Financing women entrepreneurship in the developing world: An fsQCA analysis of informal financing schemes

Abstract

This study utilises a configurational approach to understand the informal financing mechanisms inherent in women entrepreneurship. It draws on observations involving 200 Nigerian women entrepreneurs to study the antecedents that underlie informal financing in women entrepreneurship. Six antecedents, including firm age, size, entrepreneur's age, marital status, educational level, and industry alongside *Ajo*—an informal financing scheme are studied. Using fuzzy sets, the study deduces six configurations depicting the use of this informal financing scheme in women entrepreneurship. FsQCA analysis reveals how collectively these antecedents form six configurations related to Ajo. Contrary to the bank–firm theory of formal financial relationships, the study uncovers how educated women entrepreneurs also used Ajo for entrepreneurship purposes. We contend that simplistic predictions formed around a single antecedent must make way for a configurational approach whereby a set of conditions must be in place to account for informal financing in women entrepreneurship especially, in the developing world.

Keywords: Informal financing, Ajo, women entrepreneurship, developing world, fsQCA

Introduction

Research identifies that women entrepreneurs generally find it tough to access the resources they need to support their entrepreneurial endeavours due to their gender profiles (Cozarenco & Szafarz, 2018; Kanze *et al.,* 2018). In the developing world, in which gendered aspects of regulatory (e.g., policies and laws) and normative (e.g., cultural expectations) institutions are intertwined with commonly accepted societal rules, norms, and practices (Kairiza *et al.,* 2017), women are systematically sidelined from participating in the mainstream financial markets (Bapna & Ganco, 2021). A situation that severely diminishes their chances of accessing key financial resources for entrepreneurship purposes (Leitch *et al.,* 2018). Prior research acknowledges that the interplay between economic, political, and social elements of a given entrepreneurial context is capable of constraining the activities of women entrepreneurs (see Beck *et al.,* 2009; Brush *et al.,* 2009; Bullough *et al.,* 2022; Hechavarría *et al.,* 2019; Ogundana *et al.,* 2021).

Notwithstanding that aspects of individual and local beliefs, societal norms, and institutional practices have been manipulated to undermine women entrepreneurs' access to financial resources in many regions of the developing world (see Le & Stefańczyk, 2018; Koubâa, 2014; Wasiuzzaman & Nurdin, 2019), women entrepreneurship has proliferated (Elam *et al.,* 2019). This notable increase in women's entrepreneurial activity raises serious academic and policy questions concerning the enablers that have facilitated women's entrepreneurship to transform in the face of rigid institutional practices designed to restrict women. From that perspective, we use the following question as a guide in theorising the configurations of their enablers: *What types of schemes do women entrepreneurs leverage to tackle the financial constrains caused by rigid social and cultural structures on their enterprises in patriarchy scenarios of the developing world.*

Existing studies describe finance as the single most important component of new venture creation (Mutsonziwa & Fanta, 2020; Wellalage & Locke, 2016, 2017; Steel *et al.,* 1997). The International Labour Organisation (ILO) points toward traditional saving clubs (in the form of rotating saving groups), amongst other informal finance options, as a financial source women entrepreneurs in the developing world tap into to support their entrepreneurial endeavours (Adams, 1992; Aliber, 2015; Kariv & Coleman, 2015; Na & Erogul, 2021; Naegels *et al.,* 2018). Considering that these financing options have gained traction (see Aliber, 2015), partly due to financial access barriers, including harsher credit approval requirements, lower credit ceilings, and gender biases, women entrepreneurs must contend with in the developing world (Brush e*t al.,* 2019; Bullough *et al.,* 2022), tracking and analysing their antecedents and configurations aid the understanding of how and why they resort to Ajo—a traditional savings club as opposed to bank credit amounts to the empirical pursuit of the intangible (cf., Rerup *et al.,* 2022).

To track and analyse these antecedents and configurations, we employed fsQCA qualitative comparison techniques. As a research approach that is grounded in set–theory it was considered suitable for mapping out explicit connections between Ajo and women entrepreneurship. Moreover, its emphasis on configurational reasoning enabled us to recognize the interdependence and the interaction of many antecedent variables (Ragin, 2008). Specifically, it enabled us to identify and explore various combinations of antecedents (educational qualifications, marital status, age, firm size and age) equifinality linked to Ajo. Based on the empirical results generated from our comprehensive fsQCA qualitative comparative analysis of the linkages we established between women entrepreneurs, Ajo, and their business environment, we were able to identify and closely study configurations embedded in a maze of connections intertwined with an overlay of elements of a gendered micro–macro–meso environment in Nigeria.

Based on these empirical insights, we developed theoretical suppositions pertaining to informal financing in women entrepreneurship from a developing world perspective. Our theorisations were grounded in our observations and interpretations of a dataset containing women entrepreneurs' views about how and why they engaged with Ajo and our configurations derived through fsQCA techniques.

Ajo is an informal financing scheme in which participants contribute a fixed amount of money to a central pot each month and on a rotating basis they take turns to receive the total sum raised (see Bruton *et al.,* 2021, Simba *et al.,* 2023). The scheme functions in a different way to conventional financing models in which an applying for a bank credit is done on the basis of the bank manager's relationship with the borrower and previous interactions (see Simba et al., 2024). Given the high levels of information asymmetry (Beck & Cull, 2013), lack of or no fiscal discipline (Beck et al., 2009), and high instability in the continents' financial markets (Asongu et al., 2017), deploying a Western–centred model known for its insensitivity to context (see Bruton et al., 2022) will involuntarily exclude underprivileged communities including women who are entrepreneurially active in large parts of the developing world (Kautonen et al., 2020).

Our empirical findings show that these women's reliance on Ajo overshadowed their use of bank credit. In our attempt to figure out why this was the case, we discovered that they valued particular aspects of a financial system and the society at large. Specifically, availability, easy access, lower or no interest rates, application requirements (e.g., collateral, financial history, and a guarantor), reduced red tape, lengthy forms, and the societal perception of their gender were the important factors that influenced their choice to use conventional banking services or an informal financing scheme like Ajo (cf, Simba et al., 2023).

From the above, it is unequivocal that the self–reported opinions of our participants and resultant antecedents and configurations captured evidence of an entrepreneurship phenomenon in which the impact of an overlay of elements of a gendered micro–macro environments dictated a financial source(s) for women entrepreneurs to use. These elements had a far greater role in influencing the level(s) of interaction/relationship women entrepreneurs had with informal finance. Arguably, informal financing enabled these women entrepreneurs access to financial resources in such a way that did not only support their venture creation initiatives, but also helped them tackle their social problems including poverty and financial interdependence (cf., Adam, 1992; Bhatt & Tang, 1998; Coleman & Kariv, 2014). This goes to show that the use of informal finance in the developing world does not align with the one–sided view expressed in the formal vs. informal finance discourse which seems to largely take a Western perspective (Simba, 2024). Within this debate, there is consensus that formal finance provides the most efficient way of boosting entrepreneurial activity as borrowers will benefit from the managerial support and guidance (Ayyagari *et al.,* 2010) that comes with most bank credit facilities.

However, and based on our fsQCA analysis it would appear that this view eschews the impact of contextual factors reflective of the financial markets of the developing world. Overall, we contribute to knowledge on entrepreneurship financing by showing how informal finance has become attractive in the developing world to the extent that women lean towards Ajo schemes as a financing option for their ventures regardless of their age, size, and industry. Furthermore, our fsQCA analysis and the resultant configurations contribute theoretical insights to account for how, within a developing world scenario, women are more inclined to depend on a traditional savings club to support their venture initiatives than any other source, and in particular, they tend to make little use of commercial banks. Arguably, we showcase that women are better served by informal financing schemes in the developing world (cf., Aliber, 2015).

Thus, we provide alternative explanations to the bank–firm theory of formal financial relationships, which we believe has little sensitivity to context. Accordingly, we respond to research calls that advocate for scholarly conversation with context (see Hamann *et al.,* 2020).

Theoretical argument

Recent studies have shown that informal finance can be important for businesses especially in the developing world (Kairiza *et al.,* 2017; Mertzanis *et al.,* 2019; Simba *et al.,* 2023; Turkson *et al.,* 2022). Being one of the most commonly used financing options by women entrepreneurs across many regions of the developing world (see Aliber, 2015), it is conceivable that informal finance has become too central in the financial markets of these regions to be dismissed as a phenomenon that will come to pass with time (Adams, 1992). Its features, frequent usage, and contextual relevance in the developing world are distinct enough to require thinking about developing representative constructs or explanations (cf., Bruton *et al.,* 2018). This is important because, and unlike the use of bank–firm theory of formal financial relationships, there is no standard framework for studying informal finance (Brush *et al.,* 2009; Meyer & Nagarajan, 1991; Ogundana *et al.,* 2021). That limits our understanding of the theoretical mechanisms that underlie informal financing (Christianson & Whiteman, 2018).

From that perspective, developing theoretical configurations representative of the context in which Ajo is utilised can be helpful in presenting an entrepreneurship phenomenon in its pure form and uncovering its underlying mechanisms (Wilson, 1998). Thus, studying finance in women entrepreneurship by exploring the conditions under which women entrepreneurs use/relate to informal finance in a gendered context can help us begin to imagine its significance to these entrepreneurs who must find ways of dealing with an overlay of elements of their micro– and macro–environments conspiring to influence their choice of a financial source(s).

Evidence of informal finance's frequent use as a means for supporting these entrepreneurs opened a unique window into what actually transpired in their environment without the constrains of universal theories often developed on the basis of a Western context (cf., Bamberger, 2018; Bruton *et al.,* 2022; Filatotchev *et al.,* 2022). Utilising such an approach to explore such unique research settings essentializes context in a way that challenges predominant dialectic approaches to scholarship as it signifies the essence of dialogical engagement across contexts to foster contextual reflexivity in the theorizing process of finance in women entrepreneurship in the developing world (cf., Hamann *et al.,* 2020). This emphasizes the importance of acknowledging the context in which entrepreneurship takes place (see Welter, 2011). A recognition of contextual factors within the formal vs. informal finance debate can be essential in terms of establishing relevant financing models for women entrepreneurs operating in the financial markets across many gendered regions of the developing world. That understanding is essential for women entrepreneurs as it helps them to figure out pathways that can assist them to leapfrog some of the hurdles they are confronted with when they try to engage with more formal financing formats (cf., Beck & Cull, 2013).

Informal finance in women entrepreneurship

In the developing world informal finance has a long history (Adams & Fitchett, 1992; Allen *et al.,* 2019; Smets, 1996). But the problem in the present literature is that it has been under–represented or misunderstood leading to its classification as 'underground financing' in the extant literature (e.g., Greenbaum *et al.,* 2019). Moreover, research on informal finance largely appears in low ranked journals and never make it to the so–called high rated outlets. This has only contributed to its under–representation and even some confusion about what informal financing entails, in general, and in particular, from a developing world perspective.

Yet, as evidenced from its use by women entrepreneurs in Nigeria, informal financing arrangements form an important baseline for women entrepreneurs in this developing world setting (Adams, 1992), often complicated by gender–related biases (Aliber, 2015; Bullough *et al.,* 2022; Hechavarría *et al.,* 2019; Naegels *et al.,* 2018), in securing vital financial support.

Contrary to popular opinion, studies that have focused on informal financial markets (see Turkson *et al.,* 2020; Wellalage & Fernandez, 2019; Wellalage & Locke, 2017) show little evidence of exploitation or monopoly profits. Rather, there is some acknowledgement in this literature that women entrepreneurs' financial needs for business reasons are better served through informal financial arrangements, especially in the developing world (Aliber, 2015; Jayawarna *et al.,* 2012; Johnson, 2004; Leith *et al.,* 2018; Smets, 1996). Likewise, entrepreneurship research has shown that women entrepreneurs in many regions of the developing world, including sub–Saharan Africa rely on internal or informal financing means for supporting their entrepreneurial endeavours (Allen *et al.,* 2019; Aterido *et al.,* 2013; Jamali, 2009; Naegels *et al.,* 2018). Such an important function performed by informal finance in such contexts requires academic focus in order to account for the actions and behaviours emerging through the way informal finance is relatable or attractive to women entrepreneurs.

An important question research must address in order to begin to appreciate or understand informal finance from a developing world perspective, with a particular focus on women entrepreneurship, relates to its relevance and usage across many regions of the developing world (Allen *et al.,* 2019; Naegels *et al.,* 2018; Steel *et al.,* 1997). Perhaps, as expressed above, the problem lies in how the literature sometimes presents it as an exploitative practice (see Meyer & Nagarajan, 1991). Arguably, if we look at informal finance from Adams' (1992) and Aliber's (2015) perspectives in which it is seen as a financing mechanism that serves small firms in many regions of the developing world, we can start to appreciate its relevance and importance among marginalised groups like women entrepreneurs who largely operate small enterprises in the developing world (Ascher, 2012).

Informal finance institutions in the developing world

The literature identifies two dominant sources of informal financial namely Ajo—a traditional savings club and family financial contributions as more frequently utilised and relatable/attractive to women entrepreneurs than bank credit in a gendered developing world environment (Simba *et al.,* 2023). Women entrepreneurs operating within this context use informal finance because it provides a collage of dynamic, innovative, and flexible arrangements enabling them to obtain the financial resources they require for business reasons (Adams & Fitchett, 1992). The literature discusses various forms of traditional savings groups, mainly from the perspectives of communities trying to deal with the challenges of formal financial markets.

For a start, the literature suggests that saving clubs are financing mechanisms that are more relatable/attractive to marginalised members of society (Smets, 1996). Ajo functions in the same way rotating saving and credit associations (ROSCAs) and savings associations work. A core principle of such self–organised financing mechanisms is collectivism (Meyer, 2020). Members of a community come together to create a communal pool of financial resources (Bruton *et al.,* 2021). They agree a set amount of money to contribute to a central pot monthly and, on a rotating basis, each member is allocated the full amount in the pot at that particular point (Biggart, 2001; Simba *et al.,* 2023). The process is repeated until all the members have had their turn. In the subsequent months the collections continue, and affiliated members have the opportunity to borrow money at a negotiated rate of interest (Adams, 1992).

Contrary to a bank credit requirement, ROSCAs accept a relative or friend to act as a guarantor for a loan agreement which may explain why disadvantaged groups like women entrepreneurs, who are often excluded from formal financial markets for gender reasons among others, relate to informal finance more (cf., Wellalage & Locke, 2017). Although research suggests that such saving clubs do not conform to legal and state controls to ensure enforcement of payment agreements made by participants (see Meyer & Nagarajan 1991), members collectively produce written records that are often maintained by an elected treasurer. As locally devised financing systems based on kinship, local and social ties they have much fewer formal contracts and they do have collateral agreements to materially mitigate against default (cf., Peredo & Chrisman, 2006; Peredo & McLean, 2020). Occasions where members default are rare because of the character of the social setting, inherent relational trust and the attributes of the participants involved help to explain the presence and sustainability of savings groups (Biggart, 2001; Bromiley & Cummings, 1995).

Financial family contributions also account for a notable portion of financial support women entrepreneurs in a developing context tap into (Adams, 1992). In such contexts they are reported to make up half or more of all the informal loans (Aliber, 2015). As compared with a bank loan financial contributions from friends and family involve no interest or collateral, they may be large or small and many will have open–ended repayment arrangements (Adams, 1992; Smets, 1996). The key feature of financial contributions from family and friends is reciprocity; that is, lending is based on the expectation that the borrower will return the generosity extended to them in the future (Belmi & Pfeffer, 2015; Platteau & Abraham, 1987). In cases where individuals (women entrepreneurs for example) have limited access to formal financial sources, a reciprocal attitude is part of the mechanism for managing uncertainty and risk as it often establishes and strengthens interpersonal ties (cf., Burt 2002).

Research approach

Prior research on women entrepreneurship does not readily identify informal financing schemes that include traditional saving clubs—Ajo as a solution for women entrepreneurs who find it hard to break the gender 'glass ceiling' in the formal financial markets of the developing world (Jamali, 2009). This explains the lack of informal theories. Yet, theoretical perspectives to account for how women entrepreneurs relate or are attracted to informal finance in the developing world do not only help to understand how best to serve their needs, but they also increase diversity in entrepreneurship (Verheul *et al.,* 2006) as well as empower women (Simba & Nziku, 2022). These societal benefits are rarely leveraged in a systematic way because of a lack of understanding of the essence of informal financing systems in gendered contexts found across many regions of the developing world (Simba *et al.,* 2023). With this project, and as previously explained we pay attention to the wider set of antecedents and configurations associated with the use of Ajo in the developing world.

Sample description and criteria

Our choice to collect data from Nigeria women entrepreneurs was guided by our interest in informal financing – Ajo. Here, our expectation was that women would be more likely than men to face difficulty in accessing financial resources because of the unfavourable application requirements for formal financing (e.g., collateral, financial history, and guarantor) and the nature of the gendered society that favours patriarchy. Thus, women in our study context need to overcome various constraints when trying to mobilise financial resources for their ventures (Simba *et al.,* 2023). We took additional steps to validate this expectation and only included Nigerian women entrepreneurs who met the following criteria: (a) the woman must owned and run a business; (b) the woman entrepreneur must have used an informal financing like Ajo to start a business; (c) There must be at least one active operating business; (d) the woman entrepreneur must have been involved in a group or association that provides informal finance; (e) the main operating business must have at least 1 employee. Table 1 illustrates the demographics of the participants who qualified for this study.

–Insert Table 1 about here–

To identify potential participants for our study, we reached out to members of various local business associations we considered to be popular among women entrepreneurs in Lagos State. These initial steps of the procedure we followed to identify suitable participants led us to groups of women who were affiliated with Alagbado (meaning "corn–owner"), Egbe Alayo (meaning "association of the joyful ones"), and LAPO (meaning "Live Above Poverty") associations. After obtaining permission to contact these potential participants from the leaders of the aforementioned associations, we used their contact details including their telephones and in some cases email addresses to reach out to them. With their consent each participant was sent a link to a self–reporting questionnaire survey via Microsoft Forms. The target participants were in the range of 220–235 women entrepreneurs affiliated with the associations mentioned above. Given our target population a response rate of 200 usable questionnaire was considered significant (cf., Frohlich, 2002).

Leveraging existing connections was crucial, as several studies from the West African region have highlighted the essence of existing networks in mitigating the difficulties of accessing data from this area (e.g., Ogundana et al., 2023). Also, these business associations in Lagos State were of great interest to us because of their large population of women–owned enterprises compared with the other parts of the West African country or even Africa.

Moreover, women in Africa are a minority group and are at the forefront when it comes to tackling poverty which makes focusing their entrepreneurial activity in contexts like Nigeria important. The process for collecting data commenced in June of 2020 through to March of 2022. Next, we describe the method we used and the operationalization of our variables.

Data collection

To capture our theoretical constructs, we relied on the self–reports of the women entrepreneurs. Although common method variance concerns may be raised when using this approach, we provide some explanations regarding how we addressed this. First, the context of our study—Nigeria—necessitates the exploration of alternative explanations. This is important because Nigeria is a context that is understudied—a situation which contributes the scarcity of data about its entrepreneurship landscape. Accordingly, and because of that little research there is a greater need to consider other research approaches including fuzzy sets over standard methodologies (Chang *et al.*, 2010; Conway & Lance, 2010).

Second, prior studies on entrepreneurship support the validity and reliability of self–reported measures (Lechner *et al.*, 2006; Semrau & Werner, 2014). To safeguard against the possibility of common method bias, we followed Podsakoff *et al.* (2003) and Chang *et al.* (2010) recommendations to evaluate and minimise the effect of common method bias in the research design. For that purpose, respondents were assured that the data we collected would remain anonymous and be analysed for research purposes only at an aggregate level (Chang, *et al.*, 2010). With regards to this research process, we followed Podsakoff *et al.* (2003) by creating a psychological and methodological separation in such a way that guarantees confidentiality, provides a cover story, and apply different response formats to prevent our respondents from linking the predictor variables to the criterion variables. We also used filtering questions in the questionnaire and interspersed questions about Ajo with requests for basic information on the firm and about the industry (Murray *et al.*, 2005). Filtering questions creates psychological breaks between questions on outcomes and antecedents, which helps control for potential common method variance (Conway & Lance, 2010; Kammeyer–Mueller *et al.*, 2010; Podsakoff *et al.*, 2003). Third, we attempted to use existing measures from the literature to the greatest extent possible and, by doing so, validate the measurement scales' internal consistency and factor structure (Conway & Lance, 2010; Putka & Sackett 2010).

FsQCA analysis

For data analysis, we used the fuzzy set–based approach termed fsQCA. As a research technique, it has gained the attention of many scholars (e.g., Beynon *et al.*, 2016; Huang, *et al.*, 2022; Stroe, *et al.*, 2018; Xie, *et al.*, 2021). Thus, we considered fsQCA a suitable research approach for our study for three main reasons. First, Ajo's significance as a source of informal finance, particularly within the context of a developing country, lacks substantial empirical evidence (Simba & Nziku, 2022; Simba *et al.,* 2023). By developing typologies and assessing interactions, our goal was to show how existing assumptions about informal financing misrepresent business financing in the developing world. Second, a 'configurational' approach places assumptions concerning informal finance like Ajo more clearly in focus. Third, although traditional correlational methods focus on associations between variables that are additive and symmetrical, our interest is in relationships between contextual factors that are complicated and may take diverse paths to outcomes (equifinality). Whilst we do not claim that this approach is better than others, we do consider fsQCA to be particularly well–suited to handle this kind of research.

FsQCA as a research approach is based on fuzzy sets and is particularly suitable when the phenomenon being studied (in our case informal finance—Ajo) is complicated and the outcome could result from numerous different combinations of antecedents (Ciravegna *et al.,* 2018). We adhere to the methodological guidelines outlined by Ragin and Pennings (2005) when utilising fsQCA. First, we calibrate the antecedents (firm age, entrepreneur's age, firm size, marital status, educational level, and industry) and outcome (Ajo) into fuzzy–set ratings based on our theoretical underpinnings. Next, we identify the causal complexity through patterns of necessary and sufficient conditions (Ciravegna *et al.,* 2018). Lastly, we follow Ragin and Pennings, (2005) to assess the causal parameters for fit consistency and coverage in fsQCA against statements of sufficiency and necessity.

Calibration

In line with the established approach in fsQCA studies (Fiss *et al.,* 2013; Verbeke, *et al.*, 2018; Woodside, 2015), we employed a calibration process for all variables, including the outcome variable—Ajo, and the six antecedents, utilising a three–value system. A value of 1 signifies full membership, indicating entrepreneurs who use financial sources that unequivocally align with a specific set, for example, entrepreneurs who use Ajo. A value of 0 represents full non–membership, signifying entrepreneurs who use other sources of finance distinctly outside the defined set, for example, entrepreneurs who use banks. The value of 0.5 represents the point of 'maximum ambiguity', serving as the threshold that distinguishes between 'in' and 'out'. We calibrated the membership of financial sources into the corresponding fuzzy sets by drawing on insights from prior empirical studies and external benchmarks (Fiss *et al.,* 2013; Verbeke, *et al.*, 2018). Below, we provide information about our calibration of the outcome variable and the antecedents for this study.

Ajo: The outcome of interest in this study is using informal finance – *Ajo*, i.e., using a traditional savings club. Following prior empirical research (Simba *et al.,* 2023), we assessed whether women entrepreneurs use Ajo or banks to fund their business by using the following proxy: *Where did you get the money to start your business project?* With our study, we employed the fuzzy set as we calibrated using Ajo by setting 1 as full membership, that is, an entrepreneur who uses a traditional savings club (i.e., Ajo) to fund her business and 0 as the non–membership score, representing an entrepreneur who uses other sources of finance like a bank.

Firm age: We measured firm age as the number of years since the founding of the firm (Anderson & Eshima, 2013; Wennberg *et al.*, 2016). We conducted a literature review to guide us in selecting relevant intervals for calibration. Research describes young firms as occurring within ten years of a firm's founding (Coad *et al.*, 2016). Elsewhere, scholarly research defines young firms based on a timespan of five years or less (Arend, 2014). Firm age for women entrepreneurs ranges from less than a year to 10 years and above in our data. Following Arend (2014), we chose zero years (fuzzy score = 1) denoting young firms (with all firms aged five years and less also having full membership), and seven years as the point of maximum ambiguity, which defines the boundary between being 'in' or 'out' of the set of young firms (fuzzy score = 0.5). We chose 10 years for non–membership (fuzzy score = 0) denoting older firms (with all firms aged ten years and older having full non–membership).

Firm size: We follow prior empirical studies to measure firm size as the number of employees in working for our target woman entrepreneurs (Boling *et al.,* 2016; Eddleston *et al.,* 2016; Wennberg *et al.*, 2016). Empirical evidence suggests that informal financing is more popular in smaller firms due to limited access to bank loans, but not in large firms (Degryse *et al.,* 2016).

To corroborate this, Berg and Fuchs (2013) observed that the proportion of SME lending in the total loan portfolios of banks varies between 5% and 20% in five sub–Saharan African countries. This finding further indicates that informal financing has emerged as the primary source enabling smaller firms to acquire the necessary financial resources. Arend (2014) in their empirical study of SMEs, measured small firms as firms with 10 employees or less and large firms as firms with 100 employees or more. Following Arend (2014), to validate our calibration, we chose 1 employee as full membership (with all firms with less than 10 employees having full membership), denoting small firms (fuzzy score = 1), and 25 employees as the point of maximum ambiguity, which defines the cross–over point (fuzzy score = 0.5). We chose 50 as non–membership (with all firms with more than 50 employees having full non-membership), denoting larger firms (fuzzy score = 0).

Entrepreneur's age: An entrepreneur's age is a proxy for their risk propensity. Older entrepreneurs' propensity for risk–taking decline with age (Josef *et al.,* 2016), and may not consider taking bank loans to fund their businesses. For example, physiological changes in the body may influence mature entrepreneurs to gradually become more risk–averse and cautious in their decision–making regarding risk. Moreover, due to the increased responsibility to care for children and family around the age of 30, many entrepreneurs, particularly women, are more risk–averse and will therefore prefer an informal source of finance like Ajo with no interest rate, as compared to a formal bank loan, to fund their business. Younger entrepreneurs, on the contrary, are more willing to take risks, and this may make them more willing to take out bank loans to fund their businesses. Additionally, younger entrepreneurs often possess higher levels of knowledge and skills acquired through contemporary education and training in technology and business management (Zhao *et al.,* 2021).

This education equips them to navigate the intricate process of loan applications, thereby increasing their overall likelihood of obtaining a bank loan. We follow Zhao *et al.* (2021) to measure entrepreneurs age as their chronological age, calculated from their birthday to the time when the survey data were collected.

For calibration, we rely on prior empirical studies (Zhang & Acs, 2018) that suggest that the age for risk propensity decline starts in the 30s due to changing responsibilities and lifestyles

(Zhang & Acs, 2018). Following Zhang and Acs (2018), we chose 30 years as the threshold score for non–membership (fuzzy score = 0) in the set of young entrepreneurs (with all entrepreneurs younger than 30 also having non–membership), 36 years as the age that qualifies the entrepreneur for full membership (fuzzy score = 1) in the set of older entrepreneurs (with all entrepreneurs older than 36 years also having full membership), and 33 as the point of maximum ambiguity, which defines the boundary between being 'in' or 'out' of the set of older entrepreneurs.

Marital status: Following previous empirical research (Delmar & Davidsson, 2000; Eddleston *et al.,* 2016), we measured this variable using the marital status of women entrepreneurs (i.e., either single, married, or divorced). Empirical research suggests that married and divorced women entrepreneurs are less likely to suffer from high collateral requirements, interest rates, and personal guarantee requirements when using bank loans compared to single women entrepreneurs (Naegels *et al.*, 2018). As such, marital status is transformed into a fuzzy set, that is, we categorise women entrepreneurs that are single in our dataset as the reference point for full membership (fuzzy set = 1). We categorise married and divorced together and set it as the reference point for non–membership (fuzzy set = 0).

Educational level: Empirical evidence suggests that women entrepreneurs with at least a graduate education were more likely to use formal financing (Carter *et al.,* 2003). Other studies suggest that entrepreneurs who have a higher educational background will find it easier to navigate the loan application process at banks than those who have less education (Halkias *et al.,* 2011). This assumption in the literature suggests that highly educated women entrepreneurs are not likely to use Ajo and will instead prefer to use formal finance like the bank. However, and whether that applies in a developing world scenario has not been substantiated. We measured educational level as the highest level of education attained by women entrepreneurs (Eddleston *et al.,* 2016). Following previous empirical studies (e.g., Eddleston *et al.,* 2016; Naegels *et al.*, 2018), we calibrated educational level into a fuzzy set with 1 denoting 'less educated' (i.e., entrepreneurs with secondary school education or less) and 0 denoting 'highly educated' (i.e., entrepreneurs who have a minimum of a university degree and above).

Industry: Industry can be classified as capital–intensive. This is a proxy for the amount of capital needed to fund their business. The larger the capital needed, the more we expect that women entrepreneurs will go to the bank, as banks are more likely to provide loans for such projects. Our data show that women entrepreneurs operate in various industry sectors such as agricultural, wholesale and retail, education, hospitality, information technology, manufacturing, food sector, and fashion. Prior research suggests that retail and service businesses tend to require less formal financing (Constantinidis *et al.,* 2006; Eddleston *et al.,* 2016; Orser *et al.,* 2006). Based on prior research as well as our understanding of the Nigerian context, we consider wholesale and retail, hospitality and fashion as business activities that require low capital with 1 denoting a low capital–intensive industry.

Industries such as agriculture, education, information technology, manufacturing are defined as requiring high capital and set at 0 denoting high capital–intensive industries.

The fsQCA model

Table 2 presents descriptive statistics. Following a process of calibrating the outcome and antecedent variables (as shown in Table 3), we proceeded to identify potential configurations related to informal finance—Ajo. There are two important measures to be considered with the fsQCA research approach comprising consistency and coverage. On the one hand, 'consistency' denotes the degree of agreement among cases (combinations of antecedents) that are related to an outcome, in our case, Ajo. Explained differently, consistency measures the degree to which a causal solution results in an outcome, with values ranging from 0 to 1 (Skarmeas *et al.*, 2014).

Following Ragin (2008), we calculated consistency using the following formula: Consistency (XiYi) = [min(Xi,Yi)]/(Xi), where Xi represents the degree of membership in a configuration and Yi represents the degree of membership in the actual outcome (Verbeke *et al.,* 2018).

–Insert Table 2 about here–

–Insert Table 3 about here–

Table 4 outlines the values of plausible configurations, along with the corresponding consistency values, using the recommended minimum threshold of 0.8 (Schneider & Wagemann, 2012). This threshold served as the basis for claiming 'sufficiency' for the plausible configurations in our limited dataset. On the other hand, coverage evaluates how well a specific solution accounts for cases in the dataset that have a strong affiliation to the outcome condition (Skarmeas *et al.,* 2014).

It assesses how well the sum of the antecedents account for specific occurrences of the outcome (Ciravegna *et al.,* 2018). Coverage essentially acts as a coefficient that indicates the proportion of outcomes that a specific solution cover (Ragin, 2008). To determine the empirical significance of individual solutions, both raw coverage and unique coverage are examined (Ragin, 2006). Raw coverage displays the portion of the outcome that the given solution explains, whereas unique coverage shows what portion of the outcome is exclusively accounted for by the specific solution (Schneider & Wagemann, 2010). Additionally, overall solution coverage measures the degree to which the outcomes of interest can be ascertained based on the extracted set of solutions (Aluko *et al.,* 2022). Thus, coverage functions as a measure of the solution's importance or relevance.

–Insert Table 4 about here–

Table 5 presents the raw coverage and unique coverage of each configuration solution and the overall solution coverage.

–Insert Table 5 about here–

To include long–term dimension in our QCA analysis, we followed one of the five ways suggested by Fischer and Maggetti (2017). Fischer and Maggetti suggested that one can use a separate condition that distinguishes between younger and older cases to account for time. This strategy requires conducting separate QCAs for the same sample of cases for different time periods and subsequently inspecting the solution formulas for these different time periods (cf., Fischer & Maggetti, 2017; Verweij & Vis, 2021).

For our purpose, we found firm age to be useful in identifying time related factors as it allows us to see whether particular antecedent conditions that at $time_0$ are associated with the use of Ajo at $time_1$. Given that our data collection ended in March 2022, we calculated the reporting firm age from 2022 going backwards and consequently divided the 200 cases of women entrepreneurs into two time periods: '2013 – 2017' (for older cases) and '2018 – 2022' (for younger cases). Then we split the data into two separate data matrices: one for each time period, each including 111 and 89 cases, respectively. We ran QCA analysis to produce solution formulas for the two time periods, creating a time series of antecedent configurations leading to the outcome –

the use of Ajo. This time series reveals both the conditions that remain constant over time and those that change, which helps "to find a set of explanatory factors that are stable for a certain period" (Fischer & Maggetti, 2017, p.356). Table 6 presents the solution terms for each specific time period with the raw coverage and unique coverage of each configuration solution and the overall solution coverage.

–Insert Table 6 about here–

Results

We identified six configurations of antecedents linked to informal finance (Ajo) in the context of women entrepreneurs in Nigeria. Table 5 provides a summary of our findings. Each column represents a unique combination of antecedents, or a configuration, associated with Ajo. Black circles indicate that the presence of an antecedent links to the outcome. For example, in configurations 1, 2, 4, 5 and 6, firm size was identified as an antecedent of Ajo. On the other hand, a white circle with a cross indicates that Ajo is associated with the absence of specific antecedents.

For example, the absence of firm age and educational level led to the use of Ajo in configurations 1, 2, and 3. In cases where there is a white square in the table, it indicates that the presence or absence of the antecedents did not have any impact on the outcome. For instance, marital status was not relevant for the use of Ajo in configurations 1 and 4. Figure 1 further elaborates on these six configurations.

–Insert Figure 1 about here–

Finally, to track configurations over time based on the results in Table 6, we compared the results of the model for these two time periods that have the highest consistency and coverage scores, hence taking a longer–term perspective (Verweij & Vis, 2021). In both the two time periods, ‘2013 – 2017’ and ‘2018 – 2022’, two antecedent conditions including entrepreneur’s age and educational level were stable over time. Older women entrepreneurs who are less–educated were more likely to use Ajo over time. For single women who operated in a low capital–intensive industry we classed as younger firms (2018 – 2022), marital status and industry were antecedent conditions underlying their use of Ajo.

Discussion

The aim of this study was to investigate informal finance (Ajo) and its antecedents in the context of women entrepreneurs in Nigeria. Much of the extant literature acknowledges the important role informal financing schemes play in women entrepreneurship within the developing world (Kairiza *et al.*, 2017; Mertzanis *et al.*, 2019; Simba *et al.*, 2023; Turkson *et al.*, 2022). For women entrepreneurs in this context, pursuing an entrepreneurial endeavour is at least partly dependent on how they can draw on their savings or access or informal finance (Allen *et al.*, 2019; Aterido *et al.*, 2013; Jamali, 2009; Naegels *et al.*, 2018). Existing studies that have focused on women entrepreneurship and their access to finance have examined the conditions under which informal financing occurs, and this has had two effects. First, the absence of a standard framework for studying informal finance has limited our understanding of the theoretical mechanisms that underlie informal financing (Brush *et al.*, 2009; Christianson & Whiteman, 2018; Ogundana *et al.*, 2021). This has reduced the predictive power of theory–based assertions for which the assumption of informal financing is critical. Second, informal financing has remained under–contextualised, with most studies focusing on universal theories often developed on the basis of a Western context (cf., Bamberger, 2018; Bruton *et al.*, 2022; Filatotchev *et al.*, 2022) and very limited studies have focused on a developing world context (Aliber, 2015).

Contrary to what prior the literature suggests, this study advances that no single variable, including firm size, marital status, is by itself a sufficient antecedent of informal finance in a developing world scenario. Instead, specific configurations of antecedents in the gendered micro–macro–meso environments of women entrepreneurs are associated with their use of Ajo, and there can be multiple configurations equifinally linked to their use of Ajo. One can interpret these configurations as syndromes—sets of elements working together to create a scenario where women entrepreneurs in the developing world, including Nigeria obtain the financial resources they require for business reasons (Adams & Fitchett, 1992). We found support for the use of Ajo, an important, yet mostly untested, informal financing mechanism in the developing world. When the barriers to access formal financing services including bank credit are present, the use of informal financing mechanisms such as Ajo does occur under certain conditions (Brush e*t al.*, 2019; Bullough *et al.*, 2022; Rerup *et al.*, 2022).

The analysis of Ajo as an observed outcome arising in a developing world context suggests that this concept needs further review. As argued by scholars, different informal financing mechanisms can be used as a financial source by women entrepreneurs in the developing world to support their entrepreneurial endeavours (Adams, 1992; Aliber, 2015; Na & Erogul, 2021; Naegels *et al.*, 2018). However, given that such informal financing mechanisms have gained traction (see Aliber, 2015), tracking and analysing the antecedents and configurations for a specific informal financing mechanism (Ajo) in a particular developing world context (women entrepreneurs in Nigeria) helps to provide alternative theoretical explanations to the bank–firm theory of formal financial relationships, which we believe has little sensitivity to context. We also identify the specific conditions under which the use of Ajo can become attractive in the developing world regardless of the women entrepreneurs' age, firm size, and industry they operate in. The six configurations of antecedents linked to informal finance (Ajo), we identified, lay a basis for actionable dialogue with scholars on how and why the use of Ajo has become an attractive financing option for women entrepreneurs in the developing world and showcase that women are better served by informal financing schemes in the developing world (cf., Aliber, 2015).

Configuration 1 – Highly educated young women entrepreneurs with small older firms operating in high capital intensive industry.

In the developing world, young women entrepreneurs who are highly educated and own a small enterprise they established in a high capital intensive industry will use Ajo for their entrepreneurial activities (cf., Simba *et al.,* 2023). Contrary to scholarly works suggesting that educated business people will prefer to use bank loans as a source for financing their entrepreneurial activities (see Carter *et al.,* 2003; Irwin & Scott, 2010; Matlay, 2008), this configuration illustrates they also use Ajo. We find evidence suggesting that regardless of the age of the entrepreneur (young), age of their enterprise, and industry type, Ajo is accessible to them. The idea that young women entrepreneurs in the developing world have recourse to financial resources pooled via an Ajo scheme, as illustrated in Configuration 1, diverges from the tradition of bank–firm theory of formal financial relationships whereby formal financial institutions often consider an entrepreneurs' age a criteria for assessing their loan application (Hussain *et al.,* 2019; Kairiza *et al.,* 2017). Thus, the accessibility of Ajo to young women positions this informal financing scheme as an alternative financial source available to this category of women entrepreneurs operating in a developing world.

Furthermore, such insights demonstrate that taking a more contextual look at informal financing brings one to unexpected places and critical questions (Hospes, 1997). From that perspective, there is a strong case for developing context sensitive theories to depict categories of finance for women entrepreneurship in such conditions (cf., Na & Erogul, 2021; Ogundana *et al.,* 2021). The literature recognises the need for taking a more global view on women entrepreneur's financing in order to assist in developing better—more contextualised—theories and concepts (Leitch *et al.,* 2018; Na & Erogul, 2021). To that end, we have the following proposition:

Proposition 1: *In the developing world, young educated women entrepreneurs who have established ventures draw on Ajo to finance their entrepreneurial activities*

Configuration 2 – Highly educated older married/divorced women entrepreneurs with small older firms.

This configuration suggests that, in a developing world scenario mature women who maybe either married or divorced and own a small but older venture will go for Ajo as their preferred source of funding their entrepreneurial activities. Irrespective of their educational qualifications, marital status or the age of their ventures, Ajo remains attractive as a sources of finance. When compared with the requirements of collateral security, credit history, and lengthy application procedures (Bhatt & Tang, 1998; Chen *et al.,* 2017), Ajo can be appealing to these women entrepreneurs due to its instant access, less bureaucratic application procedures, and flexible repayment arrangements (Simba *et al.,* 2023). From a developing world perspective, this configuration suggests a traditional saving club (in the form of rotating savings group—in this case Ajo), is a financial source women entrepreneurs tap into to support their entrepreneurial endeavours (cf, Adams, 1992; Aliber, 2015; Na & Erogul, 2021; Naegels *et al.,* 2018). Although critics of informal finance systems suggest they emerge as a result of financial repression, such systems have proved resilient in the developing world and continue to shape women entrepreneurship (cf., Aliber, 2015). Against that backdrop, we offer the following proposition:

Proposition 2: ***In a developing world scenario, traditional saving clubs like Ajo have become attractive as a source of finance even for highly educated older women entrepreneurs with small older enterprises due to its accessibility in comparison with a bank loan.***

Configuration 3 – Highly educated, married or divorced older women entrepreneurs with older firms operating in a high capital intensive industry.

Configuration 3 illustrates that highly educated, mature women entrepreneurs either married or divorced, running an established enterprise in a high capital intensive industry will use Ajo for entrepreneurship purposes. Regardless of the fact that their age is a factor in the choice of funding they can go for, other antecedents, including educational level, marital status, firm age and industry play some part in their decision in a developing world scenario. Informal financing mechanisms represent a substantial part of the financial system in the developing world (see Klapper & Singer, 2015; Tchamyou *et al.,* 2019). Therefore, it is conceivable for women entrepreneurs, described in this configuration, fulfil their entrepreneurship goals through informal financing schemes like Ajo enabling them access to financial resources they would otherwise not have via formal financing means (cf., Asiedu *et al.,* 2013; World Bank, 2011). Existing scholarly research acknowledges that access to capital for business development is essential (e.g., Aterido *et al.,* 2013; Beck *et al.,* 2005; De Mel *et al.,* 2008; Klapper *et al.*, 2006). Consistent with that, this configuration positions Ajo as a sources of essential financial resources for women entrepreneurs even if their business profiles fall below the threshold required for a bank loan (cf., Simba *et al.,* 2023). In view of that, the following proposition is presented:

Proposition 3: *In the developing world Ajo enables even highly educated mature women entrepreneurs access to essential financial resources they require to support their entrepreneurial activities regardless of the industry they are in, their marital status and educational qualifications.*

Configuration 4 – Less educated young women entrepreneurs with small young firms operating in a low capital intensive industry

A disproportionate number of women in the developing world, not least those who engage in entrepreneurship, are known to be less educated (Berguiga & Adair, 2021). In some way, their vulnerabilities translate into their systematic exclusion from participating in economics (see Bullough *et al.,* 2022; Hechavarría *et al.,* 2019). Notwithstanding that, empirical evidence underlying configuration 4 suggests that Ajo provides this type of entrepreneurs, who are often less educated but own a small, young enterprises in a low capital intensive industry within a developing world context, an alternative financial source (cf., Aliber, 2015; World Bank, 2011).

While their personal and business profiles make them less attractive to formal financial lenders, Ajo which is described in this research as a form of traditional saving club (see Ogundana *et al.,* 2021) is arguably a viable source of finance, filling the void left by formal financing services. Thus, a transaction lending criterion which is based on profiles of young women entrepreneurs operating in a developing world involuntarily excludes them from meaningfully participating in formal financial markets (Simba *et al.,* 2023). In some way, considering this study's observations crystallised into form configuration 4, it can be argued that traditional methods of assessing and lending to the types of women entrepreneurs we studied may not be less applicable to them hence the essence of taking into consideration their entrepreneurial context. Taking that into account, this study puts forward the following proposition:

Proposition 4: *In the developing world, Ajo provides less educated young women entrepreneurs who own small enterprises in a less intensive industry with the financial resources they need for their entrepreneurial activities.*

Configuration 5 – Less educated single older women entrepreneurs with small firms operating in a low capital intensive industry.

Configuration 5 suggests that in the developing world, women entrepreneurs who are mature and own a small enterprise in a low capital intensive heavily rely on Ajo for their entrepreneurial endeavours. This scheme of informal financing suits their types of businesses that often range from hospitality, tailoring, retail, accessories, to food items (also see Ogundana *et al.,* 2022). For one thing, this configuration indicates that being an uneducated, single, mature women entrepreneur does not exclude one from utilising the Ajo scheme for entrepreneurship purposes (Aliber, 2015). In some way, the Ajo scheme can be considered inclusive and appeal to vulnerable groups of a society. Accordingly, Ajo must be considered a potent financing scheme which should signal a shift in the way current research depicts informal finance in the formal vs. informal finance literature. That is, instead of continuously taking a financial repression approach (see Roubini & Sala–i–Martin, 1992; Shaw, 1973) which tends to advance a bank–firm perspective of lender/borrower relationships, research must consider the configurations and the conditions underlying informal financing in women entrepreneurship in the developing world. Against that backdrop, the following proposition is presented:

Proposition 5: *In the developing world, Ajo schemes form an integral part of an inclusive informal credit markets where uneducated, single, mature women entrepreneurs, involuntarily excluded from formal financial services, obtain essential financial resources for entrepreneurship purposes.*

Configuration 6 – Young married/divorced women entrepreneurs with small older firms operating in a high capital intensive industry

For configuration 6, young married or divorced women entrepreneurs with small but established enterprises draw on Ajo to support their entrepreneurship. Particularly, the size of their enterprise draws them towards Ajo. Also, other antecedents, including their age, the age of their enterprises, and industry type have some level of influence on their decisions to use Ajo. This configuration suggests that for women entrepreneurs in the developing world that fit the profile and operational conditions described, an informal financing scheme like Ajo provides an alternative avenue for raising funds for entrepreneurship purposes even if they are in a high capital intensive industry. This goes to show that overlay of elements in these women entrepreneurs' micro–macro–meso environments dictated a financial source(s) for them to use (Bullough *et al.,* 2022*;* Ogundana *et al.,* 2021; Simba *et al.,* 2023). Such insights prefigure the use of informal financial schemes like Ajo whose underlying mechanisms could not be accounted for or fully understood by using the bank–firm paradigm often associated with assessing lender/borrower relationships in formal financing settings (Meyer & Nagarajan, 1991). This is not to acclaim the virtues of informal finance but rather to think about and discuss the questions that often lead us to unbalanced insights on informal finance. Accordingly, we advance the following proposition:

Proposition 6: ***In the developing world, women entrepreneurs who are young married or divorced owning established enterprises leverage Ajo schemes to finance their entrepreneurial activities in a high intensive industry***

Research contributions

Based on the theoretical arguments advanced through the configurations and propositions presented above, this study contributes to research on women entrepreneurship and entrepreneurial financing in the following ways. First, the study provides alternative theoretical explanations to the conventional bank–firm theory of formal financial relationships by depicting informal financing in the form of a scheme—Ajo—that relatable to women entrepreneurs who are involuntarily excluded from participating in the formal finance markets in the developing world. Thus, positioning Ajo as an informal financing paradigm suited to contexts where women entrepreneurs face prejudices in their entrepreneurship context (cf., Aliber, 2015; Simba *et al.,* 2023).

Second, the study develops new knowledge showcasing the antecedents and configurations that depict the conditions underlying the use of Ajo in women entrepreneurship in the developing world. Thus, contributing to research calls for studies that pay attention and enable scholarly conversation with the context (Hamann *et al.,* 2020) by revealing combinations of antecedents and configurations of Ajo. In some way, the study contributes towards contextualising theory development in entrepreneurship research (Welter, 2011; Newbert *et al.,* 2022; Zahra, 2011).

Research implications

The explanations that this study advances through its configurations and antecedents hold academic, policy, and social implications. Existing paradigms for exploring financing in a given context e.g., bank–firm theory seem to be more suitable for explaining lender/borrower relationships in formal financial markets and less so the informal markets relationships. This calls for a better conceptualisation of informal financing. Likewise, **entrepreneurship**–related **policies**

that recognise the role of informal markets are overdue. As opposed to portraying informal financial markets as 'underground financing' (Greenbaum *et al.,* **2015) or use financial repressive approaches to define them (see** Gahadassi, 1998), policies must recognise the role and importance of informal finance systems in the developing world through reforming financial markets. Aliber (2015) proved that there is something to learn from informal financing approaches. Based on the arguments advanced in this study there is an urgent need for policies that recognise informal financing frameworks. Such an approach can be helpful towards supporting women owned businesses providing them financial freedom and empowering to take part in economics.

Research limitations and suggestions for future research

Although this study was based on a vibrant community involving women entrepreneurs, it is limited to a single region. While this raises research question about the generalisability of our findings, it actually presents opportunities for future studies. To that end, we recommend future research to replicate the fsQCA qualitative comparison techniques we used for this study, in different settings, on a population with characteristics that are similar to the women entrepreneurs we sampled for our study. Using fuzzy–sets new empirical work should explore the women entrepreneurship and entrepreneurial financing nexus. The work should be guided by research questions aiming to develop new knowledge about the factors driving women entrepreneurs towards using informal finance more than formal financial services.

Crucially, such studies should pay attention to the psychosocial conditions behind informal financing phenomenon. We believe that the findings from this work can potentially provide a better understanding of the reasons informal financing schemes have become an option of financing women–owned enterprises (see Bruton *et al.,* 2021; Simba *et al.,* 2023). A comprehensive fsQCA analysis of the factors that position informal financing schemes as the preferred business financing option can enhance our understanding of the interdependence and the interaction of the influential antecedents in a given context. Insights into these multiple causations arising from such interdependence and interaction can contribute different perspectives that can enhance the polarised debate on informal vs. formal business financing.

Concluding remarks

As demonstrated through this research, informal financing schemes like Ajo provide business development opportunities for marginalised groups of individuals like women entrepreneurs, therefore it can no longer be dismissed as a remnant of the past that will come to pass as societies modernise. In the developing world, today, this study has shown that informal financing schemes like Ajo cater for women entrepreneurs with profiles that formal financing institutions will never consider as potential borrowers. In view of that, it is arguable that schemes like Ajo enable some level of inclusivity in economic participation. As shown in this study Ajo provides women entrepreneurs access to essential financial resources enabling them to fund their businesses. Our arguments through the configurations developed contribute knowledge showing that in a developing world scenario women entrepreneurs are, on the whole, better served by informal finance schemes than formal. Therefore, it means that we can no longer take a one–view in connection with the position informal financing schemes in the developing world. They must be recognised as a viable solution and a way of incorporating them into the financial markets through policy development must be initiated.

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