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The performance of small medium enterprises (SME'S) operated by women and men in the non agriculture role enterprise in nandi county, Kenya

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ABSTRACT

Entrepreneurship development is increasingly becoming important in economic growth in many countries. The majority of workers in the developing World cluster in small and micro enterprises in the private sectors. They may be on account workers in services or employees in small and medium-sized firms in manufacturing. Entrepreneurship and investment influences the rate and linkages, which develop in an economy, the labor demanded and the human capital investment required meeting these labor demands. Rapid growth can contribute to poverty reduction. Although there are variations across countries, social norms strongly influence men's and women's work and working environments. Some tasks and jobs are considered more appropriate for men or women and covert screening filters out applicants who defy these norms. These gender norms frequently underpin sex-segmented labor markets typically confine women workers to low-wage, low productivity employment and can limit the responsiveness of labor to new demands for high skilled workers. Sluggish labor markets can impede adjustment, distort human capital investment and inhibit a firm's ability to switch to new activities and compete in a dynamics and globalizing market. Development occurs within an institutional and economics environment that is similarly shaped by customers, social norms, implicit and explicit codes and conduct. The study sought to establish the impact of gender on micro-enterprises performance. The main objective was to establish the differences in the constraint facing female and male owned micro-enterprises respectively in Nandi County in Kenya. Data from a survey of 180 micro-enterprises were used in the modified ordinary least square (OLS).

Introduction

The role of women in economic development cannot be understated. Jiggins (1989) notes that about 30% of rural households in the world are headed by women, and that women contribute about 80% of agricultural labor, produce almost 60% of the food that is consumed by rural households and generate more than one third of all households' incomes, mainly through small scale agro-industry, trading, craftwork and casual labor. In Kenya, about 59% of the female proprietors said that 50% or more of their household income come from their enterprises (Daniels and Ndegwa, 1993). Concern about women participation in economic development is relatively new. Lele (1986) notes that the

frequently debated questions are whether women have adequate opportunities to participate in the productive processes or whether they are just beasts of burden, the primary victims of exploitation. However, Heilbrunn (2004) asserts that, over time, the numbers of female owned businesses all over the world has been rising and that in the past decade women have begun to be recognized as successful entrepreneurs.

The small and Micro enterprises (SME's) sector plays an important role in Kenya. The official definition of an SME's is based on employment and annual turn over (Government of Kenya, 1999). Micro enterprises employ up to four persons and have a turnover of up to Kshs,67,000 while small enterprises employs between 6 and 20 persons and have a turnover of up to Kshs. 2.2 million. SME's have been increasing especially due to the availability of credit, both from private banks and from the government. However, the role of women in SME's has scantly improved in Kenya. At independence, the economy was dominated by Europeans specializing in manufacturing and Asians specializing in commerce. In the post independence era, there have been many policy charges and this has contributed to the development of local and female enterprises in 1987, it was found that only 7% of the sampled enterprises were owned and operated by women (Kenya/United States Agency for International Development 1987). However, the increasing importance of women in business enterprises was reviewed in latter studies. In the 1992 survey of Micro, Small and Medium scale enterprises, about 46% of proprietors in Kenya were women (Daniel and Ndegwa 1993). A recent growth and equity through micro enterprise investment and instructions (GEMINI) study further reveals that 34% of SME's were owned by women, 35% by men and 30% by married couples (ECI and NSO, 2000). Because of its potential for reducing its poverty, the SMEs sector is receiving focus in development policies. In Kenya Poverty reduction Strategy Paper, it is singled out as one of the sectors that could achieve pro poor growth in which women will play a significant role (Government of Kenya, 2002).

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Problem Statement

The present study assesses the relative performance of SME's operated by women and men in non -agricultural enterprise in Kenya. It attempts to answer two questions. First, what are the factors that explain the performance of SME's and what role does the gender of the owner play? Secondly, do female owned enterprises face different constraints from those faced by men owned enterprises and are there differences between the factors that affect female owned and male owned enterprises.

Objectives

i) To find out whether male owned enterprises perform better than female owned enterprises in Nandi County

ii)To find out the role of gender on the performance of SME's in Nandi County

iii) To find out the differences in constraints facing female owned and male owned SME's in Nandi County

Hypothesis

i) Male owned enterprises perform better than female owned enterprises in Nandi County

ii)Gender plays no role on the performance of SME's in Nandi County

iii) Both male and female entrepreneurs in Nandi County face similar constraints.

Scope and limitations of the study

This study uses primary and secondary information from a recent growth and equity through micro enterprise investment and institutions. Owing to the institutional weaknesses in data collection and presentation by the study, the data used was assumed to be representative and objective. Any gaps and weaknesses in the available data may lead to wrong conclusions

Literature Review

The marginalization of women in economic activities is well documented. Morser (1989) argues the women to perform three roles in society: reproductive and community management – but for a long time, only the reproductive role has been emphasized because women have been seen primarily as home makers. They have been marginalized by unequal economic opportunities and inequalities of access to productive resources such as capital and control over their own labor, and by differences in human capital leading to differences managerial and technical skills (Loscocco et al, 1991). Abor and Biekpe (2006) provides evidence from Ghana that suggest female owned small and medium-sized enterprises are likely than their male counterparts to employ debt financing due to loan facilities, and McCormick et al (1997) finds that women entrepreneurs are over represented in mini-manufacturing enterprises, under-represented in contract workshop and totally absent in mass production in the garment industry but there is a more balanced gender mix in custom tailoring. Others urge that women are likely to operate in low risk and low technology industries such as petty trading and that the gender division of labor and gender stereotypes tend to push women into low-income activities (e.g. Von Maffow, 1999, Mutiso, 2003). As a result women tend to be employed in small, home based low capitalized enterprises that supply goods and commodities for low income consumer commodities, particularly in urban areas.

Loscocco et al. (1991) argue that the differences between men's and women's socialization, training and other experience may lead to different outcomes in business performance- female owned enterprises generally perform worse than male owned once. In a study of small businesses in the US, Merrett and Gruidl (2000) find that the rural female entrepreneurs face more obstacles to business success than their male or female urban counterparts; and in summary of the literature on the gender and performance, Zinger et al. (2005) note that female owned SMEs levels of performance are more modest than those of male owned ones. Other studies also tend to support the view that female owned enterprises perform worse than those of male owned ones in terms of sales, revenue, assets, profit margins and likelihood of survival (Loscocco et al, 1991; Rosa et al 1996; McPherson 1996; Daniels and Maede, 1998; Maede and Liedholm , 1998; Daniels 1999; Kimuyu, 2002). The relatively poor performance of female operated enterprises is attributed to many factors: inaccessibility to credit from the formal financial system, lack of procurement problems, unfavorable legal systems, competition from state enterprises, diversion of business capital to men, poor government policies and inadequate institutional framework (Berger 1989; Jiggins 1989; Daniels and Ngerwa 1993).

Methodology

The study utilized a survey which took the form ex-post-fact design in order to establish cause-effect of gender on performance of SME's in Kilibwoni division Nandi Central District. The study target only small and micro-enterprise which had benefited from credit from MFI'S. The targeted population was 2210 entrepreneurs but 180 small scale entrepreneurs were randomly selected and include in the study. The data was collected using self administered questionnaires which contained both open and closed ended questions. A pilot study was done on the 10 questionnaires to ensure reliability and validity. The analysis was by descriptive and inferential statistics. The modified ordinary least square (OLS) used took the form of:

$Y=B_{O+}B_1+X_1+B_2\,X2+B_3\,X+_3--B_n\,X_n+e$

Where

Y= Is the performance indicator (i.e. profitability and employment growth) for enterprise.

B_O =Y intercept

B_1- -B_n entrepreneur characterizing including age, education skills, training and business experience.

$X_1 - X_N$ – Business characteristics including significant of the business main market for the product and sector.

e – The error term.

C_V – Control variable such as access to credit membership of business association stratum of the enterprise (urban small centre or urban) ours the business is opening during the days.

Findings and analysis

Table one presents the descriptive statistics of the variables used in the regression models. The average profit margin is 56.8% and female owned enterprises generate more profits (57.7%) than male owned ones (55.6%) ,while mixed gender owned enterprise generate the lowest profits (55.6) , although these differences are marginal . similarly , female owned enterprise tend to grow faster in terms of employment (11.6% per annum) than male owned ones (6.5%per year). There are gender differences in entrepreneurial characteristics and other control variable, for instant, most female entrepreneur. lack business skills training (informal and formal) and have less business experiences than male entrepreneur, while differences in education are marginal .the descriptive statistics also show that higher proportion of female entrepreneur (17.1%)own more than enterprise than one enterprise than male entrepreneur { 8.4%} . In terms of location of business, a higher proportion of female owned SMES are home based than male owned ones, which tend to be located in high demand environments. Female entrepreneur also tend to operate more in food processing, beer brewing, retail of food and beverages, and bars and restaurants

than were male counter parts. For instance , 13.6% of female entrepreneurs are in the food processing industry compared with only 3.9% of male ones; while 1`3% of male entrepreneurs operate in the manufacturing retail trade compared with only 2.4% of female ones . Gender biases are also review in access to credit with 14.9% of female entrepreneurs having accessed credit to support their business operation, compared with only 7.7% of male entrepreneurs. The reason for this positive bias in access to credit is that most microfinance institution that operates in urban, per-urban and un-rural areas tends to lead to women. There is, however, no significant difference in the proportion of male and female entrepreneurs belonging to business association. Overall, only 3% of entrepreneur belongs to these.

Conclusion And Recommendation

Conclusion

The development of SME's is seen as one instruction for addressing the problems of poverty in developing countries. Women are also increasing participating in the ownership of SME's in developing country. In Kenya, 34% of SME's are owned by women, compared with 355 owned by men and 31% owned by mixed gender, implying that women were involved in 65% of SME's [ECI, 2000] using profitability and employment growth as indicator of enterprise performance. The evidence for the first proposition – the female owned SME's performance worse than male owned ones – is mixed and sensitive to the measure of performance of SME's. In terms of profitability performance, we find the filling has no evidence of significant differences in the performance of female owned SME's. Hence, we reject the proposition that they perform differently. However, the proposition that female owned and male owned SME's. Performed differently is accepted in terms of employment growth, in which female owned enterprise grow at a faster rate than the male owned ones This is partly due to the relative access to credit facilities from micro finance institutions that mostly target female entrepreneur and partly due to the marginal impact of education.

With respect to the second proposition whether there are gender based differences in factors influencing performance the study provides support for the view that female owned and male owned SME's face different constraints on business performance. One interesting results is that the impact of education on performance is more pronounced in female owned businesses than in male owned ones, although male entrepreneurs are slightly better endowed in human capital than female ones. Attainment of some secondary education and higher education are positively related to profitability among female owned enterprises, while none of the education variables are statistically significant among male owned enterprises. Similarly, at least one education category (completion of secondary education is statistically significant among female entrepreneurs in employment growth, compared with none among male entrepreneurs. We find that access to credit is more productive in female owned enterprises. Female owned enterprises that have access to credit tend to perform better in terms of profitability and employment growth than male owned ones. This suggests that gender biases against women's access to capital and finance may impede the growth of SME's which supports proposition of the gender and development theorists. Credit in male owned enterprises is not productively used, and, although this is not statistically significant, it does not reduce the profitability of male owned SME's.

The other factors that lead to differential performance of female owned and male owned SME's are that economic sectors within which the enterprises operate. Sectors that are gender neutral and in which profit margin are lower include textiles and leather manufacturing, wood and pottery products manufacturing, bars, restaurants and hotels, and services. However, female owned enterprises achieved higher rate of profits than male owned ones in sectors such as retailing of food, beverages and tobacco, retailing of garments and foot wear and retailing of general merchandise. We also find no significant differences in the extent to which business problems affects the gender based performance of SME's. All of the business problems retard the revealed growth in sales, also these problems are pronounced in the case of female owned enterprises. The most important problem that affects the profitability of revealed decreases in sales for both female and male owned enterprises related to marketing, followed by competition in female owned enterprises and finance in male owned enterprises.

Recommendations

The research in the present points to several policy issues. First, with respect to differential performance between female owned and male owned SME's, the results suggests the need to promote female entrepreneurship as a way of generating paid employment. Secondly, the differential factors that affect the performance of female and male SME's suggests that intervention in the SME's sector may require gender specific intervention since different factors affect the performance of female owned and male owned enterprises in varying ways. For instance, the relative performances of education in the female owned enterprises suggest the need to increase human capital investments in women. Investment in female education as the effect of not only improving the profitability of their enterprises, but also generating paid employment opportunities. Similarly, increasing female entrepreneurs' access to credit facilities is more productive than increasing this access for male entrepreneurs. There is a need therefore to promote micro-finance institutions that targets financing of non-farm economic activities, with a deliberate bias towards providing credit to women entrepreneurs.

Note: Data in parentheses represents dummy variables equal to 1 for reference category, otherwise equal to 0, and the means are proportion for the reference category. Figures in backers are standards deviations for continuous variables.

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Table 1. Descriptive statistics of variables in the model

Variables	Gender of owners			
	SME's	**FEMALE**	**MALE**	**MIXED**
Dependent variables				
Profit margin %	56.813{25.96}	57.738{23.88}	56.572{27.49}	55.593{25.67 }
Employment growth	0.084{0.44}	0.116{0.63}	0.065{0.30}	0.069{0.20}
Independent variables				
Gender				
Female owned (1,0)	0.359			
Male owned (1,0)	0.475			
Mixed owned (1,0)	0.166			
Entrepreneurial characteristics				
Age in years	33.046{11.62}	34.027{11.25}	31.803{11.77]	34.483[11.58}
Married (1,0)	0.764	0.652	0.777	0.972
Some primary education (1,0)	0.460	0.438	0.489	0.422
Completed primary education (1,0)	0.069	0.218	0.253	0.230
Some secondary education (1,0)	0.112	0.109	0.108	0.130
Completed secondary education (1,0)	0.069	0.058	0.071	0.084
Higher education (1,0)	0.022	0.024	0.018	0.031
Informal business skills training (1,0)	0.135	0.079	0.185	0.114
Formal business skills training (1,0)	0.142	0.084	0.164	0.200
Business experience (years)	6.342[7.66}	5.236[6. .69}	122.385{316.2}	89.520{227.3 }
Business experience squared	98.833{269.7}	72.06{212.3}	122.385{316.2}	89.520{227.3 }
Business characteristics				
Ownership of multiple SME's (1,0)	0.138	0.171	0.084	0.222
Traditional market place (1,0)	0.140	0.181	0.162	0.202
Mobile market (1,0)	0.073	0.992	0.098	0.049
Roadside/path market (1,0)	0.268	0.188	0.352	0.200
Commercial / industrial (1,0)	0.119	0.063	0.155	0.138
Consumer market (1,0)	0.984	0.992	0.982	0.974
Manufacturing: food processing (1,0)	0.079	0.136	0.039	0.073
Retail: general merchandise/grocery (1,0)	0.231	0.149	0.264	0.314
Bars, restaurants and hotels (1,0)	0.039	0.034	0.023	0.094
Services (1,0)	0.076	0.034	0.116	0.049
Control variable				
Credit access(1,0)	0.105	0.149	0.077	0.094
Business association (1,0)	0.029	0.028	0.027	0.037
Urban (1,0)	0.568	0.572	0.616	0.424
Small town(1,0)	0.225	0.193	0.211	0.073
Hours business is open	246.74{11.1}	237.55{118.20}	249.20{91.74}	259.70{140.9 0}
Number of enterprise	180	110	70	76

Note: Data in parentheses represents dummy variables equal to 1 for reference category, otherwise equal to 0, and the means are proportion for the reference category. Figures in backers are standards deviations for continuous variables.

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