FROM TRADERS TO ENTREPRENEURS: MICRO-ENTERPRISE GROWTH IN A DEVELOPING ECONOMY IN AFRICA (INTERACTIVE PAPER)

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Principal Topic

Shaw (2004) makes a distinction between survival micro-enterprises and entrepreneurial micro-enterprises. In developing countries where the poor are poorly educated, the only capital micro-finance and technology is largely unaffordable, most micro-enterprises are entered into for survival purposes. In developing countries micro-enterprises have tended to be looked at from a development, or poverty alleviation perspective, rather than as potentially growing businesses. (Mead & Liedholm 1998, Toye 1993) Micro-enterprise development programmes have been a popular poverty alleviation strategy in developing nations since the 1940s (McPherson, 1996). Vast sums of money are now made available through a variety of micro-credit schemes, yet there appears to be little empirical evidence on the impact of this financing for business growth or the factors that might influence the growth and sustainability of these enterprises. To better understand the potential for growth and entrepreneurial activity of ‘survival’ micro-enterprises, an empirical study was conducted among micro-enterprises who had received micro-financing in the Beira area of Mozambique. The research question is: Is there potential for micro-enterprises entered into for survival to become opportunity focused and move from the informal to the formal sector.

Method

A longitudinal study was undertaken with micro-entrepreneurs in the Beira area of Mozambique in 2004, 2006 and 2007. Each entrepreneur had received micro-credit to start or grow what would be considered a ‘survival’ enterprise in the informal sector. The qualitative and longitudinal nature of the research has the strength of providing rich data, directly from the micro-entrepreneurs. It provided an opportunity to explore with the entrepreneurs changes to their business, their attitudes and aspirations, and whether motivation had moved beyond ‘survival’.

Results and Implications

The research identified a number of shared characteristics and demonstrated that a number of these entrepreneurs had made substantial gains in both a psychological and business sense in a period of three years. The results of this study challenge the clear distinction made between survival micro-enterprises and entrepreneurial enterprises in developing economies. As little is known about the process of growth from ‘survival’ entrepreneurship to ongoing participation in the formal economy this will begin to fill a significant gap in our understanding of enterprise development in developing economies.

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