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Community financing in entrepreneurship: A focus on women entrepreneurs in the developing world

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ABSTRACT

Studies on the impact of group–based financing on women entrepreneurs in the developing world are under-represented in entrepreneurship research. With this exploratory study, we focus on women entrepreneurship from a community financing perspective to account for the underlying mechanisms of a community financing scheme and its impact on women entrepreneurs in the developing world. Data generated by interviewing 75 women entrepreneurs in Nigeria's gendered financial markets revealed that *'Ajo'*,—a community financing scheme shaped their entrepreneurial journeys, including their social structures. In their context, an overlay of prosocial acts of reciprocity, solidarity, collectivism, camaraderie, and trust underpinned how they pooled and shared financial resources. These findings contribute to our understanding of how women entrepreneurs engaged and interacted with a community financing scheme in their endeavours to promote their businesses in financial markets where gender biases existed. Such an understanding holds academic, policy, and social implications.

1. Introduction

Entrepreneurship is widely regarded as a conduit for economic development in many global regions (Baumol & Strom, 2007; Bosma et al., 2018), including the developing world. This makes the availability of essential resources needed to promote its practice important, especially in credit–constrained conditions (Koubâa, 2014) and among disadvantaged communities in large parts of the developing world, not least Nigeria (see Onwuegbuzie, & Mafimisebi, 2021; Vermeire & Bruton, 2016) —a gendered context (Strawser, Hechavarría, & Passerini, 2021).

Existing research emphasises the importance of accessing financial resources for individuals wanting to start a business venture in challenging entrepreneurial contexts (Chliova et al., 2015; Khavul, 2010; Milanov et al., 2015). Within this body of knowledge, microlending has been identified as a suitable financing mechanism for parts of Africa (see Ojong & Simba, 2020; Siwale & Ritchie, 2012). Being a regulated financial service, microlending requires individuals who engage with the service to enter some form of financial arrangement that involves either small loans, savings, insurance or payment services (Chen et al., 2017; Khavul, 2010; Pham & Lensink, 2007). Research recognises that microlending creates transaction costs not only for borrowers but also for lenders (Bhatt & Tang, 1998). Lenders endure costs associated with searching for loanable funds, designing credit contracts, assessing project feasibility, and evaluating loan applications (Bhatt & Tang, 1998). Borrowers will be required to fill out lengthy applications, attend lengthy training sessions, and undergo project and collateral appraisals (Simba et al., 2023). In the context of women borrowers in Africa and elsewhere, research suggests that they are confronted with harsher credit approval mechanisms, higher interest rates, and lower loan ceilings when they apply for business investments through regulated financial services (Brush et al., 2019; Bullough et al., 2022; Cozarenco & Szafarz, 2018).

Formalised credit applicatio processes exclude women entrepreneurs from participating in business (cf., Wasiuzzaman & Nurdin, 2019). When assessing the creditworthiness of businesswomen, banks in the developing world tend to penalise them on the basis of their gender by referring to unnecessary societal and cultural values (Ogundana et al.,

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2021). To confront their conundrum, research suggests that women in the developing world have instead gone after other socially organised sources of finance, including rotating saving groups (RSGs) (see Bhatt & Tang, 1998; Bruton et al., 2021; Elston et al., 2016; Islam et al., 2015; Martinez et al., 2015). A rotating saving group represents a cooperative arrangement involving individuals engaged in pooling and sharing monetary resources (Allen et al., 2019). We conceptualise an RSG as a community financing scheme—*Ajo* (a Nigerian term). *Ajo* denotes financial resources offered by family, friends and neighbours and group-based savings/lending in which individuals, in a group, put in a given amount each month and one person in the group, on a rotating basis, takes the total amount raised that month (cf., Bruton et al., 2021). Research shows that such a scheme of raising funds accounts for a far greater number of transactions in many developing nations, allowing their entrepreneurial but disadvantaged communities to obtain start–up capital or improve productive assets such as family farms (Chen et al., 2017). In a way, such a community financing scheme simultaneously provides women with a gateway into entrepreneurship escaping poverty while also contributing to the economic growth of their region(s) (Bruton et al., 2011; Chliova et al., 2015).

Despite such a notable impact, existing research downplays the significance of informal financial sources in business. As an example, research has portrayed informal finance as 'bad finance' (Guérin et al., 2011) and a remnant of old lending practices that will come to pass with modernisation (De Rambures et al., 2017). Elsewhere, informal finance has been classified as 'underground financing', implying some form of illegal activity (Degryse & Ongena, 2016; Greenbaum et al., 2019; Passas et al., 2012). The emphasis has been on formal finance, mainly projecting it as the most efficient way of boosting entrepreneurial activity due to the managerial guidance and support that comes with most bank credit facilities (Ayyagari et al., 2010). However, while this is representative of entrepreneurial contexts with stable financial markets, it is conceivable that informal financing schemes are viable in underdeveloped contexts (see Allen et al., 2019; Alhassan et al., 2019; Na & Erogul, 2021; Wu et al., 2016).

Thus, to begin to understand the configurations of informal financing schemes such as community–based schemes in underdeveloped markets, entrepreneurship research must aim to develop an understanding of how businesses, especially those owned by women operating in gendered environments, interact with them (cf., Aliber, 2015; Asongu et al., 2021). Insights into how women entrepreneurs relate to community financing schemes can enhance the understanding of their entrepreneurial journeys in contexts where gender biases exist and formal finance is hard to obtain (De Vita et al., 2014; Ogundana et al., 2021). To advance new perspectives on this important subject, this study is guided by the following research question:

How does a community financing scheme impact women entrepreneurs' business endeavours in a gendered environment, and what are the underlying mechanisms that define the structures of such a scheme in the developing world?

Scholars focusing on the history of women entrepreneurship in Nigeria (see Simba et al., 2022) report that women are restricted to household tasks with limited roles in entrepreneurship. Similarly, studies elsewhere describe how Nigeria's male–dominated financial markets use cultural, religious and societal assumptions about women in a way that limits their opportunities in business (Halkias et al., 2011; Metu & Nwogwugwu, 2022). Therefore, developing a theoretical understanding of other financing mechanisms, including the *Ajo* scheme and, in particular, how the scheme induces collectivism, togetherness and a sense of belonging in women entrepreneurship, contributes to research in the following ways:

First, such an understanding contributes to entrepreneurship research by connecting community–based financing perspectives with women entrepreneurship in a way that helps to account for the entrepreneurship processes women entrepreneurs go through in the developing world. Crucially, it accounts for the subtle social, cultural and economic dynamics shaping social structures that define women's entrepreneurship in the developing world. In some ways, it advances the understanding of the entrepreneurial journeys and social interactions of women entrepreneurs in a challenging context. Thus, the study advances new knowledge on the underlying social mechanisms engendered through a community financing scheme intended to promote women's entrepreneurship in contexts where gender biases exist.

Second, the study contributes to entrepreneurship by theorising the way in which an overlay of prosocial acts of reciprocity, solidarity, collectivism, camaraderie and trust function as a bridge for enabling the sharing or distribution of pooled financial resources from individual- and community–level perspectives. Thus, contextual and penetrating insights into how a community financing scheme in the developing world operates are advanced (cf., Bullough et al., 2022). Our study generates new entrepreneurship knowledge by introducing *Ajo* as a solution for women entrepreneurs in the developing world, where gender biases exist. This aligns with Bruton et al. (2022), who stressed the importance of developing indigenous theorisations based on the distinctiveness of local contexts. Moreover, developing contextualised entrepreneurship insights answers research calls by Welter (2011) and Zahra (2007), who, like Bruton et al. (2022), advocated for contextualising theory building in entrepreneurship research.

Third, the findings of this research have far–reaching academic, policy and practical implications. For academic research, a fresh community financing model (Fig. 2) provides new avenues for theorising entrepreneurial financing in a developing world. Thus, such a community financing model can inspire an informal vs. formal finance and entrepreneurship debate as well as the importance of context (Bruton et al., 2022). Similarly, policy institutions are challenged to consider inclusive structural and policy reform initiatives in financial markets to help reconcile entrepreneurial financing (both formal and informal) in such a way that supports women entrepreneurship in the developing world. Moreover, the study provides women entrepreneurs insights into alternative financing pathways worth exploring as they seek to fund their entrepreneurial activity in the developing world.

2. Theoretical background

Research conceptualises a pool of financial resources created through collective action as a common good capable of supporting entrepreneurship in communities (Meyer, 2020). Through entrepreneurship in communities, solidarity emerges as both an end pursued by entrepreneurs committed towards creating a pool of financial resources and a means for pursuing the common good as a higher end (Calton et al., 2013; Frémeaux et al. 2022). In this context, solidarity perpetuates collectivism (Meyer, 2020), and it encourages prosocial entrepreneurial acts whereby connected entrepreneurs in a community feel responsible for each other. Their actions depict solidarity as a mechanism for enabling these entrepreneurs to have communal access to pooled resources (Arjoon et al., 2018; Donati, 2008). Repeatedly engaging in prosocial entrepreneurial acts generates reciprocal behaviour, and this also builds a layer of trust that often enables long–lasting communities (Peredo & Chrisman, 2006).

Reciprocal behaviour denotes acts of extending one's generosity in anticipation of a return (Bolton et al., 2021). However, in situations where such a sequence of prosocial acts is compromised, especially when communities fail to sanction stowaways, compliance with reciprocity rules is often attenuated. Accordingly, mutual rules governing communal access to pooled resources must be regularly assessed (Peredo & McLean, 2019). In this context, trust does not mean a naive belief in the fairness of others but rather the low probability that they will violate implicit or explicit agreements (Bromiley & Cummings, 1995). People without options outside of their existing relationships are less–prone to violate such agreements. Consistent with that logic, it is to be expected that because women entrepreneurs in Nigeria have far–fewer financing options outside *Ajo*, they will be a priori trusted and afforded access to pooled community resources, through the scheme, for business purposes. Based on these assumptions and accepted societal rules as well as the rigidities of Nigerian society, we are able to evaluate the absence of financing options for women entrepreneurs through their past behaviours, attitudes and actions in their community. Thus, we expect ideas around solidarity, reciprocity, camaraderie, and trust to advance the understanding of community–based financing in a developing country.

2.1. Accessing financial support

Access to financial resources is considered one of the most important single factors essential for both the growth and survival of many entrepreneurial ventures (Wellalage & Locke, 2017). In advanced financial markets, new ventures access start–up capital from a range of sources, including angel investors, bank loans, and venture capitalists (Berger & Udell, 2003). Financial institutions in these markets operate within established economic and social structures. In contrast, in market conditions with high institutional voids largely in the developing world, informal financing mechanisms, including community–based cooperatives, often operate in parallel or as an alternative to formal finance systems (Baydas et al., 1995; Bruton et al., 2021; Madestam, 2014). Within such market conditions, businesses tend to heavily rely upon informal sources of funding (see Degryse et al., 2016; Ojong, 2019; Zhang et al., 2020). Common sources of finance in these markets include rotating saving groups, RSGs (e.g., community–based cooperatives) and reciprocal financial schemes (e.g., interpersonal financial borrowing—money from friends, family and neighbours) (Allen et al., 2019; Lee & Persson, 2016; Ojong, 2019).

Other financing mechanisms comprising rotating savings and credit associations (ROSCAs) have also been noted as prevalent in developing countries across Africa, Asia and South America (Biggart, 2001). Such informal financing schemes have attracted the attention of disadvantaged communities in the developing world due to their relatively high processing speed, ease of access, lower or no administrative fees, and in the majority of cases, no collateral requirements (Nguyen & Canh, 2021) compared with microlending arrangements (Bhatt & Tang, 1998). Similarly, scholarly research elsewhere reports that such informal financing schemes are not only an important source of finance for the poor (see Bruton et al., 2021) but also provide a lifeline for projects (e.g., sewing clubs) initiated by women in Africa (Biggart, 2001; Clark, 1997; Karaivanov & Kessler, 2018). Thus, and as a means of financing entrepreneurial activity, such informal arrangements provide the leverage businesswomen need to raise start–up funds at lower transaction costs (Pham & Lensink, 2007). Notably, such informal financing schemes can be comparatively advantageous in some market segments, as they enhance efficiency in resource allocation by financing small business activity and mobilising household savings that are beyond the reach of the formal system (Steel et al., 1997).

2.2. Women entrepreneurship in the developing world

Despite the widely reported obstacles that women must contend with in male–dominated societies, the proportion of women entering into entrepreneurship in the developing world has markedly increased in the last few decades (Bullough et al., 2022; Danish & Smith, 2012; Gatewood et al., 2009). Notably, businesswomen have become key players in economic development through their entrepreneurial activity (see Brush et al., 2004; Hechavarría et al., 2019).

Accordingly, there is a societal gain to be derived through recalibrating existing financial and policy frameworks, making them responsive and sensitive to women's entrepreneurship (Bullough et al., 2019; Bullough et al., 2022; Marlow et al., 2008), particularly within the developing world context, in which it is used as a way out of poverty (Bruton et al, 2013; Sutter et al., 2019; Kantis et al., 2002) and for women's emancipation and empowerment (Simba et al., 2022). Therefore, community–based financing schemes in the developing world undoubtedly have the potential to produce notable positive outcomes for women entrepreneurs (Bhatt & Tang, 1998). Admittedly, access to financial resources for women entrepreneurs goes some way towards tackling discrimination and, most importantly, increases their access to equity capital and loans (Henry et al, 2017; OECD, 2017), especially in the developing world. With this level of empowerment, women entrepreneurship can be a force that can drive economic and social development (see Hechavarría et al., 2019) not only of women but also of the economies of many parts of the developing world (see Adom, 2015; Nziku & Henry, 2021).

Women entrepreneurship matters for individuals, communities and countries (Elam et al., 2019; Minniti & Naudé, 2010). Indeed, research recognises that women's entrepreneurship contributes to the stability and well–being of communities and provides economic opportunities for disadvantaged groups, including women, low earners and minorities (Ascher, 2012; Kairiza et al., 2017). Even if a far greater number of women in the developing world are reported to be illiterate and live in poor communities (Bruton et al., 2021; Ojong, 2019), women entrepreneurship gives them the opportunity to participate in local economics, and the process helps them become entrepreneurs (Elam et al., 2019; Frešer et al. 2019). Although their enterprises are very small, they are known to provide them with the opportunity to improve not only their lives but also those of others by creating job opportunities (Ascher, 2012). Additionally, their wider participation in economic systems enhances the diversity of entrepreneurship in any economic system (Verheul et al., 2006). Thus, an understanding of how they finance their activities, especially in the developing world, becomes important for academic research, entrepreneurship and policy development (De Vita et al., 2014).

It is worth highlighting that although women's entrepreneurship provides a route for empowering and advancing women socially and economically in the developing world, the process greatly relies on the presence of institutional support. Such support gives women equitable access to the resources they need to start, grow, and sustain their business ventures (Olarewaju & Fernando, 2020). In the developing world, particularly in parts of Africa, the growth and development of women–owned ventures are largely dictated by the nature of the institutions dominating their society (Ahl & Nelson, 2015; Estrin & Mickiewicz, 2011). Thus, and considering that many parts of the developing world are characterised by high institutional voids, understanding the types of social and economic systems that define their entrepreneurial activity becomes paramount (also see Demirgüç–Kunt et al., 2013; Jamali, 2009).

2.3. Women entrepreneurship potentials

Although several studies (e.g., Coleman et al., 2017; Naegels et al., 2018; Leitch et al., 2018) have called for gender equality in terms of access to resources, the ability of women to raise start–up capital for their enterprises through formal finance schemes is constrained because of their gender (Koubâa, 2014; Olarewaju & Fernando, 2020; Verhoef, 2001; Verheul & Thurik, 2001). Research suggests that despite this limelight on gender issues, women entrepreneurs still attract fewer early–stage equity investments, especially in relation to venture capital (Leitch et al., 2018). According to Kanze et al. (2018), women entrepreneurs experience more sceptical prevention-focused questions. They encounter harsher credit approval, higher interest rates, and lower loan ceilings when applying for formal finance through regulated financial services (Cozarenco & Szafarz, 2018). In addition, there are many gendered aspects of regulatory (e.g., policies and laws) and normative (e.g., cultural expectations) institutions that are subtle and hard to detect at the surface level but are nonetheless ingrained in commonly accepted societal rules, norms, and practices (Brush et al., 2019; Bullough et al., 2019; Bullough et al., 2022; Jamali, 2009). Considering such gender biases and societal barriers as well as assumptions about the role of women that often restrict them from fully participating in economic activities, informal finance schemes have been identified as a source of funding they can potentially draw upon to fund their entrepreneurial ventures (Schindler, 2010).

Informal finance schemes such as community financing schemes are unregulated, but they fall under legal financial activities only that they take place outside official financial institutions and are not directly amenable to control by key monetary and financial policy instruments (Ngalawa & Viegi, 2013). In many parts of the developing world with high institutional voids (see Amorós et al., 2016; Goedhuys & Sleuwaegen, 2016; Naegels et al., 2018) and extensive information asymmetries, disadvantaged members of society, including entrepreneurial women, rely on informal schemes to mobilise funding for their business activities (Ngalawa & Viegi, 2013). A study carried out by the International Labour Organisation's (ILO) series on women's entrepreneurship development and gender equality (WEDGE) focused on Africa found women who want to start a business to be more likely to use informal financing schemes than men (Richardson et al., 2004). This was echoed in scholarly works elsewhere (e.g., Coleman & Robb, 2009; Treichel & Scoot, 2006) emphasising that women are more likely to use individual funds, earnings from businesses, informal borrowings, and family loans to finance their businesses.

As previously explained, although several factors, including gender bias, discrimination, and cultural and societal factors, limit women's potential to access funding through formal means (Demirgüç–Kunt et al., 2013; Malmström & Wincent, 2018; Wellalage & Locke, 2017), informal finance schemes such as community–based saving groups can be a potent pathway for financing women's entrepreneurship in a developing world. Considering that G20 nations estimate that women–owned businesses have a financing gap of $290 billion to $360 billion in unmet financing needs per year, embracing other financial sources suited to the context in which women entrepreneurship is widespread becomes important. Additionally, and most importantly, the Global Entrepreneurship Monitor's (GEM) latest 2018/2019 report on women entrepreneurship confirms that 231 million women launched or operated businesses in 59 economies around the world (Bullough et al., 2022; Elam et al. 2019). Thus, the sheer scale of women's participation in entrepreneurship and their known obstacles, such as gender and their stereotyped roles in society, implies the need to pay attention to women's business needs, especially financial needs, across many regions of the developing world.

3. Methods

3.1. Research settings

Fieldwork was carried out in the Nigerian capital of Lagos. This East African nation was considered a suitable setting for this research because of its fastest growing population of women entrepreneurs in the developing world (GEM, 2021). The focus was on Lagos State, as it is one of the largest metropolitan areas in the world and the second largest in sub–Saharan Africa. Moreover, the state was identified by the World Economic Forum (WEF) in 2022 as a leading city for start–ups in sub–Saharan Africa ahead of Nairobi, Cape Town and Johannesburg. Because of its intensive entrepreneurial activity showing a large percentage of active women entrepreneurs, we were able to identify a sample of 75 women entrepreneurs to talk to and gain an in–depth understanding of their business financing experiences in the East African nation. The Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) estimates that Lagos State accounts for a substantial proportion (approximately 25%) of women–owned businesses in Nigeria . This indicates that women–owned businesses play an important economic role not only in Lagos State but also in the rest of the East African nation (Ogundana et al., 2022). Thus, an understanding of the social structures that impact the way they access resources to support their businesses within their communities can advance the understanding of entrepreneurship financing and women entrepreneurship in Nigeria with policy and academic implications.

3.2. Research approach and design

Considering that the overarching goal of this research is to develop new perspectives at the interface of community–based financing and women entrepreneurship from a developing world perspective, an interactionist approach was considered suitable (Guba & Lincoln, 1994). As a qualitative–oriented research paradigm, interactionism enabled us to engage in qualitative conversations with Nigerian women entrepreneurs in such a way that allowed them to relay their entrepreneurship journeys and social experiences, helping us to understand how they engaged with their social environment to raise start–up funds to support their entrepreneurial activity in their gendered society. Based on the narratives of their experiences and entrepreneurial journeys, we developed multiple views about their entrepreneurship processes in Nigeria. The complexity of the phenomenon (Eisenhardt & Graebner, 2007) playing out in contexts where women must contend with gender biases embedded in cultural, societal and economic spheres, utilising cases of women–owned enterprises, facilitated the development of thick descriptions about their social world.

Moreover, the identification and utilisation of cases of Nigerian women entrepreneurs enabled us to engage in dialogical contextualism by linking academic conversations with the context and analogical reasoning (Hamann et al., 2020). By the nature of their set–up and ownership, the businesses that were chosen for the purpose of this research enabled the researchers to gain in–depth and rich insights (Yin, 2003; Farquhar, 2012) into the role and impact of community–based financing schemes in women entrepreneurship, particularly in the developing world. Moreover, we were able to triangulate data collection through a combination of data gathering techniques, including face–to–face interviews with 75 women entrepreneurs and 5 officials involved in *Ajo* (a community–based financing scheme), observations and from analysing artefacts about women entrepreneurship in Lagos State in Nigeria. Thus, utilising multiple sources of evidence for gathering data was suitable and consistent with the goals of exploring how women entrepreneurs interacted and related to each other as part of their community financing programme with the view of enhancing their entrepreneurial activity in a developing world context.

3.3. Preparing data collection

A sample of 75 research participants was identified from a pool of 909 women entrepreneurs. Two methods were utilised to identify the sample, and these included (i) their records in a register containing details of women entrepreneurs. The registers we used were provided by business associations in Lagos State, Nigeria, and (ii) snowball sampling was used to reach other potential participants. The registers of the aforementioned associations were the main sources used to identify suitable participants to contact for the purposes of this study. However, not all of the initial contacts identified through the registers responded to the request for interviews.

To mitigate this, we utilised snowball techniques (Saunders et al., 2003), i.e., those who had given consent to participate in the interviews led us to other participants. The data collection process occurred over a period of a year from 2021 to 2022.

3.4. Case selection

To ensure that the data we received provided predicted outcomes detailing ways in which women entrepreneurs in Lagos State, Nigeria, engaged with a community financing scheme such as *Ajo*, we adopted Yin's (2009) replication logic. In other words, we selected multiple cases of women entrepreneurs in Lagos, and we anticipated displaying similar behaviours, attitudes, and actions—a process described in Yin (2003) as literal replication. Following a replication design helped us to explore prosocial entrepreneurial acts of solidarity, reciprocity and trust and gain in–depth insights into the ways in which women entrepreneurs in Lagos State interacted when engaging with a community scheme —Ajo. Additionally, for that purpose, we followed strict criteria in our case selection.

For a woman entrepreneur to qualify for the interview stage, she had to be affiliated with a local association in Lagos State. Location was also important as a criterion for their qualification. As previously stated, Lagos state was of great interest because of its large population of women–owned businesses in the whole of Nigeria. To enable comparability of our results, we narrowed our focus to women entrepreneurs who were involved in the garment manufacturing sector. Moreover, to explore their entrepreneurial financing landscape, we focused on those women entrepreneurs who were affiliated with a trade association including the *Alagbado Association* (*Alagbado is a name of community meaning corn–owner), Egbe Alayo (meaning association of the joyful ones)* and LAPO *(meaning Live Above Poverty)* groups.

'Casing' or binding our cases was decisive in terms of who we chose, their locations, social interactions, our theorisations and the replicability of our results (cf., Ragin, 1992; Stake, 2005).

3.5. Interviews

Interviews were mainly carried out face–to–face. We employed an interview guide comprising semi–structured questions. To allow the participants to express their thoughts, interviews took place in their familiar surroundings (Creswell, 2014; Gray, 2014), and on average, an interview lasted 65 min. The interviewing process was terminated after the 75th interview. At this cut–off point, it was felt that a point of data saturation was reached (Saunders et al., 2018). That is, conversations with selected respondents were no longer, yielding any new insights into the financial scheme(s) women entrepreneurs were using in Lagos State, Nigeria. All the interviews were audio recorded and transcribed. For any information gaps that emerged as we were transcribing data from the interviews, we engaged a research assistant to carry out additional interviews. Funding for travelling to Nigeria and for engaging a research assistant were available as this was a funded research project.

3.6. Data analysis

We started data analysis by transcribing all the interviews. Thereafter, we engaged in an iterative process involving reading the literature and the interview transcripts several times to gain a deep understanding of the text and form patterns of the actions taken by women entrepreneurs in Lagos State as they sought to raise funds for their entrepreneurial activity. Such a process aided our interpretation of the stories told by the participants (Smith & Osborn, 2008). Moreover, it helped us to understand the content and deduce meanings from data (Smith & Osborn, 2008; Watson & McGowan, 2019). Next, we utilised NVivo to help us manage qualitative data (Gioia et al, 2013).

The process also aided data coding, as well as tracking similar text across our interview transcripts. Consistent with the principles of the Gioia methodology, we closely examined and coded each transcript separately using data–driven codes (*1st order codes*) (cf., Corley & Gioia, 2011). These first–order codes were deduced from the initial analysis, which we terminated when we could not identify additional codes (Gioia et al, 2013). Following a line–by–line coding process, we recorded a total of 197 first–order codes (e.g., *community relations, co-operatives, stringent loan procedures, local and outside connections, etc.*) (Fig. 1).

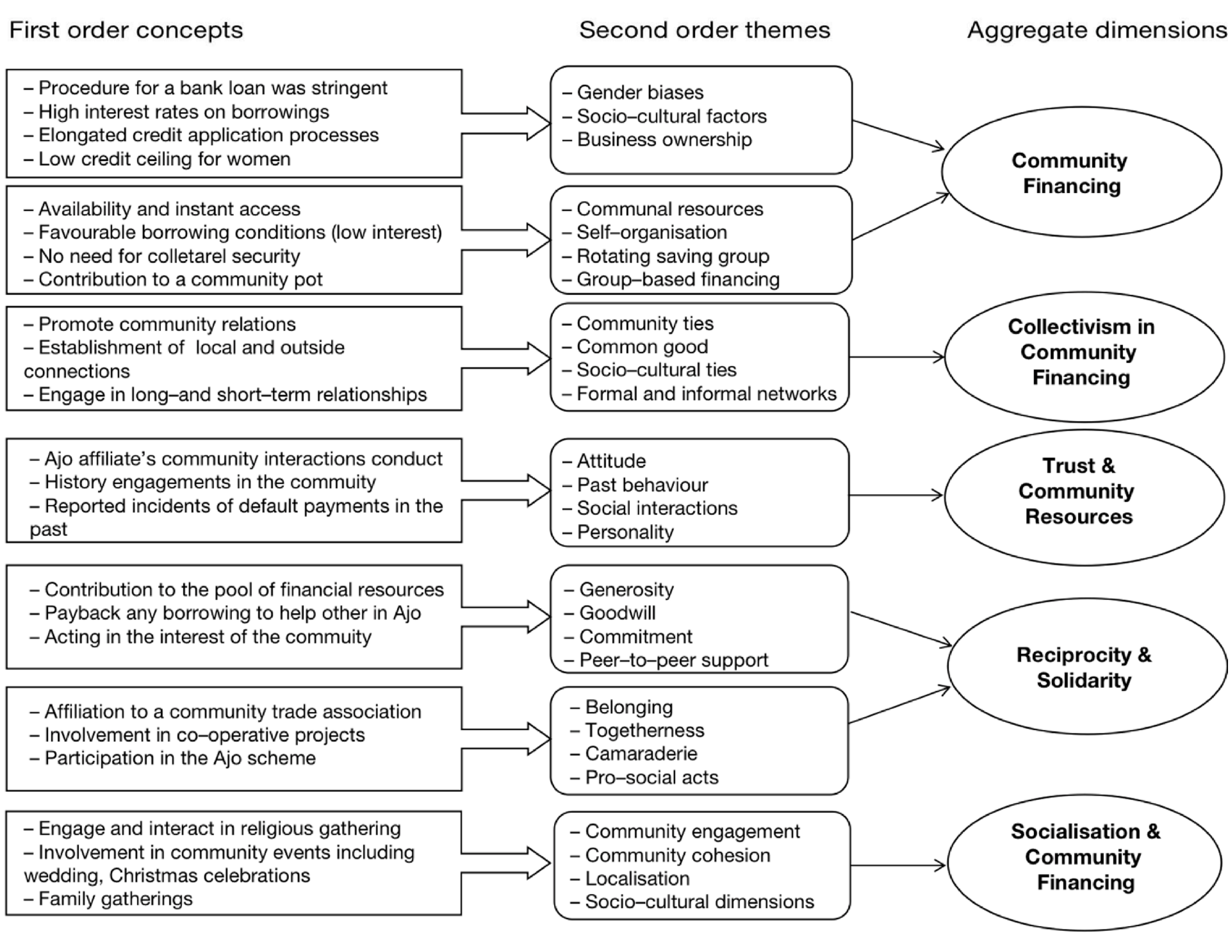

Fig. 1. Category and analytical themes from qualitative data analysis.

Through a series of iterations, we reviewed and aggregated similar first–order codes (i.e., *primary codes*) under second–order codes. Second–order codes were derived from both collected data and theory. In the second round of coding, a total of 55 secondary codes, including *social ties and investment in connections, community resources, gender biases, peer–to–peer support, etc.,* emerged from the axial coding process (Fig. 1) (cf., Corley & Gioia, 2011). Afterwards, we categorised all the second–order codes under aggregated dimensions (e.g., *community financing, collectivism and community financing, trust and community resources, reciprocity and solidarity, socialisation and community financing)* using both data–driven and a priori themes. Fig. 1 summarises our analysis illustrating how we progressed from primary codes to secondary concepts and from secondary concepts to aggregate dimensions. The concepts at different levels were analysed further to reveal the connections and interrelationships between them. We vetted the interconnections that emerged against the qualitative data to ensure that the connections worked for the primary source material—the actual words of the participants.

4. Findings

4.1. Community financing

Research identifies that, in general, women entrepreneurs endure gender biases and stringent credit application requirements when they apply for a bank loan (see Koubâa, 2014). Women entrepreneurs in our sample explained how it was hard for them to secure formal credit facilities. For example, Respondents 42D, 45D and 32S stated that the process for evaluating and granting a loan application is unfair to women entrepreneurs in Nigeria. In addition to the comments by Respondent 32S, approximately 25% of our interviewees mentioned that the process for accessing formal finance was difficult because of the long waiting periods before the facility could be granted. They further explained that a loan application would normally take months, and during that waiting period, they could be required to check with the banks every week before approval. Respondent 32S had to check with the bank a few times in a week during her application process. Similarly, Respondent 34S had to check the status of her application with the bank frequently until her loan was approved:

It was really hard to access the loan. I had to continuously go there (to the bank) every day. And it took a while before they award the money to me. They (bank) kept asking for a lot of documents, like an ID card, Lawma bill or nepa bills etc. and also I was asked to bring a guarantor and the person should come with a passport or other things. (Respondent 34S).

Approximately 25% of these women entrepreneurs considered these varying degrees of the application procedures to be very difficult, as they were sometimes forced to shut their businesses to attend an appointment with a bank. The time spent through the application process was frustrating for women entrepreneurs, especially when, at the end, the loan facility was not granted. Generally, the loan facility was difficult for businesswomen to secure, to the extent that the majority of them were dissuaded from approaching banks. Approximately 45% of the respondents stated that they were not interested in applying through formal sources of finance for reasons such as *"it could result in shame", "they do not like the idea", "fear of punishment", "high interest rate"*, and "*hear-says*". Comments related to that were captured in our conversations with women entrepreneurs and are presented below:

They have been in my shop several times persuading me to come and borrow with promises of a huge amount like ten million. I have told them I am not interested because I believe most persons run at a loss after they have borrowed from the bank. Also, it comes with a lot of troubles and embarrassment like police arrest and so on (Respondent 43D).

For me, I don't have the mind to borrow money from the banks. Also, the rate that one is required to pay back the money can even give the person a heart attack and their interest rates are too high. Defaulting comes with a lot of troubles that I am not ready for. (Respondent 47D).

Like I said earlier, I don't like the idea of borrowing money from the bank. (Respondent 62D).

No, I have not borrowed money from banks because I have seen people and know from people's experiences (Respondent 5S).

The views expressed above suggest that women entrepreneurs ruled out formal finance as a means of supporting their entrepreneurial activities. This partially explains the reasons behind the small proportion of women entrepreneurs who utilised formal finance in Lagos State. Overall, the obstacles they had to contend with in the formal financial markets forced them to seek alternative funding methods for their business endeavours, especially in underdeveloped financial markets (cf., Beck & Demirgüç–Kunt, 2006). Considering the challenges women encountered in formal financial markets, community financing schemes were attractive (cf., N'Guessan & Hartarska, 2021). Evidence about the strategies they deployed in Lagos State to access funding for their ventures provides insights into the steps and the decisions they make in their entrepreneurship journeys.

According to their narratives about the processes that formed their journeys showcase that in Lagos State, *Ajo* provided a large group of the state's women entrepreneurs with an alternative avenue for obtaining start–up capital. A proportionately high percentage (87%) of these women confirmed that at the inception of their ventures, they utilised the funds they acquired through the *Ajo* scheme. They also confirmed that they relied on the scheme for the funds they needed for their everyday entrepreneurship because *"it guarantees me cash", "it keeps my business afloat", "I am familiar with it" "I know people who are involved in the scheme"*. They further elaborated that:

choose Ajo because other people (women entrepreneurs) in the same business are doing it. (Respondents 72D).

When I started my business, I had concerns about the rate of collecting money (speed) from the bank and this was an issue. Also, the Ajo (loan) through union (trade association) is faster unlike the bank where the process is a long one, and you can tell them (the trade association) when you want to collect the money. And also, the bank will require you to provide a guarantor or a collateral before they can give you a loan. (Respondents 1S).

choose Ajo for me because it's just easy to access money without guarantor or any collateral. And having peace of mind. (Respondent 32S).

Their rationale for using *Ajo* suggests that the scheme provided favourable conditions that they would perhaps not enjoy when they apply for a bank loan (cf., Beck & Demirgüç–Kunt, 2006). A small percentage (9%), however, expressed that they either utilised formal finance or a mixture of both formal and informal finance to start their businesses. Interestingly, although 9% of the women used a combination of formal and informal sources to fund their ventures initially, they justified their approach by pinpointing that they turned to informal financing later in their business journey because of *"no need for collateral security"* and that they were *"charged little or no interest on borrowed amounts"*.

Based on our observations of their illustrations above, it is unequivocal that community-based financing schemes are increasingly becoming a solution for disadvantaged groups of entrepreneurs in the developing world, especially women entrepreneurs; therefore, we advance the following:

Proposition 1. *Community–based financing schemes (such as Ajo) are increasingly becoming an important feature of the entrepreneurship journeys of* ***women entrepreneurs experiencing involuntary exclusion from formal financial services in the developing world.***

4.2. Collectivism in community financing

Our qualitative conversations with women entrepreneurs in Lagos State yielded evidence suggesting that the *Ajo* scheme brought them together and acted as a community bridge that facilitated interrelationships and collectivism amongst these women (cf., Burt, 2019;

Granovetter, 1973). Its *(Ajo)* accessibility to women entrepreneurs affiliated with trade associations in Lagos State strengthened their bonding. Here is how several women entrepreneurs perceived the impact of their ties within *Ajo* in Lagos State:

To access Ajo, you must be a member of our association and in this same market. (Respondent 39S).

We were community friends, siblings and neighbours who decided to come together to do Ajo (Respondent 41D).

We are just a group of friends, and we all know each other. we do not accept outsiders to join our Ajo group, it has to be an in-house person, someone we all know or one of us knows. This is the reason we do not ask for anything nor documents or whatsoever. It is only those that we know that are allowed to join the group because someone we do not know can run away with Ajo. (Respondent 8S).

It is unequivocal from the statements above that the *Ajo* scheme facilitated community engagement and close cooperation among women entrepreneurs in Lagos State. Nearly all the women in our sample acknowledged that the feeling of camaraderie *Ajo* brought in their community gave them a sense of togetherness and attachment in such a way that they were able to confront their predicaments. In other words, there was a sense of solidarity within their business community. From our observations, it was evident that solidarity had strengthened communal relations among them, which enabled them to access pooled community resources, including capital for entrepreneurship–related investments (cf., Meyer, 2020). The importance of their ties was emphasised when approximately 35% of the interviewees expressed that they had invested a considerable amount of time, over several years, to establish their social connections. They expressed that they developed their ties by regularly engaging with social community gatherings and religious events. This was also confirmed in the statements below:

What happened is that I need to have been regular [to all social community gatherings] for 6 months before they can borrow me any money but failure to be regular [at all social community events] will deprive me of getting money. (Respondent 16S).

In the group, we usually meet every weekend and if you're absent in that meeting you will pay a fine, also if you come late to the meeting, you will pay a fine. So, the best thing is to just do the right things [be committed by attending all meetings] to improve your access to finance. (Respondent 63D).

The emphasis on being part of a social structure in the statements above demonstrates that collectivism was not only fundamental to community cohesion but also enabled access to essential financial resources. This shows that self–organising to form social structures that conform to local social and, to some extent, cultural forces facilitates resource pooling and access in the developing world, where formal financial services discriminate along gender lines. To summarise our interpretation of the evidence above, we propose the following:

Proposition 2. ***Engaging in*** *community–based schemes* ***fosters a sense of togetherness and belonging (collectivism), which underpins group cohesion and solidarity in a developing world context. Such conditions generate communal resources beneficial for women entrepreneurs who are often excluded from formal financial services because of their gender.***

4.3. Trust and community resources

Through our interactions with women entrepreneurs in Lagos State, we got a sense that their feelings of togetherness and belonging gave rise to some form of trust, which we interpreted as being essential in the way the *Ajo* scheme functioned. Indeed, there were several ways in which the trustworthiness of women in *Ajo* was assessed by its organisers. For example, in our conversations with *Ajo* organisers, it was made clear that they took advantage of community events and gatherings comprising cultural rituals, weddings and Christmas celebrations to assess the behaviours, actions and attitudes of women who were affiliated with the *Ajo* scheme. They explained that their aim was to gain insights into how they interacted with others, as it was important as a way of predicting future behaviour and, to an extent, their creditworthiness. Respondents 43D and 11S, who were key organisers of *Ajo,* further clarified that if a member's behaviour or actions were considered to be out–of–step with the customary rules of the scheme, including being prosocial (acting with camaraderie, for example), their access to *Ajo* facilities would require them to have a guarantor.

Furthermore, Respondents 4S, 8S, 41D, 46D and 57D added that a guarantor had to be a trusted member of the community/clan/religious group. Community membership provided a platform on which *Ajo* organisers accessed social historical information about a potential *Ajo* applicant. This was important, as it somehow addressed the issue of information asymmetry, which often causes banks to restrict small businesses' credit access in the developing world (Beck & Demirgüç–Kunt, 2006).

The organisers of *Ajo* expressed that they would normally evaluate requests on the basis of past behaviours, attitudes and actions to determine trust, loyalty, honesty and integrity. The statement below confirms their approach:

I will check the person's worth if he or she will be able to meet up with the payment every month. in my own group, I am always very selective of the people I add to my group. The person has to be worth more than the amount to be loaned. (Ajo Organiser– Respondent 43D).

Although their approach was rudimentary, *Ajo* organisers perceived it to be effective, as they had experienced a very low incidence of members failing to repay their loans. The organisers also utilised historical events and informal records to assess the credit history of women borrowers. Respondents 15S and 27S stressed that women borrowers were able to access and use *Ajo* because they had fulfilled their agreements by paying back their loans. From that, it was clear that since *Ajo* was their only option, the probability that they would default was somehow mitigated by the due diligence of the organisers. Their narratives and our interpretations above underscore that community trust was essential in accessing pooled financial resources in Lagos State. From that, we propose the following:

Proposition 3. *In the absence of established credit rating mechanisms, trust to access community resources is based upon the past behaviours, attitudes and actions of women entrepreneurs in their society to determine their level of access to credit facilities.*

4.4. Reciprocity and solidarity

The idea of acting prosocially works when groups or members of a society believe that their generosity will be replicated by others (cf., Meyer, 2020). Approximately 50% of interviewees expressed that they contributed to the *Ajo* scheme because they trusted their friendships and that it was their desire to do good by helping one another.

Approximately 80% of women entrepreneurs in our sample explained that even if there was a surcharge for money borrowed when it was not their turn to receive from the communal pot, they were willing to pay, as it was for the good of the community. To that end, Respondent 52D added that she paid 200 *naira (US$0.44)* on a borrowing of 20,000 *naira (US$44.09)*. To clarify this, an *Ajo* organiser confirmed and gave examples of using sums from the amounts women entrepreneurs frequently borrow:

Like the one of #30,000 naira (US$66.14) collection, I will usually deduct #200 naira (US$0.44) before giving it to the person who is to collect for that day (Respondent 56D).

Compared with the level interest charged by microlending institutions, the rate of interest on borrowings through the *Ajo* scheme is low. Respondent 32S, who first approached a microlending institution for a loan, explained that she was told that a loan with them carries a 20% interest rate. Here is how the puts it:

But for the microfinance, they added 20% of interest on the amount you *borrowed.* (Respondent 32S).

Contrary to the use of money earned through bank levies, the organisers of the *Ajo scheme explained* that any interest paid by affiliated members of *Ajo* was used to cater to the social needs of all the members, including the purchase of Christmas gifts and this how they put it:

We usually remove "owo iko" which is a token from the money to cater for other little things in the group like purchasing gift for a new mum, or a sick person. In my group, "owo iko" is just #200 (US$0.44). We do not inconvenience ourselves at all. (Organiser/Respondent 45D).

From every collection (loan), a particular amount will be removed, and we call it "owo iko". The amount removed in association I is #200. Generally, it is for attending to things in the unit. It could be used to buy a gift for a new mother, appreciate someone or even catering to a sick person. (Respondent 47D).

A token will be removed before the money is released. That token is for the money spent on miscellaneous things like calling members to remind them, transportation to different places to collect it, etc. (Organiser/Respondent 43D).

Just that after you have collected the money, there is an amount to drop in the meeting. Let's imagine you collected #50,000 (US$110.23), #200 (US $0.44) can be removed or dropped which is like the interest amount. Basically, it is for expenses related to the contribution like the purchase of a notebook, pen, airtime and all. (Respondent 52D).

From the above, it is unequivocal that the *Ajo* scheme strengthened the communal relationship between members and facilitated reciprocal attitudes. The evidence suggests that there was a feeling of helping others for the good of the community (cf., Meyer, 2020). From that perspective, we propose the following:

Proposition 4. *The prosocial acts of women entrepreneurs are driven by the belief that they are performing a duty for their community and by the fact that their generosity will benefit others and that they will extend their goodwill to others and unto them.*

4.5. Socialisation and community financing

Ajo was also utilised for other personal purposes in Lagos State. The financing scheme was utilised by women entrepreneurs to support their families, enhance friendship and kinship through social and community events, and help their peers. While describing how they utilised their *Ajo* funds within their businesses, respondents 64D, 6S, 7S and 10S stated the following:

l started my business with Ajo, I contributed for some months without collecting the money until it was up to the capital. So, I started up with it. (Respondent 64D).

contributed for like 3 years, at that time back then in Ilorin, I already have a shop, so I just use the money to support the business. (Respondent 6S).

When I collected the Ajo, I used it to stock up my shop. (Respondent 7S).

have always utilised Ajo to buy market products to boost and replenish my stock level. (Respondent 10S).

Their claims reveal that, in women-owned businesses, women entrepreneurs mainly utilise *Ajo* to start a business, buy raw materials required for production, replenish the stock level and for business expansion. In this sense, *Ajo was* useful for women entrepreneurs in the way it supported their activities through different phases of ventures. Furthermore, 30% of these women explained that they also utilised *Ajo* to support their families and peers. They confirmed this in the following statements:

I do Ajo for my husband, it isn't me that is doing it, I do it for my husband because he has a business. He sells meat. (Respondent 18S).

I use Ajo to send my children to university, and also to build a house. (Respondent 14S).

I used Ajo to finance my children's education and to pay necessary bills in the family. (Respondent 15S).

In fact, when my daughter was about to be married, it was the same Ajo that I utilised. (Respondent 57D).

We choose Ajo because nobody can borrow us money, so we decided to come together in other to help ourselves with Ajo. (Ajo Organiser–Respondent 11S).

We contribute Ajo weekly to support one another, or if one of us is celebrating something, just to help one another (Respondent 40S).

We are just doing Ajo to help each other so that everyone can have something at hand and also use to start or operate our businesses. (Respondents 8S & 9S).

It is unequivocal from the statements above that *Ajo* not only met the needs of women–owned businesses but also enabled women to meet their personal needs. This is crucial, especially as women are the most deprived group in the developing world; thus, they often have to engage in unprofitable activities (including prostitution) to meet their financial needs. Comments by Respondents 8S, 9S, 11S, 14S, 15S, 18S and 57D indicated that *Ajo* represents a stopgap measure for understanding the level of deprivation among women and ultimately contributing to improved child education rates, crime reduction, and enhanced nutritional and financial status of families/communities. Approximately 20% of the women entrepreneurs stated that they often used *Ajo* to service friendship and support their kins and peers. In that regard, Respondents 12S, 47D, 40S, 11S stated the following:

We used to charge owo iko (interest charges on loaned amount) and we use this money to buy gifts for each other. (Respondent 12S).

Interest from Ajo is used to buy a gift for a new mother, appreciating someone or even catering to a sick person. (Respondent 47D).

We choose Ajo because nobody can borrow us money, so we decided to come together in other to help ourselves with Ajo. (Ajo Organiser–Respondent 11S).

We contribute Ajo weekly to support one another, or if one of us is celebrating something, just to help one another. (Respondent 40S).

The comments above suggest that *Ajo* meets both the financial and social needs of women. *Ajo* also strengthened the communality between women as they utilised it to care for their peers and support each other. In a way, such insights provide alternative perspectives contrary to Madichie's (2009) views that women, consciously or unconsciously, do not help their peers. Perhaps by participating in *Ajo*, women have realised the financial and social benefits derived from working together as a team, especially in the *Ajo* scheme. From that perspective, we propose the following:

Proposition 5. *Participation in a community-based financing scheme in the developing world benefits both the businesses women establish and helps them to tackle their social problems.*

5. Discussion

Research identifies that banks in the developing world tend to exclude women from participating in business by applying stringent application requirements (Bullough et al., 2022; Hechavarria et al., 2019) that are often based on archaic cultural and social beliefs (Koubâa, 2014). Taking that into consideration, this exploratory study was designed with the sole purpose of examining the impact and nature of social structures that define a community financing scheme that women entrepreneurs in a developing world draw upon as an alternative platform for raising start–up capital and supporting their entrepreneurial endeavours.

In that context, access to financial resources is often down to the relationships that women entrepreneurs establish through their social interactions. Their interactions occur within the boundaries of defined social structures (e.g., family gatherings, religious events, financing schemes). Within their social structures and as illustrated in Fig. 2, an overlay of prosocial acts comprising reciprocity and solidarity, moderated by elements of trust (e.g., honesty, loyalty, integrity, etc.) facilitate access to financial resources embedded in a community financing scheme such as *Ajo*. On the basis of such prosocial acts, there is a sense of

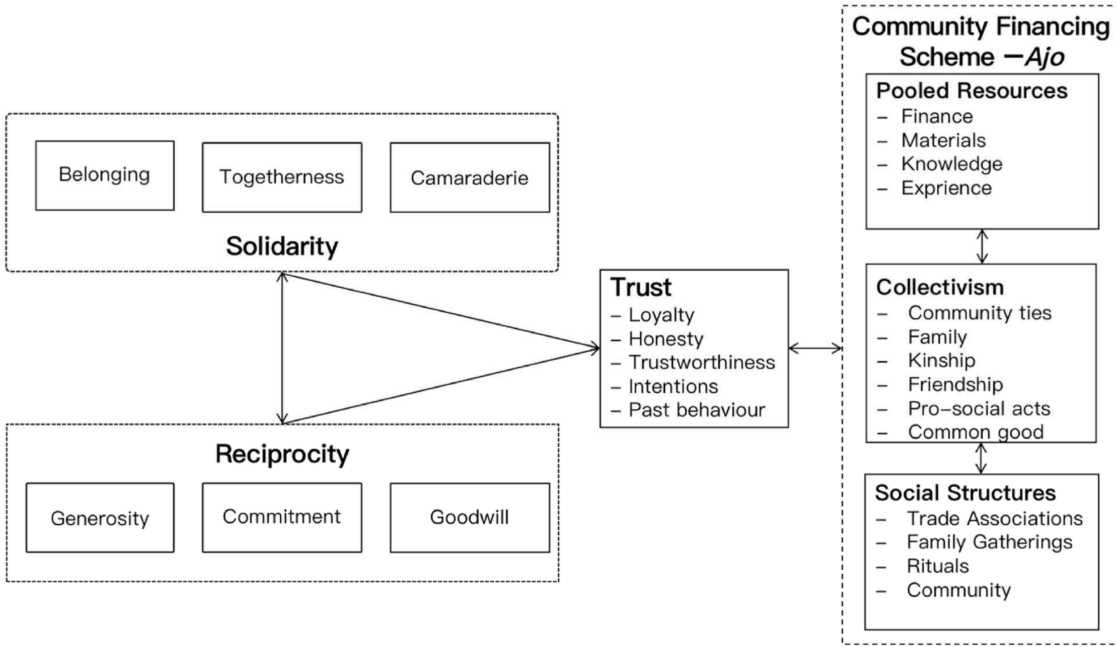

Fig. 2. A community financing structure for supporting women entrepreneurs in a developing world.

togetherness, belonging, and camaraderie. Thus, such acts enhance collectivism and community cohesion (Meyer, 2020). Unlike the hierarchical structures of unconnected individuals who join a bank for employment purposes, a financing scheme such as *Ajo* relies on family ties, friendship and kinship (cf., Burt, 2002; Granovetter, 1973). As illustrated in Fig. 2, such close ties and collaborations (Ahuja, 2000) encourage participants to be generous and committed, and there is some level of goodwill in terms of helping each other both financially and in kind. A web of connections that emerge on the basis of the aforementioned social engagements is often bound together through trusting.

A high level of trusting arises from a sense that women entrepreneurs will not only be fighting for a cause but will also be doing it for the good of their community (cf., Meyer, 2020).

Consistent with our propositions laid out in our findings, in Fig. 2, we showcase a unique social path that women entrepreneurs follow in contexts where their choices of funding sources are limited. Crucially, for entrepreneurship research, such knowledge sheds light on what we feel in an underrepresented entrepreneurship phenomenon that is rich with entrepreneurial experiences and journeys of women entrepreneurs in their pursuit of their entrepreneurial endeavours. In some ways, such knowledge contributes to a new understanding of an entrepreneurship process playing out in the challenging business terrain of a developing world. On the basis of the contributions we claim, an argument about how community financing schemes can serve as a solution for women entrepreneurship in the developing world stands with merit. Not only would such a community–based financing mechanism be a solution for women entrepreneurship in the developing world, but it can also be seen as a complementary programme or scheme that works alongside regulated microlending financial services (Bhatt & Tang, 1998). These observations are important for several reasons.

First, in many regions of the developing world, including Africa, women consist of a proportionately large group of entrepreneurs (Demirguc-Kunt et al., 2018). Therefore, understanding how best to serve their entrepreneurial needs can be crucial for gender equality (Simba et al., 2022) and poverty alleviation in the developing world. Second, such understanding can be crucial in enabling women's emancipation and empowerment in the developing world (Derera et al., 2020). Third, women's entrepreneurship drives new employment creation and most importantly contributes to society by enabling social and economic growth (Bullough et al., 2022; Hechavarria et al., 2019). While this study pinpoints the impact of community–based financing on women entrepreneurship in the developing world, it also exposes some of the limitations of such a financing scheme. Understanding these limitations is equally important, as it leads to the question of whether such community–based financing represents progress or whether it is a dead end. To that end, key questions that arise concern two fundamental matters: the financial rationale and the social mechanisms that support community-based financing.

5.1. Financial rationale

The concepts of trust depicted in Fig. 2 greatly differ from the trust used in granting a bank loan. The latter proceeds from a close examination of the project to finance who supports the evaluation of the borrower's ability to reimburse the loan. Therefore, the practices of community financing are far from those guided by financial rationale. In addition, community financing practices are very attractive to borrowers: a 1% interest rate loan in a country where inflation is 19% is a good deal. The community members anticipate price increases and use loans to buy raw materials or replenish stock levels before selling at price, including inflation. They carry inventories to improve the cost–effectiveness of their businesses. However, if the Nigerian currency loses 19% of its value each year, lenders at a 1% interest rate never recover the full value of the loan.

Consequently, the cost of a loan is entirely supported by the lenders. To reconstitute financing capacities equal to those of previous years, the community has only two solutions. First, the community can increasingly solicit its members, whose monetary contributions steadily increase before reaching the limits of their funding capabilities. Second, the community can try to continually increase its membership, with the latest members being used to replenish the full value of loans previously granted. As the latter practice is similar to a Ponzi scheme, only the first option is achievable. Consequently, a community–based financing scheme can hardly expand, and the loan amount will remain low. Once again, this financing objective could only support self or subsistence entrepreneurship.

5.2. Social mechanisms supporting community financing

As a preamble, one might recall that only 35% of Nigerian women have a bank account or a mobile payment method compared to 55% of men Akeju, 2022). A community–based financing scheme may not allow women to overcome this inequality. However, it can further distance women from access to bank financing, even though the amounts obtained through bank loans are much higher than the loans granted in the framework of a community–based financing scheme. Thus, the growth of women's businesses can be hindered, and their survival jeopardised (Calvino et al., 2015; Robson et al., 2013). Often, this can result in the confinement of women entrepreneurs to subsistence entrepreneurship (Schoar, 2010), limiting the impact of community-based financing initiatives on women's empowerment and emancipation (Simba et al., 2022). Arguably, the study we conducted highlights the social mechanisms at stake in the funding community.

First, these mechanisms are guided by memetics. Women use *Ajo* because *"everybody is doing it"*. Co–optation and eviction guide belonging to the funding community and reinforce the adoption of the same cognitive schemes in the community (Uzzi, 1996). Second, these cognitive schemes are marked by risk avoidance. Notably, the consequences of not repaying a bank loan are the subject of disturbing stories among community members. In addition, documents required by the bank institutions are unanimously considered too complex, and the community members express their concern about the time–consuming procedures of bank institutions while they are convinced that they will be refused a loan.

Third, risk avoidance and perceived inability to fulfil the documents required by the banks reveal that the community maintains the external locus of control of its members (Poon et al., 2006) who they do not think could control the events that may impact them. The external locus of control of women entrepreneurs ensures that they will choose funding means that elicit the lowest level of fear of loss of control (Sapienza et al., 2003). Therefore, by maintaining the external locus of control of women entrepreneurs, the community ensures that they are locked in its embeddedness.

Fourth, trust is the mechanism that allows the community to lend money. However, this mechanism is based on past events. It may not promote change, innovation, or development. The trustworthiness of the applicant is based on her past behaviours, attitudes, and actions. Therefore, replication of the past is fostered. In this framework, one might wonder how a community–based financing scheme can support women's emancipation. This kind of trust contrasts with Bromiley and Cummings (1989), who state that trust does not mean naive belief in the honesty of other actors but rather in the low probability of violation of implicit or explicit agreements. This low probability of violation requires that women entrepreneurs do not discover new options outside their current relationships. In other words, in the former case (Nigeria), trust is anchored in the past. For Bromiley and Cummings (1989), trust demands constantly evaluating the options of the partners outside their current relationship. The true meaning of trust can be confused if the community ensures that each member has no option outside her current relationships. Therefore, it is plausible to claim that a community–based financing scheme locks women entrepreneurs in past social practices. It may restrict them from overcoming their initial social conditions, confining them to subsistence entrepreneurship.

5.3. Research implications

For academic research, a community-based financing model provides new avenues for theorising entrepreneurial financing in a way that either contrasts or complements formal financing. Such a model can provide an instructive framework for academic researchers. That is, it can inspire the informal vs. formal finance and entrepreneurship debate as well as the importance of context (Bruton et al., 2021). Similarly, policy institutions are encouraged to consider inclusive structural and policy reform initiatives in financial markets in such a way that supports women's entrepreneurship in the developing world. Moreover, women entrepreneurs gain insights into other financing schemes worth exploring as they seek to fund their entrepreneurial activity in the developing world.

5.4. Research limitations

As with any research, our study has its limitations. Its focus on Lagos State in Nigeria limits the extent to which its findings can be generalised. However, while critics of case-oriented studies may raise this point, the researchers' main intentions were to generalise data to theory (Gerring, 2005; Yin, 2003). Hence, it developed entrepreneurship insights and perspectives on the community–based financing concept and women entrepreneurship nexus to account for the contextual factors giving rise to a financial system that is based on the community social structures of a developing world.

This provides an opportunity for further studies to focus on other regions of the developing world and explore the impact of subtle cultural and social factors on women entrepreneurs when they seek financing to support their entrepreneurial endeavours. Such studies will help to develop a deeper understanding of the evolution of women entrepreneurship and the financial markets that provide access to funding in other regions of the developing world comparable and/or equal to Nigeria.

6. Conclusion

Unlike previous studies (e.g., Allen et al., 2019; Bhatt & Tang, 1998), this research has gone beyond just acknowledging community–based financing as an alternative avenue for raising start–up capital for entrepreneurship in challenging contexts. It illustrates a community financing scheme such as *Ajo,* showing how collectivism is at the centre of its functions. To that end, the study reveals how an overlay of pro-social acts of reciprocity (belonging, togetherness and camaraderie) and solidarity (generosity, commitment and goodwill) moderated by trust derived from social ties of kinship, friendship, etc., underpin the way in which communal resources are accrued, preserved and distributed. The social structure that was developed in this study depicts a unique pathway businesswomen have to follow in contexts where gender biases exist. From that, we conclude that the behaviours, actions and attitudes women entrepreneurs display when they engage with the social structure of a community scheme have a significant bearing on their level of access to communal resources.

Moreover, the way the study connects women entrepreneurship and a community financing scheme contributes to our understanding of an entrepreneurship phenomenon in a developing world by elaborating on the experiences and journeys of women entrepreneurs that have been side-lined from participating in mainstream through stringent credit application procedures often based on archaic cultural and social norms. This is important in that it advances the understanding of the entrepreneurship processes of women entrepreneurs in challenging business contexts. Such an understanding has academic, policy, and social implications, as it inspires debate around policy and structural reforms geared towards supporting businesswomen, as they are among the most vulnerable communities in the developing world.

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CRediT authorship contribution statement

Amon Simba: Writing – review & editing, Writing – original draft, Methodology, Conceptualization. **Oyedele Martins Ogundana:** . **Eric Braune:** . **Léo–Paul Dana:** .

Declaration of Competing Interest

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

Data availability

Data will be made available on request.

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