

The Impact of Group Lending on Participants' Entrepreneurial Resources

-A Case Study of Microcredit in Rural Estonia

Master Thesis

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Abstract

The aim of microcredit group lending is generally seen to be the provision of affordable credit that enables the participants to start or develop small scale business activities. However, how does participation in a loan group more broadly affect entrepreneurship? The thesis studies how social capital is built within loan groups and how it affects the members' access to entrepreneurial resources such as information, motivation and material benefits. It is based on the case of loan groups in rural Estonia, formed within two consecutive female entrepreneurship and network supporting programmes. In order to obtain a thorough understanding of how participation in a loan group may affect the important resources that are precondition for entrepreneurship, a qualitative, constructivist methodological approach is chosen, taking its point of departure in the participants' perceptions of the issue.

The study finds that all three types of entrepreneurial resources are indeed exchanged within and occasionally also across the loan groups. Firstly, informational benefits include *ad hoc* business information, advice on relevant issues and referring contacts, among other things. Secondly, there are material benefits as the group members engage in different types of business related cooperation, which aids them in production, marketing or sales. Thirdly, motivational benefits are also perceived to play a role through encouragement, finding solutions to common problems and receiving positive emotions from social interaction. The exchange of these resources in the groups is generally irregular in frequency and extent, and its scope and scale also vary from person to person depending on their field of business among other factors. Generally, no fixed cooperation arrangements have evolved among the loan group participants, which can be caused by the nature of their business, but may also indicate a high level of risk aversion and strive for independence. The latter characteristics can be connected to the specificities of the type of entrepreneurship practiced by the loan group participants. Lastly, the importance of loans in this context should not be underestimated as findings indicate that small entrepreneurs in rural Estonia indeed face a lack of affordable funding.

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1 Introduction

The history of microcredit in Estonia is not long as Soviet rule prohibited private entrepreneurship. However, after the country regained its independence in 1991, it started developing a liberal economic system. While Estonia has made significant economic progress, the creation of wealth and jobs has mainly been concentrated in the cities, especially in the capital region, and the rural areas have fallen behind. In 2011, 21,4% of people living in rural settlements were living at risk of poverty¹ due to low wages and high unemployment, compared to 10,2% in Tallinn (Statistics Estonia 2012a). The peripheral status of the rural areas is also evident in Estonia's demographic situation. Approximately 42% of its population of 1.32 million live in the capital area (Statistics Estonia 2012b) and population density in rural areas is very low at around 11 people per square km, and decreasing (Statistics Estonia 2012c). In addition, while during the years of rapid growth in 1996-2007 welfare grew and absolute poverty clearly decreased, the risk of relative poverty increased for two groups: the elderly and women (Statistics Estonia 2010).

The first microcredit programme was founded in Estonia in 1999, followed by the creation of more groups within several different female entrepreneurship supporting programmes. The group lending mechanisms were designed quite closely by the example of the Grameen Bank, which gave start to the international microcredit movement. The main idea of microcredit is to provide financial services to the poor who lack access to conventional financing, and this is also one of its central goals in the programmes conducted in Estonia. However, considering the significant socio-cultural and economic differences between countries like Bangladesh, where Grameen Bank started, and Estonia, can a similar mechanism support small entrepreneurship in both contexts? For example, the availability of credit has been relatively high in Estonia, especially during the economic boom of the mid-2000s (Tõrs 2008, Brixiova et al 2009). Also, the sums of money provided through group lending are rather small and could, therefore, be considered insufficient for effectively supporting entrepreneurial start-up and activities in the Estonian context. Further, the low population density and dispersed villages in Estonia suggest that there may not be sufficient local social capital for forming the groups in the way it is used in e.g. Bangladesh.

¹ The percentage indicates the share of persons with equalised disposable income lower than the at-risk-of-poverty threshold.

The thesis aims to investigate the effect of participating in a loan group on the members' entrepreneurial resources in the Estonian context. The study is limited to specifically loan groups within microcredit programmes, excluding savings and loan associations and credit unions as these have many more participants and different operating mechanisms. The research will take its point of departure in the concept of social ties which are in theories of microcredit considered a crucial element in group lending. Further, in entrepreneurship theory social ties are considered a mechanism for obtaining necessary entrepreneurial resources. On a theoretical level, thus, this study connects insights from theories of microcredit group lending and entrepreneurship and applies the theories in a new context. There is practically no academic research to be found on microcredit in Estonia (or the Baltic states more broadly), and research on such connections of group lending, social ties and entrepreneurship is also rather limited internationally.

In order to obtain a thorough understanding of how participation in a loan group affects the members' entrepreneurial resources, a qualitative, constructivist methodological approach is chosen. The research question is, thus, shaped as follows:

Does participation in a microcredit loan group enhance the important resources that are preconditions for female entrepreneurship? Exploring the participants' point of view

The main theoretical framework used for analyzing the data is Witt's (2004) test of Brüderl and Preisendörfer's network success hypothesis, which enables connecting the loan group network with the outcomes for the participants' entrepreneurship. Based on Jennsen and Koenig (2002), starting entrepreneurs need three main types of resources: motivational, informational and financial. Based on the above examples of rural Estonia regarding credit availability and socio-geographic factors, it is suggested that instead of the actual loans, the loan groups' potential in enhancing entrepreneurship lies mainly in their ability to provide other types of resources, namely information and motivation. Therefore, the hypothesis for the study states the following:

Group lending enhances social ties, which improves women's opportunities to obtain motivational and informational resources that potentially strengthen their entrepreneurship initiatives.

The study starts with an outline of theories in the fields of microcredit and group lending on the one hand, and social ties and entrepreneurship on the other. The theoretical framework derived from these theories, which will provide a structure for data analysis, is presented in the beginning of the methodology section. Thereafter, an overview is given of the methodological approach taken in the section, including philosophical considerations, the research approach and strategy, as well as details about the data used in the research. Reasons are given for the choice of the main method, in-depth interviews, and its implications are discussed. This is followed by data analysis, which starts with insights from previous studies and then continues with findings from interviews conducted with the manager of the microcredit programmes and ten loan group participants. Subsequently, the discussion section provides an analysis of the empirical findings in light of the theories introduced earlier and brings out the main results of the study. The conclusion summarizes the main findings and their practical implications, addresses the research question and discusses the validity of the hypothesis in relation with the findings. In addition, some issues and topics for further research are indicated.

2 Literature Review

This chapter will give an overview of the theoretical perspectives related to group lending and entrepreneurship and of relevant empirical research in the field. Firstly, an introduction is made into the topic of microfinance and group lending. Secondly, theory on group lending's relationship with social ties is reviewed and some problems with the methodology of group lending pointed out. Thirdly, theory on entrepreneurial networks is viewed as a connection between entrepreneurship and social ties, and the concept of social ties is defined. Also, the network success hypothesis is introduced, which will provide an instrumental theoretical framework of the study. Lastly, previous empirical research on the topics of group lending's effect on entrepreneurship internationally and female entrepreneurship in Estonia is reviewed.

2.1 Introduction to microfinance and group lending

Globally, microcredit has risen to prominence at a rapid speed after its large-scale success in the 1970s in Bangladesh with Grameen Bank. Its central idea is that traditional banks find the poor too costly to serve due to their lack of steady income and collateral. Small amounts of affordable credit provided by microfinance institutions are assumed to give the poor an opportunity to develop small businesses and lift themselves out of poverty. Microfinance is largely directed at women borrowers, due to both social and financial considerations. Namely, poor women are generally the most disadvantaged social group in the context of credit availability. Also, they direct more of their income towards improving life for their whole family compared to men, which translates into stronger overall social impact. In addition, microfinance is commonly seen as a way to empower women within their families and communities. In the financial aspect, it has been shown that women's repayment rate is higher than men's, and they are therefore more trustworthy customers for microfinance institutions (Cheston and Kuhn 2002).

One of the prominent characteristics of the Grameen Bank was the use of group lending, which has been celebrated as a major innovation (Sengupta and Aubuchon 2008), enabling to borrow without material collateral. In that model, groups of approximately five people are formed voluntarily and the members are given loans in a consecutive order. Having accepted the Bank rules, the first two group members receive a loan. If they successfully repay their

loans four to six weeks later, the next two receive loans; after another four to six weeks, the last person is offered a loan (Sengupta and Aubuchon 2008).

A very important aspect of the model is joint liability, which implies that if one member of the group does not repay, others have to pay for her, or otherwise all will be denied further financing (although originally only the latter clause was used by Grameen Bank) (Armendariz and Morduch 2010: 100). Voluntary group formation reduces the risks of adverse selection and joint liability decreases moral hazard through peer monitoring, as group members are interested in having others repay on time. The group is also a part of a larger village group and repayments are made public for everyone, which significantly adds social pressure to repay. Thus, the model largely rests on using local information, peer support and peer pressure (Armendariz and Morduch 2010: 14), exploiting social capital in the community (Zephyr and Yunus 2004: 1).

On the background on its rapid expansion, a number of problems have been voiced in relation with microfinance and group lending. Firstly, empirical studies have had mixed results as to its socioeconomic impact on the borrowers (Armendariz and Morduch 2010). In fact, many have been concerned with the poor entering a circle of debt as a result of microfinance programmes, and suffering negative social impacts within their families and communities. Also the real effect of microfinance on women's empowerment is questioned. Further, the strong shift from subsidized non-profit microcredit to for-profit microfinance institutions has been viewed with criticism, as their interest rates are often very high – along with their steep profits (Armendariz and Morduch 2010, Bateman 2010, Dichter and Harper 2007). The model of group lending has also attracted criticism in connection with its reliance on social capital, which may not always work as planned, and varies greatly between different regions and contexts. This will be discussed further in the next section.

2.2 Group lending and social ties

As described above, group lending is widely perceived to be based on the social ties between group members. As written by Zephyr and Yunus (2004: 1), “[s]ocial capital is exploited through “peer-lending,” in which borrowers operate with the lender through groups, with individual borrower status dependent upon the performance of all group members”. There are different approaches to social capital, which has attracted abundant theorizing and research. Some theoreticians view social capital as a collective asset, based on the norms

and trust in a society or group, and study how specific groups build more or less social capital. Others analyze it on a relational level, focusing on how individuals access and use the embedded resources in their social networks (Lin 1999: 31-32). In this study, the latter approach is taken, as the focus is on the individual loan group members. Thus, the project has its point of departure in individual loan group participants and how the group network enhances their entrepreneurship.

However, is group lending always dependent on pre-existing social ties? In fact, members of loan groups may not know each other beforehand, indicating that there are no direct ties to begin with. In many environments such as urban areas or sparsely populated rural regions, borrowers may not have much, if any, information about each other. For example, according to Zephyr and Yunus' (2004) account of microfinance attempts in the US, both urban and rural poor lacked social ties and trust that would enable the loan group to function properly. They emphasize the relevancy of context for microfinance on the example of a comparison between Bangladesh and Arkansas. The level of social ties is not the only important difference that may affect group lending in this case. In Bangladesh, access to microfinance may be the only option for the borrowers to alleviate their poverty, whereas in Arkansas it is an opportunity to become an entrepreneur, but not a matter of survival as the state provides the poor with basic financial support. These differing realities may have an impact on participation and repayment incentives. Also, the large difference between population densities of the two locations is significant, not only towards social capital and loan groups, but also regarding the presence of potential buyers of the goods and services provided by the new microenterprise.

Therefore, the relation between group lending and social capital may be less simple than envisioned in the original model. When borrowers self-select into groups only based on their acquaintance during a typical training program, they do potentially share knowledge and ideas "but strong pre-screening aspects of independently-formed groups, a key benefit for the Grameen Bank, are lost" (Zephyr and Yunus 2004: 6). In fact, social capital may not always exist between the members of a loan group at the moment of forming the group, but it can also be developed in the process, which in turn translates into better business results (Feigenberg et al 2010). Repeat interactions, regular meetings and common credit goals help participants create sustained economic ties and thereby facilitate cooperative behavior.

However, as pointed out in the previous section, group lending is also associated with a number of problems. The idea of social sanctions being imposed by the group has found adverse empirical backing (Armendariz and Morduch 2007). For example, long-term Grameen borrowers have been found to have lower repayment rates because through leveraging social capital the threat of sanctions has been reduced (Dowla 2006). Also, the creation of fruitful social ties in a loan group is not a given due to costly transportation to attend meetings and lack of contact outside the program (Zephyr and Yunus 2004). Relations within the group can evolve in different ways, and feelings of reciprocity may not always be present. (Larance 2001).

2.3 Entrepreneurship and social ties

Entrepreneurship theory is closely connected to theory on networks and social ties. A network can be defined as a set of actors such as individuals, teams or organizations, connected by a set of ties (Borgatti and Foster 2003: 992). A considerable amount of research has been dedicated to the impact of networks on entrepreneurial outcomes since 1986 when Aldrich and Zimmer stated that “the entrepreneur is embedded in a social network that plays a critical role in the entrepreneurial process” (Hoang and Antoncic 2003: 168). The perspective of networks’ impact on entrepreneurship is summarized in the ‘network success hypothesis’, which states that support from the personal network of a founder improves survival and growth of newly established businesses (Brüderl and Preisendörfer 1998).

The most common classification of entrepreneurial networks appears to be built on Granovetter’s (1973, 1983) work in which he distinguishes between strong and weak ties as the structure of social networks. Strong ties between friends and family are likely to be of more assistance and more easily available, but weak ties with acquaintances provide more varied information from different social circles. Therefore, due to a broader spectrum, weak ties are crucial for an individual’s opportunities in a society and to the knowledge that they have access to (Granovetter 1983).

According to Granovetter (1973), the strength of a tie can be measured based on factors such as the amount of time, emotional intensity, the intimacy, and reciprocal services between the people. It has also commonly been measured on the basis of the ‘degree of friendship’ so that if an entrepreneur describes her contact as a friend or close friend, the tie

is considered strong, and if she describes the contact as a (loose) acquaintance, the tie is considered weak. The study of social ties is also closely related to the concept of social capital, which in general terms indicates the value of connections (Borgatti and Foster 2003). As mentioned above, there are different approaches to social capital, but in the context of entrepreneurship it is defined as the people the entrepreneur knows, or who are known by others that the entrepreneur knows, who contribute to her entrepreneurial goals (Burt 1992 in Greve and Salaff 2003).

Diversity is another aspect of entrepreneurial networks. In an organizational perspective, horizontal networks refer to connections between similar businesses, i.e. competitors, and vertical networks refer to contact along the value-added chain, from suppliers to end-users. Many resources are distributed along the vertical networks (O'Donnell et al 2001). In a personal network perspective, horizontal networks connect people of similar status of power (Larance 1998: 9). Vertical networks, on the other hand, refer to links between different social classes or groups, as well as links with the state, civil society and corporate sector (such as banks) (Rankin 2002). This implies, again, that there are many resources flowing in the vertical networks. Similarly to the factor of limited new information in circles of strong ties, few additional resources are likely to be found within horizontal networks.

A major issue in research has been the question of how networks impact entrepreneurship and which social ties are necessary for benefitting from networks. According to Jenssen (1999) and Foss (1994), social network has an important impact on the success of entrepreneurship start-up through resources. Similarly, according to Bull and Willard (1993), entrepreneurs are embedded in social contexts of complex networks within which their activity is facilitated or constrained by their existing linkages with resources and opportunities.

Based on the assumption that social networks impact entrepreneurship through resources, Jenssen and Koenig (2002) study the relative importance of strong and weak ties in the process. Based on previous literature they count finance, information, expertise, advice on handling bureaucracy, advice on accounting, advice on technology, social support, encouragement, access to market/customers, suppliers, production resources and labour to make up the possible entrepreneurial resources. They categorize these resources into three types: information, motivational resources and material resources (based on Kanter 1980).

Similar categorizations can also be found in other works. For example, Gomez and Santor (2001) (based on Sanders and Nee 1996) put forward three categories of social relations that affect self-employment success: instrumental support (similar to 'material'), productive information, and psychological aid (similar to 'motivation'). Also, Pollack et al (2012) state that contact with business-related social ties provides crucial support to entrepreneurs in the form of both structural support (access to relevant information and resources) and functional support (empathy, encouragement, feedback). Through such support, the entrepreneur is better able to survive difficult economic conditions and continue with the business. In a similar vein, Hoang and Antoncic (2003:166) assert that "[a] key benefit of networks for the entrepreneurial process is the access they provide to information and advice". Jenssen and Koenig's categorization, thus, finds support in other works, and it will be used in this study as an instrumental frame for analyzing the benefits obtained through different types of social ties.

The role of weak and strong ties in providing such entrepreneurial resources has been discussed extensively. In a comprehensive review on entrepreneurship and network literature, Hoang and Antoncic (2003) find that the results are mixed as to whether weak or strong ties are more useful for an entrepreneur. According to Jack (2005), a number of empirical studies attest to the importance of strong ties for entrepreneurship through support and motivation, but the theoretical literature continues to stress the effectiveness of weak ties. She also states that the effectiveness of a network is dependent on both types of ties as they lead to different resources. Similarly, Watson (2007) studies the relationship between SME owners' informal (strong ties) and formal (weak ties) networks and the survival and growth of the business. He states that whereas networks are in theory considered very beneficial for business, empirical evidence has not always been found to prove it. An interesting point raised is that there seems to be an optimum level of resources (such as time) that the entrepreneur should assign to networking in order to do it cost-effectively.

2.3.1 Network success hypothesis

Witt (2004:394) sets out to conduct a comprehensive test of Brüderl and Preisendörfer's network success hypothesis, which he defines as follows: „founders can gain access to resources more cheaply by using their network contacts than by using market transactions,

and [...] they can even acquire resources from the network that would not be available via market transaction at all". He proposes a three level framework for the analysis, explained in the following.

The first level of analysis focuses on the 'activities that an individual entrepreneur undertakes to build, sustain, or extend her personal network', which can be measured as the time an entrepreneur devotes per month to the creation, preservation, and enlargement of her personal network, such as the frequency of communication between the entrepreneur and her (potential) network partners during any determined period of time.

The second level measures the 'structural characteristics of an entrepreneur's network', which is formed as a result of the first level activities. One measure of the structure is the network's size, based on the number of contacts the entrepreneur has discussed her business (plan) with. Further, network diversity is also very important to the structure, and this measure is closely related to Granovetter's weak and strong social ties. As discussed above, the presence of weak and strong ties may have different implications for entrepreneurship, but both are required for economic success.

The third level concentrates on the result of the networking, i.e. 'the economic benefit of the information and the services received from network partners over a certain period of time'. It can be measured as the frequency and value of services that the entrepreneur received through the network (Brüderl and Preisendörfer 1998, in Witt 2004). At the same time, the costs of maintaining and using the network also have to be taken into account.

This framework provides an instrumental way to measure gains from network, but the other important variable of the network success hypothesis lies in measuring the success of the enterprise, which is somewhat complicated. Witt describes subjective and objective measures, both of which have been used in different empirical studies. The subjective measures involve an evaluation of the start-up success by the entrepreneur herself, which may be affected by firm survival and material returns but also by her personal aspirations and expectations. Objective measures include analyzing data on firm such as profit, sales, number of employees, etc. With regard to empirical studies on this topic, Witt emphasizes the importance of taking into account external factors that influence the interaction between the entrepreneur and her networks, as the entrepreneurs' starting positions are

not identical. He lists resource base, size, industry, know-how, entrepreneurial ambitions, networking abilities, absorptive capacity and gender as some aspects to consider.

Criticism related to the network success hypothesis

While focus on networks appears rather prominent in entrepreneurship research, there are some lines of criticisms towards it. Chell and Baines (2000) give an overview of a number of studies, mainly conducted in the UK, which show that networking on behalf of small entrepreneurs may in fact be much more limited than commonly thought. The main reasons for this are limited time and avoidance of being dependent on others. However, Chell and Baines also bring out opposing views and indicate that such preferences may depend on the type of entrepreneur, i.e. whether she is growth oriented or not. Further, as mentioned above, Watson (2007) found that there is an optimal level of resources that should be directed towards networking. For example, accessing too many networks or connecting with one network too frequently may be counter-productive, indicating that small business owners should carefully consider their time allocation.

2.3.2 Context of entrepreneurship

Entrepreneurship must be considered within its specific context in order to better understand the factors shaping it. According to Welter (2011), “contexts provide individuals with opportunities and set boundaries for their actions”. She indicates that, similarly to the current project, within research of the social context of entrepreneurship the social network approach is prominent – however, also family and household embeddedness should be considered. Besides the social context, also the business (industry, market), spatial (e.g. country, geographical) and institutional (rules, norms) factors play a role. Welter implies that there is a somewhat contradictory link between social and spatial context, as spatial proximity can both facilitate entrepreneurship through social networks and hinder it. The latter effect may be caused by what Welter refers to as ‘over-embeddedness’, due to e.g. closed local networks or inhibiting close ties. According to her, the contextualization of entrepreneurship in research should take a multi-contextual perspective and women’s entrepreneurship is one line of research that offers and requires insight into institutional, social and spatial contexts.

Further, much of the theory presented in this review has focused on the needs of entrepreneurs, and the corresponding resources that they may receive through networks. However, it is important to consider that the needs of small entrepreneurs may differ largely due to the different socio-spatial and institutional contexts. For example, many of the studies of female micro entrepreneurs in Bangladesh emphasize the potential of microfinance for as enabling women to create connections with other women beyond their own household, to travel across the village to group meetings and gain basic individual recognition (such as being addressed by name instead of as someone's wife or daughter) (Larance 1998). The network building and motivational benefits of group lending in Western countries address the entrepreneurs' needs at a somewhat different level, such as entrepreneurial self-confidence and business related contacts. Also, education must be taken into account as it is an important determinant of an entrepreneur's capabilities and needs. As a comparison, in Bangladesh the adult literacy rate was 56% in 2009 (World Bank), with that of women even lower. Estonia, on the other hand, has one of the highest literacy rates in the world, and 91% of women (compared to 86% of men) have completed at least high school (OECD 2012). In another perspective, a comparison of Bangladesh's high and Estonia's very low population density implies that the latter entrepreneurs may face challenges regarding distance and size of market.

Further, in addition to a variety of different contexts, diversity can also appear in the nature of entrepreneurship, e.g. the 'new economic activities' (Wiklund et al 2011), within which meaning of entrepreneurship is extended beyond the commercial. Entrepreneurial ventures have mainly been perceived as means of economic growth (Marcketti et al 2006), but research shows that there may be rather different drivers behind it. For example, one of the new dimensions of entrepreneurship being researched is social entrepreneurship, where social aims are combined with trading viability (Harding 2004). Also, lifestyle entrepreneurship is a growing field of interests for researchers, defined as owning and operating businesses closely aligned with one's personal values, beliefs, interests, and passions. Such businesses are used for sharing creative work or to providing flexibility in managing demands related to work, family, and community roles. For lifestyle entrepreneurs the decision to start a business is not part of a career but rather a life strategy to achieve self-fulfillment (Marcketti et al 2006). Regarding the motives for starting a business, also the

phenomenon of necessity-based entrepreneurship – when an individual has to start a business because other options for work are absent or unsatisfactory – has emerged even in advanced economies such as Finland (Kautonen and Palmroos 2010). Entrepreneurship can, thus, not be viewed as a uniform concept.

2.4 Research on group lending and entrepreneurship

The relation of social capital with group lending and with entrepreneurship has attracted abundant research. In particular, the effect of social capital on group repayment rates, and in lowering transaction costs of lending, has been investigated by many (Besley and Coate 1995, Zeller 1998, Cassar et al 2007, Karlan 2007, Van Bastelaer and Leathers 2006 among others). The creation of social capital through microfinance has seen less exploration (Anderson et al 2002), but a number of studies on the matter can be found (Larance 2001, Mosley et al 2004, Dowla 2006, Sanyal 2009, Feigenberg et al 2010). Several studies have found that participation in microcredit groups increases women's self-confidence (Hietalahti and Linden 2006, de Goey 2012).

On the other hand, the impact of accessing networks on business survival and success has been a popular topic, and numerous studies have examined the “causes and consequences of embeddedness in the entrepreneurial process” (Hoang and Antoncic 2003: 167). Hoang and Antoncic provide a review of such works, to which a number of later studies can be added (Greve and Salaff 2003, Pollack et al 2012, Watson 2007). However, studies specifically on the impact of participation in a loan group on entrepreneurship are much more difficult to find. A few of such are briefly reviewed below.

In their study of Bulgaria and the Philippines, Morris et al (2006) find that group lending in microfinance generates greater social capital and therefore leads to greater entrepreneurial success than individual lending. Through the increased social ties the entrepreneur has larger access to resources and knowledge necessary for the business, and also a safety net that she may not have had before. They emphasize that in an Eastern European transition context, where “social networks and ties are few and difficult to establish”, group lending has the potential to support creating new ties and relationships, by breaking cultural and historical barriers (ibid: 354). It has also been found that entrepreneurship in Estonia has suffered from low social capital and trust in the society during the transition process (Venesaar in Höhmann and Welters 2002).

A study (Ellingsen and Lotherington 2006) conducted among the clients of the major Norwegian microcredit showed that finance was only the third most important reason for women to join the project, after competence and trust. The importance of belonging to a group was emphasized as it enabled the women to feel trusted as entrepreneurs, and this trust was important for their self-confidence, creativity and entrepreneurial spirit. Trust was developed within the group as members gained experiences with each other and reputations were formed. Access to networks provided by the group was for most participants crucial for the business start-up. The study can also be considered especially relevant in the context of this paper, as the first Estonian microcredit program was based on experiences from Norway (Wiberg 2005).

2.5 Research on microfinance and female entrepreneurship in Estonia

As microfinance is a relatively new and small scale phenomenon in Estonia, little academic research can be found on the topic. Also, while a number of studies and reports have been written on microfinance in Eastern Europe, Estonia and the other Baltic states are not included in most, such as the Handbook of Microcredit in Europe (Carboni et al 2010). The European Microfinance Network's regularly published overview of microfinance in the European Union does include Estonia in its data set for the first time in 2010 (represented by Enterprise Women in Estonia, ETNA) , but no country summary is provided for any of the Baltic states. As an interesting point it appears that a large majority (88%) of microloans in Europe is provided individually, and Estonia is among the minority offering group loans. In general, much of the research on microfinance in Europe seems to focus on the functioning of the microfinance institutions and the financial aspects of microcredit (EMN 2009).

However, some research has been conducted on the topic of female entrepreneurship in Estonia. Based on a survey of 604 women in the framework of the project FEM (Female Entrepreneurs' Meetings in the Baltic Sea Region) Talves (2005) found that most women considered financial constraints as the main obstacle for starting and developing businesses, whereas most operating entrepreneurs had used the family's savings for that purpose at some point. Also, the most common reasons for engaging in entrepreneurship were quoted to be the opportunity to get new experiences and set new challenges, followed by the need for income, employment and financial independence.

A study of female entrepreneurship in Estonia (Laas 2003) brings out the issue that whereas in Estonia women have better levels of education than men, they earn lower salaries and are less represented in entrepreneurship and leading positions in all sectors, a situation caused by prevailing gender stereotypes among other reasons. Women also have less social resources as currently most decision makers are male, and women are often excluded from their informal networks where much important interaction takes place. Laas refers to Narusk and Hansson's (1999) research, which revealed that women are more likely to have 'negative' social networks that require inputs but provide no material returns, such as taking care of relatives. Also, the fact that in Estonia women still use more time and energy on taking care of the family and household is referred to in most of the relevant studies (Laas 2012) – and therefore, that they have less time for developing their businesses and useful networks. A number of studies conducted in Estonia show that women have to overcome a number of barriers within themselves and their close relations in order to start a business (Laas 2003, Talves and Laas 2004). Compared to male entrepreneurs, they need to work much more in order to be accepted and taken seriously. Laas (2003) also raises the point that rural people in general face similar discrimination by the urban population, which makes rural women doubly disadvantaged. Also, women are often insecure and unconfident as to their capabilities, even if they are highly educated (Laas 2012). Concerning national political support for female entrepreneurship, Laas (2003) states that although entrepreneurship in general is strongly encouraged and supported by the state, including by the establishment of a nation-wide network of support centers, there is no special focus on women in this regard.

3 Methodology

In this chapter, the methodology of the study is introduced and reflected upon. Firstly, the theoretical framework is presented, which is built on theory presented in the previous chapter. In order to shed light on the assumptions underlying the research design, the research philosophy is discussed, followed by a presentation of the research approach. In the fourth section, the research purpose is explained and characteristics of the chosen strategy, case study, reviewed. Subsequently, a thorough overview is given of the chosen research methods and their implications. The last two sections discuss the quality – reliability, validity and generalizability – of the research design, and outline the main delimitations of this study.

3.1 Theoretical Framework

The analysis in this study will be based on a number of theoretical perspectives introduced in the literature review. Witt's test for the network success hypothesis forms a central framework into which other theoretical concepts are integrated. As Witt's framework is directly related to entrepreneurial networks, it is useful to contextualize of the type(s) of entrepreneurship practiced by the loan group participants as it may have important implication for understanding the data. This will be based mainly on insights by Welter (2011) and Marcketti et la (2006). It is also relevant to note here that whereas throughout the study the loan group participants are referred to as small entrepreneurs, they are technically micro entrepreneurs as all of them employ less than 10 people (EVEA 2013). However, the term "small entrepreneurship" is more commonly used in Estonia, and it is therefore used predominantly throughout the study.

Coming to Witt's framework, the first level of analysis is defined as the 'activities that an individual entrepreneur undertakes to build, sustain, or extend her personal network'. On this stage, the issue of the original formation of the group, an important topic in group lending theory (Armendariz and Morduch 2010, Zephyr and Yunus 2004), is considered. How does self-selection into groups work in this context, and what are their aims with regard to the group? In theory, the cost of attending meetings is often mentioned as a problem within group lending (Watson 2007, Chell and Baines 2000), so time and other resources directed towards the loan group network are looked into.

On the second level – ‘structural characteristics of an entrepreneur’s network’ – an analysis of the ties formed through the loan groups will be conducted. Theory will be used to examine the ties on the weak-strong tie scale based on Granovetter (1973, 1983), including the ‘degree of friendship’ measure, and the diversity of network provided by participation in the microcredit project. In line with the rest of the research, this is studied in a subjective way, i.e. based on the interviewee’s perceptions. In addition, the potential for social sanctions, another important aspect in microcredit theory (Armendariz and Murdoch 2007) is analyzed. Further, in order to put the loan group network into context, it is inquired what kind of broader social networks the participants have access to.

The third level – ‘the economic benefit of the information and the services received from network partners over a certain period of time’ – will constitute a major part of the analysis. Connecting theory on network-provided resources with Witt’s model, it should incorporate an analysis of the types of benefits obtained through the network, i.e. information, motivation or material resources (Jennsen and Koenig 2002). The relation between the weak/strong ties, as defined on the second level, and the resources obtained through them will also be explored. In the category of material resources, two dimensions will be investigated. Firstly, the impact of the microloan itself on the women’s businesses (in their view) is considered. Secondly, potential benefits from business related cooperation and the development of ‘sustained economic ties’ (Anderson et al 2002) will be studied. In addition, space will be left for potential critique on each of these issues, i.e. whether negative impacts on motivation, misguided information, material losses or conflict have arisen from participation. The last category on the third level is meant as an open question for the interviewees to express their views on how the programme could be more beneficial for them as entrepreneurs. The aim is also to contribute to forming practical suggestions as a result of the study.

Therefore, based on the theoretical framework, the analysis of primary data is structured as follows:

- Loan group participants as entrepreneurs: contextualization
- First level of analysis: ‘activities that an individual entrepreneur undertakes to build, sustain, or extend her personal network’
 - Reason for joining the group

- Selection into groups
- Time and other resources directed at participation
- Second level of analysis: 'structural characteristics of an entrepreneur's network'
 - Characterization of relationships within groups
 - Degree of friendship
 - Network diversity
 - The participants' broader social network
- Third level of analysis: 'the economic benefit of the information and the services received from network partners over a certain period of time'
 - Informational resources
 - Motivational resources
 - Material resources
 - Suggestions for improvement of programme

The study takes a subjective approach to evaluating the effect of the resources received through the loan group on the participants' entrepreneurial initiatives, i.e. on the basis of the founders' evaluations and perceptions. This also inherently allows accounting for the differences in the entrepreneurs' ambitions and expectations (Witt 2004).

3.2 Philosophical underpinnings

In order to understand the underlying assumptions in the choice of research strategy and method, it is important to consider the philosophical approach taken in the research. On the subjectivism-objectivism scale, this study is subjectivist, as it largely explores social actors' perceptions of certain social phenomena, namely group lending, social ties and entrepreneurial resources. The study takes a social constructivist position, viewing reality as being socially constructed and consisting of the interpretations that social actors have of different phenomena or situations. The approach can also be considered interpretivist, and it accordingly uses small samples and in-depth qualitative methods (Saunders et al 2009).

The study could also be conducted in an objectivist way if the aim was to determine how microcredit affects the clients' business start-up or performance. However, while it might be possible to track the direct effect of the loan and other material resources (including social ties with quantifiable material benefits) obtained through the loan group, it would not

enable consideration of the information and motivational resources (Jenssen and Koenig 2002) as these are difficult to measure in absolute terms. Therefore, it would risk excluding some important aspects of the impact of participation in a loan group on the member's entrepreneurial resources. Also, it would not take into account the participants' own view of the success or failure of the enterprise in the context of their reality and expectations.

In line with the social constructionist position, the study is conducted in the understanding that social phenomena constantly change, as do the perceptions of phenomena by social actors. Also, an interpretivist approach suggests that the researcher enters the social world of the research subjects, aiming to understand the phenomena from their point of view, but she also has a subjective view of reality, which may affect her understanding. These factors have implications for the generalizability of the study, as explained below.

3.3 Research approach

The study is based on a mainly deductive framework as existing theory is reviewed, used for formulating the hypothesis (in this case, a proposition about the relationship between group lending and entrepreneurial initiatives) and for structuring the data collection and analysis. While no specific theory exists that would connect group lending and entrepreneurship, a link can be established with the help of theory on social ties.

Some features of the study traditionally rather belong to an inductive approach. It uses qualitative data from a small sample and focuses on subjective perceptions of social actors. The reason is that by using in-depth interviews as the main source of data, the research process allows for more flexibility and possibility for unexpected factors to arise than highly structured and controlled deductive research designs (Creswell 2009, Saunders 2009). This is important as the theories are applied in a new context.

3.4 Research purpose and strategy

There are three main types of research purpose – descriptive, exploratory and explanatory – and a single study can take more than one of these approaches (Saunders et al 2009). As stated in the research question, the aim of this study is to explore how participants of loan groups perceive the impact of this participation on their entrepreneurial initiatives, which indicates a mainly exploratory approach. The latter is directed at studying what is happening; at asking questions and assessing phenomena in a new light (Robson 2002 in Saunders 2009: 139). However, in some aspects the study also seeks to understand the

mechanisms that cause the participants' perceptions of the loan group's impact on their entrepreneurship, which indicates the presence of some explanatory elements (Saunders et al 2009).

The research question and objectives are also important determinants of the research strategy, along with available resources as well as philosophical underpinnings (Saunders et al 2009). As the research objective in this paper is to thoroughly study certain processes and mechanisms in relation with specific programmes in one country, it belongs under a case study strategy. According to Creswell (2009: 13), case studies involve an in depth exploration of a program, event, activity, process, or individual. Yin (2003: 13-15) specifies that a case study investigates a contemporary phenomenon within its real-life context, where the boundaries between phenomenon and context are not clear. These conditions also apply to this study, as the loan groups have been operating for a limited period of time, and because it may be difficult to separate the impact of loan groups as such and the personal characteristics of the participants, which may affect how they perceive and interact with the group. Further, Yin emphasizes that case studies "[benefit] from the prior development of theoretical propositions to guide data collection and analysis", which also applies to this study.

Yin also notes that case studies have a distinctive place in evaluation research, for example through explaining causal links in real-life interventions or exploring situations in which the intervention being evaluated has no clear, single set of outcomes (2003: 15). This study is not intended as an evaluation of any specific microcredit programme in Estonia, but it does shed light on some effects of the programmes in question.

3.5 Research methods

As an interpretive case study, the research mainly uses qualitative data. However, as common in case studies (Saunders et al 2009, Yin 2003), it also employs other sources in order to triangulate the data. A major part of the analysis is based on in-depth interviews with loan group participants and the project manager, which forms the primary data. In addition, some secondary data is used in the form of previous studies of microcredit and female entrepreneurship programmes in Estonia, which partly use quantitative information.

The research takes the approach of narrative analysis, which is based on the narrative information provided by the participants during interviews. There are a large number of

different ways that narratives are defined and researched, but its central characteristic is “doing research with first-person accounts of experience” (Riessmann 1993 in Coffey and Atkinson 1996: 54). Lieblich et al (1998) define four types of narrative analysis, based on whether it is holistic or categorical, and focused on content or form. As this study concentrates on a specific phenomenon shared by a group of people (ibid: 12) rather than an individual’s entire life story, it can be considered categorical. Further, as it is mainly directed at understanding the explicit content of an account rather than structure and style of the narrative, it can be considered content based. Therefore, the study takes a categorical-content perspective, which is mainly known as “content analysis” (ibid: 13) and functions through organizing narrative materials into units of analysis. The specific categories were defined above on the basis of the theoretical framework.

Lieblich et al outline the main steps belonging to content analysis. Firstly, information that is relevant for the research question is marked. As this study uses directive interviews (as opposed to a ‘life story’ approach), most of the interview data is likely to be relevant. Secondly, content categories are defined, in this case on the basis of existing theory. Thirdly, sentences or utterances are sorted into the different categories. Lastly, the data in each category can be ordered by frequency, subjected to statistical tests or analyzed in a descriptive way in order to formulate an understanding of the ‘content universe’ among the sample group of people. This study will mainly use description and frequency in the analysis.

3.6 Interviews

According to Creswell (2009: 178) qualitative research implies that the sample should be purposefully selected as the most optimal for answering the research question, which may not necessarily be random sampling or large sample size as in quantitative research. For this project, interviews with ten loan group participants from four different groups (out of the total of five groups) were conducted during January and February 2013. Thus, 10 out of the 22 currently enlisted loan group members in the programme (the groups were technically founded under two different programmes, but are now administered as one) were interviewed. Also, the only male participant of the programme was among those interviewed. The sample was chosen on the basis of two criteria. Firstly, the aim was to include participants from different loan groups as the group dynamics and experiences may differ and this diversity may provide valuable knowledge in the context of this project.

Secondly, the aim was for different fields of entrepreneurship to be represented as they may have different implications with regard to the entrepreneurial network and resources. As among the total of 22 participants half are involved in handicrafts, the same ratio was applied to the sample. Thereby, also some of the less common fields of business were represented. It must be noted, however, that the loan group members are often not limited to strictly one type of activity. For example, some of those involved in handicrafts also organize workshops or engage in ecological sheep farming, producing their own wool, and the person running a guest house also has a little (handicrafts) souvenir store where she mainly sells other participants' but also some of her own works.

The fields of entrepreneurship/work represented within the sample are the following:

Handicrafts: 5
Accommodation: 1
Art and art classes: 1
Hairdresser/sewing (previously; now salaried job): 1
Lifelong learning, trainings, social projects (NGO): 1
Salaried job (non-entrepreneurial): 1

In social constructivist research, the aim is to rely as much as possible on the participants' view of the situation (Creswell 2009). Therefore, open-ended questions are used in order to enable the interviewees to construct their own meanings. Also, in qualitative research the researcher usually works independently, gathering data directly with generally no use of questionnaire or instruments developed by other researchers (ibid). However, the questions are largely informed by the theoretical framework outlined above. Also, the interview questions are shaped so as to be appropriate for the specific cultural, social and case context. They also follow Yin's (2003: 89-90) recommendation that interviews should appear more as guided conversations than structured queries, for example through using "how" rather than "why" questions. The interviews are 'focused' due to time constraints, lasting from around 30 minutes to 1 hour, and characterized by a semi-structured form.

Other possible methods for answering this research question would be e.g. through direct observation or a survey. However, both methods entail certain requirements or have

characteristics that make them less suitable in the current conditions. The first would require a very long timeframe for the project; the latter might not enable sufficient understanding of the issue at question and make it impossible to capture any unexpected meanings, i.e. factors that could not be predicted on the basis on theory and therefore are not included in the survey questions.

3.7 Quality of research design

There are a number of aspects to consider with regard to the quality of research. These include reliability, validity and generalizability, all of which are discussed below.

Reliability refers to the consistency of the research procedure and findings, i.e. whether other researchers would arrive at the same results if conducting the study on other occasions (Saunders et al 2009: 156). Due to its complexity and dependency on circumstances, it is difficult to ensure that qualitative research based on semi-structured interviews could be entirely replicated by other researchers, but there are a number of ways to increase its reliability (Saunders et al 2009: 328). One of the main measures for that is proper documentation and transparency of the research procedures. In the present study, this will be ensured by outlining the theoretical framework for analysis, describing the manner of choosing the sample and by providing the interview guide (Appendix 2) and numerous quotes from the interviews in addition to, and structured after, the data presentation (Appendix 1).

Validity refers to ensuring that correct operational measures are established for the concept being studied and, if researching a causal relationship, certain conditions are shown to lead to other conditions (Yin 2003: 34). Unlike quantitative studies, the present research is concerned with the perceptions of the participants, which means that they will indicate the causal direction of factors. The validity of the operational concepts is also based on theory and the respective assumptions are thereby informed by broader research.

Thirdly, generalizability, or external validity, is an important factor in research. It indicates to what extent the results of a study can be generalized to other settings. This is often difficult to achieve in case studies, which do not aim at statistical generalisation. This study does not seek broad generalizability. While the results will provide insights into the field and make a contribution to relevant theory, it will not claim to represent a general truth or apply to all

microcredit programmes in Estonia, for example. As a social constructivist study, it admits the high importance of the context, which may lead to different results elsewhere.

3.8 Delimitations

As discussed in the previous section, an important limitation of a case study is related to its generalizability. Also, the analysis is based on a theoretical framework shaped by the researcher on the basis of a wide variety of works. There are other possible approaches, which would potentially have shed light on other aspects of the situation. It must also be noted that this study is cross-sectional, and therefore provides a 'snapshot' of the situation at the time of research (Saunders et al 2009: 155). However, while the interviews are conducted during a short period of time, the participants have spent different periods of time in the loan groups, which diversifies the time/social tie development relationship among the sample. The cross-sectional design of the study is mainly dependent on the time resources of the given research project. Lastly, as the study takes a social constructivist approach, it is acknowledged that the researcher's own personal, cultural and historical background shapes her understanding of the subject material (Creswell 2009).

4 Data presentation

In this chapter, primary and secondary data on group lending and entrepreneurship is presented. The chapter starts with a brief introduction to the history of microcredit in Estonia in order to provide a context for the following information. Thereafter, findings from a previous survey of loan groups in Estonia are reported. The presentation of primary data consists of two parts. Firstly, the results of an interview with the project manager of the main microcredit programmes in Estonia are brought out. This is followed by the main part of the data, findings from ten interviews with participants of four different loan groups.

4.1 Microcredit in Estonia: background

The first microcredit loan group in Estonia was established in 1999 within a programme organized and funded by the Nordic Council of Ministers in the three Baltic republics. The programme was based on the example of microcredit networks in Northern Norway and it also included training, advisory and networking services. The groups consisted of 3-5 women who met once a month for the repayment of credit and a discussion of each other's work. At first the group was given credit and the women decided amongst themselves which member was ready to first take a loan. The women also pay a monthly deposit to the common savings account, which will be used as decided by the group. The collection of savings and organization of meetings is conducted by an elected group leader (Wiberg 2005, Kuntus 2010). Thereafter, several more programmes have supported female entrepreneurship with training and in some cases microloans, but the number of functioning loan groups has been rather small. After the programme by the Nordic Council of Ministers, a programme named Female Entrepreneurial Meetings in the Baltic Sea Region (FEM, 2004-2007) led to the creation of more groups. Also, the International Labour Organization (ILO) together with the Estonian Ministry of Social Affairs organized a programme which gave start to two loan groups. The loan groups have mainly been operating in the southern parts of Estonia in the counties of Viljandimaa, Põlvamaa and Võrumaa and Valgamaa. In 2012, a new programme was launched by the NGO ETNA Eestimaal with funding from the Estonian Development Fund, which in spring 2013 created ten new loan groups across the country.

4.2 Data from previous studies

A survey conducted in 2004 (Luisk) gives a detailed overview of the functioning of three groups within the first programme and also presents information on the two groups within

the ILO programme. Luisk found that there was a lack of suitable loan mechanisms for women entrepreneurs who were unable to fulfil the conditions put forward by banks. In fact, banks offer abundant credit, but most rural people's incomes are too low to obtain it (Silm 2004 in Talves and Laas 2004). Other difficulties for entrepreneurs as indicated by the loan group members include lack of simple and available counselling specific to rural conditions, product marketing and sales, lack of cooperation, public recognition of small entrepreneurs, and inadequate physical infrastructure in villages, among other things. Similarly, a survey conducted within the framework of the EU's project "Women XXI" directed at developing female entrepreneurship in Harju County, found that the main problems for female entrepreneurs are the availability of finances, discrimination against women by providers of finances, and lack of management, marketing and selling experience (Venesaar 2003: 285).

Based on Luisk's survey, the main benefits of a loan group as quoted by the members include learning to know and cooperate with others, flexibility and ease of receiving loan, and support in form of advice, understanding and product marketing. Similarly, the reasons for joining the group are both financial and social, as the opportunity of belonging to a group of common interests is rated highly; the aspects of communication, social interactions and information sharing are considered important. The problems related with the groups are the long distances between member's homes, the change of group leader every 6 months which is not seen to be functional, the busyness of members, and potential problems with repaying loan.

Luisk's study is based on three groups, some members of which are also interviewed for this project. However, as there is considerable time difference between the two studies (2004 vs 2013), the composition of the groups has changed to some extent. Also, in the current project members of four different groups are interviewed and, therefore, only some of the members of each group are involved, not all. In sum, there is some overlap between the persons questioned for both studies, but the research methods vary greatly (short written formulas vs in-depth interviews). The results from Luisk's survey will in the discussion chapter be compared with findings from the interviews.

4.3 Interview with project manager

In order to get broad first-hand insight into the functioning of the loan groups, an interview was conducted with Anneli Luisk, the Estonian manager of the international microcredit project (1999-2004) funded by the Nordic Council of Ministers. Luisk also led the follow-up project, Female Entrepreneurial Meetings in the Baltic Sea Region (FEM, 2004-2007). Currently she is, through local NGO Ruusmäe Maanaiste Selts, still administering the loan groups founded within these programmes, and also belongs to one of the groups herself. Luisk is also the author of the 2004 survey presented above.

According to Luisk, loan groups function best where there is real need for small amounts of money and where it is possible to let go of the stereotypes of 'taught entrepreneurship', according to which doing business in a small way does not pay off and others cannot be trusted. She states that the first loan group in Estonia was successful because they put emphasis on encouraging the women to view entrepreneurship in their own terms and shape it according to their wishes.

...it turned out well, as we actually put a lot of emphasis on social entrepreneurship and teaching grass-roots entrepreneurship, so that you can use simple things to do what your soul desires. Not that you make a business plan, and start doing what is good for business, so to say.

[...tuli see hästi välja, et me tegelikult panime hästi palju rõhku sellele sotsiaalsele ettevõtlusele ja rohujuuretasandil ettevõtluse õpetamisele, et lihtsate asjadega teha seda, mida su hing ihaldab. Mitte et sa teed äriplaani ja hakkad tegema seda, mis nõ äri mõttes on kasulik.]

Luisk considers trainings to be the crucial aspect of the programme. She says that it is with the trainings that the women are encouraged to bring their dreams to life in their own way, rather than stand back and adhere to the opinions of the 'clever people' on how business must be done.

...the reality of life here in Estonia is that there are very few people who dare express their opinion. Because we are taught so that someone clever knows how things work, right. You may know inside, the intuition says that this is right [...]. But we have been taught that that way is right.

[...meie Eesti elu reaalsus on see, et meil on väga vähe inimesi, kes julgevad oma arvamust avaldada. Sest meid on niimoodi õpetatud, et keegi tark teab, kuidas asjad käivad, eks. Sa võid ju oma olemuses teada, sisetunne ütleb, et niimoodi on õige [...]. Aga meid on nii õpetatud, et nii on õige.]

According to the project manager, the current lack of trainings is one of the main reasons why the programme as such is not really functioning in Estonia. Based on the example of Norway, she says that if the groups met at least once a year for high-quality training and mutual communication, the benefits would be much bigger for the participants. Currently, with only the self-financed monthly deposit, they are not able to pay for trainings that they really need. Luisk says that this would require a proper continued programme and regular financing, but attempts to obtain it from the state (EAS; the state institution for promoting entrepreneurship) have been futile as they have not been taken seriously.

See, this is what these people are missing right now, that each year they would get a dose of exactly what they need at the moment. [...] Where they can communicate with each other and...that would actually be superb. But this would require a programme and informed actions and someone's financing, because as much as we tried to explain it to EAS, their attitude was completely like, go and play if you want to.

[Vaata see on see koht, mis praegu jääbki nendel inimestel võibolla nagu vajaka, et iga aasta saaksid ühe sutsu just seda, mida neil ongi hetkel vaja. [...] Kus nad saavad omavahel suhelda ja...see oleks tegelt super. Aga see eeldaks juba programmi ja teadlikku tegutsemist ja kellegi finantseerimist, sest EAS-il niipalju kui me proovisime seda seletada, see oli täiesti niuke suhtumine, et kui tahate siis mängige.]

Luisk emphasizes that trust forms the basis of the programme and that it starts playing a role from the beginning, when the groups are formed. The participants clearly join with persons whom they trust, and exclude others. Therefore, she would like the rules governing the loan group to stay at the current level where they are not very strict. She says that it is one of the main positive aspects of the loan group that the members feel they have a certain power over the money. This is what distinguishes it from banks, which set the rules for them. In the loan group they can always review their conditions and make their own decisions. She considers the flexibility of the loan groups very important, so that when a member has

difficulties with repayment it is possible to discuss the matter with the group and think of solutions, instead of fearing penalties. Luisk states that if the trust is lost, the problematic member will simply be excluded from the group. She says that some groups do have rules about penalty interest rates, but in practice these have not been used, as the matter can be solved in other ways.

And if the group is formed based on trust, then...then this should continue to dominate. [...] So if there are problems, then...then it is again a matter of informing [others], the schedule will be reviewed and you can go on without having the pressure on you, that 'what will happen to me now if I don't pay'.

[Ja kui nad moodustavad grupi usalduse põhiselt, siis...siis see peakski jääma nagu domineerima. [...] Et kui on ikkagi tekkinud probleeme, siis see on jälle informeerimise küsimus, graafik tehakse ümber ja sa saad ilusti edasi kulgeda, et sul ei ole seda pressit seljas, et vot, nüüd kui ma ei maksa, nüüd mis minuga juhtub.]

However, Luisk also refers to some problematic cases that have occurred during the functioning of the loan groups. She says that in some cases, the functioning of the groups is obstructed by interpersonal conflicts when the group leader and other members turn against one person and refuse to be flexible towards her repayments or in other matters. She also describes a case where this happened, and because of rather malevolent pressure, the targeted member started to defy the group by not repaying (the problem was in the end solved through negotiations involving the project manager). As an interesting point, Luisk states that when the group members live very close to each other, for example in one village, then there are more such problems where emotions get involved. This is due to the information (gossip) circulating in small villages, which may often be incorrect and lead to problems.

Yes, they do still go on the emotional level. [...] within a region it would be better, but if it's in one rural municipality or in one densely populated area, then it is a little more complicated. Because there the village and the village gossip start to play a role, and who thinks what of the other, and what they said in the village, that 'see, she is doing this and that, but she did not pay back and'... Which may be absolutely not true.

[Jah, emotsioonide tasandile lähevad ikkagi. [...] piirkonnaga oleks veel parem, aga kui ta jääb ühe valla sisse või hoopis ühe siukse tiheasustuse sisse, siis seal on natuke keerulisem. Sest seal hakkab rolli mängima see küla ja külajutud ja kes mida kellest arvab ja et küla pealt räägiti, et näed, ta teeb seda-seda aga tagasi ei maksnud ja... [...] Mis ei pruugi absoluutselt ju tõde olla.]

Luisk has conducted a thorough study on the availability of credit to female entrepreneurs in 2004 (quoted above). When asked about the current situation in the matter, she says that during the economic boom credit was available for everyone and now, if a person has real estate or a regular income, it is also possible to get a loan from the bank. Further, it seems to her that in the countryside there are not many people left who would be willing and able to take a loan and start entrepreneurship. Those who had the wish have done so, and the rest would need a more socially oriented program to break out of a cycle of poverty, unemployment, and relying on state support.

So I can't actually see a new wave from here at the moment...if there is no social programme behind it.

[Et siit nagu uut lainet hetkel ma isegi ei näe...kui ei ole mingi siuke sotsiaalne programm taga.]

In sum, the project manager offers interesting insights into the functioning of the groups and the whole programme. An important point is that the programme does not get outside financing anymore, and therefore there is a lack of trainings and events that would unite the loan groups and keep them active. Further, she confirms that the role of trust is indeed very important in the groups, and that they work in a rather flexible manner concerning repayments, although there have been cases of conflict. Also, the level of trust is not necessarily positively related to the people living close to each other – in fact, living in the same village may cause more problems to arise. Overall, Luisk emphasizes the role of the programme in encouraging the women to be confident and do business in the way that they wish to, and not be hindered by traditional norms of business, which they may not be able (or want) to fulfil.

4.4 Interviews with members of loan groups

In this section, data from ten interviews with members of four different loan groups will be presented, summarized and supported with citations. The structure of data presentation follows Witt's three-level test of the network success hypothesis, and the categories within each level, as shown in the methodology. As an introductory part prior to the first level, an overview is given of how the interviewees position themselves as entrepreneurs, how they view the gender dimension of entrepreneurship and what they perceive as the main difficulties in their entrepreneurial endeavours. The goal of this overview is to get an understanding of the socioeconomic context of the microcredit clients in order to better interpret the data within the main analysis.

4.4.1 Loan group participants and entrepreneurship

In order to analyze the entrepreneurial resources that loan group participants get access to, it is relevant to consider how they relate to entrepreneurship. There are some common features in the interviewees' perceptions in this regard, and also differences. Firstly, many do view themselves as small entrepreneurs, but distinguish between themselves and 'real', 'taught' or 'bigger' entrepreneurs. This distinction arises as the interviewees do not have investment plans or many employees or pursue constant business development as they perceive the 'real' entrepreneurs to do. Entrepreneurship for many of the interviewees is rather a lifestyle that enables them earn a living by doing something they like in the place where they live (where there are also often not many other opportunities), at their own pace. However, in some cases entrepreneurship has also been the participants' only option out of unemployment and poverty, a way to support their family in difficult times. Thus, the aim was not to become a successful businesswoman, but to use their existing skills, such as handicrafts making, to survive. Lastly, one interviewee clearly positions herself as a social entrepreneur, as she runs an NGO focusing on life-long learning and trainings for children and adults.

The interviews indicate that most of the women do not have very ambitious plans, although a few of the businesses are still in the process of development. Most of the interviewees do not report particular growth objectives and some directly say that they do not expect to reap big financial rewards. For example, one of the participants describes how she has been recommended to buy weaving machines and upsize the business, but she wants to keep it

small and maintain the authenticity of the handicrafts. Many interviewees emphasize the importance of independence and flexibility provided by entrepreneurship, so that they can do what they enjoy and develop the business at their own pace.

I assume I will get by as a microentrepreneur for the rest of my life, because I am already used to the opportunity of using my own time and planning [for] myself. To go and work somewhere 8-17 would be quite difficult for me I think.

[Ma arvan et ma tiksun sellise pisiettevõtjana elu lõpuni ära kõigi eelduste kohaselt, sellepärast et ma olen harjunud juba selle oma aja kasutamise võimalusega ja selle iseenda planeerimisega. Et kuskile 8-17 tööle minna, see on minu jaoks suht raske ma arvan.]

Most of the participants have had other types of occupations before, working as teachers, public sector officials, or in forestry. Three have somewhat longer experience in entrepreneurship, having been active in other businesses or NGOs before joining the loan group. In some cases they have moved from towns to the countryside, and leaving their job in order to start a business was a decision that accompanied this change of lifestyle and location. Two of the interviewees are currently not involved with entrepreneurship. One of them had a hairdresser's salon which she had to close due to a decreasing number of clients (related to the low number of inhabitants in the area), and the other never started a business although she has planned it during her time in the loan group. Both say that if the need or opportunity arises, they will consider entrepreneurship again. However, a salaried job is at the moment a more rational option.

When asked about whether they feel that it is somehow different to be a female entrepreneur than male, the answers again differ to some extent. Some state that they believe it is difficult for many women to gain the necessary confidence, but they have not experienced it themselves. However, they think that the loan groups and entrepreneurship trainings can help women overcome their doubts. Three comment that men are seen as more serious entrepreneurs, or that they tend to achieve more because they take more risks. Also, it is indicated that small entrepreneurship suits women, because it gives them more flexibility and time for the family. It is also said that there really is no difference and the discrimination in attitudes lies more in them being small entrepreneurs as the latter are

looked down upon by (and in comparison with) the bigger entrepreneurs. In sum, it gender does not seem to be a pressing issue for the participants, with some reservations.

As mentioned above, some participants seem to sense a lack of recognition by the society, and some indicate that the Estonian state, banks or society do not favor small entrepreneurs. Further, it also appears that when the two characteristics – being a small and female entrepreneur – coincide, there is an increased likelihood of not being taken seriously as an entrepreneur.

A female entrepreneur, say if she is a big entrepreneur, a leader somewhere, then she is like a respected person, but in some sense a small female entrepreneur, she is...it's called a hobby, 'oh, these women are doing hobbies'.

[Naisettevõtja, ütleme kui ta ikkagi tegeleb, on suurettevõtja, juht eksju kuskil, siis ta on nagu tehtud inimene, aga noh mõnes mõttes pisikene naisettevõtja, tema peale...seda nimetatakse ikkagi hobiks, ah need naised tegelevad hobidega.]

It is also worth noting that there is also one male participant among the loan groups. The programme has been directed at women but it was not considered a problem to also include a man, which indicates that the gender issue is not of utmost importance in this context – however, as mentioned, there are still the factors of self-confidence and family obligations that may be issues for small or starting female entrepreneurs. However, some of the main challenges for the entrepreneurs are said to include distance to cities as it makes the transportation of goods exceedingly costly.

It's that when a handicrafts maker makes 5 pairs of very beautiful socks... How much does she have to spend in order to get from the countryside to the city, the bus ticket, and she does not know if they will even take them, and then they will also add 100% to the price of a pair.

[Vot see on see, et kui üks käsitööline teeb viis paari väga ilusaid sokke... Kui palju ta peab kulutama seda, et sõita nüüd sealt maalt linna, bussiraha, ta ei tea kas tal veel võetakse, ja siis pannakse 100% veel sokipaarile otsa.]

Another common issue is the taxes and rules imposed by the state. These are difficult and costly to follow and cause stress and confusion. Also, in some regards the participants'

replies are contradictory. Where some handicrafts makers perceive marketing and sales to be a serious problem due to lack of clients, others say that demand exceeds their production capacity. This may be related to the existence of good sales channels (in Tallinn), location and/or product attractiveness. In the case of those whose sales are going well, it does seem that the group network helps to some extent, as they declare rather efficient cooperation with their group mates who work in the same field.

In conclusion, the introductory section provided an opportunity to contextualize entrepreneurship in the case of the loan group participants. One of the main points derived from this part of the data is that the loan group members indeed position themselves as small entrepreneurs, but they feel quite far apart from the broader community of the 'real' entrepreneurs and seem to sense a lack of recognition for small entrepreneurship in the society. Most of them do not have specific investment plans or ambitions for growth. Rather, entrepreneurship for the majority seems to be a way to use their skills to do something they like in an independent way, in the rather trying economic conditions of rural (or small town) Estonia; in some cases it has also been an economic necessity at first. Concerning specifically female entrepreneurship, none of the interviewees claim to have had difficulties in starting entrepreneurship due to their gender. On the other hand, it is indicated that for women with children small entrepreneurship may be particularly suitable as it gives them more flexibility. The main difficulties in entrepreneurship, as perceived by the entrepreneurs, are related to issues such as high taxation and complicated regulations, distance to markets and, in some cases, lack of sales channels.

4.4.2 First level of analysis

'Activities that an individual entrepreneur undertakes to build, sustain, or extend her personal network'

4.4.2.1 Reasons for joining the group

When inquired about their reason for joining the group, the responses are split roughly in half. The opportunity to receive a loan in order to start or develop a small business is one of the important reasons. In relation to this, complications with borrowing from banks are often mentioned. Also, as mentioned above, several participants refer to having faced difficult times at the time of joining – mainly due to unemployment and/or having to raise children alone in poor conditions.

...but for a rural person to come out where there were no jobs after the demolishing of the cooperative farms, plus the fact that I was left alone raising children, so the whole focus was on the children and the economic situation was... well...you had to find a job that provided an income [..]. And this gave the first, when you got the loan.

[...aga maainimene välja tulla kus ei ole tööd peale seda majandi lagunemist, pluss veel see, et ma jäin ka üksi kasvatama lapsi, et siis kogu rõhk oli nagu laste peale ja see majanduslik olukord oli ikkagi noh, et sa pidid leidma sellise töö, millega on nagu sissetulek ikka, noh et millest.. Ja ja see andiski selle esimese, kui sa said selle laenu.]

The other half responded with emphasis on the contacts, moral support and inspiration to be received from the group. Also, in some cases they say that they did not need a loan at all at that point or that others needed one, but they themselves did not plan to borrow. For example, one interviewee says that she only joined for the social contacts as she did not even wish to become an entrepreneur then. Further, while the wish to get new contacts is clear on behalf of many respondents, it is often not perceived in the context of business contacts - they rather appear to have been interested in simply social interaction, encouragement and support in new undertakings.

...being in the group is more of a game for me...firstly, you get the contacts, get the cooperation...and although I didn't get that many specific contacts in the field of handicrafts, I rather like all kinds of cooperation and there were also some kind of trainings and stuff, and well it was fun...

[... see grupis olek on pigem nagu mäng minu jaoks....esiteks saab kontaktid, saab koostööd...ja kuigi neid konkreetseid kontakte käsitöölisis niiväga ei saanudki aga pigem mulle meeldib igasugune koostöö ja seal olid veel mingid koolitused ja värgid ja ja noh, tore oli...]

What emerges is that the participants joined with rather different motives, some determined to get financing for their business and others in order to get contacts, moral support and social interaction. As an interesting point, in the latter case the participants often initially did not plan to take a loan at all when joining the loan group. It is also worth indicating that the responses varied among individuals in the same group, so it appears that in most groups there were participants with differing interests.

4.4.2.2 Selection into groups

Based on the answers, the participants usually knew some of their group members beforehand or had become acquainted with them during the training sessions held prior to the formation of the group. It is also common that a person was referred to a group by a participant who knew her, although she did not know the others.

No, I did not know them beforehand. But I had, well, as there had been the training before, a project where handicraftsmen [...] how to sell their goods and it was kind of long-term, as it was three months. So we had become acquainted.

[Ei, ma ei teadnud neid enne. Aga ma olin noh, kuna ennem oli see koolitus olnud, mingi projekt, kus käsitöölisi [...] kuidas oma kaupa müüa ja see oli siuke pikaajaline, kuna see oli kolm kuud. Siis me olime tuttavaks saanud.]

[Regarding a person with whom there were later problems] *Yes, these are our own wrong decisions that we included her in the group that time....but still you trust a person, well you know a person, I went to school together with her, she is a couple of years older, but we know that she lived there all the time...*

[Jah, need on meie enda valed otsused et me ta sinna gruppi tookord võtsime ...aga ikkagi usaldad inimest, noh tead inimest, mina olen temaga koos koolis käind, ta on meil küll paar aastat vanem, aga me teadsime, et ta elas meil koguaeg seal...]

It appears that in many cases the participants' knowledge of each other was rather limited, although there was usually at least some degree of acquaintance (e.g. through the training programme) or a common friend/acquaintance involved. However, it coming from the same town or region, even without personally knowing each other well, seems to have increased the level of trust when joining the group.

4.4.2.3 Time and other resources directed at participation

The interviews unambiguously refer to a rather low amount of time dedicated directly to participating in the loan group. Many of the interviewees say their group meets 2-3 times a year or in some cases just once a year with no regular schedule. However, the group members, or some of them, often meet for other reasons, such as birthdays or simply in their everyday lives as neighbours or in relation with common undertakings. A number of participants also indicate that their group used to have more frequent meetings in the past, often in relation with the projects and schoolings organized at the beginning of the

programme. It is also suggested that during the years the participants have become more independent (as entrepreneurs) and do not need the group's support as much any longer. A point brought out very strongly by a number of interviewees is that, as entrepreneurs, the group members are busy with their work. Therefore, there is no time to spend on frequent meetings. There has to be a reason to specifically meet up as a group, so that they get something interesting or useful out of it.

We meet up otherwise and then we talk through these things, so we don't have to do it specially. If we don't have to have a meeting in order to make a decision on whom to give a loan to and such...then I think we don't meet all the time.

[Muidu saame kokku ja ju siis räägitakse need asjad ära, et ei pea spetsiaalselt tegema. Kui ei pea nüüd tegema mingit koosolekut, et nüüd on vaja mingit otsust vastu võtta või midagi otsustada seal et kellele laenu anda või niukest...et siis me nagu nii minumeelest pidevalt ei saa kokku.]

In sum, it can be said that high regularity and frequency of meetings does not seem to be important for the participants. They have a pragmatic approach to using their time and prefer to communicate in a more flexible, informal way if no major issues are to be discussed. Also, there is a clear trend of the meetings becoming less frequent since the formation of the group as the participants become more independent in and used to their entrepreneurial activities. This situation also reflects the fact that the groups are independent in their functioning and very little regulated by the original programme.

To conclude on the findings on the first level of analysis, the respondents' claims give a rather clear indication of various trends. Firstly, two equally important motives for joining the loan group are receiving a loan on one hand and finding contacts, social interaction and moral support on the other. While for many, joining the group was the only way to get financing for their business, others initially had no intention to borrow. Secondly, selection into groups appears to have been based on some degree of knowledge of each other, but not necessarily a close or long-standing relation or acquaintance. Often the participants knew each other through the training course, and in some cases the fact that they came from the same municipality or region increased their trust for each other, even if it was not based on really having known each other. Thirdly, there are practically no fixed meeting schedules and many groups officially meet 1-3 times a year. The participants value their time

highly and feel that they are too busy to spend time on frequent meetings, when there is not much relevant to discuss or undertake.

4.4.3 Second level of analysis

'Structural characteristics of an entrepreneur's network'

On the second level of analysis, data related to the 'structural characteristics of an entrepreneur's network' will be presented. Firstly, the relationships between group members, including the degree of friendship, are viewed based on how the interviewees choose to describe them. Thereafter, the issues of trust and repayment-related conditions and sanctions are looked at more closely, and attention is also given to the problems that have arisen in some groups. Also, the diversity of the loan group networks is analyzed. Lastly, in order to better contextualize the loan group networks, it is viewed what kind of networks the participants belong to outside the group.

4.4.3.1 Characterization of relationships within groups

In general, when asked to talk about the relationships between the group members, the interviewees bring out that the people in the group get along well. Some stress that there are no problems at all within the group, others refer to occasional arguments or misunderstandings. In general the descriptions are positive, although the participants do not describe the relationships as very close or intimate.

Am...I think all of us get along like really well. I don't know about the support now, I guess there is some, but [...] we fit together well...they're all really cool people that happen to be there.

[Ee... minuarvates me saame kõik nagu väga hästi läbi. Et toetust ma ei oska öelda nüüd, eks ta mingil määral küll, aga me saame nagu, me klapime omavahel hästi...et kõik on nii jube kihtvid inimesed sinna sattunud.]

Right now we get along quite well, except...also the one who borrowed, we get along well with, it's just that she...well there are tensions because we ask for money and she doesn't have money...but in itself the relations are humane (reasonable), this is good.

[Praegu me saame suht hästi läbi, noh välja arvatud ..ka sellega kes laenas saame hästi läbi, ainult et ta noh...pinged on ju sellepärast, et meie küsime raha ja temal ei ole seal raha...aga iseenesest nii inimlik läbisaamine, see on hea.]

Applying the degree of friendship measure gives somewhat varied results. When asked whether the interviewees view their group mates as friends, acquaintances or colleagues, the answers differ. The most popular answer is that the group members are rather acquaintances (6 persons); also friends (2 persons) and colleagues (2 persons) were named. As the acquaintance level is most common, it refers to the relationships between group members generally not being very close on a personal level. This correlates with the general descriptions of group relationships as described above. At the same time, the relations are mainly perceived as informal (as opposed to colleagues).

In general, it appears based on the interviews that the participants feel confident and trusting towards their group mates. It is particularly interesting that when asked about the conditions that the group has set in case of a default, many say that it is something they have not thought about as they trust the group mates not to default. Here also the benefits of living in the same small community are referred to as a guarantee that people will not just disappear, and an interviewee also indicates that the fact that the participants are women makes them more attached and stable, due to family, jobs, etc.

In the beginning the conditions were kind of like ehm....actually there were no such conditions for a situation where someone does not pay. Well nobody thought about it, that people would behave like that, everyone was trusting and knew each other and then of course you wouldn't think that this could happen.

[Need tingimused olid alguses kuidagi sellised ee...tegelikult neid tingimusi selliseid ei olnudki, et kui juhtub selline olukord, et keegi ei maksa. No keegi ei mõelnud selle peale, et inimesed nii käituvad, kõik olid nagu usalduslikud ja omavahel tuttavad ja siis muidugi ei arvata et nii võib juhtuda.]

Further, it appears that repayment schedules are rather flexible and many interviewees indicate that when there are problems, these can be solved together. The problems are discussed and time extension given if needed.

But every time someone has this sort of a [problem]...they say 'hey, I cannot pay this month, I will pay in two months or what could we do?'...it is possible to talk through it together, to talk and solve it.

[Aga iga kord kui kellelgi on mingi selline [probleem]..ikka öeldakse kuule ma see kuu ei saa maksta, ma maksan kahe kuu pärast või mis me teeme?..see on nagu omavahel ära räägitav, räägitud ja lahti räägitud.]

On the other hand, although the group members express a high level of trust in their mates, there have been problems in some groups. More specifically, representatives of four different groups were interviewed and two of the groups have had problems with a group member's loan repayments. For one of the groups, the issue is that the repayments have been constantly delayed but the situation is considered manageable and the relationships functional. The group members who were interviewed express an interest in seeing how it will turn out, but do not seem to be overly concerned about the situation. They have not thought of how they would sanction the group mate; one of the members indicates that they would start using more energy and time on convincing her to repay.

[If it really came down to the other group members having to cover the debt] *We would probably pester her more. I mean we do, or well she [...] tries to do something, the one who is in debt, but she borrowed from us in order to cover her previous loans, a part of these loans, so she is deep in debt. A little bit like in the [microfinance] movie there...but well, that's her lifestyle, she has been living like this all the time, it's just that we wanted to be good and she convinced us with her beautiful stories and...*

[Siis käiks ilmselt rohkem pinda. Tähendab me ikkagi käime, või noh [...] ta püüab midagi teha, see kes võlgu on, aga ta võttis meie käest võlgu, et katta oma eelmisi võlgasid, osa nendest võlgadest, nii et ta on noh üleni võlgades. Natuke nagu seal filmis need...aga noh, tema elustiil ongi selline, ta ongi koguaeg niimoodi elanud, lihtsalt meie tahtsime head olla ja ta rääkis oma ilusa jutuga meid veel pehmeks ja...]

In the other group, the problem has escalated to a point where the group members are not able to contact the defaulting person, and there has been a rather serious conflict with currently no solution in sight. The person in question has moved away from the area to live and work in the capital, and the group members find it nearly impossible to pressure her into repaying her loan. As a method that has been used in other loan groups, they proposed to the debtor that they take her products and sell them to cover the debt, but the proposal was not accepted. The group has thought of turning to the media, to a collection agency and

also about taking it to court, but they fear that these methods may be too costly or have a negative impact on themselves.

But the member of another loan group [who had previously had problems with the same person] said that she went home to her and said, 'I will now take your carpets instead'. Well we had a similar plan, to go there, but knowing her character, we thought she would firstly not let us in, and how do you take... As I told her at this fair here, 'please, give us your products for this value of money, we will sell them and actually do all this work for you, we'll sell them and get the money back for the loan group'. This did not suit her.

[Aga see teise laenugrupi liige [kellel oli varem sama inimesega probleeme olnud] ütles niiviisi, et tema läks tema koju ja ütles talle nii, et ma võtan nüüd selle asemel sinu vaipu. Noh meil oli ka selline plaan, et me lähme sinna, aga teades tema neid käitumisjooni, siis me arvasime, et ta ei lase meid sisse esiteks ja kuidas sa võtad... Kuna ma ütlesin talle ka siin sellel laadal, et palun väga, anna siis meile oma tooteid selle raha eest, me müüme maha ja teeme sinu eest tegelikult selle töö ka veel ära, müüme maha ja saame raha laenugrupile tagasi. See talle ei sobind.]

Therefore, based on the interviews it indeed appears that trust plays an important role in the functioning of the groups. In fact, there are often no formal conditions for the incidence of default and most participants believe that this will not happen. However, in the case where a group member actually defaulted, the group has realized that they have no means to pressure her into repayment or cooperation in any way. This has created strong tensions and at the moment the problem remains unsolved. It, therefore, seems that the potential for social sanctions in this context is rather low and also that the group members are in that sense not very dependent on the group – it is relatively easy to move away and cut contact, a realization that contradicts their belief in the stability arising from localness.

4.4.3.2 Network diversity

When asked about the economic situation of the group members compared to each other, it appears that they have faced somewhat different circumstances at times. When the groups started, some were in a somewhat more stable situation or had support from family, whereas others experienced rather difficult conditions. Often the interviewees claim not to know very much about the others' specific situation or resources. However, they rather

unanimously claim that there are no major economic differences between group members and that they have a relatively similar background in this context. Also during the rest of the interviews no mention is made of anyone particularly standing out or having access to more resources. Therefore, it appears that the relationships formed in the groups are mainly horizontal.

We had very...there were no really rich people, but there were people who had the additional guarantee (support). For example their husband worked or they had the opportunity to sell land or forest for investments, so there were people like this with additional guarantees and support. But there were also [people] like me, completely alone, single mothers [...] but there was no economic split between us. Usual simple people, it's just that they had the [opportunity]...

[Meil oli väga...meil ei olnud ühtegi sellist tõsirikast, aga olid sellised inimesed, kellel olid need lisagarantiid olemas. Et noh näiteks abikaasa käis tööl või investeeringute jaoks oli võimalus müüa kas maad või metsa või et sellised lisagarantiidega inimesi oli küll ja selliseid abijõududega. Et aga oli ka minusuguseid, täiesti üksi, üksikemasid [...]..et aga sellist majanduslikku lõhet ei olnud jah. Tavalised lihtsad inimesed, lihtsalt et kuna meil oli olemas see [võimalus]...]

However, as the participants have access to different types of sales channels and venues, and also produce similar goods, sometimes *ad hoc* vertical linkages appear when using each other as subcontractors or marketers – this kind of cooperation is described in more detail below.

4.4.3.3 The participants' broader social network

When asked about their social network outside the loan group, most interviewees say that they are socially active. Two people claimed to have very large networks due to their (previous) jobs or entrepreneurship; others said they belong to other groups related to entrepreneurship (such as handicrafts makers' or farmers') or hobbies. In general, most interviewees appear content with the size of their network, or have not specifically considered getting new contacts a problem. Country fairs appeared as an important way of getting contacts, especially for handicrafts makers, although it was also mentioned that these contacts often remain brief and do not lead to further cooperation.

...you have to search, not sit at home and whine that 'I don't have a good market'. We went from one fair to another and saw where we would fit and what we would do...[...] I am also in another [female entrepreneurs'] group now.

[...tuleb otsida, mitte istuda kodus ja viriseda, et mul ei ole tead turgu. Me käisime ikka ka ühelt laadalt teisele ja siis vaatasime, kuhu me sobime ja mida me teeme...[...]
Ma olen praegu ühes teises grupis veel.]

No, these groups that I go to are not connected to business activity. The breathing class, I go to yoga, there we have our own group...

[Ei need grupid kus ma käin, need ei ole seotud noh...äritegevusega. See vabastav hingamine, joogas käin, seal on meil oma grupp...]

To sum on the second level of analysis, some rather interesting findings emerge with regard to the relationships within groups. Firstly, the relations between the group members are generally positive as they claim to enjoy meeting and spending time together. At the same time, the participants' descriptions of the relationships do not refer to a high degree of intimacy or closeness. This also emerges when applying the 'degree of friendship' method, where interviewees most often describe their group mates as acquaintances rather than friends or colleagues. However, there are also variations in the replies, which indicates that in some cases members of the same group perceive the relationships differently.

However, while the replies do not indicate a close friendship between group members, the level of trust in the groups appears rather high. This becomes clear especially in relation with the loans. Most interviewees say that they have not thought about what happens if someone defaults, because they do not believe this would happen. In this case, it is also a common reply that any problems can be solved by cooperation and discussion. Several interviewees indicate that the group would try to support the member in difficulties. It must also be noted that in several cases it emerged that the group members are not entirely aware of other's repayment schedule and success, as these things are not regularly discussed. In the group where one member is having problems with repayment, the others are relatively neutral about it. However, when asked what they would do if the situation worsens, a group member says they would more actively pressure her, without specifying how. Looking at the group where a member has defaulted and effectively left the group, it

appears that the group actually has no means to sanction her. Thus, in this case the otherwise high trust was breached, and it has led the group to an unforeseen, complicated situation.

Regarding the diversity of the network in term of horizontal and vertical contacts, the interviews show that the group members generally come from rather similar circumstances. There are small differences between their economic situations at times, but they share a relatively common background in this context. On the other hand, there do seem to be variations in the size of the social network the participants possess. It is, however, rather common among the participants to belong to clubs or networks in their field of business activity or otherwise. It can, thus, be said that within the loan groups there are mainly horizontal networks, although some members potentially have access to other types of contacts outside the loan group. Some more elements of diversity also appear with regard to the exchange of entrepreneurial resources in the next section. Also, there are certain vertical business-related links in relation with the specific types of business activities led by the participants.

4.4.4 Third level of analysis

‘The economic benefit of the information and the services received from network partners over a certain period of time’

In this section, the flow of entrepreneurial resources (information, motivation and material benefits) and their benefits for the loan group members is analyzed. The section ends with the interviewees’ views on how the whole programme and the functioning of loan groups could be improved in order to increase its benefits for the participants.

4.4.4.1 Informational resources

Most interviewees refer to having received some kind of informational benefits through their contacts in their group or other groups. The types of information vary from *ad hoc* business information (when working in the same field) about clients, fairs or projects to more specific knowledge in the field of entrepreneurship, mainly handicrafts techniques and methods, which have been exchanged between different loan groups. Also, in some cases the interviewees report getting useful advice from their group mates, for example in the form of help with accounting reports or with product design. In general, the information moving through these contacts is not regular and not necessarily frequent, and it varies from

person to person. Also, the exchange of business information is often not consciously perceived as such, rather it takes place within more general communication.

...we know the members of the other loan groups and actually when we meet somewhere, we talk. So, in that sense the network is a little larger again. [...] Yes, they are good (close) acquaintances, in the other [groups] too and there's many gloves and socks moving through them. Yes, this [contacts] I have received.

[...neid teiste laenugruppide liikmeid me tunneme, teame ja tegelikult on ka see, et kui me kuskil näeme, siis me ajame juttu. Et noh, selles suhtes on ju jälle võrk natuke laiem. [...] Jaa, need on head tuttavad, need teistes ka, ja nende kaudu praegu läheb läbi mitme neid kindaid-sokke. Jah, seda [kontakte] ma olen küll saanud.]

Yes. We consult each other and talk about the things where someone has been cheated and what has to be considered.

[Jah. Me ikka konsulteerime omavahel ja räägime nendest asjadest, kus keegi petta on saand ja millega peab arvestama.]

In addition, most participants have taken part in more formal trainings during the course of the microcredit programme. During the early years of the programme, members of different loan groups together participated in entrepreneurship trainings and later the groups have sometimes also organized their own, based on what they need to learn. It must be noted that some interviewees are skeptical about the entrepreneurship trainings, saying that they did not learn much new. However, others refer to the trainings as having been important for them as starting entrepreneurs.

4.4.4.2 Motivational resources

Almost all the interviewees feel that they get some moral support or encouragement from the group. It is mainly related to sharing work-related problems and discussing relevant issues together. They also say that having the group with its network, support and financial resources gives a feeling of security and encouragement. Others do not feel that they get moral support in particular, but simply enjoy the interactions and communication, saying that they get positive emotions from meeting with the group. It can be said that for those who work in a more similar field (in this case mainly handicrafts), there is more direct moral and motivational support involved because they face similar business related issues. Several

interviewees claim that it is good to have the group members to discuss these problems with. Some also mention the role of the group's support in the initial stages of entrepreneurship, when it provided encouragement and inspiration to start with a new business.

And I think that with these small groups it's just that, if you involve those in the countryside who actually are entrepreneurial [...] who can't think of something themselves, but would [be able to] in a group, then like someone gives the push and a third says 'oh sure you can' and then it takes off.

[Ja ma arvan, et niukstel väikestel gruppidel on just see, et kui haarata neid maal, kes on nagu tegelikult ettevõtlikud...[...] neid kes ise ei suuda nagu midagi välja mõelda, aga sedasi grupis mõtleks nagu, teine annab tõuke ja kolmas ütleb et „oh kuule saad küll ja“ siis läheb asi käima.]

Thus, the level of motivational resources varies from person to person, but most interviewees have experienced this type of gains from being in the group, whether directly entrepreneurship related or not.

4.4.4.3 Material resources

Most of the interviewees say the loan(s) they have taken from the loan group have been very necessary for starting, developing or running their business and often indicate that they would not have been able to get this money from other sources. Only one of the ten interviewees claims that she could have received the necessary sum from elsewhere, and another believes it is possible to get small consumption loans rather easily. Loans have commonly been used for buying a car (used for entrepreneurial purposes), furnishings for business venue, tools, materials (such as yarn or textile) or for covering running costs.

Mmm... well with me I can say it was very big help. If I had not had the loan group money at that moment, it would certainly have been much more complicated to start my own company here. And for the others it's the same, those who in the beginning, well some have taken several times for development and... [name] has emphasized that she would never have received the money from anywhere to buy the beds.

[Mmm..no minu puhul see oli ma võin öelda et väga suureks abiks. Kui mul ei oleks olnud seda laenugrupi raha tol hetkel võtta, siis oleks kindlasti palju keerulisem oma

firmaga siin tegutsema hakata. Ja ka teistel samamoodi, need kes alguses, noh mõned on juba mitu korda võtnud, arendamiseks ja...[nimi] on just seda rõhutand et et ta ei oleks iial kuskilt saand seda raha et voodiosiseid osta.]

For me it was essential, a car is a means without which you can't make folk costumes, bring fabrics, go to clients, take goods to the store.

[Minul oli see hädavajalik, see auto on lihtsalt üks käibevahend, milleta rahvariideid ei tee, kangaid ei too, klientide juures ei käi, kaup lattu ei vii.]

Many interviewees stress the importance of the flexibility of the loan, which makes it easy and quick to get the funding when necessary. They also highly value the fact that it is possible to discuss with the group mates if the repayment will be delayed, and that others do not mind if the money goes to uses other than the business, e.g. one interviewee claimed to have used the money in order to help her family. Also, it appears that there is no specific order for borrowing within the group – instead, the group members jointly decide who needs the funding most at the moment. Based on the interviews, most participants do not have a constant need for loans, so the borrowing is not regular.

We are all entrepreneurial people, who do some business and then from time to time want some...money to borrow some time, then [pay] back again. So it's obviously not for survival. It's not the SMS-loan for when you can't buy bread. It's more like...our loan was also for developing the workshop a little and buy this and that and material and well sometimes you are broke so that you have enough for living but you need a little injection for work. And then the orders will come and it will come back again. So I think this group money is namely for such entrepreneurship.

[Kõik on tegelikult ju ettevõtlikud inimesed, kes ajavad mingitki äri ja siis tahavad aegajalt ikka mingit... raha võibolla mingil ajal võibolla laenata, jälle tagasi. Et see ei ole ilmselt selleks, et ellu jääda. Et see ei ole see SMS laen, et ei ole leiba osta. Et pigem seal..meiegi laen oli selle peale, et noh töökoda natuke edasi aidata ja seal natuke ühtteist osta ja materjali ja noh aegajalt on niimoodi näpud põhjas et enda elamiseks jätkub aga vat nagu töö jaoks oleks vaja väikest süsti. Ja sealt hakkavad jälle tellimused tulema ja jälle tuleb see asi tagasi. Nii et ma arvan et see grupiraha just on, just on siukseks ettevõtluse värgiks.]

And it's also that it is thoroughly discussed among ourselves, like Pille needs it more than Malle or Kalle needs it more than Priit... in this sense among ourselves there like is no order, so that 'now it is my turn'.

[Ja see ka et nagu omavahel arutatakse ilusti läbi, et noh ikka Pillel on rohkem vaja kui Mallel või Kallel rohkem vaja kui Priidul..noh selles mõttes omavahel, et ka nagu see järjekord ei ole mingi et nüüd on minu kord.]

As mentioned above, many participants say that it would have been difficult for them to get a loan from other sources than the loan group. They often say that banks are not keen on supporting small entrepreneurs and that they set conditions that are difficult to fulfill – their applications have previously been rejected. Also, the startup capital offered to entrepreneurs by the state is mentioned, but it is indicated that the process of applying for it is rather complicated. Both the banks and the respective national institution require detailed business plans and documentation, which several interviewees find difficult to manage. Some interviewees also mention that they would not want to give their home as collateral and thereby risk their family's assets, because they have heard of many people losing their homes in that way after the economic boom. It can, thus, also be said that the participants are rather risk averse regarding their entrepreneurship. On the other hand, it emerges from the replies that compared to when the first loan groups started around the year 2000, the situation has changed. During the economic boom in mid-2000s it was easy to get loans (even too easy, some say), and a couple of interviewees find that it is also not too difficult today to get a loan for buying a car or apartment, or simply consumption. However, they have not received such loans themselves. Some interviewees also express a certain suspicion towards banks that might impose loan unfair conditions or insert unexpected clauses in the contract. In sum, the majority of the interviewees find it difficult to get financing as a small entrepreneur.

So I think that the biggest problem in small entrepreneurship is working capital. There is none and the banks don't offer it either to small entrepreneurs, I have been through these complicated processes many times in good and bad times. Estonian banks don't favor small entrepreneurs at all.

[Et noh ma arvangi et kõige suurem probleem on väikeettevõtluses käibevahendid. Neid ei ole ja käibevahendeid ei paku väikeettevõtjale ka pangad, et neid kadalippe

olen ma mitmeid kordi nii headel kui halbadel aegadel läbi käinud. Eesti pangad ei soosi absoluutselt väikeettevõtjaid.]

When talking about the loans, the interviewees generally do not refer to negative experiences in relation potential repayment difficulties or debt burden, except for the cases described earlier. However, a few cases of failure are mentioned. One of the interviewees took a loan for a venture that did not succeed for reasons that she could not foresee, and she is still in the process of repayment. She is not involved with entrepreneurship and has a salaried job instead. Also another participant says that she took a loan for buying some equipment for her small business when it still functioned. She has by now also closed her business and works in a bigger company. One interviewee also refers to a former member of her group who had trouble handling the loan and her business:

One started, was unemployed and started from zero and went...she had made really beautiful things for herself, like she had potential...but when she got the money, she started [using] it in a very strange way, in our view. Hired weavers, paid all the money to the weavers instead of making it herself, I mean it's like her head went...[...] We tried to tell her that this is not how it works, but well, she did it her way and ended up paying, she did not stay in the field of handicrafts. She paid the debt for a long time, so it went bad and wrong.

[Üks alustas, oli töötu ja alustas nullist ja läks..ta oli teinud enda jaoks hästi ilusaid asju, tal nagu oli potentsiaali...aga siis kui ta sai selle raha, siis ta hakkas seda väga imelikult, meie teiste jaoks [...]. Palkas kuduja, maksis kõik selle raha nagu kudujaatele, selle asemel et ise siis teha, tähendab tal nagu läks pea s...[...]. Küll üritasime talle ütelda et nii need asjad ei käi, aga noh, ta tegi ikka oma rada ja lõppes sedasi, et jah ta maksis, ta ei jäänud selle käsitöö peale. Maksis ka pikalt seda võlgu, et noh läks viltu ja valesti.]

In sum, eight out of ten interviewees consider the loans to have been important for their entrepreneurial activities, and believe it would not have been possible to receive financing without the loan group. Also, eight interviewees still continue as entrepreneurs, whereas two have chosen a salaried job instead and stopped entrepreneurial activities for the time being (one of them never started a business).

Material benefits from cooperation

When asked about cooperation with group members, most interviewees bring positive examples. In the majority of cases the cooperation involves using each others' sales channels (shops, guest houses, fairs, events) or directly selling each other's products together with one's own. Also, an important mode of cooperation is helping in the production of handicrafts for each other. In the latter case, the participants use their group mates' services in making things they cannot or do not have time for themselves, or use their contacts to find people to make these things. For example, in one of the groups one member has sheep and produces wool, and another one has a weaving machine, so the former (and sometimes also other members of the group) order specific weaved products from her.

Also, in several cases cooperation takes the form of recommending a group member's guest house, shop or service to clients (often tourists). For example, there are two group mates running accommodation services in the same region, so in the summer when there are many tourists and they are full, they refer the people to the other guest house. In addition, one of the group members sells the products of her group mates and also those of members of other groups in the dining hall/souvenir shop of her guest house. There are also other examples, such as a joint exhibition between two group members or asking a group member to replace oneself in busy times, e.g. in a shop. In one case it was also mentioned that two group members had plans to start a new business together, although it was not put into practice in the end due to some external practical issues.

And we had, I don't know how it is in other groups, but for us it worked very well, for example where I was selling my handicrafts in [name] handicrafts room, then I also took my group members' handicrafts on sale there, so she could sell her works better, so she would have income. In exactly the same way another member of our loan group, who went to the Parliament in the name of her county, to sell the goods of the handicrafts makers of her county, took my goods there too. So it worked, one helping another in sales.

[Ja meil oli, ma ei tea kuidas teistes gruppides on, aga meil toimis see väga hästi, et me võtsime, näiteks seesama et mina müüsin oma käsitöid [nimi] käsitöötoas, siis mina võtsin oma grupiliikmete käsitöid ka sinna müüki, et tema saaks oma töid paremini müüa, et temal oleks sissetulekut. Täpselt samamoodi võttis teine meie

laenugrupi liige, kes käis näiteks Riigikogus, oma valla nimel, oma valla käsitööliste kaupu müümas, võttis ka minu kaupu sinna kaasa. Et noh nagu toimis see, et üks aitas teist realiseerimisel.]

It, thus, appears that there is rather active cooperation between group members. The cooperation is described as rather casual and functioning smoothly, although in most cases it is not regular but *ad hoc* and possibly not very frequent (similarly to information exchange). At times there is no clear boundary between cooperation and practical support – sometimes group members provide solutions for others who are having a difficult time in finding work or selling their goods. For example, one interviewee explains that when she was unemployed and in a difficult condition, the group mates helped her in many ways. They ordered products from her and offered little jobs in their own farms or (work)shops.

....Say when I was unemployed and there was no specific job, to earn money, then she again [offered] for me to weave for her or come and look after and show the sheep, well she offers everything like this. [name] also offered in the same way to come and help her at the handicrafts room [...]. If I was not in the group, I would not know them. [...] Yes we knew [name] just from the fairs before, but maybe we would have stayed fair-acquaintances. [...] So well, there are to some extent these contacts and this kind of support to each other...

[Siis kui noh, ütleme ma jäin siin töötuks ja kuskil ei ole konkreetset töö käia, raha teenida, noh, siis ta jälle et hakka mulle kuduma või hakka seal tule lambaid vaatama-näitama, noh kõike niimoodi pakub. [nimi] pakkus ka täpselt samamoodi kohe, et tuled veel talle sinna käsitöökotta appi [...]. Kui ma seal grupis ei oleks, ma ei tunneks neid. [...] [nimi] jah me tundsimme enne laatadelt lihtsalt, aga võibolla oleks see laadatutvuseks jäänud. [...] Nii et noh, mingil määral ikkagi need kontaktid ja siuke üksteisetoetamine on...]

Therefore, there are apparently both cooperation and practical help present in the loan groups, although these are not particularly stable or regular. There are diverse methods of cooperation and practical help, and most interviewees perceive that they have benefited from such undertakings, albeit to varying extent. Trust seems to have been rather important in some cases as the interviewees emphasize that they can count on the group mate's good

work or carefulness. However, it is also noteworthy that no fixed arrangements or significant joint undertakings have been created.

4.4.4.4 Suggestions for improvement of programme

When asked about whether the interviewees have suggestions about making the programme more beneficial for them as entrepreneurs, few issues emerge. Several think that communication across the programme as well as the loan groups should be more vivid and better organized. One interviewee also suggests that regular consultations could be held to support and check up on the participants. Concerning the strictness of the rules governing the loan groups, there were different opinions. Most interviewees thought the rules were sufficient and that it should not be made more complicated. Those who had experienced problems with a defaulting group mate, however, believed that the rules should be somewhat more defined and that there should be more background-checking and knowledge of each other when the loan groups are formed.

Concerning trainings, most interviewees found that they did not need more training in particular, except for a few who were interested in learning something specific in their line of work. However, it was mentioned that it is difficult to find trainings that all group members are interested in, and that the trainings are otherwise too broad and general. In sum, most interviewees did not have specific suggestions for changing the programme.

I think it could even be a little bit stricter. A person who wants a loan often does not understand if she is able to pay back or not. But there also the twists of life here...You can get a loan for up to three years...and a lot can happen during that time. [...] And I think there should be these short courses of eight hours or meetings or consultations, right...[...] They come and see how you're doing and 'if you want, I can recommend you something'. And the person who does not wish a consultation, I think she actually needs it the most.

[Ma arvan et võiks vist isegi natuke karmistada. Et inimene kes soovib laenu tihtipeale ei saa sellest aru kas ta on tagasimaksevõimeline või mitte. Aga elu keerdkäigud muidugi on ka ju siin..Laenu saab ju kuni kolmeks aastaks...selle aja jooksul võib väga palju juhtuda. [...] Ja ma usun et peaks siukseid lühikursuseid kaheksatunniseid siukseid nõupidamisi või konsultatsioone võiks ju olla eksju... [...] Nad tulevad ja vaatavad kuidas sul on läinud, kas sa soovid seda, ma võin sulle mõne sõnaga midagi

soovitada. Ja vot see inimene kes nagu ei soovi konsultatsiooni ma arvan temal on seda nagu kõige rohkem vaja siiski.]

In conclusion, on the third level of analysis the actual benefits of participation in the microcredit programme were reviewed. Data shows that most interviewees feel that they have gained access to all three types of entrepreneurial resources – informational, motivational and material – although on different levels. Information is spread in the form of *ad hoc* business information as well as more specific skills related advice and learning; in addition, some interviewees find the formal trainings to have provided useful knowledge. Also, group members give advice to each other across their fields of operation, such as accounting or product design. Most interviewees also claim to have received some kind of motivation or moral support from the group. The level of this support varies greatly – for some, the group's encouragement has been important in their business endeavors, or in overcoming difficulties, for others it takes the form of simply positive emotions from social interactions.

The loans received through the group have been important for the participants, and in most cases the only possible source of financing for their entrepreneurship. Thus, small entrepreneurs find it difficult to get funding from banks, and they also highly value the flexibility of the group loan. Risk aversion also seems to be a factor as the interviewees find it much safer to take a loan from the group as opposed to banks, which may in case of repayment difficulties impose sanctions or claim their property. Although there are a few indications of group members having problems with repayment, the majority seem to manage their loans well. Further, there are clearly also benefits from mutual cooperation between group members in the form of using each other's sales channels, subcontracting or substituting for each other, client referrals, etc. The flows of information, motivation and cooperative benefits are irregular and rather necessity-based, similarly to the group meetings. No fixed or more stable modes of cooperation, or joint businesses, have developed. However, it is clear that these have, to varying extent, helped the participants in their entrepreneurial activities.

When asked about ways to improve the programme so that it would better support their entrepreneurship, better communication across groups or the programme as a whole is one of the main suggestions. Also, while most interviewees find the existing set of rules

sufficient, those who have faced default in their group emphasize the importance of having more knowledge of each other at group formation, and of having more detailed rules for avoiding such situations.

5 Discussion

In this section, findings from the data will be discussed in light of the theories presented in the Literature Review. The discussion starts with contextualizing entrepreneurship among the loan group participants, which will provide useful insights for further analysis. Thereafter, findings related to the first and second level of Witt's framework and their implications in relation with microcredit and entrepreneurial network theories are discussed - the section focuses on the development and characterization of social ties within the loan groups, including network structure and diversity. Subsequently, on the third level, resources gained through loan group networks are discussed. Here the different types of entrepreneurial benefits are reviewed as an outcome of the development of social ties. Lastly, the compatibility of the chosen theoretical framework with the current case and its findings is reflected upon.

5.1 Loan group members as entrepreneurs

Entrepreneurship can take different forms, which may have implications for understanding how participation in a loan group enhances entrepreneurship. Welter's (2011) framework for contextualizing entrepreneurship provides useful tools for positioning the participants within the spectrum of entrepreneurship. Concerning the social context, it does appear, as predicted by Welter, that household and family play a role with regard to business activities. Loan group participants often consider entrepreneurship to be a good lifestyle choice because it gives or has given them more flexibility as mothers – they also extend it to others, saying that small entrepreneurship is for that reason particularly suitable for women. The socio-spatial context also influences the entrepreneurs – most of them live in sparsely populated areas with low levels of income and economic activity, at a distance from major cities or market places, as well as from other group members – this is an issue that hinders cooperation and communication between them. From the business context point of view, most of the interviewees work in rather low-growth industries, e.g. handicrafts production, small-scale accommodation or educational services. The choice of business area could also be connected to the socio-spatial context, which is not conducive to many types of services, for example. Many of these factors set certain boundaries (Welter) for their entrepreneurial activities.

However, on the opportunity side, the participants have developed and used their skills for building businesses in this environment, and as mentioned above, for many of them this appears to be a lifestyle choice. They are not particularly focused on business growth, although some of the interviewees' businesses are in the process of development or expansion; they are also rather risk averse as they do not make large investments or undertake big changes in their businesses. This kind of risk averse, stable business corresponds to lifestyle entrepreneurship as defined by Marcketti et al (2006). There are also many other traits among the participants that resemble Marcketti et al's definition of the concept. The interviewees', including the project manager, attitudes towards entrepreneurship indicate the importance of their own personal values, beliefs, passions and interests in their business – such as independence, living in the countryside, doing what they like most, etc. This point is also strongly expressed by the project manager who emphasizes that with the microcredit programme the participants were encouraged to bring their dreams to life and not be hindered by traditional norms of business. The decision to start a business is, therefore, not necessarily part of a well planned and ambitious career, but rather a way to achieve self-fulfillment, while also accommodating family, work and community roles. Most of the interviewees carry one or more of these roles besides their entrepreneurship.

Two other types of entrepreneurship also appear in the interviews, and there is not always a clear distinction between these types; some cases they evolve from one to another during time. For example, several interviewees say that when they first joined the group and started entrepreneurship, they were facing very difficult economic conditions such as being unemployed with small children. For them, entrepreneurship was initially the only option to escape poverty, which directly relates to the phenomenon of necessity-based entrepreneurship as defined in the literature review. However, as the conditions have changed and the pure necessity decreased, the entrepreneurs have drifted towards lifestyle entrepreneurship. Further, socially oriented entrepreneurship is also present as one of the interviewees runs an educational NGO, and it is also mentioned by the project manager as one of the concepts taught at the trainings. Therefore, it appears that there is an interesting variety of different types of entrepreneurship among the loan group participants, with strong elements of lifestyle entrepreneurship, but also cases of necessity-based and social

entrepreneurship. This to some extent correlates with Talves' (2005) survey of female entrepreneurs in Estonia, where getting new experiences and setting new challenges – non-commercial ambitions – emerged as the most common reason for engaging with entrepreneurship, followed by material reasons. It also confirms the findings of Zephyr and Yunus (2004) where an important difference between microcredit in developing and developed countries (in their study, Bangladesh and the US) is that in the latter it is generally not a matter of survival, but a choice or opportunity for leading a different life(style). Nevertheless, this conclusion must be viewed in the context of the relatively high unemployment and poverty rates in rural Estonia, where often it is indeed not possible to find suitable reasonably compensated work.

It also appears that the interviewees see a clear distinction between their kind of entrepreneurship and that of the 'real' or 'bigger' (as quoted by them) entrepreneurs – those with an ambitious business plan, many employees, big investments, etc. The latter description corresponds to entrepreneurship as it is viewed in general entrepreneurship theory: entrepreneurs as primarily means of economic growth (Marcketti et al 2006). The distinction appears both in the opinions of the project manager and the loan group members. The former states that in Estonia microcredit functions best when the participants manage to ignore the general principles of entrepreneurship, of making big investments and acting only in commercial interests, and do entrepreneurship on their own terms and at their own pace. However, she says it is difficult to find regular financing for this kind of entrepreneurship programmes, and the interviewees also express that there is no support for small entrepreneurs like them from the society, state and banks in Estonia – instead, again, the 'real' entrepreneurs are favored.

The relatively little importance attached to the gender dimension of entrepreneurship by the interviewees brings up a difference with much of microcredit theory. This may be related to a different socio-cultural context in Estonia compared to many of the developing countries which microcredit theory has mostly been based on. However, as mentioned above, some interviewees do refer to small entrepreneurship being particularly suitable for women with children, which confirms Laas' (2012) finding that in Estonia women still use more time and energy on caring for the family, and that in this sense they have more 'negative' networks compared to men. Further, while some interviewees indicate that in general it is difficult for

many women to gain the necessary confidence for starting a business, in accordance with findings by Laas (2003), Talves and Laas (2004), none say that it has been an issue for them personally. Therefore, it is not clear whether microcredit in Estonia should be considered explicitly in a gender context, e.g. women's empowerment. On the other hand, the relatively modest ambitions that most interviewees indicate in relation with their business endeavor, as mentioned above, may be connected to women's lower self-confidence and lack of belief in their capabilities (Laas 2012). It is also notable that most loan group participants do business in female-dominated fields such as handicrafts, hairdresser, education, etc. Therefore, gender does seem to play a role in the choices made by the participants. However, no conclusions can be made without further research into this specific issue.

5.2 Loan groups and social capital

The formation of loan groups is an important issue in group lending theory, according to which local information based self-selection into groups provides a guarantee for the lender. However, the interviews indicate that most group members have rather low levels of knowledge about each other when forming the groups. In Estonia, the women in many cases know each other mainly from the trainings conducted at the beginning of the programme and/or to some extent from outside the program due to living in the same region. Therefore, the self-selection process cannot be seen to greatly alleviate the problem of asymmetric information (Armendariz and Murdoch 2010). Similarly to Zephyr and Yunus' (2004) study of microfinance in the US, the pre-screening aspect, which was key to Grameen Bank, does not function. However, an important difference emerges between this case and the findings of Zephyr and Yunus. Namely, whereas in their study of Arkansas, the loan groups did not function properly due to this lack of pre-existing local social capital, here this does not seem to be a problem. Despite the described conditions, trust still seems to have been important in the process of group selection. In fact, this trust was often not based on prior knowledge of the persons, but rather formed rather quickly and also benefited from the fact that the participants lived broadly in the same region and had similar interests – as a kind of a guarantee, also the fact that they are women (and thus more stable due to family) and that many of them are involved in local activities or have a job was mentioned. The creation of trust is discussed in more detail below.

Before proceeding, an interesting point that emerged in the interview with the project manager is that in group lending, too much local information may actually become a problem instead of an asset due to the social relations in a village. This point of view contradicts one of the main principles of group lending theory. However, it does correspond to the contradiction between social and spatial entrepreneurial contexts that is caused by over-embeddedness, i.e. belonging or being limited to closed or inhibiting local networks (Welter).

Further, it appears that whereas the principal aim of microcredit is to provide access to financing, this is not as straightforward in the Estonian context. Based on the interviews, half of the participants joined for getting new contacts, socializing and moral support. These results are similar to those of the study by Luisk (2004) of loan groups within the same programme, where she also found that the main reasons for joining were both financial and social. Similarly, the Norwegian study (Ellingsen and Lotherington 2006) found that women joined mainly for reasons such as competence and trust, finance being the third most important reason. This refers to the women's deliberate wish to create new social ties through joining the loan group, although this aim does not always appear directly connected to entrepreneurial ambitions. In short, the data confirms view that group lending in microfinance builds new social capital. Whether this social capital also brings along better business results, as predicted by the Feigenberg et al (2010), is discussed in the next section.

As the last point, concerning the resources directed at participation in the loan group, some interesting findings emerge from the interviews. In correspondence with the point made in international studies (Armendariz and Morduch 2007, Zephyr and Yunus 2004,) as well as Luisk's (2004) research in Estonia, attending group meetings is often costly. Based on the latter study as well as the interviews, the costs of meeting with the group are considered high by the participants in terms of both money and time. As, as clearly expressed by many interviewees, busyness as entrepreneurs leaves no time for purposeless meetings. Therefore, it appears that loan group members rather consciously choose an optimum level of resources to devote to networking within the group as also found by Watson (2007) and Chell and Baines (2000). At the same time, when asked about possible improvements to the programme, several interviewees would like more communication across groups and the project manager emphasizes the need for regular (yearly) common trainings or events. It,

thus, appears that there may be room for more (purposeful) communication across groups, and that the participants are interested in expanding or strengthening their ties across the broader microcredit network.

5.2.1 Structure of network gained through loan group

The previous section discussed the activities that the entrepreneurs undertake to build their personal network, corresponding to the first level of Witt's framework. Witt's first indicator under the second level of analysis, structural characteristics of an entrepreneur's network, considers the number of network partners with whom the entrepreneur talks about the business idea. Besides contact with the immediate group mates, the groups are also part of a broader microcredit programme and most interviewees reported having got some contacts also in the other groups. Therefore, belonging to the loan group clearly increases the number of network partners of the entrepreneurs. Compared to a situation where they would only have talked about their business plan with their circle of strong ties, i.e. family and closest friends, they have now benefited from a more diverse group of people with potentially relevant knowledge and experience in the specific field of work – presenting the business idea to others was also part of the programme and trainings at the initial stage.

As explained in the literature review, Granovetter's (1973) theory on strong and weak ties states that the amount of time, emotional intensity, intimacy and reciprocal services exchanged between the people, as well as the more specific 'degree of friendship' measure enable us to distinguish between the two types of ties. In this case, the interviewees predominantly described the relationships within their group as (emotionally) positive but not particularly intense or intimate; also, only a few indications of occasional smaller misunderstandings were brought out. Based on the 'acquaintance' level as most commonly expressed by the participants, the relatively low amount of time dedicated to the loan group and low emotional intensity, the relationships between group members in general can be mainly be classified as weak ties. On the other hand, the interviews showed that there are rather high levels of trust present within the groups, which is rather a feature of strong ties. This is demonstrated for example by the fact that the groups have no specific provisions for the case of default, and except for a group with a defaulting member, they do not consider it likely that a group mate would cause problems of this type. Currently, in a group with one member's delayed repayment issues, the group mates are rather confident that the problem

will be worked out. However, can this level of trust be attributed to benefits of the group lending mechanism or is it a matter of broader social capital as a collective asset (Lin 1999)? This is an issue that would need further research. Another aspect indicating that the loan groups may not consist of purely weak ties is that there are in many cases reciprocal services taking place between members. Most interviewees brought examples of certain kinds of cooperation or practical help taking place within the group, which are discussed in detail below.

Regarding the potential for social sanctions within the loan group, an important issue in microcredit theory and practice, the interviews provide rather interesting results. Firstly, according to the interviewees there are in essence no provisions for sanctions within the Estonian loan groups. Repayment problems are mainly solved with the help of discussion and cooperation, or patience. However, the issue does not seem to be that high levels of social capital between group members hinder carrying out sanctions, as implied by Dowla (2006). The example of the group with a severe conflict due to the default of one member indicates rather the opposite: the problem is that the group cannot find efficient methods for pressuring her into repayment. The idea of entering her house to take her produce and sell it for the respective amount of money was not carried out as the group mates felt it would be too intrusive and possibly lead to an even worse conflict and outcome. This way of thinking can be considered to carry cultural characteristics – such action would possibly have been undertaken in some other cultural context. Further, what apparently distinguishes the Estonian context from that of many developing countries, for instance Bangladesh, is that the participants are more personally and financially independent and, therefore, mobile. As the problematic group member moved to the capital and cut contact with the group, the latter are in a complicated position. On the one hand, social capital cannot be used for sanctions in the way it could in a traditional small village context, but on the other hand they do not have the means to use official channels like the judiciary or a collection agency either.

When asked about this issue, most interviewees including the project manager find that the existing set of rules is enough and that flexibility regarding loans and repayments is very important. However, the interviewees belonging to the group with a defaulting member did indicate that there should be more detailed rules as well as background check. This leads to

the question of what kind or level of rules would be appropriate for the Estonian context in order to avoid and solve cases of default.

5.2.2 Network diversity

In entrepreneurship theory (e.g. Granovetter), one of the important aspects of weak ties is their ability to link people of different groups, backgrounds and resources. Similarly, network diversity is considered important, referring to vertical and horizontal links in different dimensions. A diverse network would be beneficial for microcredit clients as it would allow them to get access to new knowledge and opportunities. Therefore, the interviews aimed to get insight into how varied the groups are in this sense.

Based on the data, it appears that both types of links are present, although in different dimensions. Firstly, though the ties between group members are mainly weak, they seem to be of a horizontal type, connecting people of rather similar backgrounds and status (Larance 1998). As described above, the common backgrounds and interests have also contributed to trust building within the groups. When asked whether the group members come from similar or different economic/social conditions, the interviewees indicate that the conditions were (and are) mainly similar. Although some were to a certain extent more economically secured, all the participants generally had little financial means, came from the same region and most had almost no entrepreneurial experience when starting. In that sense there is not much verticality present in the groups – they do not connect in particular different social classes, groups or sectors (Rankin 2002). Also, their businesses are often horizontally positioned towards each other as they work in similar fields. Therefore, the resources distributed within these networks are limited in comparison to those moving in more diverse networks. However, several interviewees did refer to having much larger networks than others, or specific knowledge (e.g. accounting, computer skills or handicrafts techniques). This indicates that even within broadly horizontal networks, there are somewhat diverse informational resources to be found, which contribute in a practical way towards the participants' entrepreneurial goals. This also corresponds to Witt's note about potential differences between entrepreneurs' starting positions that should be considered – these include know how, networking abilities and entrepreneurial ambitions among others.

Further, in the business aspect there is also an aspect of verticality, if the latter is defined as contacts along the value-added chain (O'Donnell et al 2001). Namely, based on the

interviews there exist different forms of cooperation between the participants, e.g. in the form of subcontracting for each other or using another member's business as a sales channel. These forms of cooperation will be discussed in more detail in the next section. In sum, the networks gained through the loan groups are largely horizontal with some specific business-related vertical elements.

In conclusion, it can be said that this section provided insight into the social networks gained through loan groups. It was found that the groups consist mainly of weak ties with some elements of strong ties. The networks are mainly horizontal, but the existing small variety of resources can nevertheless be beneficial for the participants, and occasionally, vertical linkages are formed. Based on the conclusions of the first section – that the groups started out with low levels of social capital – it can be said that social capital has indeed been created in the course of the group's functioning. Also, the aspect of sanctions in case of default provides interesting insights as it indicates that in this context social capital is not enough to allow efficient social sanctions to be carried out. At the same time, the programme which is built on that assumption (quite directly by the example of Grameen Bank) does not provide more advanced means to deal with such problems.

5.3 Entrepreneurial resources received through network

The goal of this project is to find out whether and how participation in a loan group enhances entrepreneurial resources. For this purpose, a test of Brüderl and Preisendörfer's network success hypothesis as structured by Witt (2004) is used. As explained in the literature review, the hypothesis claims that through their network business founders can gain access to resources more cheaply or acquire resources that are not available on the market, which contributes to the success of their enterprise. Whereas the first two levels of the test, related to the development and structure of an entrepreneur's network, have been presented above, the third level is where the actual benefits from the network are considered. Witt proposes to analyze 'the information and services being provided by network partners' by looking at the frequency of new information being provided and the extent of support from network partners. In this context, the information, services and support that the participants have gained access to will be discussed on the basis of Jenssen and Koenig's division of entrepreneurial resources into informational, motivational and material benefits.

5.3.1 Informational benefits

The types of information flowing within the loan groups vary from *ad hoc* business information about clients, fairs or projects to more specific knowledge in the field of entrepreneurship, e.g. handicrafts techniques, and advice such as help with accounting reports or product design. Therefore, informational gains as defined by Jenssen and Koenig (2002) among others are present in the loan group context, and the gains can be considered beneficial for the participants' entrepreneurial undertakings.

Referring back to the issue of strong and weak ties, according to Granovetter weak ties are crucial to gaining access to a broad spectrum of information. In this line of thinking, when an entrepreneur only has strong ties, she is likely to have access to rather limited information, which moves in small, close circles. However, empirical studies have also shown that strong ties can, in fact, be a more important source of information (Jenssen and Koenig 2002, Jack 2005, Hoang and Antoncic 2003). In the current case, the kinds of knowledge exchanged between the participants do not necessarily require very frequent and close interaction. Rather, they are *ad hoc* or even one-time interactions which take place irregularly, whenever an important piece of information surfaces or the need arises to get advice from a group mate. However, for some of the mentioned types of information exchange to occur, a certain degree of trust and consideration for each other is necessary. Therefore, the conclusions in this case are somewhat mixed, as it appears that participants do get access to different kinds of useful information through the weak ties of the group, and that this is enabled through some elements of strong ties. Without these, the group members might not use their resources (time, money) to inform others about something relevant to the latter.

As concluded above, the network gained through participation is mainly horizontal, which indicates a relatively low spectrum of information flows (O'Donnel et al 2001, Larance 1998). Data from the interviews indeed does not reveal particularly fruitful sources of information that others would not have access to due to structural reasons (social or work position, different sector, etc). However the small differences in the participants' resources (including access to information due to larger social network, or certain know-how) still enable a valuable exchange of knowledge. Further, as said above, the information flows are not always frequent or regular and they are also not of similar proportions for all participants (to some extent related to the field of business).

It must also be noted that business related information as such is not always a resource that the loan group participants are intentionally looking for. As discussed above, most of the loan group participants are at least to some extent lifestyle entrepreneurs, and lack big entrepreneurial ambitions or plans for business expansion. It may be for this reason that they are somewhat less active in a calculated search for information than assumed by entrepreneurship theory, including Jenssen and Koenig. In fact, this corresponds to the criticism by Chell and Baines (2000) of the network success hypothesis, where they state that networking on behalf of small entrepreneurs may depend on whether they are growth oriented or not.

5.3.2 Motivational benefits

As introduced in the literature review, motivational resources in entrepreneurial network theories include encouragement, psychological aid, empathy and feedback (Jenssen and Koenig 2002, Gomez and Santor 2001, Pollack et al 2012), which support the entrepreneur in her business endeavors. It was concluded on the basis of the interviews that motivational support is indeed present in the loan groups and seems to have played a rather important role for some group members when they started as entrepreneurs or faced difficult times. This corresponds to Luisk's (2004) study where understanding and support in the form of advice were found to be some of the important benefits of loan groups, and to the Norwegian case, where trust and acceptance were found to be highly motivating factors for the loan group participants (Ellingsen and Lotherington 2006). Several interviewees confirm Morris et al's (2006) finding that loan groups create a certain safety net for the participants. The level of motivation and moral support is to some extent related to the field of work of the group members. The aspect of being able to discuss (or complain about) common problems was often referred to in this context, which is most likely to take place between group members with similar entrepreneurial activities. On the other hand, there are also many group members for whom the motivational aspect has been less considerable and mainly taken the form of pleasant company and social interaction. This corresponds more to the previous finding that the ties within the group are mainly weak with relatively little emotional intensity and intimacy.

However, is motivation really an important resource for entrepreneurs? At large, this case seems to confirm this assumption as the interviewees seem to have been more aware of and

looking for this function of the group than that of information flows. This may, again, be related to their type of entrepreneurship, where they manage with few resources and experience and also deviate from the traditional norms of entrepreneurship. It can also be related to the low self-confidence that the studies in Estonia have found female entrepreneurs to face.

In sum, while it not possible to assess the direct economic value of the motivational resources received through the loan group network, it can be said to have considerably contributed at least some of the participants' entrepreneurial development, and positively affected most others.

5.3.3 Material benefits

The material benefits of belonging to the loan group can be viewed in two parts. Firstly, it will be discussed how the direct financial resources – loans – affected the group members' entrepreneurship in their perception. Secondly, the importance of business related cooperation with group mates for the participants' entrepreneurship will be discussed.

Loans are a direct financial benefit gained through the programme and the majority of interviewees perceived the loans to have been important or crucial for their business activities. In almost all cases the loan was used directly for starting or developing the business and in eight out of ten cases the entrepreneurs are still actively in business, which indicates a relatively high success rate. Therefore, it can be said that despite the loans not always having been the reason for joining the loan group, they have played an important role in supporting the participants' entrepreneurship.

Further, it emerged from the interviews that there is a relatively high level of support from network partners (Witt's indicator on the third level of analysis, together with frequency of new information) in the form of cooperation between group members. Some group mates occasionally work together in production, using each other as subcontractors, many share sales channels and others refer clients to each others' businesses, among other things. As most of the interviewees had almost no entrepreneurial experience before joining the loan group, such supporting services are or have been important for some in building their business. Others are more independent and consider such cooperation rather complementary. In a broader study of female entrepreneurship in Estonia (Venesaar 2003)

the lack of management, marketing and selling experience were found to be some of the main difficulties for entrepreneurs, which also indicates the importance of such cooperation.

However, it is clear that there are economic benefits arising from these forms of cooperation and support to each other. As with other types of benefits, the level of importance varies from person to person, to some extent based on their somewhat differing starting positions (know-how, networking abilities and entrepreneurial ambitions), as mentioned above. Nevertheless, as the network at large is rather horizontal, the contributions and benefits seem to be spread relatively equally with no member in particular standing out as the source of economic benefit for others. Here, the few vertical elements of the loan group network, which could be described as the value-added-chain within handicrafts production, were taken advantage of. Also, the opportunities of related businesses (for example in relation with tourism) were used through client referrals.

As with other types of entrepreneurial resources, the flow of material benefits from cooperation appears to be rather *ad hoc* and irregular. It does generally not form a constant, stable part of the participants' businesses as no stable or fixed arrangements – 'sustained economic ties' (Anderson et al 2002) – have evolved between the group members. There may be different reasons for this. In accordance with lifestyle entrepreneurship as described by Marcketti et al, personal values, passions and interests play an important role. This may lead to avoidance of fixed contracts or other types of stable, intense cooperation that may increase dependency on others and remove the entrepreneur from her personal preferences and choices as an entrepreneur. It may also entail other types of risks related to business failure or financial losses, if the cooperation is not successful. Therefore, in line with the interviewees' general stable and low-growth entrepreneurship style, their avoidance of intense cooperation may also be a way of avoiding risk and dependency.

However, the situation can also arise from the nature of the entrepreneurial activities that the participants engage in. Handicrafts is essentially a method of production where economies of scale are difficult to achieve; the item (mainly socks, gloves, belts, carpets, clothes, etc) is usually designed and produced by one person by hand. Also, the orders are quite diverse (in the sense that one person may not have the skills to make all types of items) and rather irregular, which means that fixed subcontracting may be inefficient. Cooperation between group members does take place in marketing and sales, where

economies of scale are easier to create, although there may be potential for more collective action at this stage. Further, in addition to handicrafts makers, the interviewees also include an artist, a (former) hairdresser and tailor, a guest house keeper and the leader of an educational centre. This exemplifies the rather big diversity in the loan group participants' entrepreneurial activities, which makes it difficult for many to find direct business cooperation opportunities with group mates. Another important factor hindering cooperation is the physical distance between members as they live in different villages or towns.

To sum up, on the third level of Witt's test it was found that participation in a loan group indeed offers support from network partners in the form of informational, motivational and material benefits, which in general contribute to the participants' entrepreneurial activities. However, the level of benefits received varies from person to person depending on their field of business among other factors, and the benefits are provided and gained on an *ad hoc* basis. Also, the participants do not necessarily directly look for and use these resources based on commercial ambitions. In the following, the microcredit and entrepreneurship theories used in the framework of this project are discussed in light of the empirical findings.

5.4 Reflections on theory

Group lending forms an important aspect of theories on microcredit, and it has also been applied in the microcredit programmes in Estonia. However, research among the groups founded within two female entrepreneurship programmes in Estonia shows results that differ to some extent from theoretical assumptions. What emerges as an important difference is the very flexible way of functioning of these loan groups compared to those usually described in microcredit literature, e.g. the Grameen Bank in Bangladesh (Sengupta and Aubuchon 2008, Armendariz and Morduch 2010). The latter are subject to a rather detailed set of rules about meetings (both with the group and in the larger village group), borrowing and repayment schedules, etc. The Estonian groups, on the other hand, independently decide when to meet up and manage many day-to-day group matters through other channels. Also, borrowing and repayment are rather flexible, the former being decided on the basis of necessity and the latter often subject to negotiations. The general view is that it is possible to solve any problems together and the idea of helping the person in trouble to sell her goods in order to collect the money is rather common among the

groups. This flexibility in itself appears to be useful for the entrepreneurs as it helps them to overcome occasional difficult times in business. The high level of independence and flexibility is probably also related to the fact that there is no bank or organization directly controlling the groups with the purpose of recovering or making profits on the loan money.

Another important difference with much of microcredit literature is that the participants generally do not have much knowledge of or close relationships with each other prior to entering the programme, which means that local information does not play a big role. However, social capital is created during the trainings and within groups. Further, the aspect of social sanctions does not seem to function in this context as it does in the original microcredit model. Due to different socioeconomic conditions in Estonia compared to developing countries such as Bangladesh, there is a certain incompatibility as purely social sanctions are not sufficient, but the model does not provide other means for dealing with such situations.

Regarding theories of entrepreneurship, Witt's framework on Brüderl and Preisendörfer's network success hypothesis served as an instrumental theoretical framework for studying the effect of social ties gained through the group on the participants' entrepreneurial activities. It enabled insight into the formation, structure and outcome of the loan group as an entrepreneurial network, and all of these levels proved necessary for understanding the dynamics within the loan groups. The analysis was aided by Jenssen and Koenig's division of entrepreneurial resources into three: informational, motivational and material benefits. However, the study finds that the loan group participants do not practice entrepreneurship in a completely traditional sense as they are motivated by diverse ambitions. It can therefore be asked whether it is appropriate to use theories belonging to traditional entrepreneurship in this case. Indeed, it emerges from the data that the loan group members often do not deliberately look for business information within their network, that their wish to broaden their networks is not necessarily motivated by business interests, and that they do not always take advantage of existing opportunities for economically beneficial collective action or business expansion. A high level of risk aversion, which can be associated with their type of entrepreneurship, also seems to play a role in their choices. However, the chosen theoretical framework allowed accommodating these differences and, in fact, brought them out. Also, the division of information, motivation and material benefits provided an

instrumental framework for analyzing the resources flowing within the loan group networks, as these resources proved to be important also in this somewhat different entrepreneurial context. Nevertheless, the study confirms the point by Chell and Baines (2000) and Watson (2007) that small entrepreneurs may be limited in the amount of resources they can devote to networking.

In comparison with theorization and research on the importance of strong and weak ties for entrepreneurship, this study arrives at a somewhat mixed conclusion. Namely, based on the perceptions of the participants, the groups consist of mainly weak ties, which are considered most beneficial for entrepreneurs (Granovetter). Despite the loan group network corresponding mainly to a horizontal type of network, at such small scale of entrepreneurship even rather small differences in the skills and resources of the network members seem to play a role. Further, the ties between the loan group members cannot be considered purely weak, as there are also elements of strong ties present. Trust and long-term repeat interactions seem to be important factors for enabling the flow of resources. If the participants were connected by weak ties without such features, they would probably not be involved in the current level of information exchange, mutual support and motivation, and cooperation – as said by one interviewee, they might have stayed “fair acquaintances”. Therefore, whereas a number of researchers (Hoang and Antoncic 2003, Jack 2005, Jenssen and Koenig 2002) have studied the importance of strong versus weak ties, this study finds a situation where weak ties in principal connect the entrepreneurs to a relatively broad network of people with varied entrepreneurial resources (as opposed to their close social circles), but the actual exchange of these resources is largely enabled and motivated by certain elements of strong ties.

In sum, the discussion of the data has provided findings in relation with microcredit theories with regard to the formation and structure of social ties within loan groups. Also, entrepreneurship theory has helped identify and contextualize the entrepreneurial resources moving along these ties. Studying the nature of entrepreneurship as practiced by the loan group members, it emerges that there are certain differences with traditional entrepreneurship as it is viewed in theory. However, what is the potential for generalization in this study? Can these findings be considered to represent microcredit in Estonia as a

whole? As explained in the methodology, as a qualitative case study, this paper does not aim at full generalizability. However, while the results, thus, cannot be directly extended to all groups in Estonia, they do bring out certain characteristics that distinguish group lending and entrepreneurship in this context from that taking place in the social, cultural and economic context where this method originally gained popularity with Grameen Bank.

6 Conclusion

The aim of this project is to learn whether and how participation in a microcredit loan group enhances the important resources that are preconditions for female entrepreneurship. A qualitative, constructivist methodological approach was applied, taking its point of departure in the participants' perceptions. The main part of the empirical data is based on in-depth interviews with the manager of two consecutive microcredit programmes and ten loan group participants. The theoretical framework, built mainly on Witt's test of Brüderl and Preisendorfer's network success hypothesis and Jenssen and Koenig's entrepreneurial resources, with additional insights from group lending and entrepreneurship theories, formed the basis for data collection and analysis.

Data shows that social capital is indeed formed through participation in loan groups. Prior to forming the group, participants often have limited knowledge of and contact with each other, but within the groups there appear to be high levels of trust as well as cooperation in relation with repayment issues. Further, in the participants' perceptions, all three types of entrepreneurial resources as defined by Jenssen and Koenig – information, motivation and material – are indeed exchanged within and occasionally also across the loan groups.

It is easiest to define the impact of direct material benefits in the form of loans – and the latter were clearly important for enabling the participants to start and develop their businesses. However, other benefits are also considerable. Firstly, there are material gains as the group members engage in different types of business related cooperation, which aids them in production, sales or marketing. Secondly, there are informational benefits in the form of *ad hoc* business information, advice on relevant issues and referring contacts, among other things. Thirdly, motivational benefits are also perceived to play a role through encouragement, finding solutions to common problems and positive emotions from social interaction.

However, the exchange of these resources in the groups is generally *ad hoc* and, therefore, irregular in frequency and extent. Its scope and scale also vary from person to person depending on their field of business among other factors. No fixed or regular cooperation arrangements have evolved among the loan group participants, which may be caused by the nature of their business but it may also indicate a high level of risk aversion and strive for independence. The latter characteristics are related to the specificities of entrepreneurship among the loan group participants. It was found that many of them do business in way that closely resembles the theoretical concept of lifestyle entrepreneurship, where personal values, interests, passions and possibly independence may be more important drivers than commercial motives. Also, some of the entrepreneurs started out as necessity-based entrepreneurs, but as the conditions have changed, so has the motive of their entrepreneurship. In addition, social entrepreneurship is also present within the loan groups. The loan group members often clearly distinguish between themselves and more traditional, commercially driven entrepreneurs. These factors are important to consider when assessing the flow of resources within the loan groups – for example, the fact that profit is not the only motive behind their entrepreneurship may be related to the fact that business-related cooperation between them is not always commercially optimal, or that they do not necessarily view their (loan group or other) networks in terms of business opportunities and benefits.

Coming back to the hypothesis presented in the beginning of the project,

'Group lending enhances social ties, which improves women's opportunities to obtain motivational and informational resources that potentially strengthen their entrepreneurship initiatives',

the data confirms that group lending indeed enhances the participants' social ties through both broadening their networks of weak ties and also introducing certain elements of strong ties, which enable them to obtain entrepreneurial resources. Therefore, the hypothesis can in general be proven correct. However, the importance of material resources should not be underestimated. The findings show that small entrepreneurs indeed face a lack of funding, which means that the loans obtained through the group have been vital for their businesses, and the material benefits gained through business-related cooperation are also important for a number of participants. In addition, it should be noted that whereas the research

question and hypothesis emphasize the gender aspect of group lending and entrepreneurship, many of the interviewees did not perceive this to be an important factor, with the main reservation of small entrepreneurship giving women flexibility with regard to their families and possibly, lower confidence levels among women. Nevertheless, some of the findings could potentially also apply to small, rural male entrepreneurs.

Regarding practical implications of the study, the main finding is that microcredit provision through group lending indeed has potential to enhance entrepreneurship in the context of rural Estonia. Small entrepreneurs still face difficulties in acquiring funding, which group lending helps alleviate, but they also benefit from the social capital and trainings received through such a programme. While it should not be expected that such microcredit provision leads to the creation of numerous profitable and economic growth producing businesses, it does enable people to make a living on their own terms, be it lifestyle, social or necessity-based entrepreneurship, in the rather difficult economic conditions of rural Estonia. Therefore, from a socio-economic point of view, supporting such programmes would benefit these areas. In fact, a new group lending based programme for female entrepreneurs is currently starting, although with somewhat different conditions for loans². A practical finding of the study is also that the location of the groups should be considered carefully as not all areas necessarily have enough people interested in this opportunity, and long distance between group members obstructs communication and cooperation. Concerning trainings, beyond the initial entrepreneurship training it should be considered that the skills and needs of the participants are rather diverse. Therefore, the provision of effective tailor-made training and support requires careful planning and combining within and across the groups. As suggested by one of the participants, regular individual consulting may give the best value for the entrepreneurs. Also, according to the interviewees, more active communication across the groups would provide additional motivation and support as well as strengthen the relationships with members of other groups. Lastly, whereas flexibility in the groups' functioning should be maintained, the conditions in case of repayment default should be rethought and discussed thoroughly with the participants at the beginning of the programme.

² ETNA Mikrokrediidiprojekt, led by NGO ETNA Eestimaal, <http://www.fem.ee/>.

As academic research on microcredit and its relation with entrepreneurship in the Estonian (and Baltic) context is very limited, this field provides many opportunities for further studies. An interesting finding is there are high trust levels between group members who initially do not have much knowledge of each other. This differs, for example, from the findings of Zephyr and Yunus (2004) where a lack of social capital hinders the functioning of the groups in a developed country context, and also contradicts views that in a transition context low levels of social capital hinder the formation of entrepreneurial networks (Morris 2006, Venesaar in Höhmann and Welters 2002). Therefore, research on the relationships between broader social capital levels in society and group lending in different country and socio-cultural contexts could provide interesting insights. Further, as mentioned above, the gender aspect of group lending and entrepreneurship requires further research. Whereas this study found provided insights into the nature of entrepreneurship practiced by small (mainly) female rural entrepreneurs, similar research on male entrepreneurs could provide useful knowledge for better understanding the variety of entrepreneurial activities taking place in the economy, and ways to support them.

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8 Appendix 1

Additional quotes from interviews

4.4.1 Loan group participants and entrepreneurship

Oh well, what am I for an entrepreneur, in that sense I'm a nobody in the field of entrepreneurship, right... but [...] it gives you a sort of an advantage, that you're independent and active and get by, but on the other hand again most people look at you thinking 'what do you have to complain about, you're an entrepreneur, you have lots of money'. So in that sense this kind of pejorative attitude is quite dominant in Estonia right now, like 'we are working here, you're just an entrepreneur', right. So it doesn't matter that I'm almost the only employee in the company, that all I do is work from morning till evening, right.

[Einoh, mis ettevõtja mina nüüd olen, selles mõttes nagu ettevõtlusmaastikul olen ma eikeegi eksju...aga [...] annab sulle nagu mingisuguse eelise, et sa oled iseseisev ja aktiivne ja saad toime, aga teiselt poolt jälle suurem osa inimestest ikkagi vaatab selle pilguga et no mis sul viga, sa oled ettevõtja, sul on raha jalaga segada. Et noh selles mõttes selline halvustav suhtumine on ikkagi ka päris valdav vähemalt Eestis praegu et just selle koha pealt, et meie siin teeme tööd, sina oled lihtsalt ettevõtja eks. Et vahet ei ole et ma olen peaaegu et ainuke töötaja siin oma firmas, et ka hommikust õhtuni tööd teengi eksju.]

And when I say that well, I do invest, but I do not make such big plans, so I [have] this so-to-say step-by-step logic, [...] so like one step forward all the time...I do what I see that I like at the moment...yes...so I'm ready for it, I'm happy about it, not that I make a plan, invest and then keep worrying, scratching my head, how do I make ends meet and...it's just totally different. It's a different world. Yes... But this is hard to believe for those that support the big business or the so-called real entrepreneurship.

[Ja kui ma räägin siis et et no ma investeerin küll, aga ma ei tee selliseid suuri plaane, et ma siis niiütelda step-by-step loogika, [...] et nagu koguaeg sammu edasi...ma teen seda, mis ma just hetkel näen, et mulle meeldib...jaa..et ma olen selleks valmis, ma ise olen selle juures rõõmus, mitte et ma teen plaani, investeerin ja siis olen kogu aeg mures, kratsin kukalt, et et kuidas ma nüüd välja tulen ja ...see on kuidagi teistmoodi hoopis. See on teistsugune maailm. Jah... Aga seda on raske uskuda nendel kes on nagu suure bisnesi või selle nõndanimetatud õige ettevõtluse pooldajad.]

[...] as we are a farm...well, we can't increase the quantity, because we make it out of our own material and... Well in principle, if we do upsize, then we will be an industry [...] don't want to get bigger. [...] Yes, the children have been saying that, well, if there are hard times, we should buy a weaving machine that can make I don't know how many [pieces] per hour but that won't be handicrafts anymore.

[...] kuna me oleme talu...noh, me ei saa ka seda kogust suurendada, kuna me teeme oma materjalist ja... No põhimõtteliselt kui me suurendame, siis me hakkame tööstuseks [...] suuremaks ei taha nagu minna. [...] Jah, lapsed siin on rääkind noh kui tuleb puudus, et ostame mingi kudumismasina mis teeb siis tunnis ei tea kui palju, aga see ei ole siis käsitöö enam.]

Well, one thing is that maybe I have not set a big [...] goal for myself, that I have to have huge amounts of money in circulation. So for me it's important what I have in the end, not that I have lots of money going through my hands and in the end I'm still hungry or in lack of money. So for me the result is what matters, no the part in between, lots of employees and... But maybe my goals are not set that high.

[No üks asi on see, et võibolla mina ei ole püstitanud endale mingit suurt [...] eesmärki, et ma pean tohutu [...] hulk raha läbi käima. Et minu jaoks on see tähtis, et mis mulle lõpuks kätte jääb, mitte see, et minult noh tohutud rahad läbi jooksevad ja lõpuks ma ikka olen näljas või ei jätku raha. Et minul on tähtis see nagu tulemus, mitte ei ole jah et see vahepealne, tohutud töötajad ja...Aga võibolla mul on see eesmärk ei ole nii suureks sätitud.]

Because, well, I don't have any problems in that sense [...]. But...from the perspective of a regular woman, then actually overcoming yourself, to come out and start doing something, so to say, I think it is very difficult. For this we need the trainings together [...] where they get confidence, where they get knowledge, skills, they see what is really important, they see that others do [business].

[Sest noh minul selles suhtes ei ole nagu probleeme[...]. Aga...kui tavalise naise seisukohalt võtta, siis tegelikult see enda ületamine, et ma tulen nüüd välja ja hakkan niiütleda midagi tegema, ma arvan et see on väga raske. Selle jaoks ongi vaja siuke ühiseid koolitusi [...] kus nad saavad enesekindlust, kus nad saavad teadmisi, oskusi, nad näevad, mis on hästi oluline, nad näevad, et teised teevad.]

I think we [don't need] like programmes that support women, cause it doesn't matter, a man can also be a single father or a single entrepreneur...[...], but it's these these additional warranties that you have, so that you are not alone. We don't have these and, let's be honest, if someone took the time to do statistics, then 70-80% of the female entrepreneurs [...] are alone, cause they had no chance in life other than to rise on their feet by themselves.

[Ma arvan et [ei vaja] isegi mitte nagu naiste toetamise programme, vaid vahet ei ole, ka mees võib ju olla üksikisa või üksikettevõtja [...], aga just need lisagarantiid, mis tulevad sulle kaasa, et sa ei ole nagu üksi. Need puuduvad ja olgem ausad, kui ikka keegi viitsiks statistikat teha, siis 70-80% nendest naisettevõtjatest [...] on üksikud, sest neil ei ole jäänud elus muud üle kui ise jalgadele tõusta.]

Yes, say all the taxes and everything with it, and also that like...having to be aware of the laws and...it is difficult in entrepreneurship. Cause they are changed all the time... I can't do it like this, I don't know how.

[Ütleme et jah igasugused maksud ja kõik mis juurde, et see nagu ka..ja nende seadustega kursis hoidmine ja.. on ka ikkagi ettevõtluse puhul raske. Et neid ju muudetakse pidevalt..ma ei oska, ma ei oska nii.]

So there is no problem with not having places where to sell. Those who sit at home and say that their...that there is nowhere to sell handicrafts, then probably they are doing the wrong thing, something the market does not want. Or alternatively, they don't know how to offer [their goods] in the right places.

[Nii et sellega nagu muret ei ole, et ei ole müügikohti. Need, kes istuvad kodus ja räägivad, et nende... et kuskil ei ole nagu käsitööd müüa, siis variant, et nad teevad valet asja, mida ei taheta turul. Teine asi, et nad ei oska ennast pakkuda õigesse kohta.]

4.4.2 First level of analysis

4.4.2.1 Reasons for joining the group

That [loan] was actually one of the reasons for the group...because otherwise I would meet these people anyway, so in that sense we could do the group activity also without the money, right. It was just the loan opportunity there.

[See [laen] ongi tegelikult selle grupi üks põhjendusi...et muidu ma saaksin nende inimestega nii või teisiti kokku, et selles mõttes võiks seda grupilist tegevust teha ka ilma selle rahata eksju [...] See on lihtsalt see laenuvõimalus seal.]

At first [I joined] because I like changed my field of production and then...in order to start my new things, and so I kind of needed more financing. And at that time there was also the entrepreneurship training together with it.

[Alguses sellepärast, et nagu tootmissuunda muutsin, ja siissellepärast, et alustada oma uute asjadega ja et siis oleks nagu vaja, oli vaja finantsi juurde. Ja tollel korral oli ka see ettevõtluskoolitus selle asja juures.]

No, it was another kind of interest [...], it was a social interest. [...] No, I did not plan to start entrepreneurship actually. I planned to get a regular job [...].

[Ei see oli ikka muu huvi, see oli muu huvi, see oli sotsiaalne huvi... [...]. Ei ma ei plaaninud alustada ettevõtlusega tegelikult. Ma plaanisin ikkagi kuskile palgatööle minna [...].]

That moment when we started in 2005, at that moment it was maybe still a time of big changes for everyone, everybody wanted to do something new, as the old had exhausted itself for them, and... And the formation of the loan group, it gave some inspiration or supported that, or confirmed that she could [do it] and if she needed, there would be the support of the group.

[Too hetk kui me 2005 algasime siis selleks hetkeks oligi võibolla kõikide jaoks veel pööranguline aeg, et kõik tahtsid nagu midagi uut teha, et see vana oli nende jaoks nagu ammendunud ja... Ja see laenugrupi moodustumine, see tõigi nagu osadele sellise kas inspiratsiooni andis või siis ta toetas seda et, või kinnitas seda, et ta suudab ja kui vaja siis tal on see grupi tugi ka olemas.]

...well, I personally did not have the need, but the group members that ended up joining, they had the need as they wanted to start something but there was no money, and at that time they did not have the option to get a loan from any bank.

[...no minul endal ei tekkind seda vajadus, aga meil tekkisid just need, kes need grupiliikmed lõpuks koondusid, nendel tekkis see vajadus, et neil on vaja alustada mingit asja aga raha ei ole ja sel hetkel ei olnud neil võimalust ka kuskilt pangast laenu saada.]

4.4.2.2 Selection into groups

So...I don't even remember, well I knew some people, some had also come to the project due to a newspaper article or something, some were also new, but [place name] is so small and the region is so small and there [were] so few producers, even less than now, now very many more have come. So basically I knew everyone but then just maybe one person I did not know, who was really a complete stranger for me.

[Et..ma ei mäletagi, noh mõnda inimest ma tundsin, mõni oli siis sinna projekti tulnud nagu mingi ajaleheartikli või asja peale, et mõned olid uued ka, aga Viljandi on nii väike ja see piirkond on nii väike ja tegijaid oli nii vähe, veel vähem kui praegu, praegult on väga palju juurde tulnud. Et siis põhimõtteliselt ma teadsin kõiki aga siis võibolla ühte inimest ei tundnud lihtsalt, et oli tõesti täitsa võõras minu jaoks.]

We had, we had been going to different trainings together for around half a year [...]. And they were all handicraftsmen, or well, people with an interest in handicrafts.

[Me olimegi, me olimegi umbes pool aastat koos käind erinevatel koolitustel.[...] Ja nad olid kõik käsitöölised, või noh käsitööhuviga inimesed.]

Yes I knew...there were two new people, whom I did not know. [...] Then again, the person who invited me there, knew the one I didn't, and as I trusted her, then why not.

[Ma teadsin jaa...kaks uut inimest oli seal minu jaoks, keda ma ei tundnud. [...] See inimene kes mind sinna kutsus, tundis jälle seda keda mina ei tundnud, ja kuna ma usaldas seda, siis miks mitte.]

4.4.2.3 Time and other resources directed at participation

During some period of time we had more frequent meetings. But it seems there is no need I think.[...] That in the beginning it was more necessary to meet up. And the more time has passed, the more independent everyone has become and....in the beginning there was a big need.

[...mingi periood oli meil ikka tihedamini kokkusaamisi. Aga ilmselt ei ole vajadust ma arvan. Noh põhiline on see, et ei ole otsest vajadust olnud. Et alguses oligi rohkem vaja kokku saada. Ja mida rohkem aeg on edasi läind, kõik on iseseisvamaks saand ja ...et see alguses on nagu vajadus suur.]

It is so that if we meet once a year, it is very good...then we try to go somewhere and see something together and...but when there were the projects in the background, we used to meet more often.

[See on niimoodi, et kui me aastas korra nüüd kokku saame, siis on väga hästi...et siis me ikka üritame kuhugi sõita ja midagi koos vaadata ja...aga kui olid projektid taustsüsteemis, siis saime ikkagi tihedamini kokku...]

We meet up otherwise and then we talk through these things, so we don't have to do it specially, if we don't have to have a meeting in order to make a decision on whom to give a loan to and such...then I think we don't meet all the time.

[Muidu saame kokku ja ju siis räägitakse need asjad ära, et ei pea spetsiaalselt tegema, kui ei pea nüüd tegema mingit koosolekut, et nüüd on vaja mingit otsust vastu võtta või midagi otsustada seal et kellele laenu anda või niukest...et siis me nagu nii minumeelest pidevalt ei saa kokku.]

We used to have very regular, very frequent [meetings]. Now it is regular that we meet around 2-3 times a year. I do, I am not saying that the others do. The others possibly meet more often. Because...mostly, when it is someone's birthday, we get together and have a meeting, as to unite these things.

[Meil olid vanasti väga regulaarsed, väga tihedad. Praegu on regulaarne, et saame kokku kuskil 2-3 korda aastas. Mina saan, ma ei ütle et teised saavad. Teised võibolla saavad tihedamini. Sest..enamjaolt kui on kellegi sünnipäevad, siis me saame kokku ja teeme koosoleku, et ühildame need asjad.]

So that 'let's simply get together', it doesn't work, it has to be purposeful...it is again that all of us are entrepreneurs and we are so busy. [...] But we have...one year we went to Latvia together, made a study trip...went to the Latvian tourism entrepreneurs and we have also just gone to some entrepreneur to drink coffee so to say and...when there is again an idea to get together and someone offers an interesting place to go, then it works.

[Et noh päris niimoodi et saame nüüd lihtsalt et tulgem kokku, noh see on jälle see et me kõik oleme tegelt ettevõtjad ja meil on nii palju tegemist..et see ei õnnestu, ta peab ikka olema sihipärane..[...]. Oleme küll...üks aasta käisime Lätis koos sõitsime tegime õppereisi..Läti turismiettevõtjate juures käisime ja siis me oleme käinud kuskil ettevõtja juures lihtsalt nõ kohvitamas ja..Kui tuleb jälle idee et saame kokku ja keegi pakub välja midagi huvitavat kuhu minna, noh siis ikkagi ta toimib.]

At the same time actually we have been set by the [women's] bank like I don't know 'you have to meet I don't know how many times every month'...these requirements, right? These have been written down fictitiously a lot. Actually a practical person does not have the time to go somewhere again to meet up and...

[Samas tegelikult meil on selles pandud nagu noh see panga see noh mai tea iga kuu peate ma ei tea kui palju kokku saama...need nõuded eksju. Väga palju need pandud fiktiivselt kirja. Tegelikult asjalikul inimesel pole aega käia kuskil jälle saada kokku ja...]

4.4.3 Second level of analysis

4.4.3.1 Characterization of relationships within groups

Well actually there was some kind of small quarrels. But now, today when I started thinking about why we quarreled, what the misunderstandings were about, I can't remember any reason why. So obviously they were not that important.

[Et noh et tegelikult olid mingid naginad. Aga kui ma praegu, täna hakkasin mõtlema, et mille pärast me nagistasime, mille pärast me arusaamatused olid, siis mul ei tule ühtegi põhjust meelde, miks. Et ilmselt ei old nii olulised.]

Well we get along normally, there are no fights or such...not even professional jealousy or unpleasant competition, not even that...all of us manage [well].

[Einoh läbi saame ikka normaalselt, ega seal mingisuguseid tülisid ega selliseid...isegi mitte ametialaselt siukest kadedust või konkurentsi ebameeldivat, isegi seda ei ole et...saame kõik siin hakkama.]

...it is like great to be together, [when] we get together, there is a lot of fun, we get to discuss...

[...on nagu tore koos olla, kokku saame, on nalja palju, saame arutada.]

Am...we did not have that [condition] until now I think...I don't read these papers very thoroughly...I never read the papers. And I think nobody has been in debt in our group. Now there is one whose [repayments] are delayed, but I don't know what will be done about that. I would not like to pay for her. I'm sure we'll find another solution.

[Ee..seda [tingimust] meil ei olnud siiamani minumeelest...ma neid pabereid ei loe muidugi väga täpselt...kunagi ei loe pabereid. Ja keegi ei ole vist jäänud võlgu meie grupis. Nüüd on üks kellel laenu hilinevad aga, või see tagasimaksed, aga ma ei tea, mis sellega tehakse. Ma küll ei tahaks tema eest maksta. Kindlasti me leiame mingi muu lahenduse.]

Yeah, well in the sense that...well everybody is local, right, nobody is like that they could just disappear for example....everybody had a family, were connected to some local activities. The thing is for banks we are like anonymous persons who change countries and residences without necessarily letting them know about it, but the community is small and nobody will easily disappear here. Well yes and maybe also the fact that it's women and women are quite stable, they don't just throw a suitcase in the trunk and drive off to the other side of the world, right...children and homes and often other jobs, many still work somewhere and only beside that do their entrepreneurship.

[Jaa, selles mõttes küll et.. no seesama et kõik on ju siin kohapealsed eksole, keegi ei ole selline noh et ta võib ära kaduda näiteks et..kõigil olid perekonnad, olid seotud mingisuguste kohapealsete tegevustega. Et see asi et noh pankade jaoks oleme nagu anonüümsed tegelased kes vahetavad riiki ja elukohta nii et ei pruugi sellest teada anda aga see kogukond on selline väikene ja siin naljalt ei kao keegi sul ära. Et noh jah see nagu...võibolla see ka, et tegemist on naistega ja naised on suht alalhoidlikud, et ikka naljalt ei viska kohvrit pagasnikusse ja ei sõida teise maailma otsa ära eksole...lapsed ja kodud ja tihtipeale ka mingid teised töökohad, paljud on ju ikkagi kuskil tööl ja siis alles tegelevad kõrvalt ettevõtlusega.]

We often blame the person who did not pay, without thinking about what I did myself, was I persistent enough, were my papers in order, did I ask [her] how it was, did I show interest in the undertakings...

[Et tihtipeale me süüdistame seda inimest kes jättis raha maksmata, mõtlemata sellele et aga mida mina tegin, kas ma olin ikka järjekindel, kas mul olid paberid korras, kas ma küsisin ikkagi et kuidas on, tundsin huvi selle ettevõtmise vastu.]

Ahm well, logically we have [conditions]. But it did not happen, well if it did, it was temporary. And it was so that in our group we discussed everything and gave an extension...time extension.

[Eehh meil noh, loogiliselt meil on [tingimused]. Aga meil ei juhtunud niimoodi, no kui juhtus, juhtus ajutiselt. Ja see oli niimoodi, et grupis omas sees rääkisime läbi asjad ja andsime nagu pikendust vähe..ajapikendust.]

Some of ours have become debtors and they don't even get in contact with us at all anymore. When we try to get [in contact], it is kind of made difficult. So well we have tried calling from another number, to reach... so this is the only negative thing [...]. Well, when we were starting the loan group the times were a little better but yeah I guess some overestimated their abilities and...

[Meil osad on nagu võlglasteks jäänd ja nad nagu üldse ei võta enam meiega kontakti isegi. Et kui meie üritame võtta, siis see on suht nagu raskendatud. Et noh on katsetatud seda et teise telefoniga helistatud, et kätte saada... et see on nagu ainukene negatiivne[...]. Et see kui me tegime seda laenugruppi eks siis olid ajad veel paremad natukene et aga jah eks mõned hindasid oma võimeid üle ja...]

...at one fair she was selling her carpets and then she...am...I talked to her. And then she turned [away] so arrogantly, 'sue me, take me to court', like it was not her business at all. And all the other loan group members [...] are also really angry at this, but we simply lack the levers to really...

[...ühel laadal ta oli müümas oma vaipu ja ja siis ta...ee..siis ma rääkisin temaga. Ja siis ta pöörduski nii ülbelt et „kaebake, viige kohtusse“, umbes nii et see ei olegi nagu tema asi. Ja kõik teised laenu liikmed, või laenugrupi liikmed, on ka hästi vihased selle peale, aga meil lihtsalt puuduvad hoovad selleks, et tegelikult...]

So we are discussing it, we also contemplated taking it to a collection agency, but this again means that we don't get the deposit that we have collected, they will use it. So well, in this sense again, they also planned to publish it in Lõunaleht or other newspapers [...]. As this women also lives in Tallinn now, then reaching her is...she is said to be in the countryside in the weekends, but she does not get in touch. And at the same time when I have met her accidentally, I find that I don't have the competence to say and do [anything]. [...] Well I can't...I never know whether the person has paid or not...

[Et siis me arutame seda, siis me kaalusime ka seda, et inkassosse anda, aga see tähendab jälle et me ei saa seda hoiust, mis meil endal on nagu korjatud, see noh...läheb neil ära ju. Et noh, et selles suhtes jälle, et siis plaaniti ka et Lõunalehte või kuhugi lehtedesse üles panna, et noh selliseid... Et kuna too naine elab nüüd ka Tallinnas, siis teda kätte saada on...ta nädalavahetustel küll pidi siin maal ka olema, aga noh, kontakti ta ei võta. Ja samas kui mina olen temaga kokku sattundki, siis ma leian et minul nagu ei ole seda päris pädevust, et mina nüüd võtan ja ütlen. [...] Et noh, ma ei saa ju...et ma ei tea kunagi kas inimesel on makstud või ei ole..]

Oh and now the fourth [member] has been in debt for a long time...it is already a year past the repayment deadline. [...] With her, I think this thing is already more than ten years old, I don't know...but she was also [there] in the beginning, yes the one who is in debt now. And...when she took

[the loan] there was talk like we should pay [for her], but so also ten years ago the payment was really long overdue and in the end she finally did pay. But how it will go now...I don't know. And it is interesting to see.

[Aah ja praegu neljas on nagu võlgu sedasi pikalt...aasta on juba sellest maksmistähtajast möödas. [...]. Temaga oli, minumeelest see asi on meil juba üle kümne aasta vana, ma ei tea ..aga tema oli ka päris alguses jah, see kes praegu võlgu on. Ja...siis kui ta võttis, siis olid küll jutud nagu me peaksime maksma, aga siis kümme aastat tagasi tal venis ka hästi pikalt see maksmine ja lõpuks ta ikkagi maksis ära. Aga kuidas see praegu kujuneb...ei tea. Ja seda on huvitav vaadata.]

4.4.3.2 Network diversity

I don't know, I don't really know their circumstances.

[Ega ma ei tea, ega ma päris nende eluolusid ei tea.]

We have no rich people here, who sail in yachts to [buy] islands, and others can't like buy food to take home and... No, we don't have that.

[Meil ei ole siin mingeid rikkureid, kes niimoodi jahtlaevadega kuskile saart...saart [ostma] sõidavad, ja et siis teised on need kes nagu süüa koju ei jõua osta ja... Ei, siukest ei ole.]

4.4.3.3 The participants' broader social network

Well otherwise I communicate in completely different circles, with other people. Specifically with the people of the loan group in everyday life I...or well.... Our group was, maybe a particularity in our group was that we are from very different regions. So we don't meet in everyday lives. Only in the context of this topic.

[No muidu ma suhtlen hoopis teistes ringkondades, teiste inimestega. Konkreetselt selle laenugrupi inimestega ma nagu igapäevaelus, või noh... Meie grupp oli, võibolla iseärasus oli see, et olime väga erinevatest piirkondadest. Et nagu igapäevaelus me kokku ei puutu. Ainult siis nagu selle teema ringis.]

The loan group does not play a big role, actually my social network is very large in relation with my previous job. [...] I am not the handicrafts maker who has been knitting the same kind of carpet at home for 20 years, my [network] is big enough anyway, so to make it bigger...anyway there are new acquaintances all the time.

[Laenugrupp väga suurt rolli ei mängi, tegelikult on mul sotsiaalne võrgustik seoses eelmise töökohaga väga suur. [...]. et ma ei ole see käsitööline kes on ainult 20 aastat ühesugust vaipa oma kodus kudunud, et mul on ta nagunii väga suur, et veel suuremaks ajada...nagunii ju tuleb koguaeg uusi tutvusi juurde.]

4.4.4 Third level of analysis

4.4.4.1 Informational resources

...we don't consciously exchange business information, not that, but we do talk and actually, well, we do talk about topics that are relevant for us both. In the end maybe you can say that's it.

[...et niimoodi teadlikult et me nüüd vahetame äriinformatsiooni, seda mitte, aga me räägime ja tegelikult noh räägime ikkagi nendel teemadel, mis meid puudutab, mõlemaid ju. Kokku võib öelda, et see võibolla ongi nii.]

But I do think that this...this support, that I can turn to this group, where there now is this money and the human resource...well, who each have their network behind them. [I think that] this supports these people a lot. And well, my network is extremely large.

[Aga ma arvan küll, et see ...see selline tugi, et mul on nagu võimalus pöörduda selle grupi poole, kui seal on nüüd see raha olemas ja seesamune inimressurss...noh kes, kellel on igalühel oma võrgustik taga. Et see nagu toetab väga suuresti neid inimesi. Ja noh minu võrgustik on meeletult suur.]

And then I took the members of the local group and went to Viljandi loan group, where specific work methods were taught. [...]...we went and learnt embroidering. So this was like directly the group's internal need, so we needed it and we went there.

[Ja siis ma võtsin meie selle grupi kohaliku..kohaliku grupi liikmed ja sõitsin Viljandisse laenugruppi, kus seal siis õpetati konkreetseid käsitöövõtteid. [...]...tikandit käisime õppimas. Jah. Et see oli nagu otseselt laenugrupi sisene vajadus, et oli vaja ja käidi.]

Then for example the one who is like the leader [in the group], for example with her, every year when I make the preliminary accounting report myself, then later she helps me [complete it].

[Siis näiteks see kes meil nagu eestvõtja ongi, et näiteks tema suhtes et siis iga aasta kui ma teen ise selle eel raamatupidamise aruande, siis pärast tema on alati aitand mul neid kanda.]

4.4.4.2 Motivational resources

It is nice in this sense that it doesn't like give additional knowledge, but you can always [share] thoughts with people in your field, like the same problems you have with materials, employees. [...] But it helps to see it together with others, like oh, someone else has the same problem, or how to solve it.

[Selles mõttes on ta nagu tore, et ega ta nagu iseenesest ei anna juurde teadmisi või, aga sa saad alati mõtteid oma sama ala inimestega et noh, samad probleemid mis tekivad materjalide osas, töötajate osas. [...] Aga see aitab nagu teistega koos nagu näha seda, et noh, ahaa, kellelgi teisel on veel samasugune mure või et kuidas seda lahendada.]

Yes, [you get] at least a good mood for a long time, cause you get to laugh, and when there are any questions, we have always been able to discuss [those].

[Jah, kasvõi hea tuju tükiks ajaks, et noh saad naerda ikka et noh ja ikka kui mingid küsimused on, alati oleme saand nagu arutada.]

Well yes, sure, I mean when you complain about your worries to someone with exactly the same worries, then of course you get support from her in that sense...

[Nojah, ikka, selles mõttes et kui sa kurdad oma muret täpselt samade muredega inimesele, siis ikka saad ju tema käest tuge eksju või selles mõttes.]

4.4.4.3 Material resources

I just took it like a farmer needs it, for like two months in the summer, when I...well, it was more like that it made no difference whether I would borrow it from mother or from the loan group, so for two or three months, and when the sheep sale or something came, then I could pay it back right away. So it was easier, comfortable to use, but it did not play an important role.

[Mina võtsin ainult noh nii nagu põllumehel vaja on, suvel mingi kaheks kuuks, kui mul...noh, pigem oli see nagu, mul ei olnud vahet kas ma laenan ema käest või laenan sealt laenugrupist, et kaheks või

kolmeks kuuks ja siis kui tuli lammaste müük või midagi, siis ma sain kohe selle tagasi maksta, et ta oli lihtsam, mugav kasutada aga mingit olulist rolli ta ei mänginud.]

It was exactly what I needed, cause we needed a car to do our things, we made an application to Hansapank, presented a simple business plan and of course it did not go through the...did not get the loan. So in that sense the loan group for me was completely...it was there and I would never have thought in the beginning that I could need it like this...

[See oli täpselt see, mida oligi vaja, sest meil oli vaja autot, et me saaksime toimetada, tegime Hansapanka taotluse, esitasime sinna mingi lihtsa äriplaani ja muidugi see ei läbinud seda niiütelda..et ei saanud laenu. Et selles suhtes oli see väikelaenugrupp minu jaoks täiesti..ta oli olemas ja ma ei oleks iial arvand alguses, et mul võib minna niimoodi teda vaja...]

...when you need a smaller amount at some point, because with the loan group it's that nobody asks whether you will use it for the entrepreneurship or do something else. So she has it, and she will pay back maybe the month after the next, yes, so in that sense it's very good support.

[...kui on ka vaja mingisugust sellist väiksemat summat raha mingiks hetkeks, sest et laenugrupp on ju see et seal ei küsi keegi et kas sa ikkagi paned ta sinna ettevõtluse alla või sa teed mingisugust muud asja. Et tal on see olemas ja ta maksab võibolla ülejäärgmisel kuul selle tagasi, jah, et ta on nagu selline, selles suhtes nagu väga hea tugi.]

Well I'd say at that moment [in the beginning of 2000s] it was still difficult to get...but then the economic growth came and then practically everyone was offered it. You didn't have to have anything and you got it...Now, well now I think that if you have real estate or a stable income, then you get a loan from a bank all the same.

[No ütleme tol hetkel [2000ndate alguses] oli veel raske saada...aga siis tuli see majanduskasv ja siis praktiliselt kõigile pakuti. Sul ei pidanud ju mitte midagi olema ja sa said...Nüüd, ega nüüd on..ma arvan et kui sul on kinnisvara või sul on sissetulek stabiilne olemas, et siis saab pangast samamoodi laenu.]

And well there's again that if you take the start up capital or something like this from EAS [Enterprise Estonia], you need to have everything documented, you need to take offers, you need to fill some papers and in the end pay this money yourself, so to say, and then you get the money refunded if you...you have done everything right. Now if we compare it to the loan group, the sums of money that the beginner gets are not much bigger. So actually it's a lot easier...yes...here you don't have to fill these large questionnaires, you just need to explain to others what you want to do, and if the others agree, that's it.

[Ja noh seal on jälle see et kui nüüd võtta stardikapital või midagi sellist EASist, siis peab olema kõik dokumentaalselt tõestatud, sa pead pakkumised võtma, sa pead mõned paberid ära täitma ja siis lõpuks nõ ise selle raha ära maksma ja siis sa saad raha tagasi kui sul on..nagu oled kõik õigesti teinud. Et kui nüüd võrrelda seda väikelaenugrupiga, ega seal ei ole need rahad suuremad mida siis startija saab väga. Siis tegelikult see on ju palju lihtsam..jah..siin sa ei pea mingeid niukesi formulare suuri täitma, sul on lihtsalt vaja teistele selgeks teha, mida sa tahad teha, ja kui teised on sellega päri, siis ongi kõik.]

Because then you have to have collateral and you being simply a beautiful person does not count for much in the bank. [...] So well, negotiating with the banks, it's like...neither of us is really good with papers or negotiations in the sense that we'd know about these small...we don't read the small print...but with the women, they are not, the presumption is not that they are cunning and up for deceit.

[Sest siis peab olema mingi tagatis ja see et sa oled lihtsalt ilus inimene ja see nagu ei loe pangale midagi.[...] Nii et noh, ega pankade läbirääkimine, see on jah siukene...me ei ole kumbki eriti paberiteajajad ega läbirääkijad selles mõttes et nüüd teaks mingisuguseid niukseid peenikesi..peenikest kirja ei loe, tead, nende peal ja ...aga noh kui naistega siis nad ei ole, eeldus ei ole see et nad on kavalad, et nüüd tõmbame eksole.]

Ehm...well with [name] there was a project together....I used her carpets as the kind of background or frame of my paintings. [...] But otherwise it seems we do like [...] exchange of materials, things like that.

[Ee.. no selle [nimi] oli üks projekt koos...tema vaipu ma nagu kasutasin oma maalide nagu noh raamidena või taustana. [...]. Aga muidu meil on vist paistab nagu [...] materjalivahetust, selline asi.]

We do have cooperation...yes, because if I take my group, with [name] we have cooperation, her homemade wines are there [by the wall]. And...and [name], when it is overcrowded here [in the guest house] in summer, then she is the first one I send the people to, when there is no room for them here and...So well, in that sense as the need and opportunity arise, we link to each other, so to say.

[No koostööd me ikka teeme..jah, sest ega kui ma võtan oma grupi et [nimi] me teeme koostööd, tema koduveinid on näedsa seal [seina ääres]. Ja..ja [nimi], tema on et kui meil on üleasustatud siin suvel, siis [name] on nagu esimene kelle juurde siis saadad inimesed kellele siin pole enam kohta anda ja... [...]. Et noh, selles mõttes nii nagu vajadus-võimalus on, nii me niiütelda teineteisega haakume.]

Well, as [name] has the sheep and wool and stuff, and I have the weaving machine, so well... [...] So they give, say [name] and [name], they give the product types, 'I want this, and this and this'. And then I just need to find weavers or weave myself. This way there is cooperation.

[Noh kui [...] on lambad ja lõngad ja värk, siis minul on kudumismasin ja noh...[...] Aga et noh nemad annavad, ütleme [name] ja [name], nemad annavad tooted ette, et ma tahan seda, seda ja seda. Ja siis tuleb lihtsalt kudujad leida, või ise kududa. Sedapidi on koostööd...]

Well the main thing is that when there comes an order where you need to do a lot of things, and you can't or don't have time for everything, then you take the phone and ask if there's someone who could...like knit a pair of stocking or make belts, like my belt maker is busy, do you have someone free who could [...]? So we exchange this information and also work for each other.

[Noh põhiline on see et kui tuleb mingi tellimus kus on palju asju vaja teha, ja kõike ise ei oska või ei jõua, siis võtad telefoni küsid ega sul ei ole kedagi kes teeks...näiteks kooks seal paari sukkasid või teeks mulle võid, et minu vöötegi on hõivatud, et kas sul on mõni vaba kes teeks [...]. Et vahetame niiöelda nagu seda informatsiooni ja siis teeme ka tööd üksteisele.]

... for example when we have guests in [place name] in the [shop] and they ask where to go, then the first place where for sure we could send them to [...] naturally I could be sure that when [name] receives this group, she will tell them about everything, not just open the door and well...that she will receive them the same way I would...so I didn't have to go with them.

[...kui meil käivad näiteks [kohanimi] külalised seal kuuris ja küsivad et kuhu minna, siis on esimene asi ikkagi see kuhu, kuhu kindlalt võiks saata [...] otse loomulik ma nagu võisin kindel olla, et kui Aino võtab selle grupi vastu siis ta räägib kõigest, mitte lihtsalt et ta teeb selle ukse lahti ja noh...et ta võtab nagu oleks mina see kes..ma ei pidand kaasa minema.]

4.4.4.4 Suggestions for improvement of programme

Otherwise it all, the main thing, it works as people are paying back their money, if they need it they get a new one and the conditions are agreed upon. But our problem there is a warning [...] and when I have been telling someone about creating a group or something, then I have brought out that you should think it through, do you know this person so well that you dare to risk yourself for her and... Actually these groups should not be formed of people who are complete strangers to each other.

[Muidu see kõik see, selle sisuline asi, see ju toimib et inimesed maksavad oma raha tagasi, kui neil on vaja saavad jälle uue ja lepitakse kokku oma tingimused. Aga et hoiatuseks see meie probleem seal ja [...] kui ma olen siin kellelegi mingisugust grupi loomisest või seda rääkinud, siis ma olen ka toonud neid välja just et mõelge need läbi, et kas sa tunned seda inimest ikka nii läbi-lõhki et sa julged nagu pea tulle visata tema eest ja et...Tegelikult need grupid ei tohiks nagu moodustudagi sellistest inimestest, kes on läbi-lõhki võõrad üksteisele.]

The set of rules is enough I think.[...] It should not be sort of punishing rules, because trust is like the basis.

[Reeglistik ma arvan et on piisav iseenesest. [...] Ta ei tohiks olla siuke reeglistik, mis piitsutab, sest usaldus on nagu siuke põhi ju.]

9 Appendix 2

Interview Guide

Warm up questions

How long have you been participating in the loan group? How would you describe your experience with the microcredit programme and the loan group?

Do you define yourself as an entrepreneur? Is it your main activity? What are your ambitions with the business? What do you consider the main challenges in your business activities?

Part 1. The participant's relationship with the loan group, what resources she contributes to it and what she expects from it.

Why did you decide to join the loan group?

How was the loan group formed? Did you know each other beforehand? Why did you choose to form a group with specifically these persons?

How often do you meet with the group? Do you also communicate outside the regular meetings?

Part 2. The structure of the entrepreneur's network through loan group

How would you describe your relationship with the group members? Are there any problems? Do you see your group mates foremost as friends, acquaintances, colleagues...?

Do you and the group mates have similar material (financial) opportunities and, in this context, interests within the group? Were you in a similar situation economically when you started, and now?

How do you feel about the prospect of potentially having to cover other participants' financial obligations? Has this happened or any related issues emerged? What happens if someone does not pay?

Through participation in the microcredit programme and the loan group, have you gained other contacts besides the group members?

Do you participate in other networks, projects, trainings? As an entrepreneur, do you find your network sufficiently large?

Part 3. Economic benefits and services/support received through the loan group network.

Are the group members supportive towards each other? Do you get motivation or inspiration from the group? What is your close ones' [family and closest friends] and acquaintances' attitude towards your entrepreneurship?

Do you think you receive information or advice that is relevant for your business through the group? In what ways?

Which is the impact of the microloan on your entrepreneurship? Would you also be able to get funding for your business from other sources, such as banks?

Have there been any other economic benefits from participation, e.g. through cooperation or practical help by the group members? Do you have common undertakings or projects?

End up questions

Would you change anything about the organization of the loan group or the microcredit programme so that it would be more beneficial for you as a participant?