

## **INFLUENCE OF TECHNICAL PERSONNEL ON WOMEN ENTERPRISE FUND LOAN IN KIAMBU COUNTY**

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### **ABSTRACT**

The purpose of this study was to assess the Influence of technical personnel on women enterprise fund loan in Kiambu County. The literature review focuses on theoretical and empirical foundations on the technical personnel on women enterprise fund loan in Kiambu County. The study employed the descriptive survey design. The target population was 892 women enterprises spread over Kiambu County .Data was collected using a questionnaire and interview schedules. Path analysis/coefficient was used to test for the validity of the causal relationships between the various variables. To achieve this, Analysis of Moment Structures (AMOS) statistical software Version 22 was used. Descriptive statistics including frequencies, means and standard deviations and inferential statistics like ANOVA and Multivariate Regression Analysis was used in data presentation and analysis. The output was presented in percentages, tables and figures.

**Keywords:** Technical personnel, Small and Medium Enterprises, women enterprise, Fund Loan

### **INTRODUCTION**

#### **1.1 Background to the Study**

Women globally have a problem of Low uptake of financial services with ‘more than 1.3 billion in the world operating outside the formal financial system (Demirguc- Kunt, Klapper & Singer, (2013). The situation is mirrored in Africa where more than 70 % of women are financially excluded and are behind their male counterparts. There is need to accelerate women’s financial inclusion in the world.

##### **1.1.1 Global Perspective**

World Bank Report (2012) observes that the current reality is that the informal financial services are of great importance to women in Africa than formal financial Services. Formal financial services are, however, generally seen as the better proposition for clients over informal finance in terms of efficiency, sustainability and reliability. The World Bank policy recommendations addressed formal financial services, where governments and regulatory and supervisory agencies can have a positive impact. (Van & Bratanovic, 2002). In Sub-Saharan Africa women lag behind men in holding accounts at formal financial institutions. Overall, only 21.5% of women in Sub-Saharan Africa hold accounts at formal financial institutions, compared to 26.5% of men in the region. Savings rates show a significant gender gap: 42.9% of men saved during the preceding 12 months, compared to 37.6% of women. Saving for emergencies, by both men and women, was the first reason cited (33.7% and 29% respectively), ahead of saving for future expenses (27.9% and 24.1% respectively). An important consideration here is that women are saving at higher rates at informal institutions than at formal institutions, meaning that their savings rates are actually higher and that there is more opportunity to shift savings to formal institutions (Ross, 2009).

The percentage of Sub-Saharan Africans taking a loan from a formal financial institution was only 5.2% for men and 4.3% for women, with loans coming primarily from “family or friends”: 48.3% for men and 45.3% for women. The extent of purchases of insurance policies was very limited for both men and women, with the most striking difference registered for agricultural insurance (11.2% of men and 6.2% of women paid for crop, rainfall or livestock insurance in the previous 12 months). In terms of mobile money transactions in Sub-Saharan Africa, receiving money is the most often cited use, with 15.5% of men receiving funds via mobile phones as compared to 13.6% of women (Bank for International Settlements, 2006)

### **1.1.2 Kenyan Perspective**

African women have a solid track record as savers, often through informal institutions such as unregulated Savings and Credit Cooperative Organizations (SACCOs) and Rotating Savings and Credit Associations (ROSCAs), rather than formal financial institutions. They seek safe, convenient and confidential ways to save small amounts (Mwangi, 2007). Women are more concerned with security and convenience of deposits and withdrawals than with interest income. This supports their role of managers of household budgets and their use of savings as part of their risk management strategies. Beyond the in-and-out short-term savings, there is expanding interest in programmed (commitment) savings to work toward a specific goal, such as children’s education. This calls for products that allow for regular savings of small amounts (Ellis, 2007).

Most women are forced to grow their businesses using little or no formal credit facilities. The dependency on personal assets and informal sources of capital limit the amount of

financing available. Most businesses remain informal and in low-value areas – with not Enough emphasis on financial products and services to help expand business from micro to small to medium to large size. Convenience is a driver of the usage of formal financial services and that is more important for women (Daily and Dalton, 2003). Women’s transactions are smaller and generally much more frequent than men’s and women are more reliant on cash transfers, calling for delivery systems that facilitate access. Based on the experience of the use of a mobile van to deliver an array of financial services on a one stop basis, research in Malawi suggests that women value geographic convenience more than their male counterparts do (Stuart, Ferguson and Cohen, 2011). In an attempt to bridge gender gap and empower women economically, Kenya government in August 2007 established Women Enterprise Fund. Women Enterprise Fund is a semi-autonomous Government Agency under the Ministry of Public Service, Youth and Gender Affairs established through a Gazette notice. It is a revolving loan Fund. The objectives of the fund includes: provision of affordable and accessible credit for women enterprise development, capacity building of women beneficiaries and their institutions, promotion of local and international marketing, promotion of linkages and infrastructure support. It was to champion poverty reduction, gender equality and Women empowerment through enterprise development (Watson and Robinson, 2003)

Statistics from the Ministry of Devolution and Planning indicate that the recovery rate of funds allocated to WEF was a paltry 48% with the poor repayment being blamed on poor risk evaluation capabilities by non-quality lenders and political interventions where politicians during campaigns told the borrowers that it was free government money that needed not be paid. Isaja, Mwangi & Ng’etich (2014) also conducted a study on the challenges faced by WEF in Hamisi Constituency in Kenya and established that the main challenges were lenders’ inability to equip the borrowers with the requisite knowledge to run their enterprises which translated into borrowers’ failure to make adequate earnings to facilitate repayment of the borrowed funds. Other challenges established by the study included inadequate personnel, delays in disbursement, inadequate field facilitation and illiteracy among the women who access the WEF.

The trend of WEF loan uptake has been varied regionally. There is, for example, low number of new groups in Kiambu County up taking credit from WEF. WEF statistics shows that 85 groups benefited in 2013 and 15 groups in 2014, while Gatundu North which had 31 groups in 2013 increased its uptake to 129 groups in 2014. The trend in Ruiru, and Juja Sub counties is similar to that of Kikuyu. Naturally, every entrepreneur will opt for a cheaper, convenient and friendlier credit facility for starting capital or for expansion.

## **1.2 Statement of the Problem**

Women Enterprise Fund was established by the Government of Kenya states to provide alternative financial services to women who are excluded from the formal and informal financial sectors. The fund provides accessible and affordable credit to support women start or expand business for wealth and employment creation. However, in Kiambu county women have not fully exploited this opportunity the same way in the entire country (WEF Statistics). It is consequently expected that the WEF loan uptake ought to be higher too. However, as noted by the statistics from WEF, Credit Department in Kiambu County, few women are benefitting with the loan. This study endeavor's to find out influence of technical personnel on women enterprise fund loan that could be responsible for this.

### **1.3 General Objective**

The general objective of the study was to investigate influence of technical personnel on women enterprise fund loan in Kiambu County.

## **2. REVIEW OF LITERATURE**

### **2.1 Information Asymmetry Theory.**

This theory was first introduced by Akerlof in 1970. His argument was that in many markets the seller uses some market statistics to measure the value of the goods he is selling. In this scenario of the credit market, the buyer sees the average prices of the loans (credit) in the market he is intending to buy while the seller has more intimate knowledge of each specific loan product. According to Akerlof (1970) this puts the seller at a more advantage thus able to sell goods of less than average market quality. In such circumstances the limitation of the information available to the buyer may lead to the seller offering less than average quality of goods in the markets which eventually leads to reduction in size of the market. Information asymmetry theory assumes that at least one party to a transaction has relevant information whereas the other(s) do not. Some asymmetric information models can also be used in situations where at least one party can enforce, or effectively retaliate for breaches of certain parts of an agreement whereas the other(s) cannot. Spence & Stiglitz (2001) demonstrated that market may break down completely in the presence of asymmetric information and the three distinct consequences emerging are adverse selection, moral hazard, and monitoring cost. FI's are reported to experience competition between their credit products and WEF loans making some of them to give WEF loans only to their favored customers as incentives. This means they withhold information from potential women customers about the details of WEF products. WEF has thus a responsibility to bridge the information asymmetry for the beneficiaries to have informed choice and act according to the rule of engagement. This is done through training and business support

### **2.2 Technical Personnel**

Critical to the growth and development of SMEs is the business management as well as entrepreneurial skills (RoK, 2005). The implication here therefore is that to increase and promote the attainment of business skills, the government is boosting universities, colleges, technical institutions as well as other small business support organizations to come up with courses driven by demand on entrepreneurship and enterprise management (RoK, 2005). According to Hill (2007), several MSEs Owners or managers do not have training and experience in management. In this case, these owners or managers of SMEs come up with their own method to management, through trial and error approach. The result of this is that their style of management is probable to be more native than logical or analytical, more concerned with daily processes rather than based on long-term concerns, and further opportunistic instead of strategic in its notion. Though this approach is a key strength at the early stages of an enterprise due to its ability to provide the creativity desired, in some cases it may bring problems especially at a time when complex choices and decisions have to be arrived at including acquiring credit for expanding the business. A result of poor managerial skill is that SME owners will be poorly prepared to face the dynamics in the business environment.

In examining the connection between effective entrepreneurs and less effective ones, studies have established that SME owner/managers who are more experienced in management or have prior SME knowledge as owner/manager have a tendency to associate with superior growth (Carter & Shaw,1989). Managerial problems have been mentioned as a key reason of failure for small businesses. Research has also recognized lack of experience in the area of business, especially lack of technical know-how, plus insufficient managerial skills, absence of planning, and deficiency of market research (Kuratko, 2008).These outcomes indicated that nonexistence of financing, absence of management skills; corruption and poor infrastructure are negatively associated with performance of small businesses.

The WEF staff through training and business support service needs to inform, train and facilitate SMEs to learn, market, promote and make known their products and services as a business component so as to maximize on the market share. The utmost widely delivered complementary was general trainings while additional services such as, exhibitions, export promotion, supplementary loans, networking, mobile banking and overdrafts reached only a smaller of women business persons. Nevertheless, the greater rate of trainings offered to women borrowers were not generally available to the most of women borrowers of the WEF loans at a level that could importantly sustain businesses on the growth path and offshoot innovations.

## **RESEARCH METHODOLOGY**

### **3.0 Research Design**

The study adopted cross-sectional survey design research approach and used a descriptive survey design. Cross-sectional survey research and descriptive survey designs was used to allow for the gathering of information, summary, presentation and interpretation for the purpose of clarification (Creswell, 2003). Cooper and Schindler (2011) posit that, cross-sectional survey research design is one of the most widely used non-experimental research designs across disciplines to collect large amounts of survey data from a representative sample of individuals sampled from the target population.

### **3.1 Sampling Frame**

The study used simple random sampling as it helps to eliminate bias in selecting sample elements. Cooper and Schindler (2006) assert that, simple random sampling is the purest form of probability sampling. In this study, the sampling frame was a list of 892 women enterprises available at the office of Gender and Social Development in Kiambu County

The following formula was used to determine the sample size for the survey based on sample random sampling.

$$n = \frac{Z^2 pqN}{e^2 (N - 1) + Z^2 pq} \dots\dots\dots \text{Equation 1 (Pagano \&Gauvreau, 2000)}$$

$$n = \frac{1.96^2 * 0.5 * 0.5 * 892}{0.05^2 (892 - 1) + 1.96^2 * 0.5 * 0.5}$$

$$n = \frac{856.6768}{3.1879} = 269$$

$$P=0.5, q=0.5, Z_{0.025}=1.96, e=0.05$$

### **3.3 Data Collection Instrument**

Data was collected using a semi-structured questionnaire that had both closed and open ended questions. The questionnaire as a data collecting instrument was chosen because it is easy to use and requires limited time. It was also appropriate for the study because it produced a descriptive data that was used to provide the representative views and opinions of the population under study.

### **3.4 Validity of Data Collection Instruments**

This study adopted statistical evidence approach. Gall and Borg (2003) assert that, content validity of an instrument is improved through expert judgment. To ensure content validity, the questionnaire was subjected to a panel of peers to assess whether each measurement question in the questionnaire is essential, useful or necessary. Essential responses on each item from each panelist was evaluated by a content validity ratio, and those meeting statistical significance value were retained.

### **3.5 Data Collection, Analysis and Presentation**

Questionnaires to the sampled women enterprises were administered by the researcher and two competent trained research assistants. They were used to ensure correct interpretation of questions asked in cases where the respondents may be illiterate or have low educational levels. Kimando (2016) opine that, data analysis involves reducing accumulated data to a manageable size, developing summaries, looking for patterns and applying statistical techniques. Qualitative data was collected using a structured interview guide, which involves taking down field notes when interviewing the informants. Data was presented in graphs, tables and pie charts. Path analysis/coefficient was used to test for the validity of the causal relationships between the various variables. To achieve this, Analysis of Moment Structures (AMOS) statistical software Version 22 was used. This software also assessed the models' fit, computes results and developed graphical output Gathenya (2012) quoting Arbuckle (2007).

### **RESEARCH FINDINGS AND DISCUSSIONS**

The Bartlett test of sphericity value from the data showed statistical significance (Chi square with degrees of freedom 153=1636.395,  $p = 0.000$ ) implying there were sufficient relationships among the variables to investigate. Bartlett's Test Sphericity value is significant if  $p \leq 0.05$  (Pallant, 2010). Bartlett's test value was deemed significant since the p-value was 0.000 ( $p = 0.000$ ). Kaiser-Meyer-Olkin and Bartlett test of Sphericity values suggest that, the data set in the study was suitable for factor analysis.

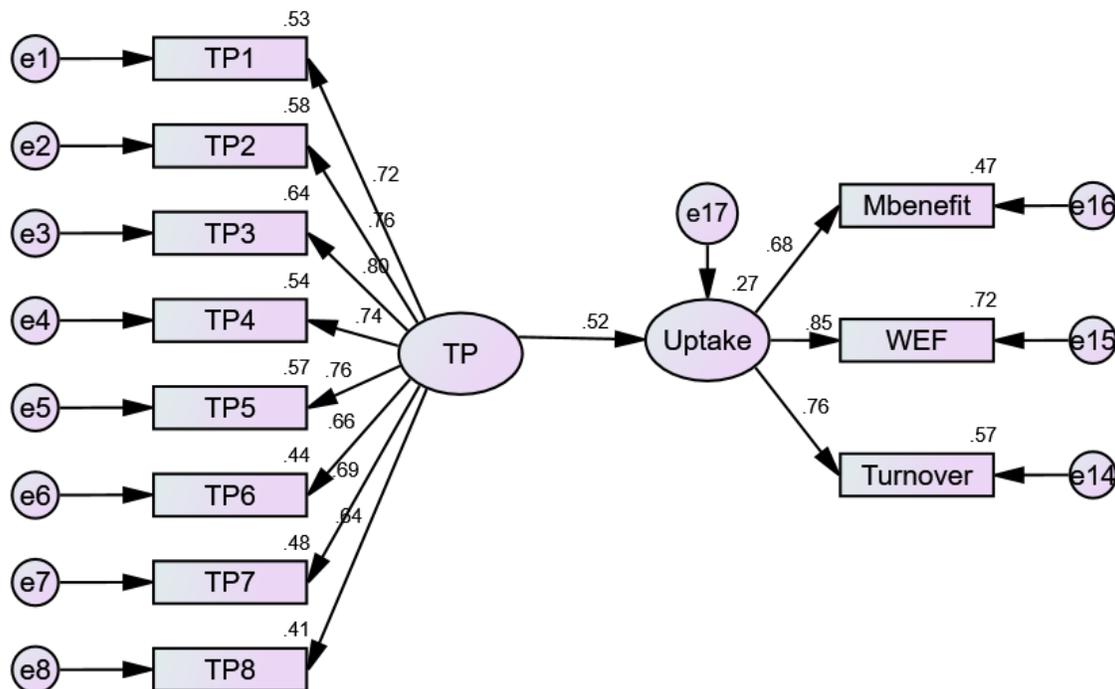
**Table 1: Kaiser-Meyer-Olkin and Bartlett's Test**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.864
Bartlett's Test of Sphericity	Approx. Chi-Square	1636.395
	df	153
	Sig.	.000

The study sought to determine the linear relationship between Technical personnel and WEF loans Uptake. Structural equation modelling (SEM) which is a two-step methods consisting of the measurement model and structural model was applied (Hair et al., 2010). Prior to the two steps, exploratory factor analysis (EFA) was carried out to identify the factors with the highest factor loadings. Table 2 shows the model fit indices for Technical personnel on WEF loans Uptake which was acceptable and represented by figure 1

**Table 2: Model Fit Indices of Technical personnel on WEF loans Uptake**

Model	CFI	GFI	AGFI	NFI	RMSEA
Default model	1	0.841	0.755	0.835	0.014
Saturated model	1	1		1	
Independent model	0	0.334	0.201	0	0.455



**Figure 1: Structural equation modeling for the objective**

**Convergent Validity of Technical personnel**

Regression weights were used to explain the nature of the relationship for every unit change in the Technical personnel since all the variables were in the same measurement scale They depict the change in standard deviation for every unit increase in Technical personnel standard deviation (Kusumawardhani, 2013). The t- values (critical ratio; C.R) for all the items Technical personnel were higher than 1.96 (CR > 1.96) implying that all the indicators were significantly related to Technical personnel, results verifying the convergent validity of the Technical personnel construct as shown in table 3. This implies that, there was a significant positive relationship between Technical personnel and WEF loans Uptake in Kiambu County.

**Table 3: Regression Weight of Technical personnel**

			<b>Estimate</b>	<b>S.E.</b>	<b>C.R.</b>	<b>P</b>
Uptake	<---	TP	.404	.074	5.485	***
TP1	<---	TP	1.000			
TP2	<---	TP	.953	.098	9.721	***
TP3	<---	TP	1.216	.119	10.181	***
TP4	<---	TP	1.106	.117	9.420	***
TP5	<---	TP	1.061	.110	9.657	***
TP6	<---	TP	1.256	.149	8.433	***
TP7	<---	TP	1.129	.128	8.806	***
TP8	<---	TP	1.010	.123	8.190	***

It is clear from the study that the uptake of the women enterprise fund has been influenced by WEF technical personnel. Majority of the respondents indicated that the WEF trainers used appropriate language and that they were knowledgeable and well informed. The respondents also highly agreed that the trainers were honest and transparent and that the training offered was relevant to their businesses. All these were found helpful and increased the rate of WEF loan uptake among the women in Kiambu County. From the regression model, it was observed that an additional unit of training and technical personnel would significantly lead to increase in the rate of WEF loans uptake.

From the study, the WEF technical personnel play a key role in influencing the uptake of WEF loans among women. These technical personnel includes the knowledge ability and how well informed the personnel are, the language used during training and how relevant their training is to address the business needs of the women taking up WEF credit. The adequacy of WEF trainers, timing of the training and follow ups after training are also critical in determining the uptake of WEF credit. However, the study also concludes from the findings that there were little follow-ups after training as well as minimal monitoring by the trainers over the years of benefits. Training facilitation by WEF such as means of transport, allowances and training materials was not adequately done.

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