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**FACTORS AFFECTING PROFITABILITY OF FEMALE OWNED MICRO AND  
SMALL ENTERPRISES IN GIKOMBA MARKET, NAIROBI CITY COUNTY.**

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**MBA/87862/2015**



**THIS DISSERTATION IS SUBMITTED IN PARTIAL FULFILLMENT OF THE  
REQUIREMENTS FOR THE DEGREE OF MASTER OF BUSINESS  
ADMINISTRATION OF STRATHMORE UNIVERSITY.**

**APRIL 2021**

## DECLARATION

I declare that this work has not been previously submitted and approved for the award of a degree by this or any other University. To the best of my knowledge and belief, the dissertation contains no material previously published or written by another person except where due reference is made in the dissertation itself.

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30 April 2021

Approval

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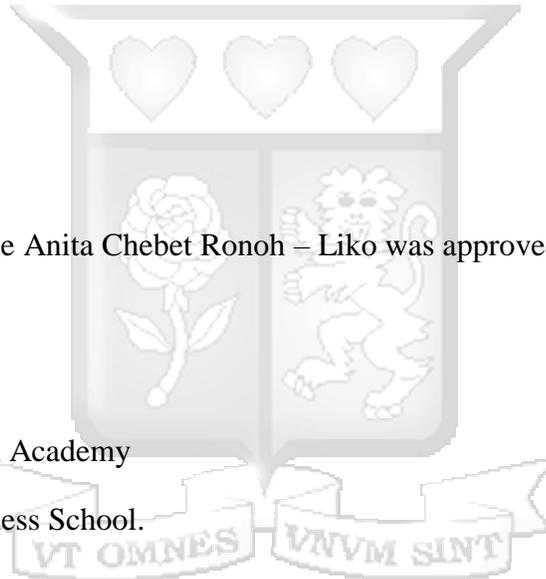
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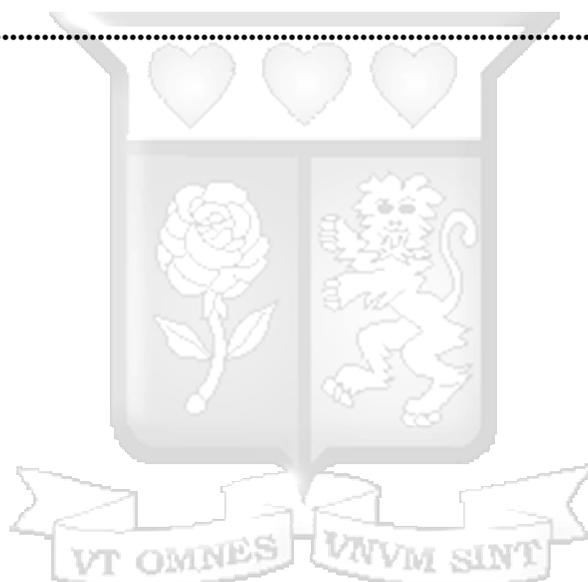
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## LIST OF ABBREVIATIONS

<b>ANOVA</b>	Analysis of Variance
<b>ATR</b>	African Traditional Religion
<b>GDP</b>	Gross Domestic Product
<b>ICT</b>	Information Communication Technology
<b>ILO</b>	International Labour Organization
<b>MBA</b>	Masters in Business Administration
<b>MSEs</b>	Micro and Small Enterprises
<b>NACOSTI</b>	National Commission for Science, Technology and Innovation
<b>NGO</b>	Non-Governmental Organization
<b>OECD</b>	Organization for Economic Cooperation and Development
<b>SMEs</b>	Small Medium Enterprises
<b>SPSS</b>	Statistical Package for Social Sciences
<b>VIF</b>	Variance Inflation Factors



## OPERATIONAL DEFINITION OF KEY TERMS

<b>Financial Literacy</b>	This shows the level of financial knowledge, financial awareness, financial behaviour and financial attitude (Menike, 2018).
<b>Cultural Practices</b>	These are community practices aimed at creating power asymmetry, gender norms and women social representation (Mwangemi, Wilson & Mung'atu, 2017).
<b>Entrepreneurial Training</b>	These are measures aimed at enhancing entrepreneurial capacity in strategic management, leadership, marketing and governance (Enjola & Entebang, 2016).
<b>Profitability</b>	This shows the percentage changes in profit margin of micro and small enterprises (Enjola & Entebang, 2016).



## **ABSTRACT**

The nature and changes in the business environment calls for adoption of strategies that would aid in responding to challenges that hinder the optimal operations of MSEs (Micro and Small Enterprises). MSEs are not only faced by competition from their peers but also from corporations that are competing for the same market share. Consequently, the study examined factors affecting profitability of female owned micro and small enterprises in Gikomba. Specific objectives were to determine the influence of financial literacy on the profitability of female owned MSEs, to examine the influence of cultural practices on profitability of female owned MSEs and to establish the influence of entrepreneur training on the profitability of female owned MSEs in Gikomba Market Nairobi City County. The study was based on dual process theory, theory of planned behaviour and social learning theory. Descriptive research design was adopted, and primary data collected through administration of 226 questionnaires among female entrepreneurs in Gikomba. Descriptive and inferential statistics were used to analyze the data. Study findings indicated that respondents agreed that financial literacy, cultural practices and entrepreneurial training influenced the profitability of micro and small female owned enterprises in Gikomba Market. Regression analysis revealed positive and significant influence of financial literacy and entrepreneurial training on profitability of micro and small female owned enterprises in Gikomba. Cultural practices had an inverse and significant influence on profitability of micro and small female owned enterprises in Gikomba. It can be concluded that there is need for development of financial literacy of female entrepreneurs. Cultural practices inhibit profitability of female owned micro and small enterprises. There is also need for attendance and participation of relevant training on entrepreneurship through entrepreneur training whereby skills required for effective operation of a business enterprise would be nurtured. It was recommended that there is need for female entrepreneurs to seek measures aimed at improving their financial literacy levels. There is need for development of measures aimed at achievement of gender equity and women empowerment. Women entrepreneurs should purpose to participate on trainings around entrepreneurship, sponsored by government, World Bank and other Public or Private Institutions such this will offer them more knowledge and skills on how to deal with any market changes and strategic positioning in their respective markets.

## CHAPTER ONE

### 1.1 Introduction

This chapter gives an introduction of Micro and Small Enterprises (MSEs) and factors affecting their profitability. Background of the study, statement of the problem, general and specific research objectives as well as scope and significance of the study are also discussed.

### 1.2 Background of the Study

Business ventures are globally recognized for the important role they play in an economy's social, political and economic development (Karadag, 2015). According to Karadag (2015) a strong micro and small enterprises sector contributes highly to a country's gross domestic product (GDP) by reducing the level of unemployment, poverty levels and promotion of entrepreneurship activity. The essentialness of the sector is particularly apparent in its ability to provide reasonably priced goods, services, employment and income to a number of people.

Entrepreneurship is a key component and essential indicator of economic growth; hence its significant role in employment generation, innovation, increasing sales, diversification of the economy and unemployment reduction (Carree & Thurik, 2010). Both researchers and policy makers are of the opinion that the number of women entrepreneurs in the most recent decades has risen significantly (Davis, 2012; Bjerke, 2013). The International Labor Organization (ILO) gauges that female business owners represent a quarter to 33% of all organizations in the proper economy comprehensively (Nxopo, 2014).

Female business enterprise is a focal part of financial advancement in several countries. According to Schuler and Riley (2010) the job of business people as specialists in job and wealth creation, destitution mitigation and arrangement of assets has made a difference massively to expand the number of women owned endeavors in the planet. Schuler and Riley (2010) further state that the rise of the private segment as the significant member or player in the modern advancement of numerous nations has likewise improved women's entrance in business and opened doors at the point when they encountered rejection in business (Schuler & Riley, 2010).

### **1.2.1 Micro and Small Enterprises (MSEs)**

The role of MSEs in the improvement of a nation's economy is critical (Bayati & Taghavi, 2007). They are considered the pillar of economic growth and motors of development essential to most economies (Rajesh et al., 2008). Prior research smaller scale organizations and MSEs represents 95 percent of firms in many nations, creates employments, adds to GDP, helps present day advancement, fulfills neighborhood interest for administrations and develops and bolsters enormous firms with information sources and administrations (Savlovski & Robu, 2011). As per the IMF, SMEs in Africa make 80 percent of business and Côte d'Ivoire, Ethiopia, Kenya and Senegal are anticipated to keep on developing at in excess of 6 percent.

In Kenya, enterprises are primarily classified according to the number of workers employed by the firms and their turnover. The Micro and Small Enterprises (MSE) Act 2012 characterizes small enterprises as organizations, service ventures or business activities that post a yearly turnover of between Ksh 500,000 and Ksh 5 million and have an employee count of between 10 to 50 (Chepkurui, 2014). The MSE Acts 2012 further specifies that in the manufacturing sector, investment in plant and machinery should be between Kshs. 10 million and Kshs. 50 million and registered capital of the enterprise between Kshs. 5 million and Kshs. 25 million in the service and farming sector.

Global evidence on contribution of MSEs in economic growth and development is documented where at least 78% of enterprises globally are MSEs. According to World Bank (2013), MSEs accounts for at least 35% of employment and 20% of Gross Domestic Product (GDP) in developing and developed economies. At least 47% of GDP and 62% of employment in Singapore hails from MSEs (World Bank, 2013). Similarly, in European Union there are at least 21 million MSEs and they account for 73% of enterprises. According to Njuguna (2015), MSEs accounts for at least 70% of employments in sub-Saharan Africa. In Nigeria, at least 37% of GDP is credited to MSEs (Nikolaos, Robin & Emmanouil, 2013). In Kenya, MSEs create at least 4.2 million jobs. As at 2014 MSEs, had an average GDP contribution of 18.4% (RoK, 2014). Njuguna (2015) calls for evaluation of measures that would increase odds of survival among MSEs.

### **1.2.2 Profitability of Micro and Small Enterprises**

MSE profitability is regularly used to allude to organizations financial performance estimated by for instance number of staff employed, profits made by the business and growth in terms of sales. According to Abiodun (2016), profitability is significant for the survival of MSEs and without it, the survival and continuation of a firm is uncertain. Productivity and growth may affect one another; development is a proportion of an association's capacity to broaden its piece of the pie and win the opposition. According to Katua (2014), MSEs are key players in trade and service provision to primary industries as well as producers of finished goods and services. The profitability of SME's is highly dependent on the financial decisions made by the owners of the ventures ranging from financing to working capital management and saving decisions.

Given that SME's have significant impact on the economic activity of most countries, a low financial skill or poor financial behavior especially by the business owner may have an adverse effect in the future of the business venture (Sucuahi, 2013). Thus, a lack of financial knowledge could lead to a collapse of the business while proper financial planning and behavior leads to inability to compete fully with other stakeholders in the market. A solid financial foundation of the business owners is a significant indicator of the success and growth of the enterprises in the competitive environment (Lusardi & Mitchell, 2007; Grohmann et al., 2015).

### **1.2.3 Factors Affecting Profitability of Women Owned MSEs**

Numerous studies have been done worldwide on the factors affecting profitability of SMEs. Studies that were carried out in Kenya on female entrepreneurs linked the deficiency of an innovative and entrepreneurial ethos to lack of self-assurance and self-belief, absence of appropriate strong and dependable networks, latent learning approaches as well as setting up ventures without proper and satisfactory readiness (Kibas, 2006). Such factors have stalled women's access to a significant business experience that led to careers interjected by family requirements (Affholder & Box, 2014). Other studies found that a lack of experience and skills also accounted for the fact that women entrepreneurs had a preference in industry orientation and thus were less well represented in industrial activities. For instance, Drine and Grach (2010) found that Tunisian women entrepreneurs experience challenges as they do not yet benefit from existing entrepreneurship support.

Comparable encounters acknowledged in other emerging nations are inadequate entrepreneurial and management skills, shortage of access to ICT and difficulties in identifying the markets and distribution networks. In their study of women owned SMEs in Ethiopia, Gurmeet and Belwal (2008) mention that the absence of technological background and know-how plus access to technology and generally ICT poses a great challenge for women entrepreneurs.

Although there are positive trends on women participation in entrepreneurship, they are faced by problems while pursuing profitability. Women are prone to gender bias in the socio-economic environment of their operations. In addition to social, cultural, educational and technological challenges, they have limited access to economic resources (Oketch, 2011). This is complicated by policies which discriminates them against property ownership and operating bank accounts. Further, in most societies, it is expected that women ought to shoulder family burden and domestic responsibilities. This inhibits their capacity to generate income outside their homes. These challenges are more prevalent in developing economies due to lack of gender sensitive policies and continued practice of male chauvinism. According to Lerner and Hisrich (1997), motivation and goals, social learning, networking capacity, human capital and environmental factors support gender entrepreneurial performance. Network affiliation is associated with contacts and membership in organizations; human capital with education level and business skills while environmental influences are location, social political characteristics and sectoral participation.

Financial literacy was defined by Nkundabanyanga and Kasozi (2014) as the capacity of a person to settle on an informed choice and judgment and from that point take powerful choices with respect to the utilization of cash. Such people likewise have an encouraging mentality and capability to manage budgetary issues; that is the capacity to peruse, break down, oversee and impart individual monetary conditions and recognize money related decisions like examining cash and monetary issues without distress (Nkundabanyanga & Kasozi, 2014). Players in the MSE business require some budgetary abilities in order to abstain from settling on wrong choices that hurt the business, people and society. These skills are usually referred to as “financial literacy skills” and has assumed the role of enabling people to make responsible decisions in an attempt to attaining financial wellbeing (Ani et al., 2016).

Cultural practices are also seen to affect profitability of especially female owned enterprises. The

African female gender are regularly under-used with their roles for the most part being domestic in nature; they therefore end up in self-employment in a bid to reduce destitution and conquer joblessness (Marlow, 2009). Moreover, Carter (2013) demonstrated that the social condition, for example, spousal help, instruction and preparing, standards, restrictions, convictions and qualities affect the presentation of MSEs run by ladies. Several developing countries have highlighted a relatively low level of education and skill training as a challenge for female entrepreneurs. Coupled with an absence of career guidance, this appears to restrain their entrance to various publicly and privately offered support services such as data on business development (Davis, 2012).

According to Moska (2013), acquisition of entrepreneurial skills enhances individual capacity to combine internal and external resources that would improve performance. Since business is not constant, there is need for possession of skills and resources that would aid in response to business turbulence. Gakure, Ngugi, Waititi and Keraro (2013) asserts that entrepreneurial training should equip an entrepreneur with skills that would complement analysis of opportunities and situations and guide in execution of strategies that have lower risk and higher return. Success of an enterprise is dependent on motivation, financial management, resources mobilization, human resource management, marketing and technical skills that may be acquired through training (Afolabi & Macheke, 2012). According to Wamoto, Ayuman and Kimani (2016), trained entrepreneurs should be in possession of skills that would aid in management, accounting, negotiation and customer management. To nurture these skills, Shehnaz and Ramayah (2015) suggested that there is need for development of entrepreneurship training programs. The nature and operations of MSEs may hinder operations of access to entrepreneurial training since they are run and operated by 1 to 2 people. Thus, there was need for an empirical examination on effect of entrepreneurial training on profitability of MSEs in Kenya.

### **1.3 Statement of the Problem**

The nature and changes in business environment calls for adoption of strategies that would aid in response to challenges that hinders optimal operations of MSEs. MSEs are not only faced by competition from their peers but also from corporations that are competing for the same market share. MSEs should develop, prioritize and address challenges that are minimizing their competitive advantages (Maziku, Majenga & Mashenene, 2014). This will be in line with government policies

on adoption of MSEs as tools for self-employment, poverty eradication and support in economic growth and development (Nwachukwu & Ubana, 2019)). Although MSEs have a role in economic growth and development, their success is not guaranteed since majority do not go past their incubation phase.

Failure of MSEs to achieve their profitability targets is hindered by a host of factors. Empirical literature has documented inconclusive findings. For instance, Kalekye and Memba (2015) asserts that in Kenya MSEs do not survive past infancy stage. This was due to level of financial literacy skills. Xu and Zia (2012) reported that in Africa financial literacy gaps have influence on profitability of MSEs. The gap may be bridged through deployment of financial literacy skills on budgeting, savings and financial management. Menike (2018) documented that performance of SMEs was affected by financial behaviour, financial influence, financial attitude and financial knowledge. The study did not justify the choice of ordinary least squares for regression analysis. Shamlee and Muhammad (2016) asserts that performance of SMEs in South Africa was affected by cultural practices. There is need for adoption of inferential statistics. This may have aided in drawing of conclusions.

Although, there are past studies investigating the effect of financial literacy, cultural practices and entrepreneurial training on profitability, there still exists methodological, conceptual and contextual gaps. Hence, the findings may not be generalized among MSEs owned by women in Gikomba. Methodologically, studies have adopted no scientific approach in estimation of sample size. This may have created an opportunity for inclusion of predetermined respondents. Conceptually, most studies have considered single factors unlike the current study that evaluated joint contribution of financial literacy, cultural practices and entrepreneurial training on profitability of MSEs. Contextually, studies have been carried out in different countries whose cultural practices, level of entrepreneurial training and financial knowledge differs from local perspective. Consequently, the current study evaluated factors influencing profitability of women owned MSEs in Gikomba Market located in Nairobi City County, Kenya.

## **1.4 Research Objectives**

### **1.4.1 Main Objectives**

The main objective of the study was to evaluate factors affecting profitability of female owned micro and small enterprises in Gikomba Market Nairobi City County.

### **1.4.2 Specific Objectives**

The specific objectives of the study were:

- i. To determine the influence of financial literacy on the profitability of female owned micro and small enterprises in Gikomba Market Nairobi City County.
- ii. To examine the influence of cultural practices on the profitability of female owned micro and small enterprises in Gikomba Market Nairobi City County.
- iii. To establish the influence of entrepreneur training on the profitability female owned micro and small enterprises in Gikomba Market Nairobi City County.

## **1.5 Research Questions**

The study was guided by the following research questions:

- i. What is the influence of financial literacy on the profitability of female owned micro and small enterprises in Gikomba Market Nairobi City County?
- ii. What is the influence of cultural practices on the profitability of female owned micro and small enterprises in Gikomba Market Nairobi City County?
- iii. What is the influence of entrepreneur training on the profitability female owned micro and small enterprises in Gikomba Market Nairobi City County?

## **1.6 Scope of the Study**

The current study was carried out in the Capital City of Kenya, Nairobi City County. The area observes an enormous rural-urban migration in seeking out a grander life in the Nation's Capital City (Kurgat, 2011). The vast majority in this County have gone to the informal segment predominantly because of the issue of joblessness particularly in the formal segment. Compared to

other Counties in the country, Nairobi City County has been allotted with more funds by the National Government to support in the advancement of the informal sector. The region has more advanced learning facilities and development avenues, when compared with other counties, which are beneficial in accessing business education and training. One of the major markets in Nairobi City County is Gikomba Market, situated in Kamukunji Constituency. It is characterized by little planning and an unsystematic informal spatial layout. The market has no clear layout on its operational procedures, there are minimal records and majority of traders may have no license to operate in Nairobi. The study was limited to those who were paying weekly CESS and it only examined effect of financial literacy, cultural practices and entrepreneurial training. Gikomba was selected since it has a collection of different enterprises that operates in different sectors. Further, the startup of businesses operated in Gikomba can be easily raised because they can source stock of their enterprises and pay after selling their wares.

### **1.7 Significance of the Study**

The study findings may benefit owners of MSEs, policy makers and academics. Policy makers may benefit from the findings in generating benchmarks for creation of policy recommendations aimed at improving profitability and growth of women ventures. This may be through creation of an operating environment that would nurture and mentor entrepreneurial skills.

This study was important to financial institutions and female entrepreneurs as it will assist women achieve their entrepreneurial potential thereby enabling growth of their businesses. This study also serves as a reference tool for researchers to help finance women entrepreneurs in the country and work towards providing them with the necessary skills and knowledge to help their business thrive. This knowledge is important to support agencies to be able to assist women to achieve their entrepreneurial potential.

To the academics this study may be an important addition to the existing repository of knowledge and hence will be of interest to both researchers and academicians who seek to explore or investigate the importance of financial literacy, cultural practices and entrepreneur training among other factors on the profitability of micro and small enterprises both in Kenya and globally.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This section presents the critical theoretical and empirical literature review. The Dual Process Theory, Theory of Planned Behaviour and Social Learning Theory are discussed under theoretical foundations. The empirical review looks at each of the independent variables in relation to profitability. Finally, the research gaps are highlighted and conceptual framework plus operationalization of variables looked at.

#### **2.2 Theoretical Foundations**

The theoretical foundations of the study were dual process theory, theory of planned behaviour and social learning theory. Theoretical propositions and relevance in the study will be discussed.

##### **2.2.1 Dual Process Theory**

The theory was proposed by Vaisey (2009). The theory argues that decision making process is dependent on intuitive and cognitive process. Information is processed through double systems 1 and 2. System 1 is faster and second is slow, the former is associated with intuition and the latter conscious. In system 2 there is analytical and rational decision-making process (Bartkowski & Jen'nan, 2003). According to Gallery, Newton and Palm (2010) there is need for focused approach while making economic and financial decisions.

Financial literacy is crucial among investors since it provides an avenue for appreciation of risk and opportunities associated with decisions made in respective organizations. According to Lusardi and Oliver (2014) through financial literacy knowledge acquired aids in making of informed decisions. Moreover, it aids in management of crisis associated with working capital and credit access. Entrepreneurs who are financially literate have strategies aimed at mitigating savings, asset diversification and seeking of insurance services. Financial knowledge, financial awareness, financial attitude and financial behaviour are credited with proper debt management and sound financial management that enhances survival of MSEs.

The theory was appropriate for the study since it explains whether profitability of MSEs is dependent on rational and analytical thinking. Financial knowledge will be characterized by skills on interest rate calculation and selection of product portfolio. Financial awareness, financial behaviour and financial attitude will be evaluated through budgeting skills, education information sources and consideration of alternative sources of finance.

### **2.2.2 Theory of Planned Behaviour**

Theory of planned behaviour was proposed by Ajzen (1988). The theory argues that individual behaviour can be changed. It is easier to change individual behaviour since they are either deliberate or predictive. Human behaviour can be broadly classified into behavioral beliefs, control and normative beliefs. Behavioral beliefs explain consequences of individual actions, normative beliefs explain expectations of people from a certain behaviour and control beliefs argues that there are hindrances to behavioral performances.

Although, women have ventured into MSEs there are societal expectations that they should be submissive to men. There are power asymmetrical issues where culture supports male chauvinism and gender norms portrays men as providers (Sharmilee & Muhammad, 2016). This may have implications on decisions considered by women while engaging in business opportunities. Failure to embrace change may hinder growth and expansions of MSEs. The theory is appropriate for the study since investment decision among women may be dependent on cultural practices such as power asymmetry, gender norms and women social representation.

### **2.2.3 Social Learning Theory**

Social learning theory was developed by Bandura (1986) and it argues that learning process can only take place through observation or direct instructions. The theory was in response to past theoretical arguments on human response to certain attributes. According to Bandura learning process have weakness which supports exclusion of some attributes associated with human beings. Consequently, there is need for consideration of behavioural expectations whenever new skills are acquired. Learning process can be formal, informal, structured and/or unstructured. Formal entrepreneurial training can be accumulated through development of structured education curriculum that would develop skills on management, marketing and governance of respective

enterprises. Informal training can be undertaken through sharing and discussion among entrepreneurs in informal sectors. Structured training will have a clearly drafted program aimed at developing skills in systematic and hierarchical order (Kolstad & Wiig, 2009).

The theory is appropriate for the study since there is need for development of entrepreneurial skills on strategic management, financial management, governance and marketing. Development of strategic management skills would aid in development of vision and mission objectives that will enhance achievement of MSEs profitability. Financial management skills would guide in management of working capital and leverage ratios so as to optimize performance of respective MSEs. Development of marketing strategies would increase market share. Training skills on digital marketing would enhance odds of increasing market share. Training skills on governance would enhance creation of leadership skills that would ensure MSEs can be operational in absence of owners.

## **2.3 Empirical Review**

This section highlights the empirical literature per study objective to help understand the scope covered by other researchers and academicians in relation to factors affecting performance of female owned SME's. The review is organized in accordance to study variables to ensure comprehensive coverage.

### **2.3.1 Financial Literacy and Profitability**

In the developing countries and precisely Kenya, a study by Xu and Zia, (2012), displayed a positive relationship between the proper use and management of financial services and exposure to financial information. The main source of the information being through the radio, social interactions amongst family associates and friends and through the television. Financial literacy is a major challenge to numerous women notwithstanding continuous policy intercessions by the Kenyan government that touches the profitability of their businesses. Lack of financial literacy in businesses can be described in different forms such as household and business finances being mixed together, meager investment and nonexistence of budgeting in business amidst other ways. Absence of budgets in organizations leads to poor speculation and absence of planning in business. In spite of shortage of financial resources, the Kenyan government has strived to engage ladies and their

organizations, for example, the introduction of Uwezo Fund (2013) and Women Enterprise Fund (2007).

Menike (2018) studied the effect of financial literacy on performance of small and medium enterprises in Sri Lanka. The study evaluated the effect of financial behaviour, financial influence, financial attitude and financial knowledge on performance of SMEs. Study findings indicated that firm performance was positively impacted by financial knowledge, financial influence and financial behaviour. Further, financial attitude had no influence on performance of SMEs. Moreover, the study findings indicated there were behavioral aspects that had impact on quality of record keeping since those who had inherited business where parents maintained quality records maintained the culture. There was call for government policies aimed at improving and enhancing quality of financial education among SMEs so as to enhance the level of compliance with statutory requirements. Eniola and Entebang (2016) studied the effect of financial literacy on SMEs performance in Nigeria. Study findings indicated that SMEs performance was affected by financial knowledge, financial attitude and financial awareness. The study concluded on the need for supportive measures aimed at enhancing financial literacy among SMEs so as to increase the likelihood of their survival and alter challenges associated with inability to manage working capital. The studies were in tandem that there is need for development of financial literacy skills. Since these studies drew respondents from SMEs whose size and financial needs may differ from MSEs. There is need for a customized study among MSEs so as to examine the effect of financial literacy on profitability of MSEs in Kenya among.

Agyapong and Attram (2019) studied the effect of financial literacy on performance of SMEs in Ghana. Study findings indicated that there was a significant positive effect of financial literacy on financial performance. It was recommended that there was need for a program tailored towards enhancing the level of financial literacy among managers of SMEs. This was hailed as a tool for improvement of performance of SMEs. The study findings may not be generalized in Kenyan perspective since SMEs are exposed to different operating environment. Tuffour, Amoako and Otuko (2020) assed effect of financial literacy among managers of small and medium enterprises in Ghana. Study findings indicated that performance of SMEs was positively affected by awareness, attitude and knowledge. Performance of SMEs was not affected by demographic characteristics

such as age, education qualification and experience. There was call for development of capacity building programs among management of SMEs so as to enhance their financial literacy skills.

Hauwa (2017) investigated the effect of financial literacy on performance of student owned enterprises in United States International University-Africa. Study findings indicated that financial knowledge, financial attitude and financial behaviour had significant effect on performance of student owned enterprises. The findings may not be replicated in micro and small enterprises in Gikomba since the model of operations differs. Student run enterprises may rely on students whose session of operations and income capacity may differ from those retailing goods at Gikomba. Usama and Yussof (2019) investigated the impact of financial literacy on business performance in Nigeria. Study findings indicates that financial awareness, book keeping, risk management and access to credit have significant positive effect on performance of SMEs. These results are contrast to Kenyan situation since business operating environment is not uniform. Moreover, MSE may not be having operational organizational structure as compared to SMEs due to size differences. Chepngetich (2016) investigated the effect of financial literacy on performance of SMEs in Uasin Gishu County, Kenya. Study findings indicated that there was positive effect of financial literacy on performance of SMEs in Uasin Gishu County. It was recommended that there was need for development of financial literacy skills among SMEs so as to enhance the quality of working capital management skills and enhance survival chances of small enterprises.

### **2.3.2 Cultural Practices and Profitability**

Maziku, et al., (2014) investigated the effect of social cultural factors on performance of women small and medium enterprises in Tanzania. Study findings indicated that women immobility, poor society support and ethnicity negatively impacted performance of SMEs. In contrast, performance of SMEs was positively affected by family roles, education level and availability of role models. There was call for alleviation of social cultural factors that negatively impacted performance of SMEs so as to increase likelihood of their survival and enhance level of women participation in entrepreneurial activities. Mwangemi, Wilson and Mung'atu (2017) investigated the effect of education and social cultural factors on growth of SMEs in Kenya. Study findings indicated that sustainability of SMEs was dependent on education and training. Moreover, social cultural factors had joint effect on profitability and quality of work life in respective small and medium enterprises.

It was recommended that entrepreneurial training should be adopted in formal and informal education programs to enhance survival of SMEs.

Felicia, Olusoji, Oluwakemi and Mofope (2013) investigated the effect of social cultural realities on performance of SMEs in Nigeria. Study findings indicated that growth and development of SMEs was affected by attitude, values and religion. It was recommended that there is need for sensitization on how to incorporate social cultural aspects in management of SMEs. The findings were from around 20 SMEs that may not be generalized beyond the state in which data was collected. Sharmilee and Muhammad (2016) studied factors affecting performance of SMEs in KwaZulu Natal South Africa. Study findings indicated that technological advancement, competition, crime and corruption had significant effect on performance of SMEs. It was recommended that there is need for SMEs to be responsive to local and international competition.

Rotich, Cheruiyot and Yegon (2014) studied the impact of social-economic factors on performance of small and medium enterprises in Kericho County. Study findings indicated that performance of SMEs was dependent on return on investment, entrepreneurial skills, business profile and culture on performance of SMEs. The study findings drew respondents from male and female hence the results may not be generalized on male and female owned enterprises in Nairobi County. Nwachukwu and Ubana (2019) studied the role of religious and cultural diversity on SMEs in Nigeria. Study findings indicated that there were instances of conflict associated with cultural diversity in the work place. Hence, there were calls in the management practices to improve the quality of work life. Measures to enhance embracement of different cultural aspects in the work place would aid in development of goals and objectives that would optimize SMEs performance. Mbiti, Mukulu, Mung'atu and Kyalo (2015) investigated the effect of social cultural factors on growth of women owned enterprises in Kitui County. Study findings indicated that social cultural factors affected MSEs performance positively. It was recommended that there was need for review of government regulations on women land ownership, inheritance rights and gender equity. Further, special programs should be developed aimed at training, capacity building and mentoring women who have ventured into different lines of business.

### 2.3.3 Entrepreneurial Training and Profitability

Davis and Davis (1998), defined training as an experimental means of obtaining behavior pattern which is accomplished through learning and experience. Traineeship is one of the ancient methods of teaching which is intended to offer planned, hands-on training over a substantial time span (Cascio, 2009). Entrepreneurship education and training has been established to be a chief contributing factor in the growth and survival of enterprises. According to the human capital theory, investment in knowledge, skills and abilities capacitates the productive volume of the individual, thus education has a fruitful impact (Kolstad & Wiig, 2009). Training reflects an investment choice by an individual who associates forthcoming net benefits and existing costs of education including forgone income.

According to Richardson (2007) entrepreneurial training and education acts as a facilitator for entrepreneurial activities with the main focus being to stimulate entrepreneurial activity and performance. Hynes and Richardson, (2007) demarcate mentorship, which is considered a form of training, as a deliberate effort to communicate explicit skills, which are information bearing, to finish the task better. Studies carried out in Kenya have linked the lack of entrepreneurial culture among women here to a lack of a variety of strong and relevant networks, low self-esteem and confidence due to inadequate training, education and knowledge and finally a lack of self-belief due to generally lack of proper prior preparation before starting up and enterprise (Kibas, 2006).

Yahya, Othman and Shamsuri (2012) investigated the impact of training on performance of small and medium enterprises in Malaysia. Study findings indicated that training influenced performance of SMEs. Further, it was influenced by management, enterprise and external characteristics. The study may have considered examination of the mediating effect of training on the influence of managerial, enterprise and external characteristics on performance of SMEs. This may have called adoption of structural equation modelling or hierarchical regression modelling. Jones, Beynon, Pickernell and Packham (2013) investigated the effect of different training methods on performance of SMEs. Study findings indicated that training was carried out through formal, informal and combination methods. Those SMEs that had undergone formal training recorded higher performance as compared to those that underwent informal training. Combination of formal and

informal training was recommended since there are some needs among entrepreneur's that can be achieved effectively through customization of training models.

Omolo (2015) investigated the effect of training and development on performance of SMEs in Kisumu County, Kenya. Study findings indicated that there was positive and significant effect of training and development and performance of SMEs. The findings may not be generalized in MSEs since they may lack structures that can be improved through training and development. Abidemi, Adeniyi, Oluseye, Ayodotun and Idowu (2018) investigated the role of learning orientation on performance of SMEs. Study findings indicated that SMEs performance was influenced by new strategies, innovation, knowledge sharing and product development. It was recommended that there was need for continuous learning and development so as to understand business operating environment and optimize operations. The findings may not be replicated in Kenyan perspective since business operating environment is different.

Wangeci and Gathungu (2013) studied the effect of entrepreneurial education and training on development of small and medium enterprises in Githunguri Kenya. Study findings indicated that marketing capacity of entrepreneurs was dependent on education level and training on financial management. There was call for comprehensive training on aspects of strategic management, marketing, financial and human resources management. These were hailed as skills that would optimize performance of SMEs. Sambo, Gichira and Yusuf (2015) studied the effect of entrepreneurial skills management and funding on performance of small and medium enterprises in Northern Nigeria. Study findings indicated that entrepreneurial skills management and funding has positive and significant effect on performance of SMEs in Nigeria. Micro and small enterprises may not have ventured into manufacturing hence their findings may differ from those drawn from specific sectors.

Mothibi (2015) studied the effect of entrepreneur and firm characteristics on performance of small and medium enterprises in Pretoria. Multiple regression analysis findings indicated that managerial competence, education qualifications, working experience, location, firm size, business age and business sector had significant effect on performance of SMEs. There is need for progressive development of management skills and capacity of those in charge of SMEs. This would ensure that requisite skills that would aid in achievement of organization goals are developed. Kithae, Maganjo

and Kavinda (2013) investigated the impact of entrepreneurship training on performance of micro and small enterprises in Embu County. There was positive and significant effect of entrepreneurial training on performance of SMEs. It was recommended that there was need for continuous monitoring so as to enhance application of skills learnt through trainings. There was call for provision of financial services that would enhance access to working capital. The study may have adopted experimental research design as such to aid in development of SMEs training manual that is addressing challenges facing them. Nduta (2016) investigated the impact of entrepreneurial training on performance of small and medium enterprises in Nairobi County. Descriptive research design was adopted and primary data collected using questionnaires. Study findings indicated that there was need for stakeholder's participation while developing training manuals for entrepreneurs.

## **2.4 Research Gaps**

Past empirical studies have existing methodological, conceptual and contextual gaps. Methodological gaps include choice of regression for data analysis in exclusion of diagnostic tests (Mothibi, 2015; Kithae et al., 2013). This may have increased likelihood of drawing biased conclusions. Moreover, studies have relied on subjective selection of respondents. This may have posed a challenge on reliability of past findings because subjective inclusion may have predetermined study outcomes.

Conceptually, past empirical studies have considered several factors affecting profitability. Sambiri et al., (2015) evaluated joint effect of entrepreneurial skills management and funding. Wangechi and Gathungu (2013) evaluated education and training effect on performance. Mbiti et al., (2015) evaluated the effect of social cultural factors on SMEs performance. Nwachukwu and Ubana (2019) evaluated role of religious and cultural diversity on performance of SMEs in Nigeria. Chepnegtich (2016) investigated effect of financial literacy on SMEs performance. Usama and Yussuf (2019) evaluated effect of financial management on business performance in Nigeria. There are few studies that jointly evaluate the effect of financial literacy, cultural practices and entrepreneurial training on performance of MSEs. Moreover, there are contextual differences since the studies did not draw respondents from single continents which may have exposed them to heterogeneity of social economic characteristics that may have influence on profitability of MSEs.

**Table 2.1 Summary of Empirical Literature and Research Gaps**

<b>Author(s)</b>	<b>Objectives/Purpose</b>	<b>Key Findings</b>	<b>Research Gaps</b>	<b>Focus of this Study</b>
Mothibi, (2015)	Effect of entrepreneur and firm characteristics on performance of small and medium enterprises in Pretoria	Findings indicated that managerial competence, education qualifications, working experience, location, firm size, business age and business sector had significant effect on performance of SMEs	The study adopted regression modeling without reporting on diagnostic tests. This may have increased odds of drawing biased conclusion.	The study fitted regression model while examining the joint effect of financial literacy, cultural practices and entrepreneurial training on profitability of women owned enterprises in Gikomba.
Kithae et al., (2013)	Impact of entrepreneurship training on performance of micro and small enterprises in Embu County	There was positive and significant effect of entrepreneurial training on performance of SMEs.	The study drew respondents from MSEs in Embu county without consideration of the gender of the owner. Hence, the findings may not be generalized among women enterprises in Nairobi County.	The study drew respondents among women entrepreneurs in Nairobi County and examined critical factors associated with their profitability.
Sambiri et al., (2015)	Evaluated joint effect of entrepreneurial skills management and funding	Study findings indicated that entrepreneurial skills management and funding has positive and significant effect on performance of SMEs in Nigeria	There are contextual differences between business operating environment in Kenya and Nigeria hence findings drawn from respective country cannot be generalized in any member country.	The study examined the effect of financial literacy, cultural practices and entrepreneurial training on performance of women enterprises in Nairobi County.
Wangechi and Gathungu (2013)	Evaluated education and training effect on performance	Study findings indicated that marketing capacity of entrepreneurs was dependent on education level and training on financial management	There was conceptual difference since both studies did not consider similar antecedents of performance.	The study fitted regression model while examining the joint effect of financial literacy, cultural practices and entrepreneurial training on profitability of women owned enterprises in Gikomba.

Nwachukwu and Ubana (2019)	Evaluated role of religious and cultural diversity on performance of SMEs in Nigeria.	Study findings indicated that there were instances of conflict associated with cultural diversity in the work place.	There are contextual differences between business operating environment in Kenya and Nigeria hence findings drawn from respective country cannot be generalized in any member country.	The study examined the effect of financial literacy, cultural practices and entrepreneurial training on performance of women enterprises in Nairobi County.
Usama and Yussuf (2019)	The impact of financial literacy on business performance in Nigeria.	Study findings indicates that financial awareness, bookkeeping, risk management and access to credit have significant positive effect on performance of SMEs.	There are contextual differences between business operating environment in Kenya and Nigeria hence findings drawn from respective country cannot be generalized in any member country.	The study drew respondents among women entrepreneurs in Nairobi County and examined critical factors associated with their profitability.



## 2.5 Conceptual Framework

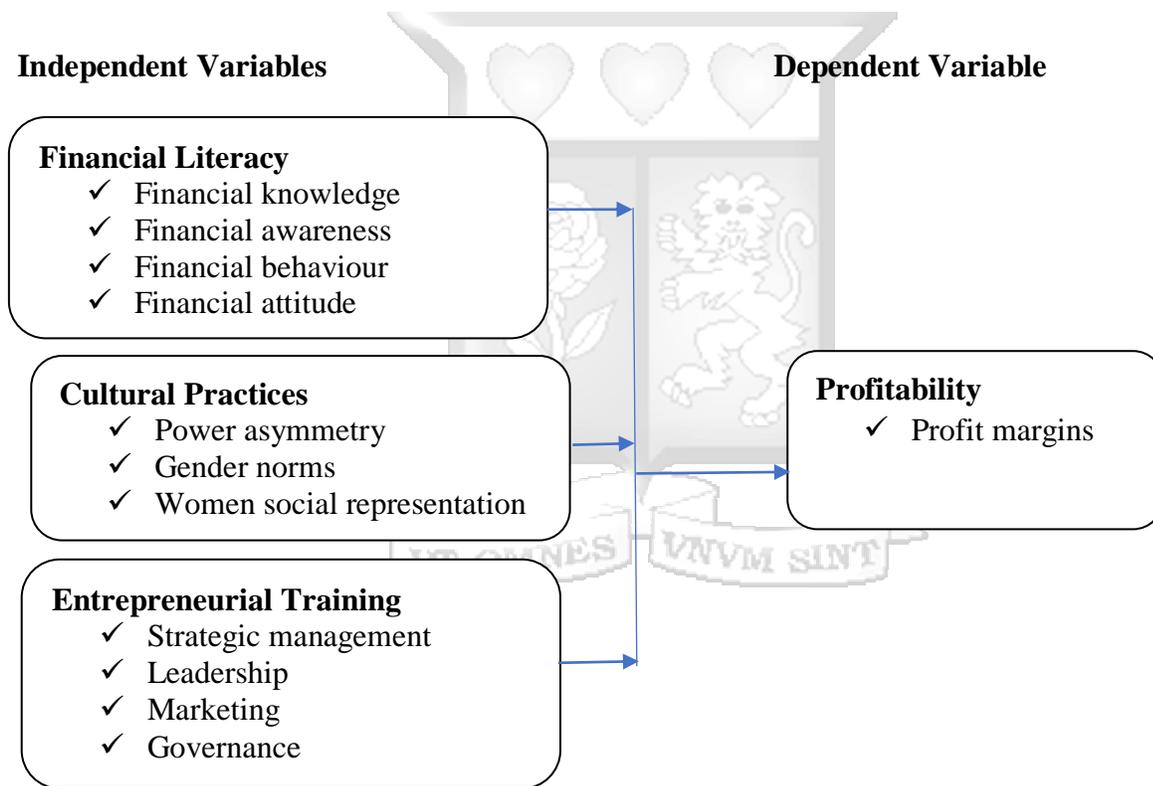
According to Sekaran and Bougie (2014) conceptual framework is a diagram showing the link between variables under examination. In this study, it is conceptualized that performance of MSEs is dependent on financial literacy, cultural practices and entrepreneurial training. Financial literacy was operationalized as financial knowledge, financial awareness, financial behaviour and financial attitude. Cultural practices were operationalized as power asymmetry, gender norms, women social representation and scripts. Entrepreneurial training was operationalized as strategic management, financial management, marketing and governance. Profitability of micro and small enterprises was operationalized as profit margins.

Financial literacy is an understanding of financial products that may aid in decision making (Eniola & Entebang, 2016). Financial literacy is the procedure that guides people in application of financial knowledge, concepts and principles on saving, investing and budgeting (Agyapong & Attram 2019). Financial knowledge is perceived to an individual capacity to understand financial principles such as interest computation (Tuffor et al., 2020). This knowledge would aid in decision making on savings and investment. Enjola and Entebang (2016) assets that seeking financial knowledge aids in guiding financial behaviour across different segments. There is need for provision of financial awareness among MSEs owners so as to enable them to make quality decisions. According to Hauwa (2017) financial attitudes refers to state of mind while making investment decision.

Cultural practices are norms that have been embraced in social and political environment to create domination and chauvinism (Wetherly, 2011). A system is said to be social cultural since it is made of relationships and activities that creates relationships in public and private life on attributes such as ethnicity, values, associated, norms, power asymmetry and life styles. There is society expectation on power sharing and men are perceived to be household heads hence they should be providers. These societal practices guide on women social representations and scripts. Individuals are expected to show their level of agreement in response to emotional and cognitive evaluation (Maziku et al., 2014; Mwangemi et al., 2017).

Growth and sustainability of enterprises can be enhanced through entrepreneurial training though it is contingent to characteristics associated with an entrepreneur. Through training management skills and technological adoption in SMEs and quality of services changes with accumulation of skills

(Sambo et al., 2015). Quality of entrepreneurship is evaluated through pursuance of opportunities associated with skills development. Mwangi (2011) asserts that entrepreneurial training is meant to create self-reliance among proprietors of enterprises. Optimal training should develop business skills and methods of enhancing sustainability of respective enterprises. Entrepreneurial training programs are characterized by duration, structure and content of training. Despite of these differences Mwasalwiba (2010) argues that there is need for development of technical, management and personality skills to enhance performance of SMEs. Through training, MSEs owner’s financial management, strategic and market skills would be nurtured and consequently they will respond to market needs. Entrepreneurial training will be operationalized on training on strategic management, financial management, marketing and governance.



**Figure 2.1 Conceptual Framework**

## 2.6 Operationalization of Variables

Study variables will be operationalized as; profitability was measured using profit margins. Financial literacy had attributes such as financial knowledge, financial awareness, financial behaviour and financial attitude. Cultural practices had attributes such as power asymmetry, gender norms and women social representation. Entrepreneurial training had attributes such as strategic management, leadership, marketing and governance.

**Table 2.2 Operationalization of the Variables**

Variable	Attributes	Scale	Analysis
Profitability	Profit margins	Ratio	Descriptive
Financial literacy	Financial knowledge	5-Point scale	Descriptive
	Financial awareness		Correlation
	Financial behaviour		Regression
	Financial attitude		
Cultural practices	Power asymmetry	5-Point scale	Descriptive
	Gender norms		Correlation
	Women social representation		Regression
Entrepreneurial training	Strategic management	5-Point scale	Descriptive
	Leadership		Correlation
	Marketing		Regression
	Governance		

Source: Eniola & Entebang, 2016; Tuffor et al., 2020; Wetherly, 2011; Sambo et al., 2015; Mwasalwiba, 2010)

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter discusses research methodology that was adopted in the study. In it, research philosophy, research design, sampling techniques and sample size, target population, research instruments, data collection procedure and data analysis are discussed and justified.

#### **3.2 Research Design**

Research design is a perceived guideline that is followed to achieve research objectives in a study (Kombo & Tromp, 2006). According to Saunders, Lewis and Thornhill (2014) research design provides minimum requirements that should be complied with to enhance chances of achieving desired research objectives. The study applied descriptive research design. According to Oso and Onen (2009) descriptive research design is appropriate whenever the researcher seeks to respond to questions on when, how and why in regard to certain attributes under examination. The design is appropriate for the study since it aimed at evaluating effect of financial literacy, cultural practices and entrepreneurial training on profitability of women owned micro and small enterprises in Gikomba market, Nairobi County, Kenya.

#### **3.3 Target Population**

Population in a study is a collection of individuals, administrators, components, occasion and gathering of all elements under considerations (Ngechu, 2004). According to Saunders et al., (2014) population in a study should have uniform attributes that are under considerations. In this study target population consisted of 1200 women entrepreneurs who had consistently paid their weekly cess to Nairobi City County government through use of their mobile phones (Nairobi County CESS, 2019). The study excluded other women entrepreneurs who were not paying their weekly CESS since their business operational areas may not be authenticated as Nairobi City County. From the list women enterprises were categorised into 195 sellers of agricultural produce, 184 providers of business services, 67 community and social services providers, 79 in construction, 44 financial services (shylocks), 67 soap manufacturing, 233 restaurants and hotels, 100 retail, 102 transport and communication and 128 in other sectors.

**Table 3.1 Target Population**

<b>Type of Business</b>	<b>Number of Women in Business</b>	<b>Percentage</b>
Agriculture (sell of agricultural produce)	195	16
Business Services	184	15
Community and Social Services	67	6
Construction	79	7
Financial Services (shylocks)	44	4
Soap manufacturing	67	6
Restaurants and Hotels	233	19
Retail	100	8
Transport and communication	102	9
Other	128	11
<b>Total</b>	<b>1200</b>	<b>100</b>

**Source: Nairobi City County, CESS collection (November 2019- February 2020)**

### **3.4 Sampling Design and Sample size**

Sampling is the process that guides selection of respondents in a study. According to Cooper and Schindler (2014) sampling process can be probabilistic or non-probabilistic. In probabilistic approach all respondents have equal chances of being considered while in non-probabilistic there are clearly defined inclusion and exclusion rules to be complied with. Kothari (2011) asserts that use of probabilistic sampling accords an opportunity for random selection of respondents. The study applied stratified and simple random sampling procedures. Saunders et al., (2014) asserts that stratified sampling is appropriate whenever respondents can be grouped into groups with similar characteristics. Sample size for the study was determined using Yamane (1976) formula as follows:

$$n = \frac{N}{1+N(e)^2}$$

$$n = \frac{1200}{1+1200(0.06)^2}$$

$$n=226$$

Thus, the sample size for the study was 226 participants distributed across the different types of businesses the entrepreneurs engage in at Gikomba.

Where;

n = the sample size

N = the size of the population (1200)

e = Acceptable margin of error (6%)

The sample was distributed as follows in different strata in Table 3.2.

**Table 3.2 Sample Size**

<b>Type of Business</b>	<b>Number of Women in Business</b>	<b>Percentage</b>
Agriculture (sell of agricultural produce)	37	16
Business Services	35	15
Community and Social Services	13	6
Construction	15	7
Financial Services	8	4
Manufacturing	13	6
Restaurants and Hotels	44	19
Retail	19	8
Transport and communication	19	9
Other	24	11
<b>Total</b>	<b>226</b>	<b>100</b>

### 3.5 Research Instruments

Research data is usually collected through use of research instrument. In this study questionnaires were the main tools used for data collection. Saunders et al., (2014) asserts that questionnaires are easier to administer while collecting primary because they require limited time and individuals can respond to questionnaires at their convenience. Moreover, questionnaires can have closed ended questions that makes it easier to respond to from available responses. Further, questionnaires may be administered through alternative approaches such as drop and pick method and electronically through use of survey monkey. The questionnaires had five sections; part one sought background information, part two financial literacy, part three cultural practices, part four entrepreneurial training and part five profitability. Items in the questionnaire were developed from past empirical literature and items from past studies with low factor loadings were excluded.

### 3.6 Data Collection Procedure

The study made use of primary data obtained from the women entrepreneurs using questionnaires. The researcher trained five research assistants on all issues pertaining to the data collection procedures and techniques before carrying out the study. The five research assistant assisted the respondents to understand the questions and answer them correctly.

### 3.7 Research Quality

Quality of research instrument was evaluated through piloting of the research instruments. Piloting is the process of pretesting research instruments prior to actual studies (Sekaran & Bougie, 2013). Piloting was carried out in Kiambu County, Kiambu markets and 46 women entrepreneurs were the respondents. The sample was 10% of the actual study sample which according to Kothari (2011) in social sciences sampling should be carried out in at least 10% of the sample. Data collected was used in evaluation of validity and reliability of research instruments.

#### 3.7.1 Reliability of Research Instrument

Reliability is a measure of the degree to which a research instrument yields consistent results after repeated trials (Nsubuga, 2000). According to (Gable & Wolf 1993), reliability of the instrument was estimated using Cronbach's Alpha Coefficient which is a measure of internal coefficient. A reliability of at least 0.70 at 0.05 significance level of confidence is acceptable. Gable and Wolf (1993) suggested that Cronbach's coefficient of above 0.50 is acceptable as an internally consistent scale so that further analysis can be applied. Cultural Practice had the highest reliability at 0.899 among the independent variables of the study as shown in Table 3.3. This was closely followed by Entrepreneur Training at 0.883 and Financial Literacy at 0.828.

**Table 3.3 Reliability Coefficients**

Variable	Cronbach's Alpha	Number of Items
Financial Literacy	0.828	13
Cultural Practices	0.899	10
Entrepreneur Training	0.883	15

#### 3.7.2 Validity of Research Instrument

Validity indicates the degree to which an instrument estimates what it should quantify; the exactness, sufficiency and viability with which an instrument estimates what it is expected to gauge (Kothari, 2011) or how much outcomes acquired from the investigation of the information really speak to the marvels under examination (Sekaran & Bougie, 2014). Validity of the research instrument was achieved through discussion of research tool with supervisors and presentation of proposal in a panel whose input was considered prior to actual study.

### 3.8 Data Analysis

According to Kombo and Tromp (2006) a survey or experiment and making deductions and inferences. It also refers to a diversity of happenings and processes that a researcher administers to a database in order to draw inferences and certain decisions concerning the data gathered from the field. Activities of analysis encompass summarizing large amounts of raw data, classifying, rearranging and ordering data (Mbwesa, 2006).

Neuman (2011) explained that descriptive statistics enables the study to describe the aggregation of data in numerical terms. These were analyzed by labeling the dissemination of survey results. Descriptive statistics adopted in the study were frequencies, percentage, mean and standard deviation. In addition, inferential statistics that include Product moment correlation and multiple regression were applied in the study. A regression model was then fitted and specified as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Where:

$Y$  = Profitability of Women Owned Enterprises;

$\beta_0$  = the y intercept when x is zero;

$\beta_1, \beta_2$  and  $\beta_3$  are regression weights attached to the variables;

$X_1$  = Financial Literacy

$X_2$  = Cultural Practices

$X_3$  = Entrepreneur Training

$\beta_0$  is the regression constant and  $\varepsilon$  is the error term

### 3.9 Ethical Considerations

Saunders et al., (2014) defines ethics as norms governing human conducts, it involves making judgment about right and wrong behaviour. Bryman (2007) states that it is the responsibility of the researcher to carefully assess the possibility of harm to research participants, and the extent that it is possible; the possibility of harm should be minimized. Key ethical issues were put into consideration to cushion the rights of research participants. The researcher perceived that the issue under investigation was sensitive in light of the fact that it included the monetary data of the

respondents' ventures and in this manner, there was need to ensure confidentiality and protect the character and identity of the respondents. This implies the polls did not contain the respondents' names or any other details that may uncover their identity. Participation was additionally based on voluntary and intentional participation and nobody was coerced in any capacity to partake in the exercise. The researcher additionally sought for consent from the significant authorities beginning with Strathmore University Institutional Ethics Review Committee for ethical approval. A research authorization license was additionally sought from National Commission for Science, Technology and Innovation [NACOSTI].



## CHAPTER FOUR

### DATA ANALYSIS AND INTERPRETATION

#### 4.1 Introduction

In this chapter primary data collected from women running micro and small enterprises in Gikomba is presented and analyzed using descriptive and inferential statistics according to study objectives. Figures and tables are used to present the findings. The chapter has response rate, descriptive statistics on demographic characteristics, financial literacy, cultural practices, entrepreneurship training and profitability. Moreover, product moment correlation and multiple regression analysis is presented.

#### 4.1.2 Response Rate

The response rate for the study was 93% since out of 226 administered questionnaires, 210 were correctly filled and returned. The response rate was commendable since Sekaran and Bougie (2013) asserts that if the response rate exceeds more than 70% then it is excellent. This response rate was achieved through collective responsibility between research assistants and the researcher. Prior to the actual study they visited Gikomba markets and met officials of women groups who guided them on the most appropriate time effective data collection may be carried out. Data was collected when women were holding their weekly meetings in respective merry go round groups.

**Table 4.1 Response Rate**

	<b>Frequency</b>	<b>Percentage</b>
Filled and returned	210	93
Non returned	16	7
<b>Total</b>	<b>226</b>	<b>100</b>

#### 4.2 Demographic Characteristics

Demographic characteristics sought in the study include marital status, age, education level and business age. Since the variables were categorical frequencies and percentage analyzed the data.

#### 4.2.1 Marital Status

Respondents' marital status findings in Table 4.2 indicate that 40.5% were married, followed by 27.6% who were divorced and 16.7% single mothers. Marital status may lead to sharing of household responsibilities hence there may be lower odds of pursuing business. In some Kenyan cultures' women are perceived to have subordinate role in provision of household needs. This have been contrasted by the findings since majority of married women have ventured into entrepreneurship.

**Table 4.2 Marital Status**

	<b>Frequency</b>	<b>Percent</b>
Single mothers	35	16.7
Married	85	40.5
Divorced	58	27.6
Widowed	32	15.2
<b>Total</b>	<b>210</b>	<b>100</b>

#### 4.2.2 Age

Regarding respondents age findings in Table 4.3 indicate that 52.4% aged between 41 to 50 years, followed by 15.7% aged 31 to 40 years and 7.6% aged below 30 years. The age distribution indicates that young women have ventured into micro and small enterprises. This may be a response to state of unemployment.

**Table 4.3 Age**

	<b>Frequency</b>	<b>Percent</b>
Below 30 years	16	7.6
31- 40 years	33	15.7
41- 50 years	110	52.4
51-60 years	31	14.8
Over 60 years	20	9.5
<b>Total</b>	<b>210</b>	<b>100</b>

### 4.2.3 Education Level

The level of education attained findings in Table 4.4 indicate that 30.5% had achieved primary school education, 27.6% were secondary school graduate, 17.1% were diploma holders and 11.9% had no formal education qualifications. Access to formal education would aid in induction of financial skills and entrepreneurial skills. This would enhance performance of respective MSEs. Access to formal employment may be linked to ability to secure formal employment hence those with secondary schools' qualifications may pursue entrepreneurship.

**Table 4.4 Education Level**

	<b>Frequency</b>	<b>Percent</b>
No formal education	25	11.9
Primary	64	30.5
Secondary	58	27.6
Certificate	27	12.9
Diploma	36	17.1
<b>Total</b>	<b>210</b>	<b>100</b>

### 4.2.4 Business Age

Business enterprises whose ages are less than 5 years are perceived to be in incubation phase. Findings in Table 4.5 indicates that 40.5% of enterprises had been operational for a period of 6-10 years, followed by 39.5% that had operated for 0 to 5 years. Since at least 60% of MSEs had operated for more than 5 years then they had high chances of being profitability upon accumulation of financial literacy skills and training on entrepreneurship.

**Table 4.5 Business Age**

	<b>Frequency</b>	<b>Percent</b>
0 – 5 years	83	39.5
6 – 10 years	85	40.5
Over 10 years	42	20
<b>Total</b>	<b>210</b>	<b>100</b>

### 4.3 Descriptive Statistics on Financial Literacy of Female MSEs in Gikomba

The first objective of the study sought to examine the influence of financial literacy on profitability of women MSEs in Gikomba. Respondent's level of agreement was sought on five-point Likert scale ranging from strongly disagree to strongly agree. Findings in Table 4.6 indicated that majority agreed (mean=4.1) regular restocking provides sustainability of their business. Those who agreed (mean =4.1) that book keeping skills aids in business management. Majority agreed that they have effective accounting skills that influence their business profitability (mean = 4.1). There was an agreement that MSEs owners have budgets (mean = 4.6), their business income is regular and reliable (mean = 4.4) and there was an agreement that they have capacity to finance their chama loan and confidence in decision making with mean of 4.5 respectively.

**Table 4.6 Descriptive Statistics on Financial Literacy of Female MSEs in Gikomba**

	Mean	Std. Dev
Regular restocking provides sustainability in my business	4.1	0.7
My book keeping skills aids in business management	4.1	0.9
I have effective accounting skills	4.1	0.8
My business has a budget	4.6	0.8
My business income is regular and reliable	4.4	0.9
I finance my business with chama loan	4.5	0.8
I have confidence in financial decision making	4.5	0.8
Financial education aids in business management	3.5	1.1
I have control over my financial situation	3.8	1.0
My anticipated future income can sustain my future financial goals	3.5	1.3
The cost of credit for business is expensive	3.9	0.9
Regular savings is important for my business growth	3.9	1.0
It is important to understand loan agreements before signing them	3.9	0.9
<b>Overall average</b>	<b>4.1</b>	<b>0.9</b>

### 4.4 Descriptive Statistics on Cultural Practices of Female MSEs in Gikomba

The second objective of the study examined the influence of cultural practices on profitability of female owned micro and small enterprises in Gikomba. Study findings in Table 4.7 indicates that there was an agreement that access to formal and informal education has contributed to start of MSEs in Gikomba (mean = 3.7) and majority (mean = 3.9) pursue businesses since there are no jobs reserved for any gender. Further, majority agreed that either cultural practices that discriminates on gender has contributed on their business pursuance or ventured in business to earn household

income accounted by (mean = 3.8) respectively. There was an agreement (mean =3.5) that community practices have effect on MSEs management e.g. succession, wife inheritance. On overall there was an agreement that cultural practices have effect on profitability of female MSEs in Gikomba.

**Table 4.7 Descriptive Statistics on Cultural Practices of Female MSEs in Gikomba**

	<b>Mean</b>	<b>Std. Dev</b>
Access to formal and informal education has contributed to the start of my enterprise in Gikomba Market.	3.7	1.1
I pursue business since there are no jobs that are reserved for any gender.	3.9	1.1
Cultural practices that discriminate on gender has contributed to my business pursuance	3.8	1.1
I ventured in business to earn household income	3.8	1.1
Community practices have effect on MSEs management e.g. succession, wife inheritance.	3.5	1.2
Family moral support have influenced MSEs management skills	3.6	1.1
My business acumen is dependent on my gender	4.4	0.9
Pursuance of business have effect on women perception in the society	4.0	1.2
Purchasing patterns in our business in dependent on gender	3.7	1.1
There are society labelling depending on choice of business	3.6	1.1
<b>Overall average</b>	<b>3.8</b>	<b>1.1</b>

#### **4.5 Descriptive Statistics on Entrepreneurial Training of Female MSEs**

The third objective examined the influence of entrepreneurial training on profitability of women owned MSEs in Gikomba. Findings in Table 4.8 indicates that majority (mean =4.1) agreed that they have acquired effective customer care skills through entrepreneurship training. Possession of customer care skills would aid in management of relationship with customers that would enhance service delivery. Secondly, majority mean = 3.9 agreed that their sales planning skills improved after attending entrepreneurial training forums. These skills would aid in optimization of the market share. Thirdly, majority agreed (mean =3.6) that more advocacy on women empowerment have encouraged them to be strategic in business management. Moreover, majority (mean =4.0) agreed that entrepreneurial training empowered them with strategic planning skills. Through, entrepreneurial training the quality of policy development was improved, pricing decisions were improved, capacity of business opportunities identification improve and ability to make risks developed as indicated by means of 3.5, 3.7 and 3.8 respectively. Overall, there was an agreement that entrepreneurial training have effect on profitability of female MSEs in Gikomba market.

**Table 4.8 Descriptive Statistics on Entrepreneurial Training of Female MSEs**

	<b>Mean</b>	<b>Std. Dev</b>
I have acquired effective customer care skills through entrepreneurship training.	4.1	1.1
My sales planning skills have improved after attending entrepreneurial training forums.	3.9	1.2
More advocacy on women empowerment have encouraged me to be strategic on business management.	3.6	1.1
Entrepreneurship training, I attended empowered me with strategic planning skills	4.0	1.3
I learned effective communication skills through entrepreneurship training	3.8	1.2
I have acquired effective planning skills through entrepreneurship training	3.5	1.3
I am able to control the activities of my business after attending entrepreneurship training	4.3	0.8
I acquired time management skills after going through entrepreneurship training	4.2	0.9
Business ideas have affected my involvement in SME's business in Gikomba.	4.0	1.1
More involvement in decision making is important to improving my business in Gikomba Market.	4.0	1.2
Entrepreneurship training, I attended helped me make policies regarding my business	3.5	1.2
I have improved my business plan after attending entrepreneurship training	3.5	1.3
Entrepreneurship training, I attended has enabled me price my product better.	3.7	1.2
Entrepreneurship training has enhanced my ability to identify business opportunities	3.7	1.2
My ability to take risks has been enhanced through entrepreneurship skills training.	3.8	1.4
<b>Overall average</b>	<b>3.8</b>	<b>1.2</b>

#### 4.6 Descriptive Statistics on Profitability of MSEs in Gikomba

An evaluation of MSEs performance in Gikomba in Table 4.9, the average profitability in quarter one was 5%, 7% in quarter two, 10% in quarter three and 12%. The average performance was 8.5%. The performance of MSEs in Gikomba recorded positive growth with the period under consideration.

**Table 4.9 Descriptive Statistics on Profitability of MSEs in Gikomba**

Quarter	Mean	Standard deviation
1	5%	1
2	7%	0.6
3	10%	0.9
4	12%	1.2
Overall	8.5%	0.925

#### 4.7 Product Moment Correlation Coefficient

Product moment correlation coefficient evaluated the strength of the influence of financial literacy, cultural practices, entrepreneurial training on profitability of female owned enterprises in Gikomba. Findings in Table 4.10 indicates that financial literacy has positive and significant influence on profitability (rho = 0.799, p value <0.05). Cultural practices have negative and significant influence on profitability (rho = -0.816, p value <0.05). Entrepreneurial training has positive and significant influence on profitability (rho = 0.813, p value < 0.05).

**Table 4.10 Product Moment Correlation Coefficient**

		Profitability	Financial Literacy	Cultural Practices	Entrepreneurial Training
Profitability	Pearson Correlation	1	.799**	-.816**	.813**
	Sig. (2-tailed)		0.000	0.000	0.000
	N		210	210	210
Financial Literacy	Pearson Correlation		1	.175**	.055**
	Sig. (2-tailed)			0.000	0.000
	N			210	210
Cultural Practices	Pearson Correlation			1	.274**
	Sig. (2-tailed)				0.000
	N				210
Entrepreneurial Training	Pearson Correlation				1

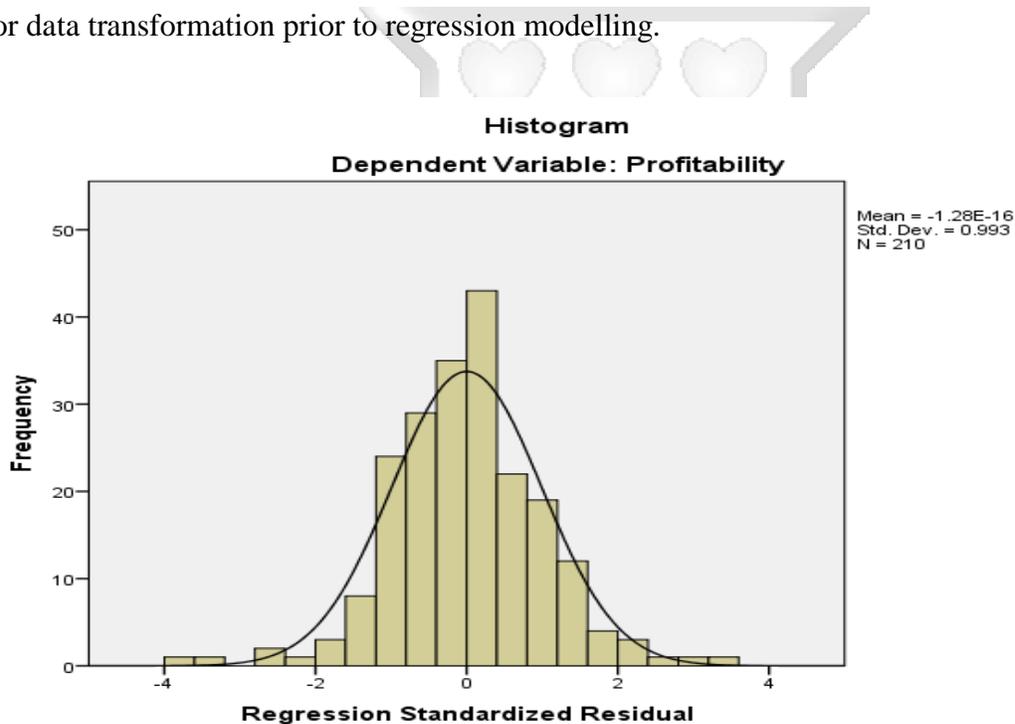
\*\* Correlation is significant at the 0.01 level (2-tailed).

## 4.8 Regression Analysis

Multiple regression analysis was carried out to evaluate the nature of the influence of financial literacy, cultural practices, entrepreneurial skills and profitability of women MSEs in Gikomba market. Prior normality, multicollinearity and heteroscedasticity assumptions were tested. Serial correlation was not tested since the data was cross sectional.

### 4.8.1 Regression Diagnostics

Normality tests was evaluated through use of histogram. Findings in Figure 4.1 indicates that the data was normally distributed with mean zero and standard deviation of 1. Hence, there was no need for data transformation prior to regression modelling.



**Figure 4.1 Normality Test**

Multicollinearity is the test for the degree of association between independent variables. In this study variance inflation factors and tolerance limits were used as indicated in Table 4.11. Study findings indicate that the highest VIF was 5.691 and least 4.965. Hence, it can be concluded that there was no multicollinearity since they were less than 10 and none of tolerance limits was less than 0.1.

**Table 4.11 Multicollinearity Test**

	Collinearity Statistics	
	Tolerance	VIF
Financial Literacy	0.2	4.998
Cultural Practices	0.176	5.691
Entrepreneurial Training	0.201	4.965

Heteroscedasticity is a condition in which there is no uniformity of error terms. This was evaluated using likelihood ratio test. The null hypothesis was that there is uniformity of error term and the alternative stated that there was no uniformity. Results in Table 4.12 indicate that there was no uniformity of error term hence regression model with robust standard errors was fitted.

**Table 4.12 Heteroscedasticity Test**

Test Statistics	Value	P value
F statistics	18.31	0.0041

#### 4.8.2 Regression Analysis

In Model 1, financial literacy accounted for 63.8% of changes in profitability of women owned micro and small enterprises in Gikomba. Financial literacy has positive and significant effect on profitability of women micro and small enterprises in Gikomba ( $\beta = 0.723$ , p value  $<0.05$ ). In model 2, cultural practices explain 66.6% of changes in profitability of women MSEs in Gikomba. Further, cultural practices have positive and significant effect on profitability of women MSEs in Gikomba ( $\beta = 0.698$ , p value  $<0.05$ ). Entrepreneurial training explains 66.1% of changes in profitability of women MSEs in Gikomba. Entrepreneurial training has positive and significant effect on profitability of women MSEs in Gikomba ( $\beta = 0.723$ , p value  $<0.05$ ).

In model 4, an R square of 0.719, that indicates that 71.9% of changes in profitability of women enterprises in Gikomba can be accounted for by financial literacy, cultural practices and entrepreneurial training while the remaining percentage can be accounted for by other factors excluded in the model. Analysis of variance indicate that there was a significant influence of financial literacy, cultural practices and entrepreneurial training on profitability of women enterprises in Gikomba ( $F= 175.961$ , p value  $< 0.05$ ). Regression coefficients indicate that financial literacy has positive influence of profitability of female MSEs in Gikomba ( $\beta = 0.21$ ,  $t = 2.814$ , p

value < 0.05). This indicate that an increase in financial literacy increases profitability by 0.21 while holding cultural practices and entrepreneurial training constant. There was an inverse influence of cultural practices on profitability of female MSEs in Gikomba ( $\beta= -0.275$ ,  $t= -3.648$ ,  $p$  value < 0.05). This indicates that unit increase in cultural practices while holding financial literacy and entrepreneurial training constant increases decreases profitability by 0.275 units. Moreover, there was a positive and significant effect of entrepreneurial training on profitability of female MSEs in Gikomba ( $\beta= 0.287$ ,  $t= 4.06$ ,  $p$  value < 0.05). This implies that unit increase in entrepreneurial training while holding financial literacy and cultural practices constant increases profitability of females MSEs in Gikomba by 0.287 units.

**Table 4.13 Regression Analysis**

<b>Dependent Variable</b> <b>Independent Variables</b>	<b>Profitability</b>			
	<b>Model 1</b>	<b>Model 2</b>	<b>Model 3</b>	<b>Model 4</b>
Constant	0.039 (0.047)	-0.032(0.045)	0.039 (0.045)	-0.002(0.042)
Financial Literacy	0.723(0.038)**			0.21(0.075)**
Cultural Practices		0.698(0.034)**		0.275(0.075)**
Entrepreneurial Training			0.699(0.035)**	0.287(0.071)**
R	0.799	0.816	0.813	0.848
R Square	0.638	0.666	0.661	0.719
Adjusted R Square	0.636	0.665	0.66	0.715
F	366.656**	415.236**	406.22**	175.961**

\*\* p value <0.05

## CHAPTER FIVE

### DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

#### 5.1 Introduction

In this chapter discussion, conclusions and recommendations were drawn from the major findings in the study. The main objective of the study was to evaluate factors affecting profitability of female owned micro and small enterprises in Gikomba market in Nairobi City County. Specifically, the study determined the influence of financial literacy, cultural practices and entrepreneur training on profitability female owned micro and small enterprises in Gikomba in Nairobi City County.

#### 5.2 Discussions

The main findings of the study indicated that majority agreed that profitability of female owned micro and small enterprises was influenced by financial literacy, cultural practices and entrepreneurial training. Multiple regression analysis indicated that there was positive and significant effect of financial literacy and entrepreneurial training on profitability of female owned micro and small enterprises in Gikomba market. Moreover, cultural practices had negative and significant effect on profitability of female owned micro and small enterprises in Gikomba market.

##### 5.2.1 Financial Literacy and Profitability of Female Owned Micro and Small Enterprises

The study documented that financial literacy has positive and significant influence on profitability of micro and small enterprises in Gikomba Market. It indicated that improved financial literacy results in improved profitability of female owned micro and small enterprises. The findings were in favour of the argument that the demand for financial knowledge in developed and developing economies is paramount. According to Abiodun (2016) financial knowledge enhance quality of individual and business financial knowledge management. Refera, Dhaliwal and Kaur (2016) argue that there is need for development of financial literacy skills so as to match growth in financial markets and cost of living. Xu and Zia (2012) argue that financial literacy gap is huge since in Mozambique, Malawi and Nigeria higher population is not aware of financial products such as savings, interest costs, financial institutions financial products and insurance. Kalekye and Memba (2015) argues that most startup have no capacity to break even and may fail in their infancy stages.

Empirical evidence has documented inconclusive findings on the effect of financial literacy on performance of MSE's. It has been concluded that there is causality between failure of SMEs and financial literacy levels among management of respective SMEs (Niwaha et al., 2016). Kalekye and Memba (2015) called for development of financial literacy skills on budgeting, cash management, savings and book keeping. These skills were credited in profitability of women businesses. Moreover, they called for regular training among SMEs to ensure proper governance and organization culture are adopted to increase of SMEs survival. Moreover, there is never for provision of access to financial services such as credit from informal sectors to enhance access to capital. Financial literacy programs should be developed since majority of the women entrepreneurs lacked financial literacy on SMEs financing meaning that they relied on their own personal financial sources to run their business enterprises and as such lacked enough funds in conducting their businesses. This finding was in line with that of Kitching and Blackburn (2012) who noted that women have limited access to financial training and technical training. In fact, women on average have less access to financial training than men.

The findings support dual process theory. Since accumulation of financial literacy would improve the risk management and exploration of opportunities available. The level of financial knowledge, awareness, attitude and behaviour would have influence on application of prudent debt management. Efficient financial resources allocation would increase the odds of profitability among women MSEs.

### **5.2.2 Cultural Practices and Profitability of Female Owned Micro and Small Enterprises**

The study findings indicated that cultural practices have negative and significant influence of profitability of female owned micro and small enterprises in Gikomba market in Nairobi City County. The study findings supported Maziku et al., (2014) who documented that performance of women enterprises in Tanzania were negatively affected by ethnicity, women immobility and poor society support. Moreover, the study reported that performance was positively affected by family roles, education levels and availability of mentorship. Mwangemi et al., (2017) reported significant influence of education and social cultural factors on growth of SMEs in Kenya. In Nigeria Felicia et al., (2013) documented that performance of SMEs was dependent on attitude, values and religion.

The study also established that most of the respondents had Certificates as their highest level of education. Therefore, majority of the women entrepreneurs lack a sound academic background and as such do not entirely run their businesses professionally. This negatively affected their business performance, profitability and sustainability. These findings were also collaborated by Fischer, (2012), Fischer et al., (2013) and (Kalleberg & Leicht, 2009) who noted that the smaller size of women-owned firms grasps true notwithstanding whether size is measured by gross revenues, figure of employees or return on investments levels. The study suggested that majority of the women entrepreneurs were majorly affected by culture and religious beliefs. This is mainly because of the way society views the role on women which is believed to be in the home. This is in line with Du Rietz and Henrekson (2000) who noted that the perceived rate of growth of one's business is higher among male entrepreneurs than it is with fellow female counterparts for religion and culture gives them a free pass while doing business.

The findings support the theory of planned behaviour. Although, there are cultural expectations that men should be providers in their households through venturing into profitable MSEs. Alteration of cultural practices and making of investment decisions that are in contrast to power asymmetry, gender norms and women social representation indicates adaptation of learned behaviours.

### **5.2.3 Entrepreneurial Training and Profitability of Female Owned Micro and Small Enterprises**

The findings of this study showed a strong positive and significant relationship between entrepreneurs training and profitability of female owned small medium enterprises. This infers that improved entrepreneur training results in growth of profitability of female owned small medium enterprises. Entrepreneur training is a significant component in producing extremely skilled business management human capital.

The findings of the study suggested that majority of the women entrepreneurs lacked training on entrepreneurship meaning that they relied on their own personal experience to run their business enterprises and as such lacked professionalism in conducting their businesses. This finding was in line with that of Kitching and Blackburn (2012) who noted that women have limited access to vocational and technical training. In fact, women on average have less access to education than men, and technical and vocational skills can only be developed on a strong foundation of basic primary and secondary education. As noted by Shelton (2016), in order to improve the survival and

performance of women-owned ventures, programs should be implemented to assist women in selecting appropriate work-family management strategies because if work-family conflict is addressed, a potential stumbling block for women business owners will be removed and the effectiveness of other training programs that will benefit all stakeholders.

The findings supported social learning theory since development of entrepreneurial capacity through structured and unstructured approaches have positively impacted profitability of women MSEs. Thus, there is need for entrepreneurs to develop platforms for sharing and exchanging information that would aid in pursuance of profitable business ventures. These trainings should assist women entrepreneurs in strategic, marketing and governance management of their enterprises.

### **5.3 Conclusions**

Correlation and regression analysis indicated that financial literacy have positive and significant influence on profitability of family-owned enterprises in female owned micro and small enterprises in Gikomba market. It can be concluded that there is need for development of financial literacy of female entrepreneurs. This would increase their book keeping, accounting and financial management skills. These skills would lead to improved working capital management and optimization of profitability.

Correlation and regression analysis indicated negative and significant influence on profitability of female owned micro and small enterprises in Gikomba market. The study concluded that cultural practices inhibit profitability of female owned enterprises. Creation of awareness on role of cultural practices in inhibiting profitability of female owned enterprises would create an avenue for discussion on measures that may be adopted to eradicate cultural practices that may not nurture entrepreneurship.

The study found that there was positive influence of entrepreneurial training on profitability of family-owned enterprises. The study concluded that majority of the women entrepreneurs that there is need for attendance of any form of training on entrepreneurship meaning since through entrepreneurship training skills required for effective operation of a business enterprise would be nurtured. This would promote professionalism in conducting their businesses. The study postulated that entrepreneurship training designed to help women overcome the challenges they face in running their businesses can improve both firm performance and overall levels of well-being. Those

who participated in training had reported profitability jump. Further business growth does not come at the expense of untrained competitors. Non-trained firms operating in the same market did not lose customers or sell any less. The study concluded that, trained businesses owners improved their customer service thereby leading to the overall growth of the market in which they were operating.

#### **5.4 Recommendations**

From the findings financial literacy has positive influence on profitability of micro and small female owned enterprises. There is need for female entrepreneurs to seek measures aimed at improving their financial literacy levels. This can be through accumulation of financial knowledge, creation of financial awareness sessions, change of financial behaviour and attitude. Based on the study findings, majority of the women entrepreneurs lacked access to credit facilities and therefore the government should intervene by formulating more favorable credit policies that support the growth of small and micro business enterprises. From the findings, some of the women entrepreneurs are not members of self-help groups. Hence, women entrepreneurs should come together and form business social networks for purposes of pooling their financial resources together and hence forming an easier and cheaper source of credit for their businesses. The government agencies should develop policies aimed at training owners of micro and small enterprises on financial aspects so as to increase their knowledge base and enhance prudent financial management.

Cultural practices have inverse effect on performance of micro and small female owned enterprises in Gikomba market. Thus, there is need for development of measures aimed at achievement of gender equity and women empowerment. This would aid in elimination of power asymmetry, suppression of gender biased practices and promotion of women social representation.

Majority of the women entrepreneurs lacked training on entrepreneurship. Thus, women entrepreneurs should purpose to participate on trainings around entrepreneurship, sponsored by the government, World Bank, NGOs and other Public or Private Institutions as this would offer them more knowledge and skills on how to deal with any market changes and strategic positioning in their markets. From the findings, majority of the women entrepreneurs operate sole proprietorships. Thus, women entrepreneurs should consider growing their businesses from sole proprietorship to

partnerships for them to take advantage of increased finance sources, larger markets, better expertise and reduced business risks.

### **5.5 Areas for Further Study**

Since this study explored factors affecting profitability of female owned micro and small enterprises at Gikomba Market in Nairobi City County, similar studies can be performed to evaluate the women's participation in small and micro enterprises in the performance of their business in other parts of the country for comparison purposes and to allow for the generalization of findings on women's participation in small and micro enterprises in performance of their business in Kenya. Further a deeper study on the challenges faced by small enterprises in Kenya could be undertaken. This would enable the traders in the open-air market to curb these challenges. A research could also be carried out about the degree of responsiveness of traders on the market to the challenges facing them. A comparative study between men and woman traders could also be carried out to find out if there is any difference in the performance of their businesses.

### **5.6 Limitations of the Study**

The study was limited to Nairobi City County and specifically Gikomba Market. This means that feedback from other markets within Nairobi City County and other counties may have not been entirely captured from the feedback received from the female entrepreneurs at Gikomba.

Further there were notable limitations related to data collection. Some of the respondents were skeptical about the intentions of the researcher and hence took a lot of time to answer the questions. Some even declined to respond and since participation was voluntary, they were not coerced to participate in the research. There were also some traders who did not keep record of their profits, sales and costs of capital investment undertaken. It therefore took a lot of time than earlier estimated to collect the data.

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## APPENDICES

### Appendix I: Introduction Letter

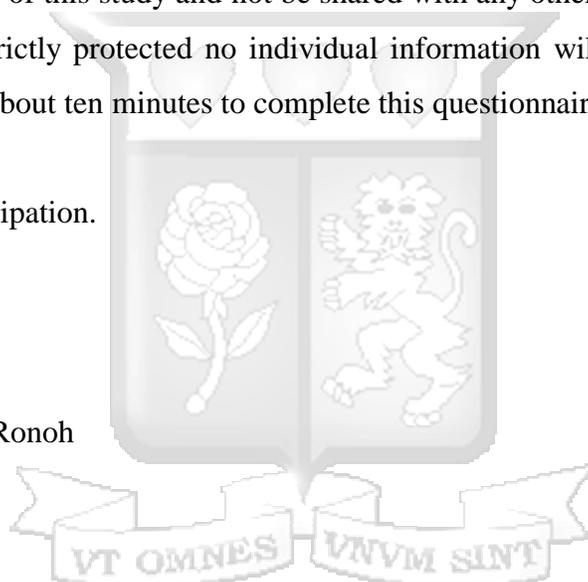
I am a Masters student at Strathmore University Business School, undertaking a Research on **“FACTORS AFFECTING PROFITABILITY OF FEMALE OWNED MICRO AND SMALL ENTERPRISES IN GIKOMBA MARKET NAIROBI CITY COUNTY”**. I kindly, request to collect your opinions on factors that affect the profitability of female owned enterprises. Please note that your participation in this study is purely voluntary and highly valued and you will therefore not be coerced to participate. The responses you give are extremely private and confidential and will only be used for purposes of this study and not be shared with any other party. Your anonymity and confidentiality will be strictly protected no individual information will be collected without your consent. It will take you about ten minutes to complete this questionnaire.

Thank you for your participation.

Kind Regards,

Carolynne Anita Chebet Ronoh

MBA/87862/2015



## Appendix II: Questionnaire

Dear Respondent,

I am a Master of Arts in Business Administration student at Strathmore University Business School conducting a study on **“Factors affecting profitability of female owned Micro and Small Enterprises at Gikomba Market, Kenya”**. The results of the study will help boost growth of women owned ventures as well as improve their profitability thereby providing a good business environment and motivate a good number of women entrepreneurs to set up their own ventures. You have been selected to complete a brief questionnaire that directly addresses the study objectives. All the response you give shall be private and confidential and used for research purposes only. Participation is also voluntary and you are free to withdraw from the research process at any given time without any consequence.

Your participation is greatly appreciated.

Thank you in advance.

### Instructions

Kindly provide answers as per the questions instructions.

### Section A (Optional) Bio Data

1. Kindly indicate your marital status

Single mothers

Married

Divorced

Widowed

Other (specify).....

2. Kindly indicate your age

Below 30 years

31- 40 years

41- 50 years

51-60 years

Over 60 years

3. Kindly indicate your level of education

No formal education

Primary school

Secondary School

Certificate

Diploma

Degree

Masters

4. Number of years working as an entrepreneur at Gikomba market

0 – 5 years	
6 – 10 years	
Over 10 years	

**PART II: Financial Literacy Factors**

Using a scale of 1-5 indicate appropriate answer from the alternatives provided for each 1=Strongly Disagree, 2=Disagree, 3=Neutral, 4= Agree, and 5=Strongly Agree

<b>Statements</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Regular restocking provides sustainability in my business					
My book keeping skills aids in business management					
I have effective accounting skills					
My business has a budget					
My business income is regular and reliable					
I finance my business with chama loan					
I have confidence in financial decision making					
Financial education aids in business management					
I have control over my financial situation					
My future income can sustain my future financial goals					
The cost of credit for business is expensive					
Regular savings is important for my business growth					
It is important to understand loan agreements before signing them					

**PART III: Cultural Practices Factors**

Using a scale of 1-5 indicate appropriate answer from the alternatives provided for each Scale:

1=Strongly Disagree, 2=Disagree, 3=Neither, 4= Agree 5=Strongly Agree

Statements	1	2	3	4	5
Access to formal and informal education has contributed to the start of my enterprise in Gikomba Market.					
I pursue business since there are no jobs that are reserved for any gender.					
Cultural practices that discriminates on gender has contributed to my business pursuance					
I ventured in business to earn household income					
Community practices have effect on MSEs management e.g. succession, wife inheritance.					
Family moral support have influenced MSEs management skills					
My business acumen is dependent on my gender					
Pursuance of business have effect on women perception in the society					
Purchasing patterns in our business in dependent on gender					
There are society labelling depending on choice of business					

**PART IV: Entrepreneur Training Factors**

Using a scale of 1-5 tick the appropriate answer from the alternatives provided for each 1=Strongly

Disagree, 2=Disagree, 3=Neutral, 4= Agree 5=Strongly Agree

Statements	1	2	3	4	5
I have acquired effective customer care skills through entrepreneurship training.					
My sales planning skills have improved after attending entrepreneurial training forums.					
More advocacy on women empowerment have encouraged me to be strategic on business management.					
Entrepreneurship training, I attended empowered me with strategic planning skills					
I learned effective communication skills through entrepreneurship training					
I have acquired effective planning skills through entrepreneurship training					
I am able to control the activities of my business after attending entrepreneurship training					
I acquired time management skills after going through entrepreneurship training					
Business ideas have affected my involvement in SME's business in Gikomba.					
More involvement in decision making is important to improving my business in Gikomba Market.					
Entrepreneurship training, I attended helped me make policies regarding my business					
I have improved my business plan after attending entrepreneurship training					
Entrepreneurship training, I attended has enabled me price my product better.					
Entrepreneurship training has enhanced my ability to identify business opportunities					
My ability to take risks has been enhanced through entrepreneurship skills training.					

**PART IV: PROFITABILITY OF MSEs**

Kindly indicate your profits margins for year 2019 per quarter below;

<b>Year</b>	<b>Quarter</b>	<b>Profit Margins</b>
2019	1 (January – March)	
2019	2 (April – June)	
2019	3 (July – September)	
2019	4 (October – December)	
Average profit		



## Appendix III: Approval to Conduct Research by Ethics Review Board



17<sup>th</sup> March 2020

Mrs Ronoh, Carolynne  
anitahcaro@gmail.com

Dear Mrs Ronoh,

**RE: Factors Affecting Profitability of Female Owned Small Medium Enterprises. A Case Study of Gikomba Market in Nairobi County**

This is to inform you that the SU-IERC has reviewed and **approved** your above research proposal. Your application approval number is **SU-IERC0661/20**. The approval period is **17<sup>th</sup> March, 2020 to 16<sup>th</sup> March, 2021**.

This approval is subject to compliance with the following requirements:

- i. Only approved documents including (informed consents, study instruments, MTA) will be used
- ii. All changes including (amendments, deviations, and violations) are submitted for review and approval by SU-IERC.
- iii. Death and life threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to SU-IERC within 72 hours of notification
- iv. Any changes, anticipated or otherwise that may increase the risks or affected safety or welfare of study participants and others or affect the integrity of the research must be reported to SU-IERC within 72 hours
- v. Clearance for export of biological specimens must be obtained from relevant institutions.
- vi. Submission of a request for renewal of approval at least 60 days prior to expiry of the approval period. Attach a comprehensive progress report to support the renewal.
- vii. Submission of an executive summary report within 90 days upon completion of the study to SU-IERC.

Prior to commencing your study, you will be expected to obtain a research license from National Commission for Science, Technology and Innovation (NACOSTI) <https://oris.nacosti.go.ke> and also obtain other clearances needed.

Yours sincerely,

  
for: Dr Virginia Gichuru,  
Secretary; SU-IERC

Cc: Prof Fred Were,  
Chairperson; SU-IERC



Ole Sangale Rd, Madaraka Estate. PO Box 59857-00200, Nairobi, Kenya. Tel +254 (0)703 034000  
Email [info@strathmore.edu](mailto:info@strathmore.edu) [www.strathmore.edu](http://www.strathmore.edu)

**Appendix IV: Research Authorization Permit from NACOSTI**


**REPUBLIC OF KENYA**  
 National Commission for Science, Technology and Innovation


**NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION**

**Ref No: 924204** **Date of Issue: 28/March/2020**

**RESEARCH LICENSE**



**Ms. Carolynne Chebet Anita**

**This is to Certify that Ms. Carolynne Chebet Anita of Strathmore University, has been licensed to conduct research in Nairobi on the topic: FACTORS AFFECTING PROFITABILITY OF FEMALE OWNED SMALL MEDIUM ENTERPRISES. A CASE OF GIKOMBA MARKET IN NAIROBI CITY COUNTY. for the period ending : 28/March/2021.**

**License No: NACOSTI/P/20/4613**

**924204**  
**Applicant Identification Number**

  
**Director General**  
**NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION**

**Verification QR Code**  


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