

Influence of Accessibility to Finance on Growth of Small and Medium Enterprises (SMEs) Owned and Managed By Women in Migori County, Kenya

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Abstract: *The study utilizes a descriptive survey research design for a target population of 912 women entrepreneurs with a sample size of 273. A one-stage stratified sampling technique was used to stratify the population according to entrepreneurial activities undertaken by women. Data was analyzed using measures of central tendencies and dispersions. Frequency tables and percentages were used to present data.*

The study showed that women engaged in entrepreneurship because they wanted to secure employment and provide for their family needs. A large population were engaged in service sector 107(43.1%), commercial activities 90(36.3%) and manufacturing sector 51(20.6%). The study revealed that raising initial start-up finance was a daunting task for women entrepreneurs and a major obstacle to expanding their business.

The study further established that capital acquisition by women entrepreneurs for growing their firms faced numerous challenges including legal status of their business 80(32.3%), personal savings and resources 68(27.4%), complex documentary procedures by financial institutions 25(10.1%), inadequate collateral for debt financing 41(16.5%), while 9(36%) mentioned lack of awareness of availability of start-up finance.

The study showed that SMEs women entrepreneurs in Kenya typically obtain their initial start-up investment and working capital from internal sources, own savings, retained earnings and loans from family and friends. While finance has been termed as a major problem, it is surprising that a high majority of women entrepreneurs had never applied for a formal bank loan due to stringent collateral requirements by banks and the risks involved should they fail to pay back the loans. Starting business is seen as solution to overcome poverty and as a means of balancing family commitment and creating employment.

The study recommended urgent need for policy formulation targeting specifically women SMEs to help overcome financial obstacles which confront them during start-up and onward growth.

Keywords: *Finance, Women entrepreneurs, Small and Medium Enterprises(SMEs).*

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I. Introduction

Background to the study

Economic history is well stocked with enough insights into the humble beginnings of present great corporations. Evidence abound that almost all of the multinationals giant corporations in America, Europe and even Nigeria were cottage enterprises. Japan's economy was dominated by traditional industries, cottage firms and by many SMEs (St-Onge, 2005).

According to Ikiara(2001) and a world bank report(2001), SMEs are regarded as offering an alternative route to economic growth especially in the context of increased poverty and unemployment. An important part of capitalizing on human potentials lies in fostering entrepreneurship development in its global jobs pact. The ILO, director general Juan Sonovia himself has said "no decent work strategy can be successful without encouraging entrepreneurship, innovation and productivity" (ILO, 2003).

Many governments and organizations have focused on the promotion of SSEs as a way of encouraging broader participation by both women and men in the private sector. One significant characteristic of the sector is that as it has grown it has become an important employer of female labor force. The promotion of SSEs and especially those in the informal sector is viewed as a viable approach to sustainable development because it suits the resources in Africa (Gakure, 2004).

According to general commercial statistics business development bank of Canada (1997), an entrepreneur is a person who establishes genuinely new enterprises, therefor women who start up a business venture qualifies. A woman maybe considered to be an entrepreneur if she has started the business alone or is someone who is a principal in a family business or partnership or is someone who is a stakeholder and a manager in a publicly held company (OECD 1997). Women entrepreneurs create new jobs for themselves and

others and by being different also provide society with different solutions to management, organizations and business problems as well as the exploitation of entrepreneurial opportunities.

Statement of the problem

Women unemployment has remained a major challenge throughout the world. As Goldberg (2010) argues, “while at least half of the brain power on earth belongs to women, women remain perhaps the world’s most underutilized resource”. A review by CBS indicated that more female owned enterprises (5585) than male (4045) closed down (Kibas and k’aol (2004)).

According to WanjiraMunyua and Mureithi (2008), despite the growth of women owned businesses a large majority started a small and stayed small never employing more than ten people. However, in their quest to engage in effective entrepreneurship women face many challenges in trying to access finance to grow their enterprises.

In Migori county, it has been a common practice to see auctioneers acting on behalf of KWFT auctioning collateral security of women entrepreneurs in a bid to recover their loans. It was this practice that the study sought to address.

Purpose of the study

The study was to establish influence of access to finance on growth of SMEs owned and managed by women entrepreneurs in Migori county.

Objective of the study

The study aimed:

To assess how accessibility to finance by women entrepreneurs’ influence growth of SMEs owned by women in Migori county.

Research question

The study sought to answer the following question:

To what extent does access to finance by women entrepreneurs influence growth of their SMEs in Migori county?

II. Literature Review

Accessibility to finance by SMEs women entrepreneurs

Start-up finance refers to money or capital to initiate a business venture. Access to such finance has always been challenging and has been cited as the most prominent impediment to people seeking to create their own business. According to OECD (2004), the earning potential of women is lower, leading to a lower probability to accumulating savings. The net worth of women generally is lower and their possibility to generate income is lower as well (Franco & Jouhette, 2003).

In many countries especially in developing economies, women still have a problem to obtain finance because of their weak social position or that they are not allowed to seek finance as individuals and that husbands or brothers must seek in their place instead (Mayoux, 2001). This diminishes women’s probability of both being able to exploit their human capital and being able to control the resources needed to exploit it. Potential or real problems for women when it comes to financing includes women may be disadvantaged in raising the initial capital to start a new firm, collateral needed for external financing may be above the wealth level of most women and women entrepreneurs relationship with different financial institutions might suffer because of gender stereotyping and discrimination (Cater et al, 2001; Storey, 1994).

Women often have a difficult time to assemble external resources, they start less ambitious firms that can be financed to greater degree by their own available resources (societal position; human resources and financial resources). Basically, firms with more resources at start-up have a high probability to grow than firms with fewer resources. This initial endowment in the firm is therefore of great importance for firm survival especially for firm growth (Bruderl & Schussler, 1990). Access to capital is restricted since all banks require some form of collateral to obtain a loan. The absence of good business practices such as business plans, cash flow management makes SMEs owned and managed by women questionable loan recipients. Research indicate there still exists a barrier to women obtaining external finances but this barrier is diminishing as financial institutions become more aware of gender issues and start to consider women entrepreneurs as a possible source of income (Kay et al, 2003)

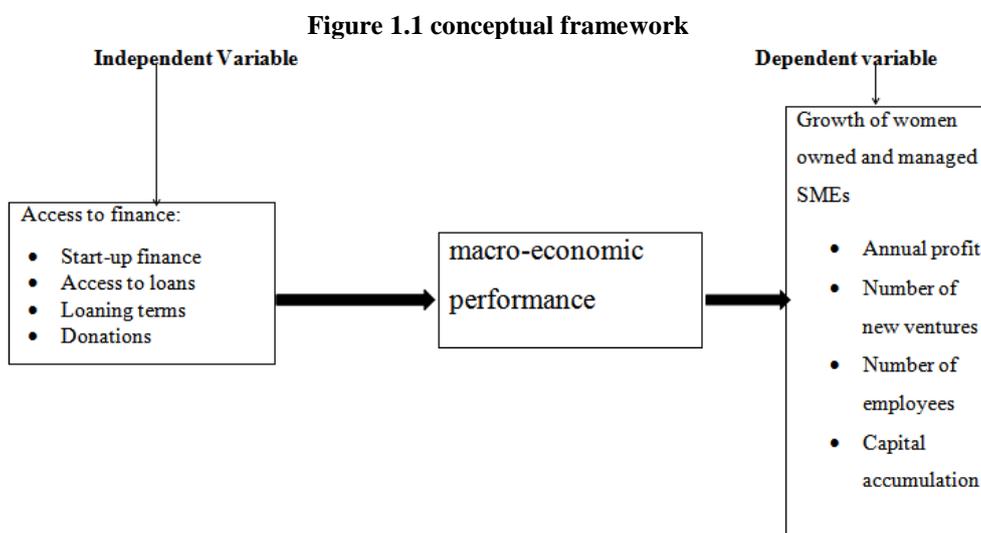
Schindehute et al (2003), observe that the position of SME women entrepreneur in accessing finance is worsened due to their lack of assets. Another argument for problems faced by many women entrepreneurs in raising finance for business start-up relate in part to the chosen sector. Women SMEs tend to be concentrated in

the service and retail sector (Brush 1990). Small bone (1990), observed that lenders often perceive service and retail sectors as being risky as result of its ease of entry, high exist rates and lack of tangible assets.

Theoretical framework

This research was anchored on the adaptation-innovation theory which was developed by Kirton in 1976. Theory is founded on the idea that each person is creative and solves problems differently (kirton, 2003). The theory states that adapters desire to do things better while innovators seek to do things differently. The theory further states that individuals are systematically different from each other in creative style, decision making and problem solving. Differences as creative style are influenced by originality, efficiency, and group conformity. A low standing on originality but a high standing on efficiency and group conformity makes a person an adaptor while a high standing on originality but low on the other aspects makes a person an innovator , The relevance of this theory to study is that by adapting to the business environment and taking risks to innovate through measures such as product differentiation and price deregulations women are able to grow their enterprises. The growth of SMEs owned and operated by women and its success highly depends on the ability of individual entrepreneur to adapt to the business environment. This adaptation-innovation theory views growth of SMEs owned and operated by women through creativity by women and their ability to adapt to the dynamic and turbulent business environment.

Conceptual framework on influence of access to finance on growth of SMEs owned by women entrepreneurs



III. Research Methodology

The research adopted a descriptive survey research design The target population in this study was 912 women entrepreneurs. A one-stage stratified sampling and simple random sampling was used as sampling technique. The data collection instrument was questionnaire. Proportionate stratified sampling was used and the number of the members included in the sample was 30% for each sector of entrepreneurial activity.

TABLE 1.1 Sample sizes of the population for the study.

Business sector	Total population	Sample %	Sample size
Service	402	30	120
Commercial	314	30	94
Manufacturing	196	30	59
TOTAL	912	30	273

IV. Study Findings

Accessibility to finance and growth of women SMEs.

Access to finance was cited as the most challenging and prominent impediment to women who sought to start up new business. The investigator sought to know the extent to which accessibility to finance determine growth of women SMEs. Consequently, the respondents were requested to respond to questions covering the following areas.

Start-up capital and growth of women SMEs.

Table 1.2 start-up finance and growth of SME.

Capital (Ksh.)	Frequency	Percentage (%)
Less than 100,000	186	75
101-200,000	40	16.1
201-300,000	11	4.4
301-400,000	7	2.8
401-500,000	0	0
Above 500,000	4	1.6
TOTAL	248	100

Table 1.2 shows that 187(75%) started their business with less than ksh. 100,000, 40(16.1%) had between Ksh. 101000-200000, 11(4.4%) started up with ksh. 201000-300000 7(2.8%) used ksh. 301000-400000 while only 4(1.6%) started with over Ksh. 500000. This indicates that Majority of women SMEs were started with less than ksh100,000 ,186(75%). This implied that sourcing for initial start-up finance was a daunting task for women and major obstacle to expanding their firms.

Capital acquisition challenges and growth of women SMEs

Table 1.3 capital acquisition challenges and growth of women SMEs.

Challenges	Frequency	Percentage (%)
Lack of personal savings and resources	68	27.4
Inadequate collateral	41	16.5
Complex documentation procedures	25	10.1
Legal status of my business	80	32.3
Limited micro-finance institution	6	2.4
Long periods for processing loans	19	7.7
Lack of awareness of start-up financing	9	3.6
TOTAL	248	100

Table 1.3 indicates that the major constraints the SME women entrepreneurs were facing in growing their businesses was the legal status of their business which had the highest proportion of 80(32.3%). Others were lack of personal savings and resources 68(27.4%), complex documentation procedures by financial institutions 25(10.1%), long waiting periods for processing loans 19(7.7%), inadequate collateral for debt financing 41(16.5%), 9(3.6%) mentioned lack of awareness of possibilities of availability to start-up financing while 6(2.4%) cited limited micro-finance. This implied that the SME women entrepreneurs engaged in business but with serious constraints which hinders growth of their enterprises.

Schindehutte et al (2003), concurs that the position of women is worsen due to their lack of assets. Another argument for problems faced by many women entrepreneurs in raising finance for business start-up relates in point to the chosen business sector. Female entrepreneur business tends to be concentrated in the service and retails sector (Brush, 1990). Lenders often perceive the service and retail sectors as being risky as a result of its ease of entry, high exit rates and lack of tangible asset,(Small bone,1990).

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