ASSESSMENT OF WOMEN-OWNED SMEs FORMALIZATION AND PROFITABILITY: A CASE OF KINONDONI MUNICIPALITY

By

Nyangwakwa Sylvester Ndili

A Dissertation Submitted in Partial Fulfilment of the Requirements for the Award of Degree of Master in Business Administration-Corporate Management of the Mzumbe University

2020
CERTIFICATION

We, the undersigned certify that we have read and hereby recommend for acceptance by the Mzumbe University, a research report entitled “Assessment of Women-Owned SMEs Formalization and Profitability: A case of Kinondoni Municipality” in partial fulfilment of the requirements for the award of Master Degree of Business Administration in Corporate Management.

____________________
Major Supervisor

____________________
Internal Examiner

____________________
External Examiner

Accepted for the Board of Mzumbe University Dar es Salaam Campus College

___________________________________________________
PRINCIPAL/BOARD CHAIRPERSON
DECLARATION AND COPYRIGHT

I, Nyangwakwa S. Ndili declare that this dissertation is my own original work and that it has not been presented and will not be presented to any other University for a similar or any other degree award.

@ Copyright 2020

“This dissertation is copyright material protected under the Berne Convention, the Copyright Act of 1999 and other international and national enactments, in that behalf, on intellectual property. It may not be reproduced by any means, in full or in part, except for short extracts in fair dealing; for research or private study, critical scholarly review or discourse with an acknowledgement, without the written permission of the Directorate of Postgraduate Studies, on behalf of both the author and the Mzumbe University”
ACKNOWLEDGEMENT

Firstly, I would like to express my sincere gratitude to the Almighty God for granting me good health and seeing me through this research.
Secondly, my special appreciation goes to my supervisor, Dr. Tukae Mbegalo for his tireless support and guidance throughout this study.
Finally, I would like to express my special gratitude to the surveyed Small Medium Enterprises (SMEs) for their cooperation in providing relevant information pertinent to this study.
DEDICATION

This work is dedicated to my beloved wife Mrs. Magdalena Ndili and my children Allen, Anita, Eric and William for their support during the course of study. To all, I am grateful.
ABBREVIATIONS AND ACRONYMS

AsgiSA  Accelerated and Shared Growth Initiative for South Africa
BRELA  Business Registration and Licensing Agency
GDP    Gross Domestic Product
HBBs  Home Based Businesses
ILO    International Labour Organization
MSEA  Micro and Small Enterprises Agency
MSMEs  Micro, Small and Medium Scale Enterprises
NBC    National Bureau of Statistics
SPSS   Statistical Package for Social Science
URT    United Republic of Tanzania
WOEs  Women Owned Enterprises
ABSTRACT

The main purpose of this study was to assess the impact of formalizing Women Small Medium Enterprises (SMEs) on profitability. For scoping purpose, this study laid out three objectives, to identify the causes of informality among Women-Owned SMEs in Kinondoni municipality, to explore the effect of formalization of Women-Owned SMEs on profitability in Kinondoni municipality and to propose strategies for promoting the formalization of Women-Owned SMEs in Kinondoni Municipality.

The study employed case study method with target population comprising of women entrepreneurs owning SMEs. The sample size included 100 respondents selected using simple random and purposive sampling techniques. Data collection techniques employed in this study were questionnaires; interview and documentary review, which were then, qualitatively and quantitatively analysed using content analysis and Statistical Package of Social Science (SPSS) respectively.

Findings from the study revealed that formalization of Women-Owned SMEs had a significant effect on profitability with 46 per cent respondents denoting that formalization of SMEs increased their access to financial services including bank loans and contributed to customer retention. Time consumption due to prolonged business registration processes and complicated procedures were the most highlighted hindrances for formalization of the women-led SMEs with 40 per cent and 32 per cent responses respectively. The study further revealed that creation of favourable regulatory environment and reduction of business registration complexity were the most proposed strategies for promoting formalization with 42 per cent response whereas extended government social security fund to informal sector was the least approach with 8 per cent response.

The study recommends the government to reduce barriers and bureaucracy involved in business formalization thereby proposing quickening business registration processes through automation. The study also recommends that SMEs formalization to be leveraged through awareness creation and community sensitization on the benefits associated with business formalization.
# TABLE OF CONTENTS

CERTIFICATION ........................................................................................................... II

ACKNOWLEDGEMENT .............................................................................................. IV

DEDICATION ............................................................................................................... V

ABBREVIATIONS AND ACRONYMS ........................................................................ VI

ABSTRACT .................................................................................................................. VII

LIST OF FIGURES ...................................................................................................... X

LIST OF TABLES .......................................................................................................... XI

CHAPTER ONE ........................................................................................................... 1

INTRODUCTION ......................................................................................................... 1

1.1 Introduction ......................................................................................................... 1

1.2 Background to the Study ................................................................................... 1

1.4 Research Objectives ............................................................................................ 5

1.4.1 General Objective ......................................................................................... 5

1.4.2 Specific Objectives ....................................................................................... 5

1.5 Research Questions/Hypothesis ........................................................................... 5

1.6 Significance of the study .................................................................................... 6

1.7 Scope of the study ............................................................................................... 6

1.8 Limitations and delimitation of the Study .......................................................... 6

1.9 Organization of the Study ................................................................................... 6

CHAPTER TWO ........................................................................................................... 8

LITERATURE REVIEW ............................................................................................... 8

2.1 Introduction ......................................................................................................... 8

2.2 Definition of Key Terms .................................................................................... 8

2.4 Determinants for the participation of women in formal business ....................... 11

2.4.1 Social Cultural factors ............................................................................... 11

2.4.2 Legal environment ..................................................................................... 14

2.4.3 Women access to finance .......................................................................... 15

2.5 Challenges faced by Women-Owned SMEs in their transition process ............ 18

2.6 Theoretical framework ....................................................................................... 25

2.7 Empirical Review ............................................................................................. 29

2.7.1 The main causes of informality of SME owners .......................................... 29

2.7.2 The effect of formalization of Women-Owned SMEs on profitability .......... 35

2.7.3 The strategies for promoting the formalization of Women-Owned SMEs .......... 38

2.8 Conceptual Framework ....................................................................................... 42

CHAPTER THREE ...................................................................................................... 44
RESEARCH METHODOLOGY ................................................................. 44
  3.1 Introduction .............................................................................. 44
  3.2 Area of Study ......................................................................... 44
  3.3 Research Design ...................................................................... 44
  3.4 Study Population ...................................................................... 44
  3.5 Units of analysis ...................................................................... 45
  3.6 Sample Size and Sampling Techniques ....................................... 45
    3.6.2 Sampling Techniques ........................................................... 46
  3.7 Data collection methods ............................................................ 46
  3.8 Data Analysis .......................................................................... 46
  3.9 Data Validity ........................................................................... 46

CHAPTER FOUR ........................................................................... 47
PRESENTATION OF FINDINGS .......................................................... 47
  4.0 Introduction ............................................................................ 47
  4.1 Demographic information analysis ............................................ 47
    4.2 Causes of informality among Women-Owned SMEs .............. 50
    4.3 The effect of formalization of Women-Owned SMEs on profitability .... 51
    4.4 Strategies for promoting the formalization of Women-Owned SMEs .... 53

CHAPTER FIVE ........................................................................... 56
DISCUSSIONS OF THE FINDINGS ..................................................... 56
  5.1 Introduction ............................................................................ 56
  5.2 The Causes Of Women-Owned Smes Informality .................. 56
  5.3 The Effect Of Formalization Of Women-Owned Smes On Profitability .... 56
  5.4 Strategies For Promoting The Formalization Of Women-Owned SMEs ...... 57

CHAPTER SIX ........................................................................... 58
SUMMARY, CONCLUSION AND RECOMMENDATIONS .................... 58
  6.1 Introduction ............................................................................ 58
  6.2 Summary ............................................................................... 58
  6.3 Conclusion ............................................................................ 59
  6.4 Recommendation ................................................................... 60
  6.5 Areas of further research ........................................................ 60

REFERENCES .............................................................................. 61
APPENDIX I .................................................................................. 69
LIST OF FIGURES

Figure 2.1: Conceptual Framework--------------------------------------------43
LIST OF TABLES

Table 2.1: Types of SME’s in Tanzania------------------------------------------09
Table 4.1: Demographic information analysis----------------------------------47
Table 4.2: Causes of informality among Women-Owned SMEs---------------------51
Table 4.3: the effect of formalization of Women-Owned SMEs on profitability----53
Table 4.4: Strategies for promoting the formalization of Women-Owned SMEs----55
CHAPTER ONE
INTRODUCTION

1.1 Introduction
This chapter presents the background of the study, statement of the problem, objectives of the study as central focus of the study and research questions relevance to the study, the significance of the study, and limitations of the study and organization of the study.

1.2 Background to the Study
The position of women small scale and medium enterprises (SMEs) in creating, running, and developing businesses is identified as fundamental for economic growth and poverty reduction in developing countries (Ogunmola, 2012). According to the World Bank Group's Enterprise Surveys (2007-2012), Women own greater than 34 per cent of registered SMEs in developing countries. This adds up to a good-sized contribution of women enterprises to job creation, earnings, technology and financial growth.

Women constitute a major segment of the SMEs in Tanzania concurring to the World Bank study survey. The extent of women possessed ventures expanded from 35 per cent in early 1990s (NISS, 1991) to 54.3 per cent in 2012 (MIT, 2012) in Tanzania. This attribute to 1.716 million ventures with over 99 per cent being microenterprises with less than five workers running the businesses. Studies reveal that most women-led SMEs have potential to growth and perceived to be economic catalysts in job creation and reduction of poverty thereby contributing to Sustainable Development Goal (SDG) number 1 “end poverty in all its forms everywhere”.

However, studies show that most Women-Owned SMEs are not formalized. According to ILFS (2006), the informal sector was the second main sector of employment after agriculture.
Informal SMEs in African countries play an essential position in employment generation, stimulating monetary growth and poverty alleviation (Abor and Quartey, 2010). The predominant casual region surveys carried out in 1990 in Tanzania (URT, 1991, 1995) described casual groups as those using not more than five people. In the survey by URT (2012), casual Women-Owned SMEs have been described as those not registered by the Business Registration and Licensing Agency (BRELA). Mennens et al. (2018) argue that most casual SMEs in Africa are engaged in retail businesses, which involves buying, selling, and manufacturing. These SMEs practise retail buying and selling in city regions while manufacturing activities are carried out in either rural or urban areas (Chen, 2012; Njaya, 2015).

The casual financial system is very large in creating international linkages because formal economies are much less nicely developed and are unable to take in their available working population. For instance, in India the casual financial system debts are 99 per cent of employment, in Mexico about sixty-two per cent and in South Africa about 34 per cent (Chen, 2005).

The importance of the casual division of economy workout routines within the GDP economy has been recognized by analysts, the open division and the private division. The casual division gives ten occupations for each one work given by means of formal division work; in any case casual zone economy ‘employment’ is not least expensive or has long period of time (Adeyinka, 2006). The informal segment financial system is estimated to account for about 75 per cent of the entire work in sub Saharan Africa.

Retail businesses are the most engaged SMEs ventures according to Adeyinka (2006) who further denotes that these businesses are mostly run by youths. The financial record keeping in these informal SMEs are poorly managed and at most do not comply with statutory requirements. Therefore, most of these SMEs are for survival purpose. Surviving SMEs are widespread across the world with majority in African urban cities.
Tanzania SMEs play a noteworthy role in developing the country through income generation, creating employment and poverty reduction in individual levels and households. In Tanzania, SMEs contribute 27 per cent of the Gross Domestic Product (GDP) and 23.4 per cent of the total labour force (URT, 2012). The engagement of women in entrepreneurship is leveraging (Minniti, 2010).

Although women entrepreneurs play a vital role in the economic stimulation in most developing countries, formalization of female SMEs remains untapped (International Labour Organization [ILO], 2014). Most SMEs operate informally thereby limiting them in accessing finance and scaling up their businesses to enjoy economies of scale. Nevertheless, informalization inhibits Women-Owned SMEs from participating in activities with higher productiveness and profitability (ILO, 2015; 2014c; Valenzuela et al., 2006).

Women SME informality is a prevailing case that needs collective attention. IFC (2013) denote that women entrepreneurs are not mandated to go formal therefore this mind-set affects Women-Owned SMEs which tends to continue to be casual because of not seeing direct impacts of formalization.

The Tanzanian government is taking measures to encourage formalizing businesses. Such measures include establishing SME Development Policy, undertaking the Property and Business Formalization Program (PBFP) commonly known as “MKURABITA” program and through creation of synergies with Tanzania Private Sector Foundation (TPSF) and development partners to sensitize the entrepreneurs.

Conclusively, the women SME potential in Tanzania remains untapped. Therefore, this study attempts to assess the extent to which the formalization of Women-Owned SMEs influences their profitability. Findings from this study will help in the rethinking and approaches of Women-Owned SMEs formalization in Tanzania.

1.3 Statement of the Problem

Women entrepreneurs in Tanzania are considered as an integral part of economic growth since their businesses contribute to jobs, productive and disruptive activities
required for wealth creation at both household and national level (Rahma, 2002). Women-led SMEs make substantial contributions to the economy of Tanzania through provision of employment, poverty alleviation, and income generation and as a source of government revenue through taxation and business license fees (Niethammer, 2013).

Even though SME sector is very important in economic development, yet it is difficult to get recent and reliable data regarding the present status of SME sector in Tanzania. It has been learned that SME sector is dominated by micro and small enterprises despite that the available data to support this observation are rather vague and unreliable (UKEssays, 2017). However, it is estimated that Tanzania’s SME sector contains of more than 3 million enterprises, which contribute to 27% of overall GDP. Most of these SMEs are in the agricultural sector, and women own more than half (Sitorus, 2017).

Farrell (2004) argued that most businesses opt to operate informally due to unfair business competitions and complex compliance procedures. The researcher further revealed that out of 3 million MSMEs, over 85 per cent operate informally. Additionally, SMEs informalization is attributed by constraints such as; high registration cost, long distance to access the services, long time taken to formalize businesses and complex procedures in business registration. On the other hand, Ogbadu (2009) and Stierwald (2010) denote benefits attributed to SMEs formalization, which includes; leveraging access to financial services, customer retention and increased profitability.

Holmquist and Sundin (2020) explained that research on entrepreneurship has moved toward quantitative studies leading to fragmented research. Research on gender express another trend, where empirical are now less central – “women” as individuals are largely not discoursed. The authors conclude that the field of gender and entrepreneurship, therefore, is a productive arena to perform research in as long as the physical women are not ignored.
This research is a build-up of previous studies. However still, this study unveils findings of the impact of formalization of Women-Owned SMEs specifically in Kinondoni Municipality since the study in such an area remains untapped. Specifically, this study aims to assess the effect of formalization of Women-Owned SMEs on profitability. Therefore, the researcher has established causes of SMEs informalities, effect of formalization and establishes strategies to promote Women-Owned SMEs formalization.

1.4 Research Objectives

1.4.1 General Objective
The general objective of this study was to assess the impact of formalizing Women-Owned SMEs on profitability.

1.4.2 Specific Objectives
a) To identify the causes of informality among Women-Owned SMEs in Kinondoni municipality.
b) To explore the effect of formalizing Women-Owned SMEs on profitability in Kinondoni municipality.
c) To propose strategies for promoting formalization of Women-Owned SMEs in Kinondoni municipality.

1.5 Research Questions/Hypothesis
This study was guided by the following research questions:

a) What are the main causes of informality among Women-Owned SMEs in Kinondoni municipality?
b) To what extent does the formalization of Women-Owned SMEs have an effect on profitability?
c) What are the effective strategies for promoting the formalization of Women-Owned SMEs in Kinondoni municipality?
1.6 Significance of the study

This study will contribute the understanding of the importance of formalization of SMEs with regard to profitability. In addition, to other sectors of the economy, a better understanding of formalizing SMEs provides a chance for stakeholders and other sectors to utilize resources more rationally through linking the sectors of the economy efficiently.

1.7 Scope of the study

The study was conducted in Dar es Salaam particularly at Kinondoni municipality and focused on women entrepreneurs involved in micro, small and medium enterprises. The study covered on identification of the causes of informality among Women-Owned SMEs, determination of the effect of formalizing Women-Owned SMEs on profitability and proposing the effective strategies for promoting the formalization of Women-Owned SMEs in Kinondoni municipality.

1.8 Limitations and delimitation of the Study

The study was limited by financial constraints. Many expenses were incurred in budgetary items like stationary, internet, transport, data collection, typing and printing cost. However, to overcome this limitation the researcher privately outsourced his research funds and used the manageable sample size to eliminate possible errors that arose in judgment. Unwillingness of respondents to be interviewed another constraint to the researcher; this problem was solved by showing respondents a permission letter allowing the researcher to conduct a research and explained the purpose of the research and it will help them in finding solutions to their problems.

1.9 Organization of the Study

This dissertation is organized into five chapters. The first chapter is Introduction, which provides essential introductory information on the study. It contains background of the study, statement of the problem, objectives of the study, research questions, scope of the study, significance of the study, and organization of the study.
The second chapter is literature review, which provides theoretical and empirical information from different sources on the study problem. It comprises of definition of important terms, theoretical literature review, empirical literature review, research gap and conceptual framework. Chapter 3 is methodology, which consists of the methodology that was employed in this study. The chapter consists of research design, study area, study population, sample and sampling techniques, data collection methods, and data analysis methods. Chapter 4 is data presentation, which presents findings, analysis and the discussion of the findings. The fifth chapter describes the summary of the study and the conclusion, areas for further studies and recommendations and policy implication of the study.
CHAPTER TWO
LITERATURE REVIEW

2.1. Introduction

This chapter presents the review of existing literature and extraction of important information and concepts that facilitated understanding and conduction of the study in a meaningful manner. The chapter consists of the following parts, definition of key terms, theoretical framework, empirical review and conceptual framework of the study.

2.2 Definition of Key Terms

2.2.1 Formalization

Enterprise formalization refers to a system that firms go through when formalizing their business. It has a variety of dimensions including; Registration and licensing with the national, provincial and municipal authorities; Compliance with the felony framework, such as tax, social protection and labour legal guidelines (ILO, 2014).

Formalization means direct transformation or advancing from non-formal to formal sectors. Arguably, formal areas denote those institutions recognized by relevant authority especially Business Registration and Licensing Authority (BRELA) as commercial entity (Nelson, 2003).

The process of validation small, micro as well as medium corporations goes hand in hand with a favourable commercial enterprise environment, economic growth and higher working conditions. It additionally increases tax revenues, which in turn are needed to supply public goods and services. Formal companies benefit from organization formalization in the sense that it reduces unfair competition by way of casual firms. Formalizing companies acquire access to finance, commercial enterprise improvement offerings and applied sciences and this reduces their publicity to government fines (ILO, 2014).
Formalization measures factor to decrease part boundaries through streamlined commerce enlistment, authorizing and compliance. Also, incentivize formalization through advertise get to, extended social safety scope and decreased charges or other cash associated commitments. Moreover, improves alternate affectivity through commerce overhauling, specialized competencies and exchange improvement administrations; motivate discourse by helping employers’ agencies to create important administrations and by assisting the association of informal commerce affiliations and agent our bodies through promotion; give a boost to authorization and compliance through preventive and remedial measures.

2.2.2 Small scale and Medium Enterprise

According to the service of industry and exchange in Tanzania, little businesses are collectively characterized beneath the classification of SMEs. SMEs terminology is utilized to cruel little and medium undertakings. It is in some cases alluded to as Small scale and Medium Enterprise (MSMEs). In the Tanzanian setting, small-scale ventures are those locks in up to four individuals in most cases family individuals or with a speculation not surpassing TZS 5.0million, the lion's share of which drop beneath the casual segment. Small scale and Medium Enterprise are for the most part formalized endeavours, which lock in 5 to 49 representatives or with capital venture of TZS 5million to TZS 200million. Medium endeavours have approximately 50 to 99 representatives and utilize capital speculation from around TZS 200 to 800 million. According to Tanzania SME policy (2002), Tanzania SMEs are usually outlined within the taking after table below:

<table>
<thead>
<tr>
<th>Category</th>
<th>Employees</th>
<th>Capital investment (in Million TShs.)</th>
<th>Gender</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro</td>
<td>1-4</td>
<td>Up to 5</td>
<td></td>
</tr>
<tr>
<td>Small enterprise</td>
<td>5-49</td>
<td>Above 5 – 200</td>
<td></td>
</tr>
<tr>
<td>Medium enterprise</td>
<td>50–99</td>
<td>Above 200 to 800</td>
<td></td>
</tr>
<tr>
<td>Large enterprise</td>
<td>100+</td>
<td>Above 800</td>
<td></td>
</tr>
</tbody>
</table>

2.2.3 Profitability

Profitability refers to money that a company can produce with the resources it has. The goal of most companies is earnings maximization (Niresh and Velnampy, 2014). Profitability includes the ability to make benefits from all the business operations of an organization, company or agency (Muya and Gathogo, 2016).

Profit generally acts as the entrepreneur's reward for his/her investment. In fact, income is the essential motivator of an entrepreneur for doing business. Profit is additionally used as an index for performance measuring of a business (Ogbadu, 2009). Profit is the difference between revenue obtained from sales and whole prices, which include material costs, labour and so on (Stierwald, 2010). Profitability is generally measured by the use of accounting ratios with the often-used profitability ratio being ROA. ROA determines the amount of the earnings earned per shilling of assets.

2.3 Business formalization framework in Tanzania

In Tanzania, the lowest stage of enterprise formalization is getting buying and selling license from the local government (proceeded by way of tax registration). Another (higher) level of formalization is registration of an enterprise name (which does no longer accord legal status) with the Business Registration and Licensing Agency (BRELA).

The National Bureau of Statistics (NBS), among others, defines a formal business as one which has a separate criminal fame (e.g. an included company, or a cooperative), with a 0.33 (higher) level. Registration of commercial enterprise name or business enterprise incorporation does not substitute the business license. One has to have both to undertake business.

The business licensing in Tanzania entails a series of steps. The applicant must first obtain an introduction letter from the local government office, which is presented to the tax authority for tax clearance and issuing a tax identification number (TIN). Issuance of the tax clearance certificate is preceded by a process of income tax
assessment. The TIN along with a completed license application form are submitted to the city/municipal or district trade officer. The trade officer issues the license after ensuring that the applicant has fixed and proper business premises, a title to the land or land license or lease agreement for the intended business. The annual business license fee starts from Tshs. 50,000/-. 

Registration of a business by relevant authority especially BRELA, begins with the aid of filling an application form, business identify search and reservation, fee of registration rate and issuance of the registration certificate. BRELA has workplaces solely in Dar es Salaam. Business name registration has lately been streamlined, and it is supposed to be attainable online, or through the Tanzania Chamber of Commerce and Industries Association (TCCIA) offices at each regional headquarters. Registration rate is TShs. 15,000, and annual upkeep rate is TShs. 5,000/-. 

Company incorporation is an even higher degree of formalization. In Tanzania, incorporation has been simplified by having shorter types available online. The prices for enterprise title reservation are TShs 50,000/- in which registration expenses range from TShs 50,000/- to TShs 350,000/- depending on licensed share capital. Annual filing charges are TShs 50,000/-. 

2.4 Determinants for the participation of women in formal business

2.4.1 Social Cultural factors
Components such as way of life and differential preparation stages may also be imperative or at slightest influencing the potential for all bunches to take an interest in a similar way in enterprise (Pearl, 2011). In expansion to these problems confronted with the aid of small-scale business visionaries, it is typically attested that, female often confront sex inclination within the socio-economic environment in which they work (Amanda, et al., 2007). They confront extra or at slightest extraordinary social instructive and mechanical challenges than males when it comes
to putting up and growing their claim endeavours, and getting to monetary belongings (Mayoux, 2001).

Seshie-Nasser and Oduro (2018) in their study on ‘Women-owned businesses and household welfare’ observed that potentials occur for poverty reduction and economic increase if policy invests in the size of women businesses. In addition, while unpaid work restrictions entrepreneurial activity for women, older children help to reduce the time limitation.

A study conducted by Anderson (2012) on the differences between female and male-owned SMEs according to the business characteristics, application of marketing strategies and associated marketing challenges revealed that the key strategy employed by female-owned businesses was Networking, while their male counterparts focused more on the strategy of Quality and Price differentiation. The related costs and ease to use were the most important influences on the choice of strategy, regardless of gender.

Moreover, it is for the most section recognized that, girls in most social orders lift the covered burden of household and residential obligations, and this encompasses an inconvenient or limiting have an effect on upon their potential to create wage exterior their domestic. The nature, form and scale of assignment enhancement of any economy is impacted and formed through extended customarily implanted social and devout components. These special highlights of subculture may be watched in go economies, that is, economies transferring from non-ownership of change in communist length to magnanimous full-ownership of alternate in capitalist duration (Yalchin and Kapu, 2008).

UN (2009) distinguishes the pass issues as reasonable deal with of learning the regulations of conducting commerce, out of line competition from outside companies and colossal issues with starting and strolling commerce in an environment with powerless nation and organization bolster. The adjustments within the nature of communities influence the society’s show off places and economies have an impact
on women’s ventures. The social hones of a community support the enhancement of women to participate in exchange proprietorship for the purpose of improving their living conditions and advancing their economic status (Goheer, 2003).

Many studies conclude that intercourse separation is one of the key imperatives to woman’s enterprise. More help and endeavours have been established and coordinated on advancing sex balance, as this can be generally diagnosed as an integral issue of a compelling monetary and human development methodology (Chen, 2004). It is true that, there may be improved marketing campaign for the expulsion of sexual orientation boundaries and barriers, which tend to restrain getting into and formalization of woman’s SMEs in a few divisions and components of the nation. Nonetheless, this has been tested to be troublesome and it should be treated on the account that they are settled in social and traditional hones amongst others (IFC/World Bank 2006, Kibas 2006).

The patriarchy, conventions and societies that make women subordinate on men for association of nourishment, shield, protection and other political and social phase play, combined with the impact of incredible disparity in wage dissemination and profound destitution among women, is nonetheless hampering the boost of women’s cooperation and formal execution in commerce. This circumstance of placing women’s parts and execution relies upon on the traditional sexual orientation parts. It also tends to structure men the most suppliers for their families, certainly, in case their spouses work (Calhoun, Light, Keller, 2000).

A report by OECD (2004) suggests start of workout routines that permit lady to enter formal segment, such as toddler care middle, that suit women needs, of combing family work with formal engagement. Nevertheless, there is mounting affirmation of the reality that women are not always the washouts (IDS Bulletin, 2000). Values and convictions form conduct. And in like manner, may be commonplace in addition to have an impact on the choice to ending up to self-employed (Mueller & Thomas, 2000). More profoundly mounted social values can in addition be connected to
business. Hofstede (2001) recognizes between a few social markers, counting manage remove, independence, manliness, vulnerability shirking and long-term versus temporary introduction. Of these measurements, in specific manipulate separate, independence and vulnerability shirking have been viewed in relationship to enterprise agency (Wennekers et al., 2002).

2.4.2 Legal environment

To boom women criminal, getting proper entry to property is significantly stated to improve get proper of entry to collateral and manipulate over belongings strengthening their tasks and capability to increase a business company (IFC, 2011). The indispensable element that finds out about to be addressed to relaxed women’s formal property rights have to be stepped forward (Fiszbein, 2009).

To recognize the effects of diverse FWB merchandising strategies, criminal funding environment must be strengthened to ensure women have greater autonomy to personal and manipulate their groups (Carter, Sara and Shaw, 2006).

According to the OECD (2012) survey, the wide variety of women agencies in USA increased extra markedly than the range of men’s businesses amongst 2002 and 2007. This is attributed to the authorities’ efforts to launch regulations to guide girl’s marketers. The European Union (EU 2002) and OECD countries launched their fantastic practices that promoted girl entrepreneurship. According to them, exclusive countries, superior terrific strategies which are achievable with their female marketers, due to the fact that plenty extra in encouraging all female entrepreneurs to create extremely desirable ideas for company spanning new patterns of commercial employer that they are capable to create concept and construct them into installed logo names.

OECD (2004) also acknowledges that there exist gaps on political and legal frameworks and agency operations rigidities facing women entrepreneurs, especially in the African context. research completed in African international areas exhibit that
The overall average performance of women in formal businesses is struggling from susceptible crime funding climate, a reality that nevertheless limits get admission to finance for SME wherein the established public of woman SMEs fall (ILO, 2004, 2010; OECD, 2011; IFC, 2011). The crook investment local weather constraints strongly hit smaller SMEs, and women marketers are affected when you consider that they are likely to run smaller corporations (International Bank, 2010).

The African nations’ prison buildings have been positioned out to receive exceptions in key areas of women financial rights. Some international locations prison suggestions gave husbands the jail authority to disclaim their better halves from working out of doors the residence or setting up a financial organization account (international bank, 2010).

2.4.3 Women access to finance

Ahmad and Muhammad (2015) who highlighted on the key trends, challenges, and opportunities for advancing women's entrepreneurship and increasing their access to finance concluded that addressing the exact needs of women entrepreneurs (WE) in accessing finance must be part of the development agenda. According IFC (2011) the traits of female and the corporations they run also posed troubles to them from getting a business organization contract or tenders from the authorities as their enterprise has no get entry to finance, but most women’ SMEs lie in the casual region. Hundley (2001) sees eye to eye with the appreciation that women entrepreneurs face difficulties in getting entry to finance mostly due to the fact of their propensity to perform smaller and casual corporations. Formal companies, which can be commonly large, have the capacity to get right of entry to formal finance and apprehend their whole ability. However, fewer women in this team of entrepreneurs perform past this structural impediment (Sabarwal and Terrel, 2008).

Increasing women’ get admission to finance would possibly require addressing the formal gaps in belonging rights that encompass crook viable to follow for loans in personal identify and personal rights. Micro-finance institutions have contributed to women’s low get admission to formal finance, for the motive that loans they provide
are not regularly graduated to massive commercial corporation loans past microfinance programmes (IFC, 2011). A few worldwide financial organizations have determined out that the per cent age of girls from microfinance is also declining as microfinance corporations are transforming into industrial banks thus worsening the scenario of women’s access to finance.

GEM (2011), found out that, companies that have trouble in acquiring finance in developing worldwide areas show off a higher risk of going out from business. This project of obtaining finance as proven by way of numerous researchers is annoyed by potential of different factors, which would possibly be additionally viewed to affect accessibility to capital. On the opposite element, banks, suppliers, customers as properly as circle of relative’s issues, pose more issues that erode self-belief in woman agency owners’ abilities to get right of entry to formal credit score.

Formal finance is based very definitely on reimbursement data and the achievable for enterprise to generate sufficient money flows, legitimate and criminal documents that women entrepreneurs strolling in casual zone not often hold accurately. Most of the women begin an assignment to acquire the cash from personal economic savings, family loans or friends, whereas men typically have a tendency to reap capital from backyard assets. This tendency of women fearing dangers not to incur huge money owed, mixed with their consciousness in much less capital full-size carrier inhibit their boom, increase and formal evaluation of universal performance for cause of deposit score appraisal and awards. Formalization of corporations is thought on getting proper entry to finance (McKenzie and Salkho, 2007).

Many research show that it is difficult for female entrepreneurs to get admission to finance to develop their corporations, as they may also be greater likely to stand greater pastime quotes, be required to collateralize a better proportion of the mortgage, and characteristic shorter-term loans (Bardasi, et al., 2007). Monetary availability and accessibility is referred to in many studies as being one of the imperative boundaries and constraints to boom of SMEs initiated by women.
Macharia and Wanjiru (1998) noted that the factors that inhibit deposit rating availability to women consist of lack of start-up capital, lack of information of the lifestyles of credit score schemes, excessive interest charges, period and rigorous processes for loan software and absence of collateral protection for finance.

However, many young women have tended to continue being in casual Women-Owned SMEs citing some of constraints such as higher costs of registration. Some of lookup (ILO, 2003; IFC, 2011) show that economies with higher get right of entry to expenditures in formal industrial company are associated with a higher informal region and a smaller range of legally registered companies. Many economies have undertaken enterprise registration reforms in levels-and regularly as of a larger regulatory reform programme. Among the advantages, have been larger association satisfactions and savings, extra registered commercial enterprise, monetary sources and job possibilities. However, maximum women’s micro-commercial company operates informally.

Consistent with McKenzie and Salkho (2007) formalities that require humans to reap Women-Owned SMEs license to reveal has become aware of land and enterprise ownership and vicinity as properly as the linkage with the taxation gadget, is seen as a disincentive to registration fee of journey to metropolis centres. The place the offices are located is another disincentive for formalization, and is maybe greater a hassle for female who lack time, are less uncovered to officialdom, forms, and commercial corporation topics, and have lots much less information on business corporation strategies than their male contrary numbers (Hedditch and Manuel, 2010). Despite the fact that women entrepreneurs make big contributions to their economies, it is predicted that they are in SMEs with full or partial woman possession representing, 31 to 38 share (8 to 10 million) of formal SMEs in emerging markets (IFC and McKinsey, 2011). The expansion of potential young women entrepreneurs to pursue monetary possibilities, invest extra capital, hire more employees, and strengthen their corporations is limited throughout areas (IFC and McKinsey, 2011).
The formal network technique permits individuals mobilize and make investments sources in an extra definite way and defines fame attainment. Through networks, a commercial enterprise is capable of set up a sustainable aggressive advantage and means of sourcing the scarce capital resources and human capital competencies.

Women have limited get right of section to professional and specialized instruction in South Asia. In truth, young women in common have much less get right of section to instruction than men, and specialized and professional competencies can handiest be advanced on a strong premise of essential number one and auxiliary preparing. South Asia is characterized by moo enrolment among women in instruction, over the top dropout costs and loathsome awesome of preparing. As a ways as conjugal status is concerned, women business visionaries tend to be hitched with adolescents (Nearchou- Ellinas and Kountouris, 2004), which moreover clarifies to a few degrees their late get to in entrepreneurial exercises.

2.5 Challenges faced by Women-Owned SMEs in their transition process

The formalization of casual groups comes with many inherent challenges some of as a way to be mentioned in the subsequent sections. Some of the identified demanding conditions include the lack of adequate records, regulatory obstacles, administrative boundaries, the subject of the unknown and the industrial business enterprise being too small to obtain the advantages of formalization.

Marlow and McAdam (2013) argue that training and abilities are required to run micro and small enterprises. Studies exhibit that majority of the lot carrying out micro and small Women-Owned SMEs in Kenya do not seem to be top ready in phrases of training and skills. Studies propose that those with extra training and training are more in all likelihood to acquire success internal the SME zone (Thompson et al., 2010).

Mahmoud (2011) look on market orientation and commercial enterprise overall performance amongst SMEs in Ghana articulated that there might also be a terrific and sturdy relationship between managerial capabilities and involvement in
enterprise. Managerial skills have necessary effect in improving the involvement of entrepreneurship in Malaysia. Kamunge, Njeru and Tirimba (2014) determined that availability of managerial potential affects corporations to a high-quality volume whilst the respondents felt that coaching on managerial competencies are required in the corporations to a great quantity.

The reality is that women are faced with the problems of social network to connect them in the real world, are highly impacted by poor living conditions as well as well lack of employment opportunities to support their economic status and advancing their business activities. Arguably, social internet and connection are vital for improving the success of the business. Since women are confined within the domestic sphere in the public life are highly faced with the isolation problem in the world of business and hence felt they lagging behind in this world of increasing completions (UDEC, 2002, Barwa, 2002).

Available publications indicate that most of the companies owned and operated by women are constrained by managerial problems before the commencement of the business itself. The available information reveals that only 12% of employment opportunities in formal sector were created by the help of women’s in 1996 (JUDAI, 2002). Moreover, comparable profiles had been additionally stated in Ethiopia and Tanzania (Bol, 1995, Zewde & Associates, 2002).

It was stated previously that young women are the leading contributors in the casual financial system since they are highly engaged in various groupings dealing with financial matters to improve their economic status as well as living conditions (JUDAI, 2002; ILO, 2002b). However, there is limited study to validate this and its reason to remain as it is. The degree to which female are facing the existence of any unique limitations or constraints, and how such troubles affect women is differently and more adversely than it is to men (Zewde & Associates, 2002). Generic barriers to formalization for MSEs exist in most countries, in particular in Africa where many of the legislative and fiscal frameworks relating to personal business enterprise are nevertheless evolving and continue to be fragmented and bureaucratic (UDEC,
It may also be that gender variations exist due to the fact of the exceptional “journeys” taken into commercial enterprise start-up and increase by way of female and men, which in turn reflect the exclusive contexts, obligations and power relations in their lives.

In 2000, ILO document on MSEs in Tanzania estimated that 60 per cent of casual organisations operated on the streets (ILO, 2000). The problem of premises had both overt and indirect gender troubles for young women per se. Women entrepreneurs, by using the reality that they dominate the informal economy; women suffer more than men do regarding issues, which have to do with suitable business house and premises. More overtly, general practices in communities regularly forestall or deter women from proudly owning or leasing premises in their own right. For example, even the place young women have assets to rent premises.

However, Mwania (2011) examines the influence of Biashara Boresha mortgage (BBL) on overall performance of Micro and Small corporations owned via Kenya industrial economic group (KCB) Ruiru branch consumers found out that barring BBL, there are exclusive elements believed to have an effect on company ordinary performance.

According to Kinyua (2014), Working Capital Manipulates (WCM) is a critical part of any firm’s primary corporation strategy to create value, to make sure financial health and supply competitive benefit. WCM is likewise critical for the success and survival of groups and for stronger typical overall performance and contribution to monetary increase. On this feel, it is feasible to treat working capital as the lifeblood of an SME. The cause of matters affecting growth of women owned Small and Medium Women-Owned SMEs in Kenya:

Mugo (2012) concluded that company corporations want proper management of cash so they possess sufficient money for carrying out transactions. To him, coins transactions occasionally enable the employer to revel in coins’ reductions, which robotically will increase the coins’ waft of the employer at some point of the
financial 12 months. Consequently, for handy transactions acceptable cash manage
need to be maintained in those companies. Bad control of operational fees can reduce
cash float for the motive that a large share of budget is tied up in cutting-edge
property.

Kenyan Women-Owned SMEs can be enabled to grow their agencies through
formalization in their businesses through registration this is a key step. According to
Kazemy et al. (2011), registration seems to be an epoch inner the existence-cycle of
casual corporations and is vital for SME commencement. There are forms of
commercial agency registration in Kenya. Similarly, to the difficult enterprise-
licensing corporations additionally need to be registered underneath each the
registration of commercial agency Names Act 2 and the companies Act 3. Even
though the registration fee is beautifully modest, the requirement for my part attend
to the procedure, that can take numerous days, capacity that the manner is bulky,
bureaucratic, and expensive, in particular for small companies. It is even lots greater
in all likelihood to be a burden for women, with a couple of responsibilities.

Wanjohi and Mugure (2008) argued that industrial company surroundings are a
quantity of the key elements that have an impact on the increase of SMEs.
Unpredictable authorities’ regulations coupled with ‘grand corruption’, excessive
taxation fees all maintain to pose incredible danger, now most disadvantageous to the
sustainability of SMEs but also to the Kenyan financial system.

It was also argued that the intricate and excessive priced methods concerned within
the transition machine forestall many companies from turning into formal. As
revealed thru McCulloch, Schulze and Voss (2010), the manner of formalization is
regarded with the aid of many Women-Owned SMEs as time-consuming and high
priced which is the reason why many corporations choose to preserve their firms’
interior the informal quarter as averse to transferring formal).

Studies on USA Women-Owned SMEs for international development conducted by
USAID (2005); OECD (2006); Mc Culloch et al. (2011) and Mahembe (2011) have
identified expensive and burdensome authority’s law as the maximum huge venture to formalization. Every different element of value which is needed to be highlighted right here is the rate involved in go-off an industrial enterprise.

The studies indicated that the burdens attributed to economic requirements and enterprise fees are brought about through negative administration, overly complex tax guidelines and regressive costs, which penalize small firms. The minimal capital requirement (fees) to start-up a registered business is normally set at a stage too high to be afforded via firms in the casual sector. Firms or businesses in the casual zone are stimulated with the aid of the desire to avoid taxes mainly due to the fact most of them do now not apprehend the tax regimes. Studies further indicate that most women running SMEs lack knowledge on compliance with the tax requirements. Maliyamkono et al. (2012) denotes that this perception forms a basis of SMEs formalization. However, women entrepreneurs keep facing difficult environment that contributes to stifling the boom in their groups (Nchimbi, 2003; Stevenson and St. Onge, 2005; IMED, 2010; Jagero and Kushoka, 2011).

The key barrier is the cultural environment that makes it tougher for women to commence and run companies due to the fact of their conventional reproductive roles and electricity participants of the family. Women divide their time amongst their traditional own family and neighbourhood roles and taking walks the enterprise and consequently they've less time to spend than guys on their business than guys. Further, electricity members of the family each on the household stage and in the environment impede their doable to act completely upon their capacity. Due to regular regulation, their ability to say their rights to property, which can also be pledged as collateral for loans, is considerably one of a variety to men. Women who participated inside the rural focus team discussions noted that it is very usual to discover parents-in-legal pointers discouraging their daughters-in-law from the utilization of their very own belongings as collateral for fear that, they may also not control to repay the mortgage. Subsequently, some cultural and religious values limit women from socializing and for this reason broadening their networks, which might also be beneficial for their business enterprise.
Another challenge is that legal guidelines and policies affecting companies have been designed for beautifully huge projects and are therefore difficult for micro firms in which most of the people are led by young women, to comply (Olomi and Mori, 2013). Women entrepreneurs in the attention group discussions referred to that they worry registering their groups due to the fact of bulky rules and licensing techniques. However, folks who had registered their groups stated the manner grew to become certainly cumbersome on the other hand profitable, displaying that increased focus raising is wished at the benefits of registry. Every other essential constraint referred to inside the recognition Women-Owned SMEs discussions is constrained access to applicable and low cost services, such mortgage levels suitable to Women-Owned SMEs wishes, technical and manage education, advice and advertising, discovering a suitable premise. Those problems arise from the confined viable and outreach of current establishments as nicely as the young women’s incapacity to come up with the cash for the services (Jagero and Kushoka, 2011).

The women entrepreneurs’ survey argues that finance is one of the pinnacle challenges confronted via capacity of woman entrepreneurs at the same time as starting and growing their corporations. The next mission grew to be getting customers for his or her merchandise located by discovering a splendid industrial corporation area.

The ILO and distinctive stakeholders have carried out quite a few researches aimed at assessing the development and assist of WOE. one of the conclusions of these studies is that the Women-Owned SMEs surroundings for WOE is no longer as easy as it’s miles for guys, and that even though some of the challenges to starting and growing an employer are the identical, women can also face these challenges to a greater diploma or in different techniques than men. Building of preceding studies, the cutting-edge evaluation offers an up-to-date image of the situation of WOE in Tanzania and assesses the improvement and development of the WED helping surroundings thru six framework conditions.
According to Williams and Gurtoo (2011) informal entrepreneurship is greatly described as ‘starting up and/or proudly owning and managing an enterprise venture which does not register with and/or declare some or all of its production’. Also, and/or income to the authorities for tax, benefit, and/or labour regulation functions when it has to do so’ (Williams et al., 2017). Women’s activities are driven with the aid of the need to sustain livelihoods in mild of poor financial and financial occasions (Ntseane, 2004; Harriss-White, 2017). The casual economic system additionally represents ‘risky entrepreneurial spaces’ for female due to the fact of its unregulated and chaotic nature with vulnerabilities pertaining to region of businesses, publicity to petty crime and harassment, creating thus, in addition limitations to women (Adhikari, 2011; Ogando et al., 2017).

Integrating informal female entrepreneurs into the formal economy via formalization policies has been frequently predicated now not only based on the visibility and cognizance afforded via the formal economy but as importantly, on the reduction of women’s vulnerability and obstacles to commercial enterprise expansion (ILO, 2009; Williams & Kedir, 2017). These, in turn, are anticipated to contribute to financial development and equality, welfare and empowerment (La Porta and Shleifer, 2008; ILO, 2009). Despite a lengthy history of formalization policies in the developing nations, the feasibility of formalizing the casual economy and the benefits of formalization for enterprise sustainability are but no longer recognized (Sepulveda & Syrett, 2007; Chen, 2007; Ramani et al., 2013).

As most of the literature on formalization typically focuses on strengthening formal mechanisms and constructions that encourage formalization (ILO, 2009), the contextual and nuanced nature of the casual quarter in terms of its appeal, its inter-linkages with the formal region as nicely as its constraints to formalization is frequently neglected (Al-Dajani and Marlow, 2013; Harriss-White, 2017; Danielsson, 2016). It is mentioned that young women concerned in entrepreneurial things to do in the informal economy, as different informal employees are a heterogeneous group, engaged in numerous financial activities, which produce specific welfare outcomes (Morris, 2011).
Langeevang et al. (2012) argue that women lifestyles and social cultural norms shape beliefs about gender roles and expectations determining their selections in relation to entrepreneurial things to do. De Vita et al. (2014) and Babbitt et al. (2015) further denote that while informality may also be a rational preference in the face of the fees or complicated techniques related with running informally, social and family pressures and expectations. These include norms about women’s availability in their roles as mothers and careers and no longer as successful commercial enterprise women play a more important position in their formalizations decisions.

The evidence suggests that the informal financial system frequently offers very limited and gendered preferences which are no longer simply not going to end result in formalization but more likely to reproduce inequality (Xheneti et al., 2017). On the one hand, the informal financial system is a house that affords possibilities for profits generation, as the barriers to entry in terms of skills, experience, and capital are low. Al-Dajani and Marlow (2013) stated that it additionally helps women connect with others and share their competencies and abilities, facilitating communal empowerment. However, in reality, given women’s predominant use of abilities received from their home labour (e.g. cleaning, stitching and caring) it additionally traps women in sectors that are overcrowded and unproductive, leading to insufficient profits to make a distinction to their lives.

2.6 Theoretical framework

According to Yousafzai et al. (2015), institutional idea encompasses the formal and casual elements present in business environments, acknowledging the position of regulatory institutions, socio-cultural norms, and their impact on entrepreneurial activity. Baughn et al., 2006 described that the institutional principle is necessary in explaining the intricacies of woman entrepreneurship. This, in turn, ought to be treasured in acknowledging the constraints impacting the overall performance of female-owned HBBs, as nicely as the insurance policies wanted to both shield their cutting-edge informal status, or to help those female who choose to formalize.
Marlow (2020) who wrote short commentary reflecting the way feminist theory might be used in developing the contemporary gendered critique of women’s entrepreneurship suggested that more attention should be paid for to feminist theories as explanatory analyses particularly to contest contemporary postfeminist ideas, which fuel a false promise of entrepreneurship for women.

Rutashobya, Allan and Nilsson (2009) observed that no noteworthy gender difference in the composition of weaker ties, which suggest that gender, differences in the choice of individuals with whom to have strong ties but not with whom to have weak ties. They found a significant gender difference in entrepreneurial results at both start up and at the time of research implying an antecedent networking behaviour influence on performance.

Boyle and Joham (2013) endorse the help and awareness of more fair linkages between the informal and the formal economic system via a right inclusive policy and regulatory environment. The authors stress the importance of the informal economic system and the dimension of its value and its contribution to the economic overall performance of a country. Nevertheless, the casual economy in many countries, which consists of women working from HBBs, stays backyard the criminal and social safety of governments (Chen, 2012). Thus, aiding women in the casual financial system is an answer to decreasing poverty and accomplishing gender equality (Chen et al., 2004; 2005).

Previous research has shown that cultural and institutional limitations can constrain the overall performance of female-owned agencies (Orser and Elliot, 2015). In fact, more females than male entrepreneurs have proven interest in increasing their enterprise past the home, yet they face obstacles to growth, such as family commitments, negative perceptions of their business and lack of get admission to financial sources and formal networks (Breen, 2010). In particular, women face gender-specific discrimination such as restrictions on mobility and interaction, which would at once impede any efforts to work outdoor the domestic (Jones and Lefort, 2014).
Thus, the influence of institutional and social contexts on female entrepreneurship, in imparting each possibilities and constraints, cannot be unnoticed (Naguib and Jamali, 2015). The increase and sustainability of female-owned Women-Owned SMEs can be facilitated with the aid of enablers such as enterprise and governmental guide (Breen, 2010). For instance, in the United States, public policy considers any expenses allocated to running business from domestic as tax deductible; such insurance policies furnish the guide and incentive wished to encourage home-based entrepreneurial recreation (Shane, 2009). As such, growing countries are in need of incentive structures, in particular for women enterprises, in order to alleviate the challenges, they face due to susceptible establishments (Jones and Lefort, 2014). In phrases of socio-cultural norms, family support performs a nice position in the performance and growth of female-owned business, and in facilitating family and family duties (Jamali, 2009).

Charles Tundui and Hawa Tundui (2020) investigated on ‘the performance drivers of women-owned businesses that are funded primarily through microcredit’ the credit amount has the most important influence on the enterprise capital base, whereas the effect on profits is not significant. They added that owners are more likely to report increase in profits if they possess skills in business management. Moreover, younger business owners and necessity entrepreneurs are more likely to report achievement in their businesses.

While the dualists consider few linkages between the two sectors, they recommend that governments should grant credit, enterprise development services, primary infrastructure and social offerings to operators in the casual quarter (Sethuraman, 1976). On the different hand, the structuralists see both sectors as fundamentally linked where the government has to alter the commercial and employment relationship between the two sectors (Moser, 1978). Yet, the legalists argue that entrepreneurs in the informal area intentionally select to function in the casual economic system to stay clear of guidelines and regulations as an end result of a hostile criminal device, which leads some humans to self-employment via the informal economy. Accordingly, legalists advise that governments need to simplify
bureaucratic methods to promote casual Women-Owned SMEs to register and emerge as formal (De Soto, 2000). Finally, the voluntarists advocate that entrepreneurs pick out to function in the informal economy to keep away from fees and other expenses such as taxes, and must consequently be introduced beneath the formal regulatory surroundings to make bigger their tax base and reduce unfair competition to formal groups (Chen, 2012; Maloney, 2004). Furthermore, some research infers that because the formal region does not cater to household responsibilities, women are compelled into the casual region (Benaria and Roldan, 1987; Moser, 1978).

The marginalization/structural manner considers individual and small activity consideration in enterprise as an adjustment/survival technique due to the deregulated round the world cash related contraption, and the demands for flexibility, in frequent execution and wage maximization pushed through utilising the increase of subcontracting (Castells and Portes 1989; Jones et al. 2006; Slavnic 2010; Williams and Nadin 2012).

Structuralism variables have been utilized to donate a clarification for informal enterprise in as replacement distraught populaces, among female and creating nations; neo-liberal points of view are mechanically utilized to supply recognition into preferences regarding casual self-employment in mainly wealthy populaces, amongst of us and in common economies (Franck 2012; provide 2013; Williams 2014). The personality of enterprise has encouraged facet interest in its functionality as ‘a present day and capable way of providing money related enhancement and improvement in numerous populations’ (Williams and Nadin 2012,). This pastime has except activated a cross in scope, from techniques that specialize in detainment, penalization or check decreases, to these emphasizing a parcel a great deal less law, additional guidance and proposal, and trade project start-up offers (Dibben et al., 2015; Sepulveda and Syrett, 2007).
According to the structuralism model, companies are rendered informal through legal requirements that are too complicated and luxurious for them. According to the structuralism view, the casual quarter features as a price lowering mechanism for the formal capitalist enterprises, which permits them to amplify competitiveness (Castells and Portes 1989). Through dependence on casual suppliers and distributors, large corporations are in a position to avoid labour and different compliance charges they would in any other case, incur if the personnel and transactions of their informal suppliers and distributors had been treated through them directly.

Hyden (2004) argues that, creation of economies is dominated by casual establishments of electricity and informality of political and monetary markets with human beings making offers on the groundwork of informal reciprocal relationships, in addition to following economic, rational and formal procedures. This view is echoed through many authors who acknowledge predominance of informality in economic, political and social markets in many growing nations (Ninsin, 1991; Utouh, 2012; Hyden, 2004; Anuwa-Amarh, 2015).

This study is a build-up of previous theories that support the rise and formalization of women-owned SMEs. Boyle and Joham (2013) advocate for the awareness creation and linkages as key elements of Women-Owned SMEs formalization. Share (2009) elaborates on inclusive policy and regulatory environment as attractors to Women-Owned SMEs formalization. Jumali (2009) supports the rise of Women-Owned SMEs as a vital strategy for poverty alleviation from household levels.

2.7 Empirical Review

2.7.1 The main causes of informality of SME owners

The study found that informality among Women-Owned SMEs persists due to much time taken to complete registration, long distance from the nearest business registration office, lack of business education/training opportunities, lack of
collaterals, low levels of skills, poor technology, low productivity, low incomes, lack of perceived importance of formalization and higher costs of registrations entry.

Lewitt (2008) found that SMEs owners might also additionally favour to proceed to be informal for brilliant factors that may additionally encompass seasonal work, subsistence paintings, low enlarge opportunities, lack of statistics and fees of entry registrations, or loss of significant perceived benefits of formalization. However, the overarching choice-making component for informal firms is the cost-benefit analysis of formalization. The fees consist of get admission to expenses collectively with registration charges and financial implications of time and efforts required to complete the multi-layered registration method, and preserving the formal repute prices which include, taxes, social safety payments and retaining fitness and safety necessities and books of accounts.

The casual area is a very special phase of the monetary gadget this is characterised with the aid of ability of low ranges of capabilities, poor era, low productiveness, low incomes and subsequently incapacity to conform to the necessities of the “modern” monetary machine (Wangwe and Mmari, 2014). Because of this, it is inappropriate to depend on that each micro commercial enterprise corporation will boost to a formal or substantial size.

Rosenberg et al. (2016) used nationally advisor survey statistics on micro, small, and medium-sized groups to figure out which of the theories by Jamali (2009), Share (2009) and Boyle (2013) magnificent explains the persistence and scale of Indonesia’s informal sector. They observed that most of the informal corporations have been very small, micro firms, paying very low wages, exceptionally unproductive in evaluation to large corporations, and managed by using human beings with low instructional attainment, predominantly imparting merchandise to vicinity markets, and had not these days attempted to increase their operations. They in addition addicted up that many did no longer signal up their corporations due to the fact they have no wish to amplify or borrow from formal economic sources.
Human capital are regarded to be most intense of the vital motives for female ‘slow formal monetary assist (Kantor 2005) and their engagement in way higher numbers than of us in enterprise (Bairagya 2012; Chen 2007; Darkwah 2010; Kantor 2009). Need of human capital is apparent to entice younger women in low-threshold divisions in enterprise considering more requirements in expressions of aptitudes, speculations and assets (Tipple 2006). Assist, want of human capital obstructs get fantastic of section to mastery, truths and pleasure in concerning markets, clients and administrative necessities that would inspire formalization (De Bruin and Dupuis 1999).

Grey's (2001) compared of macro-diploma actualities in Morocco finds a misfortune of practise to be the tenet boundary to women enterprise in making wanders interior the period locale and the number one element within the decrease again in their driven forward dominance in farming, craftsmanship and small-scale provider (e.g. suppers preparing) businesses. Mitra (2005) noticed that in India most young women inquisitive about casual work in enterprise did so when you consider that of the low-skill prerequisites.

The ones low-threshold requirements of enterprise also make it potential for women to shield family components whilst working. Agergaard and Thao's (2011) examination of transient younger female door attendants in Hanoi appears how younger women ought to find artisanship inside the informal quarter and assist their circle of spouse and children regardless a misfortune of capabilities. Ntseane (2004) watches how women marketers in Botswana make use of claim family-based capabilities decided out casually thru explanation and life like records in their home surroundings to start a business venture. In spite of the reality that the competencies gotten from their household work (e.g. cleaning, cooking and sewing) are the most important as a rule utilized with the aid of girls to benefit get entry to, they within the long run compel the personality and quantity of their interest.

De Vita et al. (2014), explained that women businesses acquire in low-threshold segments with confined productivity and increased commercial challenge
defencelessness, since of the fact young women are no longer in a position to expect or reply to show off changes and instabilities, due to moo human capital levels. Certainly assuming young women are learned, they confront one of a few variety obstructions to economic engagement (Gray 2001).

Smit and Rugunanan (2014) document that outcast younger women in South Africa with instructions competencies in any case confronted one-of-a-kind sorts of segregation, which include misfortune of notoriety in their acknowledgment, taking off them except an inclination however to canvases within the informal range. Given the social and political instability of informal markets, the show demonstrates that growing human capital through tutoring may additionally not be enough to overcome oppressive hones, organisation deterrents or different disparities. The consequences of increasing human capital thru getting ready for that purpose need to be taken into thinking masses extra carefully in setting. as an occasion, Minniti and Naudé (2010) archive from inquire about in India that growing human capital thru formal tutoring is a whole lot more likely to reason go out from the entrepreneurial region as earlier than long as non-entrepreneurial pursued occupations come to be on hand inside the formal area.

Numerous advancement applications are normatively delivered on the generalized require for preparing, they by and large have a tendency to no longer recall neighbourhood (and even countrywide) settings. Moreover, the proper capacities to one of a sort quarter/industry want, or the volume of formal training and skills – in case any – this is regularly honestly required as institution for financial development (Bardasi et al., 2011). Husseini's (1997) evaluation of the Joined Together Kingdom Improvement Support for women in Lebanon finds such applications as subsequent to the point in expressions of their substance on financing, publicizing, showcasing, and commercial task advising, making them blocked off to female business visionaries.

The require for available training packages is in enlargement exemplified via way of a see at of extra youthful lady entrepreneurs in Ghana by ability of Langevang and
Gough (2012), who have a see at that assist applications have variable affect, checking on the persona of women's craftsmanship work. Dissecting hair dressing and needle employee parts, they underwrite that the pleasure of coaching packages is predicated upon no longer as a parcel on their substance fabric as on the amount to which they meet people’ particular wants in setting. In addition, stresses that, regardless the measurements and significance of enterprise, sources apportioned to schooling and tutoring do not get ready persons to work in enterprise, proposing that coverage-makers preserve to area small cost at the casual segment and take be aware it as a ‘tropic of indigence’ (Von Kotze 2008).

Women's assist in organisation and, extra particularly, in enterprise has many times been related with the strength the ones supply in terms of placing in area domestic companies, combining family and paid craftsmanship work, using family sources, permitting female to fulfil possess family needs, and to limit their helplessness from introduction to the formal surroundings (Tipple 2005). But, the prove demonstrates that young women essentially based totally absolutely at domestic confront a ‘double burden’ in circle of relatives’ human advancement, with strongly pointers for his or her health and childcare necessities due to self-exploitation and on edge of intra-family imbalance (Alam et al. 2015; Mehrotra and Biggeri 2005; Tipple 2006; Wilson 1998; Dasgupta 2000).

In Cameroon, Acho-Chi’s (2002) inquire about outlines a horrendous cycle of sexual orientation imbalance acting how in intemperate times women’ delayed working hours’ cause new born infant surrender and the affiliation of additional younger female in their commercial undertaking, in flip denying them of simple tutoring. domestic restriction is additionally unmistakable to restrain get splendid of section to extra sizeable social systems, with sports activities centred closely in gendered segments, which joins nourishment promoting, cantina running, fitting and attire, characterised with the asset of livid resistance for locale and consumers and espresso productiveness (Mitra 2005). Young female depends on home-based very locational structures for functionality framework conceivable consequences and particular actualities and neighbourhood or relatives-primarily based provide assistance, in
conjunction with household and centre people, to continue to be undetectable from government regulations and contracts of formal locale endeavour (De Bruin & Dupuis 1999).

At the same time as typically marketed as women's choice, the choice to find or base associations at domestic ignores how this favour is implanted in, and introduces extra massive sociocultural standards. Young women components as carers and moms moreover can provide the bases in a few considerations for what is characterized as prepare mindedness (De Vita et al. 2014). However, this shows imperatives on women, from moving past their residential boundary, constraining their work with markets, consumers and suppliers, as nicely as openings for commercial endeavour development and formalization (Bardasi et al., 2011; Mitra 2005). As Mahmud (2003) appears, it is far-off the personality of these household regions (little, hard and of unreliable residency) and no longer any verifiable gender-primarily based completely imperatives that produces boss development or formalization not going.

In outline, our appraisal of the verification, regarding imperatives and alternatives of women’ inclusion in enterprise factors to intense inconveniences that influence formalization alternatives no longer automatically taken into thought. To start with, certainly as there appears to be statement round the moo speculation in women’ preparation in growing nations, a few confirmations underwrite that, certainly in which female are qualified, it really is now not famous in mellow of various company obstacles they confront. Professional skills packages intrigued on women's regenerative parts, commonly who lean toward aptitudes applications primarily based on home work (sewing, weaving, irritating) with the verifiable obstructions these contain for formalization and cash associated alternate (in phrases of moo capitalization and advantages plausibility, business centre immersion, as well as spatial and social limitations). As businesses create women's skills and capacities gotten from their homework are unmistakable to be no longer treasured in get collectively the stipulations of commerce mission development.
Moment verification appears the neighbourhood and flexibility of enterprise to fulfil household desires and make past any doubt survival or ensure employments interior horrendous money related and money related workouts (Ntseane 2004; Tipple 2005, 2006). However, the see of enterprise as internet site for the propagation of sex requirements and imbalances, for case thru way of confining girls’ sports to so-called impenetrable and on hand places, has horrendous suggestions for their welfare, due to the fact of the twofold burdens of residential and paid work of art (Dasgupta 2000). It also limits the systems, markets and entrepreneurial expertise handy to them; inspire obliging their ability for development, and formalization (De Bruin & Dupuis 1999; Meagher 2013).

2.7.2 The effect of formalization of Women-Owned SMEs on profitability

The literature on the consequences of formalization on association performance generally use cross-sectional facts and has relied on one or aggregate of techniques such as difference-in-differences, matching, instrumental variables, or regression discontinuity. The majority of these researches find that formalization has an advantageous have an effect on firm overall performance (Fajnzylber, Maloney, & Montes Rojas, 2011; McKenzie & Sakho, 2010; Rand & Torm, 2012).

According to Mexico, Fajnzylber et al. (2009) Using firm-level cross-section information shows that being formal will increase income by using at least 20 per cent. Their tactics count number on matching below the assumptions that formal popularity is decided via a set of observable variables and on a control feature approach. However, if choice into formality is based partly on unobserved characteristics, this can also lead to overestimating the results of formalization (McKenzie & Sakho, 2010).

Fajnzylber et al. (2011) used regression discontinuity and difference-in-differences to compare companies that had been created straight away earlier than and after an enterprise tax discount and simplification scheme in Brazil. They located that this reform led to accelerated ranges of registration and to greater revenue, earnings and employment among registered Women-Owned SMEs. As Fajnzylber et al. (2011)
stated that created companies that choose for running formally, now not existing casual area firms, the effects can certainly reflect self-selection at formal region entry.

McKenzie and Sakho (2010) estimate the effect of tax registration on company income in Bolivia, by means of using the distance between company and tax workplace as an instrument for registration status. The assumption is that being nearer to a tax workplace will increase the chance of registration. They find that the universal influence of tax registration is fantastic but heterogeneous; it leads to higher earnings for medium-size SMEs in their sample; however, has a terrible have an effect on small and massive SMEs. They additionally discover that owners of larger informal corporations have higher entrepreneurial abilities more than proprietors of larger formal SMEs, which is in contrast to the mainstream view (La Porta & Shleifer, 2008).

Using information from the 2006 World Bank survey of Indian microenterprises, Sharma (2014) finds, via propensity score matching, that registration leads to tremendous good points in sales per worker and price added per employee in India. An exception to the use of cross-section statistics is Rand and Torm (2012) who use a matched double-difference with the identical panel data as in this study, however for 2007 and 2009 only. They discover that registration leads to an increase in company profits, investments and get right of entry to credit for Vietnamese SMEs; and to a minimize in the use of casual labour, indicating higher compliance with labour regulations.

De Mel, McKenzie, and Woodruff (2013) furnish experimental evidence suggesting that companies emerge as formal as the associated advantages increase. In an area test in Sri Lanka, these authors randomly assigned 520 SMEs to five groups. In follow-up surveys, corporations that formalized had been observed to have greater profits. Relative to transmission channels, formalization is assumed to benefit the companies through increased get entry to credit, higher possibilities to engage with
massive companies and the government, or increased get entry to training and assist programmes (Joshi, Prichard, & Heady, 2012).

McKenzie and Sakho (2010) locate that higher earnings due to registration show up to come usually from expand in client base; and there was once no have an impact on of formalization on the prospect of acquiring a financial institution loan. Fajnzylber et al. (2011) argue that enhancements occur, now not thru get entry to credit score or contracts with larger firms, but via lower fee of contracting labour, main to the adoption of manufacturing strategies involving an everlasting region and a large paid labour force. Likewise, Rand and Torm (2012) ought to no longer gain decisive evidence on the advantageous have an impact on of formalization to get admission on credit.

De Andrade, Bruhn, and McKenzie (2016) find that registration increases advertising and use of receipt books, but not the possibility of receiving authorities’ contracts, of the use of financial institution debts or loans, or of collaborating in government programmes. According to Bruhn and McKenzie (2014), the in all likelihood rationalization is that many casual firms would not get hold of credit score or are not likely to promote to the authorities anyway, even if they did register; and these firms that are in a role to do so, formalize when this want arises. Regarding the transmission channels, a distinct thing of this paper, relative to preceding studies, is to examine the scenario earlier than and after formalization, in order to confirm that formalization actually had an effect on the transmission channel beneath consideration.

Anderson (2004) published that registered business has a vast impact. It was once established that incomes of 60 small-scale farmers in a night market in central Uganda expanded by using at least 50 per cent and those of 80 stone crushers extended by between 40 per cent and 60 per cent. There used to be up to one hundred per cent increase in income of eighty to 100 meals providers due to accelerated services and sanitation, attributable to the radio programmes amongst market traders in Western Uganda.
A learn about through Alcazar et al. (2010) on the influence of formality on company income finds that tax registration leads to higher income for mid-size corporations which eventually decrease income for small and large enterprises. The predominant benefit of formalization was located to be expansion of the client base thru the potential to difficulty tax receipts. Firms that issue tax receipts are able to appeal to extra clients because the customers can use the tax receipts to claim tax refunds. A recent study (Rosenberg et al., 2016) evaluated the influence of Indonesia’s one-stop-shops for business registration, a large-scale program that tried to limit registration costs. Findings confirmed that the application had an advantageous have an impact on the firms’ probability.

2.7.3 The strategies for promoting the formalization of Women-Owned SMEs

The Medium-Term Strategic Framework and the Accelerated and Shared Growth Initiative for South Africa (AsgiSA) of 2005 analysed the existence of the “second economy” and the want to have particular strategies for its administration and development. Among specific techniques envisaged are encouragements of collectives/cooperatives, improvement of machine of registration and collateralisation of property in the palms of “poor” individuals, households and communities, specific interventions in sectors that lend themselves effectively to participation with the aid of disadvantaged communities such as crafts, clean produce and waste series. And the fourth is creation of a conducive regulatory environment for operations in particular areas such as common drug treatments and road trading.

Kenya Sessional Paper 2 of 2005 (Republic of Kenya, 2005) set the policy thrust for management and improvement of micro enterprises. This used to be observed through enactment of the Micro and Small Enterprises Act of 2012 and micro enterprise regulations. The Micro and Small Enterprises Agency (MSEA), accountable for designing appropriate coverage measures for managing informality has been established. MSEA is actively involved in enticing and coordinating commercial enterprise improvement services providers, monetary establishments and nearby governments to supply fantastic merchandise and services to associations and
micro enterprises. Martha Alter Chen (2012) argues that informal enterprises, activities, and employees wishes the following policies addressing informality; creates extra jobs, register informal employer and adjust informal jobs, prolong state safety to negative casual workers, extend the productiveness of Women-Owned SMEs and earnings of casual work force.

According to ILO (2014) interventions have centred on simplifying the procedure registering casual businesses may highly empower women’s than any other sector. Arguably, growth strategies, equality and local improvement strategies concern standard improvement of the social and monetary reputation of the community that must translate into greater tiers of economic overall performance and well-being. We were specifically involved in strategies that particularly goal the informal economy. The literature suggests that there are four major formalization strategies. These are building awareness, potential and productivity of operators through training, advisory services, access to finance, providing workspace, regulatory simplifications, by means of decreasing the complexity and value of compliance and creating specific policy and regulatory frameworks for micro enterprises.

According to ILO (2014), Integrated Strategy for Transition to Formality 2 encompasses the following; firstly, is growth strategies and exceptional employment era. Secondly, is Regulatory environment, together with enforcement of global labour standards and core rights. It also encompasses organization, illustration and social talk. Fourthly, is Equality: Gender, HIV status, ethnicity, race, caste, age, disability. Fifth is, Entrepreneurship, skills, finance, management, get right of entry to markets. Sixth is Extension of social protection: Building social safety flooring and social protection structures. Lastly, it encompasses Local (rural and urban) development strategies.

As indicated in the previous section, regulatory barriers might also properly forestall transition to the formal economy. Therefore, easing registration tactics is usually seemed at as a crucial measure to combat informality. For example, Monteiro and Assuncao (2011) and D’Erasmo and Moscoso Boedo 2012 exhibit that simplifying
bureaucracy and reducing taxes accelerated the formalization charge for small Brazilian companies. In the identical vein, other research highlight the have an effect on of reducing the fee of registration by means of lowering either formalization fees, or time, or the variety of licensing strategies (Jansson and Chalmers, 2001).

Several nations have undertaken tax reforms to attempt manipulation of the dimension of the casual sector. Tax reforms fluctuate in nature across countries. Governments in superior economies (Sweden, Belgium, France, and Hungary) often fight informality by using decreasing tax rates and giving tax exemptions. On the different hand, governments in growing nations usually attempt to accomplish a comparable aim by simplifying tax regimes.

In Tanzania, the multi-donor funded Business Environment Strengthening for Tanzania (BEST) program is similarly reforming business registration and licensing necessities for regulated sectors of the economy. One of the key principles of the proposed reform is to separate the goals of business registration, business rules (i.e. licensing), and income technology (i.e. taxation, price series etc.). This is supposed to limit boundaries to Women-Owned SMEs formalization and inspire business increase and development. Registration will be truly computerized upon the payment of a prescribed charge, which will be pre-determined in accordance to nationally adopted tips and embedded in legislation so there is absolute clarity. The fee will be set at a stage that cowl nearby authorities’ administrative fees of registration. Computerized records capture will take region at registration, accumulating statistics relevant for statistical purposes. This mileage will attract formalization of Women-Owned SMEs in Tanzania.

King et al. (2015) determined that the Kumasi Informal Bakers Association (KIBA) had helped construct the capability of its individual contributors to introduce some degree of formality in their things to do and performances, shifting the bakers away from the informal spectrum towards the formal sector spectrum. They concluded that self-regulation via associations can to some extent efficaciously formalize the informal region for sustainable development. Given the constrained records on
effectiveness of these approaches, fundamental statistics used to be accrued through the interviews.

Tanzania has a number of associations that are delivering “formalization” associated services, such as ID cards, self-regulation, scientific insurance plan or finance to members. VIBINDO Society, the biggest association of micro companies and casual workers, provides ID cards, policy advocacy, medical insurance plan or finance to members. Market (including weekly markets – magulio) merchants have basic forms of self-law (payment of fees, cleaning, and behaviour at the market) and furnish security in markets.

Motorcar drivers have agreed on schedule of operations, fare, and code of habits, which are strictly enforced. UMANTIDA (food vendors) has simple requirements of hygiene, a cleansing agenda and each day fees. A suggestion used to be made by way of casual sectors in Mwanza. In order for TRA to layout reflective vests that they had been equipped to hire for a month-to-month charge of Tshs 20,000/- to have the right to trade on the streets of the city, whilst making sure that no one barring the vest used to be allowed to do so. This quantity would have generated at least Tshs 400,000,000/- every month for the estimated 20,000 operators. However, for unknown reasons, TRA and the neighbourhood government did no longer purchase this idea, which until today, operators think about viable.

Kenya in a similar fashion has many associations that are merchandising formalization related services. The key features of the policy and regulatory framework for micro employer in Kenya are reliance on indirect formalization. Secondly, is changing the definition of formal to from compliant to licensing or registration policies to “traceable”. And thirdly, is introduction of a single business permit that is obtainable online, with a single payment of local authorities’ levy that can be settled in small instalments. Members are registered in associations rather than the government. The neighbourhood governments trouble the single enterprise to allow individuals registered by way of the associations.
The framework recognizes that micro corporations cannot be subjected to the equal regulations as their large counterparts, and seeks to acquire the targets of formalization (traceability, control, ability building, order, etc.) besides subjecting operators to too complicated requirements. MSEA envisions stepped up formalization, commencing with being traceable through an association, getting formally recognized premises and finally registration, with in-built incentives to cross to the next level. One of carrots to fuller formalization is access to government procurement. The government of Kenya requires at least 30 per cent of government procurement to be executed by using micro and small enterprises.

MSEA has engaged Business Development Officers to facilitate formation and registration of Women-Owned SMEs and associations. By the time of the go to by means of the lookup group in October 2015, at least 30 associations had been installed and their individuals registered. MSE is working with the associations to find modern options to the challenges dealing with their members. For example, MSEA is negotiating with and facilitating offers between associations of hawkers and owners/managers of pedestrian routes, undeveloped plots, alleys, tunnels, footbridges over and tunnels under highways, etc. to serve as hawking zones.

2.8 Conceptual Framework

The conceptual framework of the study is going to display effect of formalizing Women-Owned SMEs. It can be marked from the above discussion as examined and presented by other empirical literatures regarding Women-Owned SMEs profitability that, registering casual businesses may highly empower women’s than any other sector.

The conceptual framework involves two categories of variables namely independent variables and dependent variables. Independent variables as the most push factors comprises of the processes and procedures involved in formalization of SMEs, which are lengthy, and difficulty for most women which in turn causes most of Women-Owned SMEs to remain informal and miss some advantages of being formal. The
following diagram illustrates and tentatively provides a clear picture on how the dependent variable and independent variables relates to each other regarding Women-Owned SMEs profitability.

**Figure 2.1:** Conceptual Framework

<table>
<thead>
<tr>
<th>Independent variables</th>
<th>Dependent variable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formalization</td>
<td>Profitability</td>
</tr>
</tbody>
</table>

- **Formalization**
- **Profitability**
- **Strategies for promoting formalization of SMEs**

Source: Researcher own constructs 2020
CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the methodology, which was used in carrying out the research. It describes the research design adopted in conducting the study, population of study, data collection methods employed and data analysis techniques used in order to achieve the study objectives. It also provides details on the area of study and sampling techniques used.

3.2 Area of Study

The research was carried out in Dar es Salaam, specifically at Kinondoni Municipality. This study area was selected because there are many interactions of business activities that are undertaken by Women-Owned SMEs and for convenience in collection of data.

3.3 Research Design

The research design was quantitative. The choice of this design was highly based on the fact that the design is unique and assisted the researcher to clearly investigate the phenomenon under the study through the use of interview, observation as well as documentary review as the main source of both primary and secondary data collection (Cox & Hassard, 2010; Collins, 2010, Creswell, 2012). Arguably, the design therefore enabled the researcher to acquire relevant and sufficient information concerning the impact of formalization of Women-Owned SMEs on profitability.

3.4 Study Population

A population is the totality of items or objects under consideration (Levy and Lemeshow, 2013). Target population is the total number of elements of a specific population relevant to the research study (Neelankavil, 2015). The target population of this study are Women-Owned SMEs owners in Kinondoni Municipality estimated to be 26,110 (SIDO, 2010).
3.5 Units of analysis
This entails an entities or population to be analysed in research (William, 2006). It constitutes the general respondents that facilitate the achievement of specific objectives of the study. The units of analysis in this study are women who own the SMEs.

3.6 Sample Size and Sampling Techniques

3.6.1 Sample Size
Sample entails a particular element of the entire population to be studied in the research (Berinsky, 2008). The sample size should be large enough to represent the whole population the researcher wants to the study. The results acquired from the sample size are used to generalize the characteristics or behaviours of the entire society (Best & Kahn, 1998). Therefore, the sample size of the study was 100 SMEs derived from the following steps:

(i) Calculating sample size of infinite population:

\[ S = Z^2 \times P \times (1 - P)/M^2 \]

S = sample size of infinite population
Z = Z-score = 1.96 (at 95 per cent confidence level)
P = Population proportion (assumed to be 50 per cent or 0.5)
M = Margin of error (0.05)
\[ S = 1.96^2 \times 0.5 \times (1 - 0.5)/0.05^2 \]

S = 384.16

(ii) Adjust the sample to population size of 26,110

\[ S = (S)/1 + [(s - 1)/population] \]

S = 384.16/3.8416

S = 100.4 = 100

45
3.6.2 Sampling Techniques
Sampling entails the process, which involves choosing individuals or group of people to be part of the study for the sake of representing the entire population (Mugenda et al., 2010). The researcher employed simple random sampling and purposive sampling techniques for this study. This technique was suitable since the researcher intended to acquire relevant information from these participants perceived to have sufficient information through clear investigation of the phenomenon. The researcher also considered the busy nature of Women-Owned SMEs owners who work under tight ticking clock, which proved difficult to collect data to the entire population.

3.7 Data collection methods
Both primary and secondary sources of data collection methods were employed by the researcher for the sake of attaining the anticipated objectives of the study. The study therefore used observation, interview, questionnaire and documentary review as the main data collection methods. The adoption of these methods was driven by the realities that are cost effective, easy to analyse, familiar to most people, reduces bias and are considered less intrusive (Wilson, 2012).

3.8 Data Analysis
Data on the causes of informality among Women-Owned SMEs descriptive Statistics were analysed in which frequency and per cent age of responses were computed.

3.9 Data Validity
To warrant validity of the study, content validity was employed to oversee if the elements in the questionnaires answered the research questions and objectives. Likewise, the constructed questionnaires and generated data was examined for the purpose of guaranteeing clarity of the questions and avoidance of ambiguities, confusing and abusive languages to the respondents that will results to biased findings.
CHAPTER FOUR

PRESENTATION OF FINDINGS

4.0 Introduction

Chapter Three identified the methodologies that were used to collect, analyse and present data. This chapter provides details on the outcomes of the data gathered phase. It is consisting of two sections, the first section presents descriptive findings on demographic characteristics of the respondents of the study and the second section presents the findings with respect to each research questions posed in this thesis.

4.1 Demographic information analysis

This section provides the summary of demographic information for all respondents.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Frequency</th>
<th>Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Education level</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primary education</td>
<td>36</td>
<td>36</td>
</tr>
<tr>
<td>Secondary education</td>
<td>54</td>
<td>54</td>
</tr>
<tr>
<td>Bachelor degree</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Master degree</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td><strong>Age of Respondents</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18-25</td>
<td></td>
<td></td>
</tr>
<tr>
<td>26-35</td>
<td>32</td>
<td>32</td>
</tr>
<tr>
<td>36-45</td>
<td>56</td>
<td>56</td>
</tr>
<tr>
<td>46-55</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>56 and above</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td><strong>Duration in business activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11-20 years</td>
<td>52</td>
<td>52</td>
</tr>
<tr>
<td>6-10 years</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>less than 05 years</td>
<td>18</td>
<td>18</td>
</tr>
<tr>
<td>20 years and above</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td><strong>Marital status of respondents</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Married</td>
<td>64</td>
<td>64</td>
</tr>
<tr>
<td>Single</td>
<td>26</td>
<td>26</td>
</tr>
<tr>
<td>Divorced</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td><strong>Business capital ( Tshs)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1,000,000-1,500,000</td>
<td>18</td>
<td>18</td>
</tr>
<tr>
<td>2,000,000-9,000,000</td>
<td>66</td>
<td>66</td>
</tr>
<tr>
<td>Number of employees</td>
<td>10,000,000-20,000,000</td>
<td>20,000,000 and above</td>
</tr>
<tr>
<td>---------------------</td>
<td>-----------------------</td>
<td>----------------------</td>
</tr>
<tr>
<td></td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td>04</td>
<td>04</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Type of business</th>
<th>Selling of goods</th>
<th>Services</th>
<th>Manufacturing</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>68</td>
<td>30</td>
<td>02</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

**Total number of registered SMEs in Kinondoni Municipality = 26,110**

Source: Field survey (2019)

**Education level of women**

The descriptive statistics in Table 4.1 shows majority of the Women-Owned SMEs 54 (54%) of all 100 respondents attained secondary education accompanied by 36 (36%) of the surveyed respondents with number one education whilst 07 (7%) of Women-Owned SMEs were bachelor degree holders and 08 (8%) of Women-Owned SMEs were master diploma holders. This finding concurs with the study of Rosenberg et al. (2016) who revealed that the greater degree of employment within the recognized sector are associated to those women with high level of education whilst in the informal sector those with low level of education are attached.

**Age of Respondents**

Table 4.1 presents the age of respondents. The finding indicated that 56 (56%) of all 100 respondents have found to have age between 36-45 years followed by 32 (32%) of all Women-Owned SMEs with the age between 26-35 years and 12 (12%) of all Women-Owned SMEs have the age between 46-55 years. Implication of this finding is because the age between 36-45 years is the major productive age labour force, which carries family responsibilities.

**Duration in business activities**

Table 4.1 underneath indicates the periods at which Women-Owned SMEs had been in their respective commercial enterprise activities. As shown in table 4.1, about 52 (52%) of all 100 Women-Owned SMEs have been in business activities for 11-20
years, 20 (20%) of all Women-Owned SMEs have been in business activities for 6-10 years. Moreover, 18 (18%) of all Women-Owned SMEs have been in business activities for less than 05 years and the remaining 10 (10%) of all Women-Owned SMEs have been in business activities for 20 years and above. The study assumes also that being in business activities for a longer period may also indicate that business owners have experienced understanding of the issues regarding business management in their respective business activities for which they work.

Marital status of respondents

Table 4.1 shows the marital status of Women-Owned SMEs. As indicated in figure 4.2, majority of the respondents 64 (64%) of all 100 Women-Owned SMEs were married, followed by 26 (26%) of all of all Women-Owned SMEs who were single while 10 (10%) of all Women-Owned SMEs were divorced.

Capital of the Women-Owned SMEs

Table 4.1 indicates the responses of Women-Owned SMEs regarding amount of business capital of SMEs owners in their respective businesses.

Results indicated that 66 (66%) of all 100 Women-Owned SMEs have a business capital mounting between Tshs. 2,000,000-9,500,000/- followed by 18 (18%) of all SMEs owners with a business capital mounting to Tshs 1,000,000-1,500,000/. And-12 (12%) of all SMEs owners with a business capital mounting from Tshs 10,000,000 to 20,000,000 and the remaining 4 (4%) of all SMEs owners with a business capital mounting from Tshs 20,000,000 and above. This suggests that majority of SMEs owners have small business capital.

Number of employees in the business

Table 4.1 indicates the responses of Women-Owned SMEs regarding the number of employees they have employed in their respective businesses.

When the respondents were asked about the number of employees in their SMEs, 75 (75%) of said they have two employees, 20 (20%) of respondents said to they have
three employees and five (5%) said they have 13 employees. This infers that most of Women-Owned SMEs have less than two employees.

**Type of business**

The results showed that 68 per cent of all Women-Owned SMEs engaged in type of business related to selling of goods followed by 30 (30%) of all Women-Owned SMEs are engaged in type of business related to services and the remaining 02 (2%) of all Women-Owned SMEs are engaged in type of business related to manufacturing. Retail selling and buying business was most reported business transaction engaged by Women-Owned SMEs.

**4.2 Causes of informality among Women-Owned SMEs**

The cause of informality was analysed by using descriptive statistics. Women-Owned SMEs were asked about the causes of business informality among them

i. **It takes long time to complete business registration**

The research findings indicated that, 40 out of 100 women (40%) of all respondents argued that they are reluctant to register their businesses because it takes long time to complete business registration. This finding consent with the finding by Wangwe and Mmari (2014) who assert that entrepreneurs spend much time in business registration processes and the operational inconveniences discourage them from proceeding with the formalization.

ii. **The business registration offices are far distant**

The research finding indicated that 8 women (8%) SMEs out of 100 of all Women-Owned SMEs said that they are to register their businesses because the business registration offices are located far distant from where they operate their businesses. Concurrently, Lewitt (2008) argues that SMEs owners may opt to remain informal for different reasons, which could include long distance from where registration offices are located.
iii. **Complicated procedures of business registrations entry**

The research finding indicated that 32 Women-Owned SMEs out of 100 equivalents to 32 per cent of all Women-Owned SMEs said that they did not register their businesses due to complicated procedures of business registrations entry. This finding fulfils a study by Lewitt (2008) who argued that SMEs owners might opt to remain informal due to complicated procedures that are associated with business registration.

iv. **High business registration costs**

The research finding indicated that 20 Women-Owned SMEs out of 100 equivalents to 20 per cent of all respondents said that they did not register their businesses due to high costs involved in business registration process that they cannot afford them. Lewitt (2008) argued that SMEs owners might opt to remain informal to evade high registration costs and conformity expenses attributed to business formalization.

<table>
<thead>
<tr>
<th>Causes of informality</th>
<th>Frequency</th>
<th>per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>I do not want to register my business because it takes long time to complete business registration</td>
<td>40</td>
<td>40</td>
</tr>
<tr>
<td>I do not want to register my business because the business registration offices are far distant from where I operate my business</td>
<td>08</td>
<td>08</td>
</tr>
<tr>
<td>I do not want to register my business due to complicated procedures of business registrations entry</td>
<td>32</td>
<td>32</td>
</tr>
<tr>
<td>I do not want to register my business because I cannot afford high business registration costs</td>
<td>20</td>
<td>20</td>
</tr>
</tbody>
</table>

Source: Field survey (2019)

### 4.3 The effect of formalization of Women-Owned SMEs on profitability

The effect of formalization of Women-Owned SMEs on profitability was analysed by using descriptive statistics. Women-Owned SMEs were asked about the effect of formalization on profitability
i. **Formal registration and licensing of business assists in accessing to bank loans services**

The research finding indicated that 46 women operating SMEs (46%) argued that formalization of their businesses assists them in accessing bank loans services conveniently. This finding is supported by the study of Rosenberg et al. (2016) who evaluated the impact of registration and formalization of small businesses on eligibility for soft loan access. The findings showed that business formalization had a positive impact on the firms’ access to finance.

ii. **Issuing of tax receipts to customers helps in getting more customers**

The research finding indicated that 30 Women-Owned SMEs (30%) which denoted that issuing of tax receipts to customers helps them in getting more customers especially corporate clients and foreigners who can use them to claim tax refunds. This finding concurs with a study by Alcazar et al. (2010), who revealed that business formalization and issuing of tax receipts increases a firm’s reputation and attracts customers.

iii. **Compliance with social security helps me to gain profit through my saving**

The research finding indicated that 24 Women-Owned SMEs (24%) argued that compliance with social security helps them to gain profit through their saving from social security fund. This finding approves a study by Anderson (2004) who revealed that formalization of businesses has a substantial effect on profitability and social security savings.
Table 4.3: The effect of formalization of Women-Owned SMEs on profitability

<table>
<thead>
<tr>
<th>Variables</th>
<th>Frequency</th>
<th>per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>I am able to increase profit as formal registration and licensing of my business can allow me from accessing to bank loans services</td>
<td>46</td>
<td>46</td>
</tr>
<tr>
<td>I am able to increase higher profit from my business because I issue tax receipts to customers who can use them to claim tax refunds</td>
<td>30</td>
<td>30</td>
</tr>
<tr>
<td>Compliance with social security fund enables me to gain profit as I can get saving from social security fund</td>
<td>24</td>
<td>24</td>
</tr>
</tbody>
</table>

Source: Field survey (2019)

4.4 Strategies for promoting the formalization of Women-Owned SMEs

Strategies for promoting the formalization of Women-Owned SMEs were analysed by using descriptive statistics. Women-Owned SMEs were asked about the strategies that would promote their business formalization

a) Creating a favourable regulatory environment for micro enterprises

The research finding indicates that 42 Women-Owned SMEs (42 per cent) proposed a favourable regulatory environment for operations in reducing the complexity and cost of compliance for micro enterprises would encourage formalization of business enterprise. This study is of the same opinion with the report by ILO (2013), which indicated that government has to enhance her services by eliminating all form of discrimination, which affect the level of women’s access to loans for their business operation.

b) Provision of appropriate services by financial institutions to micro enterprises

The research finding indicates that 10 Women-Owned SMEs (10%) proposed that provision of appropriate services by financial institutions to micro enterprises would influence the formalization of business enterprise. This study is supports findings by Monteiro and Assuncao (2011) who indicated that access to finance and capital gains are key drivers to business formalization and statutory compliances.
c) Extending government social security fund to poor informal workers
The research finding indicates that 08 Women-Owned SMEs (8%) of all surveyed respondents propose that through extending government social security fund to poor informal workers would result to formalization of business enterprise. This finding concurs with a study by Chen (2012) who suggested that informal enterprises, activities, and workers need policies addressing informality to facilitate registration of their informal enterprises and extend state protection to poor informal workers.

d) Simplification of procedures for business registration
The research finding indicates that 25 Women-Owned SMEs (25%) proposed that simplification of administrative procedures for business registration attracts formalization of business enterprise. This finding aligns with the report by ILO (2014) that purports various inclusive interventions for simplifying the process for registering informal enterprises and community sensitization.

e) Building awareness through training and advisory services
The research finding indicates that 15 Women-Owned SMEs (15%) proposed that building awareness through training, advisory services, access to finance, providing workspace and regulatory simplifications to informal enterprises would possibly lead to formalization of business enterprise. This finding is bolstered with the report by ILO (2014) that integrated strategy for transition to formality encompasses the following, firstly, is growth strategies and quality employment generation, secondly is regulatory environment, including enforcement of international labour standards and core rights. Thirdly, is Organization, representation and social dialogue, fourthly, is Equality: Gender, HIV status, ethnicity, race, caste, age, disability. Firth is Entrepreneurship, skills, finance, management, access to markets and lastly is Extension of social protection: Building social protection floors and social security systems
Table 4.4: Strategies for promoting the formalization of Women-Owned SMEs

<table>
<thead>
<tr>
<th>Strategies</th>
<th>Frequency</th>
<th>per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creating a favourable regulatory environment for operations in reducing the complexity and cost of compliance for micro enterprises would encourage formalization of business enterprise</td>
<td>42</td>
<td>42</td>
</tr>
<tr>
<td>Provision of appropriate services by financial institutions to micro enterprises would influence the formalization of business enterprise.</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Extending government social security fund to poor informal workers would result to formalization of business enterprise.</td>
<td>08</td>
<td>08</td>
</tr>
<tr>
<td>Simplification of administrative procedures for business registration would possibly lead to formalization of business enterprise.</td>
<td>25</td>
<td>25</td>
</tr>
<tr>
<td>Building awareness through training, advisory services, access to finance, providing workspace, regulatory simplifications to informal enterprises would possibly lead to formalization of business enterprise.</td>
<td>15</td>
<td>15</td>
</tr>
</tbody>
</table>

Source: Field survey (2019)
CHAPTER FIVE
DISCUSSIONS OF THE FINDINGS

5.1 Introduction

The previous chapter presents findings that were observed through the analysis of data obtained from field. This chapter focuses on discussion of the findings thereby establishing causal relationship of the impact of formalization of Women-Owned SMEs on profitability through; identifying causes of informality, determining effect of SMEs formalization and proposing strategies for promoting formalization.

5.2 The causes of Women-Owned SMEs informality

Findings from this study indicated that 40 per cent of respondents were reluctant to formalize their businesses due to length of time taken to complete the business registration and 8 per cent arguing that long distance to reach the registration offices is a major hindrance. On the other hand, 32 per cent or respondents were distracted by complicated procedures and bureaucracy in government offices and 20 per cent were discouraged because of high business registration cost.

These findings derived from the study concur with previous findings by Wangwe and Mmari (2014) who denoted that entrepreneurs would rather spend much time trading in their businesses than in government offices for compliance on statutory issues. The researcher further denoted that time-consciousness is a key attribute of a successful entrepreneur therefore most of them do not want to waste any. In light of the same, Lewitt (2008) argues that SMEs owners may opt to remain informal since they are not legally obliged to formalize.

5.3 The effect of formalization of Women-Owned SMEs on profitability

Findings from this study indicate that access to finance was the most highlighted reason for SMEs formalization with 46 per cent respondents concurring to this. The
respondents argued that they preferred formalization of their businesses to have all the paper for qualifying to access soft loans from banks, microfinance and other grants. On the other hand, 30 respondents argued that formalization is vital for customer retention and increasing customer base especially for corporate clients. According to the interviewed respondents, business formalization enables businesses to have Electronic Fiscal Devices (EFD) receipts that are used for refunds and retirements. The remaining lot of 24 respondents highlighted contributions to social securities, insurances and saving scheme as motivators to business formalization.

These findings are a build-up of scholarly works by Alcazar et al. (2010) and Anderson (2004) who argued that entrepreneurs formalize their businesses because of a motivation drive that directly affects their businesses in terms of increasing market share, access to finance and reducing risks associated to running the businesses. However, Lewitt (2008) warns that these motivators differ from one entrepreneur to another and are insatiable. The researcher further denotes that the choice of formalization drive is context specific.

5.4 Strategies for promoting the formalization of Women-Owned SMEs

Findings from this study indicate that creating a favourable regulatory environment for micro enterprises was the most highlighted strategy for promoting Women-Owned SMEs formalization with 42 per cent of respondents attesting this. Twenty-five per cent of respondents argued that simplification of business formalization procedures and reducing bureaucracy would attract SMEs to formalize their ventures. Ten per cent of respondents denoted that provision of appropriate financial services is a motivator, 8 per cent elaborated that government security fund to informal sector will influence formalization. Fifteen per cent proposed awareness building through training.
CHAPTER SIX
SUMMARY, CONCLUSION AND RECOMMENDATIONS

6.1 Introduction

This segment of the research presents the summary of the results conclusion as well as the suggestions.

6.2 Summary

The study determines the impact of formalization of Women-Owned SMEs on profitability. The specific objectives of study were:

i) To identify the causes of informality among Women-Owned SMEs.

ii) To determine the effect of formalization of Women-Owned SMEs on profitability.

iii) To propose strategies for promoting the formalization of Women-Owned SMEs in Kinondoni municipality.

The first objective of the study was about to identify the causes of informality among Women-Owned SMEs. The study revealed that informality among Women-Owned SMEs is caused by much time taken to complete business registration, far distance from the nearest business registration office, lack of business education/training opportunities, low levels of skills, low incomes and higher costs of entry in registration.

The second objective of the study was about to determine the effect of formalization of Women-Owned SMEs on profitability. The study revealed that formalization of Women-Owned SMEs has a significant effect on profitability as it assists SMEs to access on credit services and entrepreneurial training opportunities, which enable them, capable of conducting their businesses conveniently.

The third objective of the study was about to propose strategies for promoting the formalization of Women-Owned SMEs. The study revealed that the strategies
effective for promoting the formalization of Women-Owned SMEs include but not limited to, creating a favourable regulatory environment for operations in reducing the complexity and cost of compliance for micro enterprises, provision of appropriate services by financial institutions and local governments to micro enterprises, extending of government social security fund to poor informal workers. Moreover, universalization of dealings for creation of business and the strengthening of information and inspection systems to micro enterprises, awareness creation through training, provision of advisory services, provision of credit services and provision of workspace to informal enterprises.

6.3 Conclusion
Formalization of Women-Owned SMEs plays an important role on profitability. However, informality among Women-Owned SMEs is caused by much time taken to complete business registration, far distance from the nearest business registration office, lack of business education/training opportunities, low levels of skills, low incomes and higher costs of registrations entry.

Formalization of Women-Owned SMEs has a significant impact on profitability as it assists SMEs to access on credit services and entrepreneurial training opportunities, which enable them capable of conducting their businesses conveniently.

The strategies effective in promoting the formalization of Women-Owned SMEs include but not limited to creating a favourable regulatory environment for operations in reducing the complexity and cost of compliance for micro enterprises. Also, the provision of appropriate services by financial institutions and local governments to micro enterprises, extending of government social security fund to poor informal workers and the strengthening of information and inspection systems to micro enterprises, awareness creation through training, provision of advisory services, provision of credit services and provision of workspace to informal enterprises.
6.4 Recommendation

The following are the recommendations based on the key findings:

The government should focus on encouraging Women-Owned SMEs to shift out of informality by exposing the potential gains associated with an upgrade in legal status, with less cumbersome registration procedures such as creating a regulatory environment and an enabling policy that reduces the challenges faced by businesses during the process of formalization.

The research recommends the government to reduce administrative barriers involved in the process of formalization such as long queues and the lengthy process of registration along with promote a greater awareness of the benefits and protection that comes with formalization.

Moreover, the researcher recommends the government to provide informal enterprises with the loans facility services, marketing facilities and credit facilities as well as training as these provisions will help to increase the number of businesses who formalize their activities to the formal sector.

Business owners in the informal sector are advised to take initiatives to access the right information pertaining to formalization of businesses. They must educate themselves on the structures instituted by the government to assist Women-Owned SMEs in the informal sector willing to become formal.

6.5 Areas of further research

Further research should focus on assessing the effectiveness of strategies in promoting formalization among the Tanzanian SMEs.
REFERENCES


De Bruijn & Nelson (2005). The Voluntary Formalization of Enterprises in a Developing Economy—The Case of Tanzania


APPENDIX I
QUESTIONNAIRE TO WOMEN SME OWNERS

Dear respondent

The aim of this research is to investigate the formalization of Women-Owned SMEs on profitability. Note: All of your responses are made anonymously - will not be shared with any 3rd party. This information will only serve the need of this study and will remain confidential. Kindly, you are requested to assist the undersigned student.

Student Name: Nyangwakwa Ndili  Date: ………………………………

INSTRUCTION:
Please read the question carefully and answer by either filling in the blanks or put a tick (√)

PART I: Demographic information of respondents.

a) Start time of interview …………………

b) Name of interviewee …………………………………………………

c) Region/district of resident ……………………………………………

d) Is your business located in urban or rural area? ………………………

e) Sex
   1. Male ( )
   2. Female ( )

f) Education level of respondent
   1. No education ( )
   2. Primary education ( )
   3. Ordinary secondary education ( )
   4. Advanced secondary education ( )
   5. Diploma/certificates ( )
   6. Tertiary education ( )

g) Age of respondent …………………. years

h) Number of dependants …………………

i) Number of household members ………………

j) Marital status of respondent
   1. Single ( )
   2. Married ( )
   3. Widower ( )
   4. Divorced ( )
k) How long have you been doing business? ………………. years/months
l) What other occupation do you have? e.g. Teacher, …………………
m) How much is the capital of your business? …………………………… Tshs
n) How many employees do you have in the business? ……………………..
o) Do you have bank account? 1. Yes (   ) 2. No (   )
p) What is the type of your business? 1. Manufacturing (   ) 2. Goods (   ) 3. Services (   )

I: CAUSES OF INFORMALITY AMONG WOMEN-OWNED SMES

a. Is your business registered? 1. Yes (   ) 2. No (   )
b. If the answer in (i) is yes,
   i. How many hours did you spend in getting the service the first day you launched an application? ……………………………
   ii. How much did you pay for registration? …………………….
   iii. How much time taken to complete registration of your business (days/month)? …………………………………………………….
   iv. How far is it from the nearest business registration office? ………. Km

c. If the answer in (a) is No, what are the factors hindering you to register your business?
   …………………………………………………………………………………………………………
   …………………………………………………………………………………………………………
   …………………………………………………………………………………………………………

   …………………………………………………………………………………………………………

   …………………………………………………………………………………………………………

   …………………………………………………………………………………………………………

d. Have you ever been attended any business education/training? 1. Yes (   ) 2. No (   )
e. If the answer in (d) is No, give reasons
   …………………………………………………………………………………………………………
   …………………………………………………………………………………………………………
   …………………………………………………………………………………………………………

   …………………………………………………………………………………………………………

   …………………………………………………………………………………………………………

   …………………………………………………………………………………………………………

f. Are you a member of any local community financial institution? 1. Yes (   ) 2. No (   )
g. Do you own some assets? 1. Yes (   ) 2. No (   )
h. If the answer in (g) is Yes, which assets does the business own among the following?
   1. Land (  )
   2. Car/bike (  )
   3. Houses (  )
   4. Other (  ) ………………………………

i. How much do you produce/earn per day? ………. tones or ………………. Tshs

II: THE EFFECT OF FORMALIZATION OF WOMEN-OWNED SMES ON PROFITABILITY

a) Does your business registration enable to gain profit? 1. Yes (  ) 2. No (  )

b) If the answer in (a) is No, why is it so? Give reasons
   ————————————————————————————————————————————————————
   ————————————————————————————————————————————————————
   ————————————————————————————————————————————————————

  c) If the answer in (a) is Yes, what is the percentage of the volume or sales gained due to registration of the business?
   ————————————————————————————————————————————————————

  d) Following your business registration, how many customers do you receive/serve 12 hours a day?
   ————————————————————————————————————————————————————

  e) Following your business registration, did you receive any loan from banks?
     1. Yes (  ) 2. No (  )

f) If the answer in (v) is no, explain why?
   ————————————————————————————————————————————————————
   ————————————————————————————————————————————————————
   ————————————————————————————————————————————————————

  g) If the answer in (e) is Yes, how much amount of money has your business received as loan from banks?
   ————————————————————————————————————————————————————
h) Following your business registration, have your business enabled you to increase income expenditure? 1. Yes (  ) 2. No (  )

i) If the answer in (h) is Yes, how much did you spend on food, education/school, utilities, medical and transport in the last week?

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount in Tshs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food</td>
<td></td>
</tr>
<tr>
<td>Education/school</td>
<td></td>
</tr>
<tr>
<td>Utilities</td>
<td></td>
</tr>
<tr>
<td>Medical</td>
<td></td>
</tr>
<tr>
<td>Transport</td>
<td></td>
</tr>
<tr>
<td>Others (specify)</td>
<td></td>
</tr>
</tbody>
</table>

j) Do you use EFD machine? 1. Yes (  ) 2. No (  )

k) If the answer in (j) is Yes, how did you buy the machine? .......................................................... 
........................................................................................................................................
........................................................................................................................................
........................................................................................................................................

l) If the answer in (j) is No, why? .......................................................... 
........................................................................................................................................
........................................................................................................................................
........................................................................................................................................
........................................................................................................................................

m) Did business registration help the business to own more assets? 1. Yes (  ) 2. No (  )

n) Did customers increase after registration of the business? 1. Yes (  ) 2. No (  )
III: STRATEGIES FOR PROMOTING THE FORMALIZATION OF WOMEN-OWNED SMEs

a) Which among these strategies do you think would be essential in promoting formalization of your business enterprises?

<table>
<thead>
<tr>
<th>Strategies</th>
<th>Strongly agree (1)</th>
<th>Agree (2)</th>
<th>Disagree (3)</th>
<th>Strongly disagree (4)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creating a conducive regulatory environment for operations in reducing the complexity and cost of compliance for micro enterprises would encourage formalization of business enterprise.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provision of appropriate services by financial institutions and local governments to micro enterprises would influence the formalization of business enterprise.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Extending government social security fund to poor informal workers would result to formalization of business enterprise.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Simplification of administrative procedures for business registration would possibly lead to formalization of business enterprise.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The creation of incentives related to social security and the strengthening of information and inspection systems would possibly lead to formalization of business enterprise.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Building awareness through training, advisory services, access to finance, providing workspace, regulatory simplifications to informal enterprises would possibly lead to formalization of business enterprise.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Time the interview ended ………………………………

73