

NGO Intervention Measures, Performance and Trends of Women - Operated MSEs in Eldoret Municipality, Kenya

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Abstract

This paper discusses the interventionary measures undertaken by Non-Governmental Organizations (NGOs) in relation to the performance of enterprises operated by women entrepreneurs. It highlights growth trends as regards sales volumes, profits and job creation, accumulation of assets and record keeping in women's micro and small enterprises (MSEs). The study was an ex-post-facto, exploratory survey that used questionnaires, interviews, and observation in data collection among 195 sampled women entrepreneurs in Eldoret Municipality. The data was analyzed quantitatively using descriptive and inferential statistics such as Regression analysis and chi-square distribution. It was found out that there is a positive linear relationship between NGO interventions and the performance and growth of women-operated MSEs. It was recommended that NGOs should continue assisting women entrepreneurs, increase credit levels, put more emphasis on training and enhance business counselling/mentoring follow-up sessions.

Keywords: intervention measures, performance, growth trends, women-operated MSEs, Kenya.

INTRODUCTION

MSE growth defined simply as an increase in the number of firms may not be sustainable, but growth accompanied by improvements in productivity is likely to contribute to the desired development effects, such as increase in the number of employees, sales volumes, profits and job creation, accumulation of assets and record keeping will generate broad-based economic growth. Firms exhibiting fast growth tend to be more productive than are their slow-growth competitors.

The regulatory and institutional environment in developing countries frequently hampers small enterprise growth. Regulatory and institutional challenges may also deter MSE owner-managers from making growth-enabling investments. Ironically, government policies that actually aim to benefit MSEs may also suppress growth if they provide disincentives for expansion.

Studies have shown that innovative entrepreneurs have a higher potential of developing their enterprises. The role of MSEs in developing countries is tremendous. They have been found instrumental in job creation, resource allocation and utilization, wider distribution of income, forward and backward linkage formation in industry, and promotion of change (ILO, 1972). Growth of an enterprise can be measured in terms of the number of jobs created, increased sales, assets and profits. The simplicity of their decision-making structures, the flexibility of their production system and the entrepreneurial drive of the owner-managers enable micro-enterprises to respond quickly to changing market demands.

Empirical studies in East Africa on the rates of growth of micro-enterprises are scanty. Nevertheless, several studies in the informal sector in Kenya (Sifuna, 1986; McCormick, 1991) have found that although many small enterprises continue to be established, most of them are unable to grow and are barely surviving. Little is known about the impact of interventions by NGOs in alleviating this problem.

Socio-economic Factors and Women Enterprises' Performance

From the early years till date, Kenyan women in the MSE sector remain a potent force in the economic growth of most communities. However, many socio-economic factors influence their entrepreneurial skills such as the roles women play in planning and management of enterprises and the socio-economic factors determining households. What is the allocation of labour/time between productive and non-productive activities? What are the effects of simulated policies on entrepreneurship among the women?

The socio-economic factors referred to include age, marital status, level of education and training, occupation, and number of household dependants. Otunga *et al.* (1998), in a study of the socio-economic background and informal sector performance of entrepreneurs in Eldoret, has found that middle-aged women, unlike the young and the old, often venture into micro and small enterprise activities to obtain income to meet family needs. Younger women do not see the need for enterprise activities as they are still hoping to get formal employment while older women have fewer

responsibilities to force them to exert themselves and aggressively look for a source of income.

Furthermore, Otunga *et al.* (ibid.) have reported a positive relationship between marital status, level of education and training, and success in business. The authors argue that education provides basic communication and literacy skills and facilitates socialization and publicity to predict business environments that are crucial in building and maintaining customer loyalty. Training and experience from previous occupation equip business owners with the necessary skills and experience to manage the business. Married women in business tend to succeed because they often get support from their spouses in terms of finance, motivation and encouragement. Many dependants hinder business expansion by their demands; allow limited savings and diversification of business activities (Ngau & Keino, 1996).

The significant contribution of women to the economy, which is currently stated to be 87%, cannot be over-emphasized. Women play a very key role in the development of the economy. Periods of worldwide economic recession in the 1970s and 1980s have made women's income increasingly important to the survival of families, since women tend to contribute a larger proportion of their personal income toward household expenditures. Women's performance in the micro and small enterprise development is remarkable. They use available resources efficiently and obtain high output from labour and capital inputs. The promotion of women's enterprises benefits the entire family (McCormick, 1992).

Critical Issues on MSE Performance

In addition to the perceived economic benefits, MSE development has long been viewed by policymakers as a means to increase incomes of the poor. MSE owners and workers do tend to be disproportionately poor, with the incidence of poverty within MSEs higher than in medium and large firms. However, current thinking on the part of NGOs focuses less on the size of enterprises and more on outcomes, seeking patterns of economic growth that are beneficial to women. Growth that is broad-based by both region and sector is more likely to be faster and provide greater opportunities for the MSEs operated by women entrepreneurs.

The MSE sector plays an important role in income and employment generation as well as poverty alleviation, hence, the NGOs have developed support programmes such as credit, training and business counselling geared towards boosting the performance of the MSEs due to their enormous contribution to national development.

However, while these support programmes have been implemented in Kenya by various NGOs, there is no sufficient empirical data to show the extent to which these interventions have brought change to the performance of women run enterprises. This paper, therefore, highlights the impact of NGO interventions on the performance and growth of women run enterprises.

Policy Issues on the MSEs and Informal Sector

The Government recognized the contribution of the informal sector and has paid due attention to the promotion and development of MSEs for they are important vehicles to address the challenges of unemployment, economic growth and equity in the country. Several policies have been initiated by the Kenya government to address issues relating to small-scale enterprises and their impact on the informal sector. The first overt action taken by the government was the amendment of the ICDC Act in 1973. The period after 1974 saw increased attention paid to the informal sector. Assistance to the sector spread country wide, and an organization was established to provide extension services to the informal sector entrepreneurs. The role of the government in the sector was, therefore, perceived as of great importance to the development of small-scale enterprises (Aleke-Dondo, 1989).

The informal sector activities can meet most of the society's basic needs such as food, clothing, shelter and even health. It can become the source of innovation by introducing appropriate technology. The sector also has a high potential to create jobs, even at a cost lower than that of the modern sector. The informal sector is increasingly forming the backbone of the Kenyan economy.

The government has thus taken specific measures to promote Kenyan industrial enterprises through a policy of localization of ownership. African enterprises have an important share in the economy and seem to be growing fairly fast. The government has embarked on a wide variety of programmes, which bear in one way or the other, on development of African businessmen. The Kenyan Model of Promoting African Enterprises is highly recommended in terms of diversity of programmes and could be replicated in other countries interested in promoting small and medium scale enterprises by indigenous people (Dinwiddy, 1974).

Ikiara (1991), in his article *Policy Changes and The Informal Sector*, notes that the informal sector has become a major source of optimism for Kenyan Policy makers from an obscure past and that measures to create an enabling environment for entrepreneurs is paramount. This environment will be required for the growth of women-operated MSEs too. The strategy paper on micro and small

Enterprises (MSE) development endeavours to provide guidelines to both government and the private sector in Kenya on how MSEs can be encouraged to grow and fulfil expectations placed on them by Sessional paper No. 1 (RoK, 1986) and the Sixth National Development Plan for the period 1989-1993. The paper examines three broad areas in which changes will need to be made to induce an acceleration of MSEs. These are: the enabling environment, investment and finance and the non-financial promotional programmes (NFPPs). Specific issues addressed include policy framework, infrastructure, markets, technology, laws and regulations, collateral requirements, and loan able funds (GoK, UNDP & ILO, 1988).

MATERIALS AND METHODS

The study was conducted in Eldoret Municipality, which is the administrative industrial centre for North Rift. The research design of the study assumed an exploratory approach which began with a survey of the study area to identify the number of NGOs involved in micro and small enterprise promotion and then followed by a purposive selection of four NGOs; namely; the Catholic Diocese of Eldoret, ACK, K-REP and World Vision-Eldoret to represent all the NGOs in the entire Municipality.

The target population for the study comprised women entrepreneurs who had received NGO support/assistance from any of the NGOs based within Eldoret Municipality. The sampling frame constituted a source list of a total of 975 women entrepreneurs who had been in business between the year 2000 and 2002 and who had received NGO support from ACK, K-REP, World Vision-Eldoret and the Catholic Diocese of Eldoret. This list was obtained from the respective NGO records. From the above sampling frame, a sample size of 195 entrepreneurs was drawn, which represented 20 % of the population. This size was selected using simple random sampling technique. Thus given the variation in types of NGO interventions, 26, 35, 58 and 76 enterprises were picked for the exercise from Catholic Church, ACK, K-REP and World Vision, respectively. Primary data was obtained from the field using structured questionnaires, guided by an interview schedule and non-participant direct observation. To enhance quality of data, focus on group discussions with leaders of women groups, key informants comprising of NGO officials, and four role models were used.

The study utilized both qualitative and quantitative methods of data analysis. The qualitative data focused on descriptive statistics and frequency distributions while the quantitative analysis used inferential statistics in form of Chi-square distributions to analyze associations between variables. Both linear and multivariate analyses were

used to determine relationships between variables. Lastly, paired sample T-test was utilized in determining the difference between variables.

RESULTS AND DISCUSSION

NGO Intervention Measures

The study sought to establish which types of interventions were offered by the Catholic Church, ACK Church, K-Rep and World Vision. It was established that the NGOs provide training with 30.8% of the respondents being trained in record keeping, 97% in marketing, 6.6% in customer care, 5.13% in human resource management and 5.14% in sourcing of funding. A significant 71.3% of them did not receive any form of training as an intervention measure despite the availability of such training. Of the 60 women entrepreneurs who accessed training, the majority (75%) had less than two weeks of training. The observations are in line with GoK (1999), which notes that on the whole, 88% of the entrepreneurs have not received business management training. This low exposure to training by the respondents' perception on the significance of training in enhancing their enterprise performance where only 5.0% indicating that they benefited very significantly with the majority 40% still saying they need training in book keeping.

On credit as a form of intervention, 58.9% of the respondents indicated they had accessed credit, loan amounts averaging at Ksh 10,500 with majority 63.5% receiving loans of between Ksh 5000 and Ksh 15,000. Loan interests were surprisingly a constant amount of Ksh 1,000 per annum with loan duration being a maximum of 1 year. A majority (66.0%) of the respondents indicated the amounts advanced were not adequate, but 53.0% of them did concur that the effect of the loans was significant. These observations are largely in agreement with those of the GoK (1999), that, of the formal source of credit, NGOs are the most important source by focusing the provisions of credit MSEs. The loans advanced to women ranging between Ksh 1000 and Ksh 20,000 account for the bulk of the respondents sampled countrywide (GoK, 1999). This shows that credit, as a form of support to women entrepreneurs, is still very low and needs to be improved. Nonetheless, lack of credit has been noted as a constraint inhibiting growth of micro and small enterprises (Alila, 1996; Felsentein & Swartz, 1993).

On business counselling as an intervention by NGOs to women entrepreneurs, the study revealed that a majority 89.7% had not had any counselling enterprise management. This suggests that NGOs are yet to take up counselling seriously as an intervention measure. GoK (1999) looks at counselling as part of non-formal training which encompasses all those learning and training activities and strategies which are undertaken outside of established training

activities and strategies which are undertaken outside of established formal training institutions. They meet the short-term occupational needs of those who enrol in such programmes. It has been found to be cost effective providing best preparation for self-employed and respects traditional values and, hence, offers the most appropriate formulae for absorbing women entrepreneurship.

Enterprise Growth

The study established that the socio-economic characteristics of women entrepreneurs' age, no of years of formal education and previous employment experience have a positive correlation with enterprise performance. Paired T-tests of the difference between enterprise performances before and after intervention established significant differences between profit and number of employees in an enterprise suggesting a positive impact. It was also shown that there is a positive linear relationship between interventions pooled together against a combined enterprise performance measure, significant at 95% confidence level.

Enterprise Performance

The study sought to find out whether or not the performance of women enterprises in Eldoret Municipality has benefited from NGOs intervention. This performance was gauged against such measures as increase in number of employees, increase in capital invested in the business expenditure, savings and profits from the business performance, increase in sales volumes, asset accumulations and effective record management as a result of NGOs intervention. A performance index was then developed as a measure of individual enterprise growth to be used in marketing the relationship between the level of intervention and enterprise growth.

Number of Employees

With respect to the number of employees working in their enterprises, which included self-employment, the respondents indicated that the majority of the enterprises, 133(68.2%), were of the self-employed nature before intervention that reduced to 95(48.7%) after intervention. Table 1 shows the distribution of employment by number of employees before and after the Intervention.

Table 1: Employment Levels Before and After NGO Interventions

No. of Employees	Before Intervention	After Intervention
1	133 (68.2%)	95 (48.7%)
2-5	62 (31.8%)	80 (41.0%)
6-10	-(-)	15(7.6%)
11-15	-(-)	5 (2.5%)
Total	195(100.0%)	195(100.0%)

Source: Field Data, 2003

The results show that after intervention the number of enterprises with only one employee (owner)

decreased from 133(68.2%) to 95(48.7%). Those employing 2 to 5 persons increased from 62(31.8%) to 80(41.0%) while those employing over five people, that did not exist before intervention, increased to 20(10.1%). This suggests a significant change in number of employees and indicates the job creation potential of women enterprises. On average, the mean number of employees before intervention was 1.64 and increased to 2.67 after intervention showing a significant increase at the 95% confidence level ($Z_c = 6.42 > Z_x = 1.65$, $P = 0.05$).

Initial Capital Investment

On how much capital the women entrepreneurs invested in their businesses initially, majority, 105(53.8%), indicated that they started with between 1,000 and 5,000 shillings only. Only 4(2.1%) of the respondents indicated they had invested over 40,000 shillings at the beginning as shown in Table 2. The table shows that the initial capital invested by women entrepreneurs in Eldoret Municipality tended to be on the lower side, averaging 4,902 shillings. On reinvestment of profits and loan capital into the businesses, the respondents said their businesses had continued to accumulate assets over the intervention period.

Table 2: Initial Capital Investment in Enterprises

Initial Capital	Frequency	Percent	Cumulative Percent
Below 1000	22	11.3	11.3
1001-5000	105	53.8	65.1
5001-10000	30	15.4	80.5
10001-20000	24	12.3	92.8
20001-40000	10	5.1	97.9
>40001	4	2.1	100.0
Total	195	100.0	

Source: Field Data, 2003

The accumulating current assets over the last 4 years of the intervention period are as shown in Table 3. The current assets include stock values (raw materials, work in progress and finished goods) and cash at hand and in a bank.

Sales Volumes

On the volume of sales per month before and after intervention, the respondents indicated that majority, 105(55.4%), translated between Ksh 5,000 and Ksh 7,500 per month before intervention and the 61 (31.3%) between 7,500 and 10,000 after the intervention. The average monthly sales before the NGOs intervention topped at Ksh 4,929.50 with a median value of Ksh 4,000 and a maximum sale volume of Ksh 125,000. After the intervention, the average sales volume increased to Ksh 7,660. The difference between the mean sales is significant at the 95% confidence level ($Z_c = 9.204 > Z_x = 1.65$, $P = 0.05$). This shows that the change between the means could not have been by chance and implies that the NGOs intervention must have had an impact on the sale volume, all others things being equal.

Table 3: Accumulation of Current Assets over the Last Four Years

Value of Stock	1999	2000	2001	2002
<1,000	133 (68%)	101 (52%)	55 (28%)	12 (6%)
1,001-5,000	25 (13%)	46 (24%)	39 (20%)	12(6%)
5,001-1,0000	31 (16%)	35 (18%)	21 (11%)	23 (12%)
10,001-20,000	6 (3%)	9 (4%)	64 (33%)	84 (43%)
20,001-50,000	-	4 (2%)	14 (7%)	29(15%)
>50,000	-	-	2 (1%)	8 (4%)
Total	195 (100.0%)	195 (100.0%)	195 (100.0%)	195(100.0%)

Source: Field Data, 2003

Changes in the Expenditure Pattern

When asked how much the enterprises spend per month, a majority 75(35%) spent between Ksh 1,000 and Ksh 5,000 before the intervention. The position remained more or less the same with the majority 71(36.4%) still spending between Ksh 1,000 and Ksh 5,000 but with a significant proportion spending more than Ksh 5000 after the intervention than before. The average expenditure was Ksh 4207.70 before and Ksh 5330.80 after intervention, which is significant at 95% confidence level ($Z_c = 3.4 > Z_x = 1.65$, $P = 0.05$).

These results show that more resources were devoted to the enterprises after the intervention than before, implying more commitment and capacity to conduct business at a higher level of business transaction. The expenditure covered premises or site rent, tools, electricity, water, raw material and wages and salaries.

Business Savings and Profits

The savings and profits made by the enterprises are shown in Table 4 and 5 respectively. The majority of the respondents, 86(44.1%), saved below Ksh 1000 before intervention.

Table 4: Monthly Savings by Women Entrepreneurs

Monthly Savings (Kshs)	Before NGO Intervention	After NGO Intervention
<1,000	86 (44.1%)	45 (23.1%)
1001-5000	70 (35.9%)	87 (44.6%)
5001-10000	32(16.4%)	48 (24.6%)
>10001	7(3.6%)	15 (7.7%)
Total	195 (100.0%)	195 (100.0%)

Source: Field Data, 2003

This changed to a majority, 87(44.1%), of the respondents saving between Ksh 1000 and Ksh 5000. Similarly, profits are shown to have changed from a majority 74(38.9%) getting profits of between Ksh 1000 and Ksh 5000 per month.

Table 5: Monthly Profits Realized

Monthly Sales (Kshs)	Before Intervention	After Intervention
<1,000	53 (26.2%)	33 (16.9%)
1,001-2,500	74 (38.9%)	45 (23.1%)
2,501-5,000	30(15.4%)	30(15.4%)
>5,001	38 (19.5%)	87 (44.6%)
Total	195 (100.0%)	195 (100.0%)

Source: Field Data, 2003

This shows a change of either attitude in the carrying out of business or business or a change of performance, both of which are a credit to the NGO's interventions.

Effectiveness of Record Keeping

The respondents were asked to show the kind of records they kept. They showed that the most common type of record kept was the cashbook, which was maintained by 155(79.5%) of the respondents. Most respondents kept receipt books while none kept cashbook or an asset register or kept any record on their employees. In addition, there was a common tendency to keep records on expenses but, on the whole, the respondents did not seem to maintain their books in a conventional manner.

The findings seem to suggest that the training and counselling as part of the invention did not benefit all the women entrepreneur since they are not consistent on what type of records that need to be maintained and how it should be done.

Barriers to Growth of Women Enterprises

The 195 women entrepreneur respondents were asked to state the problems they encountered and that hindered their enterprise growth. Four major barriers were found common across all the enterprises. These were: shortage of capital, domestic and household issues, economic issues and lack of premises. Other notable constraints included cost of materials and equipment, policy uncertainty, labour regulations and lack of skills.

CONCLUSION

The study established a gradual but statistically significant improvement on all performance parameters over the intervention period. The number of employees increased significantly. Sales volumes also positively changed while profits registered a significant improvement. Operating expenses also increased significantly which can be positively attributed to the growth of enterprise suggesting increase in the volume of transactions. The entrepreneurs were also positive that the interventions resulted in improvement in their business performance. In spite of this, management practices are still not in accordance with expected and established procedural standards. Record keeping is still poor majority of the respondents maintaining only cash receipts.

A key obstacle to the growth of small and medium scale enterprises (SMEs) generally was the challenge in accessing capital for their businesses. This obstacle to growth seemed to affect women owned SMEs more as there was limited data and information regarding the business potential of women entrepreneurs. Current exciting data about women entrepreneurs is mostly based on microfinance, a very specific market segment which does not necessarily reflect how women entrepreneurs behave in the SME market, where commercial banks typically focus. Recognizing the need to have clear data on the women owned SME sector.

Information on access to finance opportunities for women was scarce and advisory services and financial institutions interested in profitably responding to the needs of the women's market segment is lacking. Information about the SME market, with particular emphasis on Women owned SMEs to include the size, nature, characteristics and financial needs of the SME sector in these within the municipality was not readily available.

RECOMMENDATIONS

In light of the foregoing results and discussion, this paper offers the following recommendations to the NGOs to help improve the performance of women operated MSEs in Kenya:

- NGOs should increase the amount of credit facilities available to women entrepreneurs so that women can access credit ranging from as little as Ksh 500 to as much as Ksh 500,000.
- The NGOs should develop and/or improve the catchments strategies so as to reach more than 85% of women entrepreneurs who need credit.
- Training as an intervention on its own, should be extended through appropriate strategies so as to reach and benefit as many as 100% of the women entrepreneurs.
- The training content should cover all scopes/elements of management relevant to Entrepreneurship and business management.
- Emphasis should be placed on preparation of business plans, business start up, business growth and business dissatisfaction and then on financial management (credit, working capital, records, accounting debts, and financial statements).
- The training duration should also be reviewed with a view to increasing contact hours and direct trainer/trainee involvement.

Although there has been an encouraging upturn in women running businesses in the past decade or so, much more needs to be done to overcome the specific factors which discourage women in particular from starting or taking over small firms, and even more

importantly, we have to create an environment in which those women who do run a small business can more easily grow their firms.

There is need to gather and analyze baseline data about the financial behaviour and performance of women owned SMEs in the SME portfolio of client banks, with the aim of encouraging banks to recognize the business opportunity that women owned SMEs represent in their respective markets.

Other key policy recommendations include:

- Recognize the role of women in enterprise development in the modern economy
- Reduce the regulatory barriers related to establishing and operating of a new enterprise
- Increase women participation through understanding factors influencing SME development and eliminating major barriers to SME development for women

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