

# **The Role of Gender in Explaining Motives for Business Informality and Formalization**

**Justina Lucas Utouh**

**The Institute of Finance Management, Dar-es-Salaam, Tanzania**

*This research work sought to explain how motives for business informality and formalization are explained by gender. Data was collected through plain interviews, in-depth interviews, interviewee triangulation, participant observation, and documentary analysis. Data was analyzed using open, axial and selective coding Straussian grounded theory procedures. Findings suggest that access to education and subsequent positive perception of formalization whether it is worth doing or not are crucial in determining motives for business informality and formalization. It is necessary therefore, to ensure equitable access to education and to address simultaneously awareness, capacity, regulatory and gender issues in fostering formalization of businesses in developing countries.*

## **INTRODUCTION**

Female entrepreneurs are over-represented in the informal economy in developing countries (Chen, 2001; Blackden and Canagarajah, 2003,). Research shows that a higher percentage of entrepreneurs are found in the informal economy than in the formal economy, which is not good as average incomes of both females and males are lower in the informal economy than in the formal one. (Chen, 2001; Chen and Heintz, 2006). Business informality is a concern for a number of reasons, including denying enterprise access to formal markets and critical support, as well as lowering the tax base. Virtually all (98 %) businesses in Tanzania are extra-legal (URT, 2008). The flourishing informal economy in developing countries including Tanzania could provide the means for dealing with this challenge if entrepreneurs could meet the conditions for accumulating business resources, generating surplus and growth as well as formalizing their business enterprises (Nelson, 2003).

What drives the process of formalization is crucial for informing policy. Unfortunately such knowledge is lacking to a great extent, so this study sought to make a contribution to providing such knowledge. Previous research had established that, gender affects the strategic choices and performance of female entrepreneurs and prevents them from achieving high economic growth (Hurley, 1999; Rutashobya, 2000; Bruni et al 2004). This motivated the researchers to find out more about the role of gender in relation to entrepreneurship. The main objective of this study was to examine the role that gender plays in business formalization. The specific objectives were: to explore, compare and explain how business formalization occurs in female and male-owned enterprises and to gain an insight into how gender leads to intrinsic and extrinsic barriers to formalization. The study sought to answer the following main and specific questions:

**The main question:** What role does gender play in the process of formalizing business enterprises?

**Specific questions:**

- i. What meanings do female and male entrepreneurs attach to business and business formalization?
- ii. How does gender inform the meanings attached to business formalization?
- iii. What triggers the desire and decision to formalize or not to formalize businesses for female and male entrepreneurs and why?
- iv. What paths to formalization do female and male-owned businesses take and why?
- v. What inhibits females and males from formalizing their business enterprises?
- vi. What is female and male entrepreneurs' perception and experience of the nature and intensity of these inhibitors and how do they deal with them ?

It was envisaged that findings from this study would extend the knowledge on factors that motivate business formalization and the role played by gender and show how institutional and socio-cultural environment influence challenges to business formalization for female and male entrepreneurs. It was expected also that the research findings would inform and influence policy-makers to improve the business environment with gender sensitivity.

## **LITERATURE REVIEW**

For the purpose of informing this study, the theoretical and empirical literature was reviewed on the motives for initiating and formalizing businesses, process of business formalization, the gender perspectives and major factors for formalizing and growing female-owned businesses.

Azjen's theory of planned target behavior (1987; 1991) and the framework that was developed by Kruegger and Casrud (1993) to apply this theory, state that intentions toward target behaviour including formalization are a function of the perceived attractiveness of the target behaviour, perceived social norms and behavioural control which are all influenced by personality, demographic characteristics, the environment and the endowment of resources. This theory suggests that the levels of endowment of resources owned by entrepreneurs such as knowledge, business experience, crucial business networks and capital have a bearing on their attitudes, motivation and decisions. As such the theory is partly relevant in explaining entrepreneur's motivation to formalize or not to formalize their businesses.

The Resources Based View (RBV) perceives businesses as a bundle of factors of production or resources for deployment to add value to attain sustainable competitive advantage (Hitt et al 2002). According to this theory, tangible and intangible resources, competencies and luck explain firm's performance. A recent extension of RBV is the Knowledge Based View (KBV) which describes firms as knowledge bearing entities that leverage knowledge for competitive advantage. This theory reinforces the importance of resources for facilitating the success and growth of enterprises.

According to the rational choice theory of new institutional economics, all social and economic action including formalization is rationally motivated; as such people calculate the likely costs and benefits of any action before deciding what to do. This theory indicates that the application of this theory to socio-economic interaction takes the form of exchange theory (Scott, 2000). Therefore, formalization is perceived to be an exchange transaction between the government and business operators, in the sense that the government offers informal operators rights and protection gained by registering or licensing lawful activities as well as investment in infrastructure that facilitates business success and growth. The informal operators in exchange, agree to comply with state regulations and laws when running enterprises including the payment of taxes (Nelson, 2003). This theory fails to take into consideration the socio-

cultural and socio-economic factors, thereby offering a partial explanation for business informality. The Reviewed literature indicates that, imposing a law that does not take into consideration the norms and socio-cultural values of a particular locality, loses legitimacy and individuals create and use an alternate informal system to safeguard their needs, expectations and interests (De Soto, 2000).

The structural gender perspective views gender as a multi-level structure, of social practices that involves mutually reinforcing processes at the macro-structural / institutional, interactional and individual levels (Czarniawska 2006; Acker, 2009; Ridgeway, 2009; Risman, 2009; Vespa, 2009). According to this perspective, gender as a primary frame for social relations is at root a micro-interactional approach that owes much to the "doing gender" account." Doing gender" is conceptualizing gender as a routine accomplishment embedded in every day interaction. Candace and Zimmerman (1987) define "doing gender" as "to engage in behavior at the risk of gender assessment". "Doing gender" is a useful theory for pointing out that gender is continually created in ongoing social interactions and alerting us to the taken-for-granted expressions of difference that appear as natural but are not. However, by referring to "doing gender" as an accomplished state it denotes an accomplishment of gender difference rather than the possibility of dismantling such difference. It is necessary to shift from social interactions that reproduce gender difference to social interactions that reduce gender difference or change from "doing gender" to "un-doing gender" (Deutsch, 2007).

According to the gender identity perspective, there are intuitive gender schemas about the behaviours, traits and preferences of men and women which influence how females and males are perceived in life. These schemas characterize men as assertive, self-sufficient, courageous, confident, rational, logical, and goal or work driven. Women are characterized as nurturing, cooperative, emotional, sympathetic, modest, gentle and relationship-driven (Lorber and Farrell 1991; Foldy, 2006). It is argued that these traits come from two different orientations toward identity and relationships and so females are more likely to find their identity in their web of relationships and seek attachment, while males are more likely to seek independence, with their identity coming largely from their work (Lorber and Farrell 1991; Foldy, 2006).

The gender role perspective is based on the assumption that an individual's behavior is influenced significantly by the traditional social roles that are scripted differently for females and males by society. Such roles perpetuate a division of labor that is based on sex, where females are considered to be homemakers, child-care givers and general nurturers while males are bread-winners. These scripted roles influence perception, skills and interests that individuals develop in their childhood and adult lives. (Lorber and Farrell, 1991; Nchimbi, 2003).

The ILO carried out studies in Tanzania, Zambia and Ethiopia to determine the main processes female entrepreneurs go through when developing small enterprises including formalizing them and to determine the strategies they adopt to ensure the survival and development of their enterprises. The studies comprised sample surveys and in-depth case studies (ILO, 2003). The studies established that most female entrepreneurs start informal activities at home either as a hobby or to meet household needs, which they later develop into serious business activity. Early socialization and role-models play a major part in motivating them to start a business. The studies found that female entrepreneurs in the samples tended to establish and run a number of businesses concurrently, partly as a strategy for spreading risk.

General constraints to upward mobility were found to include limited access to finance, limited business skills and experience, excessive bureaucracy, competition, high tax levels, harassment and corruption by licensing and tax officials. Gender-related problems included the time taken to fulfill household responsibilities, lack of property rights over assets for pledging as collateral and lack of confidence in females by bank officers. Some females in the studies, whose personal environment was favourable, managed to formalize and grow their enterprises significantly and created jobs for themselves and others (ILO, 2003). These studies informed this research that female entrepreneurs unlike their male counterparts have to grapple with the general and gender-specific barriers to formalization and to growing their businesses and that the favorability of their personal context in terms of education, managerial experience, business knowledge and business networks has an influence on their decisions and ability to formalize and to grow their businesses.

The review of literature suggests that sufficient levels of endowment of resources such as education, knowledge, managerial experience, capital, land and crucial networks are very important in determining an enterprise's performance and an entrepreneur's behavior including the inclination to business informality or business formalization. Therefore, the difference in access, use of and control over resources for females and males and the power relations between the stronger and weaker members of society such as most females and marginalized males partly explain gender differences in the process and barriers to business formalization. It is necessary to address effectively gender differences in the process of and barriers to formalization and to provide everyone with an equal opportunity to ensure the success and growth of businesses so as to foster equitable and sustainable socio-economic development and to alleviate poverty in developing countries. The following section describes how this study was undertaken.

## **RESEARCH METHODOLOGY AND DESIGN**

This study sought to identify and explain female and male entrepreneurs' meanings, motives, processes and barriers relating to the formalization of their businesses. These concepts lend themselves better to qualitative research designs, therefore they were investigated by means of the qualitative research approach. The Straussian grounded theory approach was chosen for this study because of the nature of concepts that were investigated and also due to its usefulness in integrating the emergent key categories.

To begin with, the researcher reviewed the literature and established the knowledge gap namely that the gender perspective in relation to business informality and formalization had not been adequately addressed by previous studies. Hence the researcher desired to partly fill this knowledge gap by undertaking this study. The literature review facilitated determination of the research problem which was to explore and to explain the role of gender in the business formalization processes in Tanzania. To tackle this problem, the aforementioned main and specific questions were developed.

Thereafter, the researcher selected the study sites which were Da-es-Salaam, Kibaha, Kisarawe and Bagamoyo in Tanzania. These sites were chosen for two reasons. First they were sources of diverse and information rich cases. Secondly, the researcher resides in Dar-es-Salaam so it was convenient and economical for her to contact respondents as and when required, taking into consideration the nature of data collection methods and analysis that involved repeated interviews until the theoretical saturation point was reached.

This study was conducted in two phases; a preliminary one and the main one in which Straussian grounded theory was used. The preliminary phase involved 33 female entrepreneurs; 18 in the formal economy, 12 in the informal economy and 3 in the semi-formal economy and 28 male entrepreneurs; 15 in the formal economy, 9 in the informal economy and 4 in the semi-formal economy. The sectors within which the preliminary study took place were; food, trade, furniture, personal services and education. The traditional food, trade and personal services sectors were chosen because most female entrepreneurs with less favourable personal contexts than males operate in these sectors. The non-traditional sectors of education and furniture were chosen because some females with contexts that are comparable to males, venture into such sectors. The intention was to make a theoretical comparison and to gain an insight into the similarities and differences between female and male entrepreneurs in the sectors in the process of formalizing their businesses.

The main part of the study involved 4 male and 6 female entrepreneurs in the trade and education sectors with varied personal contexts. This sample which was obtained from the preliminary study, involved very well educated and lesser educated female and male entrepreneurs as well as very successful and lesser successful ones. The respondents in the sample were chosen because variation in their backgrounds and experiences was expected to provide rich information relating to business informality, formalization and gender from which a deep understanding could be gained.

To collect data, plain and in-depth interviews, participant triangulation, documentary analysis and observation were utilized. In the preliminary phase, 61 plain interviews were conducted. For the full study, 15 in-depth interviews were conducted with 10 respondents in the trade and education sectors. The

plain interview duration ranged from 30 to 45 minutes while the in-depth interview duration ranged from one to one and a half hours. The researcher also interviewed officers from regulatory institutions. At the beginning of the study, some of the questions and some of the interviewees were purposely determined by the researcher. However, subsequent interviews and choice of respondents were guided by insights from the theory that was emerging through theoretical sampling.

## **DATA ANALYSIS AND THEORY BUILDING**

The data were analyzed using Strauss and Corbin's (1967; 1998; 2008) grounded theory procedures that involved open, axial and selective coding. Field memos and analytical memos were also written and employed to keep track of emerging categories, their properties and dimensions, to determine information gaps and to direct the subsequent collection of data until the theoretical saturation point was reached. At the open-coding level the researcher conducted fifteen (15) in-depth interviews with 10 respondents for the main study, which implies that some respondents were interviewed more than once as the researcher sought to obtain information from them. These in-depth interviews were taped and transcribed verbatim. Each transcript was then read carefully from beginning to end to get a general understanding of what took place. After which the researcher analyzed each sentence and later each paragraph to derive concepts and meaning from the data. Thereafter, similar concepts were grouped together and labeled. At this level, 24 open categories were derived from data analysis.

The researcher then moved to the axial coding level which involved determining related open categories among the 24 categories that emerged at the open-coding level and grouping them together. At this stage the researcher pasted 3 pages of paper and obtained a big chunk of paper on which she drew 24 boxes and posted each of the 24 open categories derived at the open-coding level into them with a brief description of their main attributes. From the memos that had been written and through thinking and using her intuition the researcher discerned and drew the flow of relationships among the open categories. At this juncture the researcher was able to see several flows of relationships among the categories and to determine which categories were related. Consequently, the related categories were grouped together and given abstract labels. At this stage the 24 categories identified at the open-coding level were condensed into the following 8 key categories: contextual factors, founding businesses, perception of formalization, enculturation, business formalization processes, motivation to operate within the informal-formal economy continuum, gender roles in relation to founding and running businesses and paths to business formalization. The following is a brief explanation of the aforementioned 8 key categories:

### **1. The Contextual Factors Category:**

This category involved the personal, external and societal organizational contexts within which initiation, formalization and growth of female and male owned businesses took place. The personal context involved the individual entrepreneurs' endowment of resources such as education, business knowledge, business experience, capital and business networks. The external environment comprised of endowment of resources of significant others such as spouses, partners or parents that could influence individual entrepreneurs' formalization motives and decisions. Societal organizational context included the economic, regulatory and socio-cultural environment in which businesses operate. The category was found to have an influence on the availability of resources, values and norms as well as on the motives for founding, formalizing and growing a business.

### **2. Founding a Business Category:**

Involved the role of gender in motivation for business start-up, choice of business and processes of initiating a business. Participants were motivated by various factors to start a business, ranging from survival/necessity, to being interested in entrepreneurship and the need to establish a base for wealth creation. Female entrepreneurs were also motivated to initiate businesses to avoid work-place sexual harassment, need to respond to community problems and to have alternate employment due to frequent transfers of spouses. Gender differences in business start-up

appeared to be based on differential access to resources and opportunities including access to education and employment opportunities, the characteristics of socio-economic networks in which female and male entrepreneurs operated and socio-cultural values including gender.

**3. The perception of Formalization Category:**

This category was about how respondents perceived formalization in terms of whether or not it would facilitate the success and growth of their businesses or not. Depending on their understanding of what was involved in formalization and the different levels of endowment of resources including education and knowledge, the perception of participants was that business formalization was; an un-necessary burden, a deliberate strategy for business stability, growth and success, an outcome of harassment and pressure from formalization enforcers and formal customers, a delay in initiating the running of a legal business, the means by which an entrepreneur is recognized by the government, business services providers and a catalyst for conducting businesses efficiently and effectively. It was found that for female entrepreneurs with less favorable personal context their perception of formalization was influenced significantly by their spouses or partners.

**4. The Enculturation Category:**

This category involved the role of gender in the socialization process within families and the gendered education systems. Female and male entrepreneurs were socialized within the family that ascribed different roles and rights to them as well as sensitized them to power relations that caused females to be subordinate and submissive. Whereas females were socialized to assume responsibilities within the households, males were prepared to a greater extent for the public arena including venturing into jobs and businesses. The education system also appeared to socialize them in accordance with the responsibilities ascribed to them by society.

**5. The Business Formalization Process Category:**

It involved the steps through which entrepreneurs went through in formalizing their businesses. Which included entrepreneur's perception of formalization, their motivation to formalize, formalization planning, sequence of activities for obtaining legal business ownership, determining and handling barriers and assessing the outcomes of licensing. Perceived barriers to formalization included the many and time consuming bureaucratic procedures involved in business formalization, the inefficiency of public officials in handling the process, un-necessary delays, high taxes that were charged arbitrarily, lack of on-line formalization services, corruption, limited financial resources to pay for registration and licensing fees and costs, their ignorance of formalization procedures and negative perception of formalization.

**6. Motivation to Operate Within the Informal-Formal Economy Continuum Category:**

This category involved factors that explained female and male entrepreneurs' decisions to either operate entirely in the informal or formal economies or to choose a location that involved an appropriate combination of informal-formal economy characteristics in which their businesses operated. These factors included the extent of endowment of business resources and perceived advantages and disadvantages of operating informally and formally.

**7. Gender Roles in Founding and Running a Business Category:**

It involved the perception of how masculinity and femininity and the associated ascription of rights and roles influenced negatively or positively the founding, running and growing of businesses. It was perceived that female's engagement in business is a recent phenomenon. As such, the possession of critical business resources like capital, networks, business knowledge, land and suitable business premises was a bigger challenge for them, particularly for the lesser educated and un-employed females. Consequently, they were more dependent on their spouses or partners for generating business ideas, deciding business options they should pursue and for providing capital.

**8. Paths to Business Formalization Category:**

The category involved the stages through which businesses went through from initiation and formalization, to growth. Such paths were found to be determined by the perception of

formalization, the level of endowment of business resources such as business networks, knowledge, experience, business premises, capital and land and the motive to grow.

After determination of these key categories, the researcher effected selective coding, the last analytical level in the Straussian grounded theory procedures as explained in the section that follows.

### **Selective Coding**

This stage involved determining the core category and integrating it with the other categories. Strauss (1967) provided a list of criteria that can be applied to determine a core category. These include; centrality, in the sense that the core category should be able to pull together the other key categories to form an explanatory whole and the explanations that emerge should be logical and not forced. It must appear frequently in the data and the phrase used to describe it should be adequately abstract so that it can be used to do research in other areas leading to the development of a more general theory. According to Strauss and Corbin (1998; 2008), the central category may evolve from existing main categories or it may not.

The core category in this grounded theory study emerged from the existing main categories. "The perception of business formalization" among entrepreneurs emerged as the central category or the theme of the study as it contains most of the qualities that have been explained previously. The different meanings and value that entrepreneurs attached to business formalization explained their motivation and decisions to formalize or to remain operating informally.

Strauss and Corbin (1998) proposed a paradigm model for integrating the key categories in order to develop a theory from a grounded study. Its main components are conditions, actions/interactions and consequences. Conditions constitute the structure and the circumstances within which studied phenomena are imbedded. Actions / interactions refer to the strategies employed by participants for managing or responding to the phenomena under specific conditions. Consequences are the outcomes of the phenomena resulting from participants' actions and interactions. This study employed an adapted paradigm model presented below to summarize and present the emergent grounded theory for this study which proposes that, the role of gender in the formalization process involves an interplay between the "perception of formalization", entrepreneurs' motives for founding and formalizing their business enterprises, the internal environment of such enterprises and the external environment as fig.1 indicates:

As an adapted paradigm model indicates, the external environment is a source of business resources for enterprises. Within the external environment there are socio-cultural factors including gender as well as regulatory bodies and business services providers. Gender determines the difference in access to, use of and control over resources and the subsequent perception of formalization. Regulatory institutions have the capacity to influence perception of formalization through monitoring, enforcement and provision of education while business services providers can do so through the provision of education, checking-up and counseling.

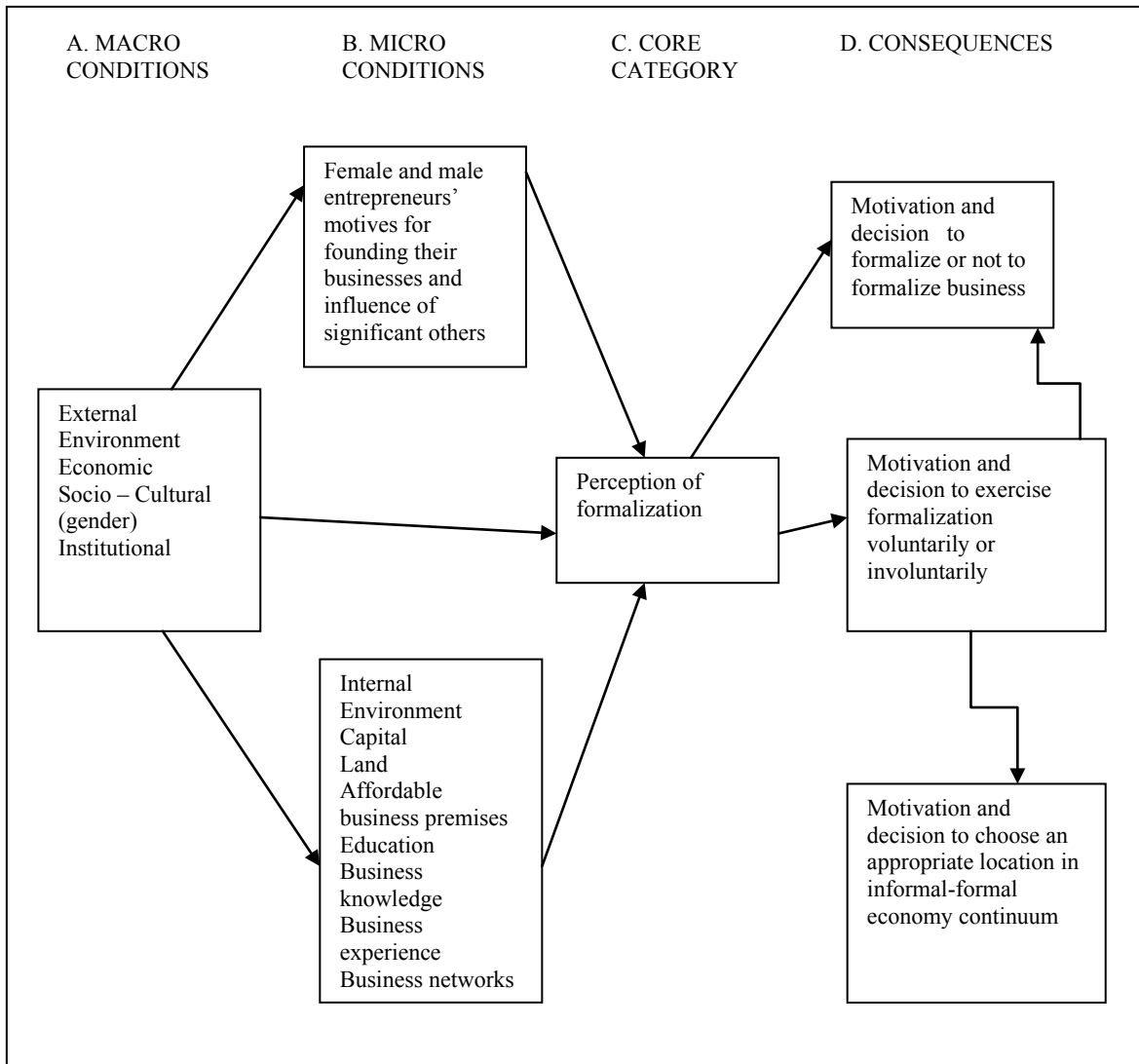
Motives for which businesses are found and the influence of significant others also have a bearing on entrepreneurs' perception of formalization. Depending on their perception of formalization and different levels of endowment of resources, entrepreneurs get the motivation and decide to formalize or not to formalize.

When entrepreneurs have a positive perception of business formalization as a strategy for business growth and possess a high level of business resources, they tend to voluntarily formalize businesses outrightly because they are assured of the survival of their businesses and ability to meet contractual conditions. When they perceive business formalization to be a means of avoiding harassment from formalization enforcers and of attracting and retaining important formal customers and suppliers, they tend to formalize involuntarily because of pressure put on them. When they perceive business formalization to be an un-necessary burden they tend to refrain from formalization and to stick with the informal economy because their paramount concern is to meet basic human requirements.

The presented grounded theory implies that, the motives for founding a business, the perception of formalization and subsequent motivation and decisions to formalize or not to formalize are to a great

extent a function of the performance of the economy, its organization and culture including gender relations and socialization patterns in particular localities. If the performance of the economy is good, income is equitably distributed and everyone has an equal chance to access, use and control resources irrespective of sex, this means that there are more business opportunities and greater opportunities for investment as well as a healthier internal environment for the growth of many more businesses. Such a situation stimulates entrepreneurs to grow their businesses and to be inclined to perceive business formalization positively as a strategy for business growth that affects their motivation to formalize.

**FIGURE 1**  
**THE PARADIGM MODEL FOR INFLUENCE OF GENDER IN BUSINESS**  
**FORMALIZATION PROCESS**



Source: Adapted from Strauss A. and Corbin J. 1998. *Basics of Qualitative Research Techniques and Procedures for Developing Grounded Theory*. 2nd Edition Sage Publications.



## FINDINGS OF THE STUDY

Research findings indicate that a key trigger of formalization motivation is the meaning and value that an entrepreneur attaches to business formalization or “perception of formalization”. Which is dependent on how an entrepreneur is informed about business formalization, understands it and accepts it as being fundamental for survival, well-being and meeting motives for which businesses were initiated and formalized. Followed by the level of endowment of business resources such as business knowledge, experience, land, affordable business premises, capital and crucial business networks.

General knowledge and subsequent understanding of the meaning, role and benefits of formalization is dependent on access to education and exposure. In patriarchal societies like Tanzania, there have been tendencies to favour males in accessing resources and opportunities; including accessing education particularly when the financial resources are limited as indicated by the following lived experiences: Mbeleko is a female entrepreneur, she explained that her father died when she was two (2) years old, while her brother was five (5). They lived in a village with their mother who was illiterate, but very hard-working. Their mother struggled hard to bring them up by engaging in petty businesses and casual labour. Due to financial constraints, she only managed to provide education to one child. Priority was given to the boy because in patriarchal societies it is expected that males would take care of parents in old age and inherit property, while females would be married off, as such it is considered less prudent to invest in education for them. Consequently Mbeleko did not get access to formal education at all. While her brother was going to school, she helped her mother to make the ends meet by participating in petty businesses and casual-labour at an early age. As such Mbeleko and her mother, who were illiterate and un-exposed, were ignorant about formalization of businesses and perpetually drawn into the informal economy driven by the survival motive when she was growing up.

Luckily enough Mbeleko was married into an entrepreneurial family that played an important role in developing her business skills and knowledge including exposing her to the role and benefits of business formalization. Mbeleko is currently a prominent business woman who appreciates the importance of business formalization in facilitating the well being and growth of businesses. The explained lived experiences indicate that illiterate females that are not as lucky as Mbeleko to come across spouses that are entrepreneurial and who do not understand and appreciate the role and benefits of formalization are disadvantaged. As such they are less likely to understand the role and benefits of formalization or to be motivated and supported to formalize their businesses. The same is likely to apply to marginalized males. Consequently such individuals tend to be trapped into the informal economy driven by the survival motive.

On the other end female and male entrepreneurs that are well educated, exposed and endowed with sufficient business resources, tend to perceive business formalization as a means to grow robust businesses that are a base for wealth creation and leaving a legacy for future generations as the following lived experiences indicate: Mwerevu is a very well educated and well to do female entrepreneur who perceives licensing of businesses as extremely crucial for survival and growth of businesses. She specifically mentioned that after licensing her schools, it was possible for her to advertise them nationally, resulting in enrolment shooting from mere 35 to 600 pupils in a span of 8 years. She is currently grooming her well educated daughter to take over the ownership, management and control of her business after she retires. Similarly, Msomi is a well educated and wealthy male entrepreneur who owns several businesses including a big whole-sale shop and a hostel for pupils. He perceives business formalization as a means to be recognized as a real entrepreneur by different stake holders including banks that can provide loans for business expansion. He has benefitted substantially from bank loans in expanding his businesses. The two scenarios indicate the effect of access to education and lack of it, resultant awareness and positive perception of business formalization.

This study established also that the government of Tanzania resorts to a great extent to employ legal and regulatory means to motivate entrepreneurs to formalize businesses. As such it launched the Business Environment Strengthening for Tanzania Programme (BEST) in 2001 and the Property and Business Formalization programme (“MKURABITA”) in 2004. Whereas the BEST programme was intended to

improve the business environment of Tanzania by reducing the legal and regulatory burdens and improving service delivery to the private sector, MKURABITA was set to facilitate the transformation of real estate, businesses and business assets in the informal economy to formal entities within the formal market governed by law. Specifically MKURABITA advocates for amending the existing company law and introducing limited single shareholder company as well as amending Village Land Act No. 4 of 1999 along with legislations that have a bearing on the property rights regime so as to facilitate the formalization of businesses and real estate in Tanzania (URT, 2001, 2004).

## CONCLUSION AND IMPLICATIONS

Research findings indicate that access to education and exposure or lack of it and subsequent awareness of role and benefits of business formalization (i.e. "perception of formalization") as well as access to capital, land, crucial networks and affordable business premises are crucial in determining motives for business informality and formalization. It is established that, gender determines differential access to education for females and males particularly when financial resources are scarce, subsequent perception of formalization and motives for indulgence in the informal and formal businesses. Specifically this study indicates that females with un-favorable personal context in terms of lack of formal education or low education and low level of other business resources such as capital, crucial business networks and affordable business premises tend to be trapped into the informal economy and are driven by the survival motive. The same is likely to apply to marginalized males. For the educated, exposed and well to do males and females, findings indicate that they tend to perceive business formalization as a means to grow their businesses driven by motives to create wealth and to leave legacies for future generations

The findings of this study indicate too, that the government of Tanzania resorts to use legal and regulatory means to motivate female and male entrepreneurs to formalize their businesses. These findings imply that legal and regulatory means alone are insufficient to motivate female and male entrepreneurs to formalize their businesses. It is necessary to address other factors such as access to education, awareness, capacities and gender. It is also crucial to foster positive perception of business formalization among powerful members of society such as most males, even if they are not operating informally because they can influence females in developing economies.

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