

# **Influence of Government Policies and Administrative Strategies on Growth of Small and Medium Enterprises (SMEs) Owned by Women in Migori County, Kenya**

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**Abstract:** *The study utilizes a descriptive survey research design for a target population of 912 women entrepreneurs with a sample size of 273. A one-stage stratified sampling technique was used to stratify the population according to entrepreneurial activities undertaken by women. Data was analyzed using measures of central tendencies and dispersions. Frequency tables and percentages were used to present data. This study showed that women engaged in entrepreneurship because they wanted to secure employment and provide for family needs. The study revealed that the biggest constraint faced by SMEs women entrepreneurs in growing their business was harassment by county authorities (28%), government regulatory framework conditions (25%), inaccessibility to finance (22%), inadequate education, training and skill (12%), inadequate business support (5%), competition from established firms (3%), socio-cultural attitude towards women entrepreneurs (3%) and insecurity (2%).*

*The finding implied that government policies and administrative strategies are not able to protect women entrepreneurs. This study recommended that strong government policies were needed to protect women entrepreneurs against strict regulatory conditions particularly policies about licensing which was a major cause of council harassment, a phenomenon that impeded growth of women SMEs.*

**Keywords:** *administrative strategies, government policies, growth, entrepreneur, Small and Medium Enterprises (SMEs)*

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## **I. Introduction**

### **Background of the study**

A survey conducted by Wolf (2001) in Kenya, Tanzania and South Africa notes that SMEs provide employment to more than 50% of the income – earning population. The study estimated that in Kenya small enterprises generate 12%-14% GDP. Kenya's economic landscape also reflected the dominance of Small Scale Enterprises (SSEs) as the most dynamic aspect of the private sector. One significant characteristic of the sector is that as it has grown it has become an important employer of female labor force. Many governments and organizations have focused on the promotion of SSEs as a way of encouraging broader participation by both women and men in the private sector. The promotion of SSEs and especially those in the informal sector is viewed as a viable approach to sustainable development because it suits the resources in Africa (Gakure, 2004). Ryan (2003), argues that within the framework of potential efforts and strategies to boost employment and job creation for people, entrepreneurship is increasingly accepted as an important means and useful alternative to income generation for the job seekers.

Entrepreneurs are people who perceive profitable opportunities, are willing to take risks in pursuing them and have the ability to organize a business (World Bank 1989). A study conducted by the organization for economic cooperation and development in 1997 indicates that governments encourage entrepreneurship because it symbolizes innovation and dynamism. This justifies women engagement in business as entrepreneurs as a major force of innovative business ideas and job creation.

### **Statement of the problem**

Women unemployment rate has remained a major challenge throughout the world. Hence appropriate approaches to address the main factors influencing women unemployment are urgently needed. As Goldberg (2010) argues, "while at least half of the brain power on earth belongs to women, women remain perhaps the world's most underutilized resource". According to Wanjira Munyua and Mureithi (2008), despite the increase in the number of new businesses owned by women entrepreneurs, a large majority started small and stayed small

never employing more than ten people. In their quest to engage in effective entrepreneurship women constantly face a myriad challenges in the growth of their enterprises.

In Migori county, it has been a common phenomenon to see auctioneers acting on behalf of KWFT auctioning collateral security of women entrepreneurs in a bid to recover their loans. It is against this background that the study sought to establish influence of government policies and administrative strategies on growth of SMEs owned and managed by women in Migori county. The overall research question addressed in the study was that in spite of funding given to women in Migori County by Kenya Women Finance Trust (KWFT) and women enterprise fund (WEF) very few were able to repay their loans an indication that the enterprises were not growing or had retarded growth trends. It was this phenomenon that the study sought to address.

### **Purpose of the study**

The study was to establish influence of government policies and administrative strategies on growth of SMEs owned and managed by women in Migori county, Kenya.

### **Objective of the study**

The study aimed:

To explore influence of government policies and administrative strategies on growth of SMEs owned by women entrepreneurs in Migori county, Kenya.

### **Research question**

The study sought to answer the following question:

What is the government policies and administrative strategies influence growth of SMEs owned and managed by women entrepreneurs in Migori County

## **II. Literature Review**

### **Government policies and administrative strategies and growth of SMEs owned and managed by women in Kenya**

It is general consensus that SMEs play a significant role that influence the industrialization process of all nations-states, the stage of economic development notwithstanding. Comparative studies on formal and informal sector employment indicate that the informal sector has the potential to absorb an increasing number of people. One significant characteristic of the sector is that as it has grown, it has also become an important employer of the female labor force.

The importance of SSEs becomes even more apparent considering the current wave of economic liberations, restructuring of industries and the process of change in ownership particularly the privatization of state corporations which has created social security problems and governments are facing difficulties due to the growing number of the unemployed. In addition, there are a myriad of other benefits of SMEs that result in the economy such a production of goods and services, income generation and development of creativity or innovative skills (GOK (1992), Sessional paper No.2)

The government of Kenya, through its policy documents on SSEs sector, recognizes the role and importance of small and medium scale enterprises. Sessional paper no.2 of 1992 sets out a comprehensive policy framework to increase and direct assistance to individual entrepreneurs and SMEs with the aim of providing an enabling policy environment of derogation and liberation. Specific action includes redressing of licensing, tax security of works, legal and political conditions and other regulatory restrictions on informal sector activities

The sessional paper emphasizes the role of private sector enterprises and initiatives, with the government playing mainly a facilitative role. It underscores the need for adequate access to credit, provision of management and technical training in business counseling, consulting, marketing and extension services.

Other policy documents includes the current proceeding national development plans, sessional papers, national baseline and economic surveys, poverty eradication strategy plans, economic recovery papers and vision 2030. Sessional paper no.2 (1996) on industrial transformation to the year 2020 noted that despite government efforts aided by a large number of donor agencies and Non Governmental Organizations (NGOs), there still remain four major constraints that restricted expansion of small scale enterprises sector. The sessional paper identifies access to credit, access to land and infrastructure, access to training and technical support.

### **Theoretical framework**

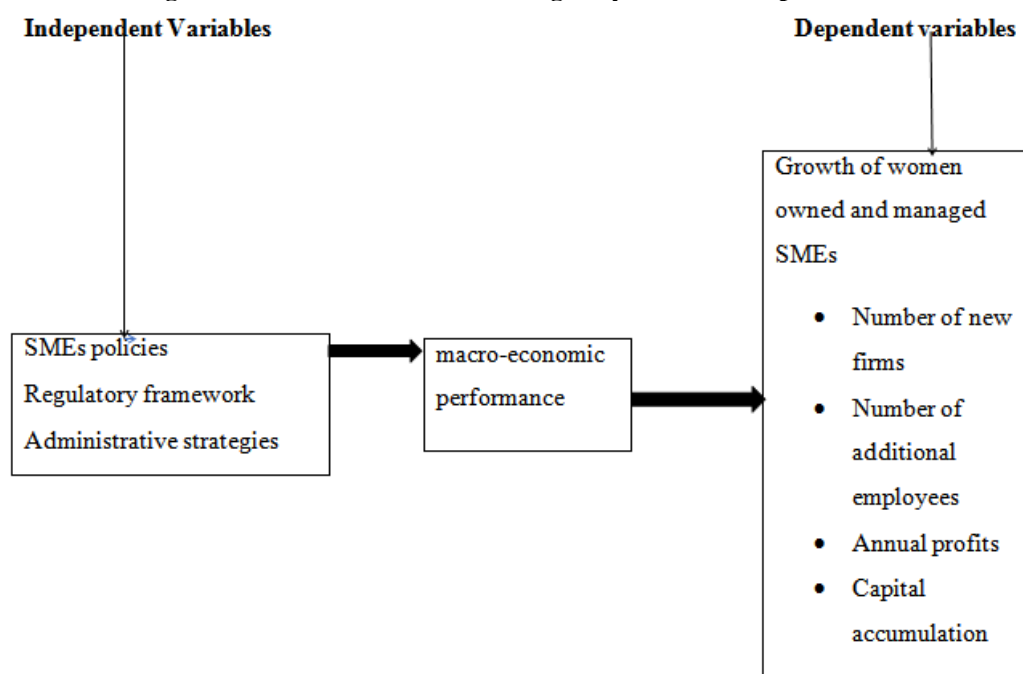
This research was based on the adaptation-innovation theory which was developed by Kirton in 1976. The theory is founded on the idea that each person is creative and solves problems differently (Kirton, 2003). The theory states that adapters desire to do things better while innovators seek to do things differently.

The theory further states that individuals are systematically different from each other in creative style, decision making and problem solving.

Kenyon (2002), observes that women entrepreneurs are faced with challenges to grow their businesses such as policy regulatory framework and administrative strategy conditions. The relevance of the theory to the study is that by adapting to the business environment and taking risks to innovate through measures such as scanning the business environment, product differentiation and price variations women are able to grow their enterprises.

Thus growth of SMEs owned by women and its success highly depends on the ability of individual entrepreneur to adapt to the business environment. The theory views growth of SMEs as highly dependent on creativity by women and their ability to adapt to the turbulent and dynamic business environment.

**Fig 1,1 Conceptual framework on influence of administrative strategies and government policies on growth of SMEs owned and managed by women entrepreneurs**



### III. Research Methodology

The research adopted a descriptive survey research design. The target population in the study was 912 women entrepreneurs. A one-stage stratified sampling and simple random sampling was used as a sampling technique. The data collection instrument was questionnaire. Proportionate stratified sampling was used and the number of the members included in the sample was 30% for each sector of entrepreneurial activity.

**TABLE 1.1 Sample sizes of the population for the study.**

Business sector	Total population	Sample %	Sample size
Service	402	30	120
Commercial	314	30	94
Manufacturing	196	30	59
<b>TOTAL</b>	<b>912</b>	<b>30</b>	<b>273</b>

### IV. Study Findings

#### Government policies and administrative strategies on growth of SMEs owned by women

Government policies, regulatory framework and administrative strategies on SMEs were of great concern to the study as they created an enabling business environment. In view of this, SMEs women entrepreneurs were asked to state major constraints they faced in growing their enterprises and their responses were highlighted in table 1.2

**Table 1.2 Constraints on growth of women SMEs**

<b>Constraint</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Socio-cultural attitude towards women entrepreneurs	7	2.8
Government regulatory framework	60	24.2
Inaccessibility to finance	55	22.2
Inadequate education, training and skills	30	12.1
Inadequate business support	13	5.2
County authorities harassment	70	28.2
Competition from established firms	9	3.6
Insecurity	4	1.6
<b>TOTAL</b>	<b>248</b>	<b>100</b>

Table 1.2 revealed that the biggest constraint faced by SME women entrepreneurs in growing their business was harassment by local county authorities 70(28.2%), followed by government regularity framework conditions 60(24.2%), inaccessibility to finance 55(22.2%), inadequate education, training and skills is 30(12.1%), inadequate business support 13(5.2%), socio-cultural attitude towards women entrepreneurs 7(2.8%), competition from established firms 9(3.6%) and insecurity was represented by 4(1.6%).

The findings revealed that women entrepreneurs have a lot of problems with local county authorities as they struggle to grow their businesses. This implied SMEs regulatory framework and government policies are weak and has failed to protect women entrepreneurs against strict regulatory conditions especially policies onlicensing which was a major cause of harassment, a phenomenon that hinders growth of SMEs.

It was recommended that there is need to incorporate women's dimensions in the formation of all SMEs related policies by ensuring that the impact on women's entrepreneurship is taken into account at the design stage.

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