

Full length Research Paper

The Influence of Socio-economic Characteristics of Women Entrepreneurs on the Performance of their Micro Enterprises: The case of Eldoret Municipality in Uasin-gishu County, Kenya

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The Micro and Small Enterprises (MSEs) sector plays an important role in income and employment generation as well as poverty alleviation. As such, the study investigated the extent to which the socio-economic characteristics of women influenced the performance of their Micro and Small Enterprises in Eldoret Municipality. The study was an ex post - facto, exploratory survey that used questionnaires, interviews, and observation in data collection among 195 sampled women entrepreneurs in Eldoret Municipality. The data was analyzed quantitatively using frequency distributions, descriptive statistics, and regression analysis while Chi-square distribution was used to establish associations between variables. Hypotheses were tested, inferences made from which generalizations and conclusions were drawn. The study established that there is a positive relationship between the entrepreneurs' socio-economic characteristics such as entrepreneurs' age, educational level, past business experience, previous employment and number of years in current businesses and the operation of their enterprises. However, multivariate regression analysis could not categorically establish the extent and manner of the effects of the independent variables on the enterprise performance. It was recommended that policy makers should streamline policies to facilitate the growth of women operated enterprises.

Keywords: Influence, Socio-Economic Characteristics, Women Entrepreneurs, Performance, Micro Enterprises, Eldoret Municipality

INTRODUCTION

Sub-Saharan Africa (SSA) had high expectations at the beginning of the 1960s of making rapid progress in raising incomes, employment and improving welfare of its people. A number of the SSA countries successfully expanded the basic infrastructure and social services. However, the beginning of the 1970s saw this initial growth faltering and a decline in growth set in. In the 1980s, the situation worsened as the region faced famine, hunger, malnutrition, disintegration of physical infrastructure and social and political instability (Ondiege, 1995). Thus, the region's economic performance was particularly dismal since the beginning of the last decade (1990-2000) with an average annual GDP growth rate of 0.4% for the period 1980-1987 and a declining per capita income of about 2.6% in the same period. The increasing poverty levels and the disintegration of the productive

and infrastructural facilities fuelled the worsening of this situation (World Bank, 1994).

In the past, African economies have tended to ignore the Micro and Small Enterprise (MSE) sector, which in the middle of the last decade were estimated to account for 20% of total output and over 20% of the total labour force. Estimates by the International Labour Organization (ILO) indicate that the MSE sector accounts for 59% of Sub-Saharan Africa's urban labour force. An ILO survey of 17 African countries found that the MSE sector contributes, on average, 20% of GDP (or US \$15 billion a year) to the economies studied (World Bank, 1994). As such, this sector, which has a majority of the women and disadvantaged groups participating as entrepreneurs, employees and customers plays an important role in production, distribution, finance and employment creation

in the African economies and therefore, needs to be given serious consideration to help reform Africa's economic structure (Ondiege, 1995).

With limited data and information, this paper endeavoured to examine the recent developments in women participation in entrepreneurship in Kenya. The study focused on women entrepreneurs in micro, small and medium enterprises. The objective of the paper was to identify the socio-economic characteristics faced by women while operating their MSEs noting that a large share of the women workforce belongs to the poor families or lower middle income group. The study was undertaken within Eldoret Municipality in Kenya.

The results of this study provided insight and new knowledge into the importance of women contribution in enterprise development and the need for policy makers to increase their participation through understanding socio-economic characteristics influencing SME development and eliminating major barriers to SME development for women.

Women entrepreneurs in SMEs are a major force in innovation and job creation and senior policy makers should attach great importance to the issues of women entrepreneurship and SMEs. They should move away from the acceptance of equal rights to the reality of equal opportunity. This transition will not be complete until women and men have equal opportunities for occupying positions in power structures throughout the world. This includes not only public law-making and policy-formulating bodies, but also the world of private business. Society as a whole stands to gain by accelerating the process.

Kenya's Policy Environment and Gender Issues in MSEs

The role played by women in the MSE sector is significant. The Kenya government has adopted a number of strategies since independence to enhance economic development and to enhance the need to integrate women in the development process (Atieno, 1986). This acknowledges that women should be integrated in the development process and their participation ensured in all sectors of the economy. Donde (1990), in his article *The role of the NGOs in Development of Jua Kali and small-scale enterprises for Women*, emphasizes the potential role of women in Jua Kali and small-scale enterprises. The women have played a major role since independence in mobilizing themselves in many rural and urban income-generating projects and, hence, need to be given the necessary support.

The "Women in development" movement and women's income generating programmes have traditionally taken a broad-based welfare approach which has emphasized improving women's general standard of

living rather than enhancing their independence and activate participation in the mainstream of the economy. Over the past several years, people have become increasingly aware of the need to focus on entrepreneurship as a more specific objective in supporting women in developing countries. The effectiveness of women entrepreneurship development programmes, however, has been hampered by the emphasis on gender. Eigen (1992), in *Assistance to Women's Business*, presents a strategy for more effective women entrepreneurship development through gender sensitivity. But the study seeks to investigate the gender sensitivity in terms of the provision of NGO support.

A large number of women's groups in Kenya have captured the attention of both government and private agencies as excellent agents for implementation of a wide range of development goals, and income generation, in particular. But there is insufficient data to indicate their impact. A Kenyan NGO, Tototo Home Industries, found that although rural women have viewed credit as a critical problem for group enterprise success, the social and economic environment is a greater reason for the poor performance. The role of women in households is not conducive to the operation of an independent business. A new approach was, therefore, developed for business training that is based on a combination of anthropological research, standard business skills, curriculum and non-formal education. This innovative approach to business training for women groups has proved adaptable to other situations (Kane *et al.*, 1991).

Women should be integrated in to the development process and their participation ensured in all sectors of the economy. Social constructs of gender impact significantly on both female and male participation in micro enterprises in several ways. For example, gender constructs influence the choice of entrepreneurial activity as in the case of women concentration in tailoring and garment making while men predominate in metal work, vehicle repair and furniture production. Other factors influencing businesses are location, size of investment and production techniques as well as market share (McCormick, 1991).

Role of Credit and Finance in the Development of Micro-Enterprises

Lack of adequate finances has been cited in various studies as one of the key constraints towards the development of enterprises (McCormick, 1988). Similarly, lack of training and business counselling is the key limitations to the growth of SSE sector (Nafukho, 1998). With adequate provision of these service programmes, it is expected that enterprises do increase the number of jobs created (provide employment), increased sales volumes and incomes.

Rhyne and Otero (1994), in their discussion on financial services for micro-enterprises, state that "mainstream financial institutions cannot easily serve micro-enterprises... micro-enterprises have established no credit rating. They lack collateral. These factors keep commercial banks out of small-scale enterprise lending". The NGOs, however, are in the forefront in lending to these small-scale enterprises using funds mainly from donor agencies. Research reports from NGOs involved in the financing of small-scale enterprises show that there is a positive impact created by credit interventions.

In their survey in Indonesia, Boomgard and Angell (1990) have reported that the loans borrowed by enterprises are spent primarily for working capital requirements. Profits earned are reported to have grown at an annual rate of 24.6%, total household income at a rate of 20.7%, and total employment increased at a rate of 18.2% per annum. The survey also reveals that loan size appears to be a strong predictor of both net enterprise income and household income. There appears to be insufficient and specific empirical studies in the Kenyan context that have attempted to establish the degree to which women controlled the actual use of the loan money. Such control being in terms of managerial control over the initial loan proposal, investment in productivity assets, labour inputs marketing and use of profits.

Inhibiting Factors to Women Performance in MSEs

The government of Kenya recognizes the potential role played by women in the MSE sector and has identified a number of special major constraints that need urgent remedial action. They include lack of education and training, socio-cultural factors, in particular the multiple roles that deny women time to participate effectively in enterprise performance and financial constraints resulting from low levels of employment, inability to save, lack of collateral and the negative perception that financial institutions have towards women (GoK/ILO/UNDP, 1992). Limited or no access to credit and lack of training has been cited by K-REP as the major setbacks to women venturing into business. Other research studies have reported limited purchasing powers particularly in the rural areas, lack of management skills, lack of physical infrastructure and lack of seed capital (Alila, 1993; Felsenstein and Swartz, 1993).

Women who manage to start businesses have been cited as having problems at the growth stages such as inadequate working capital, poor technical and managerial skills, lack of marketing techniques, lack of work sites and security and basic infrastructure, hostile business environments, poor project and planning skills and lack of information on the available assistance programmes (ILO, 2001). However, a gap still exists on the constraints faced by rural women in the enterprise

sector.

The MSE sector plays an important role in income and employment generation as well as poverty alleviation, hence, the NGOs have developed support programmes such as credit, training and business counselling geared towards boosting the performance of the MSEs due to their enormous contribution to national development. However, while these support programmes have been implemented in Kenya by various NGOs, there is no sufficient empirical data to show the extent to which these interventions have brought change to the performance of women run enterprises. This paper, therefore, highlights socio-economic characteristics of women entrepreneurs that precondition the poor performance of their MSEs in order to provide ways through which NGOs could intervene on the performance and growth of women-run enterprises.

MATERIALS AND METHODS

The study was conducted in Eldoret Municipality, which is the administrative industrial centre for North Rift. The research design of the study assumed an exploratory approach which began with a survey of the study area to identify the number of NGOs involved in Micro and Small Enterprise promotion and then followed by a purposive selection of four NGOs; namely the Catholic Diocese of Eldoret, ACK, K-REP and World Vision-Eldoret to represent all the NGOs in the entire Municipality.

The target population for the study comprised women entrepreneurs who had received NGO support/assistance from any of the NGOs based within Eldoret Municipality. The sampling frame constituted a source list of a total of 975 women entrepreneurs who had been in business between the year 2000 and 2002 and who had received NGO support from ACK, K-REP, World Vision-Eldoret and the Catholic Diocese of Eldoret. This list was obtained from the respective NGO records. From the above sampling frame, a sample size of 195 entrepreneurs was drawn, which represented 20% of the population and provided access to enough data, and with the right focus, to enable the researcher address her research questions (Mason, 2002b). This size was selected using simple random sampling technique. Thus given the variation in types of NGO interventions, 26, 35, 58 and 76 enterprises were picked for the exercise from Catholic Church, ACK, K-REP and World Vision, respectively. Primary data was obtained from the field using structured questionnaires, guided by an interview schedule and non-participant direct observation. To enhance quality of data, focus on group discussions with leaders of women groups, key informants comprising of NGO officials, and four role models were used.

The study utilized both qualitative and quantitative methods of data analysis. The qualitative statistics focused on descriptive and inferential methods of data

analyses including frequency and Chi-square distributions to analyze associations between variables. Bivariate and multivariate analyses were used to determine relationships differences between variables. The qualitative research method used for data analysis involved transcribing the data obtained from the interview to the written mode.

RESULTS AND DISCUSSION

Women Entrepreneurs' Socio-Economic Characteristics

The study established that most of the entrepreneurs (49.7%) were aged between 25 and 34 years with a mean age being 31.87 years. This depicts a youthful group of entrepreneurs and when the age brackets are expanded, 87.6% of the respondents are below 45 years which also compares favourably with the national statistics that has the mean age of women entrepreneur at 33 and that of men at 36 (GoK, 1999). The findings support the observation by Otunga *et al.* (1998) that women entrepreneurs in Eldoret are middle-aged. This can be attributed to the aggressiveness of youthful women who not only have to try and exploit new opportunities but also have to venture into micro enterprise activities to earn income and to meet domestic and general needs.

On education and training, the study established that most of the entrepreneurs have had formal education, 45.6% had primary education, 43.5% secondary education, and 10.8% post secondary education. This level of literacy is encouraging. Abuodha *et al.* (1992) observes that better educated entrepreneurs are currently entering the informal sector and that higher levels of education imply higher levels of enterprise performance. The national literacy statistics stands at 47.4% for those with primary and more or less the same figure for those with secondary education with only a small fraction (about 10%) with no formal education (GoK, 1999). It was also noted that 92.8% of the respondents were owner-managers of enterprises. The question of training was not addressed as a separate entity outside academic schooling.

On whether the women entrepreneurs had run other businesses prior to starting the current one, the majority (56.9%) indicated they had owned and operated other types of businesses. This exposure allowed the entrepreneurs to gain some valuable experience that may contribute positively to the performance of their current enterprises as well as their interaction with the NGO intervention providers. It might also indicate the need to engage in an enterprise requiring low initial capital investment so as to earn from it and then invest in a field/enterprise of interest as is exemplified by the respondent who indicated that she had to start with a

retail enterprise selling charcoal, chicken, maize vegetables and maize so as to raise funds and buy and buy a welding machine to enable her engage in metal fabrication.

Influence of Socio-economic Characteristics on Enterprise Performance

The study sought to examine whether or not socio-economic characteristics such as level of education attained, age of entrepreneur and age of business, among others, influenced the performance of the women-operated enterprises.

The dependent variable in this case comprised enterprise performance, which was measured by computing profit, sales indexes and operating expenses. The indexes were preferred because they comprised standardized values. The independent variables (explanatory) comprised socio-economic characteristics of the women entrepreneurs. These were: business ownership type, previous employment, and education level in term of the number of years in formal education, age of the entrepreneur and number of years in business. A multivariate analysis was undertaken by running a linear regression taking each dependent variable and the explanatory variables at a time. This analysis yielded three sets of results, i.e. $Growth = f(\text{Profit, sales, operating expenses})$ as discussed below.

Socio-Economic Characteristics and Enterprise Profits

The five explanatory variables were regressed against the profit index on the assumption that the variables were linearly related. The task was to find the extent to which the independent (explanatory) variables explained the changes in profit. The findings indicated that age of the respondent and previous employment contributed significantly to the change in profit at 0.05 level of significance with actual beta value of 0.383 and 0.188. It is important to note that age of the business and ownership type had negative beta values implying in part that these two variables were inversely related to profit. This can be explained in part that, given the nature of micro enterprise studied, as an entrepreneur stays in a business longer, there are higher chances of becoming less aggressive in exploiting avenues for profit making owing to stiff competition; alternatively the enterprise changes from entrepreneurial to an ordinary routine small business.

Furthermore, the findings indicated the emerging model had $R^2 = 19.5$ meaning the five explanatory variables contributed 19.5% change in a unit change in the profit. Table 1

Table 1. Multivariate Regression Results of Profit Index

| | R2 | Beta | Sign |
|----------------------------------|-----------|-------------|-------------|
| Dependent Variable | | | |
| Profit Index | | | |
| Independent Variables | | | |
| Business ownership type | | -0.105 | 0.225 |
| Previous Employment | | 0.188 | 0.032 |
| No. of Years of formal education | | 0.027 | 0.751 |
| Age of entrepreneur | | 0.383 | 0.000 |
| No. of Years in Business | | -0.111 | 0.220 |
| NN=195 | 0.195 | | |

Source: Field Data, 2003

Table 2. Multivariate Regression Results of Sales Index

| | R2 | Beta | Sign |
|----------------------------------|-----------|-------------|-------------|
| Dependent Variable | | | |
| Profit Index | | | |
| Independent Variables | | | |
| Business ownership type | | -0.017 | 0.860 |
| Previous Employment | | 1.111 | 0.244 |
| No. of Years of formal education | | 1.110 | 0.245 |
| Age of entrepreneur | | -0.059 | 0.548 |
| No. of Years in Business | | -0.075 | 0.447 |
| NN=195 | 0.030 | | |

Source: Field Data, 2003

Socio- economic Characteristics and Enterprise Sales

A similar analysis, as that of profit discussed above, was carried out, but profit index replaced with sales index. Sales index was derived from sales volume. The findings indicated that none of the explanatory factors were significantly related to changes in sales index. These findings suggest that the entrepreneurs tend to experience a drop in sales volume as they advance in age and as they stay longer in a similar trade. Ironically, these entrepreneurs had mean ages of 31.87 reflecting more youthful age group Table 2

Mitigation of Socio-economic Constraints and Overall Enterprise Performance

The study sought to ascertain the socio-economic challenges the women entrepreneurs faced while operating their enterprises. The performance of women enterprises in Eldoret Municipality was measured against such variables as increase in number of employees,

increase in current assets, and increase in sales volume, business expenditure, savings and profits. The study established that the number of employees increased from a mean of 1.64 before intervention to 2.67 after intervention which was significant at 95% confidence level, similarly, sales volume changed from the mean of Ksh 4,929.50 before intervention to Ksh 7,660.50 after the intervention. The changes were significant at the 95% confidence level.

Operating expenses were also increased significantly since the volume of business changed and the wage bill also increased. Savings from the businesses and the profits generated also improved significantly. These findings are in agreement with 61.5% of the entrepreneurs' perception that indicated that benefits are significant. It was also reported that respondents keep records with the majority (80.5%) maintaining cashbooks hence, a means of improving their business management practices. These findings are better than those national statistics showing that 64.1% of the respondents do not keep any records (GoK, 1999).

The findings from the interview data indicated that 87% of the women were faced with labour market

constraints and the challenges associated with work-life balance. The findings recognised that the merging of work and off-work roles and responsibilities significantly and negatively impacted on their business performance. Moreover, there is a significant difference between socio-economic factors and performance by women on their performance.

CONCLUSIONS

The study established that there is a positive relationship between the entrepreneurs' socio-economic characteristics such as entrepreneurs' age, educational level, past business experience, previous employment and the success or failure in operating the business. However, multivariable regression analysis could not categorically establish the extent and manner of the effects of the independent variables on the enterprise performance. Results on NGO's intervention as an independent variable against enterprise performance showed statistically significant linear relationship, suggesting that the more effort made to train, counsel and provide credit to women entrepreneurs the better the enterprise's performance.

As such, there is need to increase the amount of credit facilities available to women entrepreneurs so that women can access more credit. In addition, training as an intervention on its own, should be extended through appropriate strategies so as to reach and benefit as many as 100% of the women entrepreneurs. The training content should cover all scopes/elements of management relevant to Entrepreneurship and business management. Emphasis should be placed on preparation of business plans, business start up, business growth and business dissatisfaction and then on financial management (credit, working capital, records, accounting debts, and financial statements). The training duration should also be reviewed with a view to increasing contact hours and direct trainer/trainee involvement.

RECOMMENDATIONS

There is need to improve the environment for SMEs, because they are creating scope for more growth employment, broad space innovation, better skills in the local and global markets. SMEs have to be more forward-looking. Those women who use government incentives are to be supported to do as well as men in creating enterprises. Women bring fresh motivation.

To appreciate that women and SMEs constitute the main weapons for helping us to build a future without discrimination. Women's participation in any kind of economic activity is of a complementary nature to their family incomes and their participation in no way reduces their family duties.

To create networks of women entrepreneurs and

not seek to marginalise women, but rather to give them access to the new alliances that are shaping tomorrow's economy. Networking gives women the opportunity to end their isolation and, above all, gives them access to strategic information. Beyond any action that we can implement, there is a common denominator that might incite women to create their enterprise: developing an entrepreneurial culture. A taste for business must come from the business environment itself. The government can play the role of a facilitator and even of a catalyst in putting these structures into place.

There is need also to empower women through entrepreneurship. Women-owned businesses are the fastest growing force in the economy. When women thrive, their families thrive and the nation thrives.

There is the need for government programmes and private sector services to be more efficient in meeting the needs of the users, i.e. SMEs in general and women-owned SMEs in particular.

To improve the opportunities available to women to make use of new instruments, exploit and demand new technologies, enter new markets through liberalization and regulatory reform, do away with costly and ineffective bureaucracy and administrative burdens, and develop a new spirit of entrepreneurship.

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