

## **“Enter the Dragoness”: Firm Growth, Finance, *Guanxi*, and Gender in China**

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**Purpose:** In this exploratory study we theorise and examine gender differences in the impact of financial capital on Chinese firms’ growth, and investigate the role of *guanxi* (connections and networks) in the process of obtaining finance.

**Design/methodology/approach:** A structured questionnaire was used to collect comprehensive financial data from 18 women and 69 men, which was analysed empirically.

**Findings:** Women appeared to be no more disadvantaged from obtaining finance than men in China and in some respects appeared to be in a better position. Both women- and men-led firms were significantly stronger in relation to having access to enough finance to grow than at the start-up phase. A majority of participants in our study used *guanxi* to access finance. Furthermore, we found that *guanxi* was used equally by men and women, and that *guanxi*-sourced finance comprised a significant proportion of the overall capital obtained.

**Research limitations/implications:** One major limitation of our study was that, of the 87 questionnaires returned, 21% were women and 79% were men and, although the findings were not representative or generalisable, the results do suggest a number of possible avenues for future research.

**Originality/value:** We have illuminated the under-explored area of the financing of growth in women-led firms in China. This research agenda is particularly important because (a) SME finance in China is a key need-to-know area (Anderson et al, 2003), (b) there is a paucity of specific research on financing women entrepreneurs in China and (c) of the phenomenal rise of women’s entrepreneurship in China.

**Key words:** China, growth, finance, *guanxi*, socio-cultural capital, networks

## 1. Introduction and Context

While much has been written on the general development of the Chinese economy, and on the emergence of an entrepreneurial economy in particular (for example, Poutziouris et al, 2002; Wang and Zang, 2005; Chen, 2006; Li and Matlay, 2006; Liang, 2006; Yang and Xu, 2006; Li et al, 2007; Mai and Gan, 2007; Taormina and Lao, 2007; Tang et al, 2008), there have been fewer detailed studies of the micro-dynamics of the entrepreneurial process, focussed on issues of growth, finance and gender. To this end, we empirically analyse an exploratory face-to-face survey of 87 business owners in China; and have three linked objectives. First, we seek to theorise and test for gender differences in the impact of financial capital on firm growth. Second, we analyse access to finance in firms led by women and by men with regard to the demand and supply side. Third, we investigate the role of *guanxi* in the process of obtaining finance.

China has had high levels of early-stage entrepreneurship – defined as ‘owning and managing, alone or with others, a nascent business, or one that has been in operation for 42 months or less’ (Allen et al, 2008: 6) – at 16% of adults, according to the Global Entrepreneurship Monitor (Bosma and Harding, 2006). Indeed, 19% of men and 13.5% of women were early stage entrepreneurs, and 9.6% of men and 7% of women were established business owners, a total of 29% of men and 20% of women (Allen *et al*, 2008: 12). Although these figures must be treated with some caution, and we are talking about ownership/self employment as opposed to recent new venture creation, they do support the GEM findings that the level of women’s entrepreneurship is lower than that of men (Baughn et al, 2006; Allen et al, 2008). Whilst China has been identified as having one of the world’s ‘highest proportion[s] of women entrepreneurs’ (Baughn *et al*, 2006: 696), there has to date been little empirical evidence on women-led firms or women entrepreneurs in China. The ratio of opportunity to necessity entrepreneurship for Chinese men was 1.57 but for women was only 1.11 (Allen et al, 2008: 20). Such a gender gap in entrepreneurial motivations suggests that labour market disadvantage may have an impact on the level of women’s business ownership. This may be related to evidence that Chinese women business owners clustered in traditional sectors, were older and were less educated than their counterparts in other countries, while the surveyed women all had children and relied upon ‘family support’ (Hisrich and Fan, 1991).

Yet, a recent study found a shift from ‘lower to a higher social background’ and ‘much-improved educational attainments’ amongst entrepreneurs in China (Chen et al, 2006), which suggests that a similar trend amongst women is most likely. There is also evidence that women managers may have ‘cracked the glass ceiling’ in Asia, whilst not in the West (Yukongdi and Benson, 2005, p1.) and that this proposition holds in China too (Cooke, 2001, 2005). Against this background, it is now appropriate to explore the phenomenon of women entrepreneurs, one facet of the female workforce. Alongside her other studies of Chinese women entrepreneurs in Hong Kong (Chu and Wu, 1993; Chu, 2004), Chu (2000: 82) found that, “reasons for start up are more family oriented, more for assisting their husbands or more for obeying parental requests.” While the Western literature on women’s entrepreneurship and business ownership is well developed (Carter et al, 2001; Carter and Shaw, 2006; de Bruin et al, 2006, 2007), the male-centricity of much of the research and policy discourse has led to the virtual worthlessness of women’s enterprise (Ahl, 2006), such is the level of ‘masculine domination’ (Bourdieu, 1998). However, women entrepreneurs in China appear to have been on an upward trajectory and, as we explore below, socio-cultural and familial factors are critical to understanding and conceptualising gender differences in Chinese SME finance.

Financing small firms in China has been identified as a key need-to-know research question (Anderson *et al*, 2003: 315) and we are unaware of any studies that explore the differences between the experiences of men and women (although there have been a large number of such studies in the West). Concomitantly, cultural and social traditions – the ‘socio-cultural’ dimension (Siu, 2000) – underpin how business is practised in China and, “care should be taken before making generalisations ... in Western situations and in assuming that [practices]... are equally applicable across all locations” (Siu, 2000: 292), without factoring in socio-cultural contexts, including the tradition of Chinese familial collectivism (Chua *et al*, 2009; Bond and Hwang, 1986; Yang, 1988; Redding and Wong, 1986), into the analyses.

This paper is structured as follows. Section Two theorises gender differentials in finance, *guanxi* and firm growth. In Section Three, we outline our approach and in Section Four we discuss and analyse the results. Section Five concludes the paper and provides some implications for future research and conceptual development.

## **2. Theorising gender differentials in finance, *guanxi*, and firm growth in China**

To gauge changes experienced by SMEs in accessing bank finance, it is essential that we examine the development of financial institutions as a back drop. There is a link between the development of the financial sector and economic growth (Levine 1997; Wachtel 2001). To this end, China has instituted structural reforms of financial institutions since 1979. This change has led to the growth of private sector institutions (Hasan and Zhou, 2006) and according to the International Financial Statistics Yearbook (1997) the banking sector has grown by 50 percent from 1990 to 1997. The availability of credit in the market has risen from 4.3bn in 1993 to 10.3bn RMB in 1997 (International Monetary Fund, 1997).

The financial institutional development in China can be described in three phases. Phase 1 covers the period 1979 – 1993, when the economy started to move from a command economy to free market. This era saw development of ‘transitional institutions’ through experiment and innovations (Hasan and Zohu, 2006). During this stage, we observe expansion of non-state enterprises (Qian, 1999). This stage opened up the opportunities for SMEs to engage with the banking sector. In the second phase, from 1994 to 2001, the Government pursued a free market ideology that led to major changes in fiscal and banking system restructuring. The change that started in the 1980s and evolved in 1990s is referred as revitalisation of banking institutions by (Li, 2001; Yi, 1994). This second phase, where Government banks were separated from private banks, brought about greater competition and changes in customer relationships with banks, though the role of informal relationships remained strong. The third phase commenced in 2001 with the implementation of the WTO agreement, since when China’s financial system has become intertwined with the world as China has developed a presence in foreign banks and foreign-owned banks have extended their presence in China.

As part of the process of financial institutional reform was the establishment of a central bank (People’s Republic Bank, 1994). From 1996 to 1998, urban credit co-operatives (1,500) and rural credit co-operatives (60,000) gained importance as they engaged with SMEs and started to overcome a finance gap that bank finance was not able to fill. Competition intensified with granting licenses to foreign and non-state commercial banks. This was accompanied with further reduction in government intervention in credit allocation. These changes had regional variations and enhanced access to finance for SMEs. But this positive outcome was countered by a high percentage of bad loans, bribe-taking and abuse of power and duties by bank

lending officers (Hasan and Zohu, 2006). A well functioning banking system is pre-requisite to an efficient economy. Although the Chinese banking sector has experienced enormous growth and continues to play a major role in supporting SMEs, there have been few detailed studies of the operation of the banking system in terms of changes in access to finance for new and growing private-owned enterprises or of the extent to which gender plays a role in access to finance. Chinese familial collectivism is characterised by four defining features (Chua *et al*, 2009; Yang, 1988): mutual dependence within the family for resources and support, including finances; a hierarchical power structure which clearly differentiates relationships, roles and responsibilities; the domination of family interaction over other relationships; and a preference for an extended family structure that allows individuals to tap into the resources of other family members, both socially and professionally (Chua *et al*, 2009: 491-492). As a result, we would expect to see differential gender-based access to finance among Chinese SMEs.

In general terms, the influence of finance, and of liquidity constraints, is well established in the seminal mainstream entrepreneurship literature (e.g. Evans and Jovanovic, 1989; Holtz-Eakin *et al*, 1994; Blanchflower and Oswald, 1998). Western women business owners tend to be more undercapitalised than men (Marlow, 2006), but may not require significant investment due to their small size or different growth aspirations (Cliff, 1998; Heilbrunn, 2004). Women are more likely have lower levels of human and social capital but tend not to 'need' finance (Orser *et al*, 2006), although the use of social networks may be easier for men than for women (Manolova, 2006). Women may be more likely to be discouraged borrowers (Kon and Storey, 2003; Hill *et al*, 2006; Freel *et al*, 2007; Roper and Scott, 2009) because they perceive that they will be rejected when they apply for funding. Women show a lower propensity than men to seek bank loans directly and when they do this is for a smaller amount than men – both directly because of their gender – but being a woman does not directly influence refusal when they apply for a loan (Treichel and Scott, 2006). Most recent thinking suggests that undercapitalisation of women owned businesses is a rational response to the perceived high levels of risk that entrepreneurship entails (Marlow *et al*, 2008).

However, there would appear to be relatively little research into finance for SMEs in China in the English language, let alone for Chinese women entrepreneurs. Small firm finance has previously been compared in China and the UK (Hussain and Zhang, 2004; Hussain *et al*, 2006). Chow and Fung (2000) found that smaller manufacturing businesses in Shanghai

experienced fewer liquidity constraints than larger companies because the former were high-growth and used retained profits and the ‘informal credit market’, while the latter were loss-making and highly ‘indebted’. A number of recent studies in China have explored access to finance (Gregory and Tenev, 2001; Wang, 2004), as well as banking (dis)loyalty in Hong Kong (Lam and Burton, 2006) and, of particular interest, equity funding for Chinese firms (Batjargal and Liu, 2004). Retained profits were the major source of financing for 90% of the 600 private enterprises surveyed, while only 4% reported that they relied upon bank loans, and also that there was an increasing role of external debt in financing Chinese firms as they become bigger (Gregory and Tenev, 2001). Wang (2004) highlighted problems accessing external capital faced by Chinese SMEs, due largely to ‘lagging in the banking system, an inadequate financial structure, lack of a guarantee system.’ Finally, Wu *et al* (2008) found evidence that there is an increasing use of bank loans by SMEs, and also that older, more educated owner-managers use bank loans more frequently due to their ‘better knowledge of the financial market’. Such literature, while helpful, provides insufficient insight into gender differences in SME finance. Kitching *et al* (2005), echoing Kitching and Jackson (2002), found that the second most frequently identified problem for Chinese business women was access to capital and noted that, “Private Chinese business ... is still discriminated against in China with respect to access to capital and security of investment and women entrepreneurs face more difficulties than men.” (Kitching *et al*, 2005: 13). Taking, on balance, the view that women *vis-à-vis* men are in a slightly better (but not yet equal) position in China than the West, our theoretical review has suggested the following exploratory research questions:

*RQ1: Are women business owners in China significantly more likely to be discouraged borrowers than men?*

*RQ2: Are women business owners in China more likely to be rejected for a bank loan than men?*

*RQ3: Are women business owners in China more likely than men to be undercapitalized at start up and at the growth stage?*

Paralleling the importance of familial collectivism in Chinese society, it has been argued that *guanxi* mirrors this in social and, in particular, business relationships: in effect, *guanxi* is “an extension of family norms to business settings” (Chua *et al* 2009, 502). *Guanxi* can be defined as networks or connections or, as Chen and Chen (2004: 308) define *guanxi* as, “personal connections between two or more people”. While *guanxi* can refer simply to a

relationship, an important subset of usages (which we follow) refers to relationships that work according to norms of reciprocity and that bond the partners through the reciprocal exchange of favours and mutual obligations (Ordóñez de Pablos, 2009; Alston, 1989; Luo, 1997). Although some authors have questioned whether *guanxi* is ethical (Dunfee and Warren, 2001; Su *et al*, 2003), it is used extensively in the business world in China. We have drawn upon Elam's (2008) practice theory based analytical framework (itself cf Bourdieu, 1986). In the Chinese context of the primacy of the family, and the indivisibility of society and culture – contrary to the more individualistic and culturally diverse West, – we have collapsed Bourdieu's social capital and cultural capital into one over-arching concept, of 'socio-cultural capital' which more accurately captures *guanxi* and associated Chinese socio-cultural traditions and norms. The importance of Confucian culture and spirituality in Chinese management practices and in influencing individuals to become entrepreneurs should not be underestimated (Redding, 1990; Stewart et al, 2008; Wong, 2008), although conversely Long and Han (2008) have argued against 'cultural determinism' of entrepreneurship, believing economic reasons to be more prevalent.

However, given that Chinese capitalism relies upon deeply-embedded "complex webs of family networks and personal relationships ... an informal system of social relationships and family obligations" (Yeung, 2008: 31-32) in which *guanxi* plays a central role, culture is clearly vitally important. Meanwhile, 'organizational imperatives' (i.e. survival) and the 'homogenizing influence of globalization' – because firms are also 'embedded in the global economic milieu' – (Chen et al, 2008, p. 150-152) may cause a shift from an informal (*guanxi*) to more formal (bureaucratic or procedural) approach, an important element of what Yeung (2008) refers to as 'hybrid capitalism'. While there is considerable evidence on the use of *guanxi* in business management and entrepreneurship (for example, Anderson and Yiu-chung Lee, 2008; Bian, 2008; Chen and Chen, 2004; Chen et al, 2008; Szeto et al, 2006), its role in how owner-managers – whether women or men – acquire finance is less well understood. The provision of formal business support services in China has developed significantly since the turn of the century (Atherton, 2008; Smallbone *et al* 2008), as have more formal financial institutions, as opposed to traditional informal friends and family sources. Western evidence suggests that women are less likely to use social networks in obtaining external finance than (Manolova, 2006). Equally, it is the socio-cultural reality that *guanxi* is the *modus operandi* in traditional Chinese business practices. Within this, as recent research on trust in Chinese and American business practice has suggested (Chua and Morris,



2006; Chua et al, 2009), Chinese managers actually have more kin (family members) in their professional networks. In other words, *guanxi* is not just an extension of familial collectivism to business settings, it is also based on interaction with family members. Accordingly, we suggest a further research question, that:

*RQ4: Are women business owners in China slightly less likely to use guanxi in order to access external finance than men?*

### **3. Methodology**

Our approach builds on earlier qualitative research (Deakins and Hussain, 1993; Bell *et al*, 2004; Hussain and Matlay, 2007; Hussain *et al*, 2006, 2007). Following a comprehensive review of the literature, a structured questionnaire was developed to gain an appreciation of access, utilisation and management of finance by women and men. We collected, using a detailed questionnaire, comprehensive financial data from 18 women and 68 men, over the period June – September 2008 and sampled micro, small and medium-sized enterprises. The questionnaire was designed originally on an understanding of the UK financing systems and knowledge of SMEs in the UK. This questionnaire was initially tested in a pilot comparative study (Hussain et al, 2006).

The preliminary findings suggested that some of the questions were not appropriately designed, language used was less clear and the response rate was low. The reasons were analysed and cultural, regional specific issues were addressed by contextualising questions for China. The questionnaire was translated into Chinese by a contact who works in a Chinese university. The translated questionnaire was then checked by one of the authors who works at a UK University and is a Chinese national who piloted the revised questionnaire in April and May during her visit to China. This approach was applied to ensure that the Chinese version of the questionnaire was translated from English to Chinese correctly, but also applies to the Chinese social and economic context. As the result of this, a revised questionnaire was developed and used to interview entrepreneurs. Based on these experiences, the next stage was to finalise the structured questionnaire for it to be used in China.

The questionnaires were administered by Masters Students in China. Students were identified with the help of a Chinese academic. The students were familiar with the research

methodological issues through their own university course. The academic who identified and recruited these students had high confidence in these students' ability and integrity, especially being from the providence of Zhejiang helped them to relate and gain access to entrepreneurs. Furthermore, the author of Chinese origin briefed the Chinese academic and the students about the process, confidentiality, anonymity and the purpose of the survey was to ensure the accuracy and consistency of the approach, especially when conducting interviews. All questionnaires were completed through face-to-face interviews with entrepreneurs. This approach was adopted to ensure that the interviewees understood the questions that were asked and hence encouraging them to answer the questions. The choice of completing questionnaires through interviews was followed to improve the response rate. Chinese culture, the preference for secrecy regarding operational information, and the apprehension of SME owners make it particularly difficult to achieve a high response rates through sending unsolicited letters or questionnaires (Siu, 2005; Xiao and Fu, 2009; Zheng et al, 2006). By administering the completion of the interview, the response rate was much higher than postal surveys. In addition, some significant insights could be gained through the interaction between the interviewer and the entrepreneur, something students were encouraged to record for the researchers' consideration.

The major issue in carrying out this research was gaining access to entrepreneurs in China, something that is made more difficult due to the distance and cost associated in carrying out the research. To overcome the access and logistical issues, one of the authors of Chinese origin used her country-specific knowledge and academic network within China to complete the questionnaire. The sample selected, it could be argued, is convenience sampling and, in the strictest sense, non-random but – given the regional dispersion and non systematic selectivity – we suggest that the sample is a local, exploratory study using a convenience sample approach. Networks were instrumental in gaining access and in all interviews the question of 'trust' was paramount. We found it difficult to recruit equal numbers of women and men. Women entrepreneurs tended to be hesitant in completing the questionnaire, in particular disclosing financial information, a possible consequence of the role of the hierarchical power structure in familial collectivism. Though in China men and women are equally engaged in economic activity, there may be 'invisible' barriers which are only transparent to a native Chinese (Scott *et al*, 2009), and this represents a fertile area for further more detailed study.

We are aware of the limitations of conducting research from a distance, in a language other than the researchers', and lack of deeper cultural knowledge. However, having one co-researcher of Chinese origin has helped us to ameliorate some of the shortcomings at this stage and this issue will be explored in more depth in the next stage of this research. However, we would advise caution in the use and generalisation of results emerging from quantitative research that involved a small sample of respondents, including only 18 women, chosen from a small area of China. We now highlight four methodological dilemmas of conducting fieldwork in China.

The first question that arose was whether a questionnaire developed for the UK has applicability within the Chinese context, as the development and focus of the research questions have important implications for the design and measurement of the outcome. Although in general cross-cultural studies focus on the comparison between findings from different cultures, we consider this study to be cross-cultural due to the use of the UK questionnaire in China (cf Iverson and Maguire, 2000). If researchers ignore the methodological issues common to cross-cultural research, they, "risk interpreting findings that may actually be meaningless, inconclusive, or misleading" (Schaffer and Riordan, 2003, p.169). A second challenge was language – referring not only to the spoken language, but also in the sense that information in China may not be communicated in the same way as in the UK. Although national culture is one important aspect to be aware of when conducting cross-cultural studies, the subtlety of regional behavioural differences also needs to be recognised. Therefore, the interviewers had to appreciate the local networks and to enable better understanding of local languages, and the way that information was transmitted between people.

Third, despite the country's 'Open Door' policy, the 'foreigner' is still perceived as alien to many Chinese – especially people in rural and less developed regions. It is very difficult to conduct a large-scale representative survey, given China's socio-economic diversity. As we focus on the micro level, the exploratory questionnaire was selected as the most appropriate approach. Zhejiang province was selected because it has been identified consistently as the most entrepreneurial region in China. Given its unique geographical location (adjacent to Taiwan), there had been no heavy investment in industry and, therefore, residents chose to start their own businesses as a lifestyle choice and few of these entrepreneurs had higher education qualifications. As a result, it is not possible for 'foreigners' to interview these

entrepreneurs in English. Additionally, entrepreneurs in China are not accustomed to participating in research – in particular, Western style fieldwork. Consequently, it is very difficult to gather valid and reliable information. Additionally, when *guanxi* is considered as a norm in doing business in China, building a relationship with certain groups of people is crucial. In particular, when inter-personal trust is developed during the process of building relationships, it is much easier to make any kind of progress once this trust is being perceived at the right level. One of the authors took advantage of the relationships and trust that she had been building on over years. Fourth, although *guanxi* is perceived as the normal approach when interacting with Chinese, Wells (1994, p.284) defines, ‘ethics in terms of a code of behaviour appropriate to academics and the conduct of research’. Moreover, the appropriateness or the researchers’ behaviour will be affected by broader social norms of behaviour (Wells, 1994; Zikmund, 2000). When seeking initial access to the potential intended participants, we did not apply any pressure on individuals (Robson, 2002; Sekaran, 2000). We collected data objectively, accurately and fully – as this will also relate to the validity and reliability of this research. All respondents have been treated confidentially and granted anonymity and, therefore, all interviewees disclosed the information when asked, having been assured that the information given would not be published in China, nor would their names be disclosed.

#### **4. Results and discussion**

In the Chinese context, given the unique socio-cultural ‘dimension’ (Siu, 2000) and a high share of women entrepreneurs (Baughn et al, 2006), women entrepreneurs are, arguably, as much the norm as are their male counterparts. Our analysis, therefore, attempts to interpret the data through a gender-neutral lens. In addition, we adopt interpretive caution, given the small sample size, especially for women and potentially very small differences between men and women. However, as well as using testing statistical significance, finding men and women to have no difference would suggest greater equality than in the West. The results are presented in three discrete but related sections. First, we discuss the characteristics of the sample. Second, we focus upon the experience of men and women entrepreneurs in China, in terms of sources of finance, whether they have been rejected for bank loans etc. And, finally, we examine the initial evidence of the link between access to finance and firm growth.

In total, 87 completed questionnaires were obtained, of which 18 (21%) were women and 69 (79%) were men; but caution is required in terms of drawing firm conclusions or considering the findings to be representative of the population. Generalisability is more difficult in China

as, further west, there are similarities to the Soviet system, in terms of connections between the state and enterprises, whereas other locations (e.g. Shenzhen) have well developed market institutions (Xiao and Fu, 2009).<sup>1</sup> In the following analysis, as well as adopting a gender-neutral lens of analysis, we do not try to characterise the population based upon these results – but simply to highlight that these are the findings *in relation to our sample*, and yet they may offer some tentative suggestions as to what *may be* happening more widely.

#### TABLE 1 ABOUT HERE

The firms are predominantly small (63%), with around a quarter medium-sized and relatively few micro or large (Table 1, which uses established SME size classifications). Women-led firms in the sample appeared slightly more likely to be small, as opposed to medium-sized or micro. Although we did not have any large women-led firms, the fact that there were only two large firms led by men makes this finding less important than it might otherwise be. The predominance of small and medium-sized enterprises (SMEs) does, however, enable us to examine more closely the role of the entrepreneur and owner-manager.

#### TABLE 2 ABOUT HERE

Table 2 shows that these are actually, by and large, quite mature firms, with only 7% having been trading for less than two years. The oldest firms are male-led (48% compared to 28% women-led are over 10 years old) and there is a bulge of women-led firms in the age groups 5-7 years and 8-9 years. This may suggest increasing numbers of women starting firms in recent years, especially after the economic liberalisation of China. Of particular utility to this sample is the fact that the firms are (on average) older and, therefore, the role of finance in firm growth is substantially more important, as a result. The firms were solo-owned either by men or women; none were either family owned or co-owned by a man and a woman.

*Guanxi*, as a unique form of social networking, has been highlighted as having a major role in entrepreneurship in China (Lee and Anderson, 2007). We found that, whilst a majority of participants in our study used *guanxi* to access finance (Table 3), it appeared to be more significantly used for this purpose by men than by women; this finding was supported by European and American research that suggests that men would more readily have access to

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<sup>1</sup> We are grateful to Professor David Smallbone for making this latter point.

social networks than women (Manolova, 2006; Orser et al, 2006). However, in the context of China, we found no evidence for RQ4. We used a Chi square test to examine the difference in the use of *guanxi* between Chinese women and men. The calculated value (0.712) was less than the critical value (3.841), so we concluded that men and women had equal access to *guanxi*. This is consistent with other research that has suggested that there are no significant correlations between measures of relational demography (including gender) and *guanxi* (Farh et al, 1998), although some studies of the rural economy (Zhang and Lo, 2003) do suggest that the use and impact of *guanxi* varies by gender group, emphasising the importance of social, economic and cultural context within China in assessing such relationships. Overall, we conclude that our finding of no significant gender-based differences in the use of *guanxi* suggests that the informal networks were equally used by women and men entrepreneurs, findings which will be explored further in a future study. It is not clear, and indeed it is beyond the scope of this paper, whether not using *guanxi* would constrain growth. But, given that 33% of women and 23% of men in our sample have not used *guanxi* to access finance, it is nonetheless a relevant question for future research. Table 4 highlighted that, for many of these businesses, though more likely men, *guanxi* sourced finance did comprise a significant proportion of the overall capital that they obtained. Indeed, 33% of all men relied upon finance sourced via *guanxi* for at least 50% of their total capital.

#### **TABLES 3 & 4 ABOUT HERE**

Broadly, participants were happy with their ratio of debts (Table 5), although women were less happy than men about this aspect of their business. Table 6 shows whether participants used particular sources of finance or not, for five years ago (yr1) and the most recent year (yr5). There was a remarkable correlation between men and women in terms of types of sources used, except for family and friends; where there was a consistent 20-point gap (i.e. men are twice as likely to use family and friends at year 5). We found little evidence of financial bootstrapping (Harrison et al, 2004; Brush et al, 2006). The reliance on all sources of finance decreased for women by year 5, and for men this was less pronounced, except for immediate family, family and friends and financial institutions (Table 6). For women, immediate family was especially less likely to be used at this point.

Although 56% of women and 45% of men reported having enough finance at start up and the figure at the growth stage is much higher, 89% and 86% respectively (Table 7a). What was particularly interesting was that, although one might normally expect greater financial constraints at the growth stage of the firm, only 6% of women and 13% of men said that they did not have enough finance to grow (Table 7b). The Chi square test, the calculated value (0.402), was less than the critical value (3.841), confirming that there was no difference between experiences of women and men entrepreneurs; that is, women-owned businesses in China were not more likely to be undercapitalised at start up or at the growth stage. These findings were particularly startling considering international evidence. These findings cannot be generalised due to small sample size but provide a point of further enquiry. These results could be attributable to the participant women in the sample possibly being part of *guanxi* relationships through their family networks that enabled them to have an equal level of access to bank finance as their kin (Ordóñez de Pablos, 2009). These findings suggested that further detailed future research would be required to explore the phenomenon of apparent gender equality in access to *guanxi*.

#### **TABLES 5, 6 & 7 ABOUT HERE**

The bank rejection rates, 44% of women and 64% of men (Table 8a), appeared to be high but they were not statistically significant. Although men's twenty-point lead in the bank rejection rates appeared (in relation to RQ2) to suggest that women business owners in China were moderately more likely to be rejected for a bank loan than men, the results remained inconclusive due to the small sample size. Therefore, we should treat the results with caution and also heed Siu's (2000) admonition about the socio-cultural 'dimension'. To examine differences in the experiences of women and men, we used the Chi Square test and found that the calculated value (0.540) was less than the critical value (3.841), confirming that there was no difference between the two groups, a finding that was at variance with much Western research. Considering the discouraged borrower theory (Kon and Storey, 2003; Hill et al, 2006; Freel et al, 2007) and suggestions that women may be more likely to be discouraged borrowers in the UK (Roper and Scott, 2009), this did not appear to be the case in China. Table 8b shows that 17% of women and 38% of men did not apply for a bank loan because they assumed that they would be rejected (RQ1).

#### **TABLE 8 ABOUT HERE**

The broad picture that emerged from these analyses is that women appeared to be no more disadvantaged from obtaining finance than men in China – in fact, they appeared to be in a better position. Moreover, the position for both women- and men-led firms in relation to having enough finance to grow appeared to be significantly stronger than that of new start-ups attempting to access finance.

## **5. Conclusions and implications**

This paper has illuminated the under-explored area of the financing of growth in women-led firms in China. This research agenda is particularly important given that SME finance in China is a key need-to-know area (Anderson et al, 2003a), and considering the paucity of specific research on financing women entrepreneurs in China – although other studies have considered SMEs' access to finance more generally (e.g. Chow and Fung, 2000; Gregory and Tenev, 2001; Wang, 2004). The focus of this paper becomes all the more salient when one considers the phenomenal rise of women's entrepreneurship in China (Baughn et al, 2006; Bosma and Harding, 2006). Moreover, we have attempted to undertake our investigation using a gender-neutral lens of analysis, given Ahl's (2006) seminal revelation that the masculine perspective tends to be viewed as a benchmark or norm. We have emphasised the 'socio-cultural dimension' that must shape our understanding of entrepreneurship, firm growth, and the role of women in business management in China (Siu, 2000) as well as the unique methodological challenges of undertaking firm research and fieldwork in China. Central not only to entrepreneurship in China (Lee and Anderson, 2007), but also to financing SMEs in China and to conducting fieldwork effectively and efficiently, is *guanxi*, the socio-cultural capital that facilitate Chinese business interactions. One of our key findings was that a majority of participants in our study used *guanxi* to access finance. We concluded that men and women had equal access to *guanxi*, providing support for earlier research suggesting no gender differences (Farh et al, 1998), although some studies of the rural economy (Zhang and Lo, 2003) do suggest that the use and impact of *guanxi* varies by gender group, emphasising the importance of social, economic and cultural context within China in assessing such relationships. Overall, we conclude that our finding of no significant gender-based differences in the use of *guanxi* suggests that the informal networks were equally used by women and men entrepreneurs, findings which will be explored further in a future study.



One major limitation of our study was that, of the 87 questionnaires returned, 21% were women and 79% were men. It was still possible to make meaningful comparisons by gender and, although the findings were not representative or generalisable, the results do suggest a number of possible avenues for future research – involving either a larger-scale sample, or a more in-depth qualitative approach, perhaps involving case studies, or action research (Leitch, 2007), or perhaps adopting a Foucauldian framework for discourse analysis (Ahl, 2007). Nevertheless, the sample was satisfactory in that it was composed largely of SMEs – 63% of which were small – and, more significantly, a quarter that were medium-sized. And, indeed, the businesses were relatively mature and included few at the start up stage. These enterprises facilitated a more meaningful analysis of growth in women-led firms.

We found similarities in the sources of finance that men and women used over a five year period, and that the reliance on all sources of finance decreases for women by the most recent year. In addition, we found no difference between experiences of women and men entrepreneurs; that is, women-owned businesses in China were not more likely to be undercapitalised at start up or at the growth stage. These findings were particularly startling considering international evidence. These results could be attributable to the participant women in the sample possibly being part of *guanxi* relationships through their family networks that enabled them to have an equal level of access to bank finance as their kin (Ordóñez de Pablos, 2009). Given the nature of our methodology and the small size of our sample, we did not develop hypotheses, but did suggest that existing viewpoints in the literature would suggest that we would expect to see differential gender-based access to finance among Chinese SMEs, given the features of Chinese familial collectivism (Chua *et al*, 2009; Yang, 1988) and since Chinese managers actually have more kin (family members) in their professional networks.

Building on these conclusions, we suggest a number of areas for future research but, given the apparent equality between men and women in this paper, we do not at this stage make any major policy recommendations – apart from suggesting that the Chinese Government and financial institutions examine and address the finance gaps for SMEs, owned by both men and women, at the start up stage. However, in order to develop this research future, and considering the absence of gender differences between men and women in terms of access to finance and the use of *guanxi*, we nonetheless believe that there are two key areas for future research. First, it is clear that we now know something about the likely levels of access to

finance and *guanxi*, and indeed the combination of *guanxi* as a ‘lever’ to obtain finance, so we should explore the reasons why both women and men are failing to obtain finance in some cases. Second, we would suggest that there is great scope for building upon the extant literature in order to qualitatively research – using a number of in-depth case-based interviews and adopting an ethnographic approach – the process by which *guanxi* is used to obtain finance by SMEs, and gender differences in the process. A key outcome of such a study would be the construction of a conceptual model that would enhance our understanding of *guanxi* as a means of SMEs accessing external finance. Such research would provide greater insight into the access to finance and *guanxi* experiences of both Dragons and Dragonesses within the Chinese entrepreneurial realm.

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Table 1: Size of firm

	<b>Female</b>	<b>Male</b>	<b>n</b>
<b>Large</b>	0%	3%	2
<b>Medium-sized</b>	22%	25%	21
<b>Micro</b>	6%	12%	9
<b>Small</b>	72%	61%	55
<b>n</b>	18	69	87

Table 2: Age of firm

	<b>Female</b>	<b>Male</b>	<b>n</b>
<b>&lt;2</b>	11%	6%	6
<b>2 to 4</b>	17%	25%	20
<b>5 to 7</b>	28%	12%	13
<b>8 to 9</b>	17%	10%	10
<b>&gt; 10</b>	28%	48%	38
<b>n</b>	18	69	87

Table 3: Used guanxi to access finance?

	<b>Female</b>	<b>Male</b>	<b>N</b>
<b>No</b>	33%	23%	22
<b>Yes</b>	67%	75%	64
<b>n</b>	18	69	87

\* 1 non response (Male)

Table 5: Happy with ratio of debts?

	<b>Female</b>	<b>Male</b>	<b>n</b>
<b>No</b>	22%	12%	12
<b>Yes</b>	78%	87%	74
<b>N</b>	18	69	87

One non response.

Table 6: Sources of finance (yr 1 and 5)

	Female	Male	N
Savings yr1	28%	33%	28
Savings yr5	22%	35%	28
Immed family yr1	56%	55%	48
Immed family yr5	33%	46%	38
Family friends yr1	39%	57%	46
Family friends yr5	22%	46%	36
Fin insts yr1	56%	58%	50
Fin insts yr5	44%	49%	42
Creditors yr1	56%	55%	48
Creditors yr5	44%	51%	43
N	18	69	87

Multiple responses were possible.

Table 7: Enough finance to start up and grow

<i>a. start up</i>	Female	Male	n
No	33%	42%	35
Yes	56%	45%	41
<i>b. grow</i>			
No	6%	13%	10
Yes	89%	86%	75
n	18	69	87

a. Eleven non responses (2 F, 9 M). b. Two non responses (1 F, 1 M).

Table 8: Ever been rejected for a bank loan?

	Female	Male	N
a. Ever been rejected for a bank loan?	44%	64%	52
b. Ever not apply for bank loan because assume rejection?	17%	38%	29
N	18	69	87

a. Two non responses (1 F, 1 M); b. seven non responses (1 F, 6 M)