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“The impact of female entrepreneurship on economic growth in Kenya”

Rachel Lock and Helen Lawton Smith

Detailed Abstract

Purpose – The purpose of this paper is to explore the challenges facing female entrepreneurs in Kenya
Design / methodology / approach – The study draws on primary research conducted through face-to-face interviews with female entrepreneurs in Kenya in a wide range of sectors, each of whom has their own micro enterprise. It draws on the framework of Brush et al. (2006) and Baughn et al. (2006) to look at the entrepreneurship landscape in Kenya and the barriers and constraints faced by women entrepreneurs as well as the support and opportunities available.
Findings- It was found that female entrepreneurs in Kenya face far fewer barriers to starting micro–enterprises now than ever before. It is proving to be a widely successful model which they use to lift themselves and their families out of poverty. There remain, however, a number of barriers to growth within the micro-enterprise sector. On the basis of these, the paper argues that in order for female entrepreneurship to have a greater impact on economic growth within Kenya, the country needs to introduce more effective policies, regulation of the informal sector and further support to women entrepreneurs. For example support could take the form of business training, mentoring and financial support.
Originality / value – The paper presents original research on the growing phenomenon of female entrepreneurship in Kenya as a means of alleviating poverty. It considers how this trend relates to the growing availability of micro-finance.
Keywords – Female Entrepreneurship, Kenya, micro-finance, empowerment formal and informal sector
Paper type - Research paper

1. Introduction

Kenya is one of the most resource rich countries in Sub Saharan Africa. Its economy has the largest Gross Domestic Product (GDP) in Central and East Africa and has shown positive signs of growth in recent years. Despite its relative strengths, 46% of the population of Kenya live below the poverty line (World Bank, 2013). Traditionally women have played the role of housekeeper, mother, wife, child bearer and food provider.

In the last few decades there has been a global shift towards women’s empowerment and supporting gender focused development. Women are gaining independence, becoming better educated, entering into employment, and starting their own businesses (Stevenson and St-Onge 2005). Whilst the demographic breakdown of women entrepreneurs in developing countries is very diverse reflecting the structure of their economies (rural versus oil rich for example, see Baughn et al 2006) the theme of empowerment is constant.

In Kenya, as in other countries in the developing world, female entrepreneurship is associated with significant changes to societal norms; women becoming business

owners, operating independently from their husbands and providing for their families (Kelley et al., 2011). A common theme often associated with women's empowerment is access to finance; something that has not previously been generally available to women. Societal change and the availability of finance giving rise to successful female entrepreneurship have two potential positive outcomes: the economic growth of developing countries and the eradication of poverty.

Against this background, this paper uses a case study of women entrepreneurs benefitting from support from two organisations in Kenya to provide a better understanding of the barriers and constraints that are faced both in starting and running a business but also in expanding that business to the extent that it may support economic growth within Kenya. The research questions the paper addresses are: 'What is the impact of female entrepreneurship on alleviating poverty? And, is it a viable tool for supporting economic growth?''

The paper review evidence from other studies on female entrepreneurship in developing countries. This is followed by contextual information on female entrepreneurship in Kenya and then an analysis of the case study data. Finally the paper draws conclusions around this subject matter and proposes a number of policy recommendations that would support economic growth through female entrepreneurship.

2. Female entrepreneurship in developing countries

Three interrelated themes underpin the analysis of female entrepreneurship in developing countries; entrepreneurship as a way of poverty reduction through raising finance, and the provision of business skills and training; the political or policy environment and how it supports the phenomenon; and the extent to which a transition can occur from the informal to the formal economy.

Poverty reduction through raising finance

Studies in development have shown that a key way of reducing household poverty levels is to increase access for women to income-earning activities to empower them economically (Daniels, Mead and Musinga, 1995, K-Rep, in Bula and Tiagha, 2012).

Financing has long been identified as one of the major challenges to entrepreneurship as an income earning activity, particularly in the earlier stages of the businesses' development (Brush et al., 2002, Carter et al., 2007, Robb and Coleman, 2010). This can be particularly challenging for female entrepreneurs who often lack the savings required to attract investment or who face alternative barriers such as lack of collateral and limited access to land (Welter et al., 2007). Welter *et al.* (2007) find that key factors such as resource constraints, environmental uncertainty and specific female aversion to risk-taking lead them to engage in activities with low entry thresholds and low financial risk.

The advent of micro – credit schemes pioneered by the Grameen Bank in 1976 in many countries has been a major factor in increasing women's entrepreneurial activity. This method of alleviating poverty amongst the rural poor, has particularly included women who had previously been excluded by banks and other lending institutions. The idea was that, through a small amount of credit, and with education

and training about business, women would be able to receive credit and start a small business that would in turn generate sufficient income to enable them to sustain their household and support their families. By 1991, the Bank offered a wide range of business services and had over one million customers. It was not only noted for successfully alleviating poverty amongst the poor, but it was widely commended for the work it was doing to empower the poor, particularly women (Hulme, 2008).

However, a background note written for the Overseas Development Institute in 2011 quoted Dichter (2006) who found that microfinance has often been used to cover basic consumption needs rather than to fuel enterprise. In the face of such evidence, the microfinance sector now portrays consumption 'smoothing' as a new argument for microfinance (see Collins et al., 2009). While consumption smoothing can reduce risk and vulnerability, it can lead poor individuals to substitute microcredit for non-existent income in an unsustainable way. This finding might support the argument that microfinance is a successful tool for eradicating poverty but is not sufficient to support economic growth.

Women's entrepreneurship, economic development and the political context

Studies have shown that women's entrepreneurship has a positive impact on economic development in a number of ways. These include employment creation, economic growth, innovation and diversity of entrepreneurship (Verheul et al, 2006 Jamali, 2009). In addition, businesses owned by women are one of the fastest growing entrepreneurial populations in the world (Brush et al, 2006). That said, Ahl's critique of female entrepreneurship focuses on three primary criticisms. First the focus on women entrepreneurship studies has been far too aligned to economic growth, and as a result has forgotten to explore other key areas. Second, not enough consideration had been given to social structures and the collective environment. Rather the focus had been on the individual. Third, research of female entrepreneurs and entrepreneurship in general is highly individualistic. Ahl argued that 'contextual and historical variables...such as legislation, culture, or politics are seldom discussed' (Ahl, 2006, p. 605). With this in mind we tried to ensure that all three criticisms were considered when approaching the methodology of this paper and that the contextual and historical variables remained at the forefront of the authors' focus.

Brush et al's (2009) 'gender-aware framework for women's entrepreneurship', built on the existing "3M" framework (Brush et al 2006), has been crucial in the development of research aimed specifically towards women entrepreneurs. The "3M" framework suggests that 'venture creation is generally organised around three basic constructs, namely markets, money and management "3Ms".' More recently the authors have further explored societal factors that embed entrepreneurship to incorporate two further facets, "motherhood" and the "meso / macro" environment under the newly constructed "5M" framework. Brush et al felt that this was needed "in order to enable the study of women's entrepreneurship in its own right". The "5M" framework advances the original theory by bringing in contextual variables to include the household and family context of the individual entrepreneur (motherhood), as well as the expectations of society and cultural norms (meso and macro environment). Brush et al are clear, however, that the addition of these two new dimensions does not take away from the importance of the initial 3M framework, and that, "markets, money and management" are essential for founding any venture (Brush et al, 2009).

We have already discussed some of the characteristics of women entrepreneurs and their reasons for entering into entrepreneurial activities or not, but it is also important to note that entrepreneurship itself can take different forms, Baughn et al (2006) focus on the individual, identifying two categories of entrepreneur; necessity entrepreneurs who are pushed towards entrepreneurship because of the "restrictive nature of the labour market or glass ceiling career problems" (Baughn et al, 2006); and opportunity entrepreneurs who experience pull factors such as independence, challenge, initiative and ideas that encourage entrepreneurial activity (Hughes, 2003; Baughn et al, 2006 in Jamali, 2009). Baughn et al (2006) also recognise, in line with the views of Brush et al that, "the level of entrepreneurial activity can be seen as being embedded in a country's economic, sociocultural, and legal environment."

Baughn et al (2006) developed four hypotheses that provide a more political view of why female entrepreneurship is likely to be successful or not. Firstly, they suggest that 'a country's proportion of female entrepreneurship is positively related to its normative support for female entrepreneurship'. Secondly, they suggest that 'normative support for female entrepreneurship is positively related to a country's level of gender equality.' Thirdly, they propose that 'normative support for female entrepreneurship is positively related to a country's level of general support for entrepreneurship,' and finally they find that 'A country's relative proportion of female entrepreneurship is negatively related to its level of economic development (per capita GDP)'.

Beyond the limited opportunities that face women in developing countries, it is clear that societal norms also play a key role in whether women become entrepreneurs (Ahl, 2006; Brush et al, 2009). Two key examples of these societal norms are those of 'male stereotyping of entrepreneurship' (Bird and Brush, 2002 in Jamali, 2009 pp. 235) as well as 'lower credibility and legitimacy ascribed to female entrepreneurship risking to constrain the rates of female start-ups' (Baughn et al 2006 in Jamali, 2009 pp. 235). Baughn et al (2006) draw on the work of Ahl (2003) and Marlow (2002) to conclude that 'entrepreneurs are frequently described as bold, aggressive, calculative, risk taking, and aggressive – traits stereotypically associated with males' (p.689). This can discourage some women from taking part in entrepreneurial activity. They cite Langowitz and Morgan (2003) and Ufuk and Ozgen (2001) to explain how this might have a knock- on effect to the 'business community (potential customers, suppliers, sources of capital) with whom women entrepreneurs interact' and therefore create a further barrier to success.

The transition between the formal and informal economy

Baughn et al (2006) wrote of the restrictive nature of the labour market or glass ceiling career problems. For these reasons entrepreneurship is often associated with women, primarily within developing countries, leaving stable jobs in the formal sector and joining the informal sector through micro finance schemes to start their own businesses. This is somewhat contrary to what the literature suggests in terms of the inhibiting environment for women in accessing loans and therefore starting their own businesses. So why is this shift happening? This shift from employment in the formal sector to the informal sector is common of most developing countries (United Nations University Policy Brief 2013). To some extent it explains how, 'During the past three decades, in most developing countries, growth of employment in the formal sector has stagnated or at best shown a gradual ascent while the

informal economy has increased significantly (Bacchetta, Ernst, and Bustamante, 2009 in United Nations University, 2013).' To illustrate this point it cites Chen (2005) who found that in India, the informal economy accounts for about 93 per cent of total employment; in Mexico about 62 per cent; and in South Africa about 34 per cent (United Nations University, 2013). It has also been noted that "over the last decade, both national and local governments have realised that the informal economy has become a crucial factor in economic development, particularly in developing and emerging countries, and that it offers significant job and income generation opportunities. However, the main challenge is to recognise the barriers to growth and to develop innovative, inclusive and supportive policies that recognise the value of the informal economy and the people working in this field[1].

Barriers to growth

Previous authors have paid close attention to why women choose to become entrepreneurs, but have failed to examine the extent to which women owned businesses grow. For those that do, how that growth contributes to economic growth. The political context is important in understanding why many firms, fail to expand beyond the micro enterprise scale. McCormick (2001) (in Stevenson and St-Onge, 2005) notes that women owned businesses are smaller, are less likely to grow, are less profitable and begin with less capital investment than those owned by men. McCormick also attributes three factors to these differences; lower levels of education, reduced ability to save, and reduced time available to spend in business due to the dual role they are expected to perform at work and in the household as mothers (Brush et al 2006). These three factors play a pivotal role in the argument for further support for women entrepreneurs by way of skills development and training. This will form a central theme in this paper. We will, however, also consider the non-business environment factors that may also be inhibiting growth of women owned businesses such as their own attitudes towards business and their entrepreneurial characteristics, or lack thereof.

The work of Ishengoma and Kappel (2005), Tokman (2001) and Morrisson (1995) refers to the idea of 'formalising the informal economy' and discusses the problems it presents, for example for unregistered businesses which currently do not pay tax. Formalisation therefore could present financial pressures. Tokman (2001) argued for a more serious approach to be adopted by actors in the informal sector. Earlier, Morrisson (1995) felt it was the responsibility of the government officials to address the problems relating to the informality of the sector. These two viewpoints suggest that the problems of the informal sector require a multi-faceted approach over a sustained period of time. It can be argued that the responsibility does not lie with just one party and that cooperation is needed between those working in the informal sector, and those working with the Government to create a set of policies and procedures and a business enabling environment that promote pro-poor economic growth as a result of micro finance activity.

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[1] [1]. (http://www.delog.org/cms/upload/pdf-africa/managing_informality_local_governments_practices_towards_the_informal_economy.pdf) (accessed February 11 2015)

3. Women entrepreneurship in Kenya

Blackden and Canagarajah (2003) for the UNECA Expert Meeting on Pro-Poor Growth, titled 'Gender and Growth in Africa: Evidence and Issues', highlight two key themes. First, 'that men and women both play substantial – though different – roles in African Economies', and secondly, 'that there is a large body of micro-economic empirical evidence, and emerging macroeconomic analysis, which show that gender inequality directly and indirectly limits economic growth in Africa'. The authors also suggest that the principal policy implications are that, 'by removing gender-based barriers to growth, Africa will be able to realise its growth potential' (Blackden and Canagarajah,2003, 1). Within this same paper Stern (2002), the World Bank Chief Economist, explains how, 'states and markets must complement one another, that growth is the most powerful force for the reduction of income poverty, that trade is a crucial engine of growth, and that development activities function more effectively if poor people are empowered' (in Blackden and Canagarajah (2003, 2).

In Kenya, recognition of the growth of female entrepreneurial activity and the relative success it creates, both in terms of wealth creation and job creation, spurred the government's commitment to, 'integration of the micro and small enterprises (MSEs) sector into the national economic grid' (Stevenson and St-Onge, 2005, 3). In particular the focus would be on the formalisation of the informal economy and the support for growth oriented women entrepreneurs. The authors explored the status of the MSE sector in Kenya, and came up with a number of findings. Firstly, it was noted that the majority of all MSEs in Kenya had fewer than 10 employees, with the majority being sole owned / sole managed businesses. These MSEs accounted for 70.1% of the whole MSE sector in Kenya in 1999. They described a noticeable gap, that being MSEs with 11-50 employees - 'the missing middle'. This paper sets out to understand what causes this "missing middle".

Even when compared to other sectors such as the modern sector (defined as employment in public, administrative and private sector organisations), MSEs with 11-50 employees represented a miniscule share of total employment. Furthermore, Stevenson and St-Onge noted that there were a further 1.9 million people working in the informal sector and that 75% of these were likely to be women running micro-enterprises formed from micro finance loans or similar saving schemes. They suggested that it is these two key groups, the 'missing middle' and those employed in the informal sector, are the groups that should be seen as areas of opportunity for growth and become a key focus area of the Kenyan government. Based on this study, these authors made a number of recommendations around the promotion of women entrepreneurs in Kenya. Promotion should be specifically targeted towards women's access to micro and other forms of credit, women entrepreneurs' associations and networks, training and mentoring, business support and information, the regulatory and legal environment and research into the area of female entrepreneurship.

Since 2008, Kenya has implemented a number of business reforms in order to ease the process of doing business in Kenya. Such reforms include: access to credit (including credit history information sharing) and starting a business (reducing the amount of time to register and digitalising the process). At the same time however, Kenya has increased the administrative burden of paying taxes by requiring quarterly

filing of payroll taxes putting a further barrier in many people's way (Doing Business, 2013).

What these reforms do not account for, however, is the 1.9 million business owners that make up the informal sector. Whilst access to credit is not a huge barrier at this stage in Kenya, the process of business registration seems a step beyond the capabilities of the majority of micro enterprise owners. Policies and support to address this gap, the 'missing middle' are lacking. There is also limited research in this area exploring why these gaps exist.

Political change has, however, brought policies designed to bring about greater gender equality in Kenya. A notable change to the Kenyan Constitution was the implementation in March 2013, of the 'One Third Rule'. This means that there must be a one third requirement of either gender in elective bodies. This is a huge shift in the societal norms for Kenya. It is matched by a call for more inclusive decision making processes within all decision-making institutions and the use of participatory approaches by NGOs and similar organisations in order to maintain this level of inclusion. In Kenya therefore, politics and legislative change (Ahl 2006) may well support female entrepreneurship. A better gender balance in organisations supporting entrepreneurship might mean a more gender sensitive process of 'formalising the informal economy' (Ishengoma and Kappel 2005).

Key considerations throughout the remaining sections of the paper will be both the political factors that could prohibit growth oriented women entrepreneurs and also the societal and practical barriers that women may face. It is therefore crucial to look at the role that women entrepreneurs play or could play to further support economic growth.

4. Methodology

In this study four methods of data collection were used during one visit to Kenya in June 2013. The first is a case study methodology. The preference for case study research arises from 'the desire to understand complex social phenomena' within a known setting (Yin, 2009.4). Three other research methods were used (i) structured interviews with 27 female entrepreneurs working within the field of micro finance and women's entrepreneurship in Kenya; (ii) semi-structured interviews with employees of the selected organisations; and (iii) direct observation. The information collected was both qualitative and quantitative in order to give a 'best of both worlds' approach to the research topic (Bryman 1988).

A blend of ethnography and phenomenology was used: looking first at women and their role in society in Kenya (ethnography), and then at the experiences of women entrepreneurs in Kenya (phenomenology). It was essential to consider both so as to try and fill the current research gap as to whether on the one hand it was political barriers or constraints that were limiting the number of women entrepreneurs; or on the other hand, that they themselves were limiting their own growth either through basic practical barriers such as skills or training, or simply their attitudes towards growth and formalising their businesses. Collectively these approaches enable the exploration of the impact that women entrepreneurs and their businesses are having on the society around them, and how they are affected as women in Kenya.

The women entrepreneurs came from five geographical areas: Githerai, Nasiko Towers, Kawangware Kitengela, and Kiganjo (Thika). All are within 45 minutes of Nairobi City Centre and are in built up areas with access to vital resources such as banks, hospitals, running water, schools, main roads and transport links. The two organisations were; *Opportunity Kenya* from which the majority of the sample were selected, and an NGO *Action for Children in Kenya (AfCiC)*. A series of interviews were held following a questionnaire with employees of both organisations, as well as from the Women Empowerment Fund, a government initiative formed as part of the Kenyan government's *Vision 2030* programme, and Pricewaterhouse Coopers (PwC).

Opportunity Kenya identified four locations in the surrounding areas of Nairobi that would give a good representation of the variety of beneficiaries they work with and the ranging size, success, age and diversity of businesses that are operated through their microfinance programme. AfCiC also selected a location near to Thika Town where there was a group of successful women entrepreneurs. A Kenyan facilitator was with the researcher at all times and acted as a translator when required.

The questionnaire was designed to provide a detailed overview of the women entrepreneurs, their background, and an overview of their family status, as well as a background to their business and the process they went through to starting it. As discussed previously, it was also essential to explore the barriers they faced. This was both in starting their businesses but also in growing them. The questions also sought to identify the areas they felt that they could benefit from further support in such as training, access to finance etc. Finally, through more informal discussion the study aimed to examine how they felt the role of gender impacted on the relative success of their businesses as well as gauging what their ambitions and expectations for their businesses might be. This final question would support analysis of how women's attitudes towards their businesses play a role in their own growth and success.

Specific areas of focus covered the areas of: access to land and collateral, access to finance, education and training, the dual role within the household, and the political and social structure within Kenya and how it impacts on women entrepreneurs. The business registration process was also a key part of the questionnaire in order to identify whether this was a contributing or limiting factor to the success of women entrepreneurs and the relationship between this success and economic growth.

Semi-structured interviews with key members of the organisations involved in the projects along with other notable experts in this area of study allowed for flexible and exploratory discussions. Five interviews were conducted with seven participants who included the Director of Action for Children in Conflict, and three loan managers from *Opportunity Kenya* who worked in the Githerai branch which supports over 500 active entrepreneurs (both male and female). Both of these interviewees were heavily involved with the project beneficiaries and had many years of experience within the field.

Interviews were conducted with other related organisations involved within the wider area of female entrepreneurship. Finally, representatives from the Women Enterprise Fund, a flagship project in the Kenyan Governments' Vision 2030 were interviewed. This is cited as a 'demonstration of the Kenya Government's commitment to the

realisation of the Millennium Development Goals on Poverty reduction, women empowerment and gender equality'. This organisation has been heavily influenced by the policies of the government. It has been allocated substantial budgets to work towards achieving major change within Kenya and the specific area of women empowerment and women entrepreneurship.

5. Analysis of results

The analysis is split into several sections. The first provides a profile of the sample entrepreneurs and their firms, before going on to look at access to finance and the performance of the women owned businesses. It then moves on to look at the types of businesses that are in operation and the need for further skills training and support to women entrepreneurs. The final section looks at the opportunity for growth and women's attitudes towards their businesses and the potential for growth.

Women entrepreneurs in the sample

The demographic breakdown of the 27 women interviewed ranged from 25 years old to 45 years and above with the majority being 35-45 years old. 18 of the 27 respondents had received secondary school education although not all had completed the final and highest level of qualifications. Five had attended vocational training courses or college, and four had only reached primary school level. Approximately 75% of the participants were able to complete the interviews in English with little or no support from the interpreter. This is a very different profile of female entrepreneurs to that in other countries such as Saudi Arabia where two thirds of a similar sized sample were educated to degree level (Danish and Lawton Smith 2012).

The survey looked at how much time the women were spending between running their business and household work. It showed that every woman was working at least 20 hours per week in their business. The majority, 22 women, spent over 40 hours in their business each week. In addition to time spent in the business, the role of motherhood, or time spend on household chores was significant. Only nine women were spending less than 10 hours per week on household chores whilst a further ten women were spending 20-30 hours per week on their chores. Five women spend over 30 hours per week on chores and three, between 10 and 20 hours per week.

The reasons for this variation were related to the employment of a house help, with one third of the participants relying on a house help to keep up with housework. It has been noted that in Kenya, "nearly everyone, except the very poor, hires domestic help. The Kenyan government and other groups studying the issue estimate that almost two million households in Nairobi alone employ nannies, cooks, maids and gardeners. They help alleviate the burden of the employer by doing chores that they cannot fit into their more demanding schedules[2]." None of the women's husbands are responsible for the chores within the households (see also Brush et al 2009). For many of these women, the Motherhood role (Brush et al 2006) was dominant in their lives, while others were empowered by having domestic help

[2] http://www.afromum.com/plight-domestic-worker-kenya/

which allowed them more time for their businesses. The employment of a home help to support domestic chores is a growing occurrence in Kenya, and particularly in urban areas, but it is also a mark of relative success, that a household has enough disposable income to employ a home help. This would suggest that the role of motherhood can be a clear barrier to success due to its inhibitive nature.

When asked what businesses the women were operating and their reasons for starting them, the responses were similar and included statements such as “I see other women selling so I thought I can sell too”. These findings suggest that the domestic context and the role models are examples of how social structures can be important factors in patterns of female entrepreneurship in developing countries (Ahl 2006).

Access to finance

Most of the businesses had been operational for at least one year, with 14 being over three years in operation, and 10 between 1-3 years. Most of those who had businesses for over 3 years had experienced some change in the structure, nature and set up of their businesses over this period. This shows stability within the sample population, even though many are in the informal sector.

It was clearly noted that the size of the loan reflected the nature of the businesses – often small and in sectors where average firm size is small – not only the missing middle (Stevenson and St-Onge 2005) but also larger firms (Table 1). The most common loan size received was around Kenyan Shillings (KES) 20,000 which is equivalent to approximately £180 (2013). The largest loan awarded was for KES 1.3 million (£9,380). This was for an established business that had received smaller loans in the past and worked towards this amount through successful repayment of previous loans.

TABLE1

The four women who had not received any form of loan had started their businesses with non-financial support from the NGO AfCiC and had used “merry – go – round” saving schemes, along with guidance and support from AfCiC to start their businesses.

It is also interesting to look at the loan size given and the amount of income that is generated as a result, on average each month. Figure 1 below illustrates the loan size against the amount of income generated each month. A pattern can be seen between the loan size received and the average amount of income that the business generates on an annual basis. There is little reported evidence of any real significance between the loan size and income generated. However, the results are in line with what one would expect in any business environment. This demonstrates therefore, that the women participants are operating with relative success proportionate to the size of their respective loans. As a result, the income of individuals and households is increasing as is their social status in society and quality of life, as evidenced through the use of home helps to support domestic chores enabling women to commit more time to running their businesses. Hence it could be said that being empowered to run businesses has contributed to poverty reduction in this sample.

FIGURE 1

However, even more interesting is that of the scalability of firms, often dependent on loan size. From the spikes in the chart, it can be seen that where the loan size was significantly greater, this resulted in a substantially better financial performance within that business. The clearest way of demonstrating this is to look at the annual income as a proportion of the initial loan size in these businesses (see Table 2). Thus the importance of money (Brush et al 2006) is clearly demonstrated in this study.

TABLE 2

Amongst the remaining participants, the proportionate annual income generated ranged from 0.4 times greater than the initial loan size to 12 times greater showing that overall, all businesses were operating successfully as a result of the initial loan investment.

Loans were received from two main sources. NGO's or microfinance institutions were the most commonly used source of loans with 19 of the 27 participants having accessed loans through this means, the majority of those participants being from *Opportunity Kenya*. Five women had accessed bank loans and in order so to do had used savings as their collateral to guarantee the loan. Figures 2 and 3 below represent this breakdown as well as looking at where the women were likely to go in the future if they were looking for further loans.

FIGURES 2 AND 3

When asked the similar question of where they would go in the future to secure a loan, the responses followed the same pattern: 18 out of 27 said that they would go back to an NGO or microfinance institution and many of them were close to being able to step up to the next loan tier. Only three would go to banks, and two opted for savings or personal finance. Through discussions on this topic, many of the women were keen to enter into Savings and Credit Cooperative Organization (SACCOS)[3] which are a common form of financing micro enterprises in Kenya and many other developing countries, popular because of their low interest nature, and less demanding requirements in terms of collateral, rules and regulations or bank charges.

The evidence from this study has shown that actually lack of collateral poses little or no problem to most women in accessing loans, and that, whilst land ownership does provide somewhat more of a barrier it does not prohibit them in any way. An explanation for this could be assigned to the fact that a lot of the more widely documented research looks at accessing finance on a greater level than that of micro finance institutions and therefore, in those instances, lack of land and collateral are more likely to have an impact. In the case of Kenya, loans are relatively easy to access; in most cases, the beneficiary needs to provide a form of ID, either a national ID card or passport; and needs to be able to show savings to a certain level (usually equivalent of around £50); and needs to already have a small business that is in operation (this can be in the informal sector, and most often is).

[3] https://www.kenyadiasporasacco.com/what_is_a_sacco.aspx (accessed March 14 2015)

Usual loan terms require monthly repayments and for the women to attend occasional workshops within the loan organisation. In the World Bank's Review (Ellis 2007) *Gender and Economic Growth in Kenya: Unleashing the Power of Women* it is shown that loan repayments by women are high. However, the real problem lies in 'the lack of prevalence of a collateral-based banking system and lack of a credit bureau that could capture women's excellent repayment rates in microfinance' (page 46). This is to say that if banks and other loan lending institutions were to pay more attention to the excellent repayment rates of women in microfinance they would be able appreciate the extent to which women are in fact a relatively low risk investment opportunity.

Business Skills and training

A noticeable area of confusion among the participants was the difference between the income generated and the profit made. This arose when asked whether they paid themselves a salary. Most were unable to answer exactly how much profit they retained each month after all 'business related' costs were taken out, and when asked if they took a salary from the business, 23 of the 27 participants responded that the profit was their salary. Only three took a formal salary and of these, only one had formally registered their business and was therefore paying the associated taxes and insurance. This can give a very different view from the previous finding where it seemed that all of the businesses were generating a healthy income. Given the lack of knowledge and understanding by the participants when asked about income and profit, it was not possible to draw a clear conclusion as to exactly how profitable each business is. It can be concluded, however, that the income generated was sufficient to support the household and sustain the business. Hence entrepreneurship is potentially a tool for alleviating poverty.

Similarly, when asked whether women entrepreneurs kept financial records or accounts for their businesses, the most common response was 'yes they did'. However, after further exploration it was clear that the records being kept were simple stock records of what products or services were being sold each day. They were not necessarily accounting for what money was being invested into the business, nor the costs of utilities, rent, licences or other business related costs. Only two of the participants were keeping formal records, with five keeping none at all, and 20 keeping essentially only stock records.

The businesses

Of the 27 businesses in the sample, only four were formally registered businesses so that 23 remained in the informal sector. The informal sector, known in Kenya as Jua Kali, literally translates as 'fierce sun' in Swahili. It is crowded and saturated with many similar businesses. The World Bank (2006, 32-33) recognises these businesses as predominantly:

• Selling fruits and vegetables
• Food operation, sale and processing
• Selling clothes and shoes (both second-hand and new)
• Kiosk selling various items
• Water kiosks
• Small retailers or hawkers who sell cereals, home suppliers, fuels and other goods
• Small manufacturing, production, construction and repair of goods.

In this study, these sectors were reflected in the sample. Figure 4 shows that the variety of business being operated by the women respondents reflects this diversity.

FIGURE 4

Informal v formal economy

Of those businesses that were not registered, the majority of women were forced to pay some form of "fees" to the local councils or local health officials (in the case of businesses serving food). These "fees", paid daily, weekly or annually, were not accounted for, nor was any official documentation or receipt of payment generally given. Many of the women expressed their fear that, despite paying the fees to keep the councils off their backs, there was nothing officially preventing the local councils from closing down their businesses at any time should they choose to. Therefore their businesses were always at risk as was their own welfare and that of their families. Through further questions we tried to uncover what exactly happened with these fees that were being paid on a daily or weekly basis but it was never quite clear. There was little sign of infrastructural development or business support from the local authorities.

The entrepreneurs were asked why they had not chosen to register their businesses. This question posed clear uncertainty amongst most responses with answers ranging from being 'too expensive', to 'businesses being too small', or 'no reason'. Business registration is not promoted in Kenya, certainly not at the micro enterprise scale at least and even when asking the staff of *Opportunity Kenya*, it seemed that this wasn't something that they as an organisation directly encouraged nor discouraged. Figure 5 shows the responses and reasons why the women had not registered their businesses.

FIGURE5

However, over three quarters (78%, 21) of the women felt that guidance to registering their business would be very important or important. This demonstrates the clear potential for growth in this area and illustrates as previously suggested, that if there were inclusive and pro-poor approaches to business registration, the impact could be felt across the board. For each of the other support areas, all 27 women responded that support in that area would be very important or important. This demonstrates a clear willingness to learn, but the questions that emerge immediately is the feasibility of providing such support and what the value or gain for the women would be.

Barriers to growth

The questionnaire looked at barriers to business that the women faced within the business community. The responses to this section were mainly positive and overall there was definitely the sense that there were in fact no major barriers preventing the women from running their businesses and achieving success. The two areas of "Access to capital and loans" and "lack of land ownership" were the only responses that generated a significant and unified response rate of over 50% in each case agreeing that it was in fact a barrier. 70% and 56% of the women respectively felt that these areas were barriers to their business. The other areas were represented as below in Table 3:

TABLE 3

An area that was highlighted as not being significant barriers by the majority of women was a lack of collateral, suggesting that the ability to save is greater than perhaps research would suggest of the group. Access to markets and customers was also strongly viewed as not being a barrier, and finally, most poignant of all was that 89% of the women felt that gender was not a barrier in any way to their business. This strongly differs from much of the research conducted in this area (see for example Danish and Lawton Smith 2012), and highlights Ahl's (2006) point about the critical importance of social structures and the collective environment.

Support for women entrepreneurs in Kenya

The final part of the questionnaire was intended to explore the women's own attitudes towards their businesses and what the women participants feel they that need in order to improve their businesses. It was aimed to get a sense of their aspirations in the context of the difficulties they face. They were asked to rank several areas in terms of importance, and the cumulative totals can be seen in the Table 4 below.

TABLE 4

The interviews revealed that most of the loan beneficiaries from *Opportunity Kenya* attend a one day course which teaches them about the terms and conditions of the loan and the repayment terms. This one day course touches on basic level marketing, promotion and stock control techniques However, it does not extend fully into wider areas such as financial management, reinvestment for growth, marketing, becoming an employer, use of IT within businesses or other relevant specialised skills training. This is not meant as a criticism of the work of Opportunity Kenya, but merely an observation, and there are notable reasons as to why further training cannot be given to all beneficiaries, most simply because of volume of beneficiaries and resources available.

When asked what type of training the women felt they would benefit from, the responses were as below in Table 5.

TABLE 5

There is clear evidence of a need and desire for training in relevant areas and in areas that have already been widely noted as fundamental to business success. Furthermore, when asked whether the provision of four key support services / areas would be important to them or not, the responses were in almost every case positive. The four areas were:

- Guidance to registering your business
- Access to capital / loans
- Training opportunities
- Networking opportunities

6. Discussion, conclusions and recommendations

A number of barriers and constraints to female entrepreneurship and its impact on the economic growth in Kenya have been explored. Three themes have formed the

framework: poverty reduction through raising finance, the political context and the informal versus the informal economy.

Using the frameworks of Brush et al (2009), to explore the macro / meso and motherhood factors of women's entrepreneurship, it became clear that at a macro level, the creation of a more favourable business environment within Kenya, and the formalisation of the informal economy present great opportunity. Through this process, economic development would be encouraged through the reinvestment of micro finance loans back into the economy whilst simultaneously having supported an individual, a family, and in some cases communities out of poverty.

Though Baughn et al's (2006) framework was relevant it would seem that the changing societal norms in Kenya, and the empowerment and acceptance of women as business owners, and as decision makers, means that much of the negative perception of women entrepreneurs has been somewhat removed in Kenya in recent years. The study shows that women are successfully operating micro enterprises and are successfully competing against men.

A key focus was looking at necessity vs. opportunity entrepreneurs (Baughn et al 2006). Findings from this survey strongly reinforce the work of Baughn et al and show that some women in Kenya are leaving stable jobs in the formal sector to start their own enterprises, a more favourable work environment. Consideration must therefore be given as to whether entrepreneurship in this manner could be confused with self-employment. Are necessity entrepreneurs in fact self-employed women rather than opportunity entrepreneurs who are looking to exploit market potential?

Accessing finance, and starting a micro enterprise as a woman entrepreneur in Kenya is not as difficult a process as the literature might suggest. The majority of women become empowered by the availability of microfinance and thrive off their role as being the business woman, and in many ways are not deterred or held back by their dual role of business woman, and keeper of the household. There was a general consensus that being a woman raised no barriers to success or becoming an entrepreneur and would suggest perhaps that the pull factors towards entrepreneurship of 'independence, challenge, initiative and ideas' (Hughes, 2003; Baughn et al, 2006) are relevant to women entrepreneurs. The evidence in this study suggests that it is necessity that often drives women to entrepreneurship. However, it is the aforementioned 'pull factors' that keep them motivated and aiming for success. It also suggests that microfinance is in fact a self-alleviating poverty tool.

Moreover, education plays a key role in the success of women entrepreneurs. There was a clear desire by the women to learn, specifically around business training and business management (one of the three elements of the 3M framework, Brush et al 2006). Whilst many might not have gained secondary school qualifications, there is clearly scope for an intermediary level of business training that would not only benefit the women and their businesses, but also the community around them.

The success of the participants in operating their businesses has resulted in their being able to support themselves and their families and, in many cases supporting others in their community. This is another positive impact of micro finance and women entrepreneurship and in line with the original intention of the Grameen Bank (1974). On a micro scale this is a positive outcome.

The lack of desire by the majority of respondents to grow their businesses significantly and expand to greater levels could be explained as an unintended consequence of the loans. It is possible that micro finance loans have allowed them to create a sense of 'consumption smoothing' that they are happy to live with. From the responses given as to exactly what the loans were spent on or what 'income' their businesses generate each month, it would suggest that there is a lack of sustainability within the group and their businesses. An alternative explanation is that it is simply a lack of knowledge and education around how to grow the business that prevents them from growing their businesses.

An observation was the notably higher standard of living of the participants than perhaps one would expect from a group that represent some of the 46% of Kenyans that currently live below the poverty line (Unicef, 2013). The majority of participants were living in houses with access to running water and electricity, in secure buildings. They were able to provide for their families. There was an overwhelming sense of a group of women who were moving out of poverty; a group of people who were in fact 'business women'. That is not to take away from the enormity of the challenges they face each day to ensure that their businesses operate successfully, but more a reiteration of Dichter (2006) and Collins et al (2009).

Finally, one of the aims of this study was to look at how Kenya can maximise the opportunity that the informal sector provides in a way that is likely to benefit the economy as a whole. The survey results would suggest that, at a micro level, support from micro finance organisations to the women entrepreneurs would have a positive impact on growth and sustainability. Primarily, this is through the provision of training and support around business management, business growth and operations, networking and access to credit. However, at a macro level wider government and institutional support is required to create a supporting environment for economic growth.

This can be supported by referring back to the framework developed by Stevenson and St-Onge (2003). This integrated framework for the support of women entrepreneurs demonstrates the need for collaboration between the micro enterprise organisations and the broader macro environment, such as the Kenyan Government who represent the square core and who are responsible for policy coordination and leadership, project development and management), and advocacy (such as the Women Enterprise Fund as Part of Kenya's Vision 2030.)

Whilst these frameworks support the findings, they also show that there are limitations to existing studies. It is crucial to further explore and understand the attitude and mind sets of the Kenyans who represent the informal sector around the welfare system, contributing back to society. Without a clearer understanding of how they would cooperate going forward and the commitment to the support of economic growth, the implementation of policies and programmes to support women entrepreneurs could be detrimental to the current success of micro finance programmes. It is also important to better understand the migration of people leaving the formal sector to start up their own enterprises in the informal sector and to look at ways that this can be minimised through incentives, training and investment in human capital.

It is evident that women entrepreneurs are making a wholly positive impact on themselves, on their families and on communities in Kenya. Women represent a huge percentage of Africa's so called 'untapped potential' and we have seen how they demonstrate the strength, courage, and determination to achieve success through entrepreneurial activities. Changing societal norms in Kenya means that women are becoming empowered at all levels. As time progresses this is likely to continue to have a positive impact. The focus needs to remain on how to maximise this potential and the size of the female entrepreneurship sector in order to benefit the country as a whole.

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