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## Resource Support and Women-owned MSEs' Growth in Western Kenya

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### **Abstract:**

*Women entrepreneurship has attracted little attention from public policy makers and researchers, a situation that has left women entrepreneurs prone to both general and gender-specific barriers. The need for a female-specific policy, which was the basis of this study therefore cannot be over-emphasized. It analyzed the relationship between resource support and women-owned MSE' performance. The design was a Cross-sectional Survey, anchored on Resource-based Theory. It adopted a Positivist Paradigm and a Quantitative Multi-method approach. Through multi-stage sampling, 375 respondents participated in the study. Data was analyzed through correlation coefficient and coefficient of determination. The results revealed there being direct and indirect relationships between and among variables. For example, the correlation coefficient results for  $H_{01}$ ;  $R^2=.9661$ ,  $p=<.001$  meant that 97% change in the rate of MSE growth was attributed to resource support. Also, the coefficient of determination results for  $H_{02}$ ;  $k^2=.0829$ , 95% BCa CI (0493, .1227) and  $(b=.0784, z= 3.8087, p= <.001)$ ; meant that 38% change in the MSE growth was due to the mediation influence of resource support between traits and MSE growth.*

**Keywords:** MSE growth, niche policy, resource support, cross-sectional survey, Western Kenya counties

### **1. Introduction**

Research on women entrepreneurship has received proportionally less attention than research in general entrepreneurship, which frequently is gender-neutral or concentrates on male norms and practices. The researches that have been carried out in the domain of the women entrepreneurship have come as reaction by development partners in the entrepreneurship policy area governmental with the view to better understand to offer support (OECD 2004 & Dzis, 2008 50). These researches have examined characteristics, motivations, attitudes and barriers of female entrepreneurs, focused on personal characteristics that form the human capital). Also, the indicators they used such as MSE ownership and management are not designed to capture gender differences (Baygan, 2000; Butler, 2003 Dzis, 2008 1).

Against this background, this study sought to answer the research question "*which entrepreneur succeeds under which policy environment?*" The niche policy was mediated between entrepreneur profile and entrepreneurial activity. This research had two objectives; *To analyze the influence of resource support on MSEs' growth;* and *To evaluate mediation influence of resource support efforts between entrepreneur's traits and the MSEs' growth.*

### **2. Background**

Entrepreneurship plays an important role in development, innovation, and creation of job opportunities. Within this context, women entrepreneurs have played an important role our societies (Nuogera, 2012 25). Their entrepreneurship has driven firm creation and consequent economic growth (Acs *et. al.*, 2011), leading to the women entrepreneurship topic being addressed from social, political, and academic fronts. Governments have developed policies to promote it as a means to the above goals and for socio-economic inclusion.

Despite its importance articulated above, however, women entrepreneurship has attracted less research than entrepreneurship in general. Schwartz's (1976) '*The New Frontier*' was amongst the earliest published works on females' entrepreneurship. It examined characteristics, motivation, attitudes and barriers of female entrepreneurs. Several other studies followed Schwartz's, mainly focusing on personal characteristics that form the human capital (Dzis, 2008 1). They reveal that although females have owned enterprises ever since, public policy and popular media interest in female business ownership is relatively a recent phenomenon (Brush, 2006 18), a situation that has left them prone to both general and gender-specific challenges.

This study therefore investigated if the female entrepreneurship niche policy has helped to enhance the Kenyan women entrepreneurs' profiles as a mediating variable to improve their entrepreneurial activity as the outcome or not. It tested two null hypotheses: **HO<sub>1</sub>**; *There is no significant relationship between the government's resource support and women-owned MSEs' growth* and; **HO<sub>2</sub>**; *There is no significant mediating relationship of government's resource support between entrepreneur's motives and women-owned MSEs growth.*

### 3. Methods

This study was carried out in Bungoma and Trans Nzoia Counties of Kenya in December 2015. These two counties are well endowed with natural resources provide that opportunities to entrepreneurs to make money. In Bungoma for example, there are Mt. Elgon, Hills, Forests, Rivers Nzoia and Malakisi among others, Hot Springs, and Historical sites at Chetambe Fort Ruins and Lumboka War Memorial site. Tourist attractions are found in Mt. Elgon National Park, Mt. Elgon Forest reserve, and the Chepkitale forest, Nabuyole and Malakisi falls, Sang'alo, Musikoma, and Kabuchai hills, caves at Kitum, Mackingeny, Ngwarisha, Chepnyali, and Kiptoro.

Trans Nzoia County also has such important topographic features as the Mount Elgon that is the second tallest mountain in Kenya and the Cherangany Hills, both of which are important water towers of the Country. It is considered Kenya's food basket due to its large-scale maize production (Trans Nzoia County 2013:5). According to Bwisa and Ongach (2013) however, women-owned MSEs in Trans Nzoia do not achieve optimum growth. Gender inequality as a challenge to the development of micro and small enterprises is also highlighted in session paper number 2 (2005) and the 8th NDP (2007) Vision 2030 (ROK, 2005, 2007). These challenges Bungoma and Trans Nzoia motivated this research that sought to evaluate the effect of the niche entrepreneurship policy as far as nurturing entrepreneurial culture to solve the poverty problem.

The study employed a Survey Design usually associated with the deductive approach because it is a fast and inexpensive way to collect a lot of information about a sample's attitudes, beliefs, and self-reported behaviors. Surveys allow the collection of a large amount of data from a sizeable population as was in this study, in a highly economical way. This strategy is also perceived as authoritative by people in general and is both comparatively easy to explain and to understand (Saunders *et. al.*, 2009 144).

The design allowed the researcher to collect quantitative data was analyzed quantitatively using descriptive and inferential statistics. The data collected using a survey design could also be used to suggest possible reasons for particular relationships between variables and produce models of these relationships (Saunders *et. al.*, 2009 144). It allowed the researcher more control over the research process and, through sampling, it was possible to generate representative findings at a lower cost than a census would have required.

The target population for this research was women entrepreneurs who had accessed the government entrepreneurial development assistance in Bungoma and Trans Nzoia Counties. The female entrepreneurs' population consisted of women-owned MSMEs that had been operating in the last four years. This study employed multistage sampling. Simple random sampling was used to acquire the female MSME group leaders to be studied so as to minimize bias (Saunders *et. al.*, 2009 214). Snowballing through group leaders was then applied to access more difficult-to-identify hence less studied home-based women-owned MSEs.

Derived from Cochran (1963 75 in Israel 2009 1) sample determination table (Appendix 5), 394 respondents participated in this study as respondents. This translated to ninety-four registered groups. For populations that are large like the one for this study (24, 000 female entrepreneurs in both counties), Cochran (1963:75) developed a formula that is applied to yield a representative sample for proportions. See the formula below.

$$n_0 = \frac{Z^2 pq}{e^2}$$

Where;  $n_0$  is the sample size,  $Z^2$  is the abscissa of the normal curve that cuts off an area  $\alpha$  at the tails ( $1 - \alpha$  equals the desired confidence level, e.g., 95%) 1,  $e$  is the desired level of precision,  $p$  is the estimated proportion of an attribute that is present in the population, and  $q$  is  $1-p$ . The  $Z$  value found in statistical tables, area under the normal curve.

Every group randomly sampled produced four respondents; the chair lady, who then was to identify at least one home-based firm, and one each from micro, small and medium enterprises respectively. The number of respondents from various business strata was allocated with a big percentage of 40% being given to the micro enterprises since they were the majority, 30% to the small enterprises, and another 30% to the medium level businesses, although very few groups (less than 2%) had small and medium-sized enterprises. This made stratification impractical.

Survey was used in this study to enable the researcher administer questionnaires and responses were recorded (Neuman 2006). Literature was reviewed to clarify the topic, identify the gaps and suitable theories and justify research project value (Leedy and Ormrod 2005 142 & Neuman, 2006 322). It let the researcher unravel the content in different sources and enabled him to compare content across many texts and analyze the data exhaustively (Neuman (2006) 323). The data collected from the survey was analyzed through correlation/ inferential techniques.

Correlation analyses sought to establish the joint variation of two or more variables for determining the amount of correlation between two or more variables. It was concerned with the study of how one or more variables affect changes in another variable (Kothari, 2004 129; Saunders, 2009: 461). Correlation coefficient and the coefficient of determination were used to assess the strength of relationship between dependent and one or more independent variables. Multiple regression

was used where one dependent variable was presumed to be a function of two or more independent variables, the objective being to make a prediction about the dependent variable based on its covariance with all the concerned independent variables (Kothari, 2004 130).

Inferential techniques were useful for testing hypotheses in order to determine with what validity data can be said to indicate the conclusions. They were also used to estimate the population values (Kothari, 2004 130). In scientific researches, it is mainly on the basis of inferential analysis that the task of interpretation (i.e., the task of drawing inferences and conclusions) is performed. SPSS software was useful for analyzing large data (Dzis, 2008 39) in this study. It was used to reduce the data into manageable size through factor analysis to identify the structure underlying them. Reliability testing was conducted for each of the extracted factors to ascertain the degree to which the items making up the scale agreed, thus find out whether all the variables collated on one factor have internal consistency and measure the same underlying constructs (Brace *et al*, 2003; Bryman & Cramer, 2004; Hair *et al*, 2006; Pallant, 2005 in Dzis, 2008 46).

#### 4. Results

**Hypothesis One (H0<sub>1</sub>);** *There is no significant relationship between the government's resource support efforts and female-owned MSEs' growth.*

The scales developed through factor analysis for resource support programs and MSE growth were subjected to simple regression analysis with the enter method to test the first hypothesis of the study. The use of the simple regressions allowed the study to determine how well these independent variable – resource support by the Kenyan government was able to influence the dependent variable – MSE growth. The result also showed how much of the influence variance the independent variables (promotion) explained in the dependent variable (start-up rate). The results in Table 1 below showed significant relationship of entrepreneurial promotions on start-up rates, where;  $b = -.0652$ ,  $t = -5.8738$  and  $p < .001$ . The R-squared value ( $R^2 = .9661$ ) means that the regression model explained 97% of the relationship.

#### Outcome: GROWTH

Model Summary							
	R	R-sq	MSE	F	df1	df2	p
Model	.9829	.9661	.0283	5294.0090	2.0000	372.0000	.0000
	coeff	se	t	p	LLCI	ULCI	
constant	.0000	.0087	.0000	1.0000	-.0171	.0171	
<b>RSUPPT</b>	-.0652	.0111	-5.8738	.0000	-.0871	-.0434	

Table 1: Regression Analysis Result between Resource Support and Growth

**Hypothesis Two (H0<sub>2</sub>);** *There is no significant mediating relationship between entrepreneurs' traits and the women-owned MSEs' growth through government's resource support efforts.*

The first step results showed significant indirect relationship of entrepreneur's traits on growth through resource support,  $b = .0199$ ,  $BCa\ CI (.0110, .0304)$  and  $R^2$  (R-sq med .1391). Also, considering the Preacher and Kelley Kappa-squared,  $k^2 = .1755$ , 95%  $BCa\ CI (.1130, .2341)$ , there is a significant indirect relationship between entrepreneur's traits and performance through resource support, meaning that there are other mediators other than entrepreneurs' profile. This was further supported by the normal theory tests for indirect effect where  $b = .0199$ ,  $z = 4.4065$  and  $p < .001$ . Table 1 below shows the detailed results.

Indirect effect of X on Y				
	Effect	Boot SE	BootLLCI	BootULCI
<b>RSUPPT</b>	.0199	.0049	.0110	.0304
R-squared mediation effect size (R-sq_med)				
	Effect	Boot SE	BootLLCI	BootULCI
<b>RSUPPT</b>	.1391	.0313	.0811	.2049
Preacher and Kelley (2011) Kappa-squared				
	Effect	Boot SE	BootLLCI	BootULCI
<b>RSUPPT</b>	.1755	.0307	.1130	.2341
Normal theory tests for indirect effect				
	Effect	se	Z	p
	.0199	.0045	4.4065	.0000

Table 2: Regression Analysis Results among Traits, Resource Support and Growth

## 5. Discussion

The results of this study confirmed the Resource based theorists' assertion that human capital contributes to one's entrepreneurial activity (Becker, 1964; Carter *et al.*, 1997; Ronstadt, 1988). They also support those by Shane *et al.*, (2012 1) that the pursuit of entrepreneurial opportunity depends on the willingness of people to "play" the game. Aldrich and Zimmer (1986, in Shane *et al.*, 2012: 1) also posited that entrepreneurial activity is conceptualized as a function of opportunity structures and motivated entrepreneurs with access to the required resources.

The hypotheses were anchored on resource-based perspective. The study was informed by the literature pertaining to material capital, which provides a perspective to the resources-based view. Earlier research has proved the importance financial capital to the creation and growth of entrepreneurial ventures. As observed earlier in this work, resource endowment has been found to differentiate levels of entrepreneurial activity among females (Bandura, 1977; Becker 1964; Brush *et al.*, 2006; Carter, Van Auken & Harms, 1992). The study therefore rejected the null hypotheses and concluded that government resource support for women entrepreneurs influence the relationship between their entrepreneurial motives and their MSEs' growth. However, the low level of mediation meant that there are other mediators to be investigated in further studies.

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