

Apart from unattractive borrowing terms and default risk, many argued that application processes were long and costly. One informant told us she couldn't provide the extensive financial information required because she didn't keep accounts.

And loan officers often requested bribes to speed up the process or bend requirements.

The women also complained about various types of inappropriate behaviour from loan officers. Two women mentioned that loan officers asked for sexual favours in exchange for a loan. Others blamed them for exploiting entrepreneurs' lack of financial knowledge.

For example, women who do end up applying for loans don't know that payments increase if they are late in paying back their loans, or that the bank has the right to sell their collateral.

We also heard stories of loan officers who visited women entrepreneurs in their businesses or even at home to convince them to take out a loan. One informant claimed that loan officers purposefully sought out entrepreneurs with valuable assets in the hopes of seizing them in case of default.

Painful experiences

Two mechanisms shape women entrepreneurs' beliefs: personal experiences and stories from others.

Some informants applied for loans in the past and were rejected; others had trouble reimbursing their loan or experienced other problems such as corruption. Even if they had these experiences taking out informal loans, it nevertheless affected their beliefs about formal loans.

Stories of other people's negative experiences with both formal and informal loans also shaped their beliefs. These stories either come from within the entrepreneurs' personal network or were passed on within the community.

Women entrepreneurs' negative beliefs about formal loans give rise to negative attitudes. Some mentioned that getting a loan would reduce their

freedom to run the business and use the money as they saw fit.

Because of their negative attitudes, most women entrepreneurs said they didn't intend to apply for a loan any time soon. One said that a bank or microfinance loan would be the last thing she would do to access money for her business.

What needs to be done

In the past, policymakers have tried to address women-owned businesses' lack of financing by increasing the supply of finance. But our research shows that this is addressing the wrong problem. In Tanzania, women entrepreneurs aren't deterred by a lack of supply. They don't apply for formal loans for a host of reasons, most of them negative beliefs.

This is what needs to be changed. But that's easier said than done.

Often, entrepreneurs' beliefs are rooted in legitimate issues such as loan officers' inappropriate behaviour. So it's imperative that policymakers tackle problems such as corruption, harassment and abuse.

In other cases, negative beliefs are probably the result of entrepreneurs' lack of knowledge and low financial literacy. This can be mitigated by educating women entrepreneurs on how to keep accounts, how to invest loans and explanations on the relationship between interest and risk.

A 2013 survey among women entrepreneurs in Tanzania showed that more than 80% of bank loan applications and more than 90% of microfinance loan applications had been approved. At the same time, only 18% of women entrepreneurs applied for bank loans and 28% for microfinance loans.