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Entrepreneurial behaviors and perceptions influencing business decisions among rural women in Kakamega County, Kenya

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Abstract

This paper examines factors that influence rural women's decisions when starting and running businesses in Kakamega County, Kenya. It seeks to understand how their socio-demographic variables such as entrepreneurial experience, education, age and labor availability influence their business behavior and performance. A questionnaire survey was administered among 153 rural women entrepreneurs in Kakamega County. We found that rural women chose businesses that were closely related to their traditional gender roles. About 53 percent of the respondents tended to choose small farm retail businesses that required only basic management skills with affordable capital. About 56 percent of them decided to set up their enterprises near their homes where access was by foot. 84 percent of rural women preferred small-scale, informal businesses. *Chamas*, women's informal social network organizations, supported our respondents through training and capital provision. With regards to business operation, we found that the availability of labor and education level significantly influenced rural women's business performance. Respondent's with a higher education level tended to be innovative and were more confident when making decisions in their businesses.

Introduction

Small and medium entrepreneurship has helped improve the wealth and consequently social status of rural women in Kenya (Hassan & Mugambi, 2013). For example, of all the new businesses established in Kenya, about 70 percent were started by women. They have employed about 17 million people in the more than 8.5 million small businesses they own (Mung' atu, Kyalo, & Mbithi, 2015). This achievement is credited to their entrepreneurial behaviors and what motivates them to start and run businesses (Ondiba, Matsui, & Karanja, 2017). The big questions are how do rural women make decisions when starting and running their ventures and to what extent do predominantly patriarchal norms and traditions influence these decisions (De Bruin, Brush, & Welter, 2007; Ondiba & Matsui, 2019).

Past studies on women entrepreneurs showed that women perceive and behave differently from male counterparts (Naituli, Wegulo, & Kaimenyi, 2006). The national micro and small enterprise (MSEs) baseline survey, which was conducted by the Central Bureau of Statistics (Government of Kenya [GoK], 2004), showed that rural women preferred businesses that were closely related to their societal gender roles such as agricultural retail and services. The need to provide for their households was the major driving factor to entrepreneurship (Naituli et al., 2006; Sharma, 2008).

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Another important entrepreneurial behavior of rural women in past studies emphasized is social networking. At the market, women *chamas* are the most famous mutual help organizations that facilitate networking for business. The number of *chamas* has grown from 18,000 in 1995 to more than 50,000 in 2005 (Kenya National Bureau of Statistics [KNBS], 2007). Some specialize in finance and merry go round, informal social groups where members regularly contribute money which in turn is paid as a full sum to one of the members, while others are active in savings and giving loans or credit. (Anand, 2005). Through *chamas,* poor women have been able to acquire capital by accumulating small savings so that they can have businesses independently (Shylendra, 2004).

Researchers in gender and business studies have asserted that entrepreneurs are born with a firm set of personality attributes (Chell, 2008; Van Dam, Schipper, & Runhaar, 2010). A review on past literature of women entrepreneurs done by Jennings and Brush (2013) found that most research focused on the women's entrepreneurial processes, more specifically, on the contextual and psychological factors that assist or impede their entrepreneurial activities. Nonetheless, research on gender and entrepreneurial behaviors does not tell us much about social factors that influenced the business performance at a regional scale and what perceptions and motivations influenced their decision-making.

Therefore, this study investigated rural women's business perceptions and behaviors that are important for starting and running informal businesses in Kakamega County, Kenya. It also examined the relevancy of social factors in the performance of these local businesses. In so doing, socio-demographic variables such as entrepreneurial experience, education, age and labor availability were evaluated to see how they influenced business behavior and performance. In particular, how the women came up with the decision to start and run businesses, was explored. Both field and questionnaire surveys were conducted. In the following section, we describe the study area and methods to clarify the importance of our case study to readers. We then discuss the results of our surveys in the subsequent section.

Methodology

Kakamega is the largest rural county in terms of population. Overall, it is the second largest after Nairobi county. It is in the western part of Kenya with a population of 1,660,651, whose majority (52% are female. About 86 percent of Kakamega county is rural (Muller & Mburu, 2009; Ouma, Stadel, & Eslamian, 2011). The poverty incidence is about 49 percent making it among the poorest county in Kenya. (Kenya Institute for Public Research and Analysis [KIPRA], 2013). The local inhabitants mostly belong to the Luhya Tribe. The Luhyas are famous for their exceptional pottery carving and weaving skills. Their products like baskets, furniture, soapstone carvings and mats can be found on sale in curio shops throughout the county. Kakamega town is a commercial hub, and hosts a large number of banks such as the Kenya Commercial Bank, Equity Bank, National Bank, Family Bank, Co-operative Bank, Barclays Bank, and the Kenya Women Microfinance Bank (KWFT) and others (Kenya Information Guide [KIG], 2015).

Between August and September 2017, preliminary fieldwork was undertaken before administering the questionnaire to the respondents to make sure of the relevance of survey questions within the local context. Subsequently, the questions in the questionnaire were reviewed and revised and given out to 180 business women at key markets in Kakamega, including Khayega market, Kakamega Municipal market, Mumias market and Shianda market. Stratified random sampling method was used and 153 fully answered questionnaires were collected. The questionnaire focused on three investigative questions. The first section covered the socio-demographic characteristics of the respondents. The second part sought to understand their decisions to start and run a business. The third questions were meant to assess how socio-demographic variables such as entrepreneurial experience, education, age and labor availability influenced their business performance.

Business performance based on monthly revenue against age, education level, experience and number of employees was assessed. A hypothesis test was used to verify the validity of the null hypotheses (H_0) for each of the social demographic characteristics. A correlation analysis was done to identify the strength of the relationship between our respondent's education level, age, number of employees, experience and monthly revenue. The correlation coefficient r depicted the strength and direction of the linear relationship between these parameters on a scatter plot. The p-value was used to grade and rank the significance of the findings. The p-value also helped in judging as to whether to accept or reject the null hypotheses (H_0). The smaller the p-value ($\leq .05$), the more substantial the evidence against the null hypothesis, whereas the larger the p-value ($> .05$), the weaker the evidence against the null hypothesis. 0.5 is considered as the cutoff. A p-value that is close to this can be either rejected or accepted (Hogg & Craig, 1995).

Results and Discussion

Socio-demographic Features

In the first section of our questionnaire survey, the socio-demographic characteristics of rural women were identified. Regarding age, it was found that those between 30 and 40 years old formed about 43 percent of the respondents. 66 percent of the rural women were married. As regards to the education level, about eight percent had post-graduate degrees, whereas 13 percent had undergraduate degrees.

About 31 percent of the respondents had attained primary education. The monthly business income was between 10,000 and 30,000 Kenya Shillings (Kes). This income was enough to meet monthly basic needs in Kakamega.

Entrepreneurial Behavior and Preferences

In the second section of the questionnaire, rural women were asked to state what they preferred and considered when deciding the business type, ownership, scale, and location. Our findings showed that about 53 percent of the respondents preferred small scale agriculture-based farm shops that needed affordable startup capital (Figure 1). Since farming was one of their traditional gender roles, they brought products from their household farms to sell at the market.

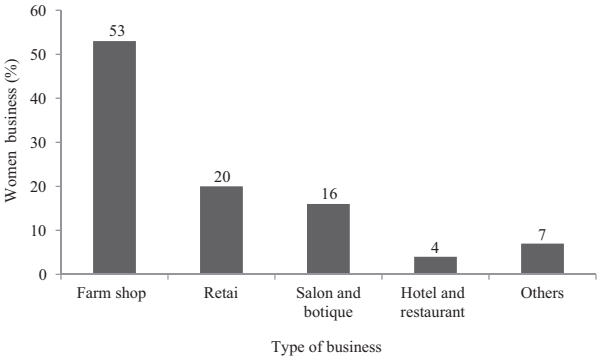

Figure 1 Rural women's business types in Kakamega County

About 20 percent of the respondents preferred retail shops as the business type of their choice. Rural women set up small shops near or inside their homesteads so that they could do business and also take care of household chores. Family labor is sometimes utilized for this homestead-based type of business. Similar to farm shops, these small retail shops, commonly known as kiosks, require a small amount of startup capital, which rural women borrowed from their *chamas*. At the retail shops, rural women sell daily household products, such as salt, cooking oil and sugar, which have high cash turnover.

In deciding to locate their businesses, about 56 percent of the respondents preferred their businesses located in places where they could comfortably walk or ride a bicycle from their homes. Furthermore, places that had frequent customers were also preferred. Most of the respondents had great sales during peak hours and market days. Some women strategically set up businesses at the entrance of educational institutions, government offices, or bus stops to target a large number of customers.

Overall, 84 percent of the rural women who were surveyed operated their businesses locally. This is because of limited finances, time and inadequate management skills. About 58 percent of the respondents had no interest in international trade as they lacked information and confidence to sell their products abroad. However, about 42 percent of the rural women, expressed their interest to engage in international trade. They had undergone business management training organized by their *chamas.*

Other than the questionnaire, some women were interviewed to better illustrate Kakamega women's business life. For example, through the help and support of Silver-spring *chama* in Shianda village, some respondents were able to secure loans from KWFT. The Silver-spring *chama* provides information to members on available funding opportunities and helps them in the loan or grant application process. Rural women are also trained on business management skills as well as given information on available market opportunities both at national and international level. Silver-spring *chama* further collaborated with Kenya Alliance for Rural Empowerment (KARE) an NGO whose aim is to support rural communities in food security and entrepreneurship ventures. Together they were able to implement internationally funded projects. These collaborative projects inspired rural women to expand their businesses and target transboundary trade.

Concerning business ownership, 82 percent of the rural women surveyed were the sole owners of their businesses. As we stated earlier, the majority of the respondents (66%) were married, and most of the decisions within the household were made by their husbands. Owning a business allowed them to make independent decisions and be flexible with their time. However, 11 percent of the respondents had either partnership or joint ownership businesses. This was mainly practised by young women aged between 25–30 years with a higher education level or special professional training. They preferred joint ownership so that they could widen their business scope and operate at the national or international level. They started shops such as fashion design, bookstore, pharmacy and salon. On the other hand, *Chama* provided a platform through which older women practised partnership or joint ownership business.

Factors Affecting Business Performance

The third part of the questionnaire aimed to assess socio-demographic factors that influenced business performance or revenue. Here, the factors considered were experience, labor, age and education.

As shown in Table 1, the *p*-value for the rural women's age (.8061) was found to be above the cutoff (.05). This implies that the respondents` age was not a significant factor in influencing business performance. From the correlation analysis, the results showed a weak positive correlation between age and business performance with an *r*-value (.1594). The scatter diagram in Figure 2 has a nearly horizontal trend line between age and business performance.

Table 1 Multiple regression analysis of factors that affect business performance

Variables	Coefficients	Standard Error	*t*	*p*	Lower 95%	Upper 95%
Intercept	-5643.1	1442.8	-.3912	.6971	-3452.3	2324.1
Age	-85.5	347.2	-.2465	.8061	-780.8	609.6
Education	2595.0	519.2	4.9985	5.8E-06	1555.4	3634.7
Experience	-166.2	633.8	-.2622	.7940	-1435.4	1102.9
Labor	3667.0	831.0	4.4125	4.6E-05	2002.8	5331.1

Figure 2 Effect of age on business revenue

From our interviews, the findings were somewhat contradictory. Young women tended to demonstrate better business performance compared to older women. This is because they were able to access and collect business information through the internet. They used technology to learn about new business opportunities, management skills and marketing. They adopted first-class money transfer technology like *m-pesa* and *m-shwari*, which increased their business transactions and enabled them to access credit. Several NGOs and multinational companies targeted young women entrepreneurs for business partnership and training.

Conversely, older women had good business performance because of their vast experience. They possess traditional knowledge on handling, processing and storage of particular products which significantly reduce business losses and operation cost. They have also built strong business networks and loyal customers. As a result of this, business performance could go either way.

The *p*-value for education, as shown in Table 1, was much lower than any other factor hence strong evidence to reject the null hypothesis (H_0). This proved that education had the most significant influence on business performance. Concerning the relationship between education level and business income, there was a strong positive correlation as depicted by the *r* value (.6427). The scatter diagram in Figure 3 depicts a steeply ascending trend line between education level and business income. This affirms that an increase in education level positively influences an increase in business revenue. This corresponds with the findings of the World Bank (2007), which asserted that education significantly influenced business performance.

Similarly, during our field survey, it was observed that women entrepreneurs with undergraduate, post-graduate or specialized business training created a competitive advantage for their businesses. For example, instead of selling fruits directly, they made fruit juices and smoothies, which they branded for sale. Those in the milk business made yoghurt and cheese using the skills they had acquired during studies or training. In the salon shops, professional women innovated fashionable hairstyles and cuts that attracted a wide range of customers whereas those in catering and restaurant business introduced a wide range of modern and traditional nutritious dishes that were delicious. This enhanced the business performance of the respective ventures. These findings agree with previous case studies in entrepreneurship in other parts of Kenya which concluded that the education level of an entrepreneur significantly influenced the business performance (Mwania, 2015; Ongori & Migiro, 2011; Siwadi & Mhangami, 2011).

Another factor that we investigated was whether and how the entrepreneurial experience influenced business revenue. The findings showed that entrepreneurial experience had a *p*-value (.7940) greater than the cutoff (.05), which gave strong evidence for the null hypothesis (H_0). This implies that entrepreneurial experience was not a significant factor in influencing business performance. A weak positive correlation between the two variables was depicted by the *r* value (.1733). The trend line of the scatter diagram in figure 4 depicts a weak linear relationship between business experience and business performance. This proves there is little or no increase in business income for a significant increase in business experience.

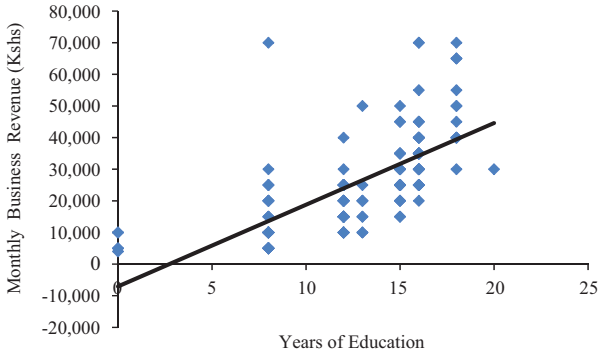

Figure 3 Effect of education level on business revenue

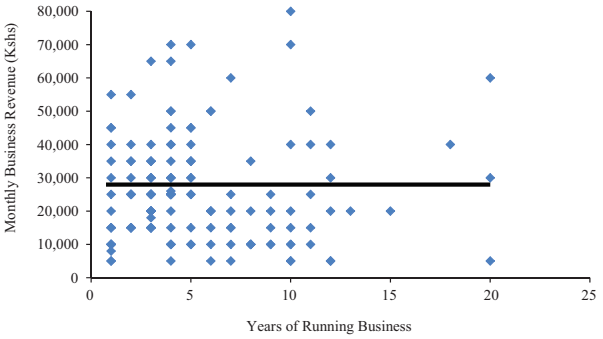

Figure 4 Effect of entrepreneurial experience on business revenue

Most of the women we interviewed with more than 20 years of business experience tended to have little or no formal education. They were married at an early age and started businesses in the 1980s when girls` education was not valued. With the high rate of modernization and urbanization in Kenya, consumers' needs have evolved and transformed significantly. However, most of the highly experienced women have not updated their business technique and skills. They are, therefore, not able to catch up with the changes in consumer taste and demand.

In the questionnaire, we also wanted to find out if the number of employees affected business performance among our respondents. The *p*-value for the number of employees (Table 1) gave us strong evidence to reject the null hypothesis (H_0). The second-lowest value of *p* depicted that the number of employees was the second most influential factor after education. The *r* value shows a strong positive correlation between the number of employees and business income. The scatter diagram in Figure 5 depicts a steep ascending trend line that shows a significant rise in business performance with an increase in the number of employees.

From the field interview, it was found that the respondents had concurrent household chores which affected their business operation. They, therefore, used their relatives or employed part-time workers to help in the business whenever they were busy with household chores. This was a common practice for those with businesses located away from home. It was also noted that experienced old business women hired young, trained employees to revitalize their businesses.

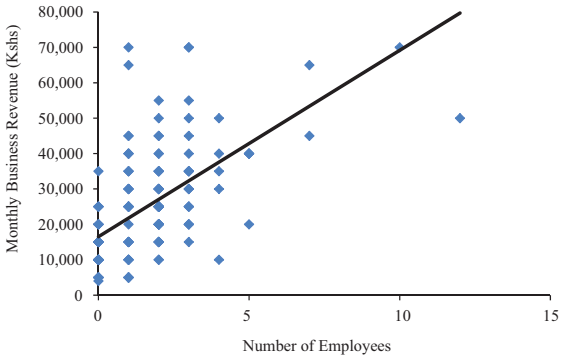

Figure 5 The effect of the number of employees on business revenue

Conclusion

This paper examined local business women's perceptions and behaviors in starting businesses as well as their performance factors in a local context. Overall, it was found that the respondents tended to establish small farm shops and kiosks at their homes or nearby locations. Behind this decision, we found that Luhya social and cultural norms played some roles. Regarding business performance, higher education and labor availability significantly influenced the business income of Kakamega women. Most married women were limited in receiving formal education. They, therefore, opted for informal training that *chamas* and other non-governmental organizations offered to enhance their business skills. These results correspond to a survey done by the Central Bureau of Statistics, which asserted that rural women in Kenyan tended to run gender-specific businesses.

Finally, considering the prospect of these Kakamega women and their traditional social constraints, *chamas* remain to be the primary option for them to run successful businesses. However, in the future, structured support of women empowerment through education and entrepreneurship can significantly expand and improve the rural economy in Kenya and beyond.

Conflict of Interest

There is no conflict of interest.

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