all.

Figure 24. Distribution of respondents according to frequency in profit calculation



Although accurate recordkeeping and profit calculation are correlated with business success, there is no clear pattern in the way the entrepreneurs extract profit from their business to pay themselves. Only 42 per cent of the respondents in the Philippines pay themselves a fixed amount from their business on a regular basis; most of the entrepreneurs in Vietnam do not pay themselves on a fixed schedule and pay themselves all of the business profits when they do.

The majority of the respondents, 85 per cent in the Philippines and 60 per cent in Vietnam, also maintain detailed financial records about their business and review them regularly (Table 1). Accurate recordkeeping is clearly correlated with business growth as those who keep records had more paid employees on average and experienced a greater increase in employment growth than those who did not.

Table 1. Distribution of respondents according to the number of paid workers and recordkeeping

Number of paid worker	Philippines			Vietnam		
	%	w/ records	w/o records	%	w/ records	w/o records
0	21%	15%	6%	50%	24%	26%
1-4	17%	12%	6%	20%	16%	4%
5-10	29%	27%	2%	12%	8%	4%
>10	33%	31%	2%	18%	12%	6%
Total	100%	85%	15%	100%	60%	40%

The average number of total employees in the research sample was seven in the Philippines and six in Vietnam, versus two to three when they started their businesses. The Vietnamese entrepreneurs were more likely to rely on unpaid family labor (especially those involved in livestock production, since that activity is usually family-based), but even there about 20 per cent of businesses experienced an increase in the number of paid family workers. A small majority of entrepreneurs in both countries say they prefer to hire family members, both due to issues of trust and a desire to help their families, although those who say that they do not prefer to hire family members also cited that trust (or lack of it) is the reason they do not.

Nevertheless, 73 per cent of the respondents in the Philippines and 38 per cent in Vietnam experienced an increase in hired non-family labor, with an average increase of three to four since the start of the business. On the other hand, very few hired someone with a formal contract (15% in the Philippines and 10% in Vietnam), arguing that a verbal agreement is sufficient. While in this regard they act like informal enterprises, most spend time training and supervising their workers on a regular basis.

Another relevant entrepreneurial quality evident from the research is the degree of social competence—the ability to build strong, productive relationships with other actors in the marketplace. Respondents narrated incidents that illustrate their ability to form accurate perceptions of others in their environment, express their emotions and feelings in the right way that strikes a chord in others, and be persuasive. A surprisingly large proportion (42% in the Philippines and 34% in Vietnam) say they negotiate with their suppliers. A similar percentage in both countries also mentioned they asked people they know in their community to help them in their business. Box 3 shows an example of one entrepreneur who valued the importance of business relationships and linkages.

Box 3. Case study: importance of business relationship and linkage

Ms. Gemma Castor, Scrap Metal Trader, San Mateo, Rizal, Philippines

Gemma observed someone buying and selling scrap metal and, despite the lack of business training or experience in the business, she thought it might be possible to replicate and upgrade this kind of business. She realised that there is “wealth in stealth”.

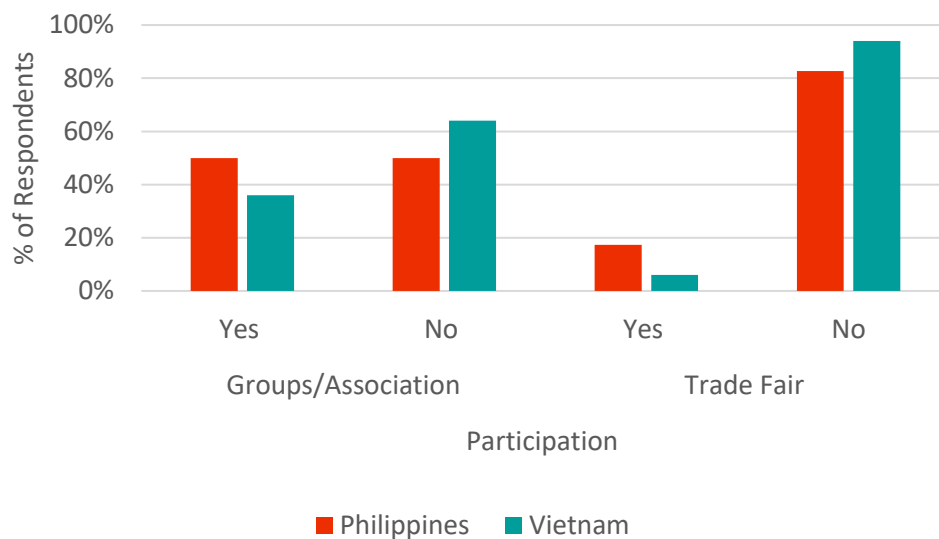
In 2004, she opened a small store. The business is very capital intensive, requiring her to buy and store scrap metal until traders come to buy it. She initially borrowed from informal moneylenders, at one point having as many as six loans outstanding. Eventually, she realised that all her profit was going to repay her loans.

She decided to join a cooperative, and was soon able to bring her debt burden under control. She also started to build a relationship with the institutional buyer of scrap metal which ensured that the traders who worked for the buyer patronised her business. Her husband, who decided to partner with her in the business, helped her in establishing direct linkage with institutional buyers. With the certainty that there was a buyer for her scrap metal, she borrowed from the cooperative to purchase another lot as a workshop and additional storage area. By increasing the size of her business, she was able to buy in bulk, lowering her costs and widening her margins.

With another loan, she purchased a delivery truck. This allows her to sell directly to the final buyer, bypassing the traders and widening her profit margins further. She now runs the largest scrap metal business in the area.

Having reached a certain level of success, many entrepreneurs in the sample have also made deliberate efforts to expand their networks. Half of the respondents in the Philippines and 36 per cent in Vietnam are members of groups or associations related to their business such as associations or cooperatives (Figure 25) For those who have not participated in any group/association cited varied reasons such as the absence of relevant groups in the area or if there is such group, they viewed the members as competitors. A much smaller percentage (17% in the Philippines and 6% in Vietnam) have attended trade fairs.

Figure 25. Respondents' participation in business networks



3.3.3 Business model

Whereas an individual's motivation and entrepreneurial ability may combine to shape their business and life paths, the actual opportunity for such a new direction to become transformative is shaped by the nature of business decisions they make in running their enterprise. During the primary data gathering, enterprise models of the respondents were explored—their approach toward funding the business, growth strategies, and differentiation strategies.

The research revealed that there is no single model that guaranteed success:

- Some successful entrepreneurs fund their business through small, thrifty practices and a reliance on informal forms of debt (without collateral or interest), whereas others borrow from formal financial institutions
- Some successful entrepreneurs focus on growing their current business (intensification strategy), whereas others regularly adapt to growth constraints by diversifying
- Some successful entrepreneurs seek to differentiate their products, while others employ a price-based strategy

The majority of entrepreneurs in both countries pursued growth strategies focused on intensification—increasing production or sales at the same location (Box 4). In the Philippines, 54 per cent of entrepreneurs said this was their main business strategy, with only 15 per cent who focused on diversifying into new products and services and 13 per cent who opened new outlets. In Vietnam, 46 per cent increased production or sales at the same location and 24 per cent added new products and services. Only 6 per cent of the Vietnamese respondents opened new outlets.

Box 4. Intensification strategy

Ms. Pham Thi Lam, Hau Loc District, Thanh Hoa Province, Vietnam

Like many people born in this coastal area, Lam's livelihood was called "shopping"—buying crabs, fish and other seafood to resell to consumers—while her husband was a fisherman. It was hard work and the income was low.

She saw that one of her uncles was making money raising fish. In 1995, she and her husband invested VND 20 million from their savings to construct fish ponds. They did not think it would become a big source of income, and they were right. Two years later, with two small children, she and her husband both moved south to Nha Trang. Their goal was to work until their children were ready for high school, saving enough for their school fees and to start a business.

In 2007, they returned to the home village and focused on fish production. They joined classes on aquaculture, visited models of raising fish in Hai Duong Province, nearly 200 kilometers to the north. They learned how to properly breed fish to ensure the highest quality.

By 2015, they had expanded from a single pond to four: one to incubate fish and three to raise them, covering 15,000m². Multiple ponds allow them to have fish at various stages of development, ensuring that they always have a supply of fish to sell and a new batch ready to take its place.

Over the next three years, their strategy is to build more ponds for different species and breeds of fish.

However, 36 per cent and 38 per cent entrepreneurs in the Philippines and Vietnam, respectively, said they plan to add a new business line—usually related to their existing business but sometimes something different. A similar number in both countries say they expect to pursue product diversification as a growth strategy—the second-most common business strategy after intensification.

Diversification entails greater risk than an intensification strategy, and those entrepreneurs who said they will pursue diversification also professed to have a slightly higher appetite for risk. Because of these risks, entrepreneurs in both countries pursuing a diversification strategy were more likely than entrepreneurs following different strategies to take a more systematic approach to market research. While most entrepreneurs in both countries have some system for gathering market information, those pursuing diversification strategies were more likely to be proactive about asking customers (and, conversely, rely less on the advice of family and friends) as well as observing other businesses. They were also more likely to be systematic about calculating profits, including scenario analysis.

Box 5 shows an example of one respondent from the Philippines who adopted a diversification strategy.

Box 5. Diversification strategy

Ms. Evangeline Sonio, Food Retailer, San Mateo, Rizal, Philippines

Evangeline's first paid work was as a house helper for a wealthy family in her community. However, her parents had a market stall selling maize, and they were her role models. When she saw fish vendors selling successfully, she was inspired to start a similar business even though she was not formally trained in business management and knew little about selling fish. She left her job as a domestic helper and ask her sister to take her place instead.

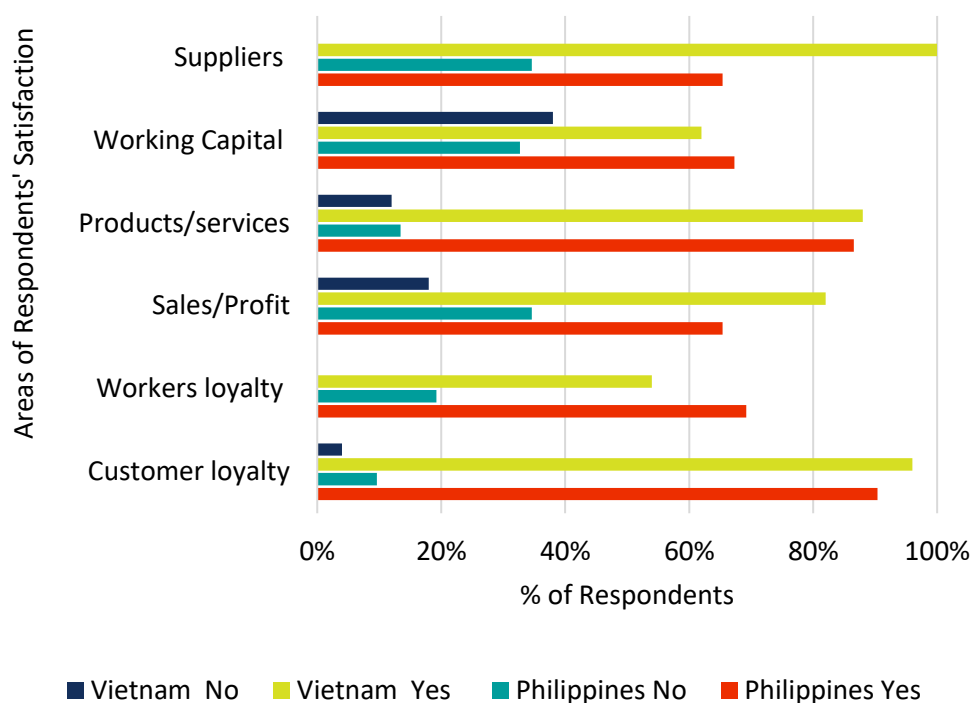
She began as an ambulant vendor with two pails of fish in 1998, servicing one subdivision. Due to high demand in the area, she eventually obtained a stall in the wet market. However, when a supermarket was built in the vicinity in their community, she lost customers and the business began to lose money.

She realised that in order to keep her customers, she needed to offer more than just a small range of products. She borrowed from her cooperative and bought a three-storey building strategically located on a corner where her regular customers and walk-ins pass by. On the ground floor, she built a store that sells fish and eventually added meat and vegetables. Her diversification strategy, despite having not been to school and being illiterate, made her stand-out from her competitors because her customers can buy all their needed ingredients in one place.

The family lives on the upper floors of the same building. This proximity made it easier for her to take care of her family while running the business. The store enabled her to finance her children's education, and now her daughter is working with her.

No matter what growth strategy they pursued, the entrepreneurs in the sample stand out from the prototypical subsistence entrepreneurs in two key ways. As shown in Figure 14 above, they are more likely to compete on quality than on price. In the Philippines, 52 per cent compete on quality, compared to 37 per cent who compete on price or by providing discounts, incentives or giveaways, whereas in Vietnam, 74 per cent compete on quality and only 10 per cent compete on price or by providing discounts, incentives or giveaways. The higher focus on quality versus pricing in Vietnam may be due to the fact that production enterprises account for a larger share of the total sample. The fact that they have shifted their model toward one based on quality is all the more impressive given that too much competition was cited as the first or second-most important threat to future growth by respondents in both countries.

Although they did not compete on price, the respondents successfully built customer loyalty. In Vietnam 96 per cent of the respondents said that they are satisfied with customer loyalty. This is the aspect of their business that they are most satisfied with (compared to profits, products/services offered, worker loyalty, and working capital). The remaining 4 per cent who are not satisfied with their customers cited limited demand/purchasing power as the main reason (Figure 26). In the Philippines, 90 per cent of respondents said that they are satisfied with customer loyalty – this is also the aspect of their business that they are most satisfied with (compared to profits, products/services offered, worker loyalty, suppliers, and working capital).

Figure 26. Respondent's satisfaction in selected business aspects

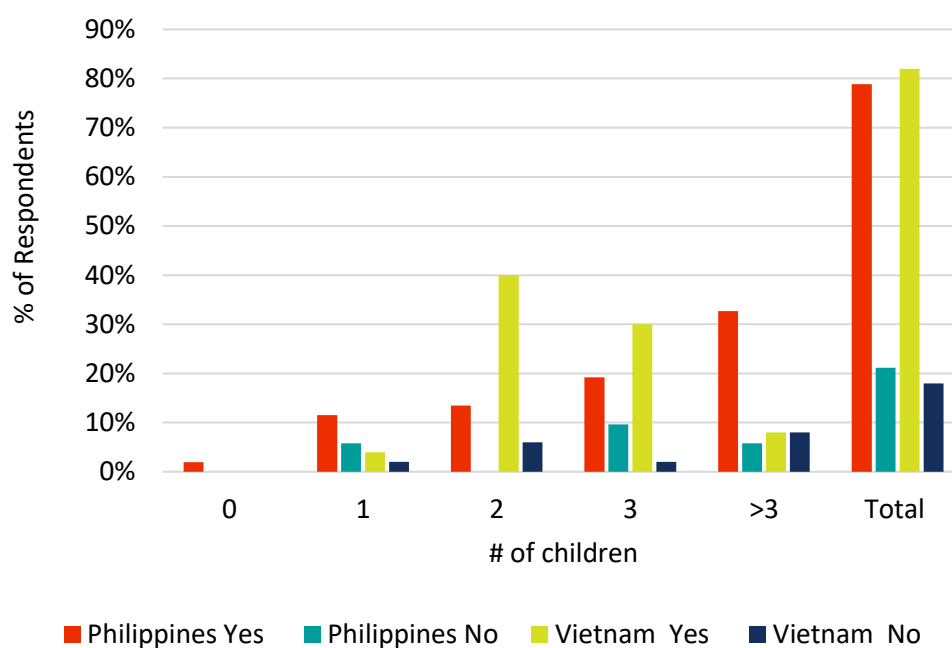
Of the 10 per cent in the Philippines who are not satisfied with their customers, most cited non-payment of the merchandise purchased on credit basis as the main reason. However, none of the respondents in Vietnam cited customer payment delays or non-payment as a concern. In other words, one factor that may have enabled these entrepreneurs to succeed is that they appear to have reduced their reliance on extending credit to ensure customer loyalty. Only three entrepreneurs in the Philippines and two in Vietnam cited payment terms (purchases on credit, flexible payment, etc.) as the main priority of their customers, and an equally small number (six in the Philippines and one in Vietnam) cited that collection is a concern for them to date.

3.4 Gender factors in transformative entrepreneurship

Approximately 80 per cent of the entrepreneurs in both countries said they feel stress in trying to meet their dual roles as mother and business owner at the same time (Figure 27). These women entrepreneurs have been doing their best to balance their performance in both their family and productive roles. The results of the survey shows that there is a clear correlation between the number of children and the amount of stress they felt. The majority (60-66%) in both countries stopped having children after they started their business. There were only nine in the entire sample who had more than one child after they started their business. The decision to reduce or end childbirth may not have been a function of the business itself but of age as only 12 entrepreneurs in the Philippines and 18 in Vietnam were under the age of 30 when they started their businesses.

In other words, one factor that may have contributed to success is that they started their business after the most intensive period of child care was over, allowing them to devote more time to their businesses.

Figure 27. Correlation between the number of children and stress of respondents in performing dual roles



When asked how they manage this stress, some entrepreneurs in the sample mentioned hard work and diligence as coping behaviors, but the majority mention that they can rely on their husband's support or their families' "understanding" when their home and business obligations conflict. Support from family, especially their husband, in balancing home and work obligations was clearly correlated with business success.

As discussed above, while many women in general have to deal with issues ranging from legal discrimination in asset ownership and control to social and cultural norms that limit their opportunities to lead a business or to network, this was not a factor among the entrepreneurs in the research sample. In both countries, the incidence of ownership of various assets increased substantially since starting the business; not only business assets (inventory and livestock) but also personal assets, including vehicles (2 and 4 wheel), home appliances, and jewelry. Additionally, in the Philippines, the incidence of home ownership since starting the business more than doubled from 23 to 57 per cent and the number of renters fell from 42 to 15 per cent. In Vietnam, where 74 per cent of entrepreneurs were home owners when they started their business, that number rose slightly to 80 per cent currently (as shown above in Figure 8).

Although most women entrepreneurs worldwide have a lesser say in important household and business decisions and in diverting business resources to household expenditure, one of the key observations among entrepreneurs in the sample was the extent to which they did not have to divert profits into household expenses contributed to their success. In this sense, another key success factor for entrepreneurs in the research sample was that most could rely on their husband's income to cover basic family expenses. Only three entrepreneurs in the Philippines and one in Vietnam had husbands who did not work when they started their businesses, and only 25 per cent in the Philippines and 34 per cent in Vietnam had husbands who worked in low-paying agriculture-based jobs or as daily wage laborers. Five of those husbands in the Philippines and ten in Vietnam eventually quit their jobs to work with their successful wives. This is in slight contradiction to CGAP's new parlance, which claims that they did not have to put great effort into ensuring their families' resilience, allowing them to dedicate more time and financial resources toward taking advantage of opportunities.

Picture 5. House Owned by Woman Entrepreneur from the Proceeds of Fish Vending in Bulacan, Philippines



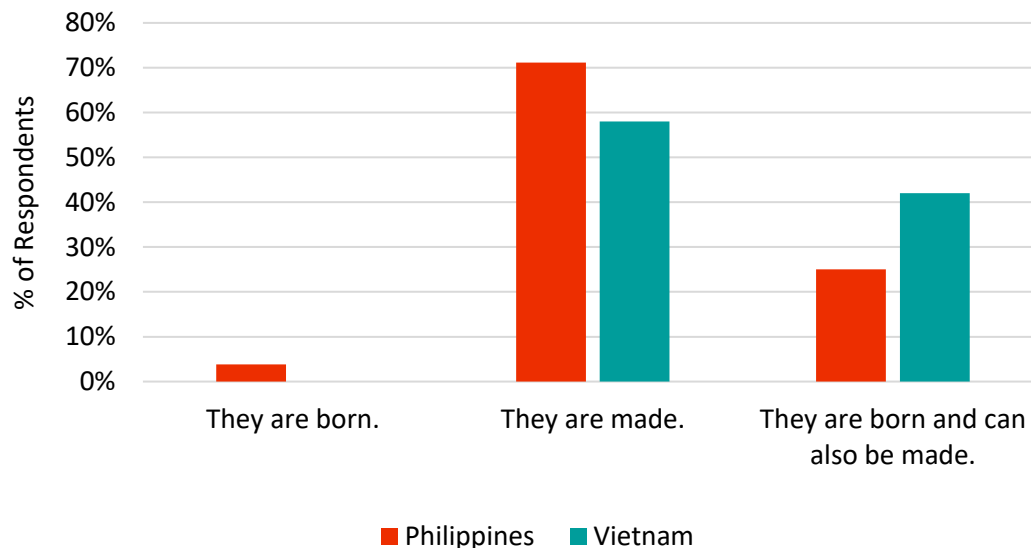
In terms of participation in social networks to help them sustain their enterprises, as noted earlier, 40-50 per cent of the entrepreneurs in the research sample joined groups or associations related to their business; those who did not, said that either no such group exists or that they did not see any value in joining. This suggests that business groups that cater to the needs of women entrepreneurs are still not fully developed.

As mentioned above, the perception that women are less economically important than men is brought about by the reality that women-managed businesses tend to concentrate in crowded, low value-added and low capital-intensive sectors, such as tailoring, beauty salons, food processing, and retail sectors, and they tend to operate more home-based businesses. This is clearly the case in the research sample where excessive competition in these types of businesses was the most common constraint on growth cited by 37 of 52 respondents in the Philippines and 16 of 50 in Vietnam.

Although women are often faced with situations where they feel intimidated when interacting with markets, which are often dominated by men, the successful entrepreneurs in the research sample generally did not face these types of constraints. Confidence was not an issue: only 20 per cent in the Philippines cited a lack of confidence as a constraint when they started the business, and none in Vietnam. Their relationship with other market actors was also not a constraint as no entrepreneurs in Vietnam are unsatisfied with their suppliers, and only seven in the Philippines said that they were unsatisfied, mostly due to price (only two cited poor treatment).

When asked about their opinion if entrepreneurs are born, made, or both, the majority of the respondents in both countries, 71 per cent and 58 per cent in Philippines and Vietnam, respectively, believed that they are made. Those who believed that entrepreneurs are both made and born constitute 42 per cent in Vietnam and 25 per cent in the Philippines (Figure 28). Only 4 per cent of the respondents from the Philippines and none from Vietnam claimed that entrepreneurial ability is innate. This finding is consistent with previous studies about whether entrepreneurship can be nurtured or is innate³³.

Figure 28. Perspective of respondents on whether entrepreneurship is born or made



³³ Philomena Lartey, October 2007. *Entrepreneurs: Born or Made? To What Extent is this Relevant to Policymakers in Ghana?*

Section 4. Summary of results and findings

The women entrepreneurs in the research sample demonstrate the following latent characteristics of subsistence entrepreneurs:

- Most prefer to hire people they know personally due to both trust issues and the desire to help without a formal contract
- About a quarter set prices based on what customers can afford
- Many offer discounts or credit to customers to encourage repeat patronage

Although these characteristics may have been retained in part for the same social reasons that subsistence entrepreneurs rely on, the successful entrepreneurs in the research sample appear to have shed some of the social obligations that hold others back. Most compete on quality rather than price and few are burdened with excessive accounts receivables from customers who buy on credit.

Even so, they appear to have fostered customer loyalty, and this has been one factor in their success. Almost all are satisfied with customer loyalty—this is the aspect of their business that they are most satisfied with (compared to profits, products/services offered, worker loyalty, suppliers, and working capital). The common view among these entrepreneurs is that earning a smaller margin on a customer who patronises regularly is more valuable than earning a larger margin on a one-time customer.

The successful entrepreneurs also expanded their social networks. Although lack of a social network or credibility and trust from customers was an obstacle for about a third of the entrepreneurs when they started their businesses, they proactively sought to gain access to information and markets through various means—attending training, hiring consultants or hiring specialised staff. A small proportion have even participated in trade fairs.

However, limitations in their networks are one of the biggest problems they still face. In particular, problems with suppliers is one of the areas in which entrepreneurs are the least satisfied with their business (along with lack of working capital). Sometimes they feel that suppliers take advantage, overcharging or providing low quality products. Mostly, however, their dissatisfaction with suppliers is simply a case of seeking to expand their networks further.

In many other ways, the entrepreneurs in the sample from both countries exhibit the characteristics of transformative entrepreneurs:

- About a third of the entrepreneurs said they were motivated to start the business by the ability to be independent and have control over their lives. An equal number cited the desire to earn more than they had been before



- Working habits include being extremely attentive to every detail of the business and, most common of all, hands-on management and working for long hours. Almost all remain committed to their business; only a few said they would stop working and relax if they had enough money to live on, and these entrepreneurs had some of the oldest businesses in the sample. Common traits they used to describe themselves are honesty, generosity, and the willingness to help others
- Reinvesting existing current assets to grow their business is the most common growth strategy. The majority say that their main strategy for growing their business to date has been to increase production or sales at the same location, and purchasing productive assets is the main way of doing so
- Most entrepreneurs say they conduct informal research through observation and direct interaction with customers and are otherwise highly alert to new business opportunities. The most common research method is asking customers, followed by observing competitors and asking family and friends
- Most of the entrepreneurs keep financial records (for their household as well as for the business) and keep regular track of their business profits. Most pay themselves a fixed amount or a portion of their profits, but a significant minority (40%) pay themselves all of the profits
- Some of the respondents now mentor others, sharing their success stories and recruiting employees or agents to work for them

Although the women entrepreneurs in the sample felt tension between family and business obligations, they have been lucky to receive both emotional and financial support from their husbands and their children. In particular, while not all of the entrepreneurs had supportive husbands, only a handful had husbands without jobs. This enabled them to grow and reinvest their profits rather than spending it on the household.

In many other ways, they did not face gender-based constraints that can hamper growth:

- Most were not constrained by mobility. They were keenly aware of accessibility to customers and suppliers and their ability to choose a strategic location may have been a factor in their success. Only three are unsatisfied with the location of their business
- Similarly, the respondents were generally able to access the information they needed to start and grow their businesses
- Only a small portion of the entrepreneurs cited a lack of self-confidence as a constraint at the beginning. In fact, most had failed in the past. Perseverance in the face of adversity was considered a key success factor among the respondents
- Only few are highly risk adverse and will only try new things if they are very certain it will succeed. The vast majority of respondents appear to have

overcome any risk aversion they may have had, but they are nevertheless calculated risk takers

- Networking limitations were less of a concern among the respondents, although supplier relations are difficult for some
- The average number of children among the sample was 3; most (65%) had no additional children after they started their business, and 19 per cent had only one child after starting the business
- Only a small proportion of entrepreneurs experienced outright harassment or discrimination in dealing with government employees. The biggest complaints were red tape, corruption and non-cooperative attitude

There is, however, one area where gender issues remain a constraint. The lack of capital was considered the most common obstacle at the start of the business, and remains a constraint to date even though all entrepreneurs have access to credit. The challenge with credit occurred when they started to expand and needed a larger amount of money. To borrow more requires collateral, and although the incidence of home ownership since starting the business more than doubled among the respondents, many women in the sample cited that they are unwilling to risk their family's property as they considered it as their most important asset (or they had to ask their husbands for permission to do so).

Section 5. Conclusions

The approach to the research allowed for the examination of a wide a range of entrepreneurial situations, personal qualities, behavioral strategies, and outcomes in the sample. The results demonstrate that there is no single way to transform a livelihood into a successful business. What is common among the successful entrepreneurs is that they took a systematic approach—conducting research, keeping track of income and expenses, participating in training (for the entrepreneur and their staff). Underlying this systematic approach is a mindset that envisions a future that is different than today, and perseverance to achieve that vision in the face of personal adversity.

It is this mindset that enabled them to take tentative steps out of the closed system that protects but also holds back subsistence entrepreneurs. Once this process began, it created its own positive feedback loop that had an impact beyond increased income. In particular, they also experienced an increase in their sense of personal agency, recognising their own ability to take the initiative and have some control of their everyday circumstances. Whereas subsistence marketplaces are characterised by resource constraints, uncertainty, and the low literacy and social power of market actors, the increase in the entrepreneurs' personal agency built confidence, encouraging them to seek more information, make more contacts, take more risk, and persevere in the face of difficulty.

The mindset to envision a different future and the motivation to continually seek ways of achieving it is not necessarily present in most low-income entrepreneurs. This is why the emphasis on simply including the poor and disadvantaged in the formal financial system has not yielded the expected entrepreneurship revolution. While financial access can help entrepreneurs address savings and investment constraints, success in financial inclusion is often defined by outreach, loan sizes and repayment rates, not on enabling the borrower to optimise their use of credit or other financial products and services.

To date, efforts to address the use of credit through business skills training have also often foundered. Such interventions often have high dropout rates and are less cost-effective compared to programs focused on increasing access to finance. While subsistence entrepreneurs need additional skills in order to grow their livelihoods, what such training programs fail to address is entrepreneurial mindset: the deeper psychological and social constraints that micro-entrepreneurs face.

This is particularly true for women entrepreneurs. Enterprise development programs which focus on the business side but neglect the wider family and community context within which women operate can have a counterproductive impact by increasing women's workload and overburdening of women without necessarily empowering them—unless there is a simultaneous balancing of the



family roles between wives and husbands. Interventions geared to addressing women's practical needs sometimes create resistance from their male counterparts and local leaders. A more productive approach is to involve both men and women together, as economic partners, enabling them to pursue their strategic gender needs. Gender sensitivity enterprise training can be provided to both men and women.

This report presents evidence that individual effort can lead to transformative success, and it is tempting to conclude that small but effective changes that address psychological constraints and foster hard work and positive attitudes can alleviate the effects of poverty and social exclusion and create better economic and social opportunities in life.

Underlying this concept is the belief that individuals can overcome poverty through their own efforts. In reality, unequal economic, social, and (ultimately) political power, as expressed through policies, institutions, and market transactions, create enormous structural barriers to systematically reducing poverty. Rarely do poverty reduction programs address this power imbalance, and in fact the "private sector-led, market-driven" model of economic development and poverty reduction simply assumes it does not exist.

For this reason, it may never be possible to stimulate the long-awaited entrepreneurial revolution broadly among microfinance clients. It may be simplistic to conclude that the missing ingredient to the long-awaited entrepreneurial revolution has been found—and can be taught.

However, that does not mean that enterprise development should no longer be one of the main goals of the financial inclusion community. The results suggest that interventions that address changing mindset, confidence in dealing with gender-based constraints, combined with introductions to role models/mentors and new business contacts, could have greater impact on women's enterprise development than traditional business development paradigm and support.

For all its flaws, financial inclusion supports millions of successful entrepreneurs around the world. Rather than downplay the role financial inclusion can play in enterprise development, the industry should be seeking to learn from successful examples in order to make its impact in that area more systematic.

Section 6. Recommendations for development partners and policy makers

6.1 Role of business development services

Technical issues such as market research, competitor analysis, business plan development, and financial projections are vital prerequisites for a unique business, but are not essential for the typical farmer or micro-entrepreneur, whose business ideas are usually simple and copies of what they have seen or experienced.

Furthermore, traditional support for business development assumes incorrectly that these business owners have a mindset similar to entrepreneurs in developed markets. In this situation the business owner is not exploiting an unfilled market opportunity, disrupting incumbent models, or seeking to achieve personal development—they are simply seeking opportunities to survive.

The key implication from the research is that business development service (BDS) programs should focus first and foremost on inculcating an entrepreneurial mindset. Entrepreneurs cannot grow their business unless they see it as something commercial that can be expanded. They need to be able to envision this future before they have the motivation to learn and apply the skills (such as accurate recordkeeping and analysis, conducting market research) and habits (such as working meticulously, seeking new opportunities, reinvesting profits) necessary to transform their businesses.

A revised approach to BDS that focuses more on mindset and contact networks, than technical skills, will allow entrepreneurs to gain confidence and the ability to break out of the closed-loop nature of their traditional social networks, seeking ideas, mentors, suppliers, and customers beyond their own communities. Also, entrepreneurs will develop the potential to increase the success rate of financial inclusion clients. Further, it has the added benefit of being less focused on classroom-based activities than traditional BDS, thus making it potentially cost-effective even for a financial institution to deliver.

6.2 Recommendations specific for female entrepreneurs

Addressing mindset issues is even more important for women, many of whom have internalised society's negative stereotypes as a consequence of traditionally male dominated social and administrative structures. All entrepreneurs need to rely on internal confidence in order to start a business to begin with, much less persevere during difficult times. Women entrepreneurs need even more support, both to believe in themselves and deal effectively with family, suppliers, and customers. Conventional programs that focus on financial inclusion or enterprise

development do not address these social issues, but even the act of finding successful female entrepreneurs to act as role models can help create the motivation that changes the mindset of a subsistence woman entrepreneur into that of a transformative woman entrepreneur.

Women entrepreneurs who aim to transition from subsistence into successful businesses can benefit from program and policy interventions that:

- Increase women's power and agency to benefit from economic activities, to provide them with the ability to make and act on decisions and control resources and profits
- Include opportunities to progressively modify social norms holistically across legal and policy structures, economic systems, market structures, marriage, inheritance and education systems through community campaigns that present barriers to women's agency (participation in community groups/associations/networks, involvement in community decision-making, promoting leadership roles in the community)³⁴
- Develop and provide training programs that apply lessons from psychology to encourage women to act with an entrepreneurial mindset (personal initiative, socio-emotional skills, self-esteem, entrepreneurship, creativity, risk-propensity, resilience, and with gender-specific content) to foster self-starting, future-oriented and persistent behaviors³⁵
- Use mainstream and digital media platforms to expose women micro-entrepreneurs generally to successful women micro-entrepreneur role models and trend-setters (including through micro-entrepreneurship award programs)
- Monitor existing initiatives and invest in innovative approaches with regard to improving skills and networks
- Support pilot tests in various settings to determine the feasibility and effectiveness of the recommended approach, as an important next step
- Promote financial intermediations that increase and diversify income to support CGAP's new impact narrative

³⁴ *Understanding and Measuring Women's Economic Empowerment*, International Center for Research on Women, 2011.

³⁵ *Profiting from Parity: Unlocking the Potential of Women's Business in Africa*, World Bank Group, March 2019.

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