Investigating the Relation
Between Microcredit and Female
Entrepreneurship in Lao PDR

En studie av relationen mellan mikrolån och kvinnligt entreprenörskap i Lao PDR

Klara Granath
Karin Kling

Supervisors: Ali Ahmed and Thérese Lind
English title:
Investigating the Relation Between Microcredit and Female Entrepreneurship in Lao PDR

Swedish title:
En studie av relationen mellan mikrolån och kvinnligt entreprenörskap i Lao PDR

Authors:
Klara Granath
klagr171@student.liu.se
Karin Kling
karkl575@student.liu.se

Supervisors:
Ali Ahmed
Thérese Lind

Publication type:
Master’s Thesis in Economics
International Business Administration and Economics
Advanced level, 30 credits
Spring semester 2018
ISRN number: LIU-IEI-FIL-A--18/02873--SE

Linköping University
Department of Management and Engineering (IEI)
www.liu.se
Abstract

Even though the idea of microcredit is to stimulate entrepreneurial activities in developing countries, there is an ongoing debate whether this is achieved. Many argue that only providing credit is not enough and see a need for additional components in promoting entrepreneurial activities for the stimulation of economic growth. Moreover, the importance of including women in economic development is widely acknowledged. In Lao People's Democratic Republic where many women run their own businesses and a majority of microcredit borrowers are women, we aimed to examine the relation between microcredit and female entrepreneurship. This was accomplished by conducting semi-structured interviews with 13 Laotian female microcredit borrowers running businesses, as well as interviews with seven representatives from organizations related to microcredit and female entrepreneurship. To understand the female entrepreneurs and the environment in which they operate, we developed a model where factors related to the loan agreement, networking, motivation, gender division of labor and training were identified as important components in the context of Lao PDR. The results support the view that a credit only approach is not enough for the development of female entrepreneurship in Lao PDR.

Key Words: Microcredit, Microlending, Microfinance, Female Entrepreneurship, Women’s Entrepreneurship, Lao People's Democratic Republic, Interest Rate, Grace Period, Loan Size, Networking, Motivation, Gender Division of Labor, Sexual Division of Labor, Business Training.
Acknowledgements

Writing this thesis has been an experience of a lifetime, and it would not have been possible without all the wonderful people we met along the way. First of all, we are very thankful to the Swedish International Development Cooperation Agency, for granting us this scholarship, and providing us with an inspirational education in Härnösand. Additionally, we would like to thank Hanna Swahnberg and Lisa Norrgren for taking your time to answer our many, many questions prior to our departure for Lao PDR.

Once arrived in Vientiane, we were amazed by the beautiful country and the hospitality of its people. Lao PDR will forever have a special place in our hearts. We want to direct our warmest gratitude towards everyone who was there for us in everything from supporting our work to celebrating Pi Mai. Firstly, we would like to thank Michael, for taking an interest in our project already at an early stage, and for helping us organize and carry everything out. We will never forget the day we encountered waterfalls suffering from lack of water, or how great of a karaoke song Hotel California is. Much appreciation goes out to Karbkeo for always talking just the right amount and teaching us the true meaning of Bor Pen Nyang. Without you, the stories of the strong women we met would never have reached Sweden. You are an amazing friend, and we hope that we will see you again. Our deepest gratitude to the inspirational Khonevilay, for letting us take part of your work and for providing all the support we could have ever asked for. Moreover, we want to show our greatest appreciation to Vice Dean and Professor Phouphet Kyophilavong, who in addition to inviting us to the beautiful National University of Laos, also taught us very important things about life and research that we will always remember. We would also like to thank the Professors, lecturers and staff at the Faculty of Economics and Business Administration at NUoL for welcoming us and showing interest in our work. We are incredibly lucky to have met all of you, and hope to see you again, sooner rather than later.

Furthermore, we cannot express enough how thankful we are to the female entrepreneurs we have met for sharing their experiences and always welcoming us with open arms. We are also forever grateful to the representatives from the four organizations interviewed. Thank you for sharing your expertise and letting us take up your time, even when one hour turned into two.

Last, but definitely not least, we would like to express our sincerest gratitude to Professor Ali Ahmed, Ph. D. Candidate Thérese Lind and Professor Gazi Salah Uddin for invaluable support and guidance throughout different stages of this process. We would also like to thank our opponents and members of our seminar group for important insights and comments.

Klara Granath and Karin Kling
May 29, 2018
Table of Contents

1. Introduction.................................................................................................................. 1
   1.1 Background and problem discussion .................................................................... 1
   1.2 Purpose and research questions .......................................................................... 4
   1.3 Methodology ......................................................................................................... 4
   1.4 Contribution of the study .................................................................................... 4
   1.5 Disposition ............................................................................................................ 5

2. The Lao PDR context ..................................................................................................... 6
   2.1. Background ......................................................................................................... 6
   2.2 Labor market and entrepreneurial climate ............................................................ 6
   2.3 Financial sector .................................................................................................... 7

3. Theory and Previous Literature .................................................................................. 9
   3.1 Microcredit and entrepreneurship ........................................................................ 9
   3.2 Factors related to the loan agreement .................................................................... 11
   3.3 Networking ........................................................................................................... 13
   3.4 Entrepreneurial motivation .................................................................................. 14
   3.5 Gender division of labor ...................................................................................... 15
   3.6 Training ................................................................................................................. 16

4. Methodology ................................................................................................................ 18
   4.1 Choice of methodology ........................................................................................ 18
   4.2 Development of methods ...................................................................................... 19
      4.2.1 Creating the interview guides .......................................................................... 19
      4.2.2 Pilot interview .................................................................................................. 20
      4.2.3 Conducting the interviews ............................................................................... 21
   4.3 Sampling ................................................................................................................ 23
   4.4 Content analysis ..................................................................................................... 26
   4.5 Limitations and method criticism ......................................................................... 28
   4.6 Cross-cultural interviewing ................................................................................... 28
   4.7 Ethical Issues ......................................................................................................... 28

5. Results and discussion of the results .......................................................................... 29
   5.1 Microcredit and entrepreneurship ......................................................................... 29
      5.1.1 Determining access to finance ......................................................................... 29
      5.1.2 Other perceived effects from the loan ............................................................... 31
      5.1.3 Purpose and use of the loan ............................................................................ 31
   5.2 Factors related to the loan agreement .................................................................... 33
      5.2.1 Repayment frequency and grace period ........................................................... 33
      5.2.2 Interest rate ..................................................................................................... 34
      5.2.3 Loan size .......................................................................................................... 35
5.3 Networking ................................................................................................................. 36
  5.3.1 Identifying the networks ......................................................................................... 36
  5.3.2 Functions of the networks ..................................................................................... 37
  5.3.3 Networks and decision making ............................................................................ 39
5.4 Entrepreneurial motivation ......................................................................................... 40
  5.4.1 Identifying factors related to necessity ................................................................. 40
  5.4.2 Identifying factors related to opportunity ............................................................. 41
  5.4.3 Mixed factors of motivation ................................................................................ 42
5.5 Gender division of labor ......................................................................................... 43
5.6 Training ...................................................................................................................... 44
  5.6.1 The female entrepreneurs’ experiences of training ................................................. 44
  5.6.2 The organizations’ views on training ................................................................. 45
  5.6.3 Challenges ......................................................................................................... 46
6. Discussion of research questions ............................................................................... 48
  6.1 What is the role of microcredit for female entrepreneurship in Lao PDR? .......... 48
  6.2 How do the factors in our model influence the relation between microcredit and female entrepreneurship in Lao PDR? ........................................................................... 49
    6.2.1 Factors related to the loan agreement ................................................................. 49
    6.2.2 Networking ......................................................................................................... 51
    6.2.3 Entrepreneurial motivation ................................................................................ 52
    6.2.4 Gender division of labor ................................................................................... 53
    6.2.5 Training ............................................................................................................. 54
7. Conclusion .................................................................................................................... 57
Bibliography .................................................................................................................... 58
Appendix .......................................................................................................................... 65
1. Introduction

1.1 Background and problem discussion

Lack of access to financial services is a common problem in developing countries. Since there is a broad consensus that entrepreneurship\(^1\) matters for economic growth (Ács et al., 2014; Doran et al., 2018), this makes lack of access to capital for start-up and development of businesses unfavorable. For people living in poverty, requirements from formal banks\(^2\) regarding income statements, collateral and credit history pose constraints in accessing financial services, since many lacks this type of information (Khavul, 2010). Microfinance has therefore been argued as a solution in developing countries to bank the people previously excluded from financial services. This since microfinance institutions (MFIs) usually rely on social relationships and other types of mechanisms to reduce the risks associated with these information problems (Armendariz and Morduch, 2005)\(^3\).

While the term microfinance includes credit, savings and insurance, microcredit is the most widespread instrument. This type of credit is often small and provided without collateral to individuals or groups, usually with the purpose of generating productive activities for the borrower. Apart from depending on social relationships, MFIs also rely on regular repayment schedules and dynamic incentives\(^4\) in order to provide loans without collateral or credit history (Morduch, 1999). Microcredit is based on the common idea that providing capital to people earlier facing credit constraints enables and develops entrepreneurial activities. According to Yunus (1999), who is one of the pioneers within microfinance, every person living in poverty has the potential of becoming an entrepreneur and lack of capital is the main obstacle to engage in entrepreneurship. Some studies do confirm these ideas, indicating that microcredit has a role in promoting the creation of new businesses (Bruhn and Love, 2009; Augsburg et al., 2012) or

---

\(^1\) While the term *entrepreneur* might be associated with a driven and successful innovator, the term in the context of a developing economy might require a wider interpretation. Therefore, the definition of a female entrepreneur provided by Mahmood et al. (2014, p.237) will be used: “the woman entrepreneur is one who takes risks to start a new income generating activity (new enterprise) or invest in an already established income generating activity (established enterprise)”.  

\(^2\) Formal banks refer to state owned or commercial banks.  

\(^3\) The pioneering microcredit model of Grameen Bank in Bangladesh was built on loan groups with joint liability, meaning that in case of default, remaining group members are responsible for repayment. If the microcredit is not repaid, the members are denied subsequent loans in the future (Armendariz and Morduch, 2005).  

\(^4\) Examples of dynamic incentives are progressive loan amounts and decreasing interest rates (Morduch, 1999).
in developing already existing ones (Crépon et al, 2011; Augsburg et al., 2012, Banerjee et al., 2015). Therefore, by facilitating access to credit and thereby promoting entrepreneurship, the intended results of microcredit are increased living standards, a long-term path out of poverty as well as increased economic growth due to augmentations in economic activity (Khavul, 2010; Newman et al., 2017).

Another aspect of economic growth is the promotion of female participation in the economy. Letting women take advantage of economic development and the opportunities that comes with it on the same terms as men is of utmost importance in order to create sustainable and inclusive economic growth (OECD, 2017). Women are usually more vulnerable in the context of poverty, with gender gaps existing in education attainment, health and survival, economic participation and opportunity, and political empowerment (World Economic Forum, 2017). The importance of promoting women is acknowledged by many MFIs, where the main focus commonly is female clients (Daley-Harris, 2009). This is also the case in Lao People’s Democratic Republic (Lao PDR), with a majority of microcredit borrowers being women (OECD, 2017; Lao MFA, 2018b).

Lao PDR has in recent years experienced fast paced economic growth (World Bank, 2017a). However, the country is still one of the poorest in Southeast Asia and poverty eradication remains a priority on the national agenda (UNDP, 2015). Since the country has the second highest female labor force participation rate in the ASEAN\(^5\) region (World Bank, 2017b), the problem here is not really how to include women in the workforce. Rather, the issue being that many female owned businesses often are of the informal, small-scale kind, with limited expansion possibilities and lower productivity levels (OECD, 2017). In a study conducted on women market vendors in the capital of Lao PDR, UN (2017) argues that lack of information and studies of female entrepreneurs in this particular context results in difficulties in identifying the actual obstacles they face. The focus should therefore be put on examining under what conditions these women operate, and what they need in order to become strengthened in their entrepreneurship.

\(^5\) Lao PDR is part of the Association of Southeast Asian Nations (ASEAN) together with Brunei, Cambodia, Indonesia, Malaysia, Myanmar, Philippines, Singapore, Thailand and Viet Nam (ASEAN, 2018).
While the promotion of female entrepreneurship is a priority (OECD, 2017), simultaneously lack of access to capital for income generating activities is recognized as problematic by the Lao Government (Seibel and Rohmann, 2012). Even though the microfinance sector in the country has developed since the 1990s, with most of the development taking place in recent years (World Bank, 2017a; Lao MFA, 2018a; 2018b), the financial sector is in need of development in order to achieve sustainable economic growth (Bank of the Lao PDR, 2018).

Although access to finance in form of microcredit certainly can help in promoting productive activities, the evidence is far from clear. Insignificant effects from the provision of microcredit on business start-up (Crépon et al., 2011; Angelucci et al., 2015) as well as on business development (Tarozzi et al., 2013) indicate that the effects from microcredit on entrepreneurial activities sometimes are negligible. While Yunus (1999) suggests that lack of capital is what prevents people living in poverty from pursuing an entrepreneurial path, others argue that only providing credit is not enough (Shetty, 2008; Reed, 2011; Kumar, 2017). As stated by Kumar (2017: p.69): “Microfinance alone will not improve the employment and income of female members, and they need non-financial services to build their own enterprises and livelihood”.

In line with this, we suggest that an increased supply of credit is not the only thing influencing female entrepreneurial development, but a range of other factors as well. Given that the majority of microcredit borrowers in Lao PDR are women, and that many informal micro businesses in the region are female-owned (OECD, 2017) we argue for the importance of further examining the role of microcredit in this context, and how other factors apart from the credit contribute to female entrepreneurial development in Lao PDR. In order to fully understand the mechanisms behind entrepreneurship through microcredit, Bruton et al. (2011) suggests that “… one needs to start with the borrower, her business, and her social environment, and then meaningfully aggregate upwards” (Bruton et al., 2011: p.734), which is what we aim to do in this thesis.
1.2 Purpose and research questions

The purpose of this thesis is to investigate the relation between microcredit and female entrepreneurship in Lao PDR, and how other factors might influence it. In order to do so, we developed a model where we identified factors related to the loan agreement, networking, motivation, gender division of labor and training as important components in the context of Lao PDR. This results in the following research questions:

- What is the role of microcredit for female entrepreneurship in Lao PDR?
- How do the factors in our model influence the relation between microcredit and female entrepreneurship in Lao PDR?

1.3 Methodology

To address our research questions, we collected our primary data through 17 semi structured interviews with 20 respondents, with some of the interviews conducted in focus groups. The respondents consisted of both Laotian female entrepreneurs using microcredit, and representatives from organizations connected to microcredit and female entrepreneurship. The theoretical model was used to develop our interview framework, and the interviews were recorded, transcribed and analyzed through a directed content approach. The data was analyzed with the theoretical framework and our model was evaluated accordingly.

1.4 Contribution of the study

This study is the first to our knowledge simultaneously focusing on factors related to the loan, networking, motivation, gender division of labor and training, within the relation between microcredit and female entrepreneurship. Furthermore, the literature on female entrepreneurs in Lao PDR is scarce, hence we contribute to a better understanding of their situation and the environment in which they operate their businesses. By combining the female entrepreneurs’ experiences of the given factors with the officials’ perspective, we identify some important focal points for the development of the microfinance sector and the promotion of female entrepreneurship in Lao PDR.
1.5 Disposition

The thesis is organized as follows. Section 2 gives a brief overview of the Lao PDR context. Section 3 presents theory and previous research on the factors of the model. Section 4 describes the methodology used. Section 5 presents the results in relation to previous theory and research. Section 6 discusses the research questions and evaluates the model, and Section 7 concludes.
2. The Lao PDR context

2.1. Background

Lao PDR is a landlocked country located in the center of Southeast Asia. The country has a long history of being part of different empires, the latest as part of French Indochina from which independence was declared in 1949 (CIA, 2018). During the Indochina War, Lao PDR was heavily bombed which is something the country still suffers from up to date, due to unexploded ordnance (UXO) in the ground (UN, 2018). The UXO affects economic development, such as the construction of infrastructure, water supply facilities and hospitals (UN, 2018). Lao PDR has been governed as a one-party communist state since 1975 (Landguiden, 2018), and opened up for a market-oriented economy in 1986 (Kyophilavong et al., 2016). Over the past decade, the country has seen growth rates in GDP averaging around 7.8 percent, partly explained by the new economic reforms introduced in the mid-80s, with natural resources presently being a key driver (World Bank, 2012, 2017a, 2017c). Agriculture and fishing are the largest sectors in terms of employment, occupying about 70 percent of the active population in 2010 (UN, 2015).

Lao PDR is very diverse, consisting of about 160 ethnic groups speaking approximately 80 different languages (Prochaska et al., 2014), which contributes to a complex operating environment in the country. About 80 percent of the Lao population lives in rural areas with poor infrastructure and limited access to education and formal financial markets (Prochaska et al., 2014). In a study on Laotian entrepreneurs, Onphanhdala and Suruga (2010) found that the share of rural entrepreneurs having less than primary education was 40.8 percent, compared to 27.6 percent of urban entrepreneurs. In addition to this difference in education between rural and urban areas, there is also a gender gap in education levels, where fewer girls than boys are educated. This is reflected in the literacy level, where fewer women than men are literate (World Bank, 2012).

2.2 Labor market and entrepreneurial climate

In 2010, 81 percent of those employed by registered firms were working in small- and medium sized enterprises (SMEs), implying that most firms are of the smaller character (UN, 2015). It is common that the micro- and small businesses are home based (Onphanhdala and Suruga, 2015).

---

6 The data do not separate microenterprises from small enterprises (UN, 2015).
There is also a large informal sector in the country (UN, 2012; Field Notes, 2018-03-25), but since this sector is not captured in the available data, determining the actual size of it remains difficult (UN, 2015).

Since micro-, small- and medium sized enterprises (MSMEs) account for a big part of the employment in Lao PDR, policies that further promote entrepreneurship and job creation are key measures in order to stimulate economic growth (UN, 2015; 2018). However, the Laotian entrepreneurs face some challenges related to the difficult operating environment in the country (World Bank, 2017a). This is mainly due to the complex procedures of starting a business, together with requirements connected to licensing and compliance (World Bank, 2017a). As a result, the country is ranked as 141 out of 190 countries regarding the ease of doing business (World Bank, 2018a). The obstacles Laotian firms face have resulted in a large informal sector and limited investments among businesses, which in turn keeps firms small and reduces job creation (World Bank, 2016: 2017a). Regarding wage employment, there is a lower share of women than men within this type of occupation, which is related to the lower levels of education among women (UN, 2015).

### 2.3 Financial sector

The Laotian financial sector faces several issues, such as limited reach in rural areas, strong regulations and domination by state owned banks (Kyophilavong, 2010). Regarding access to finance in the country, it was found in the Global Findex 2017 that 29 percent of adults in Lao PDR have an account at a financial institution (Demirgüc-Kunt et al., 2018). The most frequent reasons to not have an account was stated as having insufficient funds, financial institutions being too far away, lack of necessary documentation and financial services being too expensive (Demirgüc-Kunt et al., 2018).

As for the microfinance sector, the MFIs in the country now consist of both deposit and non-deposit-taking ones, as well as regulated and unregulated MFIs. The unregulated ones, often

---

7 The factors included in the ranking are ease of starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency (World Bank, 2018a).
8 This can be compared to 82 percent for neighboring Thailand and 100 percent for Sweden (Demirgüc-Kunt et al., 2018).
9 If voluntary deposits exceed 200 million kip or annual revenues exceed one billion kip, the organization has to be licensed as a regulated MFI (Seibel and Rohmann, 2012).
being village banks, cover around half of the villages in Lao PDR. Regarding the regulated MFIs, the number has increased from 26 in 2009 to 42 in 2012, serving about 29 percent of the villages in Lao PDR in 2012. Some of these MFIs are results of collaborations with foreign organizations, as well as with domestic ones such as the Lao Women’s Union (Seibel and Rohmann, 2012). However, even though the outreach of MFIs has increased, the Lao Microfinance Association (MFA) (2018a) argues that there still exists a demand for financial services since microfinance providers are both limited to their extent as well as scattered throughout the country. Alternative credit providers in rural areas are often informal, such as friends, family and moneylenders (Kyophilavong, 2010). While Demirgüç-Kunt et al. (2018) found restraints related to location and documentation in accessing financial institutions in Lao PDR, Siliphong et al. (2005) suggests another obstacle in accessing credit. The authors state that being in debt might be shameful for Lao women due to cultural reasons. This can lead to them avoiding formal banks, preferring to borrow from informal moneylenders or other informal sources where the application processes are quicker and less complicated (Siliphong et al., 2005).
3. Theory and Previous Literature

3.1 Microcredit and entrepreneurship

It is shown that microcredit can influence entrepreneurship in a positive way. Crépon et al. (2011) see an important impact from microcredit in expanding already existing activities. This is also strengthened by Banerjee et al. (2015), who observed an increase in investment among preexisting businesses, in combination with some increase in business creation among women. Furthermore, Augsburg et al. (2012) find a positive impact both on business creation and expansion among microcredit borrowers.

However, several studies find no impact at all. Crépon et al. (2011) find that access to microcredit does not influence the probability that households start new activities, and Tarrozzi et al. (2013) observe insignificant effects both on business creation and development. Related to whether microcredit promotes entrepreneurial activities comes the use of the loan. Attanasio et al. (2011) find that about half of the loans provided with the purpose of generating productive activities for the borrower actually were used for the household rather than the business. Women frequently used the loan for larger domestic appliances, and other types of household consumption (Attanasio et al., 2011). However, the findings of the actual use of the microcredit are mixed. In the study conducted by Tarrozzi et al. (2013), 83 percent of loans were reported being used for productive activities, whereas a study conducted in Lao PDR, found the share to be 71.2 percent in their sample (Sengsourivong and Mieno, 2015). Thus, even though the idea of microcredit is that it can influence the development of entrepreneurial activities in a positive way (Yunus, 1999) this relation seems to be complex, and previous studies indicate different factors influencing it. While the microfinance sector in Lao PDR has developed much in recent years (UN 2017; Lao MFA, 2018a; 2018b), we want to emphasize that an increased supply of credit might not be the only component influencing the development of female owned businesses. The following paragraphs aim to introduce some of the factors we argue to be important when examining the relation between microcredit and female entrepreneurship in Lao PDR.

Sigalla and Carney (2012) studied Tanzanian women participating in a program focusing on entrepreneurship through microcredit. A majority of the new businesses generated were of the small-scale kind, like poultry farming or vending vegetables. The women faced different
obstacles in their entrepreneurship, such as struggling to combine business activities with family and household responsibilities. Some of the entrepreneurs in the study managed to create successful businesses, while others had negative experiences resulting in extreme workload. This is supported by Belwal et al. (2012), arguing that one of the obstacles preventing the entrepreneurs in their study from developing their businesses was household responsibilities resulting in less time dedicated to business activities. Moreover, Belwal et al. (2012) conducted interviews with credit workers who emphasized that one of the main issues for the women entrepreneurs was managing the burden of housework in combination with their businesses. This implies that the gender division of labor is an important factor to examine when studying the relation between microcredit and female entrepreneurship.

Furthermore, Belwal et al. (2012) studied the role of microfinance in improving the economic situation of women entrepreneurs in Ethiopia. They found that one of the problems preventing the entrepreneurs from developing their businesses was insufficient support from government and family, and unfavorable business locations not generating enough customers. They also found that lack of advice in business start-up was problematic for the female entrepreneurs. In line with this, Bruton et al. (2011) argue that the women in their study who put a lot of effort in maintaining relationships with lenders and fellow borrowers were more likely to be successful, since networks and social capital provided the entrepreneur with knowledge. Moreover, Bruton et al. (2011) found that the successful entrepreneurs had better knowledge of the loan terms, resulting in activities creating value and employment. These women did also separate their business activities from family activities and household finances, which kept them more in charge of investment- and business decisions and less influenced by spouses and other family members. Belwal et al. (2012) further argue that lack of knowledge of business-opportunities was a problem for the female entrepreneurs. Altogether, this indicates that the relation between microfinance and female entrepreneurship is complex, and that it is important to understand how different factors such as having support from a surrounding network or access to proper knowledge, affects it.

When examining performance of businesses started via microcredit, Bruton et al. (2011) found that one of the common characteristics among the successful entrepreneurs was that they all had a strong growth-oriented mindset regarding their businesses. The authors propose that future orientation is a factor affecting how the loan is used in relation to the business. Related to the size of the loan, Belwal et al. (2012) found that 40 percent of the women in their study
experienced that the MFIs did not grant sufficient amounts. Moreover, one of the main issues for the women entrepreneurs was having too short repayment time, stressing the entrepreneur to generate enough funds for repayment instead of focusing on developing the business. This suggests that the motivation of the entrepreneur as well as factors related to the loan agreement are important when determining the relation between microcredit and entrepreneurship.

From the above discussion of previous findings, we will now present the model and how the factors might influence the relation between microcredit and female entrepreneurship in Lao PDR. Grounded in previous research, our model consists of factors related to the loan agreement, networking, motivation, gender division of labor and training.

3.2 Factors related to the loan agreement

Field et al. (2013) show that the structure of the loan agreement affects the creation of new businesses as well as business profits and household income. When comparing the regular microfinance contract where the repayments start immediately, to a contract where they start after two months, the authors find that clients with contracts including a two-month grace period were significantly more likely to start a new business compared to the borrowers with a regular contract. After three years, clients who randomly were assigned the grace period contract had higher weekly business profits, more capital and higher monthly household income on average, compared to clients with a contract that included immediate repayment. Thus, borrowers with a contract where the repayment started after two months overall had larger businesses that generated more profit. When discussing potential reasons for this result, Field et al. (2013) highlight a portfolio effect and an income effect. The portfolio effect refers to the reduction of risk connected to illiquid investments. This implies that the borrowers dared to make larger investments that may not give instant increases in profits but would benefit the business after a period of time. The income effect encompasses the fact that a two-month grace period makes it easier for borrowers to accumulate the money needed to repay the loan (Field et al, 2013).

In line with the study conducted by Field et al. (2013), we argue that the repayment time might strengthen or weaken the relation between microcredit and entrepreneurial activities, depending on the conditions of the contract. However, since the authors also noticed a threefold increase in default rates for clients with grace period contracts, we acknowledge that a contract including
a grace period might not be a viable strategy for the MFIs. Nevertheless, since the grace period contract in this experiment positively affected business investments and profits, we argue that it is of interest to investigate if this might be the case for Lao PDR as well. In this case, the borrowers’ experience of the repayment terms might be valuable in future policy design.

Another factor related to repayment terms, possibly influencing entrepreneurial development, is the interest rate which has been more in focus in recent years. The interest rates charged by MFIs vary widely between countries and organizations (Kneiding and Rosenberg, 2008). Yunus (2007: 2011) criticizes what he perceives as excessively high interest rates charged by some microfinance organizations. Serrano-Cinca and Gutiérrez-Nieto (2014) mention extreme interest rates as one form of ‘mission drift’, referring to MFIs with a focus rather on profit-maximization than serving people living in poverty. While generating profits could be one explanation to high interest rates, many reports point towards the high operating expenses in this sector as the cause. The small loan sizes come with high administrative costs and having customers in rural areas results in high transport costs (Kneiding and Rosenberg, 2008; Rosenberg et al., 2009). In line with macroeconomic theory, an increase in interest rates leads to decreased investments for firms since more money paid as interest implies less capital available for investments. While many papers within the area of microfinance focus on what the optimal interest rate should be, and debate whether policies directed towards keeping interest rates low should be used, we aim to investigate the clients’ attitudes towards the interest rate, in combination with the institutions’ own perspectives.

The size of the loan can also affect the creation and development of entrepreneurial activities. Agier and Szafarz (2013) states that “Having a loan approved is good news for an entrepreneur, but when it comes to the purpose of her business, loan size matters too.” (Agier and Szafarz, 2013: p.178). When conducting a study on the poverty reducing effects of microfinance in Lao PDR, Sayvaya and Kyophilavong (2015) find a minimal impact. The authors discuss loan size as a possible reason for this, and states that the loan might be too small to be used for productive purposes. The microcredit amount is also perceived as being insufficient in expanding a business from micro- into a small- or medium sized enterprise (OECD, 2017). OECD (2017) suggest that new practices are needed in the ASEAN region to help female entrepreneurs interested in expanding their businesses to get access to more capital. They propose that these practices can be implemented by the MFIs, either by raising the ceiling on microcredit loans, or by helping women upscaling to formal bank financing after completing a number of credit
cycles (OECD, 2017). We suggest that loan size is important to examine in this context. Even though microcredit is based on the idea of very small loans, it can be problematic if the loans are too small and perceived as a constraint for female borrowers in the development of their business.

3.3 Networking

The concept of networking is frequently used in the context of entrepreneurship. According to McGowan and Hampton (2007):

“entrepreneurial networks are defined as those relationships that an individual develops and utilises, consciously or subconsciously, to progress a particular enterprise, whether it is to establish a new venture, for example, or to develop an existing one” (McGowan and Hampton, 2007: p.111).

Furthermore, the authors argue that these networks can be both formal and informal. The former consisting of more professional relationships supporting the entrepreneur in start-up and development of the business, and the latter consisting of close and personal relationships being well-integrated in the entrepreneur’s life. In their study, Langowitz et al. (2006) refers to networking as the possibility of exchanging business ideas and argues that it is an important way for female aspiring entrepreneurs to receive support and develop their business skills. The network also serves the women by providing role models and mentors for their entrepreneurship (Langowitz et al. 2006). In accordance with this, Halkias et al. (2011) conducted a study of women entrepreneurs in Nigeria and argues that having role models being either family members, friends or other entrepreneurs is important for the success of women’s entrepreneurial activities. The role models provided support and inspiration, encouraging the women to engage in their business.

Several other studies confirm the importance of a network in the decision of starting a business. When examining the importance of social networks on self-employment, Allen (2000) finds that the decision of becoming self-employed is affected by the social network of the individual. This is supported by Greve and Salaflf (2003), who finds that an important factor when becoming an entrepreneur is using a social network for support and knowledge. These studies
indicate that the network surrounding the entrepreneur is important both in the start-up process, as well as in the continued entrepreneurial activities.

In line with the previous literature, we argue that being surrounded by a network that provides advice and support is important for women in their entrepreneurial activities and might influence the entrepreneurship positively. Since the Lao culture is very relationship based (Siliphong et al., 2005), it is of interest to examine how the female entrepreneurs use their networks in their business activities, and in what way it influences their entrepreneurship.

Another aspect of the network is its influence on the entrepreneurial decision making. According to McGowan and Hampton (2007), the female entrepreneurs in their study tended to include their networks in decisions related to their business, being influenced and guided by them. In the context of a developing country, Rahman (1999) found in a study of female microfinance clients in Bangladesh that many of them took a loan on behalf of their spouse. The author reports that the women were often influenced or even forced by their husband or by other men or relatives to borrow money from the MFI. This indicates that the female entrepreneur might not always be the final recipient of the loan she is debtor for. Since the family is likely to belong to the informal network surrounding the borrower, we emphasize that finding out how the network influences the use of the loan is another important aspect in the context of female entrepreneurship through microcredit.

3.4 Entrepreneurial motivation

Bourlès and Cozarenco (2017) discuss different types of entrepreneurs and distinguish between necessity driven and opportunity driven entrepreneurship. Necessity driven entrepreneurs are referred to as individuals starting or running their business against their will, driven by negative factors such as lack of other job opportunities. This view is in line with Carsrud and Brannback (2011), who refers to the necessity entrepreneurship as being driven by survival, earning enough to support family and one’s livelihood. The authors argue that it is important for a necessity driven entrepreneur to avoid failure, since failure in some cases is equivalent to starvation. Ács and Varga (2005) defines necessity entrepreneurship somewhat more mildly, referred to as the best opportunity for the individual but not necessarily the most wanted one. Opportunity driven entrepreneurship on the other hand, is referred to as individuals willingly starting a business to exploit new possibilities and achieve self-realization and success, often
involving growth-oriented ambitions (Ács and Varga, 2005; Carsrud and Brannback, 2011; Bourlès and Cozarenco, 2017).

Ukanwa et al. (2017) show in a case study of Nigerian women entrepreneurs that the main driver behind their entrepreneurship was survival, by earning a sufficient income to provide the family with food and manage their livelihood. Some of the respondents using microcredit indicated that it was sometimes used for emergencies such as food and healthcare, instead of business activities. Hence, the authors argue that women entrepreneurs living in poverty does not necessarily see microfinance as a mean to grow or expand the business, but mainly as a way of maintaining it for survival (Ukanwa et al., 2017).

We here believe many women to be driven by motivators related to necessity entrepreneurship, such as earning a sufficient income. This given the Lao PDR context where 22.7 percent of the population lives on less than $1.90 per day and women commonly run informal, small-scale businesses (UN, 2015; World Bank, 2018b). Hence, we argue that an important aspect of understanding the relation between microcredit and female entrepreneurship is to examine how the entrepreneurial motivation influences the use of the loan as well as the business activity.

3.5 Gender division of labor

Many studies emphasize the importance of women entrepreneurs for economic growth in developing countries. OECD (2017) argues that in order to promote female entrepreneurship in the ASEAN countries, the underlying gender inequalities have to be tackled first. It is argued that one factor influencing the female entrepreneur is the unpaid workload she faces, referred to as taking care of household responsibilities and family. As a result, women face difficulties in developing their businesses due to time constraints (OECD, 2017).

Becker (1985) created a model for the Sexual Division of Labor, modeling the household as a unit consisting of a man and a woman, choosing how to allocate the time of the households’ members between work in the labor market, housework and leisure. The author referred to the sexual division of labor as the woman being assigned with an increased responsibility of childcare and housework, leading to differences in occupations and earnings between men and women. In line with this theory, Kantor (2002) argues that sexual division of housework is a factor highly relevant when looking at female entrepreneurship in South Asia. Even when
included in the labor force, the women have a double workload consisting of paid work and unpaid household responsibilities (Kantor, 2002). These observations imply that traditional gender roles, where the woman takes care of household responsibilities and children, are not necessarily changed by the woman entering entrepreneurial activities. This view is supported by Green and Cohen (1995), arguing that the entrepreneurship only allows women to better combine business activities with housework, without changing the division of labor within the household. Furthermore, OECD (2017) states that the household responsibilities faced by women in the ASEAN region also influence the type and location of the business. They argue that the domestic responsibilities women face, often is one explanation to women engaging in home-based micro businesses related to traditional roles, such as sewing and cooking (OECD, 2017).

We suggest that the unpaid workload results in less time spent on business activities, which has a negative impact on entrepreneurial activity. With a majority of the Lao women running their own businesses, we argue that the gender division of labor is one of the relevant factors when looking at the relation between microcredit and female entrepreneurship in Lao PDR.

### 3.6 Training

Business and financial related training offered by MFIs is something that has increased in popularity in recent years. While the skills taught may differ between training programs, the focus is often put on keeping business records, financial planning, separating business and household finances, marketing and pricing (McKenzie and Woodruff, 2014). The increase in the provision of training might be explained by the more common view that it takes more than credit in order to generate and develop entrepreneurial activities. Among the authors emphasizing this, Shetty (2008) argues for a more integrated approach in microfinance that combines credit with other services. The author argues that entrepreneurial services, such as training, are key tools in stimulating the development of businesses. The need for training is strengthened by the findings of Afrin et al. (2010), when studying what factors are most important for female entrepreneurial development in rural areas. They find that financial management skills, such as financial planning and maintaining business records, have a direct and significant impact on female entrepreneurship, and therefore emphasize the development of such skills. This implies that financial management training could help entrepreneurial development, and that increasing human capital is of great importance. In line with this, Bulte
et al. (2016) suggests that MFIs should adopt a combined approach and offer credit plus services in order to accumulate human capital and not just provide financial means.

Beneficial effects from training are found in several studies, such as increased business knowledge (Karlan et al., 2009; Karlan and Valdivia, 2011; Giné and Mansuri, 2014). Except enhanced business knowledge, business performance may also be influenced in a positive way. Karlan et al. (2009) find that individuals who participated in training demonstrated higher sales compared to non-participants. Moreover, Kessy and Temu (2010) find that training contributes to increases in revenue and assets. Some authors also suggest lack of training as problematic, arguing that more resources should be devoted to offering and enhancing the quality of training (Mahmood et al., 2014). Moreover, Sayvaya and Kyophilavong (2015) mention lack of technical training as a possible explanation for the absence of a poverty reducing effect from microfinance in Lao PDR.

Despite the positive effects of training, there are also mixed findings regarding its effects, where some studies find no impact at all in some respects. While finding a positive impact on business knowledge, Karlan and Valdivia (2011) conclude that training have a negligible effect on revenue, profits or employment. In line with this, Giné and Mansuri (2014) find that women participating in training increase their business knowledge, but that it does not affect other aspects such as income, assets or business practices. McKenzie and Woodruff (2014) discusses multiple reasons for these mixed findings. First, the content of business training varies widely between organizations. Second, the impact of training might vary depending on the recipient (McKenzie and Woodruff, 2014).

Even though findings on business related training are mixed, we believe that it could have a positive impact on entrepreneurship through microcredit. Some reports point toward lack of skills within marketing, business management and finance being an obstacle for Lao women in their entrepreneurial activities (Siliphong et al., 2005; World Bank 2012; UN, 2015). Moreover, given that there exists a gender gap in education in Lao PDR (World Bank, 2012), we argue that increased knowledge and understanding of finance- and business management would be beneficial for female entrepreneurs. Therefore, we argue that the women’s own perceptions of training and attitudes towards participating are important to investigate for future design and provision of business- and finance related education.
4. Methodology

4.1 Choice of methodology

There are many studies focusing on microfinance and female microcredit clients. However, ours is the first to our knowledge that through this type of model investigates the relation between microcredit and female entrepreneurship in Lao PDR. Our thesis is conducted in line with the deductive philosophy, starting out with theory and from there, generating hypotheses. The collected data is then compared with theory to see if the findings confirm or contradict the theory. Since our focus is to examine how the female entrepreneurs perceive the chosen factors of our model, we decided to collect qualitative data through semi-structured interviews. In order to add depth to our study on the factors investigated, interviews were also conducted with officials from different MFIs and other organizations related to microfinance and the promotion of female entrepreneurship in Lao PDR.

In the context of Lao PDR, where the microfinance sector has expanded in recent years (World Bank, 2017a; Lao MFA, 2018a; 2018b) semi-structured interviews are suitable since they allow for a deeper understanding of the situation. The semi-structured interview is organized around certain themes, covered through the conversation between the interviewer and the respondent and allows the researcher to understand the “… motivations behind people’s choices and behavior, their attitudes and beliefs, and the impacts on their lives of specific policies or events” (Raworth et al., 2012: p.1). According to Leech (2002) “semistructured interviews allow respondents the chance to be the experts and to inform the research.” (Leech, 2002: p.668). We could have opted for unstructured or structured interviewing as well, but as argued by Leech (2002) the unstructured interview is not suitable for hypothesis testing. Regarding the structured interview, it requires that the researcher knows all potential categories and responses beforehand, and simply just want to quantify how many respondents that belongs to each category (Leech, 2002). This was not our goal since the perception of a specific factor might differ between individuals. Hence, in order to explore the relation between microcredit and female entrepreneurship in Lao PDR, we argue semi-structured interviews as a suitable method, being the middle way.

During our field study we encountered different people and organizations in both formal and informal meetings. These people shared their experiences and thoughts on the microfinance
industry in Lao PDR, general knowledge of the situation in the country, as well as their views on female entrepreneurship. This provided us with valuable information recorded in our detailed field notes, as suggested by Patton (2015).

4.2 Development of methods

4.2.1 Creating the interview guides

When it comes to semi-structured interviews, the interview guide used is vital. Patton (2015) defines the interview guide as a checklist helping the interviewer to systematically cover all important subjects in a conversational style interview, facilitating the search for information and comparison between the responses later on in the analysis. However, this type of interview can pose some problems as well. The standardized way of conducting the interview might not always allow the researcher to explore, and go deeper into, unanticipated subjects brought up during the interviews (Patton, 2015). In our case, this might be a limitation since the respondents can bring up additional important factors not taken into account by us in our model. However, by conducting a thorough review of existing theory and previous literature we do not believe this will occur to any greater extent.

The interview guides used were developed based on our theoretical framework in line with the deductive nature of our study. This can however result in a bias, since the probing questions grounded in theory might steer the respondents in a certain direction or make them say what they think we want to hear (Hsiesh and Shannon, 2005). However, our interview guides consisted of open questions, formulated in a non-judgmental way, in order to avoid the risk of influencing the respondent with our own hypotheses or potential judgements. The first guide was adapted for interviews with female entrepreneurs, the second for interviews with officials from two MFIs and then two separate guides were developed for the organizations related to microfinance and the promotion of female entrepreneurship in Lao PDR respectively, all found in the Appendix. The guides consisted of a set of background questions, with the purpose of understanding who the respondent was, and letting him or her get used to us and the format of the interview. Moreover, we had a set of main questions, together covering the different themes and factors we aimed to investigate. Each main question had a set of probing questions with the purpose of assuring that the information we sought was retrieved (Leech, 2002). The background- and main questions were held constant for every type of interview, but the probing questions differed between interviews based on how informative answers the respondents gave.
In line with Kvale and Brinkmann (2014) and Patton (2015), our research questions were formulated in a theoretical language, while the interview guides were adjusted to be in line with the colloquial language of the respondents. Regarding the interview guide for the female clients, the adjustment was made together with the interpreter who had a good understanding of the respondents’ vocabulary. As for the ending of the interview we followed the recommendations of Raworth et al. (2012), by including ending questions where the respondent had a chance to ask us questions or add something to the interview. This underlined the conversational style of the interview as being an interchange of information.

4.2.2 Pilot interview

Before conducting the interviews with female microcredit clients, a pilot interview was performed in order to test our interview guide thoroughly (Kvale and Brinkman, 2014). This allowed us to control that the questions were easy to understand, and that they provided us with the information we sought. The pilot was conducted with a member of the staff of one of the organizations we cooperated with. Except working full time at the organization, she was also running a business on the side using microcredit in the form of a staff loan\textsuperscript{10}. After the pilot interview, we made some minor adjustments accordingly.

However, after conducting the first five interviews with female clients we noticed a pattern of somewhat uninformative answers to some of our questions. Some questions were also hard for the respondents to understand, and we saw a need for further adjustments. The main questions remained unchanged, but we added clarifications. An example of this was when we asked question seven\textsuperscript{11}: “What skills and knowledge do you think you had and what skills and knowledge do you think you were lacking, at the time you started your business?”, where we needed to provide the respondents with concrete examples of skills and knowledge such as \textit{pricing your products} or \textit{finding suppliers} in order to help them reflect on their experiences. This resulted in more informative answers for the following nine interviews. However, we did not judge the change in quality of data to be as significant that we needed to disregard the first five interviews, since they still provided sufficient information. By keeping this additional

\textsuperscript{10} While the terms of the staff loan are slightly different compared to the regular loan given to clients, we could still test our interview guide adequately.

\textsuperscript{11} Interview guide found in the Appendix.
change of the interview guide in mind during the analysis, we minimized potential inconsistency in our interpretation of the data (Graneheim and Lundman, 2004).

For the interviews with officials, we did not conduct any pilot. Firstly, these interviews were conducted after completing those with female clients, which contributed to us being more experienced as interviewers. Since the questions were of a similar nature and treating the same factors but from another perspective, this further reduced the need for another pilot interview. Lastly, we had contact information to all the officials and they all spoke English, making it possible for us to contact the respondents later on if any clarification was needed.

4.2.3 Conducting the interviews

The interviews with female entrepreneurs were arranged with the help of a Laotian microfinance organization and took place in three different geographical areas. At the beginning of each interview we presented ourselves and the purpose of our study. We clarified for the respondent that her participation was voluntary, that her name would remain confidential and that no information she shared could be traced back to her or used against her by the organization. Lastly, we received her consent of these terms and of the interview being audio-recorded. As for the interviews with officials, we contacted them by e-mail and arranged a meeting. These interviews were held in English, and the interview questions were sent in advance to the respondents. They were given similar consent information as the entrepreneurs, upon which they had to agree. One interview with an official was not audio-recorded upon request of the respondent, and manual notes were taken instead. This may cause some bias since only the core meaning of the answers was captured, but as we could easily get in touch with this respondent by phone or email after the interview if more information was needed we argue that this bias did not influence the quality of the data in any significant way.

The interviews with female entrepreneurs were conducted in Lao with the help of a translator from the organization. The translator had knowledge of how the organization worked and understood the purpose of our study. She was also familiar with the terminology used within the field of microfinance, which was very helpful since some words do not exist in the Lao language but have to be described with a whole sentence for example (Field Notes, 2018-03-08). Many of the respondents were also familiar with her, which was an advantage for us since the Lao culture is very relationship based (Siliphong et al., 2005; Field Notes, 2018-03-08) and this created trust between us and the respondent. We believe that her knowledge of the subject
contributed to accurate translations, something that would not have been guaranteed with the use of an external translator less familiar with the context. However, it is possible that the use of a translator from the organization in question could cause some bias in the answers of the respondents. This, given the fact that certain questions related to the use of the loan might reveal information that the respondent would like to keep secret from the organization. To minimize the potential bias from this, we discussed it with the organization. This resulted in an addition to the consent form given to each respondent that nothing being said during the interview would affect her possibility of receiving another loan in the future, something that the organization agreed on and wanted to emphasize as well. Furthermore, the use of a translator can result in some information being left out. Sometimes the respondent talked for several minutes, while the translator only seemed to communicate the core meaning of the answer back to us. When this occurred, we made sure to ask follow-up questions in order to retrieve the information needed.

The interviews with the female microcredit clients were scheduled in advance over the phone by the organization. We tried to arrange so that every interview could be conducted in a calm and quiet place without disturbances as recommended by Raworth et al. (2012), but sometimes it was impossible since the respondent could not leave her shop or business location and had to stay available to customers or suppliers. This lead to interruptions in most of the interviews, for example by customers passing by, friends or family members being present during the whole or parts of the interviews and phone calls received by the respondent. Whenever an interruption occurred, we made sure to give the respondent a short summary of what had been said right before, so that we could pick up the interview where we left off. Sometimes we had to ask the interpreter to remind the respondent that it was an interview and not a discussion, and kindly tell present family members or friends that we were interested in the respondent opinion and not theirs. Regarding the interviews with the officials, all of them were held in meeting rooms at their offices, without any interruptions. An interview with one of the MFIs consisted of two respondents, and the interview with the organization promoting female entrepreneurship consisted of three.

The interviews lasted between 43 minutes to 120 minutes, with the average length of 64 minutes. The shortest interview of 43 minutes was that short since the female entrepreneur had lack of time, which resulted in a rushed interview where we did not ask enough follow-up
questions. When transcribing that one, we realized that is was too stressed and lacked quality data. Therefore, we decided not to use this interview since the rest of the material was sufficient.

4.3 Sampling

In line with the recommendations by Kvale and Brinkmann (2014), we decided on a sample size of 15 female entrepreneurs, since they are the main focus of this paper. However, one of the interviews with an entrepreneur was cancelled due to lack of time during one of the field visits, and one of the conducted interviews was disregarded. Moreover, during the last of the interviews with officials we experienced saturation of data and therefore disregarded that interview as well. This resulted in a final sample of 20 respondents, consisting of 13 female microcredit clients and seven officials.

The choice of number of respondents was also influenced by a time aspect. Except for the time spent conducting the interviews, we needed to transcribe and analyze them thoroughly within a limited timeframe of eight weeks. The need for a close analysis in qualitative research commonly limits the sample size (Domas White and Marsh, 2006), and we believe that a larger number negatively would have affected the analysis and quality of the study. The four interviews with officials were judged to be sufficient given that they were not the main focus of the paper but provided an additional aspect of interest. Collecting data from different sources or perspectives can be described as triangulation, which is something that can strengthen the credibility of a qualitative study (Domas White and Marsh, 2006). Furthermore, we also believe that those interviews contributed to a deeper understanding of the factors studied.

The sampling procedure in this thesis can be described as a purposive sampling, which indicates that the participants are selected for a certain purpose (Leedy and Ormrod, 2005). Since our purpose is to study the relation between microcredit and female entrepreneurship in Lao PDR and how it is influenced by the factors of our model, we had three main criteria for the sample of female entrepreneurs. In order to be chosen for this study, the respondent had to be female, have some kind of ongoing entrepreneurial activity, and also be an active borrower. The size of the business was not the focus, but rather that it consisted of an income generating activity. In addition to the above-mentioned criteria, we also wanted participants with different characteristics. Therefore, when discussing the sample with the organization, we required some kind heterogeneity of the clients regarding types of businesses, ages and geographical locations.
The final respondents were from three different areas, two rural and one semi-urban. We also wanted the participants to have completed a different number of loan cycles, since the loan cycles determine the maximum amount a borrower can be granted. Our final respondents for the representatives were from two different MFIs, one organization promoting female entrepreneurship and one organization within development who helps in evaluation of the microfinance sector. The characteristics of the respondents are presented in Table 4.1 and 4.2 below.

Table 4.1: Characteristics of female entrepreneurs

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Main business activity</th>
<th>Additional activity</th>
<th>Number of loan cycles</th>
<th>Age</th>
<th>Household size</th>
<th>Years of schooling</th>
</tr>
</thead>
<tbody>
<tr>
<td>R1</td>
<td>Shop selling construction material</td>
<td></td>
<td>4</td>
<td>38</td>
<td>6</td>
<td>11</td>
</tr>
<tr>
<td>R2</td>
<td>Shop selling household goods</td>
<td>Raising cows</td>
<td>2</td>
<td>46</td>
<td>6</td>
<td>8</td>
</tr>
<tr>
<td>R3</td>
<td>Restaurant and pool tables</td>
<td></td>
<td>11</td>
<td>41</td>
<td>5</td>
<td>7</td>
</tr>
<tr>
<td>R4</td>
<td>Restaurant</td>
<td></td>
<td>7</td>
<td>48</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>R5</td>
<td>Restaurant and small grocery shop</td>
<td></td>
<td>4</td>
<td>38</td>
<td>4</td>
<td>11</td>
</tr>
<tr>
<td>R6</td>
<td>Sells meals from wagon</td>
<td>Raising chicken and duck</td>
<td>9</td>
<td>38</td>
<td>5</td>
<td>11</td>
</tr>
<tr>
<td>R7</td>
<td>Rice shop and rice fields*</td>
<td>Sells paper</td>
<td>15</td>
<td>48</td>
<td>5</td>
<td>8</td>
</tr>
<tr>
<td>R8</td>
<td>Produces handmade baskets for steaming rice</td>
<td></td>
<td>13</td>
<td>50</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>R9</td>
<td>Shop selling firewood and charcoal</td>
<td></td>
<td>2</td>
<td>39</td>
<td>7</td>
<td>6</td>
</tr>
<tr>
<td>R10</td>
<td>Reparation of cars and motorbikes, shop selling spare parts and electrics</td>
<td>Excavator business</td>
<td>5</td>
<td>30</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>R11</td>
<td>Shop selling groceries and a restaurant</td>
<td>Shop selling construction material*</td>
<td>5</td>
<td>43</td>
<td>4</td>
<td>8</td>
</tr>
<tr>
<td>R12</td>
<td>Manufacturing of white alcohol</td>
<td>Rubber plantation</td>
<td>11</td>
<td>29</td>
<td>7</td>
<td>11</td>
</tr>
<tr>
<td>R13</td>
<td>Seamstress with shop selling silk clothes</td>
<td></td>
<td>3</td>
<td>36</td>
<td>5</td>
<td>8</td>
</tr>
</tbody>
</table>

Note: * indicates that the entrepreneurs R7 and R11 had employees
Table 4.2: Characteristics of officials

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Type of organization</th>
<th>Services offered</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>R14</td>
<td>Microfinance Institution 1</td>
<td>Savings, trade loans, agricultural loans and emergency loans</td>
<td>Program director</td>
</tr>
<tr>
<td>R15</td>
<td>Microfinance Institution 1</td>
<td>Savings, trade loans, agricultural loans and emergency loans</td>
<td>Project coordination</td>
</tr>
<tr>
<td>R16</td>
<td>Microfinance Institution 2</td>
<td>Savings, business loans and agricultural loans</td>
<td>Director</td>
</tr>
<tr>
<td>R17</td>
<td>Support to development organization</td>
<td>Analysis, assessment and advice of development projects</td>
<td>Research and Evaluation Adviser</td>
</tr>
<tr>
<td>R18</td>
<td>Organization promoting female entrepreneurship</td>
<td>Business development training and vocational training</td>
<td>Women enterprise officer</td>
</tr>
<tr>
<td>R19</td>
<td>Organization promoting female entrepreneurship</td>
<td>Business development training and vocational training</td>
<td>Project manager</td>
</tr>
<tr>
<td>R20</td>
<td>Organization promoting female entrepreneurship</td>
<td>Business development training and vocational training</td>
<td>Project manager</td>
</tr>
</tbody>
</table>

Even though we mainly aimed for a purposive sampling, we also found traits of convenience sampling in the procedure. The MFI who helped us contact the female microcredit clients compiled a list consisting of ten women meeting our sampling criteria in each of the three locations we visited, and from this pre-selection we made the final decision of five clients at each location. The three locations were chosen based on their proximity to Vientiane, since it had to be possible for us to get there and back in a day. According to Bryman and Bell (2013), restrictions placed on the researchers might result in a convenience sample, and this was partly the case for us since the organization helped choosing the respondents.

This distortion of randomness in the sample selection might lead to a certain sampling bias being present (Leedy and Ormrod, 2005). Given that the organization did the pre-selection of clients, there is a risk that only successful clients were the ones selected, or clients being positive towards the services offered by the organization. Regarding biases, Leedy and Ormrod (2005) states that it is almost impossible to avoid when conducting research, and that the problems related to it arises when the researches fails to acknowledge this. We therefore recognize the potential sampling bias in our thesis, which might lead to a distorted representation of the impact of the factors studied on the relation between microcredit and female entrepreneurship. However, measures were taken in advance in order to minimize it. When discussing the sampling procedure with the organization, we experienced that they were equally interested in the clients’ own perceptions, being either positive or negative. Therefore, the scenario where only successful clients would be selected seemed less likely. Furthermore, since we were the ones choosing the final respondents out of the pre-selected clients, this further minimized the bias.
4.4 Content analysis

We chose a qualitative content analysis as the suitable method given the characteristics of our data. As argued by Bryman and Bell (2013) and Leedy and Ormrod (2005), there is no univocal way of conducting qualitative data analysis. Several different methods might be suitable, and the choice of method is up to the researcher.

In the first step of the content analysis, the audio-recorded interviews were transcribed into written language and verified with the notes taken during the interviews so that no important information was left out. Transcription was made continuously, and often directly after the interview was conducted. This ensured that important details were adequately captured in the transcriptions, such as intonations, shifts in the respondents’ mood, and explanations to pauses in conversation. In addition, this diminished the risk of misunderstanding the respondent in case of loud background noise since the interview was still well conserved in our memory. When transcribing, some parts of the conversations were left out if they were judged to be irrelevant to the research questions, so that the extensive transcripts would be easier to process later on. The interview that was not audio-recorded was summarized directly afterwards and this summary was used in the same way as the transcripts in the content analysis.

As for the selection of content analysis, Hsieh and Shannon (2005) describe three different types; conventional, directed and summative. The starting point for a content analysis using a directed approach is “theory or relevant research findings as guidance” (Hsieh and Shannon, 2005: p.1277). Since this thesis is grounded in theory and the model developed originates from there, we conducted the content analysis using a directed approach. With this type of approach, the aim is to confirm or deepen a theoretical framework (Hsieh and Shannon, 2005). Moreover, the directed approach can contribute with predictions regarding the relation between the variables of interest (Hsieh and Shannon, 2005). As our aim is to deduct how well the model of factors influencing the relation between female entrepreneurship and microcredit fits the data obtained, we are confident in the choice of a directed content analysis.

The directed approach implies that most of the themes are determined beforehand (Hsieh and Shannon, 2005), and in our case the themes were our different factors that the interview guides were developed around. We started out by reading the transcripts separately to identify subthemes to our already predetermined themes. When different respondents discussed the
same topic, a subtheme was identified. As recommended by Patton (2015) we had a continuous dialogue of the identified subthemes in order to unite our separate analyses, resulting in analytical triangulation. This in order to get most of the data, combining our sometimes different views on the material. The transcripts were studied until saturation of data on our different research questions was attained and no more relevant information could be extracted from the transcripts.

In line with Kvale and Brinkmann (2014) the phrases identified under each subtheme were condensed into shorter sentences with the core meanings being conserved, allowing us to process and interpret the vast data in an efficient way without losing important information. This resulted in tables on each theme where the information from the data was collected, as shown in Table 4.3 below:

**Table 4.3: Example of content analysis**

<table>
<thead>
<tr>
<th>Theme</th>
<th>Sub theme</th>
<th>Condensed meaning</th>
<th>Meaning unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motivation</td>
<td>Positive factors of motivation</td>
<td>Wanted to be independent and work for herself</td>
<td>“Maybe I have to do something for my own, it’s better to have shop. The labor not independent, this is better.”</td>
</tr>
</tbody>
</table>

However, Hsiesh and Shannon (2005) points out that the directed approach can be limiting since the researchers already are biased when starting the analysis due to the strong attachment to theory. This makes it more likely to find support for the theory chosen, than the opposite way around (Hsiesh and Shannon, 2005). However, we believe that by acknowledging this while having a critical approach towards the model minimizes this potential bias. Another limitation to this study could be that other researchers would interpret the data differently, subject to differences in skills or methodology used.
4.5 Limitations and method criticism

Apart from the potential biases already discussed connected to sampling and using a directed content analysis, we will further treat other possible limitations in this study. Given the limited size of our study we do not claim our results to be generalizable to any greater population but argue that it should be seen as the first step in investigating the relation between microcredit and female entrepreneurship in Lao PDR, encouraging further studies on the subject. With 13 female entrepreneurs all from the same MFI, the results might differ remarkably from another study consisting of respondents from different MFIs.

4.6 Cross-cultural interviewing

Conducting a Minor Field Study in Lao PDR implies cross-cultural research. According to Patton (2015) this adds complexity to the interview situation and is important to bear in mind, especially when conducting a short-term study consisting of cross-cultural interviews. Patton (2015) argues that differences in language and in norms and values can influence the interviewing in different ways. Regarding language differences, we went through the interview guide thoroughly with our interpreter in order to make sure she understood what type of information we wanted to extract from every question. Furthermore, by discussing the interview situation with her regarding what behavior was appropriate and what expectations related to norms and values there would be, we took all measures possible to make sure that we minimized bias from misunderstandings related to these cultural differences.

4.7 Ethical Issues

During our study, we followed the ethical recommendations by Kvale and Brinkmann (2014), in combination with recommendations of good research practices from Vetenskapsrådet (2017). Before every interview was conducted we made sure to get the informed consent of the respondent, meaning that we shared information of the purpose of the study, the use of the recording, the voluntary participation in the interview and the confidentiality of the material collected.
5. Results and discussion of the results

5.1 Microcredit and entrepreneurship

5.1.1 Determining access to finance

<table>
<thead>
<tr>
<th>Table 5.1: Access to finance</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Other sources of credit than MFI 2</strong></td>
<td></td>
</tr>
<tr>
<td>Other options</td>
<td>7</td>
</tr>
<tr>
<td>Moneylenders</td>
<td>6</td>
</tr>
<tr>
<td>Other organizations</td>
<td>3</td>
</tr>
<tr>
<td>Formal banks</td>
<td>2</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Perceived problems with other credit providers than MFI 2</strong></th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>High interest rates</td>
<td>5</td>
</tr>
<tr>
<td>Complicated application process</td>
<td>3</td>
</tr>
<tr>
<td>Too slow loan disbursement process</td>
<td>2</td>
</tr>
<tr>
<td>Collateral requirements</td>
<td>2</td>
</tr>
<tr>
<td>Physically difficult to access</td>
<td>1</td>
</tr>
</tbody>
</table>

*Note: There were 13 female entrepreneurs*

When we asked the female entrepreneurs whether it was possible to borrow money from somewhere else in their area other than the MFI, all of them stated having access to other sources of credit as shown in Table 5.1. Six of the entrepreneurs had access to informal moneylenders which is strengthened by two of the officials saying that moneylenders are very common. Three women said that they could borrow from other organizations, and seven entrepreneurs stated other options without specifying what those options were. As for access to informal credit sources, our data is in line with Kyophilavong (2010) by showing that alternative sources of credit for the female entrepreneurs were moneylenders or other sources, most likely friends or family. Moreover, only two women mentioned formal banking as an additional credit source. Three of the officials stated that there is lack of access to formal banking in the country, and lack of access to finance in general, especially in rural areas, emphasizing that this is something affecting women in particular.

Although having access to other sources of credit, the women preferred borrowing from the MFI since these additional sources were less suitable for, or inaccessible to the female entrepreneurs out of numerous reasons. Siliphong et al., (2005) argues that one constraint making Lao women seek other credit providers than formal banking is that it might be culturally shameful to borrow money and being in debt. In contradiction to this, the entrepreneurs expressed that borrowing was good for them, and that the loan made their life better. When
discussing this with the officials, they expressed that a change of attitude regarding borrowing had taken place in recent years, and that it nowadays is perceived positively in contrast to more negative attitudes in the past.

We did however find other constraints in accessing formal banking. One of the women stating formal banks as a potential source of credit mentioned that it was too complicated for her to physically access the bank, and that the MFI was better since they served her in her village instead. This was strengthened by an official from that particular MFI saying that: “... [a] strong point for us is that our staff goes to their place. Some clients cannot go with the motorbike. How can they go to the bank? We go to the village, that is the number one for us (R16, March 30, 2018). The exclusion from formal banking by mobility constraints related to transport, lack of time and infrastructure is a problem in Lao PDR, and MFIs usually provide their services at the village level in order to reach the people excluded.

Moreover, complicated application processes resulting in less accessible banks were expressed as a problem by three of the entrepreneurs and three officials. For the two women in our sample who could neither write nor read, composing a loan proposal would probably not be possible because of all the paperwork they would have to go through. In line with the World Bank (2012), lower literacy levels among women and the gender gap of education indicates that lack of education is one factor influencing the access to finance.

Connected to a complicated application process comes the issue of loan disbursements being too slow, as expressed by two women. MFIs being quick in disbursing loans was emphasized by one of the officials as one of their strengths. In an environment where the money circulates quickly in small businesses, and several entrepreneurs only seem to plan for a short period ahead, a slow loan disbursement is another problem related to formal banking. This, since the clients need their money right away and not in one or two months’ time. Moreover, in line with Khavul (2010) collateral requirements by the formal banking sector or additional sources of credit except for the MFI is problematic when the clients are lacking collateral, which was expressed by two of the entrepreneurs. Furthermore, five women stated that they would not borrow from another credit provider such as moneylenders, because of too high interest rates. This was the most frequently mentioned problem with borrowing from an additional source.
5.1.2 Other perceived effects from the loan

When we asked how the loan had affected the entrepreneurs’ lives apart from their business, two of them said that the loan only affected the business and nothing else in their life, while six entrepreneurs said that their life got better after they got the loan. Two entrepreneurs expressed that they could build a house after they got the loan, and one entrepreneur could improve the quality of her already existing house. Among the officials, other effects such as higher decision-making power regarding financial decisions, increased confidence, access to a network and learning the importance of savings were stated as positive effects from borrowing from and getting in touch with an MFI. Two of the officials stated that not going to moneylenders after getting the loan was an important effect as well. One of them expressed this as a comparative advantage for the microcredit clients by saying that one cannot evaluate cost and benefits of MFIs in itself, but when compared to moneylenders they offer better financing costs as well as terms and loan size.

5.1.3 Purpose and use of the loan

<table>
<thead>
<tr>
<th>Table 5.2: Purpose of the loan</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Support or maintain existing business</td>
<td>7</td>
</tr>
<tr>
<td>Develop or expand existing business</td>
<td>6</td>
</tr>
<tr>
<td>Business start-up</td>
<td>3</td>
</tr>
<tr>
<td>Maintain the stock</td>
<td>2</td>
</tr>
<tr>
<td>Help the family</td>
<td>1</td>
</tr>
</tbody>
</table>

Note: There were 13 female entrepreneurs

In line with the idea of microcredit stimulating entrepreneurial activities (Khavul, 2010; Newman et al., 2017), all our female entrepreneurs stated that the purpose of the loan was business related. As shown in Table 5.2, seven entrepreneurs expressed that the loan helped them to maintain and support their already existing businesses by for example buying supplies, which is emphasized by three of the officials as one purpose of borrowing money. Six of the entrepreneurs used the loan for development and expansion of their already existing businesses, a purpose of borrowing that three officials stated as well. Two entrepreneurs having a significant stock in their business activity stated that they borrowed money in order to maintain the stock. Moreover, five of the entrepreneurs expressed that the existence of their businesses is dependent on the loan. As stated by one of them: “If she cannot get the loan from MFI 2 she cannot have the business. Because her husband cannot help her to get the income anymore, that's why she need the loan to support her business” (R4, March 16, 2018). The above
discussion strengthens the findings of Crépon et al. (2011), Augsburg et al. (2012) and Banerjee et al. (2015) regarding microcredit having a positive influence on the development of entrepreneurial activities. One respondent expressed on two occasions that she also needed the loan to help her family and used it both for the business and family expenses, without specifying what those expenses were. Only three of the entrepreneurs had used a loan for business start-up, which goes against the idea that the microcredit is critical for the start-up of a business in developing countries (Yunus, 1999). The entrepreneurs in our sample more frequently used the loan for maintaining or developing their businesses.

One of the officials said that loans are used for consumption smoothing as well, since many families get seasonal incomes from farming. They know they will get income from the crop later but need money now in order to consume. Using the loan for other purposes than business was also acknowledged by one of the MFIs, who offered small emergency loans: “... usually kept at one million to 3 million [kip]$^{12}$, so it’s really just for the real emergency, you need to go to the next hospital, and you need to get urgent treatment” (R14, March 28, 2018). This was however not a loan product they actively promoted to their clients.

Out of the two MFIs participating in the study, both of them asked their clients about the purpose of the loan in the application process. However, none of them had a standardized follow up with for example a business assessment regarding the actual use of the loan. As expressed by one official regarding lack of follow up: “Not any formal… they’re not taking a checklist and visiting the credit client four weeks after the loan disbursement like ‘did you really buy four pigs?’; and there are no consequences as well as long as the credit is paid back…” (R14, March 28, 2018).

---

$^{12}$ About 1 000 to 3 000 SEK. According to xe.com, 1 000 000 LAK corresponds to 1 014 SEK on April 17, 2018.
5.2 Factors related to the loan agreement

5.2.1 Repayment frequency and grace period

When we asked about the repayment of the loan, the female microcredit clients stated that they currently repay both capital and interest on a weekly basis, starting the week after the loan is disbursed. However, four of them expressed that if they had the option they would prefer monthly repayments instead. One of them explained that monthly would be better, since it would give her more time to buy material for her business. When discussing this with the MFI in question, the representative said that in the future they might consider offering monthly repayments as an option, but that the weekly repayment seemed to be well perceived in general. The female entrepreneurs preferring weekly repayment stated various reasons for this. One of them worried that she would not have enough money accumulated if the repayments were due monthly and two other women said that they have a lot of other things to pay monthly which makes weekly loan repayments more desirable for them. When discussing the repayment frequency further with the representative from this MFI, she expressed that some clients even ask for daily repayments and motivated this by saying: “Because they sell every day, they don’t want to keep the money for themselves, especially in the market. The money rotates very quickly.” (R16, March 30, 2018). Moreover, generating income on a daily basis was expressed as something positive by five women. Two of them preferred generating income daily, in comparison to the monthly payments their husbands received. Another entrepreneur expressed that she earns more money than her husband, since she sells things every day and he only get paid once a month.

As for the grace period, Field et al. (2013) find that offering this to microcredit borrowers is a way to increase business creation and performance. The entrepreneurs in our study were asked how they would feel if they were to be offered a grace period of one month, and nine of the respondents thought it was a good idea. When asked why they felt this way, some of the respondents only said that it would be good, while others expressed more precisely why they thought it would be helpful for their business. In line with the portfolio and income effect mentioned by Field et al. (2013), one woman explained that this would give her the opportunity to first stock up on more rice and then have time to sell some of it before the first repayment. This was also expressed by another woman saying that the grace period would allow her to first invest in her business, and then give her the time to accumulate money for the repayment.
5.2.2 Interest rate

As mentioned earlier, five women did not want to borrow from other credit providers, such as informal moneylenders, due to high interest rates. While Yunus (2007; 2011) and Serrano-Cinca and Guitérrez-Nieto (2014) argue that some MFIs charge excessive interest rates, none of our entrepreneurs expressed that the interest rate was high, but rather that it was good, normal or in the midrange. When answering, eight of them compared the rate with other options. One entrepreneur stated that “It is good. If you borrow from outside just for 1 million [kip] then you have to pay 30 percent” (R2, March 16, 2018), and another entrepreneur said, “It’s normal if compared with another” (R13, March 22, 2018). One of the entrepreneurs who described the interest rate as OK stated that she compared interest rates with informal moneylenders before getting the loan with the MFI.

Only one female entrepreneur compared the interest rate with both moneylenders and formal banks and said that the interest rates that banks charge are lower than the rate of the MFI. This is in line with the view of a representative from an MFI who explained that their clients generally do not compare interest rates with the commercial banks, but rather with moneylenders who can charge as much as 10 percent a day. Therefore, the clients usually state low interest rate as an advantage of borrowing from the MFI. The interest rates charged by the two MFIs range between one to four percent per month, depending on the size and type of loan. However, even if the female entrepreneurs do not perceive the interest rates charged by their MFI as high, the representative still expressed that they would like to offer lower rates: “We would like to reduce, don’t give them too much interest because they are low income, but we have to cover our cost […] we have to be sustainable” (R16, March 30, 2018). Apart from covering operational cost, one of the officials gave a structural perspective related to the financial system in Lao PDR as why lowering interest rates might be problematic. He expressed that the financial actors in the country operate individually with very limited linkages between each other which hinders access to capital. Further, this respondent also discussed that it might be difficult for rural people to earn a higher return on their investment than the interest rates charged by the MFIs.
5.2.3 Loan size

Regarding the size of their current loan, six of the female entrepreneurs perceived the amount as sufficient for their present business purpose. One entrepreneur expressed that it is enough for her, because her business is small. Another said that the amount is enough now, but if she wanted to make her shop bigger it would not be sufficient. Four women stated that their current loan amount was insufficient. This, in line with the view of Agier and Szafarz (2013), claiming that having a microcredit approved is positive for female entrepreneurs, but the size of the loan is of great importance as well. Hence, in line with the discussion by Sayvaya and Kyophilavong (2015), we find that the loan size sometimes is too small.

Entrepreneurs R7, R10 and R11 who had bigger businesses and desired monthly repayments, were also the ones who perceived their loan amounts as insufficient. The reason was that they wanted to expand their businesses in various ways and felt that they could not do so with their current amounts. Furthermore, six of the women entrepreneurs expressed that they would like a bigger loan in the future in order to expand or develop their businesses more. Thus, it strengthens the reasoning by OECD (2017), who states that the microcredit amount might be too small to expand from a micro enterprise into a small- or medium-sized one. Regarding the provision of bigger loans, the representatives from one of the MFIs had seen a need for bigger loan amounts and piloted a loan product providing this. Moreover, the MFI providing the female entrepreneurs in our sample with credit has started offering an SME-loan of 50 million kip\textsuperscript{13} for clients who already have a small business, which is currently used by four or five of their total clients. In order to be eligible for this type of credit, the client has to go through a certain number of loan cycles first, where the maximum sum borrowed increases with each cycle\textsuperscript{14}. The representative from this MFI motivates this by saying: “First of all we have to learn them how to repay first. To understand the process clearly first [...] If they upscale before knowing the process it will be difficult for them.” (R16, March 30, 2018). Since one of the suggestions from OECD (2017) was for the MFIs to increase the loan amounts in order to facilitate for female entrepreneurs needing to further develop their businesses, we can confirm this as something ongoing in Lao PDR.

\textsuperscript{13} About 50 000 SEK. According to xe.com 1000 LAK corresponds to 1,013 SEK on April 18, 2018.

\textsuperscript{14} A loan cycle lasts between 25 and 90 weeks.
5.3 Networking

5.3.1 Identifying the networks

As for the presence of networks in the female entrepreneurs’ lives, we have identified both formal and informal networks. The informal network consists of family, friends and neighbors, and in line with McGowan and Hampton (2007), they are well integrated in the entrepreneurs’ everyday life through close relationships. According to an official, neighbors are often seen as extended family in Lao culture, and commonly play the same role as close friends. Having an informal network was more common than having a formal one, with all 13 entrepreneurs having help and support from family. Since seven of the respondents run family businesses, naturally their family constitutes their network. However, the women running businesses by themselves had similar support from their families. Moreover, two entrepreneurs had help and support from friends and neighbors. As argued by Siliphong et al. (2005), Lao culture is very relationship based. This is indicated by both entrepreneurs and officials emphasizing the importance of the informal network for the success of the business, further explaining the high frequency of the informal network.

Regarding the formal network, eight of the female entrepreneurs did not ask the MFI for help or advice regarding their business. Among these women, only two of them expressed that they would like to receive help from the MFI. One entrepreneur said that: “If some organization like MFI 2 or another come to give them a suggestion, or advise them or train them, then they say is very good and helpful for the people in this area who work with this agriculture or rubber plantation here.” (R12, March 22, 2018). One woman not asking the MFI for help or advice emphasized only needing the loan from the MFI, and no additional help or support with her business.

When we asked the women if they could turn to their loan group for help and advice regarding their businesses, five of them did discuss their businesses within the group. In contrast, five women stated not discussing their business with the loan group. According to one of them, this is due to lack of time. Even though her group members have similar businesses, they only come to the center meetings\textsuperscript{15} to make the repayments. Then they have to get back to their businesses without having time to discuss. From the MFIs point of view, the representative stated that the

\textsuperscript{15} The clients get together once a week at a center meeting to make repayments of the loan.
loan group is created by the clients themselves, and that the group provides them with a network for extending their knowledge. However, this representative said that they do not offer any structured business network from the MFI yet. It is rather up to the women themselves to use their loan group and other clients at the center meetings as a source of support and a forum for discussion of business related issues. The officials from the organization supporting female entrepreneurs expressed that there are some formal business networks, but they exclude the unregistered businesses. One representative from an MFI had experienced that some participants were reluctant to discuss their businesses or money related issues with the MFI or other clients during trainings offered by them. However, this representative expressed that the MFI wanted to provide a business network in the future, where successful business owners could come and inspire the participants, hopefully leading them towards growth ambitions.

5.3.2 Functions of the networks

We can confirm previous findings from Allen (2000), Greve and Salaff (2003), Langowitz et al. (2006) and Halkias et al. (2011), in the sense that the female entrepreneurs use their networks to exchange business ideas, get knowledge, receive support, develop their business skills and get inspiration in their entrepreneurship. When asked how the women managed the start-up process of their businesses, nine of them expressed having help and support from their families, and two women from friends and neighbors. This help and support consisted of receiving advice and learning skills, discussing ideas and getting economic support. Some also expressed that their decision to start the business was influenced by the network.

Moreover, in running the business all entrepreneurs had help and support from the family. The most common support here was that the family thought positively of the business and helped the woman. The importance of having support was also expressed by one of the officials: “... if the family members not support, then your business not successful. Because you run business, you should have the family members support you” (R19, April 6, 2018). The family also encouraged expansion of the business, provided a forum for discussion of money related issues, and gave ideas and advice. Moreover, the family helped with more practical matters such as sales, delivery, production and getting supplies. Four entrepreneurs received help and support from friends and neighbors, consisting of supportive attitudes towards the business, exchange of skills and knowledge, help with getting supplies, providing the entrepreneur with inspiration, and giving suggestions and ideas.
While four women completely lacked support from a formal network, five entrepreneurs had help from a formal network in form of the loan group. One of these entrepreneurs said that they share experiences and knowledge with each other. Another entrepreneur also stated that the loan group provides a forum for discussion where they help each other with business related issues, since they have the same types of business. Two women expressed discussing business topics and giving each other suggestions despite having different kinds of businesses within the loan group. Hence, in line with Allen, (2000), Greve and Salaff (2003), Langowitz et al. (2006) and McGowan and Hampton (2007), we can confirm that the network surrounding the entrepreneur is used both in start-up of the business as well as in its everyday management and future development.

However, the provision of role models and mentors from the network claimed by Langowitz et al. (2006) and Halkias et al. (2011), is nothing our entrepreneurs generally expressed that they had or needed. None of the entrepreneurs stated having some kind of mentor or role model they asked for help or advice. Only one entrepreneur who had started the same business as her mother whom she had helped since she was little had an actual role model influencing her business activity. Hence, we can neither confirm nor reject that having a role model or mentor is important for the success of the business.

Surprisingly one potential negative effect from the network was found, although not explicitly expressed by the female entrepreneurs themselves. Being inspired by a neighbor to start a particular business was stated by three entrepreneurs, one saying that: “She saw the neighbor here, they sell and get lots of the income, they get the car they get the house. Then she come up with the idea to do this business” (R9, March 22, 2018). Three of the officials expressed that it is very common in Lao PDR that people copy their neighbors and start the exact same business. As expressed by one of them: “The second thing of this is, I can say if they saw one people do this, and sell it, good, quite good, others will do the same. That’s the problem, they don’t have the ideas to do different things. A lot of the same shops, near, near, near. But who will buy it? That’s the problem.” (R16, March 30, 2018), indicating that this is something negative.
5.3.3 Networks and decision making

Table 5.3: Decision making

<table>
<thead>
<tr>
<th>Decision to get the loan</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Made decision together with husband</td>
<td>10</td>
</tr>
<tr>
<td>Had to ask husband and get his approval</td>
<td>6</td>
</tr>
<tr>
<td>Made decision herself</td>
<td>1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial decisions in the household</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pays for things in the household</td>
<td>8</td>
</tr>
<tr>
<td>Makes decisions herself</td>
<td>6</td>
</tr>
<tr>
<td>Makes decisions together with husband</td>
<td>5</td>
</tr>
</tbody>
</table>

Note: There were 13 female entrepreneurs

In line with McGowan and Hampton (2007) many of the women included their networks in decisions regarding their businesses in different ways. As expressed by Rahman (1999), this kind of inclusion can also influence the decision to borrow money from an MFI. When discussing the decision making regarding borrowing money, ten women said that they made the decision together with their husband as seen in Table 5.3. Six of these women expressed having to discuss the issue with their husband and getting his approval, and only one woman said that she decided completely on her own, without mentioning her husband. Regarding coming up with the idea to borrow money, five of the entrepreneurs expressed getting the idea on their own, while one woman said that she and her husband came up with the idea together. However, joint signatures from both husband and wife for the loan application was later discovered being required by both MFIs. An official from one of the MFIs said that the borrower always consults with the family before taking the loan, and the official from the MFI providing the entrepreneurs with credit explained that it is important that the husband agrees on taking the loan in case of any future financial loan related problems.

Six of the entrepreneurs expressed being in charge of the financial decision making, while five of them stated that they made the financial decisions together with their husbands. One official said that larger financial decisions often are made together. Moreover, another representative from an MFI expressed that she has no experience with unsupportive husbands who disagree to the wife borrowing money for business activities. A representative from the organization supporting female entrepreneurship does not see the joint application as a problem for the women, but rather emphasizes the importance of having the support from the family in everything regarding the business, including borrowing money. Another official further stated that he has no experience with women being influenced by others to borrow money against their will.
5.4 Entrepreneurial motivation

5.4.1 Identifying factors related to necessity

Table 5.4: Negative factors of motivation

<table>
<thead>
<tr>
<th>Factor</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of other job opportunities</td>
<td>4</td>
</tr>
<tr>
<td>Support family or children</td>
<td>3</td>
</tr>
<tr>
<td>Exhaustion</td>
<td>2</td>
</tr>
</tbody>
</table>

Note: There were 13 female entrepreneurs

In line with Bourlès and Cozarenco (2017), we identified lack of other job opportunities as one factor connected to necessity entrepreneurship. As shown in Table 5.4, four of the female entrepreneurs stated this as the reason why they started their business. One of them had her previous income generating activity collecting wood in the jungle forbidden by the government, and another who did farming together with her husband could not manage it on her own anymore after he got sick. According to the officials, one of them expressed that there is lack of employed work the further away from the cities you get, and another official stated that rural women usually do not have any other job opportunities, hence no other choice than starting their own business to generate income. Out of the women already having another income generating activity before engaging in their current business, all but one of them were engaging in another entrepreneurial activity, and not in employed work. This further indicates that Lao women suffer from lack of employed work, and the main option to generate income is self-employment through entrepreneurial activities.

Moreover, Carsrud and Brannback (2011) argue that supporting the family is another motivator connected to necessity entrepreneurship. In our sample, all women had children in the school age. This, in combination with most women being responsible for payments in the household and traditionally seen as responsible for children suggests that this motivator should be common. However, only three women explicitly stated that they started their business in order to support the family or their children, and only one of the women mentioned that she started her business to be able to put food on the table for her family. Another negative factor identified by us was starting the business out of exhaustion from the previous business activity. Two women had to stop their previous activity since they got too tired from it, hence it can be argued as a decision taken against their will, in line with the definition of necessity entrepreneurship by Bourlès and Cozarenco (2017).
5.4.2 Identifying factors related to opportunity

### Table 5.5: Positive factors of motivation

<table>
<thead>
<tr>
<th>Factor</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Want to expand the business</td>
<td>12</td>
</tr>
<tr>
<td>Exploit new possibilities</td>
<td>4</td>
</tr>
<tr>
<td>Achieve self-realization and success</td>
<td>3</td>
</tr>
<tr>
<td>Potential failure not too problematic</td>
<td>2</td>
</tr>
</tbody>
</table>

Note: There were 13 female entrepreneurs

As for the positive factors of motivation presented in Table 5.5, they were more frequently expressed by the female entrepreneurs than the negative factors. In line with Ács and Varga (2005), Carsrud and Brannback (2011) and Bourlès and Cozarenco (2017), we could identify both exploiting new possibilities and achieving self-realization and success as motivators to start a business, expressed by seven entrepreneurs in total. For example, one entrepreneur wanted to do some business activity instead of staying at home as a housewife. Another one had some land and decided to start up a rubber plantation in addition to her already existing family business, since she saw other people getting a good income from it and though that she and her family might as well. From the officials’ point of view, two representatives from the organization supporting female entrepreneurs stated that the women who seek their help often have a full-time occupation already and wants to open an additional business to generate more money for their household. Regarding self-realization, one entrepreneur said that she wanted to be independent and do something on her own, and therefore opened her silk shop.

When asked what future the entrepreneurs saw for their businesses, as much as 12 of them stated wanting to develop and expand their business while only one woman was satisfied with her current activity without having thoughts on expanding or developing it any further. Six of the respondents talked about extending their product range while two wanted to increase their stock in order to sell bigger volumes. Four of the entrepreneurs distinguished themselves from the others by having concrete and ambitious plans of expansion, in combination with already developed businesses. R7 wanted to buy bigger stock volumes so that she could sell more rice the whole year around, and R10 wanted to diversify her product range in order to provide more variety for her clients. R11 with two different existing businesses wanted to diversify the product range at one of the shops and expand the seating possibilities at the other. She also wanted to open an additional business activity, with room leasing in order to provide for her and her husband in their future retirement life. Finally, R12 wanted to open up a fish farm in addition to her two already existing businesses. From the officials’ point of view, an MFI representative said that: “When I observe them, most of them would like to expand their
business to bring more income. Sometimes you can see, not just only one. Some people have the shop, they will sell the lottery, you can see sometime. Not only one business they do.” (R16, March 30, 2018).

Moreover, two entrepreneurs even expressed that failure would not be too problematic for them since they would just try something else instead. One of them had abandoned and restarted her business a couple of times, and the other said that if her current business is not successful she will try with something else. As argued by Carsrud and Brannback (2011) avoiding failure is critical to necessity entrepreneurs since their livelihood is so dependent on their business. Finding the opposite further strengthens the existence of opportunity entrepreneurship.

5.4.3 Mixed factors of motivation

In addition to the factors related to either necessity or opportunity entrepreneurship, we also identified factors that could be categorized as mixed, meaning that the very same factor sometimes belongs to necessity and sometimes to opportunity. This depending on the context and life situation of the individual. When it comes to having additional income from the husband or other members of the family as expressed by six of the entrepreneurs, it could be argued that this makes the woman less dependent on the success and income of her business, which strengthened the existence of opportunity entrepreneurship. However, only one of these women said that her husband’s income was superior to hers. As mentioned by both an entrepreneur and an official, the husbands’ income is generally not enough to support the whole family, especially when they have children. In some cases, this indicates that the women have to run their businesses in order to support the family’s livelihood, hence having an additional income can also be related to necessity entrepreneurship.

Moreover, having an additional business activity besides the main business could be argued as something indicating a driven and motivated entrepreneur who sees multiple possibilities to gain success and income, as argued for entrepreneurs R7, R11 and R12. However, running several activities can also be explained by the main business not generating sufficient income, and simply not being developed or successful enough for the woman to make a living from it. In that case, this factor is more related to the necessity driven entrepreneurship.
5.5 Gender division of labor

Nine of the female entrepreneurs mentioned that they had responsibilities in the family related to housework, where cooking and cleaning were tasks frequently mentioned. Four women also expressed that they take care of family members, such as a sick husband or an elderly mother. Six women stated that there are differences in responsibilities between women and men, with four of them explaining that women have to take care of the housework. This relates to Becker’s (1985) theory of sexual division of labor. Three of the officials mentioned that traditionally, women take care of the family and housework, and that this division of labor is still present in rural areas. However, they stated that it is something already changing, especially in the cities. One of the entrepreneurs living in the semi-urban area expressed that there are no differences in responsibilities between women and men: “The responsible of the family is [...] you have time you can do, if you don't have time you don't have to. Men and women are the same.” (R1, March 16, 2018).

While Green and Cohen (1995) argue that the gender division of labor does not change when women engage in entrepreneurship, our findings do to some extent suggest the opposite. Two entrepreneurs stated that they do not have any household responsibilities because of their engagement in business activities. One entrepreneur told us that she only produces her goods for the business, and that her sons take care of the housework. One representative from an MFI stated that the presence of an income generating activity has a good chance of reducing the house burden for women, which further contradicts Green and Cohen (1995). The respondent expressed this as follows: “...as soon as the family have understood that the woman is bringing substantial income to the household with her activity, it will be very easy for her to say that the kid should be with grandmother today, because I need to prepare for next day’s business. Then they would help her.” (R14, March 28, 2018). Moreover, six of the entrepreneurs mentioned that they shared household responsibilities with family members, such as parents, children or nieces.

When we asked how the female entrepreneurs managed combining responsibilities related to family and household with their businesses, only one respondent mentioned that she could feel tired sometimes which is in line with Sigalla and Carney (2012) who found that combining these responsibilities was a struggle for the women in their study. Otherwise, four women stated that it is easy or unproblematic to combine, and two others expressed that the responsibilities
they have related to housework do not affect their possibilities to run their businesses. While Kantor (2002) suggest that the South Asian women included in the labor force suffers from a double workload due to responsibilities in family and housework, this is not experienced as problematic in that sense by the entrepreneurs.

One entrepreneur having her business adjacent to her house expressed that: “For the response with family and the shop it is like the same” (R10, March 22, 2018). The view that the responsibilities for the house and the business are the same was also expressed by two other entrepreneurs having their home and business at the same location. Regarding the location of their businesses, seven women had their business activity adjacent to their home, and two had a combination of home based and away from home. The remaining four had their businesses away from their home, but the house was usually close by. For the women choosing to have the business next to their house, two stated that it was related to family responsibilities. One of them explained that she stopped selling at the market and started selling at the shop adjacent to her house because “the market is too far from her house and also she have to response about the family and the children. It's complicated for her to go and back transport” (R5, March 20, 2018). Other reasons expressed by the seven respondents who located the business activity close to home were that it is close to the road, a good location, and that them having land ownership reduces the costs that would come with renting another business location.

5.6 Training

5.6.1 The female entrepreneurs’ experiences of training

Five of the female entrepreneurs had participated in some kind of training or education after finishing school. Two of them had learned the handicraft upon which their business now depends through vocational training. Only one entrepreneur expressed that she had participated in the training treating household finances offered by the MFI, and she perceived it as helpful for her family. The remaining entrepreneurs did not mention having participated in any kind of training or education. Regarding the willingness to learn, all but one of the female entrepreneurs stated that they would like to learn if they had the chance. The one entrepreneur being the exception expressed that she does not want to learn anything, but only needs money to develop her business. The specific skills the women desired to acquire are presented below in Table 5.6.
The knowledge most desired by female entrepreneurs was how to develop or expand their business, something five of the respondents mentioned. When discussing the future of their businesses, 12 entrepreneurs said that they would like to expand or develop them more. Some of the women had clear ideas on how they wanted to develop their businesses in the future. However, three of the entrepreneurs mentioned that they would need more knowledge in order to actually be able to expand.

One of the respondents stated that she would like to learn how to separate the business incomes from the household finances. Out of the five entrepreneurs with whom this subject also came up, three of them separated the business and household finances, while two respondents stated that everything was mixed together.

### 5.6.2 The organizations’ views on training

In line with both Shetty (2008) and Bulte et al. (2016), who argues for a combined approach in microfinance where MFIs provide credit together with training, both MFIs see a need for training and offers it in some form. The MFI only operating in rural areas, offers free financial literacy training to both members and non-members. The MFI providing the entrepreneurs with credit offers household finance training in some of their branches for free. The training provided by both these MFIs includes how to separate business and household finances, since this is a skill the clients generally lack according to the representatives from these organizations. When offering the financial literacy training, the MFI saw an additional need for teaching the participants business related financial management training and how to make a business plan. Therefore, the organization has piloted business literacy training and will start offering it to targeted groups this year. The other MFI also sees a need for financial management training, as well as teaching marketing.

The newly started organization promoting female entrepreneurship offers business training in four steps as well as vocational training. The steps of the business training are business ideas

---

**Table 5.6: Demand for learning**

<table>
<thead>
<tr>
<th>Activity</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Develop or expand the business</td>
<td>5</td>
</tr>
<tr>
<td>Wants to learn but does not specify what</td>
<td>4</td>
</tr>
<tr>
<td>Bookkeeping</td>
<td>2</td>
</tr>
<tr>
<td>Read and write</td>
<td>2</td>
</tr>
<tr>
<td>Separate household and business finances</td>
<td>1</td>
</tr>
<tr>
<td>Make a business plan</td>
<td>1</td>
</tr>
</tbody>
</table>

*Note: There were 13 female entrepreneurs*
and start-up, marketing, financial management and small business training, and participants can choose themselves which blocks to attend. In the future, they might add a session for more advances entrepreneurs on how to access financing. McKenzie and Woodruff (2014) show that some of the most common things taught in training are financial management, separating business and household finances and marketing. Hence, we observe that the skills the organizations already teach, or see a need for teaching in Lao PDR are in line with these findings.

5.6.3 Challenges

During the interviews, several difficulties related to offering and participating in training were discovered. From the female entrepreneurs’ perspective, the challenges are lack of time to participate in the training and having difficulties being away from the business. Moreover, one of them also expressed that “no one to come to train here” (R10, 22 March 2018). Regarding lack of time, one entrepreneur did not participate in the household finances training offered by the MFI since she had to go to the market instead. Several entrepreneurs have their businesses open 12 hours or more a day, and often every day of the week. One woman expressed that if she has some activity on the weekend, such as a family event, she has to close her shop that day. When asked what a convenient time for her would be to participate in training, she stated that 30 minutes on a Saturday would work, since her children and husband then could take care of the shop in her place.

Clients having time constraints is something that is confirmed by the officials. A representative from an MFI expressed that “[...] even if we provide this training for free, they will say I don’t have time to stay, I will sell my things in the shop. The people, they have difficult to attend even if it is provided free” (R16, March 30, 2018). Moreover, some studies find a negligible, or nonexistent impact of training in some respects (Karlan and Valdivia, 2011; Giné and Mansuri, 2014). This was also expressed as a challenge by one of the MFIs, where the representative felt that the positive impact from participating was small when measuring the increase in knowledge from training. McKenzie and Woodruff (2014) argues that the impact from training often is mixed since it might differ depending on the individual. In this study, we believe that the level of interest in participating and the prior knowledge of the participant would influence the effect of training on the business. Since some respondents clearly stated what they would like to learn, they would possibly be more motivated in learning that particular skill, which could result in a greater impact on their business. Moreover, another representative
from an MFI mentioned that it is hard to distinguish the exact impact from training on participants. For example, if the organization observes an increase in repayments among participants, it could be due to other factors than an increase in knowledge from training.
6. Discussion of research questions

6.1 What is the role of microcredit for female entrepreneurship in Lao PDR?

Lack of access to formal banking is common in developing countries, and in agreement with Seibel and Rohmann (2012) and Prochaska et al., (2014), this is confirmed for our sample in Lao PDR. As a result, microcredit provided by MFIs gain significant importance for Laotian female entrepreneurs. The entrepreneurs used the loan for start-up, maintenance and development of businesses. However, the importance of the credit seems to be more critical in maintenance and development rather than start-up.

However, these results should be questioned since the interviews might have been influenced by the bias of having an interpreter from the very MFI disbursing the loans. As indicated by Attanasio et al. (2011), Tarrozzi et al. (2013) and Sengsourivong and Mieno (2015), the findings on to what extent microcredit is used for productive purposes are mixed. Since the purpose of the loan has to be stated by the clients when applying, and the MFI requires that the loan is used for productive purposes related to business, the respondents might have felt reluctant to share information regarding any other use of the loan. Nevertheless, one entrepreneur using the loan for other purposes apart from the business was identified. Providing microcredit that increases the cost of consumption through consumption smoothing instead of generating income might not have the intended effects on the borrower, but rather helps her to better deal with her life situation without changing it. Moreover, since the household and business finances are sometimes intertwined, and the entrepreneur rarely record income and expenses for her business, it might be difficult for the entrepreneur to evaluate what the loan was used for and what it actually generated in relation to the business. This is problematic when evaluating the actual importance and impact of microcredit. Lastly, the lack of follow up on the use of the loan might weaken the incentives for the entrepreneur to keep track of how the loan is used, possibly leading to less productive use of it.

In sum, we can say that the loan seems to be important for female entrepreneurship in Lao PDR and that there is a relation between microcredit and female entrepreneurship. However, in line with the prior discussion we cannot say how important it actually is, or if the loan itself promotes income generating activities. We suggest that MFIs implement a standardized follow up with a business assessment, since this might give incentives to the borrower to better track
the use of the loan. This in combination with providing education on how to separate business from household finances should strengthen the relation between microcredit and female entrepreneurship by promoting the use of the loan for business development.

6.2 How do the factors in our model influence the relation between microcredit and female entrepreneurship in Lao PDR?

6.2.1 Factors related to the loan agreement

As for the grace period, it was generally perceived as something positive, and some entrepreneurs with bigger businesses expressed benefits in line with the portfolio and income effect discussed by Field et al. (2013). This points towards a grace period being beneficial for entrepreneurial development. Monthly instead of weekly repayments would technically lead to a grace period of one month, due to the four weekly repayments being delayed. This, giving the borrower a chance to invest more in her business, without immediately having to set aside money for the first repayment. The clients who desired monthly repayments in this sample were also entrepreneurs seeming more successful from our point of view, for example by having one or several developed businesses in combination with having employees. These entrepreneurs were also able to clearly discuss the repayment terms and motivate why a certain payment schedule would be beneficial for their business, which is in line with the findings of Bruton et al. (2011), finding that successful entrepreneurs have better knowledge of the loan terms. Thus, we argue that running a more developed business with employees indicates that the entrepreneur probably possesses planning and financial management skills, and that she in that case could deal well with waiting a month before the repayments start.

However, we do acknowledge an increased risk for the MFIs in offering a grace period, since Field et al. (2013) observed increased default among clients with grace period contracts. Generating income daily, and even having daily repayment was desirable among some entrepreneurs implying that a short-term mindset sometimes prevails. This might make a grace period of one month risky. Therefore, we suggest MFIs should offer monthly repayment to entrepreneurs with already developed businesses since they might have a more developed business mindset and planning skills.
Since microfinance is an area where interest rates have been frequently discussed and sometimes criticized (Yunus, 2007; 2011) we expected that some respondents would perceive the interest as high, which was not the case. In order to understand why, we have to relate back to access to finance. As MFIs often serve clients otherwise excluded from formal institutions (Khavul, 2010), the women compare the interest rate charged by the MFI with informal sources and not with banks. This alternative informal credit provider might charge as much as 20 percent a month, making the interest from the MFI comparatively low. If the option to MFIs is informal moneylenders and not formal banks, we thereby find the interest rates charged by MFIs comparatively better for the entrepreneurial development. This, relating back to macroeconomic theory where a lower interest rate increases investment among firms. One of the MFIs in our sample had the intention of lowering the interest rate in the future, but in line with Kneiding and Rosenberg (2008) and Rosenberg et al. (2009), high operational costs was an explanation to why an adjustment was currently not possible. This since the institution has to be financially sustainable and cover its costs.

On the one hand, we argue that offering lower interest rates more in line with those of banks would be in favor to the female entrepreneurs. The aim of MFIs might be to crowd out the informal moneylenders with unfavorable loan terms from the market, resulting in better loan terms and options for the clients. However, we acknowledge the existing trade-off between the MFIs wanting to offer their clients better interest rates, while at the same time needing to generate enough capital to continue expanding their activity and provide more women with access to finance. In the bigger perspective, limited linkages between financial actors, in combination with the country’s own central bank describing the financial sector as in need of improvement (Bank of Lao PDR, 2018) adds another dimension to the complexity of interest rates. Limited linkages between banks and a sector in need of development makes cheap access to capital among financial institutions more difficult. Hence, working towards lowering interest rates might not solely be the concern of MFIs, but should simultaneously be treated at a higher level through structural change of the banking system in order for the MFIs to sustainably continue their activities.

In line with Agier and Szafarz (2013) we confirmed that loan size is an important component for business development. Moreover, in line with OECD (2017) some entrepreneurs in this sample perceived too small loan sizes as a constraint in developing their business. While there seems to be a recent increase in the supply of bigger loan products, the clients might still be
required to go through a number of credit cycles before being qualified for this type of loan. This is a time-consuming procedure, slowing down business development. As we have shown, microcredit is more frequently used for maintenance and expansion of businesses, and in our study several entrepreneurs already had some kind of business activity when applying for a loan. Therefore, we see a need for offering bigger loan amounts to entrepreneurs with an existing business in immediate need of expansion, who cannot wait a certain number of cycles before getting the amount needed. With a proper business assessment, and the possibility to use assets from the more developed venture as collateral, we believe this is something that could be offered in the future. Although the absence of collateral requirement has been argued as one of the strengths for MFIs, we still suggest that this might be a favorable strategy in some cases where the client has a certain level of business development. This in order to promote the development of micro businesses towards increased productivity and profitability. Moreover, in order to promote the creation of new businesses, we also see a need for start-up loans of bigger amounts as well. Nevertheless, this type of loan would be far more problematic and risky due to lack of collateral and credit history among clients.

6.2.2 Networking

Our findings suggested that the network played an important role in encouraging the women entrepreneurs through supportive attitudes. In the relationship based Lao culture, the informal network is of great importance. While the informal network was the most common source of support experienced by all entrepreneurs, support was also provided the formal one. This do to some extent confirm our beliefs regarding the importance of the networks surrounding the entrepreneur for the business activity, and its positive influence on the entrepreneurship.

Although, since some entrepreneurs lacked any kind of formal network, we do identify a need to further provide female entrepreneurs with support and help from this kind of network, either provided by the MFI or some other organization. In line with Allen (2000), Greve and Salaff (2003) and Langowitz et al. (2006), we argue that exchanging business ideas, knowledge and receiving support could further influence the women’s businesses positively. Hence, by seeing the loan group as an unexploited possibility to provide the female entrepreneurs with a formal network, we emphasize that putting more focus on helping them see this opportunity and exploiting it via support from the MFI would be a future improvement.
Although the above findings confirm our hypothesis, the problem of the “copy culture” was identified and contradicts the network solely having a positive impact on female entrepreneurs in Lao PDR. On the one hand, getting inspiration and business ideas from your surroundings can be seen as a positive influence from the network in line with Langowitz et al. (2006). However, starting the exact same business as your neighbor, often resulting in identical businesses close to each other is necessarily not positive in the long run since it leads to a surplus of products, and a deficit of buyers. This might be one explanation to why the businesses remain at a small-scale level with lower productivity (OECD, 2017), resulting in family helping out with the business rather than hiring employees.

Due to the characteristics of Lao culture, together with family business being common, we argue that the network sometimes influences both the decision to borrow money as well as the use of the loan. On the one hand, this makes it hard for us to exclude any negative influence on the decision to borrow money from for example a husband. The presence of this influence could imply that the woman does not use the loan for the business to the same extent and might not be the final recipient of the credit. On the other hand, many entrepreneurs came up with the idea to borrow money themselves, and the husband was never solely the one making financial decisions in the household. We argue that this together with the fact that the women usually are in charge of the money in the family, shows that they have a significant financial autonomy. Our findings underline the importance of integrating the family in the business, both regarding management as well as economic decisions. By emphasizing the relationship-based culture in Lao PDR in combination with joint signatures not being perceived as problematic either, we contradict the view of Rahman (1999) regarding the negative impact of the network on the decision to take the loan.

6.2.3 Entrepreneurial motivation

Our results suggest that an entrepreneur does not have to be either necessity driven, or opportunity driven but might just as well be a combination of both. Our hypothesis was that motivators related to necessity entrepreneurship would be more common in the Lao PDR context, which was not the case. While we cannot say why these motivators were not more frequent in our sample, it could be argued that a selection bias from the organizations point of view occurred, resulting in us meeting with the more established and successful entrepreneurs.
However, the entrepreneur in our sample only expressing factors related to necessity confirms the findings of Ukanwa et al. (2017) regarding the use of the loan. This entrepreneur was the only one using the loan for non-business-related purposes, indicating that the necessity entrepreneur we expected to see more frequently actually do exist. Our findings also show that the entrepreneurs only stating opportunity motivators had multiple businesses, employees or preferred monthly repayment, showing more of a business mindset in their entrepreneurship. Some of them also wanted to expand and were in need of more capital for their businesses. As argued by Bruton et al. (2011), having a growth-oriented mindset might positively influence how the loan is used in relation to the business. The entrepreneurs’ willingness to expand in combination with them stating business related purposes of the loan strengthens these findings. Hence, we argue that the motivation of the entrepreneur is an important factor for the success of the business and the use of the loan towards productive purposes.

When identifying factors related to necessity and opportunity entrepreneurship we discovered mixed factors that could not be connected solely to one type of entrepreneurship for all individuals in our sample but were either necessity or opportunity related depending on the context. This is nothing we have encountered in previous literature on entrepreneurial motivation, and we suggest that this discovery adds complexity to the theory. When identifying factors related to necessity and opportunity entrepreneurship and categorizing a sample according to those factors, the researcher has to be very precise and objective in order not to make too strong generalizations and missing out on important information in the process. To our knowledge, mixed factors is not a recognized component in existing theory on factors related to entrepreneurial motivation, and the potential effects from this should be investigated further.

6.2.4 Gender division of labor

Unlike the other components in the model that may influence the use of the microcredit in relation to the business directly, the gender division of labor influences the entrepreneurship at first hand. Although we have identified an existing gender division of labor partly in line with Becker (1985), one can ask why the women experience this division of labor as unproblematic. We suggest the family and the business being very closely intertwined as an explanation. In this study, most of the businesses were completely or partly adjacent to the female entrepreneurs’ homes. With the business located at their home, some women expressed that there were no differences between business and household responsibilities, which makes the
problem of combining the two non-existent. We therefore argue that the location of the business is one explanation to why the double workload is perceived as unproblematic for the entrepreneurs in our sample. This contradicts our hypothesis, since the gender division of labor does not seem to decrease the time the women spend on their business, but rather makes them adjust their business activity in order to fit with their responsibilities. Even though our findings suggested that the gender division of labor might be changing, we perceive that most women still have increased responsibilities in the family and household. Hence, in line with (OECD, 2017) we argue that the business location in some cases is related to the sexual division of labor.

While locating the business adjacent to the home comes with reduced costs, negative effects could arise as well. Belwal et al. (2012) found that one challenge for women entrepreneurs was unfavorable business locations. Selling products adjacent to the home compared to for example in a marketplace, could be an unfavorable business location resulting in less customers and smaller profits for the female entrepreneurs. While many of the women in our sample expressed wanting to use microcredit in order to expand their businesses, OECD (2017) argues that a home-based business in combination with lack of time because of the gender division of labor might decrease the possibility of business expansion. Hence, even if the microloan is used for business investments, the potential negative impact from this factor might result in a less positive impact on the development of the business.

6.2.5 Training

Since only one entrepreneur in our sample participated in the education offered by the MFI, we cannot evaluate the perceived effects of training based on this data. However, we argue that several things found in this study still indicate that business related training and education are important factors for female entrepreneurs, and that this is a relevant component in our model. Especially in the context where there is an education gap between women and men, as indicated by the World Bank (2012). First, all but one of the entrepreneurs expressed a willingness to educate themselves within business related subjects. A majority wanted to expand and develop their business more, but some entrepreneurs lacked the knowledge to do so and wanted to learn how. This implies that business development skills are needed. The female entrepreneurs’ willingness to learn in combination with the organizations’ willingness to teach should provide a good environment for learning, resulting in positive effects on business knowledge and performance in line with previous studies by Karlan et al. (2009) and Kessy and Temu (2010). Second, some entrepreneurs learned the handicraft upon which their business now depends.
through education, implying that vocational training can be a helpful tool in starting your own business. Moreover, the recently implemented organization supporting female entrepreneurs has business development and vocational training as a main focus, which further underlines that resources are directed towards training since development of knowledge is needed. This implies that training is acknowledged as an important component for business development in Lao PDR.

Even though resources are devoted to the provision of training, we see a need for more training programs adapted for women entrepreneurs in line with Mahmood et al. (2014), especially in rural areas. Our results show that the supply of training is scarce in rural areas since most training programs currently offered are focused around Vientiane capital. This might be due to the variety of ethnicities and languages spoken in rural areas, contributing to the complex operating environment in Lao PDR (Prochaska et al., 2014) further posing challenges to provision of training outside of the capital.

Apart from the need for business development training, we see a need for training treating subjects such as financial planning and marketing, in line with Siliphong et al. (2005), World Bank (2012) and UN (2015). Financial planning is emphasized by Afrin et al. (2010) as a key tool for entrepreneurial development. Relating back to the short-term mindset prevailing among some entrepreneurs, we believe that training in financial planning and budgeting would be beneficial in this context. Furthermore, we argue that financial management skills would have a positive influence on a productive use of the microcredit as well, strengthening the relation between microcredit and female entrepreneurship. Better knowledge in these matters should lead to more informed investment decisions, favoring productive use of the microcredit. Relating back to the discussion of the “copy culture” identified, we also see a need for teaching entrepreneurs how to distinguish themselves through marketing. Furthermore, the “copy culture” implies that training on generating business ideas is needed. This in order to avoid the negative effects from networking identified in this context.

However, several challenges related to training were identified in this study, both from the female entrepreneurs’ perspective, as well as from the organizations’ perspective. Most challenges were related to time constraints and difficulties with being away from the business. We see possibilities for organizations serving clients in urban and semi-urban areas to offer some training online. An example would be short movies treating business related subjects
shared in a WhatsApp or Facebook-group for participants, eliminating problems related to mobility and lack of time to participate. However, this would be less convenient in rural areas since some villages do not have access to electricity or telecommunication services.
7. Conclusion

We confirm that there is a relation between microcredit and female entrepreneurship in Lao PDR but cannot determine how important the loan is in itself, or to what extent it promotes income generating activities. Regarding the factors of the model and their influence on the relation, both positive and negative impacts were found, as well as variations in their importance in this context. The informal network was found to be of great importance for the female entrepreneurs. Moreover, the entrepreneurs were found to have a significant financial autonomy, contradicting the negative effect of the networks’ influence on decisions regarding the loan. However, a “copy culture” was identified as a potential constraint in business expansion and its negative effects call for more attention when studying this factor in the Lao PDR context. Too small loan size was also identified as an obstacle for business development.

Moreover, the gender division of labor was not experienced as problematic for the women entrepreneurs but might still influence the business development in a negative way. As for the entrepreneurial motivation it was found to have an impact on the use of the loan, hence on the relation. However, this result needs to be interpreted with caution due to the mixed factors of motivation identified in this context. Lastly, a high demand for learning business related skills was found, although many challenges related to the provision of training were identified. This, making training a complex, yet important factor for the promotion of female entrepreneurship in Lao PDR. We suggest adapting the provided training more in line with the needs of the participants and increasing supply of business training in rural areas.

In sum, our findings indicate that various components are important in understanding the relation between microcredit and female entrepreneurship in Lao PDR. In future research, a more detailed and concrete evaluation of effects from the different factors is suggested, both separately as well as combined. This in order to investigate the relative importance of the factors, which is important for future policy design. Altogether, this study supports the view that a credit only approach is insufficient for the promotion of female entrepreneurship in Lao PDR.
Bibliography


Appendix

Interview Guide: Clients

General questions
1. What is your name and age?
2. What is your marital status?
3. Do you have any children?
4. How many members are there in your household?
5. What is your level of education?
6. Do you have a savings account?
7. What do you do for a living?
8. Could you describe a typical day in your life?

Interview Guide
1. Could you please tell us about your business?
2. Could you please describe why you started your business?
3. Could you describe why you took the loan from this MFI?
4. Could you tell us about how you applied for the loan?
5. Could you describe how the repayments of the loan work?
6. Could you describe how the loan has affected your life?
7. What skills and knowledge do you think you had and what skills and knowledge do you think you were lacking, at the time you started your business?
8. What kind of help and support was available to you when you started your business?
9. What are your current sources of help, advice, and support in your business?
10. What kind of education do you receive specifically from your MFI?
11. In general, what do people think about women owning their own businesses?
12. What are your family's thoughts about your business?
13. What responsibilities do you have in your family and household?
14. How do you combine your business activities with responsibilities related to family and housework?
15. What future do you see for your business?

Ending questions
What do you hope your participation in this interview will result in?
Is there anything you would like to ask us?
Is there anything you would like to add?
Interview Guide: MFIs

**General questions**
1. How many years have you been working within the field of microfinance?
2. What organization(s) have you been working with?
3. What kind of positions have you had within the(se) organization(s)?
4. Could you describe a typical day at work?
5. How do you perceive the microfinance sector in Lao PDR?
6. What would you say is the aim of your organization?
7. What kind of products and services do this organization currently offer?
8. Could you describe the structure of your organization?
9. How many clients do you have? In what areas are they located?
10. How would you describe your typical female client?

**Main questions**
1. Could you describe what types of businesses your female clients engage in?
2. In general, why do you think the female clients start their own businesses?
3. In your experience, what is usually the purpose of taking a micro loan?
4. Could you describe how your application process works?
5. Could you describe how the repayments of the loan work?
6. What impact do you think the loan has on your typical female client?
7. In general, what financial and business-related skills and knowledge do you think the clients have and what skills and knowledge do you think they lack?
8. Do you offer your clients any education or training?
9. In your experience, how do the female entrepreneurs use their networks in their business activities?
10. In general, what do people think about women owning their own businesses?
11. What responsibilities do women usually have in the family and household?
12. In your experience, how do women combine business activities with responsibilities related to family and housework?
13. How do you think the female clients see their businesses develop in the future?

**Ending questions**
Is there anything you would like to ask us?
Is there anything you would like to add?
Interview Guide: Organization evaluating the projects of an MFI

General questions
1. How many years have you been working within the field of development?
2. What organization(s) have you been working with?
3. What kind of positions have you had within the(se) organization(s)?
4. In what way is this organization connected to microfinance?
5. How do you perceive the microfinance sector in Lao PDR?
6. What would you say is the aim of microfinance organizations in Lao PDR?
7. What responsibilities and obligations do the MFIs have towards their clients according to you?
8. What are your thoughts on the access to formal banks?
9. How do you perceive the cultural attitudes towards borrowing?
10. In your experience, what is usually the purpose of taking a micro loan?
11. Regarding repayment time of the loan, what are your thoughts on;
12. Regarding the interest rate, how do the MFIs motivate and decide on the rate they charge?
13. Regarding the loan size provided, what are your thoughts on;
14. The system of loan cycles
15. Maximum loan size
16. Mechanisms for upscaling the loan
17. What impact do you think the loan has on the general client's life?
18. What do you see as the biggest current challenge(s) for the microfinance industry in Lao PDR?
19. How do you see the microfinance sector develop in the future?
20. According to you, what kind of financial products and services should be offered in the future?

Ending questions
Is there anything you would like to ask us?
Is there anything you would like to add?
Interview Guide: Organization promoting female entrepreneurship

General questions related to the organization
1. What’s the story behind the creation of this organization?
2. What services do this organization currently offer?
3. What is your target group?
4. How do you perceive the entrepreneurial climate for women in Lao PDR?

Interview guide
1. Could you describe what types of businesses the female entrepreneurs you meet usually do engage in, or want to engage in?
2. In general, why do you think the female clients you meet have chosen entrepreneurship as their occupation?
3. How accessible are financial services such as credit for women entrepreneurs in Lao PDR?
4. What financial and business-related skills and knowledge do you think the female entrepreneurs already have when they get in contact with your organization?
5. What needs do you see regarding financial and business-related skills and knowledge?
6. What kind of education and training do you offer?
7. What is your view on networking, and its importance for female entrepreneurship?
8. In your experience, how do the female entrepreneurs use networks in their business activities?
9. In general, what do people think about women owning their own businesses?
10. What responsibilities do women generally have in the family and household?
11. In your experience, how do women combine business activities with responsibilities related to family and housework?
12. In your experience, how do the female clients see their businesses develop in the future?

Ending questions
Is there anything you would like to ask us?
Is there anything you would like to add?