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Article

Role of microfinance factors on the sustainability of women managed micro and small enterprises (MSEs) in Kenya

Peter Paul Kithae[1]*, Juster G. Nyaga[2] and Judy Gakenia Kimani[1]

[1]School of Enterprise and Governance, Management University of Africa, P.O. Box 29677-00100 Nairobi, Kenya.
[2]Karatina University, P.O. Box 1957—10101, Karatina, Kenya.

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Women play a crucial role in the economic development of communities but certain obstacles such as poverty, unemployment, low household income and societal discriminations mostly in developing countries have hindered their effective performance of that role. As such, most of them embark on entrepreneurial activities to support their families. It is discovered that women entrepreneurship could be an effective strategy for poverty reduction in a country; since women are the worst hit in such situation. However, it is discovered that women entrepreneurs, especially in developing countries, do not have easy access to microfinance factors for their entrepreneurial activity and as such have low business performance than their men counterparts, whereas the rate of their participation in the informal sector of the economy is higher than males and microfinance factors could have positive effect on enterprise performance. The objective of this study is to examine the effect of credit, savings, training and social capital on women entrepreneurs' performance in Kenya. The study involves a survey using structured questionnaire and an in-depth interview to solicit responses from women entrepreneur and secondary data from microfinance institutions. The instruments were tested for content and construct validity and reliability during a pilot study. Data was analyzed both qualitatively and quantitatively using SPSS programs. The study found out that most women entrepreneurs do not have savings account and rather they usually use their little earnings for house hold purposes. In addition, the study found that most women have no access to loans as it is required that there must be signatory from their spouses for those who are married. The study also found that women entrepreneurs lack appropriate training to boost their entrepreneurial capacity, which is a key ingredient for getting social capital. The study recommended that since women entrepreneurs' plays crucial role in the economic development, they should receive equal treatment as their counterparts and be allowed to make crucial decisions governing the operations of their businesses. Moreover, women should be encouraged to save their earnings however small. Microfinance institutions should play a vital role in empowering the women entrepreneurial.

Key words: Microfinance, women, micro and small enterprises (MSEs), Kenya.

INTRODUCTION

Despite the crucial role of women entrepreneurs in the economic development of their families and countries; it is, however, discovered that women entrepreneurs have low business performance compared to their male counterparts (Akanji, 2006; Gakure, 2003; Kenya Women Finance Trust, 2003); and this is caused by factors which

*Corresponding author. E-mail: pkithae@mua.ac.ke.

normally affect entrepreneurial performance and are usually provided by the microfinance institutions. Such factors include lack of credit, saving, education or training, and social capital (Shane, 2003). As such, women tend to operate in an environment with low investment, low potential growth, cheap and home-based premises and endure harassment on issues concerning licensing (Stevenson and Onge, 2005).

Researches support the fact that women entrepreneurs, mostly in developing countries, do not have easy access to credit for their entrepreneurial activity; likewise, women entrepreneurs tend to have little or no education and often lack confidence (Gakure, 2003; Stevenson and Onge, 2005; Ibru, 2009; Okpukpara, 2009; Lakwo, 2007; Nwoye 2007; Kuzilwa, 2005; Iheduru, 2002), whereas the rate of women participation in the informal sector of the economy is higher than males (Gakure, 2003; Akinyi, 2009). Lack of capital to start or run business lead them to request for credits from micro-finance institutions (Stevenson and Onge, 2005; Ibru, 2009; Kuzilwa, 2005). This is due to lack of collateral, poverty, unemployment, low household and business income and inability to save (Otero, 1999; Porter and Nagarajan, 2005; Roomi and Parrot, 2008). Women entrepreneurs, mostly in developing countries, lack the ability to save (Akanji, 2006; Mkpado and Arene, 2007), yet savings are needed to protect income, act as a security for loan and could be re-invested in the business (Akanji, 2006). Savings as a micro-finance factor enable people with few assets to save, since they could make weekly savings as well as contribute to group savings, and such savings are mobilized by the micro-finance institutions for further lending to other clients (Kenya Women Finance Trust, 2003; Mkpado and Arene, 2007; Gakure, 2003).

Women entrepreneurs, especially in developing countries lack training, social capital and information on markets (Gakure, 2003; Stevenson and Onge, 2005) and entrepreneurial process is a vital source of developing human capital as well as playing a crucial role in providing learning opportunity for individuals to improve their skills, attitudes and abilities (Kenya Women Finance Trust, 2003; Brana, 2008; Cheston and Kuhn, 2002; Shane, 2003). Again, the effect of training on women entrepreneurs' performance, especially in developing countries, has not been adequately addressed in the literature. Taking cognizance of the peculiar situations of most women in developing countries in terms of poverty, low educational levels and other societal discriminations (Gakure, 2003; Porter and Nagarajan, 2005; Roomi and Parrot, 2008); training is a very important micro-finance factor for women entrepreneurs as it would provide the skills and experience needed for business (Akanji, 2006; Cheston and Kuhn, 2002; Kuzilwa, 2005).

Researches supports the fact that majority of micro-finance institutions' clients do not have entrepreneurial skills, and so cannot make good use of micro-finance factors (Karnani, 2007), hence they need training. Paid employment provides prior business experience that is vital for enterprise success, yet women entrepreneurs mostly in developing countries lack this (Brana, 2008). This further strengthens the need for training as a micro-finance factor for the women entrepreneurs. Again, there are recommendations from various authors of the need to study credit jointly with training on entrepreneurship performance in developing countries because of low educational levels of women entrepreneurs in low-income countries (Stevenson and Onge, 2005; Harrison and Mason, 2007; Ibru, 2009; Kuzilwa, 2005; Peter, 2001; Tazul, 2007). Education is related to training, and women entrepreneurs in high income countries are better educated than those in low income countries (Ibru, 2009).

Literature confirms that business skill training has positive effect on enterprise performance (Akanji, 2006; Cheston and Kuhn, 2002; Kenya Women Finance Trust, 2005; Kuzilwa, 2005). Many women lack this, especially in developing countries (Ibru, 2009), whereas the exploitation of entrepreneurial opportunity depends on the entrepreneur's level of education, skills or knowledge acquired through work experience, social network and credit (Shane, 2003); hence the need for training as a micro-finance factor especially in developing economies is highlighted.

Justification

Micro finance factors are vital for start-ups and growing firms and women entrepreneurs, especially in developing countries, lack micro finance factors that are a source of business growth (Stevenson and Onge, 2005; Gakure, 2003; Olomola, 2002). Again, micro finance factors have been widely measured and found to have positive impact on the performance of women enterprises in developing countries (McCormick, 2001; McCormick, 1997; Stevenson and Onge, 2005). Many studies abound on the relationship between one or a combination of credit, savings, training and social capital, and women entrepreneurs' performance (Akanji, 2006; Cheston and Kuhn, 2002; Kuzilwa, 2005; Lawal et al., 2009; Olomola, 2002; Reavley and Lituchy, 2008; Wycklam and Wedley, 2003) but there is scarcity of research that jointly links credit, savings, training and social capital to women entrepreneurs' performance especially in developing countries.

Also, limited studies are available on the mediating relationship between opportunity and women entrepreneurs' performance (Tata and Prasad, 2008; Shane, 2003) and the moderating relationship between attitude to risk and women entrepreneurs' performance (Crisp and Turner, 2007; Vob and Muller, 2009). Women entrepreneurs in this context lack credit, savings, training and social capital for entrepreneurial activity and subsequent business performance (Akanji, 2006;

Cheston and Kuhn, 2002; Ibru, 2009; Kuzilwa, 2005; Peter, 2001; Olomola, 2002). Whereas the Entrepreneurship Theory (Shane, 2003) postulates that business environment provides opportunity for entrepreneurial activities to those entrepreneurs who could identify them, and their decision to exploit such opportunities leads to the demand for micro-finance in terms of resource acquisition. Acquisition of micro-finance could also lead to opportunity for entrepreneurial activity. Appropriate use of acquired resources through good business strategy and organizational design could lead to business performance (Brana, 2008; Koontz and Weihrich, 2006; Salman, 2009; Shane, 2003).

Research objective

Based on the discussions above, this study examines the relationship between micro-finance factors (credit, savings, training and social capital) and women entrepreneurs' performance in Kenya.

THEORETICAL FRAMEWORK

This research study explored women entrepreneurs' performance in Kenya in terms of Entrepreneurship Theory of Shane (2003). According to the theory, entrepreneurs' ability to identify and tap entrepreneurial opportunities differs between entrepreneurs and depends on their ability to access information and willingness to act upon the information in terms of risk; that is their attitude (Shane, 2003). Individual attributes affect discovery of entrepreneurial opportunity. It is made up of psychological and demographic factors such as motives, attitude to risk, education and training, career experience, age and social status. The decision to exploit the opportunity leads to the quest for micro-finance; that is acquisition of resources. Acquisition of resources could also lead to opportunity for entrepreneurial activity; that is new business or business expansion. The appropriate use of the acquired resources in terms of business strategy and organizational design could lead to profit performance (Brana, 2008; Koontz and Weihrich, 2006; Salman, 2009; Shane, 2003). However, environment plays greater role in opportunity exploitation than individual attributes (Kuzilwa, 2005).

CONCEPTUAL FRAMEWORK

The focus of this study was to examine the relationship between credit, savings, training and social capital; and women entrepreneurs' performance. The paper conceptualizes that credits, savings, training, and social capital are closely related to women entrepreneurs' performance as shown in Figure 1.

LITERATURE REVIEW

Informing literature and discussions

Evidences from literature show that women's demand for credit and savings facilities is high and that women's savings propensity and loan repayment rates equal or exceed those of men; and that adequate credit aids entrepreneurship performance (Gakure, 2003; Gatewood et al., 2004; Kuzilwa, 2005; Lakwo, 2007; Martin, 1999; Ojo, 2009; Peter, 2001, Stevenson and Onge, 2005). The result of such credit assistance to entrepreneurs, especially women, is often seen in improved income, output, investment, employment and welfare of the entrepreneurs (Kuzilwa, 2005; Lakwo, 2007; Peter, 2001). Credit had positive impact on business performance of entrepreneurs in Kenya (Peter, 2001), income and wellbeing of women in Uganda (Lakwo, 2007). Credit and savings had positive impact on performance in Nigeria (Ojo, 2009). Credit and training had positive impact on women entrepreneur's performance in Tanzania (Kuzilwa, 2005). Savings acts as insurance for credit since women entrepreneurs lack physical collaterals (Gakure, 2003; Akanji, 2006; Mkpado and Arene, 2007). Savings has been found to have positive effect on enterprise productivity in (Ojo, 2009).

Credit, savings and training were found to have positive impact on women entrepreneurs' income and wellbeing in Haiti, Kenya, Malawi and Nigeria (UNCDF/UNDP, 2003). Savings and credit was also found to have positive effect on women entrepreneurs' wellbeing in Bangladesh, Indonesia, Ghana and Mexico (Vonderlack and Schreiner, 2001). Equally suggested by literature is the fact that credit and training should go together, however little the training may be (Ibru, 2009; Kuzilwa, 2005). Skill training is necessary to provide the needed entrepreneurial skill for small business start-up while business or management training provides the needed managerial competence for routine and corporate decisions (Cunha, 2007; Jill et al., 2007; Robinson and Malach, 2004; Ying, 2008). As such, training had positive impact on women entrepreneurship performance in Nigeria, Ghana, USA, Tanzania and Canada respectively (Ibru, 2009; Cheston and Kuhn, 2002; Jill et al., 2007; Kuzilwa, 2005; Reavley and Lituchy, 2008). Women entrepreneurs, especially in developing countries, lacked social connections that are a source of credit and market information (Olomola, 2002), whereas social capital has been found to have positive impact on the performance of women entrepreneurs (Brata, 2004; Lawal et al., 2009; Mkpado and Arene, 2007; Olomola, 2002). Therefore we conclude that: Credit, savings, training and social capital are positively related to women entrepreneurs' performance.

Micro-finance provide the needed opportunity for entrepreneurs to start or improve business in order to make profit and improve their lives (Allen et al., 2008;

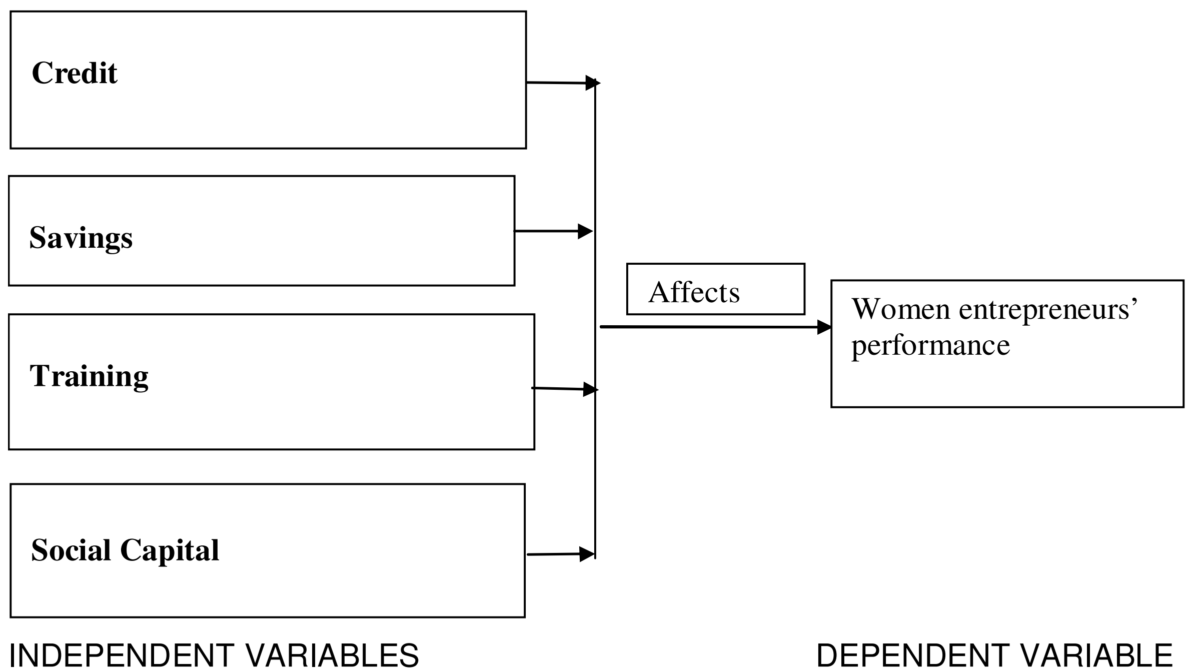

Figure 1. Conceptual framework.

Brana, 2008; Lans et al., 2008; Majumdar, 2008; Roslan and Mohd, 2009; Salman, 2009; Shane, 2003; Tata and Prasad, 2008). The ability of women entrepreneurs to make use of the opportunity provided by micro-finance factors to ensure enterprise performance depends on their attitude to risk; that is their ability to access information and willingness to act on the information (Shane, 2003). Thus, credit, savings, training and social capital could have positive impact on opportunity for entrepreneurial activity of women entrepreneurs which could lead to business performance; depending on the entrepreneur's attitude to risk (Crisp and Turner, 2007; Shane, 2003; Vob and Muller, 2009). Micro-finance factors create opportunity for entrepreneurial activity (Shane, 2003); as such there is a positive relationship between micro-finance factors and opportunity for entrepreneurial activity. Credit and savings were found to have positive effect on opportunity for entrepreneurial activity in Nigeria (Akanji, 2006).

Training was found to have positive effect on entrepreneurial activity in Nigeria and Germany respectively (Ibru, 2009; Stohmeyer, 2007). Credit and training were found to have positive effect on entrepreneurial activity in France (Brana, 2008). Credit, training and social capital were found to have positive effect on entrepreneurial activity in UK and USA respectively (Carter and Shaw, 2006; Shane, 2003). We therefore conclude that: Credit, savings, training and social capital are positively related to opportunity for entrepreneurial activity of women entrepreneurs in Kenya.

Opportunity for entrepreneurial activity, in terms of new business or business expansion, acts as a link between micro-finance factors and women entrepreneurs' performance. It is reported that micro-finance factors create opportunity for entrepreneurs to generate income (Brana, 2008). The discovery of business opportunity and the decision to exploit the opportunity leads to a search for external funds, and the acquisition of such funds again creates opportunity for entrepreneurial income-generating activity (Shane, 2003). Proper application of the resources could lead to business performance (Koontz and Weihrich, 2006; Shane, 2003).

Social capital (networks) creates opportunity for entrepreneurial activity which leads to performance (Allen et al., 2008). Yet still, opportunity in the market, identified through innovation, creates the need for microfinance factors which in turn creates opportunity for entrepreneurial profits (Salman, 2009). Social capital provides opportunity for women entrepreneurs to network so as to access information and resources for business (Tata and Prasad, 2008). Therefore we conclude that: Opportunity mediates the relationship between credit, savings, training and social capital; and women entrepreneurs' performance in Kenya and thus opportunity of women entrepreneurs is positively related to women entrepreneurs' performance in Kenya.

Entrepreneurship Theory of Shane (2003) states that an entrepreneur's ability to identify and tap the opportunity provided by the external business environment to start or improve his/her business differs between individuals and depends on individual's ability to access information and willingness to act upon the information in terms of risk. Ability to access information and willingness to act upon the information in terms of risk could be inferred to represent attitude to risk. Studies have found that attitude and behavioral intention are positively related (Crisp and Turner, 2007) and that attitude towards behavior leads to intention which eventually leads to actual behaviour (Ajzen, 1991). We therefore conclude that: Attitude to risk moderates the relationship between credit, savings, training, social capital, and opportunity; and women entrepreneurs' performance in Kenya and thus attitude to risk has positive effect on women entrepreneurs' performance. Taking a clue from previous studies that have earlier measured the variables, and in determining the composite effect of micro-finance factors on women entrepreneurs' performance, we could as well conclude that Credit, savings, training, social capital, opportunity and attitude to risk are positively related to women entrepreneurs' performance.

SUMMARY OF MAJOR FINDINGS FROM PRIMARY DATA

Credit accessibility

On access to credits, the study found that most women have no access to loans as it is required that there must be signatory from their spouses for those who are married. Likewise, women generally lack collateral which means they are limited to savings/credit groups and group based mutual guarantee micro-credit. This has been supported by the following Ibru (2009), Okpukpara (2009), Iganiga (2008), Lakwo (2007), Nwoye (2007), Kuzilwa (2005), Iheduru (2002).

Savings

The study found out that most women entrepreneurs do not have savings account and rather they usually use their little earnings for house hold purposes. They lack social and cultural support; are subjected to stereotypes and are not exposed to role models where they can get motivation to expound on their entrepreneurial talents. When you talk about a woman entrepreneur for example, the image is linked to that woman who sells "sukuma wiki" (kales) at local markets. These findings are well supported by Stevenson and Onge (2005), Iheduru (2002), and Gakure (2003).

Training

The study found that women entrepreneurs businesses are often unregistered and in the informal economy. They have little education (less than secondary level), and are constrained by their lack of entrepreneurial and business know-how, and lack of appropriate training to boost their entrepreneurial capacity, which is a key ingredient for getting social capital. They also indicated that they might be further constrained by their household responsibilities and the need to obtain permission from their husbands to travel out of their home areas for training or trade-fairs. Husbands were also reported to object if their wives participated in training and counseling facilitated by men. Since men make up the largest percentage of trainers and business service providers in Kenya, this is particularly problematic. These women start very small enterprises, most likely only employ themselves or a few family members, and operate from a home base or "juakali" shed. Their enterprises have therefore limited potential for growth.

Social capital

Women entrepreneurs at the micro and small enterprise (MSE) level, have great difficulties obtaining financing due to collateral constraints. As a result, most of them are forced to cooperate with other women in small groups to mobilize savings and pool these resources for lending to individual group members, an arrangement called merry-go-round or Rotating savings and credit associations (ROSCA). Alternatively, they form in small groups to access micro-credit through a mutual guarantee system, from a micro-finance organization, such as the Kenya Women Finance Trust. According to key respondent, men have an easier time accessing credit because they are more likely than women to have title deeds to offer as loan collateral. This enables them to function on an 'individual' basis more so than women, who must use the group to pool resources. Thus, ''men stand alone better than women, women still need to work in groups.'' She lamented.

CONCLUSIONS AND RECOMMENDATIONS

The following conclusions were derived from the above discussions:

1. Opportunity mediates the relationship between credit, savings, training and social capital; and women entrepreneurs' performance in Kenya and thus opportunity of women entrepreneurs is positively related to women entrepreneurs' performance.
2. Attitude to risk moderates the relationship between credit, savings, training, social capital, and opportunity; and women entrepreneurs' performance in Kenya and thus Attitude to risk has positive effect on women entrepreneurs' performance.
3. Credit, savings, training, social capital, opportunity and attitude to risk are all positively related to women entrepreneurs' performance.

4. Women entrepreneurs lack social and cultural support; are subjected to stereotypes and are not exposed to role models where they can get motivation to expound on their entrepreneurial talents.

The following recommendations were derived from the above discussions:

1. The government of Kenya should take bold steps to develop infrastructures necessary for women with entrepreneurial traits to have easy access to microfinance factors for their entrepreneurial activities since credit, savings, training; social capital, opportunity and attitude to risk are all positively related to women entrepreneurs' performance. Furthermore women entrepreneurship could be an effective strategy for poverty reduction in developing countries like Kenya.
2. The government should support affirmative action on equal chances for women entrepreneurs as their male counterparts as enshrined in the new constitution. In pursuit of this goal, women should be enabled to receive equal treatment as their male counterparts and be allowed to make crucial decisions governing the operations of their businesses. Moreover, women should be encouraged to save their earnings however small. Microfinance institutions should play a vital role in empowering women entrepreneurs towards this endeavor.

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