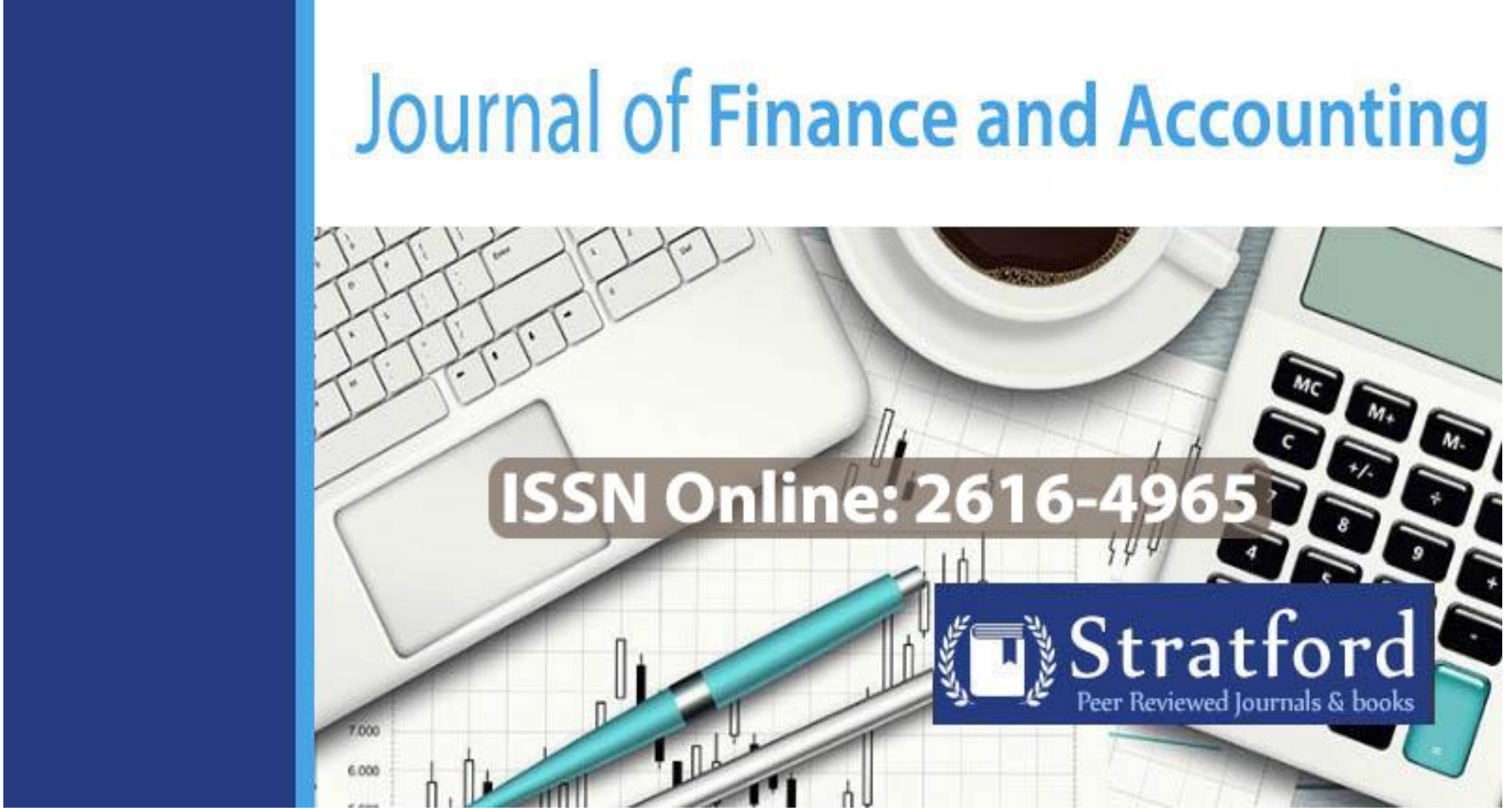

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Effect of financial accessibility challenges on the growth of women group owned Enterprises in Limuru market

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Abstract

Financial accessibility as a determinant of growth of enterprises has remained a popular aspect of practical and theoretical consideration in Kenya since independence. Women enterprises comprise about a third of all business activities across the globe and contribute significantly to employment generation and economic development. However, women-owned enterprises have demonstrated low rates of growth and complete retardation in some instances. This study sought to establish the effect of financial accessibility challenges on the growth of women-owned in Limuru market of Kiambu County, Kenya. The study adopted a descriptive study design. The target population for this study was 310 women entrepreneurs operating within Limuru market. Using stratified random sampling technique, the study sampled 172 women entrepreneurs in Limuru market. Primary data from the selected women owned enterprises was collected using semi structured questionnaires. Findings from the study revealed that challenges in accessing finances have a negative and significant effect on growth of women owned enterprises (β = -.318; p=0.00, $p < 0.05$). Based on the findings and conclusions made in the study, the study makes the following recommendations. First, the County Government of Kiambu should empower women and create awareness regarding the role of women in entrepreneurship and economic growth. Further, the affirmative action funds such as WEF should relax their requirements for loan access to encourage many women to access funds. Moreover, the microfinance institutions and SACCOs in Kiambu County should encourage women to access funds to enable their businesses to grow.

Key Words: *Financial accessibility challenges, women-owned enterprises, entrepreneurship.*

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1.0 INTRODUCTION

1.1 Background

The aspect of male dominance in businesses has begun to change with more women owning and running mega businesses across the world. Hill (2000) identifies that women have been empowered to own businesses and are starting their own entrepreneurial businesses with greater control of their personal and professional lives. Currently, women-owned businesses in Kenya account for only 48% of all the small and medium Enterprises (International labour organisation, 2014). The operation of businesses in background enterprises in Kenya operate and associated with traditional roles such as hotels, restaurant, wholesale and retail outlets (ILO, 2014). Women-owned Enterprises are making an important contribution to the economy in Kenya which accounts for 20% of the Kenyan GDP. Majority of the jobs are being created by these businesses, which accounts for 462,000 created since 2000 while 445,000 are emanating from informal sector where by 85% of women-owned businesses are found Shankar, Onyura & Alderman, 2015).

Businesses owned by women are rapidly growing and causing a significant impact in both local and national economies (Selamat, AbduRazak & Sanusi, 2011). The contribution of women enterprises to economic development generation of income alleviation of expertise is widely recognized (ILO, 2009). Particularly, entrepreneurship activities are significant to women because they provide opportunities for self-employment, which may represent a chance to exploit the resources at the same time give less restrictive flexible and requires their skills and capital. Entrepreneurs increases the ability of women in order to participate in the Labour market (OECD, 2004). Most of the developing countries like Kenya micro Enterprises are run by women lately and significantly the matter of survival Hainault business opportunities (Selamat *et al.*,2011). Nonetheless they play an important role in the local economies.

Entrepreneur economic contribution in Kenya is mostly acknowledged however there seems little or no effort was done in regarding women perspective and this specific needs of the women and particularly the entrepreneur of attention has to be considered as a critical contribution to the social progress (Irene, 2009). Entrepreneur businesses in Kenya are a cut across all the sectors in the economy and provide one of the main source of generation of income and benefits and employment in Kenya (GoK, 2005). The economic survey of 2003 on small and medium Enterprises sector accounted for 74.2% of the amount of total person engage in Employment and contributed to up to 18.4% of The Economist GDP.

1.2 Problem Statement

Despite several reports and activities regarding the contribution of women in the enterprises being identified, the recognition of this contribution has been low (Agarwal, 2003). It appears that women Enterprises are changing and are unexploited source of economic growth in any country and now being accepted as a major contributor to the economic development (Kauffman Centre, 2001, World Bank, 2001 and OECD, 2004). Studies by Fatoki and Garwe (2010) and a Stevenson and St-Onge (2005) revealed that access to and availability of finance to microfinance and small medium enterprises has been a major challenge in the African context. However, attention was not given to the slow rate of growth of women-owned SMEs, given that they sometimes receive preferential treatment in laws of various countries. It is in this backdrop that this study was motivated to find out the effect of financial accessibility challenges on the growth of women-owned in Limuru market of Kiambu County, Kenya.

1.3 Objective

The aim of this is to find out the effect of financial accessibility challenges on the growth of women-owned in Limuru market of Kiambu County, Kenya.

2.0 LITERATURE REVIEW

2.1 Theoretical Review

2.1.1 Schumpeter Entrepreneurship Theory

The theory consists of evaluation of opportunities, opportunity, discovery and decisions that are made to exploit the opportunities are the elements of the theory include business operation self-employment and Performance. This theory highlights for operational measures of performance which include growth profitability income Survival and experiencing initial public. The survival refers to the continuation of the entrepreneurial activities entails increase in The Venture sales and forming the employment. Profitability may refer to the surplus of revenue when compared to the cost of generating the same revenue (Shane, 2005). This theory was selected for this study since it provides the social, economic and systemic barriers that deter entrepreneurs or those that can lead to failure of enterprises.

Business changes in aspects such as the environment, finance, economic, legal, political and social cultural factors affect the discovery of this opportunity. For example, the income level and the capital of eligibility political stability and the laws and rules regarding the private enterprises operations property rights and desire for the enterprises to enhance their social status by the entrepreneurship could affect the discovery of the opportunities. Other factors such as business ethics, opportunities, as well as industrial factors such as distribution, agriculture manufacturing have influence on business performance (Brana, 2008). There is need to evaluate the opportunities at their disposal for the purposes of having a smooth entrepreneurial process which will help inappropriate decision-making at the earlier stages to exploit the opportunities (Carter & Shaw, 2006).

2.1.2 Sociological Theory of Entrepreneurship

The sociological theory of entrepreneurship postulates that the catalyst of entrepreneurship in a society is social culture. This theory was selected for this since it provides the social and cultural factors that hinder entrepreneurs. The entrepreneur performs his duties in accordance to what the society expects from an entrepreneur. These duties are usually based on customs, traditional and religious beliefs. According to Weber (1920), entrepreneurship is driven majorly by supportive social systems. He emphasized on the spirit of capitalism, which contributes to economic freedom and private enterprise. A successful entrepreneur is defined by his discipline and adventurous free-spirit, but there must be support from the society if the entrepreneur is to grow. This support include financial support from the system in which the entrepreneurship operates.

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2.2 Empirical Review

Stevenson and Stone (2014) conducted a study in South Africa which influence the problem on availability and accessibility of finance to the entrepreneur Centre of South Africa. The findings were consistent with Ermington and a study which were conducted in South Africa for the period 2013. Financial resources were found to be alone as a major obstacle and it is still debatable in the current environment. In Nigeria, a study by Polar and Wayne (2016) it was found out that 5.5% of the company's 38 dependent mostly on personal savings for their Capital on start-ups, 9.4% of these firms or companies used commercial banks loans, 10.9% had access to their savings and 8% got resources from partners and shareholders. Although the above literature highlights factors hindering the growth of entrepreneurship, there seems no categorical grouping of the owners of the enterprises by either age or gender. The current study will be unique since it will examine entrepreneurship barriers that slow the growth of women group owned enterprises.

2.3 Conceptual Framework

Figure 1 shows a diagrammatic representation of a hypothesised interaction between the independent and dependent variables of this study.

Accessibility of Finances
- Access to loans from a SACCO
- Access to bank loans
- Access to microfinance loans

Independent variable

→

Growth of Women Entrepreneurs
- Expansion of business
- Sales Volume
- Markets share
- Profitability levels

Dependent variable

Figure 1: Conceptual framework

3.0 METHODOLOGY

This study adopted descriptive survey approach to analyze entrepreneurship barriers that slow the growth of women group owned enterprises in Limuru market. This design was most appropriate given the exploratory and descriptive natures of this study (Wawire & Nafukho, 2010). According to Mugenda and Mugenda (2003), descriptive research is a process of collecting data in order to answer questions concerning the current statuses of the subjects in the studies.

The target population consisted of all the women owned enterprises operating within the Limuru Market in Kiambu County. From the records of Limuru Sub-county of Kiambu County, there were 310 women groups operating business in Limuru Town Market. The women group owned enterprises are heterogeneous in nature and they mainly deal with cereals, Fruits, poultry, vegetables, Beadwork, fashion and beauty, second hand dealers, boutiques. This is further detailed in Table 1.

Table 1: Target Population

Category of Business	Number	%
Cereals	32	10.3
Fruits	24	7.7
Poultry	41	13.2
Vegetables	82	26.5
Bead work	17	5.5
Fashion and Beauty	30	9.7
Second Hand Dealer	57	18.4
Boutique	27	8.7
Total	**310**	**100.0**

A sample size of 172 respondents was determined using Mugenda's and Mugenda's (2003) simplified formula for calculating sample size of a population that is less than 10,000 as below:

Size n=$\frac{z^2pq}{d^2}$

Where:

n = the desired sample size (if the target population is greater than (10,000).

Z = the standard normal deviation at the required confidence level.

p = the proportion in target population estimated to have characteristics being measured.

q = 1-p.

d = the level of statistical significance set.

Stratified random sampling was adopted in participant selection. The distribution of the sample was as follows:

Table 2: Distribution of the sample

Category of Business	Number	Sample
Cereals	32	17
Fruits	24	13
Poultry	41	23
Vegetables	82	46
Bead work	17	9
Fashion and Beauty	30	17
Second Hand Dealer	57	32
Boutique	27	15
Total	**310**	**172**

Administration of questionnaires was done by drop and pick method because of the large number of expected participants. Validity was determined through the help of the supervisors and experts in the field of entrepreneurship. Reliability, on the other hand, was evaluated using Cronbach's alpha (a>7).

Data collected was coded and entered into SPSS software and analysed using both descriptive and inferential statistics. Inferential analysis was done using the regression equation:

$$Y= \beta 0 +\beta 1X1+\epsilon$$

Where: Y = Growth of women owned enterprises (Dependent Variable), X_1= Access to Finance, $\beta 0$= constant co-efficient of the model, $\beta 1$=Beta Co-efficient of the variable and ϵ = Error Term.

The ethical considerations of informed consent, confidentiality, and data safety were complied with during the study.

4.0 FINDINGS

4.1 Response rate

Questionnaires that were returned were 114 which was 66% response rate. However, only 109 filled questionnaires were found to be adequately filled and hence these 109 were the ones considered for analysis.

4.2 The Effect of Access to Finance

The study had an objective of assessing the effects of financial accessibility on the growth of women group owned enterprise/s in Limuru markets. Various statements on access to finance were provided and the respondents were required to indicate their level of agreement or disagreement to the statements based on their experiences. The rating was on a likert scale of 1 – 5 (1- Strongly disagree, 2 – Disagree, 3 – Neutral, 4 – Agree and 5 – Strongly agree) descriptive analysis of the responses was conducted and the results are as indicated in Table 3 below. The results are means and standard deviations derived from the descriptive analysis.

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Table 3: Financial Accessibility

Factor under consideration	Mean	Std. Deviation
There is lack of access to funds by women due to their inability to provide security required by banks and financial institutions.	4.39	0.983
Accessing credit, particularly start up capitals for businesses is one of the major hindrances	4.23	0.825
Women face challenges in accessing of soft loans	4.25	0.729
Women face challenges of high interest rates	4.31	1.072
There is gender based, cultural and social based obstacles to finance access	3.68	1.127
There are long and rigorous procedures when accessing loans	4.17	0.804
Heavy paper work are further impediments to women entrepreneurs	3.81	0.618
Women lack information to enable them access financial services	3.44	0.905

Findings presented in Table 3 above indicate that the respondents agreed that women entrepreneurs lacked accesses to external funds due to their inability to tangible security provision(mean = 4.39; Std Dev = 0.983), women faced challenges of high interest rates (mean = 4.31; Std Dev = 1.072) and agreed that women face challenges in accessing of soft loans (mean = 4.25; Std Dev = 0.729). Findings also indicate that respondents agreed that for women entrepreneurs, accessing credit, particularly start-up capital for business is one of the major hindrances (mean = 4.25; Std Dev = 0.729) and further agreed that there are long and rigorous procedures when accessing loans (mean = 4.17; Std Dev = 0.804). Additionally, respondents agreed that heavy paper work are further impediments to women entrepreneurs (mean = 3.81; Std Dev = 0.618) and that there are gender based, cultural and social based obstacles to finance access (mean = 3.68; Std Dev = 1.127). However, respondents were neutral to the statement that women lack information to enable them access financial services (mean = 3.44; Std Dev = 0.905).

These findings imply that women entrepreneurs faced various challenges as they sought finances to start or grow their businesses. These challenges included inability to provide tangible security, high interest costs, poor access to soft loans, and gender based cultural and social based obstacles to finance access. These findings support Wood and Hermington (2013) study on the establishment that there were still gender-based hindrances that disadvantaged women when they seek funds for their businesses. A study by Fatoki and Garwe (2010) and another study by Stevenson and Stone (2015) that access to and availability of finance to microfinance and small medium enterprises in South Africa was ranked the second and the first challenge was management and entrepreneurial competencies and skills. However, the ranking of this factor may also be influenced by other factors such as age and gender a fact that the researchers did not dwell in.

However, the findings disagree with findings by Bowen (2016) relate accessibility of finances to the fourth place and competition and our security land in the first and second in that order. Financial resources were found to be alone as a major obstacle and it is still debatable in the current environment. In Nigeria a study by Polar and Wayne (2016) 5.5% of the company's 38 dependent mostly on personal savings for their Capital on start-ups, 9.4% of these firms or companies used commercial banks loans, 10.9% had access to their savings and 8% do you resources from partners and shareholders.

The study also enquired from the respondents whether they had ever accessed a loan. Findings in Figure 2 shows that 72% of the respondents indicates that they had at one time applied for a loan. This indicates that most of the respondents had sought external sources of financing for their businesses.

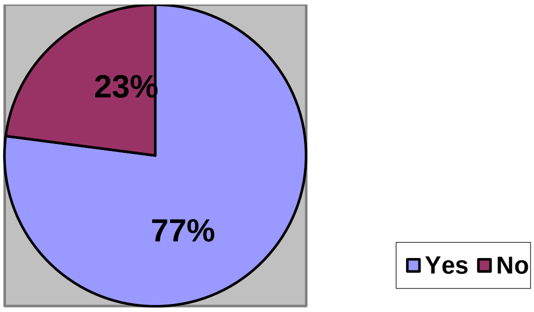

Figure 2: Ever Applied for a Loan

The respondents who had not applied for a loan at any time were asked to indicate the reasons behind them not seeking for loans. The results are presented in Table 4.

Table 4: Reason for not applying for loan

Reason for not applying for loan	Frequency	Percent
Inadequate collateral	4	16
Difficult process and bureaucracy	8	32
High interest rates	7	28
Do not need one	6	24
Total	**25**	**100**

The findings in Table 4 indicate that 32 % of those who had never applied for loans indicated the difficulty of the process and bureaucracy as the reasons while 16 % indicated that they turned off by lack of adequate collateral. Other reasons provided included high interest rates (28%) and having no need for loans (24%).

Findings also show that there was strong, but negative correlation between financial accessibility barriers and growth of women enterprises ($r_s = -0.505$; $p < 0.05$). These results implied those barriers to access to reduce or no growth to their enterprises.

Results from regression analysis are presented in Table 5.

Table 5: Regression analysis

Variables	Unstandardized Co efficient B	Unstandardized Co efficient Std. Error	Standardized Co efficient Beta	t	Sig.
(Constant)	.048	.075		0.640	.763
Finance accessibility challenges	-.318	.080	.304	-3.975	.000

Results on finance accessibility challenges indicated that they had negative significant in explaining growth of women enterprises ($\beta = -.318$; $p < 0.05$). These results show that finance accessibility challenges that women faced in business had a negative and significant influence on growth of their enterprises. A study by Fatoki and Garwe (2010) and another study by Stevenson and Stone (2015) that access to and availability of finance to microfinance and small medium enterprises in South Africa was ranked the second and the first challenge was management and entrepreneurial competencies and skills. The findings from this study also support the findings by Kazemy *et. al.* (2011) who investigated the effective factors on survival of SMEs using a cases of study of Iran. The study noted that the number of credits programmes targeting women in developing countries has been quite few thereby creating a majors financing gaps for women run businesses and adversely affecting their growth.

5.0 CONCLUSIONS

This study sought to examine the effect of financial accessibility challenges on the growth of women-owned enterprises in Limuru market, Kiambu County, Kenya. A descriptive research design was adopted. Participant selection was carried out using stratified sampling. The study sampled 172 women group-entrepreneurs in Limuru Market from a population of 310 women entrepreneurs. The study made use of multivariate regression analysis to establish the effect of the independent variables on the dependent variable. This section provides the summary of findings based on the researches objectives.

The study findings showed that finance accessibility challenges had a negative and significant effect on growth of women group enterprises ($\beta =-318$; $p=0.00$, $p<0.05$). Women entrepreneurs faced various financial challenges including limited access to external funds due to their inability to provide tangible security, high interest rates, soft loans limited access, rigorous and long procedures during loan issue. Moreover, heavy paper work was another impediment to women entrepreneurs together with gender based, cultural and social based obstacles to finance access. These results are consistent with previous findings from studies by Akanji (2006) and House, Ikiara & Mccormick (2013) who found that access to finance remains the most significant barrier to growth in women owned enterprises.

The study concluded that women entrepreneurs faced key financial access challenges which adversely affected growth of theory enterprises. Some of the main challenges women entrepreneurs faced included lack of access to external funds due to their inability to provide tangible security, high interest rates, limited access to soft loans and lengthy and cumbersome procedures when accessing loans. These challenges hindered women to access funds that they required to expand and grow their businesses.

6.0 RECOMMENDATIONS

The affirmative action funds such as WEF should relax their requirements for loan access to encourage many women to access funds. Moreover, the microfinance institutions and SACCOs in Kiambu County should encourage women to access funds to enable their businesses to grow. Women are also encouraged to form formal groups that they could use to access funds form formal institutions or which they could use as ROSCAs.

Future research should consider replicating this study to other towns in Kenya to establish the challenges that women face in business. Additionally, a study on strategies and practices to solve the challenges documented in this study is suggested. Such a study would explore the measures that the different stakeholders have taken to counter the challenges faced by women in business. Lastly, a study can also assess the efficacy of the measures to establish what improvements would be necessary.

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