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Micro, Small and Medium Enterprise Growth and Innovation in Kenya: A Case Study on the Women Enterprise Fund

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Abstract

This study sought to examine the growth and innovation in micro, small and medium enterprises in Kenya by assessing the performance of the Women Enterprise Fund (WEF) on these dimensions. The WEF, a Government of Kenya initiative, aims to develop and grow women-owned MSMEs. Five years since its inception in 2007, it is imperative to establish whether the Fund is achieving its objectives in reaching the intended beneficiaries with the right kind of funding and support. Using a mixed method approach, comprising qualitative and quantitative methodologies, the study examined the performance of the Fund at the micro, meso and macro levels. Fourteen constituencies in four Counties – Kakamega, Nairobi, Nakuru and Nyeri – were purposively selected. Stratified random sampling (the strata being the borrowing stream) of the entrepreneurs was used to ensure representativeness of the sample. Questionnaires were used in the survey of women owned MSMEs in combination with in-depth interviews and focus group discussions with selected respondent groups. Quantitative data were analysed using SPSS. Descriptive results show the extent of growth and innovation in the post loan period. Multivariate regression analysis sought to empirically establish the determinants of growth and innovation among women owned enterprises. Logistic regression models for the selected measures of growth and innovation were estimated using the maximum likelihood estimation technique. Qualitative data were content analysed for emerging themes and patterns which formed the basis for discussing study findings.

Study findings show that although the general indicators reflect positive growth among women owned businesses in terms of total business worth, turnover, gross profit and number of employees, they obscure incidences of stagnation or decline in growth. Incidences of decline or stagnation were significant at between 15 to 30 percent across the four measures. The most common form of innovation was observed in the change or addition of new products in the post loan period. Innovations in terms of services, markets and sources of raw materials were, however, less common among women owned enterprises. The study finds no evidence of significant differences in growth and innovation among enterprises across geographical regions, borrowing stream and age groups. Overall, entrepreneur characteristics such as age, marital status, level of education and family size were poor determinants of growth. Business characteristics such as location, the person who manages the businesses and the age of the loans, were significant determinants of growth in the number of employees. Growth in number of employees is considered a critical proxy for the other forms of growth in terms of total business worth, turnover and gross profit. From the findings, locating an enterprise in an urban area increased the likelihood that the business would either stagnate on decline in its number of employees and gross profit. Urban decline on these indicators was partly attributed to heightened competition among low-end enterprises which characterise most women owned ventures in urban slums and informal settlements.

Similar to the case in growth, entrepreneur characteristics of age, marital status, level of education and family size were poor determinants of business innovation. Only some of the business characteristics, growth factors and innovation factors were found to be significant determinants of innovation. Overall, women owned enterprises in urban areas lack the expected ‘urban advantage’ in terms of growth and innovation.

The most widely provided complementary service was training which was accessed by one half of women entrepreneurs in the study. Other common complementary services included general education and awareness on how to run business and business progress monitoring. Although reported in interviews and group discussions, the following complementary services were rarely offered: networking, exhibitions, export promotion and product certification, supplementary loans, mobile banking and overdrafts. From the findings, it can

be deduced that besides training, few complementary services were available to the majority of women borrowers of the WEF loans at a level that could meaningfully sustain businesses on the growth path and spur innovations.

The Fund continued to face numerous challenges at the WEF secretariat, lender and borrower levels. The main challenges at the Fund level included inadequate WEF field personnel, inadequate fieldwork facilitation, low loan amounts, delays in disbursements and an inefficient multi-layered Fund structure. High cost of loan administration, competition with commercial bank products, poor dissemination of information, high demand/limited scope of coverage, lack of distinct product branding, lack of individual choices in group lending, high default rates, bureaucratic processes and limited business monitoring were the main challenges at lender level. For the borrowers, the challenges included limited and shrinking markets/competition, lack of business knowledge, misconception about the purpose of the Fund, diversion of the funds, low literacy among segments of women borrowers, lack of loan securities and domestic interference. To reform the Fund in a way that enhances its quality, service delivery and sustainability, as well as the growth and innovation of the enterprises, the study recommends that there should be: improved field level staffing at WEF, improved business monitoring, allocation of more resources to field teams, provision of individual loans, increase in amounts of loans, enhanced and standardised training, development of legal framework for default recoveries, increased funding to the CWES stream, business incubators for start-ups, enhanced revolving funds, rationalization of administrative costs, increase in the number of loan holding banks, timely disbursement of the funds and simplification of the application process.

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To all of you, may the Good Lord richly bless you even as we work together to empower our women both socially and economically.

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Acronyms

CBO	Community Based Organization
CEDAW	Coalition for the Elimination of All Forms of Discrimination Against Women
CWES	Constituency Women Enterprise Scheme
DGSDO	District Gender and Social Development Officer
DWEC	District Women Enterprise Fund Committee
DWEFC	Divisional Women Enterprise Fund Committee
EAC	East African Community
ERSWEC	Economic Recovery Strategy for Wealth and Employment Creation
FGD	Focus Group Discussion
FI	Financial Intermediary
GP	Gross Profit
IFC	International Finance Cooperation
ILO	International Labour organization
LPO	Local Purchase Order
MDG	Millennium Development Goals
MPNDV2030	Ministry of Planning, National Development and Vision 2030
MSE	Micro Small Enterprises
MSME	Micro, Small and Medium Enterprises
OSCE	Organization for Security and Cooperation in Europe
RCC	Regional Credit Coordinator
RCO	Regional Credit Officer
SACCO	Savings and Credit Cooperative
SPSS	Statistical Packages for Social Sciences
WEA	Women Entrepreneurs Association
WEF	Women Enterprise Fund

1.0 Introduction

1.1 Background to the Study

Entrepreneurship all over the world is emerging today as an avenue for gainful employment, a means of helping women to assert themselves in the world of work, and a way of improving both their economic and social status. Micro, Small and Medium Enterprises (MSMEs) are viewed as a key driver of economic and social development in the African context. They represent a large number of businesses in a country, generate much wealth and employment and are widely considered to be vital to a country's competitiveness. MSMEs are hailed for their pivotal role in promoting grassroots economic growth and equitable sustainable development (Pelham 2000).

In this context, women entrepreneurship is particularly important. Across the globe, women-owned businesses account for 25 to 33 per cent of all businesses. This percentage is higher in Africa at between 40 and 50 percent and in some countries up to 60 percent (Marcucci 2001). African women entrepreneurs are playing an increasing role in diversifying production and services in African economies. Fostering women's entrepreneurship development is crucial for the achievement of Africa's broader development objectives, including economic development and growth (Stevenson & St-Onge 2005b). Additionally, by providing a way of circumventing the proverbial 'glass ceiling', entrepreneurship opens up opportunities for leadership, self-development and empowerment that women do not find in large enterprises (Day-Hookoomsing & Essoo 2003).

However, many women entrepreneurs are operating in more difficult conditions than men entrepreneurs. The constraints that impede all entrepreneurs such as political instability, poor infrastructure, high production costs, and non-conducive business environment, tend to impact more on businesswomen than businessmen. In addition, women's entrepreneurial development is impeded by specific constraints such as limited access to key resources (including land and credit), the legal and regulatory framework, and the socio-cultural environment. Furthermore, the combined impact of globalization, changing patterns of trade, and evolving technologies call for skills that women entrepreneurs on the continent do not for a large part possess, as many more women than men lack the requisite level of education and training, including business and technical skills and entrepreneurship training (Stevenson & St-Onge 2005b).

MSMEs tend to be large in number, accounting for about 90 percent of all enterprises in many African countries and over 80 percent of new jobs in a given country (Reinecke 2002). With their large number comes increased competition, and continuous technological breakthroughs and rapidly changing customer requirements demand strong market orientation if MSMEs are to be successful (Shiu & Walker 2007). Yet, market saturation is a major problem for MSMEs related to a lack of access to higher value markets and a lack of innovation. Many entrepreneurs, particularly women, are located in low value markets where there are few barriers to entry. This leads to saturated markets and little room for growth. Without innovation through new product development and access to higher value markets, the potential for success for MSMEs is low (Kantor 2001).

According to Lin and Chen (2007), innovation is a dominant factor for a firm's competitiveness within this environment. It fuels organizational growth, drives future success and is the engine that allows businesses to sustain their viability in a global economy. Firms must be able to create and commercialise a stream of new products and processes that extend the technology frontier, while at the same time keeping a step or two ahead of their rivals. Every organization therefore needs one core competency: innovation (Sheu 2007).

Consequently, the pressures on all business enterprises to continuously innovate, so as to enable themselves to develop and launch new products and services, are greater than ever. The successful development and launch of new products and services is fundamentally important to the survival and success of business enterprises, irrespective of their size (Wynarczyk 1997).

MSMEs are viewed to be a fertile ground with regard to innovation. Their advantages lay in their flexibility and less rigid organizational structures, which on average promotes a higher speed of response. As a result, MSMEs generally contribute to the creation of economic and social value (Crawford, 2003; Lin & Chen 2007). However, their readiness and capacity to develop innovative products and services can be impeded by a common lack of financial strength as well as technical and managerial skills (Gray 2006; Shiu & Walker 2007). Therefore, interventions need to be considered in terms of technological innovations to support new product and services offering, appropriate financial packages to fund the development of such innovations and managerial skills to commercialise the innovations.

In Kenya, the small business sector has both the potential and the historic task of bringing millions of people from the survivalist level including the informal economy to the mainstream economy. Recognizing the critical role small businesses play in the Kenya economy, the Government through Kenya Vision 2030 envisages the strengthening of MSMEs to become the key industries of tomorrow by improving their productivity and innovation (Ministry of Planning, National Development & Vision 2030 [MPNDV2030], 2007).

However, it is generally recognized that MSMEs face unique challenges, which affect their growth and profitability and hence, diminish their ability to contribute effectively to sustainable development. The International Finance Corporation (IFC) (2011) has identified various challenges faced by MSMEs including lack of innovative capacity, lack of managerial training and experience, inadequate education and skills, technological change, poor infrastructure, scanty market information and lack of access to credit.

Although the lack of access to finance is almost universally identified as a key challenge for MSMEs (Wanjohi & Mugure 2008), the contention in this study is that the success of MSMEs, especially the lower values ones that many women entrepreneurs operate, is in their ability to apply finances appropriately to support innovative initiatives that can give them a competitive edge in the market, thereby spurring their growth.

1.2 Statement of the Problem

The crucial barometer for the success of the Government's integrated strategy on the promotion of entrepreneurship and small enterprises is the continued creation of new start up funds, especially for innovative initiatives, and the growth of existing businesses by all segments of society and in all corners of a country resulting in the improvement of economic and social wellbeing of the poor communities.

In Kenya, although women constitute 50.5 percent of the total population (WEF 2009), majority of them have been excluded from the formal financial services, hence cannot engage in a meaningful entrepreneur or small-scale business. Stevenson and St-Onge (2005a) noted that the total number of women loan clients in microfinance institutions in Kenya is about 30 percent. Data in 2003 from the Association of Microfinance Institutions (AMFI) showed that just over 10 percent of the estimated 1.3 million women MSEs in the country had access to formal loans from microfinance institutions. Even for those women who are able to participate in formal micro-finance programmes, the short-term nature of the loans, the low loan ceilings (of up to Kshs.500,000), and the high interest rates are liabilities for a growth and innovative firm.

In response to these challenges, the Government of Kenya introduced the Women Enterprise Fund to empower women so that they are able to engage more in development of themselves, their families and the country, distribute wealth across various social groups – youth, women and children, and allow women to borrow money to engage in businesses and other activities at very reasonable interest rates without the requirements of cumbersome sureties and other bureaucratic quagmires. This, the government envisioned, would contribute to the growth of the MSMEs (WEF 2009).

The core values of the Fund include integrity, teamwork, innovation, courage and respect for diversity (WEF 2009). However, five years after official launch of the Fund in 2007, it is not well understood to what extent the provision of the Fund is contributing to the growth of the MSMEs and improving the livelihood of women in Kenya. More specifically, it is unclear to what extent the Fund is supporting new and innovative business ideas that often do not get support from the more conventional financial institutions. This dimension of innovation is critical as a key driver for MSME growth and development, yet it has not been given due consideration by financial institutions as it is considered risky. It is also one of the core values of the Fund, hence it is expected that the Fund would support innovation.

The study therefore sought to address the following four dimensions of women-owned MSMEs that have benefited from the Fund:

a. Growth and Innovation of MSMEs

1. To what extend have the targeted MSMEs grown since the introduction of the Fund?
2. What have been the key drivers of growth?
3. To what extent has the Fund supported innovation?
4. What challenges are the MSMEs facing as they seek to grow and innovate?

b. Complementary Services

5. What complementary services are available for the Women Entrepreneurs?
6. To what extent do these services support growth and innovation in the MSMEs?

c. Challenges

7. What are the challenges that the Fund has encountered in improving the livelihood of women in Kenya?
8. What strategic approaches are used by the Fund to address the above challenges?

d. Policy and Institutional Frameworks

9. How is the Fund administered?
10. What is the policy and institutional framework under which the Fund operates?
11. To what extent does this framework support innovation within MSMEs?
12. What appropriate policy measures should the government put in place to improve the quality, institutionalization and sustainability of the Fund?

1.3 Purpose of the Study

1.3.1 General Objective

The study investigated the growth and innovation of women-owned micro, small and medium size enterprises (MSMEs) in Kenya that have benefitted from the Women Enterprise

Development Fund, and examined how the Fund had performed with a view to making policy recommendations.

1.3.2 Research Objectives

The study addressed the following four objectives.

1. Determine the extent of growth and innovation of MSMEs that have benefited from the Fund.
2. Identify the complementary services available to the women entrepreneurs.
3. Examine the challenges that the Fund has encountered and determine how these can be addressed.
4. Make recommendations on the policy measures that the government should put in place to enhance the quality, service delivery and sustainability of the Fund.

1.4 Study Hypotheses

Hypotheses were developed in line with the two main variables of the study as stated in Objective 1 – growth and innovation of the MSMEs – as stated below:

Ho1: Entrepreneur characteristics are not significant determinants of the growth or innovation.
(a) Entrepreneur characteristics are not significant determinants of MSME growth.
(b) Entrepreneur characteristics are not significant determinants of MSME innovations.

Ho2: Enterprise characteristics are not significant determinants of MSME growth or innovation.
(a) Enterprise characteristics are not significant determinants of MSME growth.
(b) Enterprise characteristics are not significant determinants of MSME innovation.

Ho3: Enterprise growth factors are not significantly related to the likelihood of MSME growth or innovation.
(a) Enterprise growth factors are not significant determinants of MSME growth.
(b) Enterprise growth factors are not significant determinants of MSME innovation.

Ho4: Enterprise innovation factors are not significantly related to the likelihood of MSME growth or innovation.
(a) Enterprise innovation factors are not significant determinants of MSME growth.
(b) Enterprise innovation factors are not significant determinants of MSME innovation.

1.5 Expected Outcomes of the Study

- Propose a model for funding of women-owned MSMEs, especially in light of the objectives of growth and innovation.
- Suggest practical interventions to enhance the growth of women-owned MSMEs.
- Propose policy recommendations on MSME funding through the Women Enterprise Fund to enhance the quality, service delivery and sustainability of the Fund.

2.0 Literature Review

2.1 Importance of the MSME Sector

Definitions of MSME vary across countries. In Sub-Saharan Africa, they are generally defined as enterprises that employ between one and 100 employees, and have an annual turnover of up to Kshs.100 million (US$1,300,000) (Elumba, 2008).

The critical social and economic importance of MSMEs is undeniable. Throughout the world they are considered to be the backbone of healthy economies. Their growth is a fundamental component of economic development. In many countries, they comprise more than 40 percent of businesses and generally serve as the largest engine of job growth in developing and transition economies, often accounting for 20–90% of employment. Their contribution to GDP is between 20% and 60% (IFC 2007) as shown in Figures 2.1 and 2.2 below.

Figure 2.1 MSME Contribution to Employment for Selected Countries in Africa

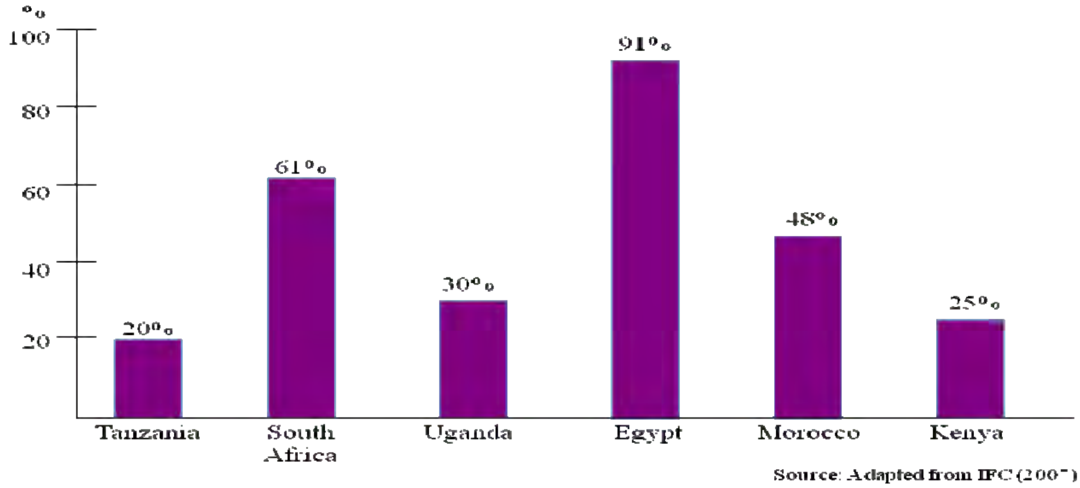
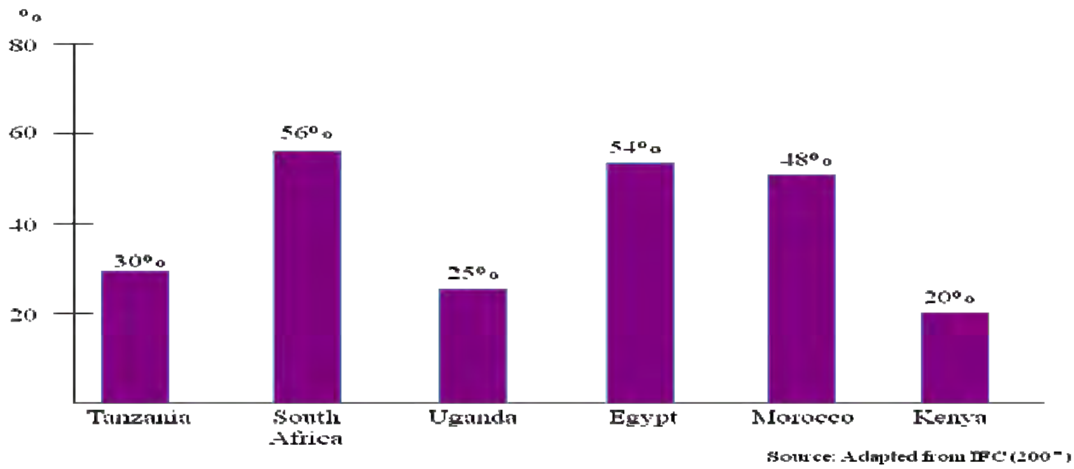


Figure 2.2 MSME Contribution to GDP for Selected Countries in Africa



MSMEs are a source of employment, competition, economic dynamism and innovation. They stimulate the entrepreneurial spirit and the diffusion of skills. Due to their widespread geographical presence, MSMEs also contribute to a more just distribution of income (OSCE, 2006).

2.2 Women in Enterprise Development

The state of women in enterprise development – the starting and growing of individual enterprises – is a major concern among governments in most countries. One of the global impetuses in developing countries was the United Nations Decade for Women (1976-1985). In 1979, the General Assembly of the United Nations adopted the International Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW), and this paved the way for greater government attention everywhere on the role of women in development programmes and on strategies for eliminating discriminatory practices against women. During the 1980s, the question of how to integrate women effectively into development projects was more systematically researched, and the objective of development policies became more focused on how to increase women's access to education, skills training, credit, land and other productive resources to enable them to participate fully in economic activity.

At the same time, there was a growing recognition that prevailing patriarchal structures and stereotypical attitudes towards women's roles in society impacted negatively on the ability of women to function as economic agents in society. Women had been wrongly perceived as a marginal economic group, rather than as a positive socioeconomic force. As entrepreneurs they had significant untapped potential as wealth creators (Stevenson & St-Onge 2005b).

In 2000, the World Bank conducted a survey interviewing more than 20,000 poor people in 23 developing countries. The respondents spoke of their marginalization—their powerlessness, lack of a voice and little freedom of choice or action. No matter where they lived, the poor said the same thing: they could move up in society only by gaining greater employment options through a chance to earn steadier wages in a formal sector job. Most of these respondents were women (World Bank 2001).

Concerted initiatives have therefore been put in place by various agents such as the African Development Bank (AfDB), the International Labour Organisation (ILO), the International Finance Corporation (IFC), the World Bank and more recently the Government of Kenya, to address impediments to women's active involvement in the productive economy and more specifically to support women's entrepreneurship and tap into their potential for growth.

2.2.1 Women Entrepreneurs in Kenya

According to the 1999 National Micro and Small Enterprise Baseline Survey (the most comprehensive Kenyan survey on the sector), there were 612,848 women entrepreneurs (MSEs) in Kenya, 47.7 per cent of the total, a percentage that closely mirrors their share of the labour force (46.7 per cent). Women were more likely to be operating in the trade sector (75 per cent), and were more dominate than men in leather and textiles (accounting for 67 per cent of total MSEs in that sector), retail (accounting for 56 per cent of total MSEs in that sector), entertainment (accounting for 55 per cent of total MSEs in that sector) and other manufacturing (accounting for 68 per cent of the total MSEs in that sector) (Central Bureau of Statistics, 1999).

With regard to their demographic distribution, about 80% of women entrepreneurs are in the 20 – 39 years age bracket, with the 40 – 49 age bracket representing about 18.5% of the entrepreneurs. Over 56% of the women entrepreneurs are married, and about 32% are single. A significant number of women entrepreneurs are also educated up to secondary school level (about 36%), while 34% have primary level education. Only about 3% are university graduates (ILO 2008).

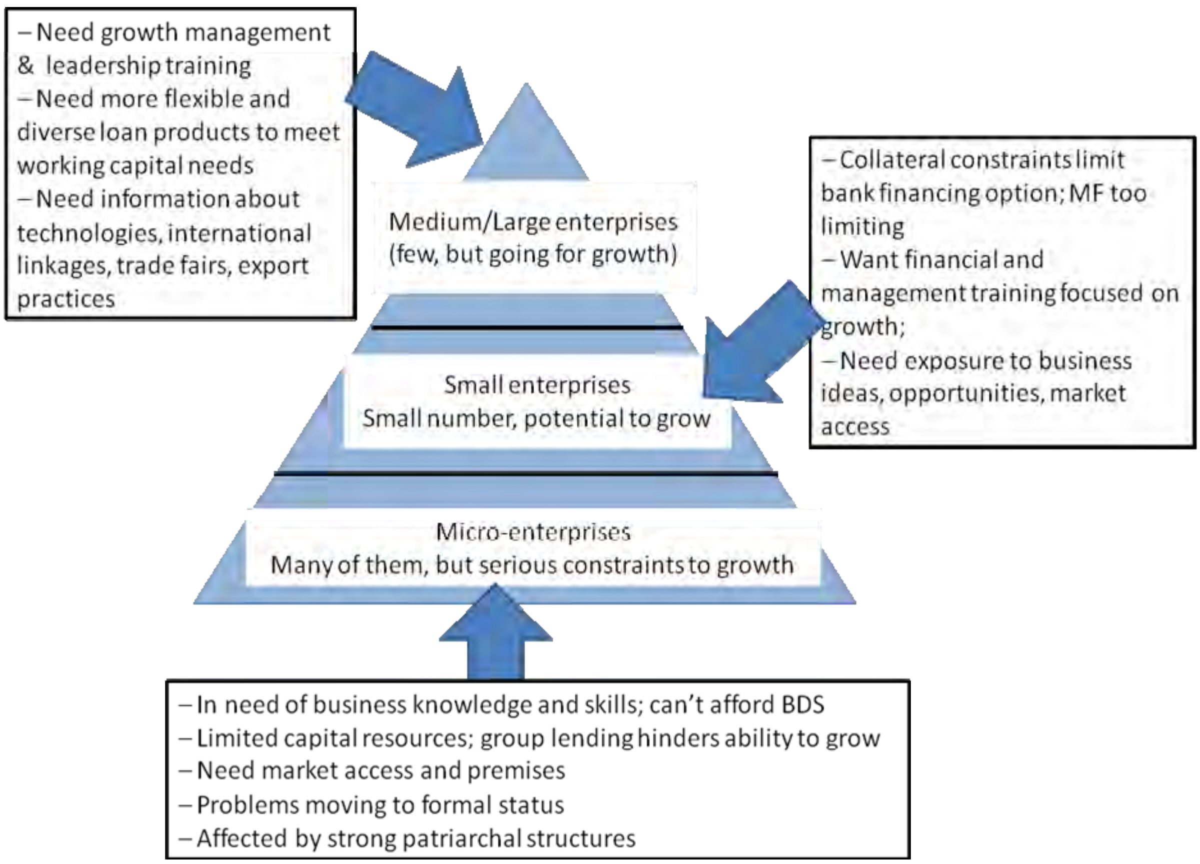
Women are less likely than men to employ others in their enterprises. The average number of employees in a female-owned MSE is 1.54 versus 2.1 for male-owned MSEs. In MSEs owned by women, about 86 per cent of the workers are the owner operators; only four per cent of their workers are hired; the remainder is made up of either family members or apprentices. For MSEs owned by men, these percentages are 68 and 17. Thus, 60 per cent of total MSE employment is accounted for by male-owned enterprises (1,414,650 workers) and 40 per cent by women MSEs (946,600 workers). Women in MSEs also report only 57 per cent of the income reported by their male counterparts (ibid).

The Government of Kenya reports that there were 2.8 million MSEs in 2002, contributing to employment of 5.1 million people. If the proportion of women operators remained the same as it was in 1999 at 47.7 per cent, the estimated number of women MSEs in 2002 would be 1.3 million. If the employment share of their enterprises remained at 40 per cent, this means women could be generating as many as 2 million jobs for Kenyans (including themselves) (Stevenson & St-Onge, 2005a).

Stevenson & St-Onge (2005a) profile Kenyan women entrepreneurs into four categories. The first category is that of the Jua Kali micro-enterpriser. The women who own these often unregistered enterprises in the informal economy, have little education (less than secondary level), and are constrained by lack of entrepreneurial and business knowhow, access to credit, and awareness of markets and market opportunities. They constitute about 96.7 percent of all MSMEs owned by women. The second category is comprised of women with micro enterprises (6-10 employees) and these constitute 2.6 percent of the enterprises. The third category is the small enterprises (over 10 employees), that constitute 0.7 percent of enterprises. The women own micro and small enterprises have a minimum of secondary education, previous experience as an employee in a public or private sector enterprise, and a supportive husband who may be directly or indirectly involved in the business. Their businesses are generally registered and operate from legitimate business premises. The fourth category is made up of women with university education, who came from entrepreneurial family backgrounds, have experience in managerial positions in the corporate world, access to financial means and supportive husbands. They constitute less than 0.1 percent of all women-owned enterprises.

In Figure 2.3 below, the first two categories have been grouped together, as their needs tend to be quite similar. Each of these categories of women entrepreneurs is in need of tailored responses to their specific enterprise needs (Stevenson and St-Onge 2005a).

Figure 2.3: The Three Categories of Women Entrepreneurs: Gaps and Needs



Source: Stevenson & St-Onge (2005a, p.11)

2.2.2 Why Focus on Women Enterprises

Many women support themselves and their families through the income they receive from their entrepreneurial activities, making supporting women's entrepreneurship important to family well-being. Women's entrepreneurship thus makes an important contribution to the economy and thus to development. Other rationales for supporting women's entrepreneurship involve efficiency and empowerment arguments. Women can gain confidence, self-esteem, decision-making experience and a greater sense of control over their lives in social and economic spheres through starting and managing a business. This can benefit both women and their families (Kantor 2001).

Moreover, some women may find it increasingly difficult to find a niche in the employment market of the new ICT-related economy. Such victims of downsizing or economic re-engineering can use their skills in entrepreneurial ventures. There is thus a strong case for promoting female entrepreneurship in times of economic re-structuring (Day-Hookoomsing & Essoo 2003).

Other supportive reasons include the fact that women business owners are more likely to hire women employees. Silver (1994) in his book, "Enterprising Women", states: "Women-owned businesses become the training grounds for female employees to leave and launch their businesses, which create an ever-widening circle of women hiring women to solve problems that affect women." A study undertaken by Mauritius' Ministry of Women's Rights, Child Development and Family Welfare in 1997 confirms this trend. There can thus no doubt that female entrepreneurship should be encouraged.

However, many women entrepreneurs are operating in more difficult conditions than men entrepreneurs. The constraints that impede all entrepreneurs such as political instability, poor infrastructure, high production costs, and non-conducive business environment, tend to impact more on businesswomen than businessmen (Stevenson & St-Onge 2005b). Additionally, women's entrepreneurial development is impeded by some gender-specific constraints. For example, women may have less freedom to select sectors within which to operate, less access to credit and other productive resources, and less time and opportunity to obtain education and experience relevant to entrepreneurship. These constraints often affect women more than men of the same class due to the different roles and responsibilities women are assigned by society (Kantor 2001; Stevenson & St-Onge 2005b).

Therefore, before women can achieve their potential within the MSME sector, policies and programmes must address the various constraints acting on their abilities to succeed. Women tend to have different needs than men regarding entrepreneurship support. If these differences are not recognized in programme design and implementation, women are unlikely to benefit and may be less able to sustain and grow their enterprises (Kantor 2001).

As seen from statistics in various African countries the share of women in micro and small enterprises is relatively high at 65 per cent in Ethiopia, 48 per cent in Kenya, 43 per cent in Tanzania and 67 percent in Zimbabwe. However, the vast majority of women's enterprises employ only the owner, and some are informal. As seen from Figure 3, very few fall into the small and medium-sized categories. Most women-owned enterprises start at the micro-level and do not grow beyond five employees, if they grow at all. This is true for the MSME sector in general, but is even more evident among women-owned enterprises – the larger the firm size, the fewer women one will find (Marcucci 2001; Stevenson & St-Onge 2005b). So the challenge in Africa is less about trying to increase the number of women entrepreneurs and more about how to legitimize and strengthen the base of their activity so they can grow their enterprises (Kantor 2001).

These previous studies on women entrepreneurship in Africa all make the case for supporting women entrepreneurship and document the challenges facing women entrepreneurs, with a particular emphasis on growth issues, such as expansion of their product base and markets; increase in employment; improvement in employment conditions; progression from 'informal' to 'formal' status; and growth from micro to small to medium size. The anticipated outcomes of these studies has been to identify policies, programmes and actions which could have a direct and positive impact on creating new enterprises and jobs in both new and existing women-owned enterprises.

The current study takes this discussion further by examining the initiative taken by the Kenyan Government to establish the Women Enterprise Fund in response to women entrepreneurship challenges and needs, and also adds one more dimension of growth – Innovation. The study examines the Fund that was established in Kenya in 2007 to promote enterprise creation, innovation and growth by women entrepreneurs.

2.3 Why Focus on Innovation

McCormick (2001) noted that there is a great deal of gender segregation in MSMEs by sector, with women dominating in food processing, hairdressing, dressmaking, and retail of second-hand clothing, which are generally low value businesses, while men dominate the higher value businesses in metalwork, carpentry, vehicle repair, shoe making, construction, transport and IT-related businesses. An ILO (2008) study in Kenya supported these findings and showed that 82 percent of women enterprises are in trade and services, while only 0.8 percent are in manufacturing and 6 percent in agribusiness.

This concentration of women entrepreneurs in the low value enterprises leads to market saturation and little room for growth. Many women entrepreneurs are located in low value markets where there are few barriers to entry. The sectors tend to be crowded because of these low barriers. Without innovation through new product development and access to higher value markets, the potential for success for MSMEs in these sectors is low (Kantor 2001).

A key rationale for supporting the MSME sector is its potential to generate output, employment and income. Many view the sector and its entrepreneurial character as central to innovation, economic growth and job creation. Small-scale enterprises are potentially more flexible, making them better able to adapt to the rapidly changing global economy and the political pressure of rising unemployment (Kantor 2001). Consequently, if women-owned enterprises are going to grow, they need to be innovative and participate in high value enterprises. These were some of the recommendations of the at the *East African Community Conference on the Role of Women in Socio-Economic Development* held in 2011. It was noted that women were not actively participating in the growth-oriented areas of manufacturing and technological innovation. It was recommended that partner states, regional organisations and the private sector should mobilise resources for training and also invest in programmes focused on enhancing the role of women in these areas. This would be through first, establishing a regional legal instrument on financial infrastructure to enhance access to financing by women such as establishing a *Guarantee Fund for Women Entrepreneurs*, and second, setting up a *Business Incubation Centre for Women Entrepreneurs* to support and develop innovative business ideas (EAC 2011).

2.4 Challenges and Barriers to Growing Women Enterprises

In order for MSMEs to continue to have the desired effect, it is important to convince entrepreneurs to leave the informal economy. However, if the burdens outweigh potential gains, businesses have little incentive to do so. Needless to say, an unfavourable environment with high taxes, corruption and an oppressive bureaucracy further compromises the prospects of success (OSCE 2006). Several challenges undermine the ability of the MSME sector to develop, grow and contribute to the national economy, especially in Sub-Saharan Africa (SSA), and particularly women-owned enterprises.

Stevenson and St-Onge (2005b) in their study on access to finance by women entrepreneurs found that barriers to finance existed for these entrepreneurs, albeit at different levels, with the most affected being those who operate micro enterprises. Table 2.1 below summarises their findings.

Table 2.1 Overall Kenya conditions – access to finance by women entrepreneurs

Framework category	**Evidence of access to finance**
Overall access to financing	
Start-up and micro-level	Yes
Growth stage (missing middle)	Limited
Developed stage	Minimal, if client can meet collateral requirements
Microfinance institutions (MFIs)	
Microfinance accessibility in both urban and rural regions	No (largely urban)
Lending ceilings are adequate to meet needs of the missing middle	Not evident
Dedicated MFIs for women	Yes
All MFIs promote their programmes and services to women	Not evident
BDS is systematically linked to MFI delivery	Largely not evident
Gender sensitivity training is offered to credit officers	Not evident
Gender disaggregated portfolio data is reported	Not evident
Financial Institutions	
Access to credit by women-owned MSEs	Limited
Programmes are in place to help women overcome collateral constraints	Yes (Kenyan Women's Finance Trust)
Gender sensitivity training is offered to credit officers	Not evident
Women are targeted in marketing initiatives	Not evident
MSME loan guarantee programme exists	Not evident
Women's credit guarantee programme exists (for individual loans)	Not evident
Gender disaggregated portfolio data exists	Not evident

Adapted from Stevenson & St-Onge (2005b, p.42)

ILO (2008) also studied women enterprises in Kenya and found that one of the major barriers facing them was lack of sufficient capital for expansion (affecting 55 per cent of businesses) and/or cash for the business (affecting 30 per cent of the businesses).

A study by Stevenson and St-Onge (2005a) on women enterprises in Kenya also identified, specific factors that limit their growth and development are largely around financing. These include: (i) Women are very often unable to meet loan conditions, specifically collateral requirements. This is primarily due to cultural barriers that restrict women from owning fixed assets such as land and buildings; (ii) Many financial institutions lack confidence in projects owned by women; (iii) Women are perceived to be risk adverse in approaching banks to finance their small projects. Small loans are costly for financial institutions to put on the books and administer; (iv) Women are seen to lack management skills, and some women have relatively low levels of education and technical skills; (v) Women often lack the ability to approach a financial institution and to develop a proposal for financing (business plans);

and (vi) Women do not have the same opportunities for full-time waged employment, and therefore have more limited capacity for savings accumulation than men.

Even where microfinance institutions have come in to address the issue of access to credit, their focus has largely been poverty reduction, rather than MSME development and growth. Their loan sizes have therefore tended to be too small to support growth (Stevenson & St-Onge 2005b).

Other barriers affecting women's entrepreneurship in Kenya include gender roles, social inequality, entrenched cultural and traditional practices, technology, legal, institutional and policy levels, among others (IFC/World Bank, 2006). Women entrepreneurs lack a supportive environment that encourages women to "go for it". There is a lack of social and cultural support for the role of women as entrepreneurs; women are subject to stereotypes and there are few visible role models for them at any level. Gender barriers need to be addressed at all levels, from the legal system to the domestic system. There is inadequate access to training, as well as follow-up to training inputs, and limited opportunity to avail themselves of external, formal managerial capacity-building support. In addition, they have difficulties finding land and premises for production/services and acquiring up-to-date technology. Finally, they lack the strength of numbers that would be gained through representation by a women entrepreneurs' association, which would not only provide networking and value-added membership services, but also a collective "voice" for the needs and concerns of women entrepreneurs in the country (Stevenson & St-Onge 2005a). They are also constrained by a lack access to high growth markets (ILO 2008).

Kiraka (2009) categorised these barriers into three – barriers at the macro level, the meso level and the micro level. On the macro-level, the barriers include: (i) a bureaucratic legal and regulatory framework; (ii) poor physical infrastructures including power and water supply, telecommunication, and road and rail network; (iii) multiplicity of taxes (Aikaeli 2007) and (iv) corruption by government officials (Amakom 2006).

On the meso level, the challenges include: (i) the inability to transform resources into goods and services; (ii) inadequate support in terms of business training and skills; (iii) unavailability of information on markets, suppliers and partners; (iv) limited access to finance owing to lack of collateral, high costs of administering MSME loans and absence of specially dynamic MSME credit streams; (v) weak, fragmented and uncoordinated institutions that support MSMEs; (vi) limited access to markets, and (vii) limited access to support services as they are mainly located in urban areas (Aikaeli 2007).

At the micro level, the challenges include: (i) unwillingness or inability to take up new technology, partly owing to lack of relevant information, but also due to being averse to technology; (ii) low literacy levels among women enterprise owners – this limits their ability to access information and training opportunities; (iii) lack of motivated attitudes by entrepreneurs to invest in the development of their own enterprises (Olomi 2006); (iv) employees negative attitude and behaviour, unreliability, and insufficient skills, making delegation difficult; (v) weak business organisation due to a multiplicity of gender-based roles (vi) lack of managerial capacity in business; and (vii) lack of, or informal business plans and the inability to think strategically about the business (Mambula & Sawyer 2004; World Bank 2008) .

On the subject of supporting and investing in innovation, in addition to the challenges aforementioned, MSMEs are starved for finance to support innovation even when they have sound business and expansion plans worthy of investment, as they are considered risky because their innovative business ideas have not been "tried and tested". The MSMEs therefore find themselves in a vicious cycle of providing what is already in the market and not able to grow and expand to realize their full potential as they lack both funding and business support services to venture into unexplored business ideas (Aikaeli 2007). If the argument presented by Gray (2006), Lin & Chen (2007) and Aikaeli (2007), that MSME innovation is at the heart of a country's competitiveness in the marketplace and economic development is true, then lack of support for innovation undermines the very economic and social development that governments seek. Sources of finance and other forms of support are needed not only for existing MSMEs but also for those budding entrepreneurs who will build the MSMEs of today and develop them into the largest businesses of tomorrow. These budding entrepreneurs will succeed, not by replicating the business models of the past, but by innovating new ways, products and services to reach an increasingly demanding market.

So why is there not enough investment going into MSMEs? Obstacles abound but the main source of these obstacles is poor information, which leads to misperceptions of the overall risk and return of these investments. Start-ups and early stage businesses face daunting barriers when attempting to access local finance. The lack of guidance and business skills needed to move a company forward is a major handicap for many proprietors (Mambula & Sawyer 2004).

In Kenya, market failures have constrained MSME innovation, as in many developing countries, by limiting the necessary access to information, finance, labour skills, and business development services (BDS) to increase competitiveness and productivity. Lack of information and negative past experience with transactions is a common factor that limits the willingness of potential suppliers to take risks (or calculate them reliably) to adapt products to MSMEs (World Bank 2004).

Based on their study, Stevenson and St-Onge (2005b) recommended that finding a way to release more capital for the financing of women's enterprises was a priority. The solution would need to address the collateral issue and other impediments to growth, such as the need for a broader variety of loan products (e.g. operating lines, quasi-equity) and access to training, counselling and technical assistance, through an integrated financing approach involving local financial institutions, women entrepreneurs' associations, development organizations and donors. They proposed a programme whose objective would be fourfold: (i) To provide technical and financial support to women-owned enterprises that have growth potential. This would include supporting innovative business ideas that have the potential to grow the business; (ii) To develop synergies among stakeholders; (iii) To build the capacity of women entrepreneurs' associations (WEAs) and their members; and (iv) To raise awareness among potential partners (WEAs, business associations, financiers, policy-makers, etc.) on the economic impact of supporting the development of women-owned enterprises.

2.5 Performance of Women Enterprises

Owing to the aforementioned challenges, the performance of women enterprises has been far less than optimal. McCormick (2001) noted significant differences in the performance of women's enterprises vis-à-vis those of Kenyan men. Their enterprises are smaller, less likely to grow, less profitable, and begin with less capital investment than those owned by men. Women and men also operate from different locations. Men are twice as likely as women to locate in trading centres, commercial districts or roadside locations; women are almost twice as likely to be operating from the home. Women are three times as likely as men to belong to some type of business association, although there are indications that women's networks have little or no power to assist their businesses.

McCormick (2001) isolated three factors that account for these differences in enterprise performance. The first factor has to do with the level of education. On average, women entrepreneurs are less educated than their male counterparts and twice as likely as men to be illiterate. The major reasons for this difference are institutional in nature. Marriage institutions discourage investment in women's education and the division of labour assigns a greater share of household responsibility to girls. The second factor has to do with the opportunity to accumulate savings. Because women have lower levels of education and are segregated into lower paying jobs, they have lower savings with which to start a business. Third, women spend less time in their businesses than men because they are expected to carry out their domestic responsibilities, including housework, food preparation and childcare. This also explains why women are more likely to operate their business from the home.

Market saturation also affects the performance of women enterprises. This is related to a lack of access to higher value markets and a lack of innovation. Many entrepreneurs, particularly women, are located in low value markets where there are few barriers to entry. Their business sectors (often in trade and services) tend to be crowded because of these low barriers. This leads to saturated markets and little room for growth. Without innovation through new product development and access to higher value markets, the potential for success for MSMEs in these sectors is low (Kantor 2001).

2.6 Interventions to Promote MSME Development

Despite the challenges that MSMEs have faced over the years, economists and development professionals believe that to realise the dual objective of economic growth through competitiveness, and employment generation and income distribution, MSMEs assume a critical role. Not only do MSMEs dominate the African private sector, the future is geared towards more flexible, modular and small scale industries due to their socio-economic and socio-ecological benefits (Elumba 2008).

Integrated framework for the advancement of growth-oriented women entrepreneurs – the case of Kenya

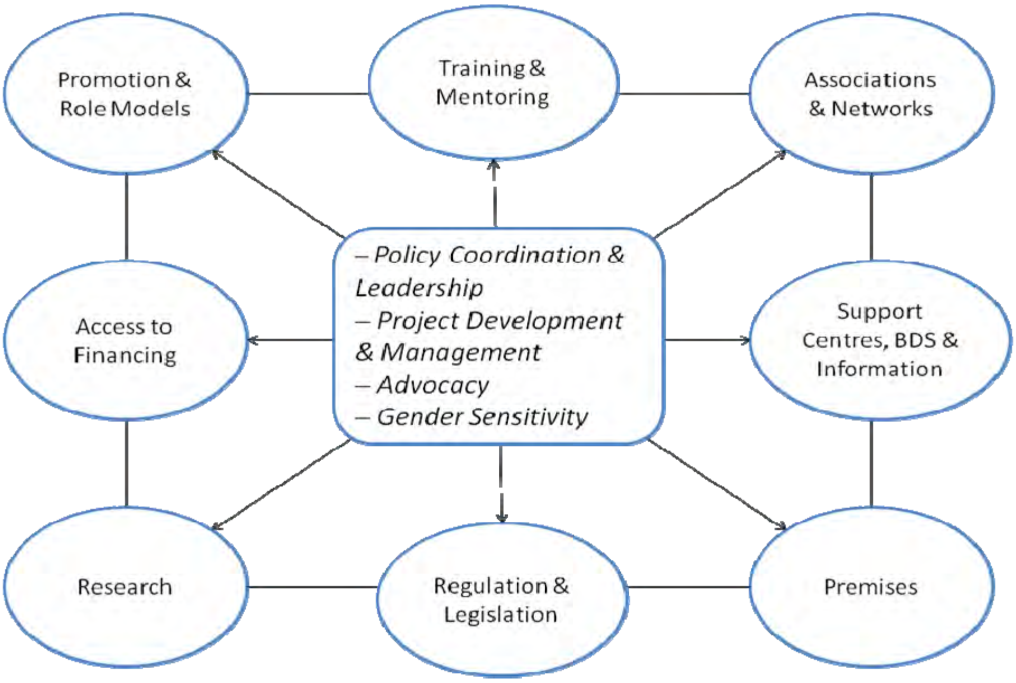
In 2003, Stevenson and St-Onge developed an Integrated Framework for assessing the enabling environment for the growth of women's enterprises. In general, the Integrated Framework is based on the proposition that if women are equipped with the necessary resources, skills and opportunities to start stronger businesses, and if they are more readily able to pursue the growth potential of these enterprises, the economy will benefit from reduced poverty, greater employment and economic growth. The women entrepreneurs will be able to grow their own enterprises and become more significant actors in national economies. In addition, avenues will be opened for the greater social inclusion of women in the public domain, greater gender equality, and enhanced economic empowerment of women.

In addition to broader generic MSME policies and support programmes, Stevenson and St-Onge (2007) identified specific policies targeted towards women enterprises. These include policies to:

(i). remove barriers to the start-up, formalization and growth of women's enterprises;
(ii). improve women's access to markets;
(iii). improve women's access to and control over economic and financial resources;
(iv). strengthen social protection and social inclusion, and to reduce the risks and vulnerabilities facing women entrepreneurs and their women workers, including women entrepreneurs with disabilities; and
(v). create a more supportive enterprise culture and context, and more favourable business environment for women entrepreneurs.

Stevenson and St-Onge (2005b) conducted a study in Kenya, Ethiopia and Tanzania and adapted the 2003 model (Figure 2.4), for the development of women entrepreneurs in the African context.

Figure 2.4: Integrated framework for the development of women entrepreneurs



Source: Stevenson & St-Onge (2005b, p.16)

The study by Stevenson and St-Onge (2005b) analysed the gaps in each of these areas with regard to development of women entrepreneurs and proposed action areas. Relevant to the current study is the aspect on Access to Finance. With regard to this dimension, the study found that growth of women's enterprises in Kenya was seriously impeded by lack of access to credit. Women were limited to informal sources of capital, which included their savings, money from family and mutual guarantee loans. Barriers faced by women included: stereotypical attitudes about the size and scope of women's enterprises; poor availability of credit in rural and some urban areas; low micro-finance lending limits incompatible with MSME growth aspirations; lack of interest and capability of commercial banks to serve the MSME market (few clients are women entrepreneurs); prejudicial treatment of women regarding property rights, which limits women's access to collateral security for bank credit; and women's lack of knowledge about financing options and financial administration. There was a need to address the "missing middle" of financing – to create a bridge between micro-finance and commercial bank credit so women's firms have the opportunity to grow.

In response to these challenges, Stevenson and St-Onge (2005b) proposed a number of interventions. Among these were that efforts should be made to increase the supply of credit for the development and growth of women's enterprises. Although the situation varies in the three countries studied (Kenya, Ethiopia and Tanzania), generic solutions include: (i) raising the lending limits of existing microfinance institutions and ensuring that the proportion of women-owned enterprise credit recipients reflects their proportion in the MSME population; (ii) establishing dedicated MFIs to support women entrepreneurs (modelled after the Kenya Women's Finance Trust); (iii) implementing a Women's Loan Guarantee Programme as a partnership between governments, Development Financial Institutions, and the African Development Bank. This should be linked with provision of BDS and technical assistance to women clients who are pursuing growth; and (iv) initiating government-commercial bank-donor dialogue on measures to target loan funds to women entrepreneurs (e.g., "women's stream", gender sensitivity training for credit officers, and research to examine women's access to financing relative to that of men). Training programmes should be implemented to enhance women entrepreneurs' capability to obtain financing (e.g. publish a "Financing Guide for Women Entrepreneurs" outlining credit options and "how-to" information, and seminars and workshops for women, perhaps offered through Women Enterprise Associations).

A study by the ILO (2008) also identified a number of government initiatives and strategies aimed at supporting women's entrepreneurship in Kenya. Among these were the establishment of the Women Enterprise Development Fund (discussed later in this report), the registration of women's groups so that they could benefit from group guarantee loans from MFIs, and access to information and training. The ILO (2008) study also highlighted a number of recommendations, especially targeting financial institutions. First was the need for the development of women-tailored products. One such product would be a combination of asset financing and lease hire facilities. This would minimize the diversion of funds to non-business needs – one of the common problems among women borrowers. Second, institutional capacity and structure of financial institutions needs to be designed in such a way as to address women clients. The institutions should also make deliberate efforts (including the use of specialized programmes) to develop the capacity of women enterprises in terms of their business skills to complement financial services. These programmes should contain inbuilt mechanisms to monitor the progress of such capacity building initiatives. Third, is the need for distribution of special funds. Funds aimed at addressing gender imbalances do not always trickle down to disadvantaged women enterprises. The terms that are imposed by the participating financial institutions sometimes negate the original objectives. It is therefore proposed that the government intervenes and plays a more active role in ensuring that these funds reach these women. Fourth, there is need for advocacy for change. In order for the situation of women enterprises to improve, negative perceptions held by financial institutions about the viability of women-owned enterprises need to be addressed.

Kiraka (2009) identified a number of interventions that can support MSME growth and development. At the macro level, emphasis needs to be put on addressing weaknesses in local business environments, supporting infrastructural development, providing market access to African products and supporting human capital development – vocational and tertiary education with emphasis on science and technology. Governments that adapt the right reforms in this area can spark considerable new entrepreneurial activity (World Bank 2004). Other interventions could include promoting Foreign Direct Investment (including technology transfer) to Africa through government designed schemes to help reduce the information gap in foreign countries surrounding investment in Africa. Expanding outward promotion activities in Africa would be useful to collect up-to-date business information and ensure appropriate investment and economic development vehicles are utilised (Elumba 2008). More generally, the government must deal decisively with high incidences of insecurity, and corruption in government (World Bank 2004).

But working at the macro level is not enough. Small businesses unmet needs, especially women enterprises need for capital, information, technological innovations and knowledge is great. Interventions at the macro level, while important, are a necessary but insufficient condition for MSME development. Interventions at the meso level will help MSMEs access needed resources on a sustainable basis. The interventions at this level include building up effective local service providers: financial intermediaries, consulting companies, e-business outlets, research institutions, academic institutions and others (World Bank 2004). The types of support to be provided by these institutions varies ranging from capital assistance; training; facilitation, e.g., for promotion activities and business meetings between producers and potential customers; information about potential markets and suppliers; facilities, e.g., for quality control and workshops; to guidelines about production process, management and standardization. They also advance technological innovations that are useful and can be commercialised by MSMEs (Tambunan 2007).

However, these interventions will only be as effective as the ability of MSMEs to take them up and utilise them. In other words, at the micro level, the women owned MSMEs must have the capacity to utilise and benefit from the various interventions. This means that they must be willing to access formal training that is a prerequisite to accessing most of these services. There also needs to be a shift in attitude – willingness to take calculated risks that will enable their businesses to grow beyond the subsistence level. As discussed previously women entrepreneurs may not be enthusiastic about training, especially when the training takes several days. They and/or their families consider it to take too much time from other social and family responsibilities, more so when the returns are not immediate. They perceive training as a cost to their business as opposed to an investment. This makes them unwilling to invest in comprehensive training. They often end up taking short fragmented courses that do not enable them to build the competences they need to run the businesses effectively (Tambunan 2007).

In addition, many of them do not recognise the need for technical assistance because they have the impression that they are already masters in their own production or if there is a problem they do not believe external assistance is necessary. Any interventions at the micro level must therefore focus on shifting these mind-sets (Tambunan 2007). Hosting Entrepreneurial Open Days, exchange visits, entrepreneurship mentorship programmes and having role models are some of the interventions that may promote MSME development at micro level (Mambula & Sawyer 2004). Often times, however, these interventions must be underwritten by a donor who has a vision of their long-term benefits. This leaves a major role for development institutions in helping local MSMEs to obtain these key inputs for growth. It is hoped that this is the role played by the Women Enterprise Fund in Kenya.

2.7 Kenya Government Interventions to Support MSMEs

2.7.1 Introduction

In Kenya, the government initiated the Economic Recovery Strategy for Wealth and Employment Creation (ERSWEC) in 2003 whose intention was to turn around the ailing Kenyan economy. The strategy registered some success, with over one million jobs created in the period between 2003 and 2007, and the Gross Domestic Product (GDP) growth rate rising from 0.6% per annum in 2002 to 7% in 2007. Following this development, the government launched Kenya Vision 2030, which is the country's economic blueprint covering the period 2008 to 2030. It aims at making Kenya a newly industrialised "middle income country providing high quality of life for all its citizens by the year 2030." The vision will be implemented in 5-year phases starting with 2008-2012. The vision is based on three pillars: the economic pillar, the social pillar and the political pillar (Ministry of Planning, National Development & Vision 2030 [MPNDV2030], 2007).

Among the key initiatives planned for the first phase (2008-2012) of the economic pillar specific to MSMEs are: (i) building 'producer business groups' which will be based in the rural areas and will feed different urban centres; (ii) creation of two economic clusters (around sugar and paper); (iii) creation of five MSME industrial parks; (iii) one-stop-shop for MSMEs and (iv) streamline the microfinance sector that mainly provides financial services to MSMEs (MPNDV2030, 2007).

In addition, in 2007 the Kenya government initiated the Youth Enterprise Fund, a two billion Kenya Shillings initiative (US$25million), whose aim is to provide start-up capital to small enterprises whose owners are below 30 years of age. A similar Fund was set up to support women entrepreneurs – the Women Enterprise Fund. These Funds are managed through microfinance institutions and continue to receive government support. Anecdotal evidence suggests that some success has been registered, but no empirical study has been conducted yet to assess their effectiveness.

2.7.2 The Women Enterprise Fund

The Women Enterprise Fund (the Fund) is a Semi-Autonomous Government Agency under the Ministry of Gender, Children and Social Development. It was established through Legal Notice No. 147 *Government Financial Management (Women Enterprise Fund) Regulations, 2007* towards the end of 2007 and began its operations in December of the same year. The Fund was established as a flagship project of Kenya Vision 2030. It is a step towards ensuring resources reach excluded women. It is also a demonstration of the Kenya Government's commitment to the realization of the Millennium Development Goal (MDG) on gender equality and women empowerment. Successful execution of the Fund’s mandate is supposed to address the existing hurdles women face in venturing and growing sustainable enterprises (Government of Kenya 2009).

The Fund has five mandates as provided in the establishing legal notice. These are:

(i). Providing loans to women using the two channels, namely, microfinance institutions (MFIs) and the Ministry of Gender, Children and Social Development under the Constituency Women Enterprise Scheme (CWES);
(ii). Attracting and facilitating investment in micro, small and medium enterprises oriented infrastructure such as business markets or business incubators that will be beneficial to women enterprises;
(iii). Supporting women oriented micro, small and medium enterprises to develop linkages with large enterprises;
(iv). Facilitation of marketing of products and services of women enterprises in both domestic and international markets;
(v). Supporting capacity building of the beneficiaries of the Fund and their institutions (Government of Kenya 2009).

The vision of the Fund is *to socially and economically empower Kenyan women entrepreneurs for economic development, and its mission is to mobilise resources and offer access to affordable credit and business support services to women entrepreneurs . The core values of the Fund are: Integrity, Teamwork, Innovation, Courage and Respect for Diversity* (Government of Kenya 2009).

In order to achieve its mandate, the Fund set up ten objectives (Government of Kenya, 2009). These are:

1. To increase the loan portfolio from Kshs.682 million to Kshs.4 billion by the year 2012.
2. To grow the Fund from Kshs.1.215 billion to Kshs.3 billion by the year 2012.
3. To increase the number of women entrepreneur borrowers from 92,000 to over 600,000 by 2012.
4. To link at least 60 women micro, small and medium enterprises in each province with large enterprises by 2012.
5. To enhance and strengthen the knowledge, skills and capacity of women entrepreneurs.
6. To facilitate marketing of products and services of women enterprises in local and international markets.
7. To facilitate development of supportive infrastructure for women enterprises
8. To strengthen institutional capacity of the Fund.

9. To enhance advocacy and publicity of the Fund.
10. To enhance efficiency in the operations and processes of the Fund.

With regarding to its funding, the Fund receives 100 percent financial support from the Government of Kenya through the annual budgetary allocation. However, to meet the growing demand for her services, the Fund is aggressively seeking out like-minded development partners for support.

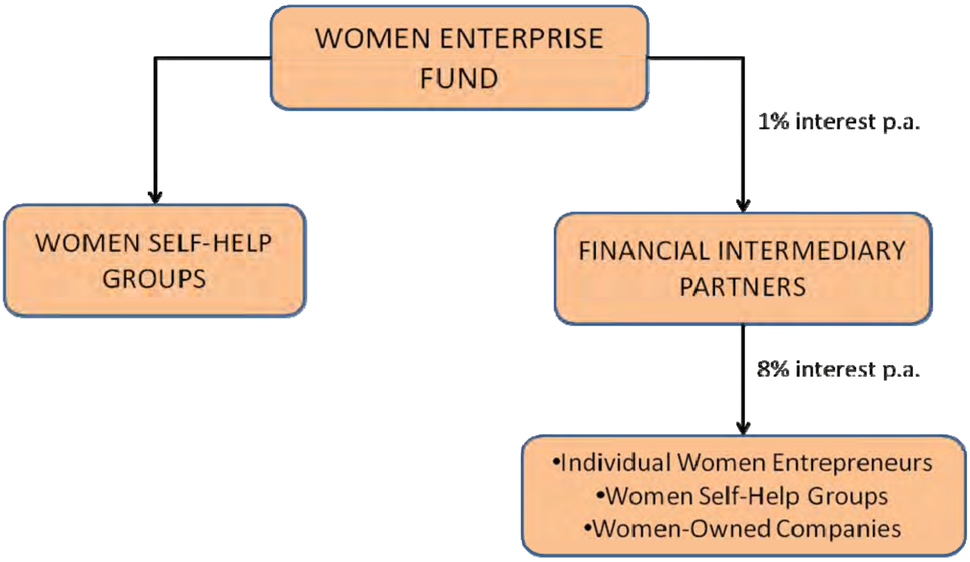
The target beneficiaries are Kenyan women aged 18 years and above, who may be organized in registered Self Help Groups (SHGs) or as individuals or companies owned by women. Men may also be members of the SHGs provided that 70 percent of the members are women who also hold all leadership positions.

There are two ways in which one can access the funding for business.

a. **Financial Intermediary Partners:** individuals/registered groups or companies owned by women may approach any of 100 financial partners of WEF, who conduct their normal credit appraisal/evaluation.
b. **Constituency Women Enterprise Scheme:** Registered groups may access funding through this channel. This product is known as the *Tuinuke Loan*.

The two disbursement channels are illustrated in Figure 2.5 below:

Figure 2.5 Disbursement Channels



Source: WEF 2012

The conditions for accessing loans from the two channels are as summarised in Table 2.2 below.

Table 2.2 Conditions for Accessing Loans

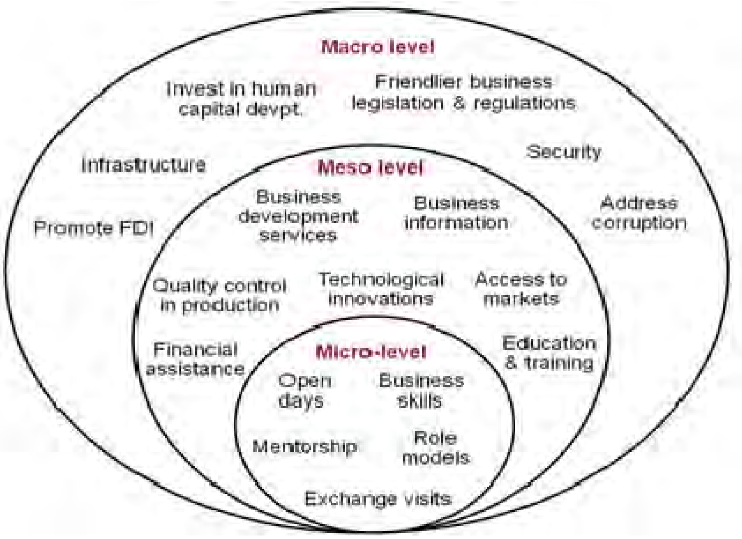
Conditions	C-WES (Tuinuke Loan)	Financial Intermediary
Target	Registered self-help groups of at least 10 members. If men are included in the group, they must be no more than 30% and should not hold an leadership position in the group. The group must have been in existence for at least 3 months.	• Individual women entrepreneurs • Registered women self-help groups • Companies owned by women
Interest rate	No interest charged. Only a 5% administrative fee.	8% p.a. interest rate on reducing balance
Repayment	One year repayment period 3 months grace period	3 year repayment period
Eligibility	• Graduation principle applies, that is: Kshs.50,000 first loan, Kshs.100,000 second loan, Kshs.200,000 third loan for the entire group. • Group must have an account in a Bank/Sacco/Post Bank/Approved FSA • Must either have a viable business or planning to start one	• Must either have a viable business or planning to start one (viable business proposal) • Terms & Conditions as per requirement of the FI

Source: WEF, 2012

2.8 Conceptual Framework

Using both the conceptual frameworks developed by Stevenson and St-Onge (2005b) and the one below developed by Kiraka (2009), the study aims to focus on the beneficiaries of the Women Enterprise Fund to determine to what extend it is achieving its objectives, while addressing the challenges women enterprises face at the macro, meso and micro levels. The outcome of the study will be at both policy and practical levels. At policy level, the proposed interventions will focus on what the Kenya Government can do, both within and without the Fund to enhance women owned MSMEs. At the practical level, interventions will focus on the implementation of the Fund, the support available to women entrepreneurs, and identify gaps that need to be addressed to make the Fund more effective in contributing to sustainable women enterprises for economic growth, employment creation and the empowerment of women.

Figure 2.6 MSME Interventions to Support Development



Source: Kiraka (2009, p.10)

These efforts are especially important in the many low-income countries that receive little foreign investment and thus do not have many multinational corporations on the ground serving as a conduit for the introduction of vital new skills, technology and capital.

In examining the Women Enterprise Fund in Kenya, the key questions in this study therefore revolved around these areas of intervention.

At the micro level the key questions focused on the growth and challenges faced by MSMEs that have benefited from the Fund:

1. To what extend have the targeted MSMEs grown since the introduction of the Fund?
2. What have been the key drivers of growth?
3. To what extent has the Fund supported innovation in MSMEs?
4. What challenges are the MSMEs facing?
5. What strategic approaches are used by WEF to address these challenges?

At the meso level, the questions focused on the how the Fund was administered and identified any complementary services that the MSMEs supported by the Fund had been able to access.

1. How is the Fund administered?
2. What complementary services are available for the women entrepreneurs?
3. To what extent do these services support innovation in the MSMEs?
4. What challenges has the Fund encountered in improving the livelihood of women in Kenya?
5. What strategic approaches are used by WEF to address the above challenges?

At the macro level, questions focused on the policy and institutional framework on which the Fund is based.

1. What is the policy and institutional framework under which the Women Enterprise Fund operates?
2. To what extent does this framework support innovation within MSMEs?
3. What appropriate policy measures should the government put in place to improve the quality, service delivery and sustainability of the Fund?

3.0 Methodology

The purpose of the study was to assess the performance of Women Enterprise Fund (WEF) and to determine its impact on women-owned Micro, Small to Medium Enterprises (MSMEs) in Kenya. The study sought to address four key research objectives: (1) determine the extent of growth and innovation of MSMEs that have benefited from the Fund; (2) identify the complementary services available to the women entrepreneurs; (3) examine the challenges that the Fund has encountered and determine how these can be addressed and; (4) make recommendations on the policy measures that the government should put in place to enhance the quality, service delivery and sustainability of the Fund.

3.1 Research Design[2]

The study was conducted using a mixed method paradigm comprising qualitative and quantitative approaches. Quantitative method was used to collect data on demographic profile of the entrepreneurs, profiles of the enterprises, details on policy framework, other business development services required, indicators of firms' growth and innovation and entrepreneurial skills of the respondents. As advanced by Cooper and Schnidler (2008), a quantitative method was selected to allow for the generalization of the findings among women-owned MSMEs and provide a framework for conducting an extensive survey.

A qualitative method was used to collect data on challenges experienced by the entrepreneurs, perceived extent to which the Fund was assisting growth and supporting innovation of the among businesses and how the businesses were dealing with challenges. The intention of qualitative approach was to understand the context in which particular events occurred in order to interpret the findings accurately. The qualitative approach allowed the respondents to 'tell their story' thus giving the researcher an opportunity to probe and seek clarifications (Yin, 2009). The multiple realities that emerged as experiences of the entrepreneur were studied holistically to uncover relationships and contextual experiences that impact on business growth and innovation. The emerging categories, themes, and general patterns from respondents allowed for categorization into meaningful constructs that can be generalized (Miles & Huberman 1994).

3.2 Population and Sampling

The primary target population for the quantitative data was women entrepreneurs who had accessed the WEF loan either from the Constituency Women Enterprise Scheme (C-WES) or Financial Intermediary (FI) stream. The study also targeted respondents drawn from members of the Constituency Women Enterprise Fund Committees (CWECs), managers of lending Financial Intermediaries (FIs) in the selected constituencies and WEF managers at the regional and headquarter offices. The study was conducted in four purposively selected counties out of the 47 counties in Kenya. The target constituencies were; Nairobi (the Capital city), Nyeri (Central Kenya), Nakuru (Rift Valley) and Kakamega (Western Kenya).[1] These counties were selected on the basis of the expected variations in the socio and economic profiles of the entrepreneurs. Within the counties, fourteen (14) constituencies were purposively selected based on the estimated populations to include those with lower, medium and higher population densities, and a large number of WEF beneficiaries.

Requests were made to WEF volunteers in the CWES offices to provide lists of the women entrepreneurs, their contact details and business location. The lists formed the sampling frame. While counties and constituencies had been purposively selected, entrepreneurs who had benefitted from the WEF loans who are the key decision makers in their MSMEs were randomly selected. Each of the first 12 constituencies was allocated a fixed quota of 64 while the 2 most densely populated had quotas of 70 each. Respondents were then randomly selected from a constituency list. A total of 900 respondents were targeted. Due to over sampling, 922 complete questionnaires were returned. Of the 922 respondents, 67 were excluded from the analysis as they contained data from male entrepreneurs who had benefitted from the WEF loans[2]. The net sample used was 855 women entrepreneurs, constituting 95 percent of the target sample.

[1] Mombasa (Coastal City) had initially been earmarked for the study, but was dropped in favour of Kakamega, owing to the civil and political unrest in that part of the country at the time of the study.

[2] The WEF policy on disbursements also allows loans to be disbursed to mixed gender groups provided that women constitute 70% of such groups. All the officials of such groups must be women. Since sampling of individual beneficiaries was purely random, male respondents were included. The data from these male respondents are however excluded from the present analysis.

Table 3.1 Study Sample Distribution

County	No. of Constituencies	Target Sub-Sample	Actual	Return Rate (%)
Nairobi	4	258	232	89.9
Nyeri	4	258	269	107.6
Nakuru	3	192	174	90.6
Kakamega	3	192	180	93.6
TOTAL		**900**	**855**	**95.0**

3.3 Instrumentation and Piloting

Four instruments were used; an entrepreneur questionnaire (See Appendix A), a C-WES FGD guide (See Appendix B), an FI manager interview guide (See Appendix C) and a WEF managers interview guide (See Appendix D). The entrepreneur questionnaire was used in collecting quantitative data while the structured interview guides were used collect qualitative data from FI managers and WEF managers. The FGD guide was used in collecting data from Constituency Women Enterprise Committees. To test the validity and reliability of the tools, a pilot test of the instruments was conducted with 30 entrepreneurs in Dagoretti constituency (Nairobi County) and Rongai Constituency (Nakuru County), two financial intermediaries and two C-WES Committees. The constituencies in which the pilot was conducted were excluded from the main study. In addition to interview process, evidence on receipt of WEF funds was verified with the field officers at the constituency levels.

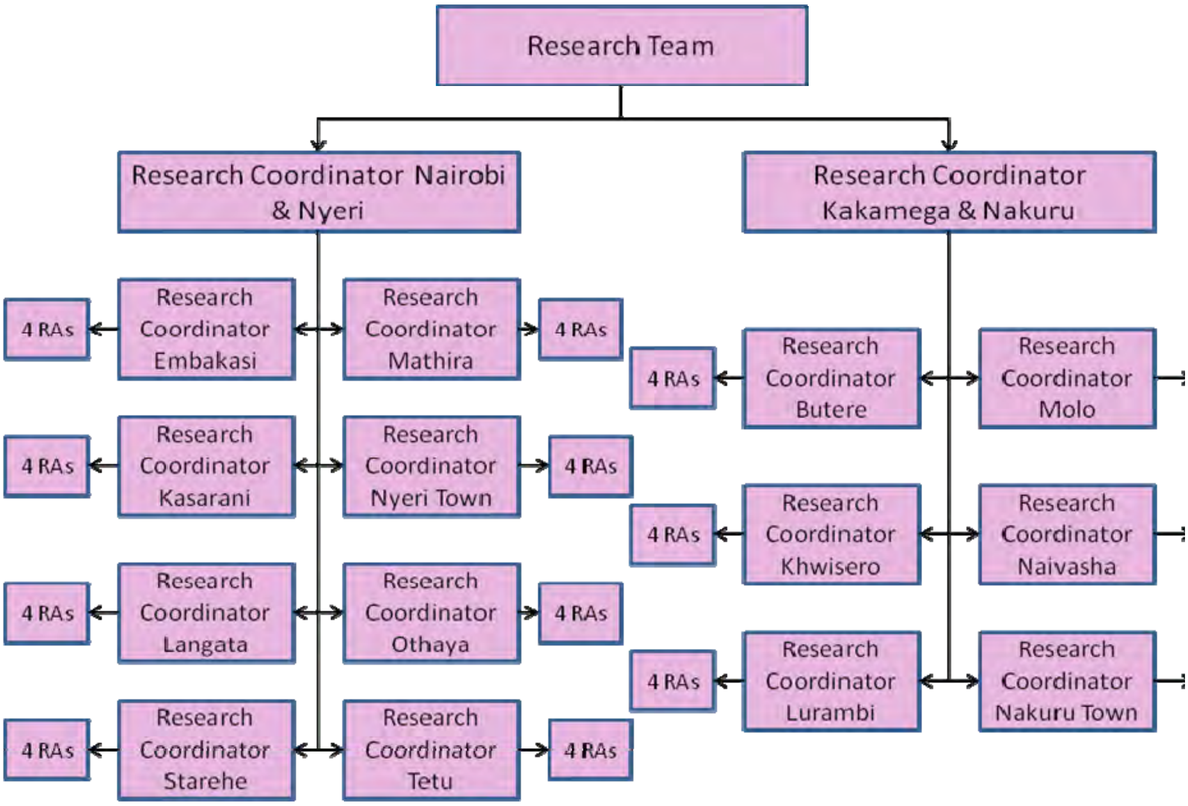
3.4 Field Work

3.4.1 Training of Research Assistants

To facilitate easy access to the women entrepreneurs, the WEF credit officers working in each constituency were involved in data collection. The credit officers are volunteers who work with the Fund to identify, train and assist the women entrepreneurs in applying for the WEF loans, and subsequently follow them up to ensure repayment.

In addition to having information on identifying and accessing the women entrepreneurs, these credit officers were also generally considered trustworthy by the women. As such, they were the most appropriate choice of constituency research coordinators for this study. Each credit officer of the selected 14 constituencies identified a team of four assistants to work with. The entire data collection team was as showed in Figure 3.1 below.

Figure 3.1 Data Collection Team



In total 72 people were recruited for the field exercise. Four training sessions, one in each County – Nairobi, Nyeri, Kakamega and Nakuru – were held for all the 72 members of the data collection team.

3.4.2 Data Collection Procedures

In the field survey entrepreneur questionnaires were administered on respondents within their premises. Request for participation was sought through an introduction and informed consent on the front page of the questionnaire which was read out to each prospective respondent in a language they understood. Individual entrepreneur questionnaires were administered by four research assistants in each constituency. On average, it took 45 minutes to conduct an interview with one entrepreneur. The three members of the research team visited research assistants in the field to ensure questionnaires were accurately completed. In-depth interviews and focus group discussions were conducted by the three research team members. Each FGD took approximately 90 minutes.

3.5 Analysis

For qualitative data, the transcribed field notes were coded to form categories of constructs in line with Miles and Huberman (1994). Responses were categorized using constructs that were consistent with the research questions such as ‘challenges faced by the firms’, ‘how the enterprises were dealing with such challenges’. The challenges were further categorised into ‘Fund level challenges’, ‘lender level challenges’ and ‘borrower level challenges’. Other categories included ‘policy framework’ and ‘business support services’. The key objective was to define the main emerging themes. This helped in shaping future funding models and approaches as well as policy initiatives. Finally the findings were categorised into the three levels of the conceptual framework – the micro, meso and macro levels which formed the basis of interpreting the findings, and drawing conclusions and recommendations.

Quantitative data were analysed using SPSS. Results were presented in descriptive and multivariate forms. Descriptive results show the extent of growth and innovation indicators in the post loan period. Multivariate analysis sough to empirically establish the determinants of growth and innovation among women owned enterprises. Logistic regression models for the selected measures of growth were estimated using the maximum likelihood estimation method.

3.5.1 Analytical Model

Beyond the identification of perceived growth and innovation factors, the study sought to empirically establish the determinants of growth and innovation using logistic regression models for the selected dichotomous indicators of growth and innovation. Although data on growth included continuous variables, all the continuous measures were converted to dichotomous indicators owing to the skewed distribution of the data which relied mostly on respondent estimation. Enterprise growth was defined by four indicators namely; employee growth, total business worth, turnover and gross profit. Similarly, innovation was defined by four measures; status of product diversification, status of service diversification, status of access to new markets and status of supply chain diversification.

Each of the dependent variables for growth and innovation were given dichotomous definitions. To examine the determinants of growth and innovation, enterprise level information was used. Dependent variables were defined as dummies. The study used dummy variables (DV_{ij}), which take the value one (1) if entrepreneur i of business j had registered growth or innovation and zero (0), otherwise. The logistic model was adopted because dependent variables were dichotomous in nature while the explanatory variables were categorical in nature. Generally, the logistic models used were estimated as:

Prob (DV_{ij}=1) = f (E_{ij}, B_j, G_j, I_j)……………………………………………………….….(1)

Equation (1) implies that the probability of the existence of growth in a business is dependent on sets of factors in the four categories defined on the RHS.

Where:

DV_{ij} = Dependent Variable

(Growth = 1, if an enterprise registered positive growth in the post loan period, 0, otherwise)

(Innovation = 1, if an entrepreneur had innovated in the post loan period, 0, otherwise)

E_{ij}, = the set of characteristics of entrepreneur i of business j

B_j, = the set of characteristics of business j

G_j, = the set of growth characteristics of business j

I_j = the set of innovation characteristics of business j

3.5.2 Variable Definition

Criterion Variables

The criterion variables were based on dichotomous definitions. Thus, dependent variables under growth and innovation take the values of 1 or 0 as defined below:

Growth

$$Employ\_status = \begin{cases} \textit{1, if business recoded positive growth in number of employees after loan} \\ \textit{0, Otherwise} \end{cases}$$

$$BW\_status = \begin{cases} \textit{, if business recorded positive growth in total worth after loan} \\ \textit{0, Otherwise} \end{cases}$$

$$BTO\_status = \begin{cases} \textit{1, i if business recorded positive growth in turnover after loan} \\ \textit{0, Otherwise} \end{cases}$$

$$BGP\_Status = \begin{cases} \textit{1, if business recorded positive growth in gross profit after loan} \\ \textit{0, Otherwise} \end{cases}$$

Innovation

$$\text{Prod\_status} = \begin{cases} \textit{1, if business had changed or added new products after loan} \\ \textit{0, Otherwise} \end{cases}$$

$$\text{Serv\_Status} = \begin{cases} \textit{1, if business had changed or added new services after loan} \\ \textit{0, Otherwise} \end{cases}$$

$$\text{Mrkt\_Status} = \begin{cases} \textit{1, if business accessed new markets after loan} \\ \textit{0, Otherwise} \end{cases}$$

$$\text{RM\_Status} = \begin{cases} \textit{1, if business identified/used new sources of raw materials after loan} \\ \textit{0, Otherwise} \end{cases}$$

Explanatory Variables

Table 3.2 presents explanatory variable clusters and the descriptions of each variable included in the models.

Table 3.2 Description and Measurement for Explanatory Variables

Variable Cluster	Description
Entrepreneur Characteristics	– ***Age:*** *This was the age of the women entrepreneurs categorised into 5-ranges* – ***Marital Status:*** *A dummy variable (1=Not married, 0=Otherwise)* – ***Level of Education:*** *This was the level of education reported by women entrepreneurs (6 Categories)* – ***Household size:*** *Total number of all members of the household* – ***Access to Training:*** *A dummy variable (1=Entrepreneur accessed training, 0=Otherwise)* – ***Ownership of other businesses:*** *A dummy variable (1=Entrepreneur owned other businesses, 0=Otherwise)*
Business Characteristics	*Business characteristics were captured through the following explanatory variables:* – ***Registration Status:*** *A dummy variable (1=Enterprise registered, 0=Otherwise)* – ***Location:*** *A dummy variable (1=Urban location, 0=Otherwise)* – ***Who runs business:*** *A dummy variable (1=Self run , 0=Otherwise)* – ***Age of business:*** *A categorical variable (Categories of 5 years)* – ***Age of loan:*** *A categorical variable (Categories of 12 months)* – ***Amount of loan:*** *A categorical variable (Categories of Kshs.2500)* – ***Business expenditure:*** *A categorical variable (Categories of Kshs.500)* – ***Status of assistance:*** *A dummy variable (1=Business Received assistance on challenges faced , 0=Otherwise)*
Growth Factors	*Effects of growth factors were captured through the following variables:* – ***Employee growth Status:*** *A dummy variable (1=Increase in number of employees after loan , 0=Otherwise)* – ***Business worth growth Status****: A dummy variable (1=Increase in total worth of business after loan , 0=Otherwise)* – ***Turnover growth Status:*** *A dummy variable (1=Increase in turnover after loan , 0=Otherwise)* – ***Gross profit growth Status:*** *A dummy variable (1=Increase in gross profit after loan , 0=Otherwise)* – ***Market change Status:*** *A dummy variable (1=Business experienced change in immediate market , 0=Otherwise)* – ***Previous job status:*** *A dummy variable (1=Entrepreneur left previous job to concentrate on business after loan, 0=Otherwise)* – ***New site Status****: (1=Business had moved to a new location after loan, 0=Otherwise)* – ***New Business:*** *(1=Entrepreneur had started a new business after loan, 0=Otherwise)*
Innovation Factors	*Effects of innovation factors were captured through the following variables:* – ***New Product Status:*** *A dummy variable (1=Entrepreneur changed/added products after loan , 0=Otherwise)* – ***New services Status:*** *A dummy variable (1=Entrepreneur added/changed services after loan , 0=Otherwise)* – ***New customer base Status:*** *A dummy variable (1=Entrepreneur accessed new customer base after loan , 0=Otherwise)* – ***New raw material source status:*** *A dummy variable (1=Entrepreneur changed sources of raw materials after loan , 0=Otherwise)*

3.6 Validity, Reliability and Objectivity

Internal Validity: This refers to the extent to which the research design and the data that it yields allows the researcher to draw accurate conclusions (Leedy & Ormrod, 2005). To ensure internal validity, especially when qualitative approaches are used, triangulation of the methods of data collection is recommended (Leedy & Ormrod, 2005; Silverman 2005). In this study triangulation of data collection methods (questionnaires, interviews and secondary data) were used.

External Validity: This refers to the extent to which the results of the study can be generalised (Silverman 2005). The use of real life settings, and probability sampling procedures enhanced representativeness of the sample thus improving on external validity (Leedy & Ormrod, 2005). As suggested by Joppe (2000) and Throckmorton (2009), in this study, the content validity of research instrument, which refers to the domain of content that is measured, was determined through a meta analytic comparison with studies using similar designs and observations from reviews by experts. The study instrument was deemed valid based on the favourable expert review in terms of its content validity. In addition, the results of a meta analytic comparison with instruments used in similar studies showed significant content convergence. The representativeness of the sample also adds to the external validity of the study.

Reliability: This refers to the extent to which findings can be replicated by another researcher (Silverman 2005). To test the internal consistency of the items listed on the instrument used, the Cronbach alpha coefficient was computed. Cronbach's alpha is a statistic coefficient (a value between 0 and 1) that is used to rate the reliability of an instrument such as a questionnaire. This method randomly splits the data set into two and a score for each participant calculated from each half of the scale. If a scale is very reliable, respondents get same scores on either half of the scale so that, correlation of the two halves is very high. The advantage with using Cronbach's alpha is that the data is split into every possible way and the correlation coefficient for each split computed. The average of these coefficients is the value equivalent to this alpha (Cronbach, 1951).

Cronbach's alpha was used to test reliability of the questionnaires used in the study. A total 30 respondents were used in the pilot to obtain data for testing reliability. The pilot was conducted in Dagoretti and Rongai Constituencies in Nairobi and Nakuru Counties, respectively. Kline (1999) notes that Cronbach's alpha value of 0.8 is ideal for reliability of cognitive surveys such as intelligence tests but when dealing with psychological and behavioural constructs, values below 0.7 can realistically be expected because of the diversity of the constructs being measured. The Cronbach's alpha value from the pilot data was 0.8172 suggesting high reliability of the instrument.

Objectivity: This refers to the extent to which findings are free from bias (Silverman 2005), or the inter-subjective agreement on what multiple observers agree to as a phenomenon (Robson 1993). Conducting multiple interviews so as to generate themes across respondents ensured objectivity (ibid 2005). Spot checks by the research team also confirmed the objectivity of the data collected. The use of standardised data collection instruments also increased the objectivity of the data.

3.7 Ethical Considerations

Before the administration of the questionnaire, the researchers sought and were granted the permission to conduct the study. Respondent consent was sought through an informed consent note which clarified that participation was voluntary. No photographs or audio recording were taken without the permission of the respondents. (See the first page of Appendix A for a copy of the introductory consent note).

4.0 Presentation of Findings

4.1 Fund Performance Indicators

Table 4.1 presents data on Fund performance trends over the financial years 2007/2008 – 2011/2012.

Table 4.1 Summary on Women Enterprise Fund performance since inception

Year	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012	Cumulative totals
GOK Allocations in Kshs (Millions)	1,000	215	440	390	220	2,265
No. of women Accessing Fund's loans		82,000	113,900	118,068	84,234	398,202
No. of women beneficiaries trained	0	0	1,875	13,520	19,184	34,579
Increase in Repayment rate on CWES loans			70%	72%	74%	74%
Increase in interest repayment of MFI loans			99%	100%	100%	100%
No. of FIs		12	33	74	100	100
Amount Disbursed (FI channel) Kshs.	317,000,000	186,750,000	286,000,000	346,000,000	377,840,000	1,513,590,000
Amount Disbursed (CWES) Kshs.	2,870,000	174,250,000	120,112,150	180,229,200	287,100,000	764,561,350
Amount Disbursed (CWES, MFI) Kshs (Million.)	319.9	361	406	526.2	664.9	2,278.0
No. of groups (CWES)	58	3,280	2,564	2,265	4,880	13,047
No. of beneficiaries (CWES)	1,740	98,400	76,920	67,950	146,400	391,410
No. of beneficiaries (FIs)						63,708
FIs interest repayment	772,000.00	3,171,000.00	6,063,000.00	6,634,000.00	7,700,000.00	
Administration fees on CWES loan	143,500	8,712,500	6,005,608	9,011,460	14,355,000	38,228,068

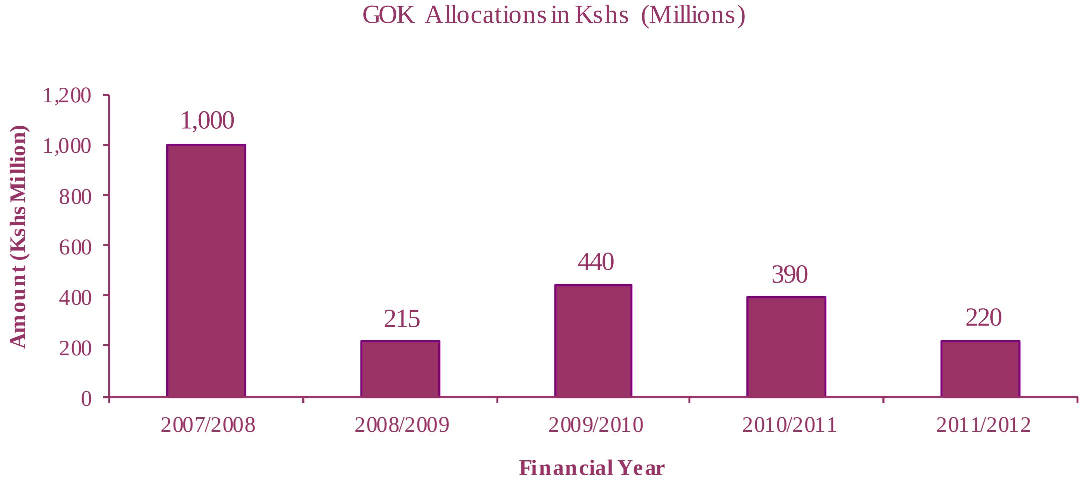
Source: Author, Based on WEF Secretariat, 2012

This data is presented in subsequent graphs below to show the trends more explicitly, for better analysis and discussions.

4.1.1 Total Allocations

The total amount allocated by the government to the Fund in the last five years is Kshs.2,265,000,000. The amounts have, however, fluctuated over time with a generally declining trend. By the 2011/2012 financial year, the total government capitation had declined by 78 percent to Kshs.200 Million compared to the initial seed fund of Kshs.1 billion allocated during the base financial year, 2007/2008 (see Figure 4.1 below).

Figure 4.1 WEF Government Capitation Trends



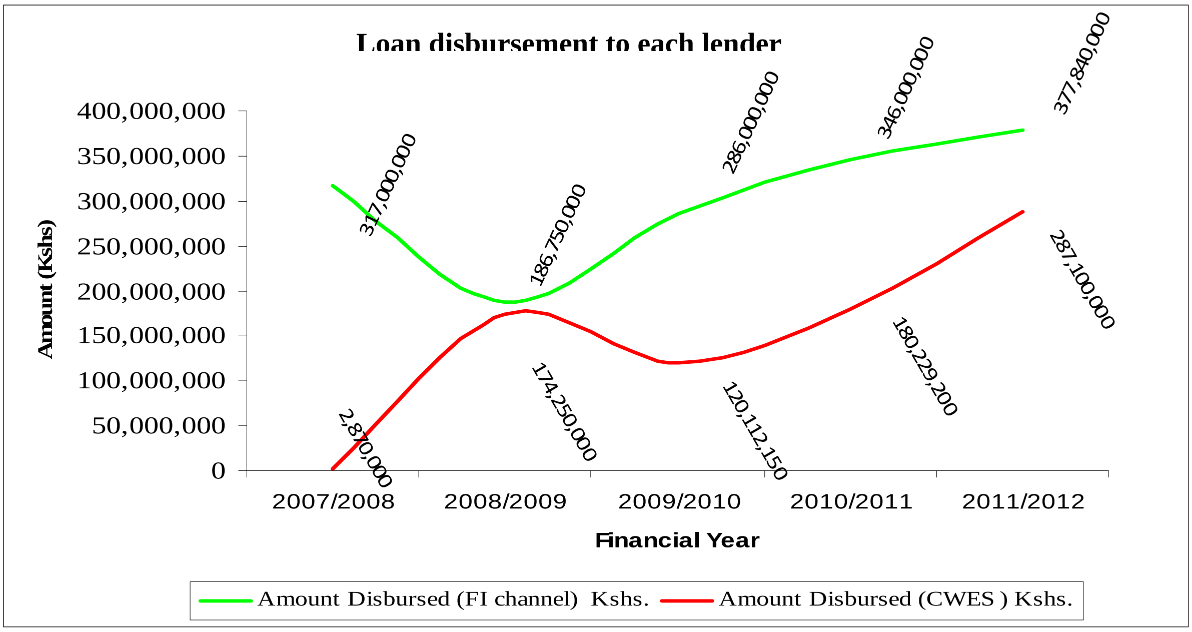
Source: Author, Based on WEF Secretariat Data, 2012

The reason for the decline was that the Fund was expected to be a revolving one, meaning that funds provided in subsequent years were expected to benefit a larger target population as beneficiaries repaid their loans. This would also help the Fund to be sustainable.

4.1.2 Comparative Trends in Stream Disbursements

Loan amounts allocated to financial intermediaries (FIs) remained consistently higher over the five financial-year period under review (see Figure 4.2 below).

Figure 4.2 WEF Loan disbursements to each lender 2007/2008 – 2011/2012



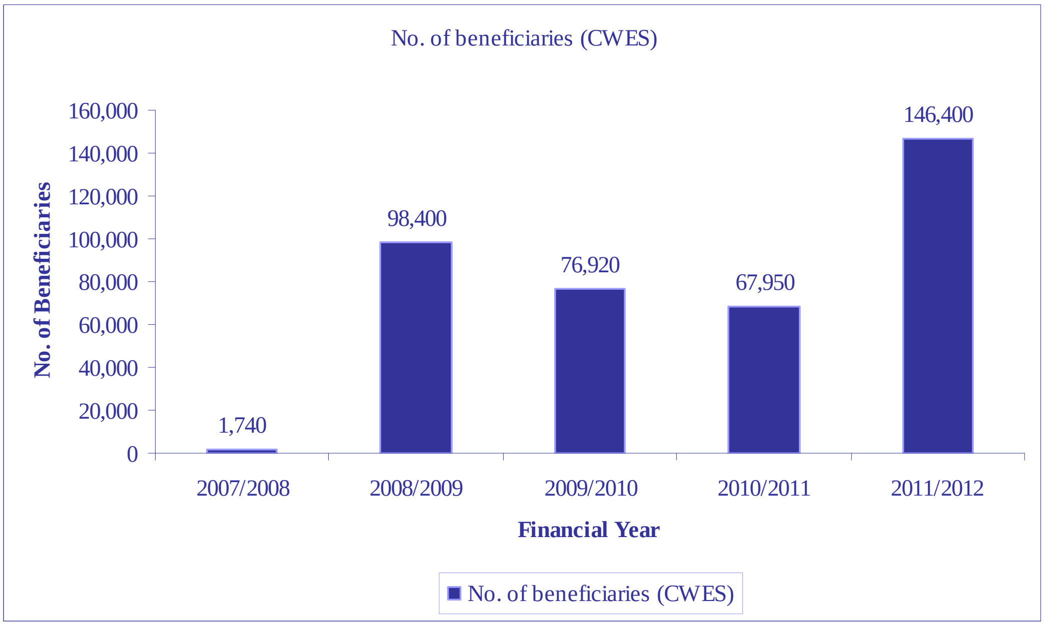
Source: Author, Based on WEF Secretariat Data, 2012

The 2008/2009 financial year allocations suggest near parity in allocations across the two lending streams. Trends thereafter show a widening gap in favour of the FI stream. As seen from Table 4.1, the number of FIs used for funds disbursement had increased from 12 in the 2008/2009 financial year to 100 in the 2011/2012 financial year. This might explain why more funds were disbursed to the FI stream.

4.1.3 Number of Borrowers

The total number of Fund beneficiaries in the CWES stream as shown in Figure 4.3 below increased exponentially within the first year of implementation before a gradual but steady decline in the total number of CWES borrowers between 2008/2009 and 2010/2011.

Figure 4.3 CWES Borrower Trends 2007/2008 – 2011/2012

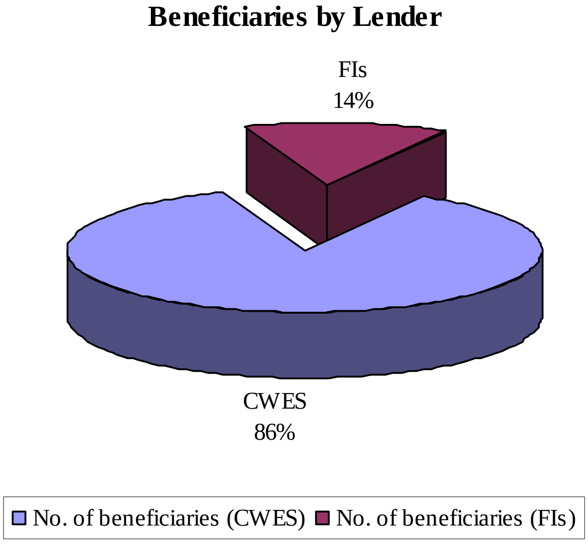


Source: Author, Based on WEF Secretariat Data, 2012

The 2011/2012 financial year saw a significant increase in total number of CWES borrowers from 67, 950 in 2010/2011 to 146,400, representing a 115 percent increase.

No explicit data existed on the number of borrowers in the FI stream for each financial year. However, data on the total number of borrowers as shown in Table 4.1, showed that a total of 63,708 borrowers had benefitted from the FI stream over the five year period, whereas a total of 391,410 borrowers has benefitted through the CWES stream over the same period.

Figure 4.4 Borrower Proportions by Stream 2007/2008 – 2011/2012



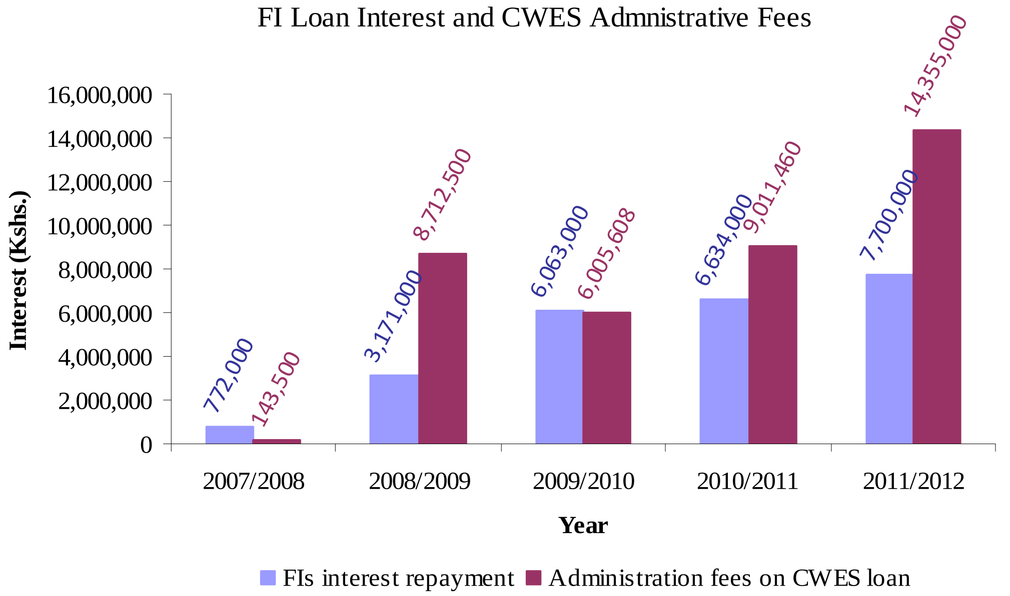
Source: Author, Based on WEF Secretariat Data, 2012

As shown in Figure 4.4, the total number of borrowers through the FI stream was only 14 percent. This suggests only one in seven borrowers accessed loans through the FI stream.

4.1.4 Returns on loans

Notwithstanding the fact the FI stream received the larger portion of the loan Fund allocations, data on interests paid back by FIs and the administrative fees received on CWES loans showed that in three out of the five financial years under review, CWES lending generated higher returns on investment in both absolute and relative terms.

Figure 4.5 Returns on loans by borrowing stream



Source: Author, Based on WEF Secretariat Data, 2012

The foregoing trends suggest that while the FI stream was receiving the most allocation, it reached fewer entrepreneurs and brought lower returns in term of interests charged. This evidence therefore calls for a review of the viability and impact of the FI lending stream.

4.2 Extent of Growth among the women-owned enterprises

In the study, growth was measured quantitatively using four measures: gross business worth, turnover, gross profit and number of employees. The qualitative measures used were changes in the customer base, status of termination of previous job in favour of the enterprise, movement to a new business location and status of opening new business outlets.

4.2.1 Business worth Growth Indicators

As shown on Table 4.2 below, all measures of growth in the total worth of businesses had registered increments between the pre–and–post loan periods.

Table 4.2 Gross Business Worth Growth in the Post Loan Period

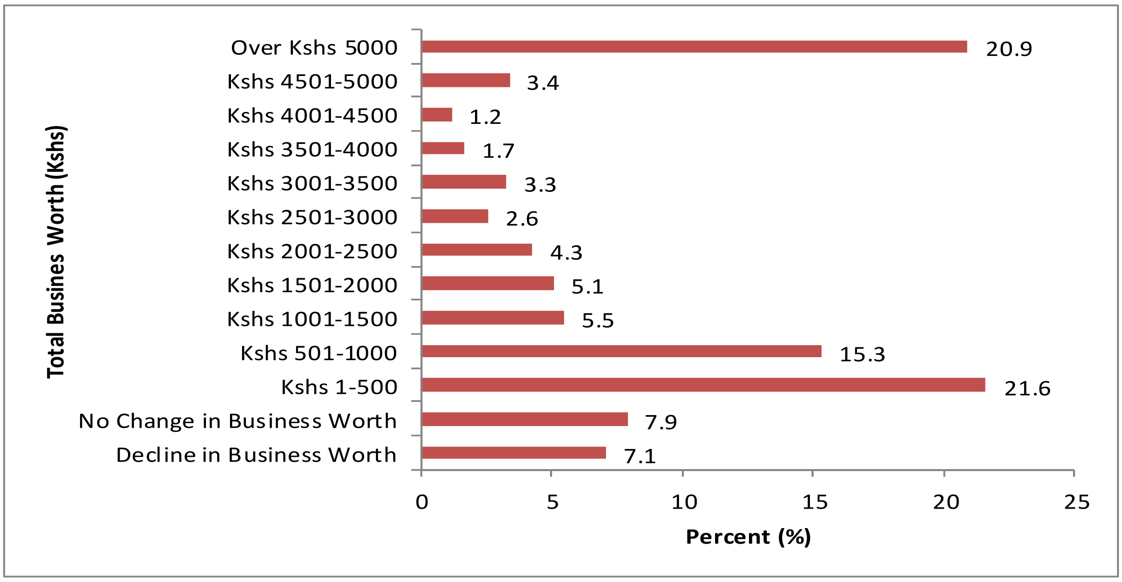
		CWES stream			FI stream		
		gross business worth at time of applying for Loan	Current business worth	Change in Business Worth	Gross business worth at time of applying for Loan	Current business worth	Change in Business Worth
N		621	659		157	174	
Non-response		46	8		22	5	
Mean		70,180	103,294	33114	126,2918	167,750	414,593
Median		20,000	40,000	20,000	20,000	30,000	10,000
Mode		10,000	20,000	10,000	5,000	10,000	5,000
Std. Deviation		142,227.4	189,279.6	47,052.2	552,916.1	510,630	-42,286.1
Minimum		100	500	400	300	800	500
Maximum		1,900,000	2,000,000	100,000	6,500,000	5,000,000	-1,500,000
Percentiles	25	8,000	15,000	7,000	6,000	12,000	6,000
	50	20,000	40,000	20,000	20,000	30,000	10,000
	75	70,000	100,000	30,000	90,000	100,500	10,500
	95	300,000	450,000	150,000	302,500	550,000	247,500

Whereas the mean business size measured in Kshs., among enterprises that received loans through CWES, had increased from Kshs.70,180 to Kshs.103,294, the median business worth had increased two fold from Kshs.20,000 to Kshs.40,000. Among enterprises receiving their loans from FIs, the average business size had increased from Kshs.126,291 to 167,750. Increments were also registered in the percentiles. Overall, businesses that received WEF loans had grown in terms of their total worth, irrespective of the borrowing stream.

a) Business Worth Growth Rate

The aggregated business size growth figures however tell us nothing about incidences of stagnation or declines. 'Growth rate in business worth' was computed as the difference in the total worth of businesses between the time the loan was awarded and the time the study was conducted. This figure was divided by the number of months that the business has transacted with the loan to get the monthly growth rate, since the businesses had had the loans for different durations.

Figure 4.6 Enterprises by Worth Growth Rates



Source: Author, Based on WEF Secretariat Data, 2012

Data on Figure 4.6 show that some 15 percent of all businesses included in the study had either registered declines or stagnation in their total worth. This suggests that the general growth indicators camouflage incidences of stagnation and decline in business worth. Growth rates under this indicator were much slower with up to 69.4 percent of all enterprises registering growth rates of Kshs.3,000 or less. Only one in every five enterprises were found in the highest growth rate bracket of above Kshs.5,000.

b) Total business worth growth by borrowing stream

Table 4.3 shows the growth status by borrowing stream.

Table 4.3 Source of loan and total business worth growth

	Business Worth Growth Status		Total
	Decline/Stagnation	Growth	
CWES	15.8% (98)	84.2% (521)	n=619
FI	11.5% (18)	88.5% (138)	n=156
	15.0% (116)	85.0% (659)	N=775
X^2 = 1.805, DF=1, p=0.179			

While 84.2 percent of businesses that borrowed in the CWES stream had registered increases in absolute worth over the period of trading with the loans, 88.5 percent of borrowers in the FI stream had registered growth in the absolute worth. The study finds no significant differences between CWES and FI borrowers in terms of their total worth growth status in the post-loan period.

c) Total business worth growth by geographical location

The study also sought to establish if the status in growth by total business worth differed between enterprises found in rural locations and those found in urban locations. The findings are presented in Table 4.4 below.

Table 4.4 Location of Business and Total Worth Growth Status

	Business Worth Growth Status		Total
	Decline/Stagnation	Growth	
Rural	13.7% (61)	86.3% (383)	n=444
Urban	16.5% (55)	83.5% (278)	n=333
	14.9% (116)	85.1% (661)	N=777
X^2 = 1.156, DF=1, p=0.282			

Findings showed no significant differences in the distribution of businesses between the two locations in terms of their total worth growth status.

4.2.2 Turnover Growth Indicators

Data in Table 4.5 show that businesses borrowing in the CWES and FI streams had registered increases in the mean and median turnover between the pre-and –post loan periods.

Table 4.5 Turnover Growth in the Post Loan Period

		CWES			FI		
		Est. turnover at time of applying for Loan (Kshs.)	**Current Turnover (Kshs)**	**Change in Turnover** (Kshs.)	**Est. turnover at time of applying for Loan (Kshs.)**	**Current Turnover (KShs.)**	**Change in Turnover** (Kshs.)
N		615	635		155	166	
Non-response		52	32		24	13	
Mean		33,260	38,587	5,327	32,764	41,667	8,903
Median		10,000	15,000	5,000	10,000	15,000	5,000
Mode		10,000	5,000	-5,000	10,000	10,000	0
Std. Deviation		95,315.6	77,171.1	-18,144.5	65,889.8	100,826.6	34,936.9
Minimum		120	150	30	200	300	100
Maximum		1,500,000	750,000	-750,000	500,000	1,100,000	600,000
Percentiles	25	3,000	5,000	2,000	5,000	5,875	875
	50	10,000	15,000	5,000	10,000	15,000	5,000
	75	25,000	40,000	15,000	30,000	40,000	10,000
	95	120,000	150,000	30,000	150,000	180,000	30,000

The modal turnover level had declined by Kshs.5,000 for the CWES borrowers while for businesses in the FI stream the modal turnover had stagnated between the pre–and–post loan periods at Kshs.10,000. However, from the mean values, businesses had grown in their turnover levels in the post-loan period, irrespective of the borrowing stream, albeit by small values.

a) Turnover growth rate

Table 4.6 below shows that growth rate in turnover per month.

Table 4.6 Enterprises by Turnover Growth Rate

Growth Rate/Month	**Frequency**	**Percent**
Decline in Turnover	135	18.2%
No Change in Turnover	81	10.9%
1-1000	340	45.9%
1001-2000	59	7.9%
2001-3000	38	5.2%
3001-4000	29	3.9%
4001-5000	10	1.3%
Over 5000	50	6.7%
Total	**742**	**100.0**%
Unstated	113	
Sample	855	

About four in every ten enterprises (39.1 percent), had registered either stagnation or decline in their turnover levels between the time they received the WEF loans and when the study was conducted. About 45.9 percent of enterprises registered growth rates of Kshs.1,000 or less per month. Only 6.7 percent of enterprises had monthly turnover growth rates of Kshs.5,000 and above per month in the period succeeding the award of the WEF loans.

b) Turnover growth status by borrowing stream

Table 4.7 shows turnover growth by borrowing.

Table 4.7 Turnover growth by borrowing stream

	Turnover Growth Status		Total
	Decline/Stagnation	Growth	
CWES	28.9% (173)	71.1% (426)	n=599
FI	31.2% (48)	68.8% (106)	n=154
	29.3% (221)	70.7% (532)	N=753
$X^2 =$ 0.309, DF=1, p=0.578			

Seventy one percent of businesses that borrowed in the CWES stream had registered increases in turnover over the period of trading with the loans while 68.8 percent of borrowers in the FI stream had also registered growth in their turnover over. The study found no significant differences between CWES and FI borrowers in terms of turnover growth status in the post-loan period.

c) Turnover growth status by geographical location

To establish if the status in turnover growth varied by geographical locations, enterprises were classified as rural or urban. Table 4.8 shows turnover growth by geographical location.

Table 4.8 Turnover growth by geographical location

	Turnover Growth Status		Total
	Decline/Stagnation	Growth	
Rural	27.8% (122)	72.2% (317)	n=439
Urban	30.4% (96)	69.6% (220)	n=316
	28.9% (218)	71.1% (537)	N=766
$X^2 =$ .600, DF=1, p=0.439			

At 72.2 percent and 69.6 percent, the proportion of enterprises registering growth was nearly equal between rural and urban locations, respectively. Findings showed no significant differences in the distribution of businesses between the two locations in terms of their turnover growth status, with the percentage being lower in urban locations. The findings therefore appear to suggest that businesses in urban locations did not seem to benefit from the urban advantage, as one might expect. This finding will be discussed later in this report.

4.2.3 Gross Profit Growth

Table 4.9 shows growth by gross profit for the CWES and FI streams.

Table 4.9 Gross profit growth in the post-loan period

		CWES			**FI**		
		Estimated GP at the time of applying for loan (Kshs)	**Current gross profit (KShs)**	**Change in gross profit (Kshs.)**	**Estimated GP at the time of applying for loan (KShs.)**	**Current gross profit (KShs.)**	**Change in gross profit (Kshs.)**
N		607	619		153	161	
N/S		60	48		26	18	
Mean		213,77.8	17,834.6	-3,543.3	16,292.9	18,533.9	2,241
Median		5,000	8,000	3,000	7,000	9.000	2,000
Mode		2,000	5,000	3,000	2,000	10000	8,000
Std. Deviation		132,703.1	30,987.2	-101,716	26,610.3	34685.6	8,075.3
Minimum		150	-4,000	-4,150	500	500	0
Maximum		3,000,000	400,000	-2,600,000	169,740	297000	127,260
Percentiles	25	2,000	3,500	1,500	2,750	2500	-250
	50	5,000	8,000	3,000	7,000	9000	2,000
	75	14,000	20,000	6,000	15,000	18200	3,200
	95	58,200	70,000	11,800	83,000	80000	-3000

Enterprises that borrowed through the CWES stream had registered increases in median and modal gross profit levels. However, for this stream, the mean gross profit had declined marginally by Kshs.3,543.3. This may be attributed to some outliers in the sample as seen from the maximum value of Kshs.3,000,000 which declined to Kshs.400,000. In the FI stream, increases had been registered all the indicators of mean, median and mode. In general, businesses had registered growth in their gross profit levels in the post-loan period.

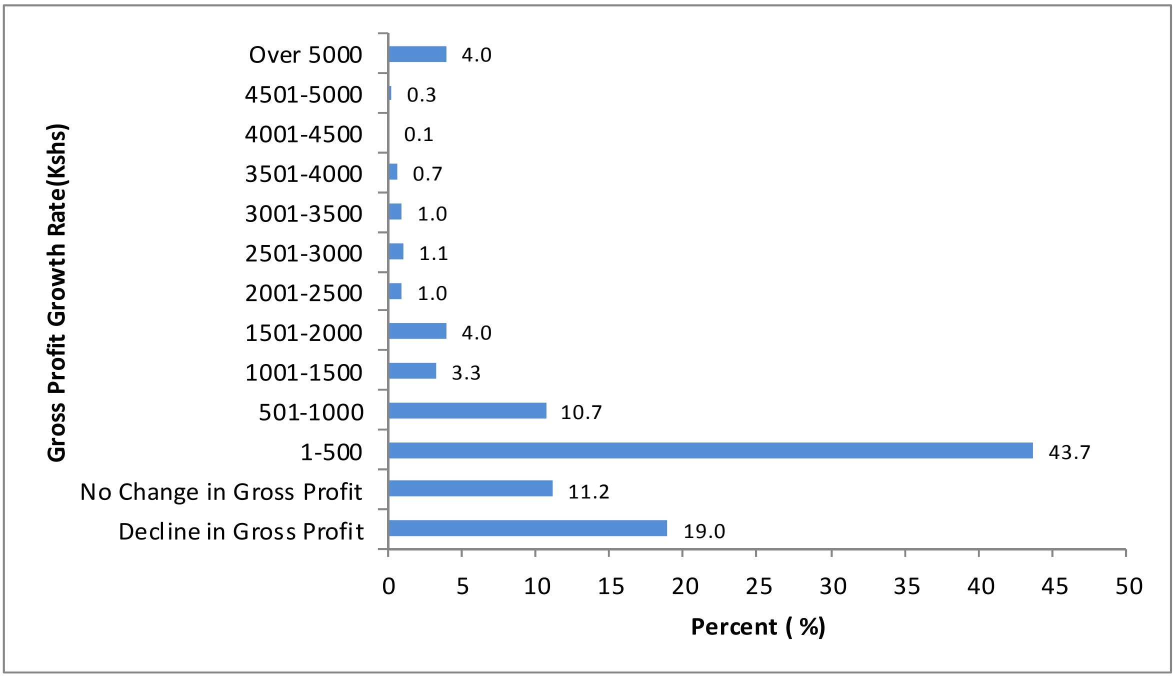
a) Gross Profit Growth Rate

The growth profit growth rate was calculated as the difference in gross profit between the time of borrowing and gross profit at the time of the study, divided by the number of months that the business had had the loan. For example, if the gross profit for a business was Kshs.100,000 in January 2011 (time of applying for the loan) and Kshs.200,000 in September 2012 (time of the study), the gross profit growth rate was calculated as:

$$\frac{\text{Kshs.200,000} - \text{Kshs.100,000}}{\text{20 months}} = \text{Kshs.5,000}$$

This shows the theoretical rate at which gross profits grew over the period of trading with the loans. Like other measures of growth rates, it was deemed a better measure than the absolute gross profit increase given the fact that not all business had been in operation using their loans over the same period of time.

Figure 4.7 Enterprises by Gross profit Growth Rates



Study data in Figure 4.7 shows that 30.2 percent of enterprises, had either stagnated or declined in their gross profit levels over the post loan period. Majority of enterprises (at 54.4 percent) had registered low gross profit growth rates of Kshs.1,000 or lower per month. Only 4 percent of all enterprises were found in the gross profit growth rate levels of above Kshs.5,000.

b) Gross profit growth by borrowing stream

Table 4.10 shows the growth profit status by borrowing stream.

Table 4.10 Source of loan and gross profit status

	Business Gross Profit Growth Status		Total
	Decline/Stagnation	Growth	
CWES	30.3% (178)	69.7% (410)	n=588
FI	32.0% (48)	68.0% (102)	n=150
	30.6% (226)	69.4% (512)	N=738
$X^2 =$ 1.168, DF=1, p=0.682			

The study found no significant differences between CWES and FI borrowers in terms of gross profit status in the post-loan period. Whereas 69.7 percent of businesses borrowers in CWES stream had registered increases in GP over the period of trading with the loans, 68.0 percent of borrowers in the FI stream had also registered growth in their GP.

c) Gross profit growth by geographical location

Table 4.11 shows the gross profit status by geographical location.

Table 4.11 Location of business and gross profit status

	Business Gross Profit Growth Status		Total
	Decline/Stagnation	Growth	
Rural	26.3% (114)	73.7% (319)	n=433
Urban	36.5% (112)	63.5% (195)	n=307
	30.5% (226)	69.5% (514)	N=740
$X^2 =$ 8.731, DF=1, p=0.003			

At 73.7 percent and 63.5 percent, there was a 10.2 percentage point gap between rural and urban enterprises, respectively, in terms of their GP growth status. Study data, however, showed significant differences in terms of their gross profit status based on location.

4.2.4 Employee Growth

Unlike the other growth indicators, the range in number of new employees reported by enterprises was relatively narrow. Grouped distributions would therefore not have yielded much result. This indicator was simply treated as a binary variable category as growth in number of employees or decline/stagnation. This section presents findings on variations in business growth in terms of employees based on the borrowing stream and location of the business. Findings show the likelihood of a business growing its number of employees differs across the two variables.

a) Growth in number of employees across borrowing streams

Table 4.12 compares the borrowing stream with growth in number of employees

Table 4.12 Source of loan and growth status in number of employees

	Employee Growth Status		Total
	No Growth / Decline	Positive Growth	
CWES	82.7% (406)	17.3% (85)	n=491
FI	93.3% (98)	6.7% (7)	n=105
	84.6% (504)	15.4% (92)	N=596

The study found that a small proportion (6.7 percent) of borrowers in the FI stream, compared to 17.3 percent of borrowers in the CWES stream reported positive growth in their number of employees. This particular result is confounding since borrowers in the FI stream were generally owners of bigger, better performing and better managed businesses. One explanation for lower employee growth in the FI stream of borrowers included in the study was the fact that a significant proportion borrowed from community based micro-financial institutions (as opposed to banks and larger financial institutions) which gave much smaller loans targeting smaller businesses. The proportion of borrowers in the FI stream who received WEF loans from mainstream commercial banks were very few. The net effect of this group of commercial bank borrowers on overall growth in the group is therefore effectively countered by the overrepresentation of smaller borrowers with little or no growth potential.

b) Growth in number of employees across geographical locations

Table 4.13 compares business location with growth in number of employees.

Table 4.13 Location of business and growth status in number of employees

	# of Employee Growth Status		Total
	No Growth / Decline	Positive Growth	
Rural	81.4% (275)	18.6% (63)	n=338
Urban	88.8% (230)	11.2% (29)	n=259
	84.6% (505)	15.4% (92)	N=597

In terms of geographical location, businesses were classified as either urban or rural. On this variable, the study found that a small proportion, 11.2 percent, of urban borrowers, compared to 18.6 percent of rural borrowers had reported an increase in their number of employees. Again, this result is contrary to expectation. The result is particularly confounding since urban borrowers would be expected to post better growth. One explanation for the low incidence growth of employee numbers among the urban group of borrowers was fact that most urban borrowers operated in urban slums and informal settlements where businesses faced market saturation and heightened competition. Such businesses were therefore unlikely to grow to support hiring of more employees. The growth problem in businesses owned by urban slum borrowers was further intensified by the overall high urban slum poverty that adversely affected household purchasing power. Businesses in such locations were therefore more likely to reach the end of the growth curve before building the potential to take in more employees.

On the other hand, in the rural areas several borrowers were engaged in agricultural-related businesses in addition to another business that they might own (say a retail shop). The likelihood of employing someone to run the agricultural-related business while they run the shop was therefore high. With the loan amounts they got, rural borrowers could purchase livestock (say a dairy cow, or chickens) and subsequently hire someone to look after these.

4.2.5 Qualitative Growth Proxies

The study also investigated qualitative growth measures in terms of incidences of observed changes in customer base, change from previous jobs, change of business sites and incidences of loan receiving entrepreneurs opening additional businesses. The use of these measures was premised on the expectation that they served as strong proxies of growth.

Table 4.15 Qualitative measures of growth in the post loan period

Indicator	YES	NO	N
Experienced change in customer base	85.5% (700)	14.5% (119)	819
Change from previous job	20.8% (175)	79.2% (666)	841
Change of business site	18.1% (153)	81.9% (694)	847
Started new business	16.4% (137)	83.6% (700)	837

As shown in Table 4.15, 85.5 percent of entrepreneurs, reported having observed changes in their immediate customer base. However, in most cases this change was negative, that is, a diminishing, rather than growing customer base, owing to increased competition. About 20.8 percent had stopped their previous jobs to concentrate on their businesses which suggests that such enterprises had grown to the extent of allowing the owner to concentrate on them away from other less productive engagements. Only 18.1 percent of entrepreneurs had moved from their previous business sites to new ones in the post loan period. These sites were generally bigger or better in terms of accessibility. One in six entrepreneurs (16.4 percent) had started a new business during the post loan period. These were largely entrepreneurs in the rural areas who engaged in an additional agricultural activity – for example, adding pig rearing to dairy farming. Overall, there were few incidences of growth along these four qualitative indicators among businesses that had received the WEF loan.

4.3 Extent of Innovation among the women-owned enterprises

The following five categorical measures were used to gauge the extent to which the Women Enterprise Fund had supported innovation among enterprises; new products, new services, new markets, new sources of raw materials and use of m-banking solutions. Entrepreneurs were asked to state the innovation uptake status of their businesses in the post-loan period. Results are presented in Table 4.16 below.

Table 4.16 Extent of Post Loan Enterprise Innovations

Innovation	YES	NO	N
Changed or added products	63.8% (544)	36.2% (309)	853
Changed or added services	44.2 %(375)	55.8% (473)	848
Identified a new market for your goods/services	40.0% (340)	60.0% (509)	849
Identified a new source of raw materials	42.7% (361)	57.3% (486)	847
Using any m-banking application /service	68.4% (576)	31.6% (266)	842

With regard to products, 63.8 percent had changed or added products to their existing product line, while 44.2 percent had changed or added services to their core businesses in the post loan period. Identification of new markets was observed in 40.0 percent of the enterprises, and 42.7 percent indicated having innovated in their supply chains by identifying new sources of raw materials. The largest percentage of innovation was with regard to use of m-banking applications in which 68.4 percent indicated that they were using m-banking solutions such as M-Pesa, Airtel money and M-Keso, in their business operations. However, the adoption of m-banking was not considered a major business innovation owing to the fact that its use is prevalent among the non-business segment of Kenya's population.

4.4 Determinants of Growth and Innovation

In order to understand what is driving growth and innovation, this section presents and discusses the results of logistic regression estimation of the determinants of growth and innovation.

4.4.1 Determinants of Growth: Multivariate Results

In the context of the study, enterprise growth was defined by four indicators namely; employee growth, total business worth, turnover and gross profit. Each of these four dependent variables were given dichotomous definitions. For example, a business had either undergone some growth in number of employees since receiving loan (employee growth status =1) or had stagnated or declined in its number of employees (employee growth status =0). The rest of indicators of growth were similarly defined.

Table 4.17 below presented the logistical regression results of the determinants of employee growth.

a) Employee growth

Classification results show that, overall, the model correctly predicted 85 percent of all valid cases included. The model establishes the set of explanatory variables under entrepreneur characteristics, business characteristics, growth factors and innovation factors that were significantly related to the likelihood of business growth in terms of the number of employees. Results reveal that no significant relationships existed between entrepreneur characteristics and employee growth. In terms of business characteristics, urban business location (B= -.682, DF=1, P=.090) increased the odds that a business would either stagnate on decline in its number of employees. Similarly, self-run businesses (B= -.957, DF=1, P=0.006) were more likely than their comparison to either stagnate on decline in their number of employees.

The study found a significant positive relationship between the duration over which a business has traded with WEF loan (B= .286, DF=1, P=.037) and the odds that the enterprise would grow its number of employees. Diminishing chances of growth in employee numbers among urban WEF loan borrowers was likely to be the result of stiff competition in the low value businesses that characterized the urban slums and informal settlements where most urban respondents lived and had their businesses. Self-run business had lower odds of growing their number of employees because their single owners could be averse to increased labour costs. In addition, self-run businesses were likely to be very small hence no need for additional labour. The positive relationship between the duration of trading with the WEF loan and employee growth suggests that businesses that had traded with their loans for longer were registering greater growth hence the increased likelihood that they would employ more.

Table 4.17 Logistic Regression Results on Determinants of Employee Growth

	B	S.E.	Wald	df	Sig.	Exp(B)
Entrepreneur Characteristics						
Age	-.066	.091	.525	1	.469	.936
Marital status	-.088	.381	.054	1	.817	.915
Level of education	.039	.162	.059	1	.809	1.040
Household size	.025	.080	.101	1	.751	1.026
Access to training	.589	.420	1.965	1	.161	1.802
Own another business	.478	.361	1.756	1	.185	1.613
Business Characteristics						
Registration status	.436	.348	1.566	1	.211	1.546
Business location	-.682	.403	2.868	1	.090*	.506
Who runs the business	-.957	.350	7.496	1	.006**	.384
Age of the business	-.171	.129	1.749	1	.186	.843
Age of the loan	.286	.137	4.363	1	.037**	1.331
Loan amount	-.018	.056	.109	1	.742	.982
Total monthly expenditure	.127	.087	2.112	1	.146	1.135
Assistance to address challenges	.344	.345	.996	1	.318	1.410
Growth Factors						
Total business worth	1.382	.675	4.192	1	.041**	3.984
Change in their customer base	-.221	.580	.145	1	.703	.802
Changed from employment to enterprise	.760	.368	4.266	1	.039**	2.138
Moved to a new business site	.560	.397	1.994	1	.158	1.751
Started a new business	.136	.427	.101	1	.750	1.146
Innovation Factors						
Changes in product offering	-.190	.462	.170	1	.680	.827
Changes in service offering	.318	.425	.561	1	.454	1.375
Changes in market (new markets)	.345	.379	.831	1	.362	1.412
Changes in sourcing of raw materials	.486	.359	1.834	1	.176	1.626
Constant	-4.973	1.600	9.657	1	.002	.007

*significance at 10%, **significance at 5%, ***significance at 1%

Two variables under growth factors; growth in total business worth (B= 1.382, DF=1, P=.041) and change from employment to concentrate on the enterprise (B= .760, DF=1, P=.039) were positively and significantly related to the odds of growth in number of employees. However, the study found no significant relationships between any form of innovation and the likelihood of growth in the number of employees.

b) Business Worth

Table 4.18 below presents the regression results on the likely determinants of growth in business worth. Classification results showed that, overall, the model correctly predicted 86 percent of all valid cases included.

Table 4.18 Logistic regression results on determinants of growth in total business worth

	B	S.E.	Wald	df	Sig.	Exp(B)
Entrepreneur Characteristics						
Age	-.126	.096	1.725	1	.189	.882
Marital status	.201	.378	.282	1	.595	1.222
Level of education	-.218	.186	1.371	1	.242	.804
Household size	.130	.090	2.075	1	.150	1.139
Access to training	.565	.356	2.516	1	.113	1.759
Own another business	-.816	.366	4.977	1	.026**	.442
Business Characteristics						
Registration status	.163	.358	.206	1	.650	1.177
Business location	-.436	.398	1.201	1	.273	.647
Who runs the business	.205	.354	.337	1	.561	1.228
Age of the business	.021	.119	.032	1	.858	1.022
Age of the loan	.608	.207	8.598	1	.003**	1.837
Loan amount	.008	.062	.015	1	.902	1.008
Total monthly expenditure	-.099	.083	1.439	1	.230	.906
Assistance to address challenges	-.173	.352	.241	1	.624	.841
Growth Factors						
Growth in number of employees	1.208	.673	3.218	1	.073*	3.347
Change in their customer base	1.046	.465	5.068	1	.024**	2.846
Moved from employment to enterprise	.371	.479	.601	1	.438	1.449
Moved to a new business site	-.665	.484	1.883	1	.170	.515
Started a new business	.742	.591	1.577	1	.209	2.101
Innovation Factors						
Changes in product offering	.481	.436	1.216	1	.270	1.617
Changes in service offering	-.337	.449	.566	1	.452	.714
Changes in market (new markets)	.961	.407	5.578	1	.018**	2.614
Changes in sourcing of raw materials	-.566	.391	2.094	1	.148	.568
Constant	.529	1.606	.108	1	.742	1.697

*significant at 10%, **significant at 5%, ***significant at 1%

Among the entrepreneur characteristics, owning other businesses (B=-.816, DF=1, P=.026) increased the odds that a business would not increase its overall worth even after receiving the WEF loan. In part, this result draws from the expectation that entrepreneurs who had diversified their businesses could be facing problems in accounting for capital movement between their businesses.

Age of the WEF Loan (B=.608, DF=1, P=.003) was the only business characteristic found to be positively and significantly related to the likelihood that a business would grow its total worth over the duration of trading with the loan. From the odds ratio, a business that had traded with the WEF loan for 12 more months was 1.8 times more likely to grow in its total worth.

Growth in the number of employees (B=1.208, DF=1, P=.073) and change in their customer base (B=1.046, DF=1, P=.024) were two growth factors positively and significantly related to growth in total business worth. The odds ratios suggest that while enterprises that had grown their number of employees were 3.3 times more likely to register positive growth in total business worth, enterprises that had experienced changes in their customer base were 2.8 times more likely to grow their worth.

On the innovation front, results show that women entrepreneurs who had identified new markets (B= .961, DF=1, P=.018) were more likely to grow their business' total worth. All the other innovation factors were, however, found to have no significant relationship with growth in total business worth.

c) Turnover

The model correctly predicted 75 percent of all valid cases included. This model sought to establish the group of explanatory variables that determine the odds of turnover growth among enterprises that received the WEF loan. The results are presented in Table 4.19 below.

Table 4.19 Logistic regression results on determinants of turnover growth

	B	S.E.	Wald	df	Sig.	Exp(B)
Entrepreneur Characteristics						
Age	-.022	.069	.100	1	.752	.979
Marital status	.637	.283	5.056	1	.025**	1.891
Level of education	.004	.124	.001	1	.977	1.004
Household size	.030	.063	.235	1	.628	1.031
Access to training	.212	.281	.568	1	.451	1.236
Own another business	-.322	.286	1.266	1	.260	.725
Business Characteristics						
Registration status	-.075	.271	.076	1	.783	.928
Business location	-.001	.299	.000	1	.996	.999
Who runs the business	.067	.266	.064	1	.800	1.070
Age of the business	.017	.092	.033	1	.855	1.017
Age of the loan	.508	.130	15.185	1	.000***	1.662
Loan amount	-.096	.043	4.910	1	.027**	.909
Total monthly expenditure	.062	.058	1.156	1	.282	1.064
Assistance to address challenges	.095	.267	.128	1	.721	1.100
Growth Factors						
Growth in number of employees	.622	.405	2.353	1	.125	1.862
Change in their customer base	.242	.400	.365	1	.546	1.273
Moved from employment to enterprise	.116	.327	.127	1	.722	1.123
Moved to a new business site	-.839	.365	5.275	1	.022**	.432
Started a new business	.359	.416	.746	1	.388	1.432
Innovation Factors						
Changes in product offering	.312	.325	.919	1	.338	1.366
Changes in service offering	.159	.317	.251	1	.616	1.172
Changes in market (new markets)	-.011	.291	.001	1	.969	.989
Changes in sourcing of raw materials	.171	.280	.372	1	.542	1.186
Constant	-1.787	1.143	2.445	1	.118	.167

*significant at 10%, **significant at 5%, ***significant at 1%

Results showed that among entrepreneur characteristics, being single (B= .637, DF=1, P=.025) increased the odds that an entrepreneur would grow her overall turnover. With regard to business characteristics, results showed that an increase in the duration of doing business with the WEF loan (B= .508, DF=1, P=.000) increased the likelihood that a business would increase its turnover. However, an increase in the amount of the loan diminished the odds of increase in turnover relative to the pre-loan period (B= -.096, DF=1, P=.027). The finding could be explained by the fact that entrepreneurs applied for larger loan amounts in order to expand their businesses (to new location, new product lines, or purchase new equipment). These activities in themselves would not over the short-term translate to an increase in turnover, although one might expect that in the long-term, they might.

In terms of growth factors, the study found that businesses that had moved to new sites had diminished odds of increasing their turnover (B= -.839, DF=1, P= .022). This finding is not surprising as one might expect that in moving to a new business location, the entrepreneur would need time to settle down and market themselves in some way to be known by new clients, and for the old clients to be willing to visit the new site.

The study found no significant relationship between innovation factors and growth in turnover.

d) Gross Profit

The model correctly predicted 76 percent of all valid cases included. This model sought to establish the group of explanatory variables that determine the odds of growth in gross profit among enterprises that received the WEF loan. The results are presented in Table 4.20 below.

Results showed that among entrepreneur characteristics, ownership of other businesses (B= -.553. DF=1, P=.056) diminished the odds that an enterprise would record an increase in gross profit levels in the post loan period. This finding could be explained by the fact that owning additional businesses meant that both the financial and managerial resources of the entrepreneur would be spread across businesses, thereby decreasing the likelihood that the business that had received the loan would grow in terms of gross profit. At times, the loan was not even used in the enterprise for which it was intended and was diverted to another business. The rest of entrepreneur characteristics in the model had no impact on the odds of gross profit growth.

Table 4.20 Logistic regression results on determinants of growth in gross profit

	B	S.E.	Wald	df	Sig.	Exp(B)
Entrepreneur Characteristics						
Age	-.036	.071	.253	1	.615	.965
Marital status	.280	.293	.912	1	.340	1.323
Level of education	-.180	.133	1.820	1	.177	.835
Household size	.102	.068	2.285	1	.131	1.108
Access to training	.233	.291	.642	1	.423	1.262
Own another business	-.553	.289	3.647	1	.056*	.575
Business Characteristics						
Registration status	-.066	.277	.057	1	.812	.936
Business location	-.681	.305	4.977	1	.026**	.506
Who runs the business	-.212	.275	.594	1	.441	.809
Age of the business	-.121	.095	1.645	1	.200	.886
Age of the loan	.499	.137	13.204	1	.000***	1.646
Loan amount	-.099	.044	5.083	1	.024**	.906
Total monthly expenditure	-.040	.061	.430	1	.512	.961
Assistance to address challenges	.063	.270	.054	1	.816	1.065
Growth Factors						
Growth in number of employees	.317	.391	.659	1	.417	1.374
Change in their customer base	1.060	.405	6.852	1	.009**	2.885
Moved from employment to enterprise	-.045	.331	.019	1	.891	.956
Moved to a new business site	-.577	.359	2.583	1	.108	.562
Started a new business	.200	.407	.242	1	.623	1.221
Innovation Factors						
Changes in product offering	-.001	.335	.000	1	.997	.999
Changes in service offering	.289	.322	.809	1	.368	1.336
Changes in market (new markets)	.181	.302	.359	1	.549	1.198
Changes in sourcing of raw materials	-.308	.286	1.164	1	.281	.735
Constant	.442	1.165	.144	1	.704	1.557

*significant at 10%, **significant at 5%, ***significant at 1%

Under business characteristics, businesses located in urban areas (B= -.681, DF=1, P=.026) were more likely than their comparison to stagnate or decline in their gross profit levels. This could be attributed to the intense competition in urban locations, especially in the slum and informal settlements where most of the women enterprises were located.

An increase in the duration within which an enterprise had traded with the loan increased the chances that such an enterprise would register increased gross profit level in the post loan period (B= .499, DF=1, P=.000). However, an increase in the amount of loan received reduced the odds that an enterprise would register increased gross profit levels in post loan period (B= -.099, DF=1, P=.024). This finding suggests that enterprises receiving smaller loans were performing relatively better in terms of their gross profit levels. As explained previously, larger business loans tended to be used for business expansion.

Under growth factors, only enterprises that had reported changes in their customer base (B= 1.060, DF=1, P=.009) were able to grow their gross profit levels in the post loan period. This finding suggests that the change in customer base was positive, in other words, they received more customers, or customers who were purchasing more items from them. The study however found no significant relationship between the innovation factors and growth in gross profit.

4.4.2 Determinants of Innovation

Having established the extent of innovation among WEF loan receiving enterprises using the descriptive results, further analysis was conducted to investigate the key determinants of innovation. Four models of innovation factors were specified for new products, new services, new markets and new sources of raw materials. The models use the maximum likelihood technique in logistic regression analyses to establish the set of explanatory variables that are significantly related to the odds of each type of innovation.

a) New Products

This model sought to identify what factors would spur WEF loan recipients to innovate in their businesses by adding new products in the post-loan period. Factors were broadly classified under entrepreneur characteristics, business characteristics, growth factors and innovation factors. Classification results show that overall, the model correctly predicted 83 percent of all valid cases included.

Table 4.21 presents the logistic regression results on the likely determinants of business innovation in terms of identification of new products by entrepreneurs.

Table 4.21 Logistic regression results on determinants of product innovation

	B	S.E.	Wald	df	Sig.	Exp(B)
Entrepreneur Characteristics						
Age	.053	.084	.393	1	.531	1.054
Marital status	-.226	.350	.418	1	.518	.797
Level of education	.082	.152	.289	1	.591	1.085
Household size	.137	.085	2.605	1	.107	1.147
Access to training	-.326	.350	.867	1	.352	.722
Own another business	.450	.391	1.326	1	.250	1.569
Business Characteristics						
Registration status	-.331	.339	.952	1	.329	.718
Business location	.077	.355	.047	1	.828	1.080
Who runs the business	.289	.343	.709	1	.400	1.335
Age of the business	.046	.117	.155	1	.694	1.047
Age of the loan	-.003	.142	.000	1	.985	.997
Loan amount	.127	.054	5.462	1	.019**	1.135
Total monthly expenditure	.014	.073	.039	1	.844	1.014
Assistance to address challenges	.868	.329	6.964	1	.008**	2.381
Growth Factors						
Growth in number of employees	.159	.478	.111	1	.738	1.173
Growth in business worth	.646	.514	1.581	1	.209	1.908
Growth in business turnover	.219	.424	.267	1	.605	1.245
Growth in business gross profit	-.098	.418	.055	1	.815	.907
Change in their customer base	1.477	.556	7.041	1	.008**	4.378
Moved from employment to enterprise	.420	.417	1.017	1	.313	1.522
Moved to a new business site	-.190	.471	.162	1	.687	.827
Started a new business	-.424	.540	.615	1	.433	.655
Innovation Factors						
Changes in service offering	3.171	.441	51.623	1	.000***	23.824
Changes in market (new markets)	.893	.359	6.198	1	.013**	2.442
Changes in sourcing of raw materials	.453	.329	1.896	1	.169	1.574
Constant	-5.163	1.501	11.828	1	.001	.006

*significant at 10%, **significant at 5%, ***significant at 1%

Results showed that none of the entrepreneur characteristics had any no significant relationship with the odds that they would innovate in their businesses by adding more products. Two business characteristics; loan amount (B=.127, DF=1, P=.019) and receiving assistance to counter business challenges (B=.868, DF=1, P=.008) were found to be significantly and positively related to the chances that women entrepreneurs would innovate in their business by adding more products after receiving the WEF loans. The odds ratio of an increase of Kshs.2500 in the amount of loan received in influencing product innovation was 1.14. On the other hand, women entrepreneurs who had received assistance to mitigate the challenges their businesses faced were 2.4 times more likely to innovate in their product line compared to those that had not.

The only growth factor that was significantly related to product innovation was a change in their customer base (B= 1.477, DF=1, P=.008). The odds ratio suggested that entrepreneurs who had experienced a change in their customer base were 4.4 times more likely to innovate in their product line. As seen in the descriptive results, most of the women entrepreneurs who had experienced market changes indicated increased competition. Among this group, product-line innovation became a natural option in the face of heightening competition.

Results further showed that women entrepreneurs who had added new services (B= 3.171, DF=1, P=0.000) were also significantly more likely to innovate in their product-line. Similarly, entrepreneurs who had identified new markets (B= .893, DF=1, P=.013) had higher significant odds at innovating in their product-lines.

b) New Services

Overall, the model correctly predicted 77 percent of all valid cases included. As shown in Table 4.22, two entrepreneur characteristics; marital status (B= .705, DF=1, P=.036) and access to training (B= .632, DF=1, P=.058) were significantly and positively related to the chances that women entrepreneurs would innovate in their service-lines in post-loan period. These results further show that married and trained women entrepreneurs were 2 times more likely to innovate their service line compared to their respective comparison groups. The strong showing in service innovation among the married women entrepreneurs is likely to be the result shared domestic costs hence more resources for improving on services. The role of access to support to mitigate challenges in service innovation can be attributed to the training the entrepreneurs receive that spurs service innovation.

In terms of business characteristics, running a registered business (B= .651, DF=1, P=.042) was found to be positively and significantly related to entrepreneur's proclivity to innovate in their service line. However, on who runs the business (B= -.662, DF=1, P=.031), the study found that there was a significant negative relationship between singly running the business and service innovation. In other words, women entrepreneurs who ran their businesses single-handedly were less likely to innovate in their service line compared with those that had the support of family or employees in running the business.

Under growth factors, there was a significant negative relationship (B= -1.009, DF=1, P=.070) between businesses that had experienced changes in their customer base and the odds to innovate in the service line. In other words, a new customer base did not translate to service innovations. However, entrepreneurs who had started other new business upon receiving the WEF loan, were more likely to innovate in their service lines (B=.835, DF=1, P=.075). From the odds ratio, relative to their comparison, entrepreneurs who had started new business in the post-loan period were 2.3 times more likely to innovate in their services. Product innovation (B=3.216, DF=1, P=.000) and access to new markets (B=1.117, DF=1, P=.000) at 99% confidence levels, increased the odds that entrepreneurs would innovate in their services.

Table 4.22 Logistic regression results on determinants of service innovation

	B	S.E.	Wald	df	Sig.	Exp(B)
Entrepreneur Characteristics						
Age	-.085	.077	1.202	1	.273	.919
Marital status	.705	.335	4.414	1	.036**	2.023
Level of education	.009	.145	.004	1	.952	1.009
Household size	.074	.068	1.178	1	.278	1.077
Access to training	.632	.334	3.582	1	.058*	1.882
Own another business	-.090	.334	.073	1	.787	.914
Business Characteristics						
Registration status	.651	.320	4.136	1	.042**	1.918
Business location	-.015	.341	.002	1	.966	.985
Who runs the business	-.662	.307	4.642	1	.031**	.516
Age of the business	.059	.107	.310	1	.578	1.061
Age of the loan	-.060	.136	.196	1	.658	.941
Loan amount	-.061	.049	1.581	1	.209	.941
Total monthly expenditure	-.103	.065	2.540	1	.111	.902
Assistance to address challenges	-.004	.299	.000	1	.989	.996
Growth Factors						
Growth in number of employees	.136	.417	.106	1	.745	1.145
Growth in business worth	-.607	.475	1.633	1	.201	.545
Growth in business turnover	.197	.403	.238	1	.626	1.217
Growth in business gross profit	.193	.399	.234	1	.628	1.213
Change in their customer base	-1.009	.556	3.291	1	.070*	.365
Moved from employment to enterprise	-.436	.360	1.465	1	.226	.647
Moved to a new business site	-.213	.430	.244	1	.621	.808
Started a new business	.835	.469	3.166	1	.075*	2.305
Innovation Factors						
Changes in product offering	3.216	.448	51.460	1	.000***	24.940
Changes in market (new markets)	1.117	.311	12.928	1	.000***	3.056
Changes in sourcing of raw materials	.472	.301	2.456	1	.117	1.604
Constant	-1.715	1.334	1.653	1	.199	.180

*significant at 10%, **significant at 5%, ***significant at 1%

c) New Markets

This model sought to establish the set of explanatory variables under entrepreneur characteristics, business characteristics, growth factor and innovation factors that are significantly related to access to new markets (market innovation). The results are presented in Table 4.23 below.

Results showed that among the set of entrepreneur characteristics, access to training (B= .531, DF=1, P=.089) and ownership of other business (B= .569, DF=1, P=.070) were the significant determinants positively related to the odds that an entrepreneur would innovate in their businesses by accessing new markets. These results advance the case that provision of training increased the chances that women entrepreneurs would be innovative in identifying new markets. The evidence from the link between ownership of new businesses and access to new markets suggests that enterprise diversification enhanced the odds that entrepreneurs would attempt to expand their market horizons.

Results however showed that none of the business characteristics were significant determinants of market innovation. In terms of growth factors, businesses that had recorded positive growth in total worth were found to be more likely to innovate by identifying new markets (B= .991, DF=1, P=.026) relative to businesses that had registered decline or stagnation in total worth in the post loan period. In contrast, enterprises that had experienced diversification in the post loan period through new businesses (B= -.749, DF=1, P=.072) were less likely to innovate in their markets access.

Table 4.23 Logistic regression results on determinants of market innovation

	B	S.E.	Wald	df	Sig.	Exp(B)
Entrepreneur Characteristics						
Age	-.067	.072	.888	1	.346	.935
Marital status	-.212	.311	.466	1	.495	.809
Level of education	-.122	.126	.946	1	.331	.885
Household size	-.048	.062	.588	1	.443	.954
Access to training	.531	.312	2.888	1	.089*	1.701
Own another business	.569	.314	3.283	1	.070*	1.766
Business Characteristics						
Registration status	-.373	.293	1.620	1	.203	.689
Business location	-.442	.311	2.019	1	.155	.643
Who runs the business	-.020	.279	.005	1	.943	.980
Age of the business	.010	.100	.010	1	.919	1.010
Age of the loan	-.047	.119	.156	1	.692	.954
Loan amount	-.011	.046	.054	1	.816	.989
Total monthly expenditure	.069	.061	1.305	1	.253	1.072
Assistance to address challenges	-.437	.283	2.396	1	.122	.646
Growth Factors						
Growth in number of employees	.350	.376	.866	1	.352	1.420
Growth in business worth	.991	.444	4.986	1	.026**	2.694
Growth in business turnover	-.241	.364	.438	1	.508	.786
Growth in business gross profit	.068	.358	.036	1	.850	1.070
Change in their customer base	.104	.492	.045	1	.832	1.110
Moved from employment to enterprise	.263	.332	.628	1	.428	1.301
Moved to a new business site	.618	.382	2.618	1	.106	1.855
Started a new business	-.749	.417	3.228	1	.072**	.473
Innovation Factors						
Changes in product offering	.713	.345	4.271	1	.039**	2.041
Changes in service offering	1.142	.312	13.434	1	.000***	3.133
Changes in sourcing of raw materials	1.446	.266	29.653	1	.000***	4.247
Constant	-1.957	1.217	2.585	1	.108	.141

*significant at 10%, **significant at 5%, ***significant at 1%

This finding is interesting because as explained previously whereas the women who owned other business in the pre-loan period were likely to innovate in their markets by accessing new markets (B= .569, DF=1, P=.070), women who started new business in the post-loan period were less likely to innovate (B= -.749, DF=1, P=.072). This particular result may suggest that WEF loan recipients who were diversifying their businesses in the post-loan period were only doing so within their existing markets.

The rest of growth factors in the model were found to have no significant relationship with the odds of market innovation.

Significant positive relationships existed between market innovation and innovation in new products (B= .713, DF=1, P=.039), innovation in new services (B= 1.142, DF=1, P=.000) and innovation in supply chain through new sources of raw materials (B= 1.416, DF=1, P=.000). These results point at the fact that a business that has benefited from these forms of innovation also had higher chances of innovating in new markets. It could also suggest that once a business diversified into new markets, the net effect was that they had new services and sources of raw materials to meet the new market demands.

d) New Source of Raw Materials/Supply Chain Innovation

In this model, the study attempted to establish the set of explanatory variables under the four clusters that were significantly related to innovations in the supply chain through identification of new sources of raw materials. The results are presented in Table 4.24 below.

Results showed that entrepreneur characteristics had no impact on the odds of supply chain innovation. Under business characteristics, self run businesses (B= .482, DF=1, P=.051) were more likely than their comparison to diversify their supply chains. The study found no significant relationships between the other business characteristic and the odds of supply chain innovation.

Table 4.24 Logistic regression results on determinants of supply chain innovation

	B	S.E.	Wald	df	Sig.	Exp(B)
Entrepreneur Characteristics						
Age	-.014	.060	.052	1	.820	.986
Marital status	-.277	.263	1.104	1	.293	.758
Level of education	-.016	.110	.022	1	.881	.984
Household size	-.065	.054	1.482	1	.224	.937
Access to training	.043	.278	.024	1	.878	1.044
Own another business	-.161	.274	.347	1	.556	.851
Business Characteristics						
Registration status	-.174	.256	.462	1	.497	.840
Business location	-.202	.262	.594	1	.441	.817
Who runs the business	.482	.247	3.819	1	.051*	1.619
Age of the business	.075	.084	.789	1	.374	1.078
Age of the loan	-.077	.106	.533	1	.465	.926
Loan amount	.043	.041	1.104	1	.293	1.044
Assistance to address challenges	.135	.246	.304	1	.582	1.145
Growth Factors						
Growth in number of employees	.334	.343	.946	1	.331	1.396
Growth in business worth	-.435	.366	1.415	1	.234	.647
Growth in business turnover	.533	.311	2.944	1	.086*	1.704
Growth in business gross profit	-.371	.313	1.400	1	.237	.690
Change in their customer base	.360	.425	.718	1	.397	1.433
Moved from employment to enterprise	.041	.292	.020	1	.887	1.042
Moved to a new business site	.576	.342	2.838	1	.092*	1.779
Started a new business	.311	.357	.759	1	.384	1.365
Innovation Factors						
Changes in product offering	.578	.311	3.457	1	.063*	1.783
Changes in service offering	.342	.279	1.503	1	.220	1.408
Changes in market (new markets)	1.637	.243	45.422	1	.000***	5.139
Constant	-1.530	1.022	2.242	1	.134	.217

*significant at 10%, **significant at 5%, ***significant at 1%

Two variable under growth factors; growth in turnover (B= .533, DF=1, P=.086) and movement to new business site (B= .576, DF=1, P=.092) were positively and significantly related to the odds of supply chain innovation. While businesses reporting increase in turnover in the post-loan period could be innovating in their supply chains in response to increased operating capital and the need for diversification, the supply chain innovation among enterprises that had moved to new sites could have been in response to the need for proximity to suppliers in the new locations.

Results further pointed at significant positive relationships between innovation through new sources of raw materials, and through new product lines (B= .578, DF=1, P=.063) as well as through access to new markets (B= 1.637, DF=1, P=.000). These suggest that businesses that had diversified their products and markets had higher chances, than their comparison, of innovating in their supply chains. Naturally, product diversification was likely to be the result of a change of sources of raw materials. In addition, business that had diversified their products were also likely to diversify their markets. Equally, access to new markets also enabled entrepreneurs to identify new market opportunities that would influence the need for product diversification and hence new sources of raw materials and supplies.

4.4.3 Growth and Innovation: Drivers and Impediments – Qualitative Data

In order to triangulate the data on growth and innovation of the enterprises, focus group discussions were held with the Constituency Women Enterprise Scheme (CWES) Committees in the 14 constituencies under study. In addition interviews were held with ten managers of financial intermediaries and six WEF managers. Since the three categories of respondents were asked the same questions, their findings are aggregated and presented in this section.

a) Drivers of Growth and Innovation

The study sought information from respondents on their views on the possible drivers of the observed growth:

Low interest rates: Respondents noted that most of the borrowers resided in either urban informal settlements or rural areas. As entrepreneurs who operated in low-end markets characterised by small margins and high competition, the low interest rates charged on WEF loans spurred growth in women-owned enterprises that would not otherwise survive the high interest rates charged on the traditional commercial bank loans. This finding was echoed by respondents from all the constituencies and financial intermediaries interviewed. The interest rates charged by financial institutions was 8 percent per annum on a reducing balance, which was far less than the 18 – 22 percent charged for traditional commercial bank loans. For those borrowing through the CWES stream, they paid an administrative fee of 5 percent of the amount of loan and were expected to repay the loan within 12 months.

Grace Period: The 3-month grace period granted in the CWES stream afforded the entrepreneurs enough time to stabilize in the market before they could start making repayments. Without this market stability, entrepreneurs may have to start repaying their loan instalments using the very loan capital they had received. As noted by one CWES Committee in Nyeri County, this grace period also meant that for those engaged in agricultural-related enterprises, they could plan with some certainty for loan repayment. The Karasani CWES Committee concurred that the 3-month grace period was sufficient.

Identification and investment in the right businesses: Respondents observed that women entrepreneurs whose decision to invest was informed by initial market research were better placed to grow their businesses. This was especially true of farmers in Nyeri County who identified a market need for horticultural produce and started to produce this for the export market. The WEF managers with support from Agricultural Officers in the region assisted the entrepreneurs (mainly farmers) with information on climatic changes and determination of market for their produce. The same was noted by a Bank Branch Operations Manager in Nairobi who made the following observation:

> Generally, it is a growing trend among women enterprises. When you make a first visit and then you visit later, those who put the money to the right kind of businesses actually grow their businesses. You go to site and find they have more employees, or more products, or they have expanded their business premises.

A similar observation was made by a SACCO manager in Nakuru County:

> Yes, most have increased the stocks in their shops and some bought cattle since now they had the resources to expand their businesses.

Training offered to clients: A WEF manager in Nyeri County noted that the training they offered to clients and monitoring of their businesses during the post-loan period helped to ensure success. They also offered advisory where necessary, especially on agricultural-related enterprises.

Establishing Complementary Businesses: Entrepreneurs who were able to innovate by surveying their immediate markets and identifying complementary business opportunities were able to grow their businesses better. This was true of entrepreneurs who complemented their farming enterprises with retail outlets where they sold their produce (among other products) as was seen in retail outlets in Nakuru County.

Minimal loan guarantee: For those borrowing via the CWES stream, the collateral requirement was mainly household items, which most could afford, hence they could be able to borrow to grow their businesses.

Desire for financial independence: According to a financial intermediary in Kakamega County, women entrepreneurs were motivated by the desire to be financially independent and be able to provide for their families, especially educate their children. This view was shared by respondents in Nyeri and Nairobi Counties who noted that the women wanted to have ownership of something that they were in control of and that could help them achieve their financial objectives.

Passion for the business: Some entrepreneurs, especially in Nairobi and Nyeri were reported to exude confidence and enthusiasm in their businesses. In Nyeri, for example, one entrepreneur who was running a restaurant realised she could make more money by offering outside catering as well. She made business cards that she gave to customers to visited her restaurant. She started to receive requests for her outside catering services and grew her business three-fold in two years.

A similar story was told of a woman entrepreneur in Embakasi Constituency, Nairobi. She was running a restaurant but started delivering meals to her clients in the places of work, especially construction workers. She found that she was able to sell over five times her initial sales once she started the food delivery service. She was able to hire two employees to assist her with the food delivery service. These entrepreneurs were described as being 'passionate' about their businesses.

Provision of individual as opposed to group loans. Individual loan applicants could receive loans of up to Kshs.500,000 from financial intermediaries only. However, the requirements for accessing these loans were the conventional requirements – collateral, a business track record of 3 years, having an account with the bank for at least six months, and having a viable business plan. However, for the few who were able to access these loans, they were able to grow and innovate significantly. An example was given of a woman entrepreneur in Nyeri. She was able to obtain an individual loan of Kshs.150,000 from a SACCO. With that, she was able to start a business of processing, packaging and marketing yoghurt, hence adding value to milk which was locally and readily available. She was also able to brand her yoghurt and obtain a quality certification approval by the Kenya Bureau of Standards.

b) Impediments to Growth and Innovation

The study also sought the views on respondents on the possible impediments to the growth of women owned businesses. Participants identified political interference, lack of innovation, lack of financial knowledge, diversion of loans to unintended uses, repayment defaults, and spousal interference.

Political interference: There were misconceptions about the loan arising from blatant misinformation by local politicians to both potential and current borrowers. Such political meddling interfered with both uptake and repayment. This view was expressed by CWES focus groups in both Nyeri and Kakamega. A similar view was expressed by a WEF manager in Nairobi:

> We have had a challenge with the politicians. They tell the women that this is "their money" and that it is free money from the government. This impedes putting the loans to good use and loan repayment

Group Dynamics and Wrangles: This problem mainly affected borrowers in the CWES stream comprising women groups. With the CWES borrowing stream, the women entrepreneurs were required to form groups. Most groups had about 20 members. A number of the groups were formed for purposes of accessing the loans. The credit officers in Nyeri County expressed concern regarding the wrangling in a number of the groups they worked with; wrangles that resulted in lower group performance and business success of individual businesses. As noted by one credit officer in Nyeri County, she spent a lot of time educating the women on group dynamics and the need for cohesion in the group.

Lack of innovation and high competition: A manager of a financial intermediary in Kakamega County noted that many women enterprises were engaged in similar business, with products or services which were not differentiated. The lack of differentiation meant that switching costs for customers were minimal, therefore increasing competition among the enterprises. A lack of innovation and diversification of products or services therefore meant that most business stagnated or even declined leading to ultimate collapse. This observation was echoed by a bank branch manager in Nairobi:

> There is little innovation from the enterprises. The few instances of innovations appear to be market driven…they do not put effort to get ahead of the market…for example there are already many bars owned by our clients operating in this area all selling the same products, and organised in the same way…the owners will need to innovate if they are to get ahead of the market.

Findings from interviews and group discussions therefore lend credence to the descriptive results (on innovation). Most respondents, lenders and borrowers alike, had difficulties identifying the types of innovations that the women owned businesses had made in the post loan periods. The study found that overall; both borrowers and lender felt that there was little evidence on innovation among the target enterprises.

Lack of financial knowledge and business management skills: Observations by respondents drawn from financial intermediaries in Nairobi and Nakuru Counties noted that businesses owned by trained and the more literate women entrepreneurs generally performed better than their counterparts. The women tended to take on larger loans, and have better management. Most borrowers, however, lack the requisite knowledge and understanding of business, and were unable to keep proper records, hence making them ineligible for the loans through financial intermediaries.

Diversion of Loans: Over 90 percent of the women entrepreneurs used proceeds from the business to contribute to household expenses. However, in some instances the loan became available just in time to meet some pressing family financial need, thus diverting the loan to a non-business activity. This observation was made by ten out of the 14 CWES committees interviewed. The result was that in some of those instances, the women-owned enterprises stagnated or collapsed owing to the diversion of funds to non-productive activities.

> On average you will find that 30 percent of the women we lend to divert the loans to domestic needs like school fees or to pay hospital bills – Credit Officer, Microfinance Institution, Nairobi.

Repayment Defaults: Defaulting on loan repayment was a problem not only for the financial institutions, but the entrepreneur as well. In the case of lending through the CWES stream where women borrowed as groups, default by any member put a strain on the other members, and this had implications for the group dynamics and survival of that group. For the entrepreneur who defaulted, there was a penalty of Kshs.500 for each month the loan remained unpaid, which meant an increased financial burden on them. Additionally, some defaulters ended up exhibiting fugitive behaviour, hiding from both the loan provider and their women group. Consequently, their businesses suffered or simply collapsed as they were not available to attend to them.

Family Factors: Women-headed households were particularly more disadvantaged in terms of domestic expenditure. About 33 percent of all women respondents were heading their households with no spousal support (were single, separated or widowed). With no spousal to support in household costs they had to optimise on business profits to support what were sometimes very large families. These household costs effectively drained profits which the women could plough back to grow their businesses.

Small loan amounts: There was consensus among all the CWES Committees interviewed regarding loan amounts. They all acknowledged that the amounts of loans they disbursed to the women fell far below what they needed to grow their enterprises. The loan graduation was Kshs.50,000 for the first loan, Kshs.100,000 for the second loan and a maximum of Kshs.200,000 for the third loan. These were loans given to groups. If a group had say 20 members, and they received a loan of Kshs.50,000, this meant that each member got Kshs.2,500. This amount was considered too little to make meaningful contribution to business growth. This also meant that even if a woman had a good business idea, they may not be able to actualise it owing to the little amounts of loans given against high demand.

4.5 Complementary Business Development Services available to Women Entrepreneurs

Findings presented on Table 4.25 below show that, with the exception of training, the provision of meaningful complementary services to women borrowers was rarely done by both CWESs and FIs. Notwithstanding the scarceness in complementary service provision, this section outlines the complementary services that some of the WEF lenders and partners extended to the prospective and active borrowers.

Table 4.25 Complementary services provided

Complementary Service	Responses (N=855)	
	Frequency	Percent
Business training	431	50.4%
Education and awareness	220	25.7%
Monitoring of business progress	204	23.9%
Exposure to role model/organized visits to enterprises	110	12.9%
Provision of market information	98	11.5%
Networking	75	8.8%
Asset building	24	2.8%
Others	2	0.2%

The most widely provided complementary service was training which benefited 50.4 percent of women entrepreneurs. General education and awareness reached one quarter of women entrepreneurs. Another quarter of businesses, 23.9 percent, received support in terms of progress monitoring.

Of the service provided, the service providers were as indicated in Table 4.26 below:

Table 4.26 Complementary service providers

Complementary service provider	Responses (N=855)	
	Frequency	Percent
Women Enterprise Fund officers	344	40.2%
A government agency	160	18.7%
Non-governmental organisation (NGO)	80	9.4%
Financial intermediary that advanced the loan	78	9.1%
Community based organisation (CBO)	70	8.2%
Consultant	34	4.0%
Others	28	3.3%

It should be noted that multiple responses were allowed for this question. As such some entrepreneurs accessed complementary services from more than one service provider. As such, this list does not suggest that access to complementary services was prevalent among the entrepreneurs.

4.5.1 Complementary Services provided by CWES

According to the interviews with the CWES Committees, the following complementary services were provided across the board. These findings were echoed by the WEF managers who were responsible for coordinating these services.

Training: Prospective borrowers on the CWES stream were offered pre-loan training. Borrower groups were offered a seven module training covering book keeping, business planning, marketing, pricing, financial management, business management and product diversification. Borrower groups also received training from NGOs on financial management and entrepreneurship.

Organizing exhibitions: Different stakeholders including CBOs and NGOs provided women borrowers with opportunities to market their products and services through exhibitions.

Export promotion: Divisional Women Enterprise Fund Committee (DWEFCs) also networked selected borrowers with the Export Promotion Council (EPC) to build the capacity of such borrowers on how to enhance production for export. The WEF-EPC partnership aimed to help groups market their products internationally.

Product Certification: The DWEFCs also reported introducing the CWES borrowers to Kenya Bureau of Standards (KEBS) to benefit from training on product quality assurance to qualify for product certification. KEBS certification enhances product visibility in the market owing to its quality mark of approval.

4.5.2 Complementary Services Provided by Financial Intermediaries

Training: FIs also offered training services on overall business management, book keeping, product diversification and marketing. The managers of financial intermediaries, however, noted that these trainings were neither compulsory nor regular.

Business Monitoring: Banks and other FIs provided some form of enterprise progress monitoring to ensure the businesses remain on the right performance path. However, these services were often limited to the contractual period of the loans.

Supplementary loans: FIs and banks provided supplementary loan facilities to their clients who did not receive adequate loans from the WEF. This was because banks and the FIs were required to cap their lending of the WEF funds at between Kshs.100,000 and Kshs.500,000. A borrower who required a loan beyond the ceiling could benefit from the supplementary loans. Examples of such products included *Biashara* boost loans provided by Family Bank.

Mobile banking services: A number of commercial banks provided their borrowers with mobile banking platforms. This platform made it easier for account holders to transact business on their accounts without visiting the banking halls. The microfinance institutions had also introduced m-banking loan repayment products that enabled entrepreneurs to repay their loans without visiting the institutions.

Overdrafts: Banks advanced overdrafts to their stable and loyal customers. This service was extended to WEF borrowers of known ability to service the overdrafts. However, this product was accessed by very few entrepreneurs.

LPO Financing: A number of FIs, especially banks, had Local Purchase Order (LPO) financing products. This allowed women borrowers who had secured LPOs to receive loans to enable then finance their supply process. The entrepreneurs were then able to service the short term loan from the bank with the payments on the LPOs.

Overall, however, given that only 14 percent of all respondents had received their loans from financial intermediaries (Figure 4.4), and fewer still qualified for these complementary services, the services from financial intermediaries benefitted very few women entrepreneurs indeed.

4.6 Challenges Encountered by the Fund and Possible Interventions

These section outlines the challenges encountered by the Fund as enumerated by the WEF managers, the financial intermediaries and CWES Committees during the interviews. They were asked similar questions and their responses were similar, hence they have been aggregated and presented together.

4.6.1 Challenges Encountered

a) Fund Level Challenges

Inadequate WEF Field personnel: The CWES relied on Regional Credit Coordinators (RCCs), Regional Credit Officers (RCOs) and credit officers. Often the RCCs and RCOs covered inordinately wide areas of operation spanning several counties. The credit officers were responsible for constituencies and were engaged on a volunteer basis by WEF. This increases the likelihood that those volunteers who had been trained and have developed good working relations with groups could easily move on to better opportunities, and indeed they moved. The WEF managers indicated that on average, the volunteers worked with them for about 12 – 18 months before moving on to other jobs. Invariably, this would affect the progress and continuity of work at the constituency level with the women entrepreneurs.

Inadequate Fieldwork Facilitation: In view of the wide areas of operation by field officers, the Fund still lacked proper facilitation in operational areas such as mobility and adequate finances to ensure improved effectiveness in extension work.

Low Loan amounts: In both CWES and FI streams, respondents indicated that the amounts allocated were very little relative to the actual credit demand levels of the SMEs. In the CWES stream, loans were awarded to groups that either invested as groups or divided the net loan received equally among members who then invested individually. In the CWES stream, per capita loans hardly exceeded Kshs.5000. Among commercial banks, the institutions also noted that the total amount received was little such that the WEF stream served only a few clients in every branch.

As noted by a few managers of financial intermediaries:

> From the bank's perspective, the amount is not enough as others have been turned away or had the amount requested reduced. As a result, the government should increase amount given – Bank Manager, Molo, Nakuru County.

> The funds are limited….we have to queue borrowers…at some point we designed our own products targeting the same market segment as the WEF loan – Bank Credit Officer, Nairobi County.

> From the allocation we get, we do not allocate a lot to each borrower as we try to give as many women borrowers as possible. The maximum we have given an individual is Kshs.300,000, although we are allowed to lend up to Kshs.500,000 to an individual – Bank Branch Manager, Naivasha, Nakuru County.

Delays in disbursements: Lenders pointed out that there were instances of delays in the disbursement of loans from the WEF (and by extension the Ministry of Finance) to the lending institutions. This, it was noted, created long waiting periods among borrowers who preferred the WEF loan to other commercially rated bank credit facilities.

Multi layered Fund Structure: As explained in detail in Section 4.7 below, there were multiple structures in the administration of the Fund that essentially increased the bureaucracy without adding much value in efficiency terms.

b) Lender Level Challenges

High Cost of loan administration: Financial intermediaries considered smaller loans much costlier to administer. They preferred to lend larger amounts of money to fewer borrowers. As a result, the banks found it administratively cheaper to allocate the limited WEF funds to only a handful of borrowers at the branch level, hence the low number of beneficiaries.

Competition with Commercial Bank products: Findings from interviews with commercial bank staff showed that some of the banks considered the WEF loan product to be in direct competition with their own products targeting the SME market segment. As a result, branch officers often treated the WEF loan as a reward product to their more loyal customers, as explained by one bank branch manager:

> We first give our bank loan product. After success repayment, we then advance a WEF loan to the clients in appreciation of their loyalty. We do not give more than Kshs.100,000 of the WEF loans. This framework does not support women entrepreneurs because we first give our bank loans before giving WEF loan. The customers are not very many because they lose patience – Bank Branch Manager, Mumias, Kakamega County.

Poor Dissemination of Information: Within the FI stream, commercial banks had the greatest challenge in disseminating information on the availability of the WEF loan. One micro credit officer at a commercial bank branch in Nairobi noted:

> Identifying the borrowers is a challenge. Most women do not know about the Fund and information has not yet reached the target market. And the reality is, we do not consider it our responsibility to market the WEF product. We have our own loans to market.

A SACCO manager in Nakuru County reiterate the challenge for poor information/misinformation.

> There is the impression that the Fund is free so the clients take advantage of it and they lag behind in making repayments. Sometimes when we tell client that they have to save with the SACCO for three months before getting the loan some feel they are being deceived and even call the WEF CEO to complain.

Misconception about purpose of the Fund: Related to poor dissemination of information, were misconceptions regarding the purpose of the Fund. In some locations, lenders indicated that women borrowers believed that the WEF loans advanced to them were grants which were not to be repaid. The situation was aggravated by local politics where beneficiaries were dissuaded by politicians from repaying the loans as explained by one bank manager:

> There is this ideology that the WEF loan is a grant or is politically motivated, therefore people do not feel obligated to pay up – Bank Branch Manager, Nakuru County.

High Default Rates: The poor access to information and misconception about the purpose of the Fund had inevitably resulted in high default rates. Among microfinance lenders the default rate was relatively higher than among commercial banks. Default rates of between 10-20 percent were reported by some microfinance lenders, while commercial bank default rates were less than 5 percent. Among the CWES, the default rates were between 20 – 30 percent.

High Demand/Limited scope of coverage: Closely related to the low amounts allocated through the CWES and FI streams, is the ever increasing demand for the WEF loan. Being lend at a below market interest rate of 8% per annum most SME borrowers in the FI stream would want to receive loans from this stream but the supply cannot match demand levels. FI borrowers in commercial banks were therefore directed to the more expensive products provided by these banks.

Lack of Distinct Product Branding: The FIs largely lacked distinct branding for the WEF product. This, it was noted, made it difficult for prospective borrowers to distinguish the institutions' own products from the WEF loan.

Lack of Individual Choices in Group Lending: Although the group lending provided CWES lenders with the security on loans, findings revealed that women entrepreneurs felt the group borrowing stifled individual choices and business growth. Borrowers thus preferred larger individual loans away from group loaning that greatly limited the net per capita loan received. However, the large individual loans were only accessible through the financial intermediaries, which most did not quality to access.

Bureaucratic Processes: Borrowers cited long durations in processing of loans. The process of filling forms, movement to urban locations to fulfil registration requirements including banking were considered hindrances to accessing the Fund.

Limited Business Monitoring: In the absence of consistent monitoring, some beneficiary entrepreneurs with inadequate training and business skills failed in their businesses and faced loan repayment challenges.

c) Borrower Level Challenges

The women entrepreneurs were asked to identify the challenges they faced in their businesses and with regard to borrowing. Their findings are as shown in Table 4.27 below.

Inadequate loan amounts: According to the lenders, women complained about low amounts of capital. This was a challenge that the lenders themselves faced. This is confirmed by the data in Table 4.27 that showed that over 68 percent of the women entrepreneurs said they lacked adequate capital.

Table 4.27 Challenges faced by women entrepreneurs

Challenge	Responses (N=855)	
	Frequency	Percent
Inadequate capital	584	68.3%
Lack of accounting skills	74	8.7%
Inaccessibility to credit	112	13.1%
Inability/difficulty in repaying loan	72	8.4%
High taxation	62	7.3%
Shrinking markets/increased competition	524	61.3%
Debt collection	172	20.1%
Fraud	32	3.7%
Employee management	36	4.2%
Others	70	8.2%

Product Marketing and Competition: The second most cited challenge by women entrepreneurs was shrinking market and increased competition at 61.3 percent. This finding was echoed by the lenders and WEF managers who noted that most women borrowers faced difficulties in retaining existing markets and creating new ones for their products and services. This was attributed to intense competition especially in urban informal settlements. The challenge of heightened competition was due to product and service similarities, lack of mobility and stagnating or shrinking clientele.

Inaccessibility to credit: Despite having the WEF loans, 13.1 percent of women entrepreneurs said they lacked access to credit. This was particularly those in remote locations who noted that although the loans were available, being able to travel to the towns where they could access them was a challenge. This observation was noted by the WEF managers who acknowledged that they were not always able to reach all the women who need loans.

Lack of business knowledge and opportunistic behaviour: The study also found that, in some instances, the decision by women borrowers to enter into business was supply-driven, in other words, the provided what they thought the market needed. Additionally, some women entrepreneurs, even with very little business knowledge, initiated groups and ventured into business so that they could 'cash in' on the WEF loans that were readily available at constituency level. Such supply-driven and opportunistic ventures were likely to collapse shortly after members received and divided the loan amounts among themselves.

Diversion of the funds: Respondents recounted incidences where borrowers diverted the loans to other unrelated causes. For example, borrowers would spend the loans on school fees, household goods or other domestic wants as opposed to the intended business.

> Some borrowers have difficulty repaying because they divert the funds into other uses such as paying school fees, furnishing their houses or paying hospital bills – Bank Branch Manager, Kakamega County.

Low literacy among women: A sizeable proportion of women entrepreneurs lacked basic literacy. This incapacitated the women in terms of proper record keeping and made them averse to formal business processes such as formal banking.

> It is hard for entrepreneurs who never went to school to keep records hence establishing the credit worthiness of their businesses is hard and even running the business is difficult for some – Bank Branch Manager, Nairobi County.

> There is lack of experience and knowledge of business to encourage growth and expansion among the potential borrowers targeted by the WEF loan. The women lack knowledge to run businesses hence expanding the businesses and venturing

> into new opportunities does not click into their minds – Bank Manager, Kakamega County.

Loan Securities: Women entrepreneurs faced challenges in raising collateral to secure the loans. Whereas the group and household asset based loan security approach worked for the small and micro-borrowers, women borrowers who required medium level loans from commercial banks faced challenges in raising collateral.

Domestic Interference: Women entrepreneurs faced spousal challenges in key business decisions. For example, owing to the use of household assets to secure loans, some male spouses resisted the use of their household assets as security for loans sought by the women. In other instances, once the woman obtained the loan, the spouse demanded it for other uses.

4.6.2 Strategic Interventions to Address Challenges

Training: In the CWES stream, borrowers had to undergo mandatory training before receiving the loan. This approach aimed at ensuring that members of the groups had appropriate knowledge and skills to steer their business to success and be in a position to repay their loans. However, as seen from Table 4.25, slightly over 50 percent of women entrepreneurs had accessed training, yet over 86 percent of beneficiaries received loans were via the CWES stream. It begs the question as to whether the training was really mandatory.

Loan Capping/Equal fund allocation: FI managers reported that part of the strategy to ensure fair distribution of the loan to borrowers included allocating equal amounts to borrowers. However, this still had to be balanced against their capacity to successfully run their businesses and repay the loans.

> To avert instances of loan defaults, we screen WEF loan applicants to ensure they meet all credit worthiness conditions. In addition, the amount of loan we approve is matched to the established loan seekers' ability to repay – Bank manager, Kakamega County.

Revolving funds: A number of FIs, especially SACCOS and microfinance institutions had created revolving fund pools out of the recoveries from the WEF loan. This would enable these institutions address the challenge of limited allocation from the WEF. This was also the intention of the Fund from inception – that it would grow to a sustainable revolving Fund.

Renegotiation of Repayment: Some of the FIs indicated flexibility in their WEF loan terms. Borrowers facing serious repayment challenges could re-negotiate for more flexible repayment terms.

Site visits and background checks: To reduce the incidences of loan defaults, banks and other FI lenders conducted site visits and background checks on the prospective borrowers. CWES lenders also conducted site visits to verify the existence of groups and the ventures of individual women.

Platform for asset financing: Some FIs provided small asset financing loan schemes targeting borrowers in the WEF platform. Borrowers receive loans for purchasing business related assets and equipment such as bicycles and motorcycles for supplying produce and goods.

4.7 Policy and Institutional Framework for the Fund

This section outlines the policy and institution framework under which the Fund operates. This information was provided by the WEF secretariat and presents the background against which some of the findings of the study may be interpreted.

The Women Enterprise Development Fund was conceived in December 2006 by the Government as a strategic move towards addressing poverty alleviation through socio-economic empowerment of women. The Fund was aimed at facilitating enterprise and development initiatives among women through a revolving loan disbursement to individuals and groups. The fund disbursement process was done through Financial Intermediaries and the District/Divisional Women Enterprise Committees (DWEC).

4.7.1 Loan Fund Distribution

The initial Kshs.1 billion that was injected into the Fund pull in 2007 was to be distributed as follows:

- Kshs.640m channelled through FIs to give loans to legally recognized women-owned enterprises
- Kshs.210m allocated to the 210 constituencies each getting Kshs.1million (the CWES Stream).
- Kshs.30m for capacity building for women groups and their institutions.
- Kshs.100m to cater for administrative expenses of the Advisory Board and the Secretariat
- Kshs.20m for community mobilization by the Department of Gender and Social Services.

However, as seen from Figure 4.2, not all the funds intended for either the FI or the CWES streams reached them. The FI stream received Kshs.317million in the base year while the CWES stream received a paltry Kshs.2.8million in the base year.

4.7.2 Minimum Conditions for Accessing WEF loans

- One must be 18 years and above.
- Must be a Kenyan citizen. If accessing the loan as an individual, they must be female.
- One must have intention of investing in income generating activities.
- The groups must be registered by appropriate authorities and must be in existence for at least 3 months.
- The Fund is a loan and therefore has to be repaid.

The last condition here is noteworthy as findings in section 4.6.1 (b) the lenders identified one of their challenges as poor information and misconception about the Fund where borrowers were made to believe (especially by politicians) that they were receiving government grants for which no repayment was required.

4.7.3 Fund Disbursement

a) The Revolving Loans Through Financial Intermediaries

Features

- The Ministry of Gender, Children and Social Development make efforts to identify areas that are not covered by the approved intermediaries so that other credible intermediaries operating in the region can be engaged to on-lend the funds. The number of financial intermediaries approved had grown from 12 in the 2008/2009 financial year to 100 in the 2011/2012 financial year (see Table 4.1).
- The loan is accessible to any women owned enterprise operating in Kenya.
- The loan attracts interest rate of 8% per annum on a reducing balance.
- The financial intermediary should allow for flexible collateral.
- The loan is dependent on the nature of business proposed and the lending terms of the financial intermediary. The means that the FI determines who can access the loan, how much they can access and the terms of borrowing.

- Financial intermediary must seek approval for loan amount exceeding Kshs.500,000 from the Advisory Board.

b) Constituency Women Enterprise Scheme

This portion of the Fund is to ensure that all women especially those living in remote areas not well served by financial intermediaries are not disadvantaged in accessing the Fund. It was also intended to reach women who may not be able to meet the stringent lending requirements of financial institutions.

Features

- The loan targets enterprises of women groups in the constituencies.
- Accessible only to women groups operating within the parliamentary constituency.
- Initial Maximum loan amount per group is Kshs.50,000.
- The maximum loan amount per group is Kshs.200,000.
- The loan attracts no interest but has an administration fee of 5% deductible upfront from the approved loan.
- Proposal screening, recommendation and approval done by Divisional Women Enterprise Fund Committee (DWEFC) at divisional levels.
- Full repayment in 12 equal instalments after a 3-month grace period.
- Groups with female and male membership must have at least 70% women membership and 100% of women in leadership positions. This allowed for a small number of men to access the loans.
- All potential applicants must fill a Standard Application Form.

4.7.4 Loan Access Procedures and Requirements

(a) The applicant must be a registered group/company/cooperative which is in existence for at least three (3) months as of the date of application;
(b) The registered entity must have a bank account;
(c) Applicants must prepare a business proposal using the Standard Application Form provided;
(d) Submit the Application Form to the Secretary of the Divisional Women Enterprise Development Fund Committee;
(e) Divisional Women Enterprise Fund committee evaluates the application using evaluation guidelines provided by the Ministry of Gender, Culture and Social Services;
(f) The Divisional Women Enterprise Fund committee recommends to the Advisory Board for the disbursement of the Fund to the group.
(g) The Women Enterprise Fund secretariat disburses the funds directly to the bank accounts of the approved groups;
(h) The group repays the loan in instalments in twelve (12) equal instalments after the grace period into the bank account of the Women Enterprise Fund.
(i) All repayments are made into designated collection accounts.

4.7.5 Capacity Building and Community Mobilization

This role is facilitated by the Ministry of Gender, Children and Social Development with the possibility of outsourcing such services to other institutions with capacity to train women in enterprise and business development skills. As seen from Table 4.26, complementary services were provided by other government agencies (besides WEF), non-governmental organisations, financial intermediaries that advanced the loans, community-based organisations and consultants. Over 50 percent of complementary services were offered by these outsourced service providers.

4.7.6 Institutional Framework[3]

The Women Enterprise Fund is managed through three (3) institutions:

a) **Advisory Board**, which oversees the management of the Fund and advises the Ministry of Gender generally on the operations of the Fund. The Board is headed by a non- Executive Chairperson and has Chief Executive and staff who are competitively recruited.

Composition of the Advisory Board:

- A Non-Executive Chairperson
- Permanent Secretaries of the following ministries: Ministry of Gender, Children and Social Development, Ministry of Finance, Ministry of Trade, Ministry of Industrialization, Ministry of Agriculture and Ministry of Planning and National Development.
- Five (5) persons with expertise and experience in enterprise development and financial management.

b) **District Women Enterprise Fund Committee**

Members to this committee includes:

- District Commissioner or his representative – Chair
- District Gender and Social Development Officer (DGSDO) – Secretary
- Two experts in trade and entrepreneurship development seconded from the Ministry of Trade
- Women representatives from each location in the district
- All the chairpersons of DWEFC in the District

Role of the District Women Enterprise Fund Committee

The role of the Committee is to:

- Evaluate and approve proposals
- Disburse funds to the beneficiaries
- Ensure that loans disbursed are repaid i.e. loan recovery
- Monitor implementation of WEF
- Handle any disputes and conflicts emanating from the WEF and facilitate appeal for any cases arising

c) **Constituency Women Enterprise Fund Office**

Every constituency has a Constituency WEF Office with women administrators.

Role of the Constituency Women Enterprise Fund Office

- Convene meetings related to WEF
- Collect proposal forms
- Facilitate vetting of proposals
- Facilitate capacity building and awareness creation
- Facilitate loan repayment
- Share WEF information
- Provide a feedback mechanism i.e. answering and contacting relevant officers for any action needed

[3] The institutional framework presented here was as at December 2012. The framework was under review and was likely to change in 2013.

- Follow up with WEF beneficiaries to see what and how they are doing and assisting them if necessary

d) Divisional Women Enterprise Fund Committee (DWEFC)

Composition of the Divisional Women Enterprise Fund Committee:

- The Chairperson must be a woman elected by the committee members but should not be a public servant
- The Divisional Gender and Social Development Officer – Secretary
- The Treasurer, should be elected by the Committee
- A representative of the Local Authority in the Division
- The Divisional Officer (DO) to represent the Provincial Administration
- A representative of women with disabilities
- A Prominent Woman Entrepreneur

Role of the Divisional Women Enterprise Fund Committee (DWEFC)

- Support the Capacity Building of the beneficiaries of the Fund and their Institution.
- Create awareness on the funds disbursement procedures and requirements.
- Assist in the mobilization, selection, Identification and vetting of the women groups seeking loans.

e) Micro Finance Institutions (MFI)

A component of the funds is disbursed through microfinance institutions. WEF Secretariat is responsible for identifying the appropriate financial institutions through which to channel funds.

Selection Criteria of Financial Intermediaries

1) Minimum qualification for funding

(a) Clean audit report of the FI from the WEF internal audit and credit departments (if existing), on such areas as timeliness in submitting interest repayment, quality of quarterly reports, right targeting and ability and willingness to revolve funds.
(b) Have women friendly products/programmes.
(c) Outreach in funds disbursement – this includes both geographical spread and number of beneficiaries reached.
(d) Financial position and performance for the last 2 years
(e) Level of automation – a robust system
(f) Personnel and management – Must be gender responsive (management to exhibit gender balance) and have sufficient experienced credit officers.
(g) Must be filing annual returns
(h) Must demonstrate ability to pledge marketable collateral securities

2) Checklist to Facilitate Evaluation

The financial intermediary must submit a letter of application. Due diligence is conducted by WEF officers, and the institution should also submit a Credit Reference Bureau Report. Additionally, a company profile detailing the age, products and services, area of focus, list of branches, organizational structure, staff establishment and relevant experience /qualifications etc. is required, as well as audited accounts for the last 3 years. For SACCOs, they are also required to demonstrate borrowing powers from the Ministry of Cooperative Development and Marketing.

4.7.7 Proposal Evaluation Guidelines for Groups

a) Basic Requirement for Groups

- Registered with the Ministry of Gender, Children and Social Development, the Attorney General Chambers and other appropriate authorities for at least three (3) months before applying for the loan.
- Based and operating within the Division.
- Undertaking/proposing to carry out business oriented activity.
- Operating an active bank account.
- Recommended by the local Gender and Social Development Assistant or the Secretary of Divisional Women Enterprise Fund Committee.

b) Conduct of the Group

The District Gender and Social Services Officer must ensure that:-

- The conduct of the group members, in particular the leadership, is beyond reproach;
- The group has not been involved in any financial irregularity/mismanagement before;
- The group members are women and men in line with the guidelines. The Original National Identity Cards of members must be produced to facilitate certification by the Gender and Social Development Assistant or the Secretary of Women Enterprise Fund Committee;

c) Viability of the business proposal

The Divisional Women Enterprise Fund Committee must ensure that the current proposed business is legal, and financially and socially viable. Such decisions should be supported by relevant technical or experienced people in the committee.

d) Amount of Loan

Maximum first loan trance from the Women Enterprise Fund Scheme payable to any group must is capped Kshs.50,000. Proposals exceeding the defined amount are referred back to the groups. The second loan is capped at Kshs.100,000 and the third one at Kshs.200,000.

5.0 Discussions

This study used primary enterprise level and secondary data from the WEF secretariat to analyse both general and specific performance of the Fund in terms of growth and innovations among women owned MSMEs in Kenya. It focused on the extent of growth and innovation, the drivers and barriers to growth, challenges facing the Fund as well as the complementary services accessed by MSMEs. It also presented the policy and institutional framework on which the Fund to run to provide background information useful in interpreting some of the findings. From empirical analysis, the study establishes the determinants of growth and innovation from among entrepreneur characteristics, business characteristics, growth indicators and selected innovation indicators. As opposed to past studies on the performance of women enterprises (McCormick, 2001; Kantor, 2001; Elumba, 2008), which were largely descriptive, this study combines both descriptive and multivariate analysis to establish the extent and determinants of MSME performance.

5.1 Growth of Enterprises

Evidence from study data indicated that women owned enterprises benefiting from the Fund had registered growth in the overall median gross business worth, turnover and gross profit. They also grew the number of employees. The use of the median as a measure of growth between the pre-and-post loan periods eliminated the problems associated with outlier effects on the position of the mean. In terms of proportions, the data also showed that 70 percent or higher of women owned enterprises had registered growth along the selected indicators. Notwithstanding the evidence on growth among majority of women owned enterprises, the study could not exclusively attribute the observed growth to the WEF loans.

Evidence from the interview data attributed the positive growth observed in women owned businesses to low interest rates, the three-month grace period granted to borrowers in the CWES stream, identification of the right business for which demand exists, innovation through the establishment of complementary services, passion for the enterprise and provision of individual loans. The finding that innovations spur MSME growth concurs with findings by Tumbunan (2007). On the other hand, the study identified political interference, group wrangles, lack of innovation, diversion of loans, low literacy levels and family factors as the main impediments to growth. This was consistent with Stevenson and St. Onge (2005b) who identified gender-specific constraints to growth of women-owned enterprises.

From the multivariate analysis, the significant negative relationship between ownership of other businesses and growth in total business worth (B=-.816, DF=1, P= .026) or gross profit businesses (B= -.553. DF=1, P=.056) suggests that women entrepreneurs with small multiple businesses were likely to face significant accounting and management challenges at a level that impeded growth. The ownership of multiple businesses, especially in the absence of employees with appropriate accounting knowledge, would suggest entrepreneurs get stretched for time to a point where they cannot follow through the progress and performance of each business. The net effect would be that one poorly performing business could ruin the overall good performance of the rest. This problem was more likely to face entrepreneurs who run businesses without proper records; a problem that characterised the majority of business that participated in the study.

Results also showed that being single (B= .637, DF=1, P= .025) increased the odds that a woman entrepreneur would grow her overall turnover. This suggests that, with no alternative sources of income and no spousal support, single women entrepreneurs tend to put more effort on optimizing revenue from their business by enhancing their turnover levels. As a result, single women were unlikely to grow the overall worth of their businesses but instead they generated enough profit margins to sustain their families. The foregoing deduction is lent credence by study findings showing that being single was not significantly related to growth in total worth of women owned enterprises.

From results of the four growth models (Tables 4.17, 4.18, 4.19 and 4.20), four out of the six individual characteristics remained insignificant, that is, age of entrepreneur, level of education, household size and access to training in the pre-loan period. However, marital status and owning other business in the pre-loan period were significant determinants of some growth indicators. As such the null hypothesis:

Ho1(a): Entrepreneur characteristics are not significant determinants of MSME growth is rejected.

In terms of business characteristics, the positive relationship between age of the loan and growth in number of employees (B= .286, DF=1, P=.037), growth in total worth of the businesses (B=.608, DF=1, P= .003) and turnover levels (B= .508, DF=1, P=0.000) demonstrates the positive legacy effect of the WEF loan in growing businesses. Contrary to expectation though, it is noteworthy that an increase in the amount of the loan diminished the odds of increase in turnover (B= -.096, DF=1, P= .027) or gross profit (B= -.099, DF=1, P=0.024). This suggests that borrowers who received higher loan amounts were more likely to invest in capital-intensive stocks such as hardware materials or invest in expanding their business location. Even where the profit margin levels of such capital-intensive stocks are good, they are soon overtaken by enterprises dealing in stocks with smaller profit margins but higher turnover levels.

Results showing significant negative relationships between urban enterprise location and growth in number of employees (B= -.682, DF=1, P=0.090) or growth in gross profit levels (B= -.681, DF=1, P=.026), effectively debunks the 'urban advantage mantra' that is often associated with the enhanced growth prospects of enterprises located in urban areas. The lower likelihood of growth in employee numbers and gross profit levels among urban loan borrowers was likely to be the result of stiff competition in the low value businesses that characterize the urban slums and informal settlements where most urban respondents lived and had their businesses.

From results of the four growth models (Tables 4.17, 4.18, 4.19 and 4.20), where seven out of the eight business characteristics showed some level of significant relationship to different measures of growth, the study and concludes that, overall, business characteristics have significant contribution to the odds of growth.

As such the null hypothesis Ho2(a) which stated that: Enterprise characteristics are not significant determinants of MSME growth, is rejected.

Growth in total business worth (B= 1.382, DF=1, P=.041) and moving from a previous job to concentrate on the current business (B= .760, DF=1, P=.039) were positively related to the odds an enterprise increasing its number of employees (Table 4.17). Businesses reporting increase in total business worth in the post-loan period could be increasing their employees in response to increased operations. On the other hand, the relationship between moving from a previous job to concentrate on the business and growth in number of employees suggested that entrepreneurs who allocated more time to their businesses were more likely to grow their enterprises to levels that would require more support staff.

Experience of a change in the customer base was found to be positively related to growth in both total business worth (B=1.046, DF=1, P=.024) and gross profit (B=1.060, DF=1, P=.009). As seen in the descriptive results (Table 4.15), most of the women entrepreneurs who had experienced market changes indicated increased competition. Among this group, increasing the overall stock levels through product-line innovation becomes a natural option in the face of heightening competition. As consequence of increased business sizes, both gross profit levels and total business worth were likely to increase hence the positive link between experiencing market changes through increased competition and gross profit and business worth.

Model results show that out of the five explanatory growth factors included, four showed significant levels of relationship to at least one measure of growth. From the study it can therefore be argued that an enterprising possessing a set of growth characteristics significantly affects the odds of the other forms of growth.

As such, the null hypothesis Ho3(a) that stated that: Enterprise growth factors are not significant determinants of MSME growth is rejected.

Out of the four innovation factors in the models, only access to new markets (B= .961, DF=1, P=.018) (Table 4.18) was found to be positively related to growth in the form of total business worth. This calls for the remodelling of the funding framework to integrate the promotion of innovation in a way that spurs growth, as the contribution of innovation factors towards enterprise growth seem to be weak.

However, this findings lead still leads to the rejection of the null hypothesis Ho4(a) which stated that Enterprise innovation factors are not significant determinants of MSME growth.

5.2 Innovation in the Enterprises

The general inability of respondents reached to make a connection between the WEF loans and enterprise innovation could be partly attributed to the overall low incidences of innovation. Even the respondents of interviews struggled to identify viable innovations in women-owned enterprises. The connection between access to the WEF loan and innovation was weak.

Out of the four indicators of enterprise innovation, only product innovation showed a significant positive relationship with the amount of loan. No significant relationships were established from the empirical analyses between attributes of the loans accessed (amount, duration of trading with the loan) and the other forms of innovation. From both empirical and anecdotal results, the study found no strong and compelling evidence on the impact of the Fund on enterprise innovation. The absence of a strong link between access to the Fund and enterprise innovation was largely attributable to the fact that no complementary services were offered to borrowers in the CWES and FI streams that focused on support to business innovation. This finding is similar to what was recommended at the *East African Community Conference on the Role of Women in Socio-economic Development* held in Arusha, Tanzania in 2011. The conference recommended that EAC member states should mobilise resources for training and also invest in programmes that focused on innovation in women owned enterprises (EAC 2011). Akaile (2007) also documented similar findings on limited access by women entrepreneurs to growth and innovation promoting support services.

From the findings, contrary to expectation that complementary services were likely to be located in urban areas, this study found no significant differences in access to complementary services by geographical location. In part, the low levels of access to complementary services among women borrowers of the Fund in both rural and urban locations is attributable to fact that most urban borrowers were located in slums and informal settlements. In general, urban slums and informal settlements lacked the much touted urban advantage in accessing financial and related services. As a result, the situation of women entrepreneurs in these locations was no better than their rural counterparts.

Individual characteristics were neither related to the likelihood of product or supply chain innovation. However, entrepreneurs who had received training were more likely to innovate in their service lines (B= .632, DF=1, P=0.058) or markets (B= .531, DF=1, P=.089) (Tables 4.22 and 4.23). These results suggest that, to an extent, the kind of trainings offered to a section of borrowers actually spurs innovation. This finding supports the recommendation of the EAC (2011) on the need for training driven towards innovation. This result provides evidence that making the promotion of innovations an integral component of the trainings would increase the odds that women entrepreneurs would innovate in their businesses at levels that could profoundly impact growth.

The results also showed a significant positive relationship between being single and service innovation (B=.705, DF=, P=..036). This could be explained by arguing that single women might be more willing to take risks and innovate in new services owing to less family pressure. Results also showed a significant positive relationship between owning other businesses in the pre-loan period and market innovation (B=.569, DF=1, P=.070). As such three out of the six explanatory variables under entrepreneur characteristics were found to bear significant impact on service and market innovation.

As such, the null hypothesis Ho1(b) which stated that: Entrepreneur characteristics are not significant determinants of MSME innovation is rejected.

From among business characteristics, self-run businesses (B= -.662, DF=1, P=.031) were found to be less likely to innovate in their services. In contrast, self-run businesses (B= .482, DF=1, P=.051) were likely to innovate in their supply chains. The diminished odds of service innovation in self-run businesses is attributable to the tendency by entrepreneurs to over concentrate in their core businesses. In the absence of supporting employees, entrepreneurs easily miss out on innovative ideas on a business' service profile that could be generated by those employees who understand the business and its trends. Of the eight business characteristics included in the models, four were found to be significantly related to at least one form of enterprise innovation, that is, amount of loan, assistance in addressing challenges faced in the enterprise, registration status of the business and who runs the business. That the study findings support the position that business characteristics have a significant contribution on innovation.

The null hypothesis Ho2(b) that stated that: Enterprise characteristics are not significant determinants of MSME innovation is therefore rejected.

Whereas entrepreneurs who had experienced changes in their markets had increased chances of innovating in their product-lines (B=.1.477, DF=1, P=.008), market changes actually diminished the probability of service innovation (B= -1.009, DF=1, P=.070). Noting that entrepreneurs who cited changes in their markets mostly represented those facing heightened competition, the import of the foregoing results is that product innovation was likely to have greater cushioning effect against competition when compared to service innovation. The positive link between starting a new business and service innovation (B=.835, DF=1, P=.075) is a pointer to the possibility that expansion into complementary services was a major avenue of growth. Out of the eight growth factors included in the model, five showed significant relationship to at least one form of innovation, that is, change in the customer base, starting a new business, growth in total business worth, growth in turnover and moving the business to a new site. The study therefore concludes that select growth factors determine the odds of innovation.

The null hypothesis H03(b) which stated that: Enterprise growth factors are not significant determinants of MSME innovation, is therefore rejected.

Multivariate analysis suggests that the possession of a set of innovation characteristics positively and significantly affects the chances that an enterprise would innovate in other areas. For example, change in service offering (B=3.171, DF=1, P=.000) and change in markets/access to new markets (B=.893, DF=1, P=.013) were both positively and significantly related to product innovation. Equally, change in product offering (B=.713, DF=1, P=.039), change in service offering (B=1.142, DF=1, P=.000) and change in source of raw materials (B=1.446, DF=1, P=.000) were all positively and significantly related to market innovation. On the strength of these results, the study makes the conclusion that entrepreneurs with innovative characteristics, tended to innovate in different areas, or in other words, entrepreneurs who have innovated in one area are more likely than their comparison to innovate in other areas as well.

Consequently the null hypothesis Ho4(b) which stated: Enterprise innovation factors are not significant determinants of MSME innovation is rejected.

5.3 Complementary Services

Findings suggest a thin profile of complementary services that could be accessed by the majority of women borrowers (Table 4.25). The most widely provided complementary was general training. Other complementary services included networking, exhibitions and export promotion. Services such as product certification, supplementary loans, mobile banking and overdrafts reached only a minority of women entrepreneurs mainly through the FI stream. In their study on *Acts of Entrepreneurial Creativity,* Mambula and Sawyer (2004) also identified similar interventions as being instrumental to MSME development at the micro level. Notwithstanding the higher incidence of trainings offered to women borrowers, in general, complementary services were not available to the majority of women borrowers of the WEF loans at a level that could meaningfully sustain businesses on the growth path and spur innovations.

5.4 Fund Challenges

There were five major challenges found at the Fund level. These included inadequate WEF field personnel, inadequate fieldwork facilitation, low loan amounts, delays in disbursements and an inefficient multi layered Fund structure. The inadequacy in the number of field personnel greatly diminished the effectiveness in targeting and reaching the most deserving prospective borrowers. On the other hand, inadequate facilitation to field staff adversely affected motivation and the overall efficiency of the Fund's field staff. The use of weakly remunerated volunteers in the critical interface between the Fund and the borrowers in the CWES stream greatly compromised the operationally efficiency at this level since such volunteers were in constant search of employment and promptly move into better opportunities. In such circumstances, the Fund often lost its most important personnel who had developed relationships with borrowers and understood their most critical needs.

At the lender level, and as pointed out by St-Onge (2005a), the study found that the high cost of loan administration prompted FIs to limit the number of borrowers and instead give bigger lump sums. This effectively led to low coverage in this stream. This finding was particularly ironical given the fact that the FI stream received a greater share of the funding compared to the CWES stream. Findings pointing at competition between the WEF loan and commercial bank products was the result of an artificial 'displaced demand' created by commercial banks that were intent on moving their products before availing the WEF loan to their customers. In such situations, the banks tended to hoard information on the availability of the WEF loan. Left with no option in accessing below-market rated WEF loans, borrowers opt for the next available products offered by the banks. Often, the loan products provided by banks were at higher interest rates.

The problem of poor dissemination of information on availability of the loans made it difficult to access the loans either on CWES or FI streams. Lenders on both streams lacked formal mechanism of passing appropriate information to prospective borrowers on the existence of the loans. This form of asymmetry of information led to a situation where the women entrepreneurs, who required the loans most, hardly got the correct and timely information on where and when to access the funds. A study by World Bank (2004) similarly pointed out that market failures had constrained MSME innovation in many developing countries by limiting the necessary access to information, finance, labour skills and business development services (BDS) that could increase competitiveness and productivity. Owing to an ever-increasing demand for the loans on both the FI and CWES streams relative to the limited funding from WEF, a large population of prospective women borrowers remain unreached, point to another challenge at the lender level – high demand and limited scope of coverage. Findings by Stevenson and Onge (2005b) also pointed to the limited access by women owned MSEs to credit from financial institutions.

The problem of lack of distinct product branding was closely related to competition between the Fund and similar FI products and asymmetry of information. In the absence of distinct product branding, prospective women borrowers were faced with a situation of sub-optimal information. Such borrowers were likely to pick products that least served their business interests and circumstances. The challenge of restricted group lending in the CWES stream specifically disadvantaged prospective individual women entrepreneurs by restricting their investment choices. In some instances, group lending denied the individual the opportunity to apply the loan to an investment of interest. Women entrepreneurs were thus confined to the investments chosen by the groups. As noted by Kiraka (2009) bureaucratic and legal regulatory frameworks impeded MSME development, and the loan application on both steams was plagued by bureaucratic processes which often diminished the likelihood that small scale traders would follow the procedures to the end. Limited business monitoring by CWES and FI lenders denied small-scale borrowers, who were more likely to be less knowledgeable, the opportunity to receive timely complementary services to support growth and innovation.

Delays in loan disbursements from WEF (and by extension the Ministry of Finance) to the lenders also denied prospective borrowers the opportunity to plan and schedule their business operations based on the timing of loan receipts. In the FI stream, borrowers ended up having to take up the more expensive loan products offered by banks and other financial institutions. The administration structure at WEF, especially in the FI stream, remained multilayered. This made the Fund operation generally inefficient since decisions on loaning had to be made at more than one level.

The most widely cited challenge by borrowers, was the low loan amounts (at 68.3 percent). Both the borrowers and lenders acknowledged that low loan amounts profoundly limited the ability of entrepreneurs to expand and diversify their investments in a way that would guarantee both continued growth and innovation. The finding that low loan amounts was challenge to growth confirms earlier findings by Stevenson and St-Onge (2005b) that the loan sizes among MSMEs have tend to be too small to support growth.

As the second more important challenge at borrower level (mentioned by 61.3 percent of respondents), limited and shrinking markets increased the odds that small-scale women owned enterprises would either stagnate or collapse. In part, the shrinking market/increased competition problem was heightened by the fact that most WEF loan beneficiaries were concentrated in rural areas and urban slums and mostly invest in low value enterprises characterised by few entry barriers and lack of innovation. This finding is supported by Kantor (2001) who noted that at the micro and small enterprise level, there was a concentration of women entrepreneurs in low value enterprises leading to market saturation and little room for innovation. The absence of innovation in the low value enterprise segment also confirms assertions by Aikaeli (2007) that MSMEs often find themselves in a vicious cycle of providing what is already in the market and not able to grow and expand to realize their full potential as they lack both funding and business support services to venture into unexplored business ideas.

Other borrower level challenges included lack of business knowledge, high default rates, misconception about purpose of the Fund, diversion of the funds, low literacy among segments of women borrowers, lack of loan securities, domestic interference and challenges in debt collection. Among other women-specific challenges, a study by St-Onge (2005a) also identified the lack of collateral and management skills as some of the factors that limited the growth among women owned enterprises.

5.5 Strategic Approaches to Fund Challenges

The WEF managed indicated that group borrowers in the CWES stream underwent mandatory trainings before receiving the loan, although this is assertion is unclear given that 50.4 percent of respondents said they had been trained. This approach aimed at ensuring that the borrowing groups received appropriate skills and knowledge that would be instrumental in the sustainability of the enterprises, growth and the ability to repay their loans. In efforts to address the challenge of high demand for loans, lenders tended to cap the amounts of loans available to borrowers at specific amount. Although this approach attempted to advance equality by improving coverage of available loans, it failed the equity principle where borrowers would be allocated loans according to the real capital needs of the businesses. Another strategic approach to solving the high demand challenge was the creation of revolving funds. In this strategy, the SACCOS and microfinance institutions created revolving fund pools out of the recoveries made from the WEF loans. This has enabled these institutions to continue advancing loans to new and repeat applicants even when no new disbursements have been received from the WEF.

In exceptional circumstances, borrowers who were unable to continue repayments were allowed by some of the FI lenders to renegotiate their WEF loan terms. The renegotiated terms were thus made more flexible to allow deferred or longer repayment periods. As a result, borrowers were able to continue running their businesses, the lenders receive repayments and the parties avoided drastic last resort options like auction of borrower property used as collateral. The privilege to renegotiate loan repayment terms was however at the discretion of the lender.

Both CWES and FI lenders conducted site visits and background checks of potential and active borrowers. While the aim of pre-loan site visits and background checks was to guarantee that loans were being disbursed to authentic and active businesses, visits to enterprises during the life of the loans enabled the lenders to give the necessary support to borrowers to ensure businesses did not fail thus complicating repayment. In addition, background checks eliminated the risk of lending to groups or businesses that are either non-existent or did not have the capacity to operate at a levels that guarantee repayment of the amounts lent. However, some WEF managers noted that some entrepreneurs engaged in opportunistic behaviour where they formed groups for the purpose of access the loans and the groups disintegrated soon afterwards. There was therefore need to ensure the screening was thorough. However, the number of groups practicing this opportunistic behaviour were few.

In matching loans to the assessed ability to repay, lenders averted possible cases of future loan defaults. Banks also screened WEF loan applicants to ensure they met all credit worthiness conditions. Asset financing to borrowers on the WEF platform was another strategy used by some of the FIs to provide small asset financing loan schemes to Fund borrowers. In this approach, FIs extended targeted loans to WEF loan borrowers to enable them purchase business enabling machinery and equipment such as bicycles and motorcycles to be used in transporting produce and goods. One merit in such asset loans was the profound impact in reducing operational costs thus affording higher profit margins for the small-scale traders. The assets could also be used as complementary sources of income further strengthening the core businesses.

5.6 Policy and Institutional Framework of the Fund

The WEF is administered at three main levels. At the Apex, the Fund receives direct capitation from the Government of Kenya. These allocations are disbursed every financial year. The total direct government allocation was Kshs.1 billion during the base financial year 2007/2008. The overall decline in direct government allocations since has been premised on the expectation that the Fund has moving towards a revolving self-sustaining vehicle thus would not require much support from the central government budget. The WEF uses two streams comprising the CWES and FIs to administer the loans targeting women MSME entrepreneurs. The FI stream disburses a proportion of the funds available every financial year to selected commercial banks, microfinance institutions, savings and credit cooperative societies and community based financial entities. Lenders in the FI group receive the loans at below market rates of 1 percent repayment rate. Using their normal lending procedures, FIs then extend individual loans to women borrowers at 8 percent repayment rate. The FI stream lends to individual women entrepreneurs. In the FI stream, individual FIs are responsible for both disbursement and recoveries.

The CWES stream, on the other hand, is operationalized through District Women Enterprise Fund Committees (DWEFCs) and Constituency Women Enterprise Fund Offices (CWEFOs). While the former presides over the disbursement of funds to women groups, the latter facilitates the vetting of proposals for funding which are then forwarded to the DWEFCs for awards. In the CWES stream, the Constituency Women Enterprise Fund offices preside over repayment to ensure compliance with terms. The CWES streams lends only to registered women groups.

The establishment and institutional framework for the WEF was anchored on Legal Notice No. 147 on Government Financial Management regulations of 2007. This legal notice grants the Fund five mandates in advancing loans, attracting and facilitating investments in MSMEs, supporting women oriented MSMEs, facilitating marketing of products and services and, supporting capacity building to the borrowers. In addition, the Fund is driven by five core values: integrity, teamwork, innovation, courage and respect for diversity.

In establishing a revolving fund mechanism, the existing policy framework creates structures to ensure overall internal sustainability of the Fund. A closer analysis of the Fund's mandate and the findings on the performance of the Fund shows that neither the existing policy and institutional framework nor the way the Fund has been implemented has meaningfully supported innovation among women owned enterprises. Noting that innovation is one of the core values of the Fund, this calls for reforming the institutional policy framework to integrate deliberate and explicit strategies that promote innovations and growth among target enterprises.

Another institutional framework structure worth noting is that the Fund was established under the Ministry of Gender, Children and Social Development. As such, it does not have legal independence and relies on the parent ministry for some of its operations. This also inhibits the ability to contract third parties. Also, the Fund was established as a Vision 2030 flagship under the Social Pillar as opposed to the Economic Pillar. This institutional structure carries with it perceptions as to the importance of the Fund, resources that should be allocated and effort that should be expended on it.

5.7 Policy Measures for Fund Improvement

In reforming the Fund in a way that enhances its quality, service delivery and sustainability, two policy areas can be targeted; (i) growth and innovation and (ii) operational efficiency and sustainability.

5.7.1 Growth and Innovation Policy Options

Policy strategies to reform the Fund in terms of growth and innovation should focus on innovation enhancement, improved business monitoring, provision of individual loans, increase in the amounts of loans, enhanced and standardised training, increased funding to the CWES stream, business incubators for start-ups and enhanced revolving funds. As a strategy, integrating skills and knowledge on innovation in the capacity building processes and monitoring interventions will greatly increase the likelihood that, irrespective of their underlying profile, entrepreneurs who undergo the training process and also benefit from monitoring interventions will innovate in their businesses. Similarly, improving monitoring of enterprises that receive the WEF loans can improve their chances of overall performance. Remodelling the CWES stream funding towards more individual lending will be an effective strategy to give prospective borrowers the freedom of investment choice. The relevance of this strategy is located in the expectation that individuals are more likely to take greater responsibility for the overall performance of the business if they hold direct responsibility for its outcomes. In addition, decision making on innovations that can spur growth and their implementation can be faster of the entrepreneurs have adequate resources to support their ideas.

Evidence on the positive link between the size of loans and the odds that businesses will grow over the long term provides the strongest case for an increase in the amounts of loans allocated to women borrowers. It is clear that with bigger loans, more women entrepreneurs will be able to diversify products and services in a way that positively influences growth.

Standardization of training will be one way of ensuring that women entrepreneurs gain both skills and competencies required to identify business ideas that can be converted to viably run enterprises. The provision of standardised training to borrowers can be premised on the finding that the socio-economic profiles of borrowers on both CWES and FI streams as well as urban and rural locations, were largely homogeneous. This homogeneity implies that the business skill and competency levels for most women entrepreneurs were similar, irrespective of the borrowing stream or geographical location. Study evidence on the performance showing that the CWES stream had higher rates of return and coverage compared to the FI stream means that increasing funding to the stream will not only improve coverage but will also ensures a rapid accumulation of more funds in the revolving fund kitty to finance bigger loans. Whereas bigger loans spur growth, improved coverage helps in achieving the very mandate for which the Fund was established; economic empowerment to more women.

5.7.2 Efficiency and Sustainability Policy Options

Enhancing the operational efficiency and sustainability of the Fund can be attained through improved field level staffing at the WEF, allocation of more resources to field teams, legal framework for defaults, rationalization of administrative costs, rationalization of Fund structure, increasing the number of loan holding banks, timely disbursement of the funds and simplification of the application process. An increase in the number of staff at the field level and allocation of more resources at this level would improve operational efficiency. In addition, better facilitated and remunerated field teams remain motivated thus increasing the likelihood that they will stay on. Closely related to the foregoing, is the need to improve the terms of work for the current group of field staff known as volunteers. These staff perform key functions as an interface between the Fund and the beneficiaries in the CWES stream. Improving their levels of remuneration will ensure that they are retained to help develop the local enterprise networks that they have already established.

The development of an appropriate legal framework for loan recoveries in the event of defaults would one be a significant contribution towards improving Fund efficiency thus helping reduce the non-performing loan portfolio, especially in the CWES stream. Rationalization of the administrative costs would ensure that the structure of the Fund is similarly rationalized. The cost saving from such rationalization would avail funds which could be channelled into bigger loans to women entrepreneurs. Increasing the number of loan holding banks would greatly enhance borrower convenience in making repayments to banks which are closer to them. This would help in reducing the overall cost of servicing the loans by eliminating the need to travel to make repayments in specific bank branches. Timely disbursement of the loans not only grants the prospective borrowers the opportunity to plan and implement their growth and innovation strategies but also builds borrower confidence in its reliability. Simplification of the application process would improve the prospects of more women entrepreneurs taking up WEF loans as opposed to the reported incidences of women borrowers opting for alternative sources of credit owing to the long procedures in applying for the WEF loans.

Finally, with regard to the institutional and policy framework, delinking the Fund from the Ministry of Gender, Children and Social Development would provide it with the necessary autonomy to make decisions and receive adequate funding. Additionally, re-packaging the Fund as contributing to an *economic* as opposed to a *social* mission would re-orient different stakeholders in the way they view the Fund and ensure necessary resources, support and attention is expended on the Fund to achieve the intended economic empowerment for the women.

6.0 Conclusions and Recommendations

6.1 Conclusions

From the main study findings, the following conclusions can be drawn.

The general picture reflects positive growth among women-owned businesses in terms of total business worth, turnover, gross profit and number of employees. The general indicators of growth however obscure incidences of stagnation or decline among businesses. Incidences of decline or stagnation were significant at between 15 to 30 percent across the four measures. The most common form of innovation was found in change or addition of new products in the post loan period. Innovations in terms of services, markets and sources of raw materials were however less common among women owned enterprises. Comparative data also suggests that the socio-economic profiles of women borrowers of the WEF loans were generally identical across geographical regions and borrowing streams (CWES, FI) and age groups. As a result, the study found very little evidence of significant differences in growth and innovation among enterprises across these distinctions.

Enterprise Growth: Overall, entrepreneur characteristics such as age, marital status, level of education, family size, ownership of other businesses in the pre-loan period and innovation factors were poor determinants of growth. In part, this finding is attributable to the distributions in the underlying data where most entrepreneurs were largely identical along these indicators. Business characteristics such location, person managing the business and the age of the loans were significant determinants of growth in the number of employees. For example, locating a business in an urban location increased the odds that a business would either stagnate on decline in its number of employees. Urban decline on this indicator can partly be attributed to heighted competition among low end enterprises which characterised most women-owned ventures.

Enterprise Innovation: Similar to the case in growth, entrepreneur characteristics were poor determinants of innovation. Selected business characteristics, growth factors and innovation factors were significant determinants of innovation.

Complementary Services: The most widely provided complementary service was training which was accessed by more than half of women entrepreneurs. Other complementary services included general education and awareness and business progress monitoring. Although reported in interviews and group discussions, the following complementary services were rarely offered: networking, exhibitions, export promotion and product certification, supplementary loans, mobile banking and overdrafts. From the findings it can be deduced that, outside training, few complementary services were available to the majority of women borrowers of the WEF loans at a level that could meaningfully sustain businesses on the growth path and spur innovations.

Challenges: The Fund continued to face numerous challenges at different levels. The main challenges at the Fund level included: inadequate WEF field personnel, inadequate fieldwork facilitation, low loan amounts, delays in disbursements and a multi layered Fund structure. At the lender level, high cost of loan administration, competition with commercial bank products, poor dissemination of information, misconception about the purpose of the Fund, high default rates, high demand/limited scope of coverage, lack of distinct product branding, bureaucratic processes, limited business monitoring and delays in funds disbursement from the central government, were the main challenges. Lastly at the borrower level the challenges included: inadequate loan amounts, limited and shrinking markets/competition, lack of business knowledge, diversion of the funds, low literacy among segments of women borrowers, lack of loan securities, lack of individual choices in group lending and domestic interference.

6.2 Recommendations

Drawing from the findings, this section presents some of the key policy recommendations that, when implemented, would enhance the quality, service delivery and sustainability of the Women Enterprise Fund.

***Improved Field Level Staffing*:** Field offices remain thinly staffed. The most critical interface between the Fund and the borrowers in the CWES stream is managed by volunteers. There is an urgent need to review the administrative model used by the Fund to recruit and deploy better remunerated and motivated field officers.

***Improved Business Monitoring*:** Closely related to the need for improved staffing at the field level is the urgency to design an effective business monitoring programme. This will increase the likelihood that women borrowers will receive timely interventions to enable their businesses continue on a growth and innovation path.

***Allocation of more resources to field teams*:** The Fund should review its financial structure on administrative costs to re-allocate more resources to field teams in a way that enhances their operational efficiency.

***Individual Loans*:** Funding through the CWES stream should be remodelled towards more individual lending. This will give prospective borrowers the freedom of investment choice. As opposed to group interests, individual initiative can spur greater growth and innovation.

Increase in amounts of Loans: Loan allocation ceilings should be significantly increased. In most instances, the amounts of funds allocated to borrowers fall far below the actual financial needs of a business.

***Enhanced and standardised Training*:** Training to borrowers on both streams should be standardised with room for customization to unique borrower needs.

***Legal framework for Defaults*:** The CWES stream still lacks a strong legal framework for securing loans to ensure improved recoveries. This calls for the development of an appropriate strategy for giving legal backing to loan recoveries in the event of defaults.

***Increased Funding to the CWES Stream*:** Study evidence on the performance of the Fund demonstrates that the CWES stream has higher rates of return and coverage compared to the FI stream. If the Fund is to impact the lives of more economically marginalised women, then more funds should be allocated to the CWES stream.

***Business Incubators for start-ups*:** The present funding framework excludes start-ups due to the high risks associated with such ventures. To eliminate the risks involved with funding to start-ups, business incubator initiatives should be promoted to improve the contribution of the Fund in supporting viable innovations which would otherwise be denied funding as start-ups.

***Enhanced Revolving Funds*:** The Fund should make the revolving fund structures functional and efficient to ensure that funds are available to borrowers based on recoveries in both the FI and CWES streams.

Rationalizing administrative costs: The quest to enhance operational structures would have to be weighed against the level of administrative costs as a proportion of total funds available to borrowers. This will ensure that available resources address the ever increasing demand for loans more efficiently.

***Rationalizing Fund Structure*:** The current Fund structure should be reviewed to eliminate or rationalize structures in its administration in a way that limits the bureaucracy and increase administrative efficiency.

Increasing the Number of Loan Holding Banks**:** The number of banks to which loans and to which repayments can be channelled should be increased, especially in the rural areas where borrowers may have to travel long distances to carry out bank transactions in the traditional banks to which loans have been channelled. This diversification will enable borrowers choose banking institutions closer to them thus cutting on operational costs.

Timely Disbursement of the funds**:** There is need to infuse efficiency enhancers in the disbursement process from the central government to ensure that funds get to lenders in reasonable time. Lenders pointed at delays in funding with the result that prospective borrowers end up giving up altogether. Increasing the funding cycles by implementing more disbursement tranches would greatly diminish the lead times between application and receipt of the funds.

Simplifying the application process**:** To the poor rural groups, the application process used presently is long, tedious and even costly. This means that the poor, who need the funding most but cannot afford the many trips groups have to make to different offices in the registration process, end up being excluded from access to the Fund. Making the application simple and restricting application to less rigorous requirements can significantly improve access to the Fund by eliminating the cost-disincentive associated with visiting many offices in the pre-application stages.

Setting it up as a semi-autonomous Fund: To improve on efficiency and give the Fund the mandate to set up proper operational legal structures, there is need to delink it from the Ministry of Gender, Children and Social Development. Additionally, it should be structured as a vehicle for economic development, more than social development, hence engaging the appropriate resources, stakeholders and effort into the initiative.

6.3 Limitations of the Study

One of the key limitations of the study was lack of access to the sampling frame. However, with the support of the WEF secretariat and the credit officers working in each constituency and who were familiar with the women entrepreneurs who had benefited from the Fund, we were able to construct a credible sampling frame.

A second limitation was the challenge in identifying women entrepreneurs who had benefited from the Fund through the Financial Intermediaries. Largely, the FIs were unwilling to share this information. Additionally, few women had benefited through this window, which meant that even where they existed, finding them was difficult. Additionally most of the managers of financial intermediaries were not willing to participate in the study, thus limiting the amount of data we were able to obtain from this channel. However, the few who participated provided insights into the challenges of financing the women entrepreneurs as well as success stories.

Despite these two challenges, the WEF credit officers who are volunteers at the Constituency level were very helpful in identifying the women entrepreneurs. These volunteers are used by WEF to identify women entrepreneurs and groups who can access the Fund. They also train the women and help them to complete their loan applications. They are also trusted by the women, which made it relative easy for them to respond to the request for interviews. These credit officers therefore became the heart of the data collection exercise and were used in this study as research coordinators at each constituency as explained in Section 3.4. The result was that we were able to obtain the expected sample, and within a relatively short period of time (4 weeks) collect all the data required from the entrepreneurs.

6.4 Areas for Further Research

The study focused on four counties (out of 47 counties in the country). Counties that are largely marginalised (and in which access is especially difficult) were excluded from the study owing to challenges of access the entrepreneurs. This included pastoralist communities and communities in the arid lands of Northern Kenya. Future research could focus on entrepreneurs in these areas. Second, most of the respondents were micro-entrepreneurs. There is a small segment of medium-sized enterprises that have benefitted from the Fund purposive sampling to study these enterprises to determine their growth and innovation patterns.

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Appendix

APPENDIX A: Entrepreneur Questionnaire

NOTE TO INTERVIEWER: *Before Start of Interview, ask if the respondent has ever received any WEF loan to run their* <u>*individual*</u> *business?*

[IF NO, TERMINATE INTERVIEW AND PROCEED TO THE NEXT RESPONDENT)

Informed Consent & Cover Page

Hello. My name is ____. I am working with **a Team of Researchers from Strathmore University, Kenya School of Government, Kabarak University and WEF** in this area. As part of **Initiatives to Support the Growth of MSMEs in Kenya**, we are conducting a survey of businesses in this area. Your business has been selected by chance from all enterprises in the area. I would like to ask you some questions related to some characteristics of your business.

Combined with the participation of other entrepreneurs and stakeholders in the MSME sector in the district, the information you provide will be useful in establishing the overall situation of MSMEs in this region. Participation in the survey is voluntary.

All the information you give will be confidential. The information will be used to prepare a report, but will not include any specific names of entrepreneurs or their businesses. There will be no way to identify that you are the one who gave this information.

If you have any questions about the survey, you can ask me, my team leader who is here with the survey team, or one of the local WEF committee members. At this point, do you have any questions about the survey?

Signature of interviewer: ___________________________

Date: ___________________________

Respondent agreed to be interviewed

1. YES
2. NO

0. ENTERPRISE IDENTIFICATION

This section is to be completed for each Enterprise visited.

001 Beneficiary's Name ______________________

002 National ID/Passport No. ______________________

003 Contact Information (Phone #) ______________________

004 Name of Location [ ]

005 County Name [ ]

006 County number [ ]

007 Date of interview [ ]

008 Time interview commenced [ ]

009 Time interview ended [ ]

010 Name of Interviewer [ ]

011 Enterprise # [ ]

#	**A. ENTERPRENUER PROFILE**	#	Insert Code /Value Here
A1	Gender of Entrepreneur [1] = Male [2] = Female)	A1	
A2	Year of Birth____	A2	
A3	Marital Status [1]=Married [Monogamy] [2]=Married [Polygamy] [3]=Single [4]=Widowed [5]=Separated [99]=Other	A3	
A4	Level of Education: [1]= None [2] = Pre-school [3] = Some Primary [4] = KCPE/CPE	A4	

#	A. ENTERPRENUER PROFILE	#	Insert Code /Value Here
	[5]=Secondary [6] = Tertiary College [7]=University		
A5	How many people, including yourself, live in your household?_______________________	A5	
A6	Have you accessed any business Training services? [1] = YES, [2] = NO **[If NO, skip to A9]**	A6	
A7	If YES in **A6** above, which services have you accessed? [1] =Accounting [2] =Marketing [3] =Costing [4] =Pricing [5] =Sales Forecasting [6] =Inventory Control [7] =Accessing new markets [99]=Other (Specify)_____________________________________	A7	
A8	If you have ever received training in A6 above, how long did the training last? [1] =< A day [2] = 1 Day [3] = 2-6 Days [4] = 1 Week [5] = 2-3 weeks [6] = 1 Month [7] > A month	A8	
A9	Do you own other businesses other than this one? [1]=YES, [2] = NO **[IF NO, Skip To A12]**	A9	
A10	If YES in A9 above, how many businesses?______________________________	A10	
A11	What types of business do you own in **A10** above? [a]_______________________[b]__________________________[c]_______________________[d]_______________________	A11	
A12	What was your main reason for getting into this business? [1]=Lack of another source of income [2]=Needed additional source of income [3]=Retirement [4]=Availability of Loan [5]=Influence from friends/family [7] Own initiative/saw an opportunity [99]=Other (Specify)________________	A12	

#	B. BUSINESS PROFILE	#	Insert Code /Value Here
	Type of Enterprise		
B1	Type of enterprise [1]=Registered Single owner [2] = Unregistered Single owner [3] = Registered Partnership [4] = Unregistered Partnership [5] = Limited Company [99] = Other_________________________	B1	
B2	Kind of business ____	B2	

<table>
<tr><th>#</th><th colspan="5">B. BUSINESS PROFILE</th><th>#</th><th>Insert Code /Value Here</th></tr>
<tr><td>B3</td><td colspan="5">Classification of location of Enterprise [1]=Rural [2]=Urban</td><td>B3</td><td></td></tr>
<tr><td>B4</td><td colspan="5">Who runs this business on a day-to-day basis?
[1]= Self [2]= Self and Family [3]= Family member(s) [4]= Self and other non family employees
[5]= Non family employees</td><td>B4</td><td></td></tr>
<tr><td>B5</td><td colspan="5">In which Month and Year did you establish this business? Month [ ] Year [ ]</td><td>B5</td><td></td></tr>
<tr><td></td><td colspan="5">LOAN AND BANKING PROFILE</td><td></td><td></td></tr>
<tr><td>B6</td><td colspan="5">In which Month and Year did you receive your first loan from WEF? Month [ ] Year [ ]</td><td>B6</td><td></td></tr>
<tr><td>B7</td><td colspan="5">Which channel did you receive the WEF loan from? [1] = Constituency Women Enterprise Scheme (CWES)
[2] = Bank [3] = SACCO [4] = MFI [99] =Other Intermediary ________________________</td><td>B7</td><td></td></tr>
<tr><td>B8</td><td colspan="5">How much did you receive in B6 above in KES?____</td><td>B8</td><td></td></tr>
<tr><td>B9</td><td colspan="5">Have you received any subsequent loan from the WEF? [1] = YES, [2] = NO [If NO, skip to B13]</td><td>B9</td><td></td></tr>
<tr><td>B10</td><td colspan="5">If YES in B9 above, how many subsequent loans have you received?_____________________________________</td><td>B10</td><td></td></tr>
<tr><td>B11</td><td colspan="5">If YES in B9 above, how much in total, have you received in KES for all the subsequent loans?_______________</td><td>B11</td><td></td></tr>
<tr><td rowspan="3">B12</td><td colspan="5">How much did you receive in the subsequent loans?</td><td rowspan="3">B12</td><td rowspan="3"></td></tr>
<tr><td>Loan #</td><td>(i) 2nd Loan</td><td>(ii) 3rd Loan</td><td>(iii) 4th Loan</td><td>(iv) 5th Loan</td></tr>
<tr><td>Amount</td><td></td><td></td><td></td><td></td></tr>
<tr><td>B13</td><td colspan="5">Have you applied for any non-WEF loan after the first loan from WEF [1] = YES [2] = NO
[If NO, skip to B19]</td><td>B13</td><td></td></tr>
<tr><td>B14</td><td colspan="5">If YES in B13 above, did you receive the loan? [1] = YES, [2] = NO [If NO, skip to B19]</td><td>B14</td><td></td></tr>
<tr><td>B15</td><td colspan="5">If yes to B14, what was your source of the loan?
[1]=Commercial Bank, [2]=Cooperative Society, [3]=Micro-Finance Institution, [4]=Merry Go Round, [5]=Friends, [6]=Family Members, [99]=Other(Specify)____</td><td>B15</td><td></td></tr>
</table>

<table>
<tr><td>#</td><td colspan="8">B. BUSINESS PROFILE</td><td>#</td><td>Insert Code /Value Here</td></tr>
<tr><td>B16</td><td colspan="8">In which Month and Year did you receive the loan in B13 above? A. Month [ ] b. Year [ ]</td><td>B16</td><td></td></tr>
<tr><td>B17</td><td colspan="8">How much did you receive in KES for the loan in B13?____</td><td>B17</td><td></td></tr>
<tr><td>B18</td><td colspan="8">What was your main reason for taking up another loan in addition to the one from WEF?
[1]=The WEF loan was inadequate [2]=Wanted to expand the business [3]=The loan had better repayment terms [4]=Used the loan to repay the WEF loan [5]=Had other pressing family obligations
[6]=It was offered by the lender [99]=Other (Specify)____</td><td>B18</td><td></td></tr>
<tr><td>B19</td><td colspan="8">How do you manage the business’ operating capital?
[1]=Mostly cash in hand [2]=Mostly in personal bank account [3]=Mostly in business bank account
[4]=M-banking (M-Pesa, M-Kesho, ZAP, Orange-Money etc] [99] Other (Specify)_____________________</td><td>B19</td><td></td></tr>
<tr><td>B20</td><td colspan="8">Do you have a specific bank account for the business? [1] = YES [2] = NO</td><td>B20</td><td></td></tr>
<tr><td>B21</td><td colspan="8">Where is the business hosted?
[1]=On own land/Premise [2]=Rented Premise [3]=Public/Open Site [4]=Mobile Market
[99]=Other (Specify) ____</td><td>B21</td><td></td></tr>
<tr><td></td><td colspan="8">SIZE OF ENTERPRISE</td><td></td><td></td></tr>
<tr><td>B22</td><td colspan="8">How many people do you employ currently in this business and other businesses funded from WEF loans?</td><td>B22</td><td></td></tr>
<tr><td>B23</td><td colspan="8">What is current total value of your business in KES?</td><td>B23</td><td></td></tr>
<tr><td rowspan="3">B24</td><td colspan="8">What is your current average monthly expenditure on the following items in KES?</td><td rowspan="3">B24</td><td rowspan="3"></td></tr>
<tr><td>Item</td><td>[a] Family House Rent</td><td>[b] Business premise rent</td><td>[c] Family Food and basic needs</td><td>[d] Entertainment /Leisure</td><td>[e] Health care</td><td>[f] Transport</td><td>[99] All others</td></tr>
<tr><td>Amount</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>B25</td><td colspan="8">On average, how much do you spend on education yearly?____</td><td>B25</td><td></td></tr>
</table>

#	C. CHALLENGES	#	Insert Code /Value Here
C1	Are there any challenges that this business currently faces? [1] = YES, [2] = NO **[If NO, skip to C3)**	C1	
C2	If YES in C 1 above, which ones? [1]=Inadequate capital [2]=Lack of accounting skills [3]=Inaccessibility to credit [4]=High taxation [5]=Inability/difficulty in repaying loan [6]=Shrinking Markets/Increased competition [7]=Debt collection [8]=Fraud [9]= employee management [99]=Other (Specify)____________________________________	C2	
C3	Have you received any assistance to help you mitigate these challenges? [1] = YES, [2] = NO **[If NO, skip to D1)**	C3	
C4	If YES in **C3** above, what type of help did you receive? [1]=Training Services [2]=Access to credit [3]=rescheduling of the loan [4]=Provision of market information [99]=Other (Specify)____	C4	
C5	What was the source of the assistance? [1]= My WEF loan provider [2]=My non-WEF loan provider [3]=Fellow business person [4]=A CBO [5]=An NGO [99]=Other(Specify)______________________________________	C5	

#	D. GROWTH INDICATORS	#	Insert Code /Value Here
	Quantitative Measures		
D1	How much was your business worth in KES at the time you were applying for the **first WEF loan?**	D1	
D2	What is the current estimated worth of your business in KES?	D2	
D3	What was your average monthly turnover at the time you were applying for the **first WEF loan**?	D3	
D4	What was your turnover by the end of last month?	D4	
D5	What was your Gross profit at the time you were applying for the **first WEF loan**?	D5	

#	D. GROWTH INDICATORS	#	Insert Code /Value Here
D6	What was your Gross profit by end of last month?	D6	
D7	How many employees did you have at the time you were applying for the **first WEF loan**?	D7	
D8	How many employees do have you now?	D8	
	Qualitative Measures		
D9	In your view, has there been any change/growth in the market that you serve since [Insert month and year when credit was received credit] [1] = YES [2] = NO **[If NO, skip to D11)**	D9	
D10	How would describe this change/growth in your market? [1]=Many sellers and buyers have come into the market (Perfect Competition) [2]=This business has become one of the many large sellers (Oligopoly) [3]=This business has emerged as the only seller (Monopoly) [4]=This business now has a single buyer (Monopsony) [5] =Equity Prospects (Other businesses / individuals are interested in joining this business) [99]= Other (Specify)____	D10	
D11	Have you ever stopped a previous job to concentrate on this business after receiving the loan? [1] = YES [2] = NO	D11	
D12	Have you ever moved to a new or better site since you received the WEF loan? [1] = YES [2] = NO	D12	
D13	Have you ever started a new type of business since you borrowed the first WEF loan? [1] = YES [2] = NO **(If NO, Skip to E1)**	D13	
D14	If yes in D13, what type of business? ____	D14	

#	E. Innovations	#	Insert Code /Value Here
E1	Have you changed or added more products since [Insert month and year when credit was received]? [1] = YES [2] = NO	E1	
E2	Have you changed or added the services you offer since [Insert month and year when credit was received]? [1] = YES [2] = NO	E2	

#	E. Innovations	#	Insert Code /Value Here
E3	Have you identified a new market for your goods/services since [Insert year and month when credit was received]? [1] = YES [2] = NO	E3	
E4	Have you identified a new source of your raw materials or a new supply chain since [Insert month and year when credit was received]? [1] = YES [2] = NO	E4	
E5	Do you use any m-banking application (*M-Pesa*, *M-Kesho*, *Zap*, *Orange Money etc*) in your business? [1] = YES [2] = NO **(If NO, Skip to F1)**	E5	
E6	If YES in E5, what do use the application(s) for? **[Multiple Responses Accepted]** (a)Supplier payments [1] = YES [2] = NO (b) Bank transactions/transfers [1] = YES [2] = NO (c) Payment receipts [1] = YES [2] = NO [99] Other YES [2] = NO (Specify)________________________	E6	

#	F. FUND MANAGEMENT & COMPLEMENTARY SERVICES	#	Insert Code /Value Here
	Access to Information		
F1	How did you know about the fund? [1] = Friend [2] = My Bank/Loan Provider [3] = Local Community Group [4] =Local *Baraza* [5] = Adverts in Mass Media [6] = Other community Gathering [7] = Family Member [99] = Other(Specify)____	F1	
	How Fund is Administered		
F2	Were you required to give some security/collateral for the WEF loan? [1]=YES, [2] = NO **[If NO, skip to F4]**	F2	
F3	If YES in **F2** above, what security did you give? **[Multiple Responses Accepted]** [1] = Household goods [2] = Title deed [3] = Vehicle Log Book [4] = Salary [5] = Guarantors [99] =Other (Specify)________________________________	F3	
	Complementary Services		
F4	Has your business accessed any of the following complementary services?	F4	

#	F. FUND MANAGEMENT & COMPLEMENTARY SERVICES	#	Insert Code /Value Here
	(a) = Monitoring of business progress [1]=YES, [2] = NO (b) = Business Training [1]=YES, [2] = NO, (c) = Provision of Market Information [1]=YES, [2] = NO (d) = Education and awareness [1]=YES, [2] = NO , (e) = Asset Building [1]=YES, [2] = NO (f) =Networking [1]=YES, [2] = NO (g) = Exposure to role models/Organized visits to other Enterprises [1]=YES [2] = NO [99] = Other [1]=YES [2] = NO (Specify)_____________________________________**[If NO for all, skip to F6)**		
F5	If yes in any of the options in **F4 above,** who was the provider? **[Multiple responses accepted]** [1] = WEF [2] = The institution that advanced me credit [3] = A CBO [4] = An NGO [5] = A Government Agency [6]= Consultant [99] =Other(Specify) ____	F5	
F6	If NO in F4, what were the reasons for non-access to complementary services? [1]=Inaccessibility [2]= Services were not relevant [3]= The cost of the services were high [4]=It was inconveniencing [5]= The services were not available here [99] Other(Specify)____	F6	

#	G. POLICY ENVIRONMENT	#	Insert Code /Value Here
G1	Did you pay any license fees within the last 12 months [1] = YES, [2] = NO **[If NO, skip to G3)**	G1	
G2	If Yes in **G1** above, how much in KES?	G2	
G3	How long did the licensing take? [1] = < A day [2] = 1 Day [3] = 2-6 Days [4]= 1 Week [5] = 2-3 weeks [6] =1 Month [7] = > A month	G3	
G4	What was your assessment of the process of obtaining the licensing [1] = Very Easy [2] = Easy [3] = Moderate [4]= Difficult [5] = Very Difficult	G4	
G5	Did you pay any taxes within the last 12 months [1] = YES [2] = NO **[If NO, skip to G7)**	G5	
G6	If Yes in **G5** above how much in KES?	G6	
G7	Were you allowed a grace period before starting repaying your WEF business loan? [1] = YES [2] = NO	G7	

	[If NO, skip to END)		
G8	If YES in **G7** above what was the duration of this grace period in months________________________________	G8	

Thank you for your participation in this study

END

Appendix B: Constituency Women Enterprise Scheme (C-WES) Committee Focus Group Discussion Guide

0. Background Information

01. Identity Name of CWES____________________ Area of Operation________________

A. Growth, Innovation and Challenges Faced by MSMEs

A1. To what extent have the targeted MSMEs grown since the introduction of the Fund in this area?
A2. In your view, what have been the key drivers and impediments to this growth?
A3. To what extent has the Fund supported innovation among your client MSMEs?
A4. What challenges are the MSMEs in this area facing?
A5. Does your committee and WEF address these challenges, If Yes how?
A6. Why do the women in this area go into business?
A7. Are there any observable innovations made by the women borrowers of the Fund in this area? (If yes, which ones? If no, why?)

B. Administration of the Fund and Complementary Services

B1. How do you administer the Fund?
B2. How do you disseminate information on the Fund to prospective borrowers?
B3. What complementary services are available for the women entrepreneurs in this area? (Who are the providers?)
B4. To what extent do these services support innovation among the MSMEs?
B5. What challenges has the Fund encountered in improving the livelihood of women in this area?
B6. Are there any strategic approaches used by your Committee and WEF to address the above challenges? (If yes, how?)

C. Policy and Institutional Framework

C1. What is the policy and institutional framework under which you operate as a C-WES? (Kinds of enterprises of focus, what the Fund is supposed to achieve, link between C-WES and WEF, disbursement, beneficiary identification/selection, who qualifies, application requirements, interest rates, grace period, recovery, default etc)
C2. Does this framework support innovation within MSMEs? (If yes, how and to what extent?)
C3. What appropriate measures can be put in place by your committee, the government and non-state actors to improve the quality, service delivery and sustainability of the Fund?

D. General

D1. Do you have some case studies of successful enterprises that have benefited from the Fund?
D2. Do you have any other information related to this topic that we have not covered?

Appendix C: Financial Intermediaries Managers Interview Guide

0. Background Information

01. Identity Name of FI____________________ Area of Operation___________________
02. Portfolio of activities (provide brochures, if available)
03. How much of the WEF has institution administered since inception (Provide data sheet)?

A. Growth and Challenges Faced by MSMEs

A1. Overall, to what extent have your MSME clients grown since they received the loans?
A2. In your view, what have been the key drivers and impediments to this growth?
A3. To what extent has the Fund supported innovation among your MSME clientele?
A4. What challenges do your MSME clients in this area face?
A5. Does your institution address these challenges? (If yes, how?)
A6. In your view, which are some of the reasons why women in this area go into business?
A7. Are there any observable innovations made by the women borrowers of the Fund in this area? If yes, which ones?

B. Administration of the Fund and Complementary Services

B1. How do you administer the Fund?
B2. How do you disseminate information on the Fund to prospective borrowers?
B3. What complementary services do you offer to the women borrowers of the Fund in this area?
B4. To what extent do these services support innovation among your clients?
B5. What challenges have you faced in administering the Fund?
B6. Are there any strategic approaches used by your institution to address the above challenges? (If yes, how?)
B7. What are some of the additional interests of your institution beyond the Fund? (Client retention, deposit growth, selling other bank products)

C. Policy and Institutional Framework

C1. What is the policy and institutional framework under which you operate as an intermediary? (Kinds of enterprises of focus, what the Fund is supposed to achieve, link between FI and WEF, disbursement, beneficiary identification/selection, who qualifies, application requirements, interest rates, grace period, recovery, default etc)
C2. Does this framework support innovation within MSMEs? (If yes, how and to what extent?, What is the Criteria for additional funding?)
C3. What appropriate measures can be put in place by your institution, the government and non-state actors to improve the quality, service delivery and sustainability of the Fund?

D. General

D1. Do you have some case studies of successful enterprises that have benefited from the Fund?
D2. Do you have any other information related to this topic that we have not covered?

Appendix D: WEF Managers Interview Guide

0. Background Information

01. Area of Operation____
02. Portfolio of activities
03. How much of the WEF loan has been disbursed in your area of operation since inception (Use data Sheets)?

A. Growth and Challenges Faced by MSMEs

A1. To what extent have the targeted MSMEs grown since the introduction of the Fund?
A2. In your view, what have been the key drivers and impediments to this growth?
A3. To what extent has the Fund supported innovation in MSMEs?
A4. What challenges are the MSMEs facing?
A5. Does WEF address these challenges? (If Yes how?)
A6. What are some of reasons why women go into business?
A7. Are there any observable innovations made by the women borrowers of the Fund? (If yes, which ones? If no, why?)

B. Administration of the Fund and Complementary Services

B1. How is the Fund administered?
B2. How do you disseminate information on the fund to prospective borrowers?
B3. What complementary services are available for the women entrepreneurs? (Who are the providers?)
B4. To what extent do these services support innovation in the MSMEs?
B5. What challenges has the Fund encountered in improving the livelihood of women in Kenya?
B6. Are there any strategic approaches used by WEF to address the above challenges? (If yes, how?)

C. Policy and Institutional Framework

C1. What is the policy and institutional framework under which the Fund is administered? (Kinds of enterprises of focus, what is the Fund supposed to achieve, link between WEF, C-WES and FIs, disbursement, beneficiary identification/selection, who qualifies, application requirements, interest rates, grace period, recovery, default etc)
C2. Does this framework support innovation within MSMEs? (If yes, how and to what extent?)
C3. What appropriate policy measures should WEF, government and non-state actors put in place to improve the quality, service delivery and sustainability of the Fund?

D. General

D1. Do you have some case studies of successful enterprises that have benefited from the Fund?
D2. Do you have any other information related to this topic that we have not covered?

Appendix E: List of Counties and Constituencies in the Study

PILOT STUDY

	County	Constituency	Number of Women Groups	Amounts disbursed as at 30th July 2012 (Kshs.)
1.	Nairobi	Dagoretti	48	2,600,000
2.	Nakuru	Rongai	82	4,950,000

Source: WEF (2012)

MAIN STUDY

	County	Constituency	Number of Women Groups	Amounts disbursed as at 30th July 2012 (Kshs.)
1.	Nairobi	Embakasi	219	11,950,000
		Kasarani	52	2,750,000
		Langata	78	4,450,000
		Starehe	79	4,398,000
2.	Nyeri	Mathira	90	4,800,000
		Nyeri Town	126	6,700,000
		Othaya	119	6,550,000
		Tetu	79	4,550,000
3.	Nakuru	Molo	151	8,900,000
		Naivasha	99	5,500,000
		Nakuru Town	132	8,050,000
4.	Kakamega	Butere	114	6,200,000
		Khwisero	103	5,400,000
		Lurambi	110	5,750,000
	TOTAL	**14**	**1551**	**85,948,000**

Source: WEF (2012)

Appendix F: Financial Intermediaries in the Constituencies under Study

	Name of Financial Intermediary	Loan amount (Kshs. In millions)		Number of beneficiaries funded	No. of Counties served by the Financial Intermediary
		Total allocation	**Disbursed**		
1.	African Women Foundation	4	2	122	5 counties
2.	ARDESC SACCO Society Ltd.	8	4	145	4 counties
3.	Biashara Sacco	10	10	262	1 county
4.	Bright Enriched Empowerment Program(BEEP)	10	10	159	8 counties
5.	Business Initiative Management Assistance Service(BIMAS)	50	40	3,766	14 counties
6.	Chase Bank	50	30	190	5 counties
7.	Community Vision	13	0	-	2 counties

8.	Cooper Motors Cooperative(COMOCO)	5	5	175	7 counties
9.	Co-operative Bank	192	142	7,221	40 counties
10.	Family Bank	223	183	4,188	23 counties
11.	First Community Bank	10	10	142	8 counties
12.	Foundation Savings and Credit Cooperative Society	3	2.94	-	3 counties
13.	Fountain Enterprise Programme Sacco Ltd	28	15	-	1 county
14.	Goshen Housing Co-operative Society	2	0	-	1 county
15.	Indo Africa (NGO)	12	6	133	2 counties
16.	Jamii Bora Bank	200	140	8,235	20 counties
17.	Jamii Sacco	9	9	546	1 county
18.	Jiinue Development Organization	10	0	-	9 counties
19.	Jisaidie Development Network	13	7	34	4 counties
20.	Jitahidi Development Organisation	4	3	85	1 county

	Name of Financial Intermediary	**Loan amount (Kshs. In millions)**		**Number of beneficiaries funded**	**No. of Counties served by the Financial Intermediary**
21.	Jiweze Women Development Programme	10	10	1,124	3 counties
22.	K-Rep Development Agency	15	15	664	15 counties
23.	Mathira Farmers Sacco	12	12	220	1 county
24.	Muramati SACCO Society Ltd (UNITAS)	11	11	309	3 counties
25.	Naivasha Women Sacco	4	4	119	1 county
26.	National Cooperative Housing Union Ltd.	12	12	416	16 counties
27.	Necco Fosa	55	55	1,735	3 counties
28.	New Mugumu Jua Kali Sacco	0.5	0.5	133	3 counties
29.	Rafiki Deposit Taking Microfinance	4	4	6	2 counties
30.	Rongai Social Economic Women Organization	10	10	9,080	1 county
31.	Small & Micro Enterprise Programme Deposit Taking Microfinance	130	105	12,626	25 counties
32.	Social Initiative & Development for Entrepreneurs programme (SIDEP)	4	2	1,650	2 counties
33.	Taifa Sacco Society Limited	60	45	1,478	3 counties
34.	Tetu Women Rural SACCO	1	1	-	1 county

35.	United Women Sacco Society Ltd.	12	12	42	1 county
36.	Village women Organisation	2	2	185	1 county
37.	Vision Afrika Sacco Ltd.	10	10	718	2 counties
38.	Wananchi Sacco Ltd.	40	40	1,859	2 counties
39.	Women Awareness & Development Initiative(WAADI)	10	10	496	5 counties
	Sub-total	**1,258.50**	**979.44**	**58,263**	

Source: WEF 2012