

**FACTORS THAT INFLUENCE THE GROWTH  
OF WOMEN ORIENTED MICRO ENTERPRISES**

**A case study of beauty care enterprises in Thika Municipality**

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*Full Length Research Paper*

# Factors that influence the growth of women oriented micro enterprises: A case study of beauty care enterprises in Thika Municipality

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The purpose of this study was to access the factors that influence the growth of the small and medium enterprises (SMES). The specific objectives of the study were to identify factors influencing growth oriented enterprises, to identify challenges facing women in the growth oriented enterprises specifically on beauty care and make recommendations on how growth oriented enterprises could be improved. Despite the provision of finances by the government women entrepreneurs in urban areas do not seem to grow and expand their businesses (researcher's observation). The study sought to determine factors that hinder growth of these enterprises with special interest on beauty care. The study was carried out in Thika Municipality which is an urban area within the Central province. In this research exploratory research design and descriptive survey design were adopted because there is no prior data that has been collected on the factors that lead to lack of growth of the beauty enterprises in the region. The study population constituted 700 beauty cares in Thika Municipality. Stratified sampling and simple random sampling was used to draw the sample of the study. A sample of 70 enterprises was used. Data was analyzed using both qualitative and quantitative methods. Descriptive and inferential statistics strategies were used. Data was interpreted and presented by use of visual aids that is Pie charts, bars graphs and tables. In terms of recommendations, the findings of the study suggested that the government and Non-Governmental programmes to work on special modalities on business incubators where women entrepreneurs will be trained on various business skills and nascent entrepreneurs will be nurtured. Women also require to be assisted to improve the productivity and competitiveness of their businesses. To increase their productivity and competitiveness they need to put some of the business income back into enterprise. This practice will guarantee specialization and hence profitability sustainable vertical growth in the long run. Women multiple roles and early socialization which have conditioned women entrepreneurs to adopt household-centred business strategy rather than the business-cantered strategies have negatively affected their investment choices and growth strategies. Government and Non-Governmental programmes to sensitize women entrepreneurs to move away from stereotypic business activities are required.

**Key words:** Women entrepreneurs, growth oriented enterprises, entrepreneurship

## INTRODUCTION

### Background and research gap

This study focuses on the informal sector specifically the micro and small enterprises in Thika Municipality with special interest on beauty care. The concept of informal economy, the Jua Kali industry embraces micro and small enterprises and is considered separately from the agriculture sector and is presumed that most African find livelihood not in formal employment but in the informal sectors (ROK, 2005).

The development history of informal employment expanded rapidly with the economic down turn stimulated by oil price rises in the 1970s, the economic crises of the 1980s and the introduction of structural adjustments programs (SAPS) also in 1980s with such severe retrenchment of government employment that unemployment rose from 30% to 70% in Kenya as in other countries. Attention turned to self-employment as governments were down sized, parastatal organizations

privatized and thousands of employees declared redundant across Africa. Population growth, stagnant or declining employment in agriculture and structural inadequacies such as poor infrastructure and shrinking educational opportunities also caused thousands of people to seek survival strategies in the informal sector (Roslan and Mohd, 2009).

According to study carried out in Dar es Salaam it was found that women, children and elderly household members earned a remarkable 90% of the household income while a tiny 10% came from formal wages (Tripp, 1997). Informal sector work contributes to reproduction of the modern sector-not an insignificant feature at a time when jobs and real wages are declining in Africa's formal economy as the effects of global economy recessions hit. Today, for all reasons, the informal sector stands out vividly as the most important labour sponge in Africa's labour markets and in particular in Kenyan labour market. The ILO (2005), jobs and skills program in Africa (JASPA) claims that in addition to contributing to more than 40% of GDP, this sector provides 6 to 7 of every 10 new jobs in the continent.

From the above, it is therefore evident that the informal sector contributes significantly to the country's GDP and therefore it needs to be accorded serious attention that it deserves. In pursuit of this, Kenya's government drafted means and ways to ensure that the national wealth trickles down to the common person through the establishment of CDF kitty in 2003, the establishment of Youth Trust Fund (YTF) and Women's Trust Fund in early 2007 and late 2007 respectively. These programmes have been put in place to either carry out poverty eradication programmes or advise the government on how to reduce poverty (Robb and Coleman, 2009).

### Statement of the problem

Women are becoming a very important economic group and therefore more efforts are needed to nurture them in taking up entrepreneurship. Most of the emerging theories and prescriptions for success of women's entrepreneurship are derived from the growing body of knowledge comprising of studies conducted in developed countries (Lerner et al., 1997). One of the main reasons is the scarcity of research conducted on the topic in developing countries (Allen and Truman, 1993). Whatever limited work that has been done on women entrepreneurs in the developing world, relates largely to the very poor and uneducated segments of women in the rural areas. From research perspective, a relatively small number of studies have investigated the factors influencing entrepreneurial performance exclusively among women (Brush & Hirsich, 1991) especially in the urban informal sectors. We can thus make safe conclusion that our present knowledge on this phenomenon is still insufficient.

It is of critical importance to note that the problems and the challenges faced particularly by women entrepreneurs (micro enterprises owners) today need to be taken into consideration. Besides their successes need to be recognized for them to grow their businesses and to effectively access their business opportunities. Women in Thika Municipality who own beauty care have been performing poorly in business and other income generating activities. There has been a trend that only one beauty care out of ten grows and expands to maturity while others fail within the first three years or stagnates at early growth stage of business (ROK, 2005). Most beauty care owned by women are generally micro and do not expand in terms of stock, facilities, and number of employees. And most of them are owner manager with two or three employees despite high turnover of customers (Researcher's observation).

To fill the above gap, this study therefore aimed to determine the factors that lead to poor performance of women owned micro enterprises specifically beauty care in Thika Municipality besides being growth oriented and come out with recommendations of promoting their performance.

### Objective

The general objective of this study is to investigate the factors that influence the growth of micro enterprises in urban areas and using the findings suggest recommendations of promoting women entrepreneurship in the area.

### Literature review

Human capital theory proposes that the level of education, area of education, previous entrepreneurial experiences, previous business experiences and business skills will influence business performance (Cooper, 1981) proposes education experience were antecedents to decisions to start a company and ultimately affects performance. Studies have shown that years of formal education of entrepreneur before starting a new venture were related to eventual performance of the firm (Brush and Hirsich, 1991).

Research suggests that social norms about the role of women in society, the shortage of female role models and the greater household burdens faced by women lead to female entrepreneurs to face more start up problems than their male counterparts. For instance, attitude towards the role of women make it difficult for female entrepreneurs to be taken seriously as business people (Brush, 1992). In addition, the relative shortage of female role models makes it difficult for female entrepreneurs to obtain mentorship for start up efforts. Furthermore, the greater household and children responsibilities of women lead them to have more trouble balancing business formation and family responsibilities (Brush, 1997).

Women in Nepal also suffer from bias against women

**Table 1:** Response rate

Category	Number	Percentage (%)
Respondents	67	89
Non-Respondents	3	11
Totals	70	100

because of cultural and traditional values (Acharya, 2001). The expected behavioural pattern of women which is marked by modesty and lack of articulation is often misinterpreted as incompetence and lack of professionalism. In this setting, the transition itself from a “non-professional” approach to a “professional” one is an extra effort for women. In addition, women by themselves find it difficult to interact and discuss issues as equals, because they have been trained to listen, obey and leave decisions to men in the family.

Women are likely to start a business to achieve a work–family balance (Brush et al., 2006), in surveys, women cite the desire for flexibility and work-family balance as a reason they started their businesses more often than men (Boden, 1999, Carter et al., 2003). Research shows that women want to become self employed to develop a more flexible work schedule that allows them to balance work and family demands (Boden, 1996). They also pursue self employment because it allows them to work from home and may ease the burden of finding childcare (Boden, 1996).

Women enterprises are smaller, less likely to grow, less profitable and begin with less capital investment than those owned by men (McCormic, 2001). He also noted that there is not only a great deal of gender segregation by ways of operation but men and women operate from different locations. He isolated three factors that account for these differences in enterprise performance. These factors include; level of education, opportunity to accumulate savings and the time spend in the businesses than men because they expected to carry out their domestic responsibilities. Studies have shown that the performance of female –led new ventures lag behind that of male led new ventures. Sales growth, employment, employment growth, income and venture survival are all lower in female led entrepreneurs (Boden, 2000).

Researchers have found that female entrepreneurs have limited access to business information. Women have fewer business contacts, less knowledge of how to deal with the governmental bureaucracy and less bargaining power, all of which further limit their growth. Since most women entrepreneurs operate on a small scale, and are generally not members of professional organizations or part of other networks, they often find it difficult to access information (Namusonge, 2004).

## METHODOLOGY

This study employed the descriptive design. The target population was a total of 1200 beauty care enterprises

that operated in Thika Municipality. The study concentrated on five estates within Thika municipality; namely; Makongeni, Kiganjo, Kiandutu, Manjengo, and within the C.B.D.A proportion of 10% was used to get the representative sample Mugenda and Mugenda (1999). It's estimated that the above estates combined have approximately 700 beauty care enterprises; the sample therefore comprised 70 enterprises. This sample was selected using stratified sampling to identify the stratum, where the population was divided into estates to form the strata. In this study, a questionnaire was used to collect data. A Descriptive statistics such as means, pie charts and frequencies were used. In addition, inferential statistics such correlation analysis were employed to link the dependent and independent variables. Results of the analysis were presented using tables and charts.

## RESULTS AND DISCUSSION

### Record of the respondents

Table 1 shows that out of 70 questionnaires distributed, 67 were filled and returned .Five questionnaires were inadequately filled and were rejected because they did not address the objectives of the study. 62 questionnaires were interpreted and analyzed .This gave a response rate of 89%.

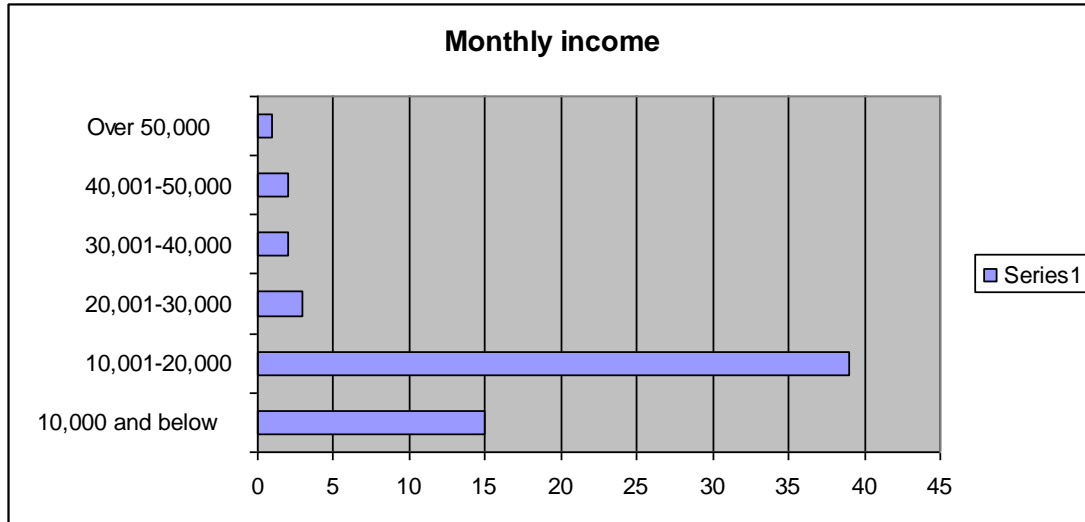
From the findings in table 1, majority of respondents (87%) were female and 37% were male. This can be contributed to the fact that beauty care enterprises are services rendering businesses which are associated with women unlike other technical services which are stereotyped as masculine. From the findings of the study, women entrepreneurs interviewed were between the age of 21 and 40. On average, women entrepreneurs established their business around the age of 21-30 years.

The respondents were also asked to indicate their level of education. The education level of the respondents ranged from none to tertiary with the majority having secondary education (52%). Those with primary education level were 10% and with Tertiary were 28% and those with no formal education were 10%. From the findings it is evident that the respondents lacked proper management and technical skills for their enterprises because of their limited education. The respondents were also asked their ways of business 75% of the respondents were full time entrepreneurs that are not employed. The rest comprising of 25% were in paid employment and had started enterprises, they were employed mostly in the civil service

Table 2 shows the age of the enterprises of the respon-

**Table 2:** Age of enterprises

Age	Frequency	Percent
Below 1yr	8	14
1 – 2 yrs	7	13
3 – 5yrs	19	34
Above 5yrs	22	39



**Figure 1:** A bar graph showing average income

**Table 3:** Financing of business start-ups and working capital

Source	Frequency	Percent
Personal savings	30	25
Donations from relatives & friends	4	11
Investment capitalist	3	7
Loan from microfinance institutions	7	14
Spouses	14	17
Loan from co-operative	12	18
Others	3	7
Total	62	100

-dents. From the findings a large number of respondents have been in business for more than 5 years, 39% of the respondents reported that they have operated their enterprises for more than 5yrs, 34% between 2-3yrs, 13% 1-3yrs and 14% below one year.

Figure 1 summarizes business performance of the respondents. Data on business turnovers indicated significant differences between various types of women entrepreneurs. In respect to entrepreneurs' background, education level and experience influence the women's entrepreneurial performance. Cooper, (1981) in Human Capital Theory proposes that education and experience were antecedents to decisions to start a business and ultimately affected performance. This tends to agree with

the findings of the study.

**Financing of the business**

The study sought to establish financing of the businesses affected growth oriented enterprises. Results in table 3 indicates that 34% of the respondents had financed their business start-ups through own savings and family savings. Similarly, their business operations were solely financed through personal and family savings. Only 14% of the respondents reported to have received a loan from lending institutions to start or expand their businesses. A total of 25% of the respondents reported complicated procedures as the main reasons for not considering a bank loan as source of finance, another 35% stated

**Table 4:** Reasons for entering into business

Reason	Frequency	Percent
Independence	6	11
To earn a living	20	36
Ready market	7	9
To invest	6	5
Interest	6	5
Role models	10	4
Supplement husband earning	17	30
Total	62	100

inadequate collateral, and 11% stated high interest rates and 5% were ignorant.

The findings agreed with those in Carter and Canon, (1992) who suggested that it is more difficult for women to raise start-up capital and recurrent business finance because they were likely to encounter credibility problems when dealing with financing institutions. Research found out that, 34% of respondents financed their businesses through personal savings, 25% through merry go round, 18% donations by friends and relatives, 14% from loan and 9 % by reinvestment.

#### **Impetus to entrepreneurship**

The study sought to establish impetus to entrepreneurship. Results in table 4 indicates that most respondents went into business to support and supplement the meagre income that their spouses got in paid employment (30%) and therefore all the profits of their enterprises were used in the home, and thus the profits were not channelled back into the business hence hindering the growth and expansion of their enterprises. Another 36% of the respondents stated that they went into business to earn a living after failing to secure paid employment. Only 7% went into business as a result of interest in self employment. From the finding, it is clear that most respondents went into business due to push factors and this may be a contributing factor for the lack of expansions and growth of their enterprise.

The findings agree with those in Carter et al (2003) who found that women want to become self employed to develop a more flexible work schedule that allows them to balance work and family demands.

#### **Societal roles and expectations**

The study sought to establish the Societal Roles and Expectations. Majority of the respondents stated home chores as a major challenge. Respondents reported that they opened their enterprises late and closed early to take care of other family duties. Some respondents reported that they had to close their enterprises from time to time to attend to family chores like cooking and serving lunch to their families and especially school going children, taking care of old and sick parents.

Some respondents reported that it was not easy for

them to go for products from areas like Dubai, Uganda, Tanzania where they are cheap. This they attributed to the fact that their spouses were opposed to the idea of them being away from home for long. They therefore had to rely on middlemen who changed them highly due to less bargaining power hence making their profits margin small. Attaining finance was also a problem to the respondents because of lack of required collateral.

In Thika Municipality, most successful beauty cares are owned by men. This has had a big impact on motivating the women entrepreneurs since they do not have many role models to emulate. In order not to compromise their reproductive and productive roles women have been found in beauty care venture once it's an activity that can be done around home thus limiting their choices in respect of other strategic business decisions and operations.

#### **CONCLUSIONS**

Applying descriptive statistics on the data we gathered, the study have demonstrated specific impacts of different entrepreneur and enterprise attributes on enterprise performance. This study has empirically revealed that internal and external factors are crucial for the set up and performance of women owned MSEs as perceived by entrepreneurs from beauty care. Therefore this study has consolidated the arguments of the researchers in the literature that both internal and external factors are important determinants of business start up and success. Finding of the study revealed that majority of the respondents (67%) were married this attributed that mostly they got financial support from their spouses. The study revealed sole proprietorship was dominant comprising of 81% of the respondents and 16% was family owned businesses since the enterprise were small to justify hired labour. The number of employees ranges from zero to five. Most beauty care lacked specialization and expertise. From the findings 25% of the respondents had their start up capital from their own savings and family savings 17%. Only 14% gets their financial support from microfinance institutions mainly due to lack of collateral since women do not own properties. Study revealed that women starts business their businesses as result of bush factors mainly for survival. The study

revealed that through the gender based household and societal division of labour; women have been assigned such tasks such as child bearing, taking care of the old and the sick they are subjected to less productive but reproductive activities.

### Recommendations

From the above findings the following recommendations can be made:

- (a) The development of physical infrastructure (roads, power, water supplies, affordable ICT infrastructure,
- (b) The government should spearhead the growth and development of the women oriented MSE sector by giving them market support including access to government tenders, effective market support services, in terms of products promotion, training on entrepreneurial skills, market accessibility and networking. The establishment of business networks that provide social, financial, technical, and market support that enables women entrepreneurs to emerge and flourish is an important feature of enterprise culture. Although the government has recognized the importance of business networks, little effort has been made to establish them.
- (c) The cultivation of enterprise culture throughout the education system from primary to university and other tertiary colleges. The government and donors should sponsor more girls into vocational and technical education schools to enable them to acquire more skills
- (d) Provision of incentives to the women MSE sector to spur its development. This include tax incentives to encourage more women entrepreneurs to venture into entrepreneurship, role models from across the country would be invited to talk and share their successful stories, this will encourage many women to take their business seriously for it will act as a motivating factor. Mentorship and interaction with business leaders to enable budding women entrepreneurs understand what it takes to build and maintain an empire; structured training to be offered to women entrepreneurs in skills that are relevant to new competitive domestic and international markets such as management and marketing should be developed and implemented.

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