Social Networks and Women Micro-Enterprise Performance: A Conceptual Framework

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Abstract

This study aims at examining the impact of social networks on women micro-enterprise’s performance in Malaysia. This is to compare the situation in Malaysia with other countries, as to whether scarcity of studies exist in this area, and whether similar results obtained globally could be established in Malaysia, given her multi-racial and ethnic diversity. The result of this study will help women entrepreneurs increase their business performance, enable the government assess the effectiveness of her micro-enterprise assistance programs and develop strategies to enhance the ability of women entrepreneurs to benefit from their social networks in order to improve their business performance; in line with global practice. The study uses a cross-sectional survey design, with stratified random sampling, to collect data from women entrepreneurs in Malaysia Peninsula. The study also uses t-test to determine whether the success or failure of women micro-enterprises was due to availability or lack of social networks. Therefore, it samples two groups made up of well-established women clients and nascent women clients of a microfinance bank. Descriptive statistics and hierarchical regression are data analyses methods. The study concludes that women entrepreneurs do not only need loans and skill acquisition training but also social networks to provide access to information and other resources such as professional advice and avenue for customers. It is recommended that the government should create awareness among the women about the existence and benefits of women associations and groups, especially in local areas since most of such associations are located in urban cities.

Keywords: Social networks, women microenterprise, Malaysia

1. Introduction

It is an established fact that women micro-entreprises contribute positively to economic development of any country, Malaysia inclusive. This is often noticed in job creation, and community development (Kim & Sherraden, 2014). For example, in Louisiana, 51% of privately owned firms were women which generated over $13 billion in sales and employed nearly 102,000 people in 2006 (Mahajar & Yunus, 2012). In Nigeria, women agricultural micro-enterprises employed over 60% of the labor force in the early 1970s (May, 2007). In Malaysia, women entrepreneurs contributed 89.5% to services sector, 7.5% to manufacturing and 3% to agriculture in 2005, with a total of 82,911 business establishments owned by women (SMEs Census: Department of Statistics, 2005). The contributions of micro-entreprises globally, especially women, has given rise to various enterprise development programs, by nations of the world, to provide business training, micro-credit and other supports (e.g. link with business professionals) for business development and performance. Malaysia is not an exception to this global trend.

Women micro-entreprises were chosen because in most developing countries, micro-entreprises are owned and run by women (Sharma et al., 2012) as a means of survival (Selamat et al., 2011), and their contribution to the economic wellbeing of their families, communities and countries is noticeable. It was also reported that about 88% of women-owned businesses in Malaysia are micro-enterprises (SME Annual Report, 2011).

Women clients of a micro-finance institution were chosen because it is difficult to ascertain the population of women entrepreneurs to sample due to lack of data bank, street address and non-registration of some women enterprises in most developing countries (Kuzilwa, 2005; Sriprasert, 2007).
Amanah Ikhtiar Malaysia (AIM) was chosen because it is Malaysia’s largest Micro-finance Institution (MFI) which services about 82% and 222,557 poor household clients with interest-free loans (Omar et al., 2012) and a high loan repayment made possible through group guarantees and compulsory savings (Al-Shami et al., 2014). Micro-credit schemes, such as Amanah Ikhtiar Malaysia (AIM), provide micro-credits to women in Malaysia without demanding for any collateral security, and like other well-established micro-finance models, such as the Grameen Bank of Bangladesh, repayment is made during the weekly meetings.

However, it is discovered that most entrepreneurs in Malaysia, especially the rural women, have poor business performance due to poor networking (Paul et al., 2013), and other obstacles including financial constraint (AbdulJamak et al., 2011; Aziz et al., 2012).

Many scholars have argued that aside lack of loan and training, inability to develop adequate stock of social networks was another bane of women entrepreneurs (Basargekar, 2011; Kelley et al., 2010; Tundui & Tundui, 2013). This was due to much family, work and business responsibilities handled by most women entrepreneurs (Tundui & Tundui, 2013). Sappleton (2009) also contended that the growth of women enterprises is closely related to the stocks of their social networks.

Again, despite various government enterprise development programs aimed at developing micro-enterprises especially women (for example, Amanah Ikhtiar Malaysia (AIM)’s micro-finance assistance program, Economic Fund for Entrepreneurship Groups (TEKUN), Entrepreneurship education and skill acquisition training programs in tertiary institutions of learning), yet women micro-enterprise development in Malaysia is low. For example, despite the fact that micro-enterprises accounted for 79.4% of the total SMEs and almost 78.7% of business establishments, and Micro and SMEs contributed about 64% of total employment and generated RM 159,411 million of value added in 2003 (Nawai & Shariff, 2011), yet out of 2.2 million entrepreneurs in Malaysia in 2008, only 13.1% were women (Nordin et al., 2011). Government provides training and micro-credit, yet enterprise start-ups are low, and the impact of existing ones is minimally felt due to poor performance which invariably and negatively affected the welfare of women entrepreneurs in Malaysia. Some of the existing ones have failed in loan repayment (AbdulJamak, 2011). What could be the reason for this low performance? Could it be lack of social networks? Is there any significant difference in business performance between well-established women entrepreneurs and young ones in terms of social networks? Therefore, this study examines the impact of social networks on women micro-enterprise performance in Malaysia.

Numerous researches have been carried out on the relationship between micro-finance factors and micro-enterprise performance globally in USA, Tanzania, Germany, Australia, Kenya, Philippines, Ghana, Nigeria, Bangladesh, India and Thailand respectively (Kim & Sherraden, 2014; Kuzilwa, 2005; Stohmeyer, 2007; Eversole, 2009; Peter, 2001; Gine & Karlan, 2009; Doocy et al., 2005; Cheston & Kuhn, 2002; Ojo, 2009; Khan et al., 2013; Basargekar, 2011; Purateera et al., 2009). Specifically in Malaysia, studies on micro-finance factors and micro-enterprise performance include Aziz et al. (2012), Mohamed et al. (1997), Al-Mamun (2010), and Paul et al. (2013). On a larger scale, the works of AbdulJamak et al. (2011) and Selamat et al. (2011) focused on SMEs in Perak and Penang of Malaysia respectively.

However, there exist limited studies (Jafri et al., 2014; Mohamed et al., 1997; Paul et al., 2013) that specifically measured social networks and women micro-enterprise performance, especially in Malaysia. Therefore, this justifies the need for this present study to examine the impact of social networks on micro-enterprise performance among women entrepreneurs in Malaysia.

2. Literature Review

2.1 Women Micro-Enterprise Performance

There is high impact of globalization on local industries and enterprises in recent times, and so many developing countries, Malaysia inclusive, are trying to transform micro-enterprises to cope with the global and domestic business changes and challenges; thereby proving that the government of most developing countries have positive attitude towards enterprise development (Purateera et al., 2009). One of such ways is through aids in form of enterprise development programs which could make them efficient (Baron & Shane, 2005). Therefore, high performance of women micro-enterprises could positively improve welfare of the women.

Women micro-enterprise’s performance refers to the business performance of women entrepreneurs, and their performance is best understood based on performance measures such as survival, profitability and growth (Van-Horne, 1980); increase in profit, asset, sales and number of employees (Peter, 2001); net profit, change in output, change in investment, and change in employment (Kuzilwa, 2005). In this study, apart from net profit, the last definition was adopted because it suits micro-enterprises in other developing countries, like Malaysia, who do not keep proper accounting.
records due to low level of education (Kuzilwa, 2005).

2.2 Social networks and Women Micro-Enterprise Performance

Though there exist diverse opinion among authorities concerning the definition of social networks; however, it is seen as the connections among individuals, and the norms and trust that arise from that relationship (Putman, 2000). Westlund and Bolton (2003) contended that social networks is an aggregate of norms, networks and social ties of individuals that make them work together to accomplish a common goal and mutual benefit. Social networks consist of informal networks (family, relatives, friends, acquaintances) and formal business networks such as customers, distributors, suppliers, competitors, government (Gunto & Alias, 2014). Women entrepreneurs with high growth resources tend to use more formal social networks (Kickul et al., 2007) and those with low growth resources tend to use informal social networks (Kim & Sherraden, 2014).

Social Networks Theory (Portes, 1998) states that social networks is the ability of group members to receive economic benefits from social network, and gain access to resources that influence their social interactions, as they relate with other group members. Social networks theory was originally developed by Bourdieu (1985), expatiated by Coleman (1990) and refined by Portes (1998). For Bourdieu (1985), the emphasis was on group member’s ability to access actual or potential resources, such as information, from the social networks. Coleman (1990) emphasized the role of social networks consisting of different entities (e.g. school structure) to create human capital (e.g. education) for better achievement.

It has been argued that social network could serve as a good training model for improving women's business performance, and could help in product marketing as network members could be the first customers and suppliers (Kim & Sherraden, 2014; Kotler, 2010). This is due to the unique characteristics and the resources within the network (Seibert et al., 2001); while Tata and Prasad (2008) found that necessary information and resources provided by social network through collaborative exchange led to women enterprise business performance in USA. As such, social networks could realize much benefit through increased collaboration and better communication (Hassan & Mugambi, 2013).

Various definitive measures have been developed for social networks generally, from the classical to the contemporary authorities. Nahapiet and Ghoshal (1998) measured social networks in three dimensional domains such as structural, cognitive, and relational dimensions. Seibert et al. (2001) looked at social networks in terms of resource approach which showed the nature of resources embedded within a network. Koka and Prescott (2002) defined social networks in terms of information diversity, information value and information richness. However, recent studies (Khan et al., 2013; Kim & Sherraden, 2014; Tata & Prasad, 2008; Wu, 2008) have dwelt more on the structural dimension of social networks on enterprise performance in terms of group characteristics and dynamics such as network diversity, density, composition, size, and relationship strength. Therefore, this study examined social networks on women micro-enterprise performance in line with Tata & Prasad (2008) in terms of network diversity, network size, and relationship strength or bonding because network density, composition and diversity are synonymous.

2.2.1 Network Diversity

This is the number of social groups an individual belongs to. An entrepreneur who belongs to diverse social groups such as the family, work group, community association and religious groups has wide network range. It was discovered that men had wider network diversity but lower network ties than women. Such wider networks helped them to access credit and market information faster than women (Allen, 2000; Tata & Prasad, 2008).

2.2.2 Network Size

This is the number of members in a social group, and the smaller the number, the stronger the network ties (Allen, 2000). Women entrepreneurs normally form single-gender groups due to demographic and cultural constraints such as educational levels and traditions, especially in developing countries, which limit their ability to have equal access to social networks necessary for business (Tata & Prasad, 2008). Strong social ties among women entrepreneurs’ networks was positively related to business start-up but negatively related to business revenue and survival (Kim & Sherraden, 2014).

2.2.3 Network Strength (Bonding)

This refers to the level of closeness or ties existing within a social group among the members; which could be assessed
by the frequency of their meetings or interactions. Women entrepreneurs have closer ties or longer relationship than men due to the equality of relationship among the group members which helps to sustain the group (Gine & Karlan, 2009; Mkpado & Arene, 2007; Mohamed et al., 1997; Olomola, 2002; Tata & Prasad, 2008). For example, Mohamed et al. (1997) measured social networks on women entrepreneurs’ business performance in Malaysia and found no difference between men and women regarding social ties or bonding. Also Chan and Foster (2001) found that reliance on bonding social networks (strong ties from spouses, parents, friends, relatives, and business partners) had significant positive influence on women enterprise owners than men, in Hong Kong. Their study showed positive effect of social networks on women entrepreneurs’ business performance. Again, a significant positive relationship was found between bonding and women micro-enterprise performance in Tanzania, in terms of receiving business support and advice from families and financial institutions, and belonging to informal business associations (Tundui & Tundui, 2013). There was a direct positive effect of the strength and density of social ties on firm’s innovativeness in Malaysia (Jafri et al., 2014).

Though Littunen (2000) and Nordin et al. (2011) found no significant positive effect of social networks on business performance; other studies found that social networks had positive impact on micro-credit group performance in Nigeria (Mkpado & Arene, 2007; Olomola, 2002) and group performance in Philippines (Gine & Karlan, 2009). Social networks also had positive impact on credit access in Indonesia and Nigeria respectively (Brata, 2004; Lawal et al., 2009). There was positive impact of social networks on women enterprise performance in Malaysia, USA and Canada respectively (Mohamed et al., 1997; Tata & Prasad, 2008; Kim & Sherraden, 2014). This study therefore hypothesized that:

**H1:** Social network is positively related to women micro-enterprise performance.

### 3. Methodology

#### 3.1 Survey Procedures

The study employs a cross-sectional survey design with stratified random sampling to collect a complete data from women entrepreneurs in Malaysia. The unit of analysis (respondents) is women clients of Amanah Ikhtiar Malaysia, whose activities and features are homogenous throughout the country. As such, the result is appropriate for generalization. Cross-sectional survey is preferred to longitudinal survey because the survival rate of many nascent micro-enterprises in most developing countries is low (Ekpe et al., 2010), and their rate of failure is higher in developing countries than developed ones (UNCTAD, 2006), some of which die within the first two years of their establishment (Kamunge et al., 2014). Therefore, to avoid this obstacle and to properly examine the influence of social networks on micro-enterprise performance, the sampling method for the study is designed to compare two clients’ groups made up of well-established women entrepreneurs (above 4 years) and nascent or young women entrepreneurs (below 2 years). The old ones are used to indicate availability of well-established social networks while the young ones are used to indicate lack of it. This method is preferred to external controlled group due to the difficulty of identifying failed women micro-enterprises for the purpose of survey. The years of business experience is chosen because most literature evidence supports the fact that a minimum of three (3) years business experience is sufficient to assess an entrepreneur (Allen et al., 2008; Antonicic, 2006; Carter & Shaw, 2006; Harrison & Mason, 2007; Kuzilwa, 2005; Salman, 2009). That means those below two years are in the early-stage enterprise, and so lack social networks; while those above four years are old entrepreneurs who have well established social and business networks. The study covers 2014-2015.

The sample size for this study will be determined through Yamane’s (1967) formula for finite population, cited in Israel (1992); the number of which will be divided into two groups: 70% for experimental group and 30% for controlled group. The questionnaires will be self-administered to the respondents in a training workshop organized for micro-credit clients of AIM throughout Malaysia, at Kuala Lumpur. Data will be analyzed using descriptive statistics and hierarchical regression.

#### 3.2 Measures

Khan et al. (2013), Kim and Sherraden (2014), Tata and Prasad (2008), and Wu (2008) measure social networks in terms of network diversity, network size and relationship strength or bonding; while Allen (2000) and Olomola (2002) measure social networks as group membership or networking and relationship strength or bonding. This study measures social networks in line with Khan et al. (2013), Allen (2000) and Olomola (2002) as group membership, group size and bonding. Women enterprise performance is measured in terms of net profit, change in output, change in sales, change in investment and change in number of employees (Kuzilwa, 2005; Peter, 2001). All the measures were tapped on a 5-point scale.
4. Conclusion

Considering the importance of micro-enterprises in terms of job creation to a large population and source of economic growth in most developing countries, policy makers and other relevant agencies may consider the results of this research to inspire a steady growth of micro-enterprises among women in Malaysia. The study concludes that women entrepreneurs do not only need loans and skill acquisition training but also social networks to provide access to information and other resources such as professional advice and avenue for customers. It is recommended that the government should create awareness among the women about the existence and benefits of women associations, especially in local areas since most of such associations are located in urban cities. Also, women entrepreneurs in Malaysia should join social groups in their communities, (e.g religious and tribal associations), and business or professional associations (e.g Women Entrepreneurs Association) in order to access business information and other resources necessary for business performance.

References


