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RESEARCH ARTICLE

FINANCIAL INTERVENTIONS FOR NEW BUSINESS VENTURE START-UPS: ENHANCING SMALL BUSINESSES FOR WOMEN AND YOUTH IN BARINGO COUNTY, KENYA

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ABSTRACT

Enterprise development interventions refer to programs that provide business-focused solutions to help entrepreneurs in the developing world work their way out of poverty. They provide an intelligent mix of counselling, training and consultancy; financial interventions; infrastructural development and legal and regulatory framework helping people to work their way out of poverty. This paper examines the role of financial interventions in enhancing the growth of new venture start-ups based on a study of women- and youth-owned new enterprises in Baringo County, Kenya. The study adopted a survey research design targeting a population of 1049 respondents from which a sample of 281 was randomly selected. Data was collected using questionnaires and data sheet and analyzed using both descriptive and inferential statistics. The research findings established that women and youth entrepreneurs accessed funds to start their businesses in form of loans, personal savings, grants, finance from leasing, and finance from Equity bank and other agents. Most of the entrepreneurs were, however, not aware of grant availability in the national and county governments. As a result, very few of them had ever applied for these grants. Moreover, most of those who had applied and gotten the loan said they were not satisfied by the loans because the amount of collateral required was high. Nevertheless, most of the respondents admitted that loan availability, status of the grace period on loans, reimbursement periods and the complexity of application procedures had improved over time. They nonetheless lamented that the interest rates had in fact deteriorated. The study established that there is a significant relationship between financial interventions and new venture start-ups ($p=0.005$). To mitigate the above challenges, the county government of Baringo should come up with interventions that address issues of access to finances by women and youth entrepreneurs. The county government should also give the women and youth business owners a favourable environment to enable them to undertake their business ventures successfully.

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INTRODUCTION

Small and Medium Enterprises (SMEs) in Kenya have both the potential and the historic task of bringing millions of people from the survivalist level, including the informal economy, to the mainstream economy. They have been, especially, credited for helping women and youth who are mostly sidelined from formal employment opportunities. Recognizing the critical role small businesses play in the Kenya economy, the Government, through the Kenya Vision 2030 envisages the strengthening of the micro, small and medium enterprises (MSMEs) to become the key industries of tomorrow by improving their productivity and innovation (Ministry of Devolution and Planning, 2013).

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However, it is generally recognized that MSMEs face unique challenges that affect their growth and profitability and, hence, diminish their ability to contribute effectively to sustainable development. The International Finance Corporation (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.

Lack of access to finance is almost universally identified as a key challenge the reason for which most ventures fail to take off (Wanjohi & Mugure, 2008). Therefore, this paper examines the role played by financial interventions in new venture start-ups by vulnerable members of society, namely women and youth.

Financial Interventions in new Venture Start-ups

Kiraka, Kobia and Katwalo (2013) have examined the growth and innovation in micro, small and medium enterprises in Kenya by assessing the performance of the Women Enterprise Fund (WEF) at the micro, meso and macro levels. Their research study findings showed 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 scholars also observed the most common form of innovation 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 researcher further found 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 identified as poor determinants of growth. On the other hand, 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 (Kiraka *et al.*, 2013). The study by Kiraka *et al.* (2013) indicates that the interventions that have been initiated by the central government to assist women have yielded good results. This subsequently implies that interventions do contribute to better performance of SMEs and the chances of success for the business.

Stevenson and St-Onge (2005) have studied women-owned enterprises in Kenya and similarly identified specific factors that limit their growth and development. These factors are largely related to financing. The study findings indicated that the specific factors that limit growth include, firstly, women being 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. Secondly, many financial institutions lack confidence in projects owned by women. Thirdly, 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. Fourthly, it is also presumed that women lack management skills, especially since more women than men have relatively low levels of education and technical skills. Fifthly, women often lack the ability to approach a financial institution and to develop project proposals for financing (business plans). Lastly, women do not have the same opportunities for full-time waged employment and, therefore, have more limited capacity for savings accumulation than do men (Stevenson & St-Onge, 2005). The International Labour Organization (ILO) (2008) identifies key government initiatives needed to support women entrepreneurs in Kenya. These initiatives and strategies include the establishment of the Women Enterprise Development Fund, the registration of women's groups so that they can benefit from group guarantee loans from MFIs and access to information and training.

ILO (2008) calls 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 need 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, there is need for distribution of special funds. Funds aimed at addressing gender imbalances do not always trickle down to disadvantaged women enterprises (ILO, 2008). 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 (ILO, 2008).

Statement of the Problem

Enterprises and especially small and medium enterprise (SMEs) are the backbone of the Kenyan economy. They are a major source of job creation and revenue in the country. Given that county governments are given the full mandate to support local economic ventures in Kenya's current constitution, it is expected that the Baringo County government fully supports new venture start-ups. However, the economic potential of women and youth entrepreneurs remains largely untapped in developing and emerging markets, including that of Baringo County. Many of the youth and women entrepreneurs lack access to financial services, skills and equal opportunities to be successful business owners. In developing countries, despite their growing potential women still own only a few of the small businesses and even fewer medium enterprises. Women are also three times more likely to operate within the informal economy than their male counterparts. Women and youth struggle to come up with business ventures but lack the necessary infrastructure. This has seen most of these ventures fail to take off. The study was, therefore, conducted to find out the influence of enterprise development interventions on new venture start-ups among the women and the youth in Kenya's Baringo County. Based on the study, this paper discusses the role that financial interventions play in enhancing the growth of new business venture start-ups among women and the youth in Baringo County of Kenya.

MATERIALS AND METHODS

The study adopted a survey design. This design was used because it was found appropriate in gaining insight into the role of enterprise development interventions in new venture start-ups by women and youth in Baringo County. This design provided further insight into the research problem by describing the variables of interest.

The study targeted 480 youth and 529 women entrepreneurs operating in the County in various sectors and sub-sectors plus 40 respondents drawn from business associations and the relevant government ministries and County Government departments. Therefore, the total target population was 1049 respondents. Out of these, a sample size of 281 respondents, comprising 142 women and 128 youth entrepreneurs, and 11 government agents, was selected using the Fisher (2003) computation. Primary data was generated through the use of questionnaires and interview schedules. The data collected was analyzed and presented using descriptive statistics.

RESULTS

Contribution of Financial Interventions to New Venture Start-ups

The study sought to determine the extent to which financial interventions aided in the growth of new business venture start-ups among women and youth enterprises in Baringo County. To achieve this, the sought to determine how the respondents accessed finance to start up their businesses, if they were aware of availability of grants, if they applied for those grants from the National or County governments, if the loans they obtained were satisfactory and the reason for dissatisfaction and whether they seek financial advisors. The findings were as presented in Table 1 below.

Table 1. Contribution of Financial Intervention in New Business Ventures

Access of Finance	Frequency	Percent
Grants	20	7.4
Loans	158	58.5
Leasing	4	1.5
Equity	1	0.4
Savings	86	31.9
Others	1	0.4
Total	270	100
Grant Availability		
Yes	33	12.2
No	237	87.8
Total	270	100
Application of Grants from the County		
Yes	46	17.0
No	224	83.0
Total	270	100
Satisfactory of Loans		
Yes	5	1.9
No	265	98.1
Total	270	100
Dissatisfactory Reasons		
High Interest	75	27.8
Amount of collateral required	174	64.4
Bureaucracy	6	2.2
Stringent repayment period	15	5.6
Total	270	100
Financial Advisers		
Yes	51	18.9
No	219	81.1
Total	270	100

Source: Author (2015)

The findings on how the respondents accessed funds to start their businesses indicated that 58.5% received loans, 31.9% said they used their personal savings, 7.4% received grants, 1.5% obtained finance from leasing and 0.4% accessed finance from Equity bank and other agents.

The findings on whether or not the respondents were aware of grant availability indicated that 87.8% were not aware while 12.2% were aware. On whether the respondents applied for grants from the National or County governments, 83% reported that they had never applied while 17% had applied for grants. The findings on whether the loans received by respondents were satisfactory indicated that 98.1% were not satisfied while 1.9% of the respondents were satisfied with the loans given. The findings on the reasons for being dissatisfied with the loans indicated that 64.4% attributed it to the amount of collateral required, 27.8% said the interest rate charged on loans were high, 5.6% said the repayment period was stringent and 2.2% said the application process for grants was filled with bureaucracy. The findings on if the respondents used any financial advisers indicated that 81.1% had never used financial advisors while 18.9% said they used financial advisors. The study also sought to ascertain if the women and youth entrepreneurs had received any financial interventions to help them in their new business start-ups. The results on the various types of financial interventions were as shown in Table 2 below.

Table 2. Financial Interventions

Availability of Loans	Frequency	Percent
Remained the same	2	0.7
Deteriorated	26	9.7
Improved	242	89.6
Total	270	100
Interest rate		
Remained the same	14	5.1
Deteriorated	255	94.4
Improved	1	0.5
Total	270	100
Grace periods		
Remained the same	11	4.1
Deteriorated	40	14.8
Improved	219	81.1
Total	270	100
Reimbursement periods		
Remained the same	27	10
Deteriorated	45	16.7
Improved	198	73.3
Total	270	100
Guarantees/collateral		
Remained the same	36	13.3
Deteriorated	86	31.9
Improved	148	54.8
Total	270	100
Complexity of application procedures		
Remained the same	20	7.4
Deteriorated	36	13.3
Improved	214	79.3
Total	270	100

Source: Author (2015)

On the situation of loan availability, that 89.6% of the respondents indicated that loan availability had improved, 9.7% said it had deteriorated and 0.7% reported that loan availability had remained the same. Regarding the situation of interest rate, 94.4% of the respondents indicated that it had deteriorated, 5.1% said it had remained the same, 0.5% were of the opinion that the interest rates had improved. The findings on the state of the grace period for loans indicated that 81.1% of the respondents were of the opinion that grace period had improved, 14.8% said it had deteriorated and 4.1% reported that the grace period had remained the same. The research results on the state of reimbursement periods indicated that 73.3% of the respondents indicated that the situation had improved, 16.7% said the situation had deteriorated and 10%

posited that the situation had remained the same. The results of the study on the situation of guarantees/collaterals indicated that 54.8% of the respondents stated that the situation had improved, 31.9% said the situation had deteriorated and 13.3% were of the opinion that the situation had remained the same.

The study findings on the complexity of application procedures indicated that 79.3% of the respondents said that the situation had improved, 13.3% opined that the situation had deteriorated and 7.4% said the situation had remained the same. The study also sought to ascertain the support services related to access to finance provided to aid the entrepreneurs in their new venture start-ups in Baringo County.

Table 3. Support Services related to Access to Finance

The access to the service	Frequency	Percent
Yes	28	10.4
No	23	8.5
Total	51	18.9
The pricing policy of the service provider		
Yes	33	12.2
No	18	6.7
Total	51	18.9
The understanding of the service provider of your business		
Yes	26	9.6
No	25	9.3
Total	51	18.9
The effect of the use of the service on your enterprise		
Yes	27	10
No	24	8.9
Total	51	18.9

Source: Author (2015)

From the findings in Table 3 above, for those who had consulted the financial advisors, majority, 10.4%, were satisfied with the access to the service while 8.5% were not satisfied. Moreover, most, 12.2%, of those who had seen the financial advisors indicated that they were satisfied with the pricing policy of the service provider while 6.7% were not satisfied. The findings for those who had used financial advisors indicated that majority, 9.6%, were satisfied with the show of understanding by the service provider of their business whereas 9.3% were not satisfied. Lastly, majority, 10%, of those who had used financial advisors indicated that they were satisfied with effect of the use of the service on their enterprise while 8.9% were not satisfied.

DISCUSSION

Financial Interventions in New Venture Start-ups

The women and youth entrepreneurs accessed funds to start their businesses in form of loans, personal savings, grants, finance from leasing, and finance from Equity bank and other agents. Most of the entrepreneurs were, however, not aware of grant availability in the national and county governments. As a result, very few of them had ever applied for these grants. Moreover, most of those who had applied and gotten the loan said they were not satisfied by the loans because the amount of collateral required was high. Other reasons for this dissatisfaction included the high interest rates charged, stringent repayment periods and bureaucracy in the loan application processes.

Amidst the above challenges, most of the entrepreneurs said they had never sought or received any advice from financial advisors. These findings concur with those of ILO (2008) on government initiatives and strategies needed to support women's entrepreneurship in Kenya. Among the initiatives proposed by ILO is the establishment of the Women Enterprise Development Fund, registration of women's groups so that they can benefit from group guarantee loans from MFIs and access to information and provision of training. ILO (2008) further recommends the need for the development of women-tailored products.

One such product would be a combination of asset financing and lease hire facilities. This will minimize the diversion of funds to non-business needs – one of the common problems among women borrowers. Moreover, institutional capacity and structure of financial institutions needs to be designed in such a way as to address women clients (ibid.). 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. In addition, ILO proposes the need for distribution of special funds. Funds aimed at addressing gender imbalances do not always trickle down to disadvantaged women enterprises (ILO, 2008). The terms that are imposed by the participating financial institutions sometimes negate the original objectives. ILO, therefore, proposes that the government intervenes and plays a more active role in ensuring that these funds reach these women.

According to ILO (2008), in order for a business to take off and grow it needs more than financial intervention; therefore, the ability of the county government of Baringo to provide these interventions for the women and youth in the County will determine the economic growth of the area since SMEs contribute greatly to the performance of the economy. It will also contribute to the empowerment of the women and youth through self-employment.

Contribution of Financial Interventions in New Venture

The findings on financial interventions in new venture start-ups indicated that majority of the respondents had accessed funds to start up their businesses. These funds were obtained in form of loans. These findings imply that emphasis needs to be put on microloans that are particularly aimed at small businesses that are just starting or are already functional. Loans for women entrepreneurs are intended for enterprises where women are majority shareholders and companies that are managed by women.

The loans can be used for investments such as machinery and equipment, working capital or for other start-up projects. The loan schemes for micro companies and female entrepreneurs are designed to cut unemployment and induce entrepreneurial activity. Since these loans were introduced in Kenya, micro loans and loans for women entrepreneurs have been significant tools for promoting entrepreneurship by facilitating the access to debt finance and promoting self-employment.

Nevertheless, most of the respondents admitted that loan availability, status of the grace period on loans, reimbursement periods and the complexity of application procedures had improved over time. They nonetheless lamented that the interest rates had in fact deteriorated. Most of those who had consulted financial advisors were satisfied with the services they got. They lauded the service providers for giving good pricing policy and being very understanding of their needs and acknowledged that the advice they had gotten had had a positive impact on their enterprises. This shows that financial interventions do work.The findings also show that inability to meet loan conditions, specifically collateral requirements, is one of the major constraints to the flourishing of the new business venture start-ups among the youth and women entrepreneurs in Baringo County.

This is primarily due to cultural barriers that restrict women from owning fixed assets such as land and buildings. Other reasons identified by scholars include the fact that many financial institutions lack confidence in projects owned by women; women being perceived to be risk adverse in approaching banks to finance their small projects; small loans being costly for financial institutions to put on the books and administer; women being seen as lacking management skills and some women having relatively low levels of education and technical skills compared to their male counterparts; women often lacking the ability to approach financial institutions and develop project proposals for financing and women lacking the same opportunities for full-time wage employment and therefore having more limited capacity for savings accumulation than men (Stevenson & St-Onge, 2005).

Conclusion and Recommendation

Based on the findings of the study and discussion in this paper, it is concluded that the youth and women entrepreneurs' inability to meet loan conditions is the chief reason for failure of take-off for most of their start-up business ventures.

Women entrepreneurs are especially affected primarily due to cultural barriers that restrict them from owning fixed assets such as land and buildings. Many financial institutions lack confidence in projects owned by women. Furthermore, women are perceived to be risk adverse in approaching banks to finance their small projects. Small loans are also considered costly for financial institutions to put on the books and administer.

To mitigate the above challenges, the county government of Baringo should come up with interventions that address issues of access to finances by women and youth entrepreneurs. The county government should also give the women and youth business owners a favourable environment to enable them to undertake their business ventures successfully.

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