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The Influence of Selected Demographic Variables on the Choice of Bootstrap Financing Methods in Small Owner-Managed Businesses in Zimbabwe

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ABSTRACT Acquiring financial resources for survival and growth continues to be a challenge for small businesses in the developing world context. In many cases, small businesses have to resort to innovative and non-traditional means to remain viable. The main objective of this study was to explore the influence of selected demographic variables on the choice of bootstrap financing methods among owner-managers of small businesses which were operating in an unstable economic environment characterised by limited access to business finance. Data was collected from 62 owner-mangers of small business using a questionnaire that measured their preference of bootstrap finance methods. Results of the study showed that the owner-mangers preferred bootstrap finance methods that raised funds without going to the bank, and that owner-managers' characteristics influenced their choice of bootstrap finance methods. Implications of the results are discussed in the context of small businesses' survival and growth in unstable macro-economic environments.

INTRODUCTION

Small businesses continue to face the challenge of acquiring finance resources which they need for survival and growth (Amon and Dorfleitner 2013). Despite the finance challenge, small businesses dominate numbers worldwide (Crowling and Siepel 2013) and continue to survive in the dynamic, unpredicatable and competitive business environment. A typical example of a dynamic and unpredictable environment in which small businesses continue to survive and grow is Zimbabwe. The country experienced a period of economic crisis in mid-2000 when inflation reached a peak of 3000% in 2008 (Zimstats 2009). The hyperinflationary era was superseded by dollarisation of the economy in March 2009. Though today the Zimbabwean economy is believed to be on a recovery path, the few large manufacturing business that survived the hyperinflationary era are operating at an average of 57.2 % capacity utilisation (Confederation of Zimbabwe Industry Report 2011). According to Zimbabwe Statistics Zimstats (2012), the Zimbabwean economy is today punctuated by inflation averaging 4.9 %, liquidity constraints, high borrowing rates and political instability. The major concern during this period is the risk associated with lending, in particular by banks and other external funders to both large and small businesses. The political and economic uncertainty within the economy exacerbates this concern. External financiers particularly banks are criticised for previous conservative lending patterns (Matarirano and Fatoki 2010). Such risk averse lending patterns are more likely to continue into the future.

Despite these negatives pertaining to the Zimbabwean economy, between the years 2008 -2013, the country experienced a massive growth of small owner-managed businesses. The majority of the owner-managers (1) are victims of retrenchment that characterised Zimbabwe's large businesses during the country's economic downturn period (2000-2008), and (2) recent graduates from various universities and colleges who are finding it difficult to penetrate the job market. Reports confirm that today, when the country's economy is still recovering, the contribution of small businesses compared to

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large ones in terms of employment creation is 90% and to the Gross Domestic Product (GDP) it is 9% (Zimstat 2011; Central Statistics Office, Zimbabwe, 2013). In addition, small businesses are believed to account for the majority of businesses operating in Zimbabwe today (ZimStat 2011). In light of this evidence, the question that remains unanswered is: *'what strategies are these small businesses employing that makes them survive in an environment constrained by limited access to finance and high cost of borrowing from the traditional funding sources such as banks*?'

Bootstrap Financing

Literature states that lack of adequate funding support negatively affects small businesses cash flow and hence their growth and survival in the competitive market place (Bhide 2000; Harrison et al. 2004; Smith 2009). In order to survive, small businesses need to embrace other funding alternatives other than traditional assistance from banks (for example, order financing and overdraft facilities) and external long-term funding that may be in the form of bank loans or new shareholder capital. One method that is becoming common among small businesses in today's world is bootstrap financing (Bhide 2000). The strategy refers to the use of methods for meeting the need for resources without relying on long-term external funding (Winborg and Landstrom 2001). Put simply, the objectives of bootstrap financing include minimising the level of financing by securing business resources at the lowest or no cost, and financing the business without borrowing from banks or resorting to equity (Freear et al. 1995; Bhide 2000 and Harrison et al. 2004). Small businesses prefer to use bootstrap financing in running their businesses because it is generally easier to access at convenience because it is non-bureaucratic and does not require a formal business plan or collateral (Van Auken 2004). The strategy also enables easier management of cash flow as well as the business (Bhide 2000).

Empirical evidence (Bhide 2000; Harrison 2004; Van Aucken 2005; Smith 2009) on bootstrap financing has mostly been done in developed economies. These studies identified a number of bootstrap finance methods such as seeking advance payments, speeding up invoicing, delaying the settlement of wages and salaries to employees, leasing of equipment instead of buying and sharing of business operating premises. A total of 32 bootstrapping finance methods were identified and are widely used in research (Bhide 1992; Freear et al. 1995; Harrison et al. 2004; Van Aucken 2005; Smith 2009). The bootstrap financing phenomenon has been a widespread practice (Winborg and Landstrom 2001; Ebben and Johnson 2006) that has allowed small firms to access a broader range of financing alternatives.

According to Harrison et al. (2004), there are two forms of bootstrapping: (i) raising finance without using banks or equity and (ii) gaining resources without the need for finance. Techniques for raising finance include using a personal credit card, cross-subsidising (from other businesses or employment), seeking advance payments, speeding up invoicing and loans from family and friends. Bootstrapping methods for accessing other resources include sharing or borrowing equipment, hiring temporary employees, sharing premises or employees (Winborg and Landstrom 2001).

Theoretical Framework

The bootstrapping notion is based on the Packing Order Theory (POT) by Myers (1984). The theory explains how businesses choose between internal and external forms of funding. According to the theory, businesses prefer internal and short - than external and long-term financing. Thus, small businesses follow a hierarchy of financing sources and prefer internal financing and if external financing is required, debt is preferred over equity (Myers 1984). According to Myers (1984), the central aspect of this theory is the easiness and less demanding sources of funding which gives rise to a specific preference. Within the business context, easiness and less demanding aspects explain why small businesses opt for internal sources of funding against long-term external funding. In many respects, small businesses have a challenge in securing external traditional funding due to issues of information asymmetry and high financing costs (Winborg and Landstorm 2001). As a result, small businesses prefer internal and short-term funding sources because unlike external funding, internal funding is easier to obtain and has no problems of information asymmetry (Van Auken 2004). The easiness and less demanding aspects of obtaining funding in the POT is used in this study to relate to the preference and use of alternative and internal sources of financing by small-owner managed businesses under investigation.

Bootstrap Finance and Demographic Characteristics

There is evidence from developed economies that the extent to which small business managers use different bootstrap finance methods is influenced by their characteristics such as age (Adler and Kwon 2002; Neeley and Van Auken 2010), gender (Brush et al. 2006), education (Hanlon and Saunders 2007), and past experience (Carter and Van Auken 2005). The owner-manager's age has been shown to facilitate the chances of securing credit (Fabowale et al. 1995). Accordingly, Adler and Kwon (2002) and Hanlon and Saunders (2007) validated the findings of Fabowale et al. (1995) and concluded that the owner-managers' age enhanced their ability to secure resources. Similarly, Chandler and Jansen (1992); Adler and kwon Kwon (2002) and Neeley and Van Auken (2010) supported the view that age enhances capital acquisition and improves the ease of obtaining resources. These findings and assertions suggest that with age, the owner-manager acquires experience in sourcing funding and as such becomes knowledgeable in addressing common challenges such as information asymmetry that normally impose major barriers when small businesses attempt to access funding. One of the objectives of this study is to explore the relationship, if any, between owner-managers' age and their choice of bootstrap financing in small businesses in developing economies.

The world over, there is a growing number of female-owned businesses (Minniti et al. 2004). A study by Brush et al. (2006), in bioscience-based businesses in USA, to investigate the use of bootstrapping by women acknowledged the rapid increase in female-led businesses. In addition, the study found that most female-led businesses' growth is funded by personal investment and debt. Unlike their male counterparts, female-owned small businesses tend to be smaller at start-up because of their greater limitations to accessing capital (Greene et al. 2003). In general, the survival of a business depends on its ability to access capital. For small businesses, bootstrap capital provides financing alternatives that help address the challenge inherent in accessing traditional capital. According to Coleman (2000), compared to men, business women are less likely to use the traditional long-term external funding and are more likely to rely on business earnings and private resources for financial needs. The reason for adopting such an option is based on the difficulties encountered in the process of attempting to secure external funding. Amongst the difficulties faced by small businesses during the process of accessing funding are: information asymmetry, need for collateral and lack of market access (Cassar 2004). As a result of these challenges, females find venture capital more difficult to raise than obtaining funding from other sources that are easier and less demanding such as government.

The findings of Brush et al. (2001) on the influence of gender in attracting equity concur with those of Coleman (2000) who found that that equity investments in women-owned businesses lagged behind that of male owned businesses. They argued that women owned businesses tend to be smaller and financially weaker compared to those of men. Another hypothesis is that women start businesses in slow growth, highly competitive sectors that are unattractive to equity providers. Other researchers suggest that women lack the experience and management capabilities to source funding from the traditional sources of funding (Brush et al. 2006). Pursuance to the previous studies, Greene et al. (2003) concluded that women exhibited a preference to internal sources of capital while male owners showed a preference for external sources of capital. Similarly, Irwin and Scott (2010) concurred with the findings of Greene et al. (2003) that women found it easier than men to raise finance other than external funding as this does not involve difficulties such as high administration costs. Accordingly to Carter et al. (2003) and Orser et al. (2006), women prefer to fund their businesses using financial resources mainly from their family and friends. Bird and Brush (2002) and Coleman (2004) posit that personal commitment is the hub of business women's resource acquisition decisions.

In support of earlier findings, Carter et al. (2003) and Brush et al. (2006) also concluded that gender has an influence on the choice of bootstrap technique and on developing financial strategies. In addition, Brush et al. (2006), found significant differences in the bootstrap at different options adopted by women-led ventures at different stages of business development. However, Neeley and Van Auken (2010) challenged the view that gender had an influence on the use and choice of bootstrap financing. In their study, they argued that both female- and male-owned small businesses adopted and used similar bootstrap financing methods. Differences that they acknowledged were only those which were brought about by variations in age, education, sales and overdraft privileges.

Different studies have revealed mixed findings on the link between the owner-managers level of education and their choice and use of bootstrap financing technique. According to Hanlon and Saunders (2007), the proclivity to attract funding from banks, external funders and stakeholders increases with educational achievements. In concurrence to Hanlon and Saunder (2007), Neeley and Van Auken (2010) propound that, compared to small businessmen, small businesswomen's choices of funding tend to be influenced by their level of education. Nevertheless, Irwin and Scott (2010) argued to the contrary and posited that the effect of education on sourcing of finance was not significant. However, Irwin and Scott noted and acknowledged that graduates experienced less difficulty in raising funding and that 'A' level holders (graduates of 6-year secondary education) tended to resort to bootstrap financing as evidenced by their preference to use borrowings from friends and family, in addition to remortgaging their homes. In view of the unstable macro-economic situation that prevailed in Zimbabwe during the study period where the majority of 'A' level holders could not secure formal employment and started small businessinesses, this study attempts to investigate whether education has an influence on the choice and use of bootstrap financing techniques.

According to Schutjens and Wever (2000), the business owner's background and experience, especially that is gained through similar previous business dealings, is a resource that contributes to capital acquisition and the competitive advantage for the venture. With this finding in mind, the use of previous experience to address new situations is of critical importance to small businesses. Arguably, the importance of experience is more pronounced in situations that require making decisions regarding financial and other resource acquisitions. For example, in their study on Chinese small businesses in Singapore, Lee and Tsang (2001) found a positive relationship between owner experience and business growth. A further study by Ozgen and Baron (2007) revealed a direct relationship between owner's previous experience and capital acquisition. Arguably, equity investors use owner experience as a major criterion when assessing eligibility of small businesses for funding (MacMillan et al. 1985). The argument is that, investors want assurance that their investment will be handled by an experienced person capable of driving the business to meet its set objectives and ultimate goals. Studies by Carter and Van Auken (2005) revealed that cumulative and relative experience of the founder significantly influences the choice and use of bootstrap financing. Carter and Auken argue that the experience gained overtime enables the new business founder to understand the advantages and motives for using bootstrapping. Such an understanding is essential for business growth and survival; its absence may result in the lack of capital access and consequent business failure.

Problem Statement

From the birth of research on bootstrapping finance by Bhide (2000) to more recent studies (Bosse and Arnold 2010), the subject has been passionately interrogated. However, most studies can be criticised for (1) assuming that their findings are generalisable to different contexts, and (2) only focusing on 'appointed managers' and leaving out 'owner-managers' of small businesses. Invariably, research on bootstrap financing, in particular the influence of 'owner-manager' characteristics on the choice and use of bootstrap financing in developing economies is limited. As such, this study aims at contributing to knowledge and literature on the use of bootstrap financing among small businesses by focusing on small owner-managed businesses in Zimbabwe during a period of unstable and unpredictable macro-economic conditions. Principally, the study will answer the following questions: (1) What bootstrap finance strategies are the small owner-managers in the study area using to finance their operations and, (2) can the choice of such strategies be linked to specific owner-mangers' demographic characteristics? In the case of Zimbabwe during the study period, the economy was notably facing serious liquidity challenges. Responding to such questions and establishing the extent to which bootstrap financing is viable as a source of capital for small businesses is critical to crafting enlightened small business support programmes.

Research Objectives

The main objectives of the study were:

i. To identify bootstrapping strategies preferred by owner-managers of small businesses belonging to different sectors in the Manicaland Province of Zimbabwe.
ii. To establish the extent to which demographic characteristics such as age, gender, level of education and experience, influence the choice and use of bootstrap financing strategies amongst owner managers of small businesses under study.

METHODOLOGY

Sample and Questionnaire Design

A study sample of 62 small owner-managed businesses was randomly selected from a population of 197 in the Manicaland Province of Zimbabwe in particular from urban cities urban towns and rural growth points. The sample was obtained from the small business database for Manicaland Province that is administered by the Ministry Of Small to Medium Enterprises. The sample included small businesses in the service, manufacturing, retail, construction, tourism, agriculture, transport, automotive, catering as well art and craft sectors. A questionnaire was designed based on the studies of Van Osnabrugge and Robbison (2000), Winborg and Landstorm (2001), Van Auken (2001, 2005), and Neeley and Van Auken (2010). The questionnaire measured preference of bootstrap methods by business owners.

The first section of the questionnaire had three subsections. In the first sub-section, demographic data such as date of establishment; age of firm; type of business; ownership and the operating sites was solicited. The second sub-section solicited biographic characteristics of each owner-manager of the small businesses which were surveyed. The biographic data included age, years of experience, gender, and educational level. The third sub-section focused on the previous and current funding status of the owner-managed businesses under study.

In the second section of the questionnaire, respondents were asked to indicate on a 2 point Likert-scale the frequency of using each of the given 27 bootstrap financing methods. The likert-scale was calibrated (0 = insignificant use and 1= significant use). The third section of the questionnaire comprised of nine (9) questions selected from the original 32 traditional bootstrap financing techniques list developed by Van Osnabrugge and Robbison (2000) and used by Winborg and Landstorm (2001), Van Auken (2001 and 2005), and Neeley and Van Auken (2010). The questions were changed to dichotomous variables (no = “no use” and Yes = “Use”) to suit the nominal characteristics of the variables which were being measured.

Two research assistants distributed the questionnaires. Each small business owner-manager was asked to complete the questionnaire with the assistant clarifying and explaining any unclear items. Out of a total of 62 small business owner–managers approached, 61 usable questionnaires were returned -a response rate of 98%.

Data Analysis

Univariate analysis (frequencies) was done to establish and understand the biographical characteristics of the respondents and characteristics of small businesses. In addition, frequencies were used to determine the preferred bootstrapping methods by owner managers of small businesses. Chi-square cross tabulations were used to test the influence of independent variables (age, gender, education level, experience, industry sector and location) on the methods of bootstrap financing. This data analysis approach is consistent with the approach used in similar studies mostly in high technology firms by Winborg and Landstorm (2000), Van Auken (2005) and, Neely and Van Auken (2010), and is the commonly accepted and utilised data analysis approach in the current literature on the bootstrap financing.

RESULTS

Table 1 indicates that 51% of owner-managed businesses were operated during the period (2007-2012) mostly by men at their prime age (26-35 years) mainly in the retail (36%) and manufacturing (18%) sectors in urban cities (71%).

Table 1: Sample descriptive statistics on small owner-managed businesses

Variable	*Percent (n=61)*
Year of Inception	
Up to 2000	18.0
From 2001 to 2006	31.1
from 2007 to 2012	50.8
Sector	
Agriculture	4.9
Art and craft	1.6
Automotive	3.3
Catering	8.2
Construction	3.3
Manufacturing	18.0
Retail	36.1
Services	9.8
Tourism	3.3
Transport	9.8
Vending	1.6
Location	
Mutare (urban city)	70.5
Hauna (rural growth point)	4.9
Murambinda (rural growth point)	18.0
Rusape (urban town)	6.6
Number of Employees in 2009	
0 - 5	57.4
6 - 10	13.1
11 - 15	4.9
More than 15	4.9
Number of Employees in 2010	
0 - 5	62.3
6 - 10	16.4
11 - 15	4.9
More than 15 yrs	6.6
Missing system	9.8
Number of Employees in 2011	
0 - 5	57.4
6 - 10	24.6
11 - 15	9.8
More than 15	4.9
Missing system	3.3
Form of Business	
Sole trader	75.4
Partnership	24.6
Ownership	
Owner	100.0
Age	
Up to 25 yrs	16.4
26 - 30 yrs	23.0
31 - 35 yrs	23.0
36 - 40 yrs	6.6
41 - 45 yrs	8.2
45+ yrs	23.0
Gender	
Female	16.4
Male	83.6
Years of Experience	
0 - 5	70.5
6 - 10	16.4
11 - 15	8.2
16+ yrs.	3.3
Education Level	
'O' Level (4-Years secondary school)	41.0
'A' Level (6-Years secondary school)	8.2
Diploma	42.6
First degree	6.6
Masters degree	1.6
Secure Long-term Funding After Dollarisation	
Yes	9.8
No	90.2
Do you Require Long-term Funding from Banks	
Yes	23.0
No	77.0
Chances of Obtaining Long-term Funding	
Yes	59.0
No	41.0
Collateral for the Business	
Yes	73.8
No	26.2
Was the Business Started or Inherited	
Yes	80.3
No	19.7

Table 2 presents percentages of small owner businesses that use particular bootstrapping methods**.** The most preferred bootstrapping methods in descending order and only above 50% are (i) Quick invoicing of goods sold or service/s rendered (96.7%), (ii) Trading on cash (93.4%), (iii) Offer same business trading conditions to all customers (88.5%), (iv) Maintaining of own equipment and machinery without outsourcing (85.2%), (v) Deliberately choose customers who pay quickly (75.4%), (vi) Personal borrowings (73.3%), (vii) Advance payment from customers (prepayments) (72.1%), (viii) Engaged in more than one business in one shop (70.5%), (ix) Negotiate for credit from suppliers (67.2%), (x) Employ friends and or relatives at non market salary (60.7%), (xi) Offer discounts for cash payments (54.1%) and (xii) Charge interest on overdue payment by customers (50.8%). The least used bootstrapping methods include (i) Delaying payment of manager's salaries for a shorter or longer periods (4.9%), (ii) Use of managers private credit card or own funds for business expenses (3.3%), (iii) Obtain capital from managers other assignments in other businesses (1.6%), and (iv) Share employees with other businesses (1.6%) while the method of subcontracting work to non-busy similar business players and share the profit is not used at all.

Table 2: Percentage of firms using bootstrap financing methods

Bootstrapping method	*Usage (%)*
More immediate invoicing of goods sold or service/s rendered	96.7
Trading on cash basis	93.4
Offering same trading conditions to all customers	88.5
Maintaining own equipment and machinery without outsourcing	85.2
Deliberate segmentation by customers who pay quickly	75.4
Using personal borrowings	73.3
Asking for advance payment from customers	72.1
Engaging in more than one business-line in one shop	70.5
Negotiating for credit from suppliers	67.2
Employing friends /relatives at non-market wages/salaries	60.7
Offering discounts for cash payments	54.1
Charge interest on overdue customer accounts	50.8
Tax avoidance	47.5
Buy second hand equipment/spares instead of new	45.9
Share business premises	44.3
Stop trading with customer who pay late	39.3
Recycling of waste to avoid buying new raw material	37.7
Charge interest on overdue debtors	32.8
Practice barter trade instead of selling or buying	31.1
Hold consignment stock from suppliers	24.6
Borrow equipment from other businesses for a shorter period of time	24.6
Coordinate purchasing with other departments or businesses	18
Coordinate purchases with other businesses	18
Operate the business from home	18
Deliberate late payment to creditors	16.4
Conduct training from within the business	16.4
Late payment of wages and salaries for employees	14.8
Share equipment with other businesses	13.1
Leasing of equipment instead of buying	11.5
Use of contract labour avoiding permanent employees	9.8
Obtain loans from relatives and or friends	9.8
Hire and fire labour to reduce wage/salary bill	8.2
Delaying payment of manager's salaries for a shorter or longer periods	4.9
Use of managers private credit card or own funds for business expenses	3.3
Obtain capital from managers other assignments in other businesses	1.6
Share employees with other businesses	1.6
Subcontract work to non-busy similar business players and share the profit	0

The Chi-square cross tabulations as shown in Table 3 indicate that trading on cash (p <.013), advance payment from customers (prepayments) (p<.004), maintaining of own equipment and machinery without outsourcing (p<.021), and sharing employees with other businesses (p<.044) all had significant relationship with the age of the owner-manager. The p- value (.004, p < .01) for the advance payment from customers (prepayments) method shows a very strong and direct relationship with the age of the owner-manager.

Table 3: Chi-square cross tabulation between age and bootstrap financing methods

Factor	*Bootstrap method*	*Chi-square*	*p-value*
Age	Trading on cash	14.371	.013**
Age	Advance payment from customers (prepayments)	17.508[a]	.004***
Age	Maintaining of own equipment and machinery without outsourcing	13.238[a]	.021**
Age	Share employees with other businesses	11.387[a]	.044**

*Significant at .01;**Significant at .05

Table 4 shows the relationship between methods of bootstrapping and gender. All other bootstrapping methods have no relationship with gender except stopping trading with customers who pay late (p<.000), maintaining of own equipment and machinery without outsourcing (p<.014), practice barter trade instead of selling or buying (p<.020), and obtaining capital from manager's other assignments in other businesses (p<.023). Compared to men, 77% of female use these methods.

Table 4: Chi-square cross tabulation between gender and bootstrap financing methods

Factor	*Bootstrap method*	*Chi-square*	*p-value*
Gender	Practice barter trade instead of selling or buying	5.411a	0.020**
Gender	Obtain capital from manager's other assignments in other businesses	5.185[a]	0.023**
Gender	Stop trading with customer who pay late	12.861[a]	0.000* **

***Highly significant at .01; **Significant at .05

Table 5 indicates how the level of education of owner–managers influences the choice of bootstrapping method. Bootstrapping methods that had a strong relationship with the level of education ($p < .05$) include use of manager's private credit card or own funds for business expenses (0.000), delaying payment of manager's salaries for shorter or longer periods (0.000), hiring and firing labour to reduce wage/salary bill (0.001), obtaining capital from managers other assignments in other businesses (0.006), obtaining loans from relatives and or friends (.009), coordinating purchasing with other departments or businesses (.028) and, use of contract labour avoiding permanent employees (0.029).

Table 5: Chi-Square cross- tabulation between education and bootstrap financing methods

Factor	*Bootstrap method*	*Chi-square*	*p-value*
Education	Hire and fire labour to reduce wage/salary bill	18.985	0.001***
Education	Use of contract labour avoiding permanent employees	10.780	0.029**
Education	Coordinate purchasing with other departments or businesses	10.894	0.028**
Education	Delaying payment of manager's salaries for a shorter or longer periods	23.329	0.000***
Education	Obtain loans from relatives and or friends	13.598	0.009***
Education	Practice barter trade instead of selling or buying	1.196	0.879
Education	Use of managers private credit card or own funds for business expenses	30.727	0.000 * **
Education	Obtain capital from managers other assignments in other businesses	14.487	0.006* **

***Highly significant at .01;**Significant at .05

From Table 6, it is evident that owner manager's experience significantly influenced the choice of the following bootstrapping methods: (i) Quick invoicing of goods sold or service/s rendered (0.003) (ii) Maintaining of own equipment and machinery without outsourcing (0.007) (iii) Share business premises (0.034) (iv) Personal borrowings (0.023) and (v) Trading on cash (0.037).

Table 6: Chi-square cross- tabulation between experience and bootstrap financing methods

Factor	*Bootstrap method*	*Chi-square*	*p-value*
Experience	Personal borrowings	9.536	.023**
Experience	Trading on cash	8.459	.037**
Experience	Quick invoicing of goods sold or service/s rendered	14.170	.003***
Experience	Maintaining of own equipment and machinery without outsourcing	12.011	.007***
Experience	Share business premises	8.668	.034**

***highly significant at .01; **significant at .05

DISCUSSION

The present study investigated the influence of age, gender, level of education and experience on the choice of bootstrap finance methods by owner-managers of small businesses in the Manicalnd Province of Zimbabwe. The results of the study indicated that owner – managers' most preferred bootstrapping methods were those that earned and/or conserved cash (cash enhancement) for the business such as prepayments from customers, selling on a cash basis and charging interest on overdue customer accounts. The need to use cash- enhancing bootstrapping methods may be especially essential for small businesses operating in a distressed economy, particularly one in which small businesses experience financial challenges due to high lending rates and liquidity shortages. The high preference of cash enhancement bootstrapping methods shown by owner managers in this study is supported by Bhide (2000) in the context of better cashflow management. Other researchers have confirmed these results by showing that cash enhancement bootstrapping methods are mostly required when external financiers, particularly banks, exhibit risk averse and/or conservative lending patterns (Matarirano and Fatoki 2010). In this study, the choice of cash enhancement methodologies reflected owner–managers' strategies to improve working capital useful for small business growth and survival in the competitive market place. Although many methods were found not being used by the owner-managers, the method of obtaining loans from relatives and or friends as a way of bridging and meeting the need for resources was not as frequently used as is often anticipated and reported in previous studies (Winborg and Landstrom 2001). This method is assumed to be the cheapest source of funding because of the absence of the cost of debt. Indeed, Gartner's et al. (2010) studies in United States of America (USA) found that 84 % of small businesses were financed using internal sources of funding and of these 57 % used personal contributions as their main source of internal funding.

Results of Chi-Square cross tabulations between owner-manager characteristics showed that age significantly influenced 11% of the tested bootstrapping methods. The combination of young (26-35 years) and old (45 years plus) owner-managers that dominated and influenced the choice of bootstrapping methods support previous research (Adler and Kwon 2002; Hanlon and Saunders 2007; Neeley and Van Auken 2010) which found that with age, the owner-manager acquired experience in sourcing funding and as such became more knowledgeable in addressing common challenges, such as information asymmetry, which normally act as major barriers when small businesses attempt to access funding. These results show that the choice of bootstrap financing methods in a distressed economy is influenced by age. Young owner-managers of small businesses as victims of retrenchment, derive their source of influence from their high intellectual acumen and greater networking contacts aided by technology that helps them to fully understanding how to survive under austerity. Older owner-managers take advantage of exposure and experience to choose bootstrapping methods essential for survival. The findings also support conclusions by Fabowale et al. (1995), Adler and Kwon (2002) and Hanlon and Saunders (2007) who observed that the age of owner-managers facilitated the chances of securing credit, enhanced capital acquisition and improved the ease of obtaining resources (Neeley and Van Auken 2010).

Gender, like age, had an influence on 11% of bootstrapping methods. These were: stopping trade with customers who pay late, maintaining of own equipment and machinery without outsourcing, practicing barter trade instead of selling or buying, and obtaining capital from managers' other assignments in other businesses. From these four, only maintaining of own equipment and machinery without outsourcing forms part of the most preferred twelve bootstrapping methods. The choice of this method together with the practicing of barter trade instead of selling or buying was largely influenced by being male than being female. On the other hand, the other two methods, namely, stopping trading with customers who pay late and obtaining capital from managers other assignments in other businesses were influenced more by being female than being male. The results of the present study concur with the assertion of Carters et al. (2003) that women preferred funds from operations, personal sources or family.

Seven bootstrap finance methods were influenced by the educational qualification levels of the owner-managers. The methods were: use of managers private credit card or own funds for business expenses, delaying payment of manager's salaries for a shorter or longer periods, hiring and firing labour to reduce wage/salary bill, obtaining capital from managers other assignments in other businesses, obtaining loans from relatives and or friends, coordinating purchasing with other departments or businesses, and use of contract labour avoiding permanent employees. It is interesting to note that nine of these seven forms part of the most preferred list of methods by the owner-managers who participated in the study. This may be attributed to the fact that graduates experienced less difficulty in raising funding and that a higher educational qualification enhance the ability to obtain bank loans, secure external funding and hence no need to rely much on bootstrap financing (Fabowale et al. 1995; Hanlon and Saunders 2007). Despite this, the results on the influence of education are supported by Neeley and Van Auken (2010) who found that owner's education has an effect on bootstrap finance choice and use.

Owner-managers' experiences accounted for 42% of the most frequently used bootstrapping methods. These were: quick invoicing of goods sold or service/s rendered, trading on cash, maintaining of own equipment and machinery without outsourcing, and personal borrowings. These methods rank 1; 2; 4 and 6 on the most preferred list. The results were consistent with literature which states that cumulative and relative experience gained over time enables the business founder to understand the advantages and motives for using bootstrapping (Carter and Van Auken 2005).

Practical Implications

This research is the first on bootstrap financing in a recovering and developing economy, using owner-managed small businesses. The results found engender owner-managers of small businesses to understand and seriously consider adopting alternative financing options other than external long-term funding in order to strengthen and better manage their cash flow positions. The results of the study will also give owner-managers of small businesses who have limited access to finance, a useful insight into what specific owner-manager characteristics influence the choice and use of bootstrap financing. In addition, the results will help those aspiring to start up small business in developing economies to understand the specific characteristics that might help them to succeed in their ventures. Such information might have a snowballing effect on small businesses' survival in other developing economies. The results have implications for traditional financiers in terms of changing their attitudes towards small business in terms of financial support. For academics, the study is a pace-setter for other similar studies in other developing but unstable economies.

CONCLUSION

The study provides evidence that bootstrap financing methods are essential for small owner-managed businesses' survival in a recovering economy. Owner–managers in the study prefer bootstrapping methods that aim at raising finance without using banks. The cash generated from the use of bootstrap methods among small businesses is a key competitive advantage that can be used for continuous survival and sustainability. The study findings indicate that different owner manager characteristics influence different bootstrapping methods. Specifically, the results have highlighted owner manager's age and experience as key variables that significantly influence the choice of the frequently used bootstrapping methods while the level of education has been identified as having the strongest relationship with specific bootstrapping methods. In summary, it is possible to argue that the owner manager's age and experience complimented by the level of education and gender enable small businesses' survival in a recovering economy.

LIMITATIONS OF THE STUDY

Like most studies, the geographical coverage of the sample was limited to cities, towns and growth points in only one area. This limits the generalisation of findings to other cities, towns and growth points. A few owner-manager characteristics considered in the study may not be exhaustive to explain all the demographic factors that influence the choice of bootstrap financing in small businesses. Future research could include several characteristics such as ethnicity and marital status in order to give a comprehensive result essential for equipping small business owner-managers with relevant information for making informed decisions on the choice of bootstrap financing method/s. A comparative study across comparable economies might also be more valuable contribution to this new area of research in Africa.

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