



FACTORS AFFECTING ACCESS TO FINANCE FROM THE UWEZO ENTERPRISE FUND: A CASE STUDY OF YOUTH AND WOMEN ENTREPRENEURS OF EMBAKASI CENTRAL CONSTITUENCY, NAIROBI, KENYA

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Abstract

The study intended to find out the factors that affect access to business finance from Uwezo Fund. The study looked at whether training, experience, socio-cultural factors and entrepreneurial spirit of motivation had any effect on accessing finance from Uwezo fund. The study adopted a case study design, which involves collection and analyzing data so as to enable meet the research objectives. The population of the study was drawn from potential users of the Uwezo fund, comprising of the Youth and women of age who owned and ran a business in Embakasi Constituency. Purposive sampling methods was employed. Primary data was collected using a structured questionnaire. Descriptive statistics was used to analyze information generated from respondents which was presented by use of percentages, frequency distributions, tables, charts, the researcher categorized the variables. The study found that business training, business experience, socio-cultural factors and entrepreneurial spirit affected the borrowing of Uwezo fund by youth and women in Embakasi constituency. The study concluded that there existed a positive relationship between borrowing of Uwezo fund and entrepreneurial spirit, and socio-cultural factors. However, a negative relationship existed between borrowing of Uwezo fund and business training and experience. The study recommended that government organize training programs, workshops and seminars which would equip the women and youth with skills and information that would enable them to borrow. A study on the challenges facing youth in borrowing from the government of Kenya was recommended.

Keywords: Uwezo Fund, training, culture, Entrepreneurial spirit, Entrepreneur

Introduction

Provision of special assistance to women entrepreneurs, according to Reynolds (2010) is one of the most critical improvements that governments can undertake. In Africa, women constitute 50% of the population and thus the need for them to be involved in any meaningful development (Dionco-Adetayo et al., 2012). Researchers agree that overcoming gender inequality should be prioritized to bring forth women a force in poverty reduction (Dionco-Adetayo et al., 2012). The Arab world too, is seeing a growing number of women entrepreneurs. It is considered that women economic security is crucial for their empowerment and sustainability of their families (Itani, 2011).

The problem of youth unemployment remains one of the major challenges for governments in Africa. The high rate of unemployment has given rise to despair about improving livelihoods of youths. Unemployment has been seen as the cause of idleness, frustration and anti-social behaviour such as exposure to crime, HIV/AIDS and drugs and substance abuse (Chigunta 2009).

The lack of finance has been cited as the biggest impediment to starting a business venture by most entrepreneurs, especially women and youth. Pretorius and Shaw (2012) indicate the need for external and internal financial resources to survive and grow while Madachie and Nkambede (2010) opine that women face constraints such as income requirements, inadequate collateral, difficult loaning procedures, high interest rates and minimum balance requirements when borrowing funds. According to Jajah (2009) businesses need to have access to capital to succeed and initial undercapitalization can have a long-term effect on business survival and success. (Carter, 2009). Like other entrepreneurs, the youth have challenges raising start-up capital. Their families perceive their ventures as too risky and fail to support them financially (Jajah, 2009).

In Embakasi Central Constituency, women and youth engage in various businesses which provide basic necessities to the residents. These businesses include retail shops stocking consumer goods, secondhand clothes dealers, salons and barber shops, bars and restaurants, furniture makers, spare parts dealers, hardware dealers, charcoal dealers, timber merchants, cereals sellers, etc. All these businesses are the ideal candidates for Uwezo Fund. These businesses are mostly run by women and the youth who are the target group for Uwezo fund.

Statement of the problem

The government of Kenya launched the Uwezo fund scheme in September 2013. The scheme- like the two others before it, the Youth fund and the Women enterprise fund, – was intended to expand access to finances for women, youth and persons with disabilities, to enable them start and expand business ventures. This was in recognition of the fact that lack of financial resources has been the most quoted reason why people fail to engage in business, with women and youth finding it even harder to access these resources (Jajah 2009; Fielden 2006; Madachie and Nkambede 2010). Access to the funds has however not been as smooth as would have been expected. Issues relating to lack of business training, business experience of the borrowers, socio-cultural factors particularly for women borrowers, and entrepreneurial spirit of motivation of the borrowers among other concerns, have been raised about the fund and its implementation. The fact that there have been persistent complaints about the earlier similar schemes and now the Uwezo fund which appears to have a pattern means that there is a gap that has not been identified that continues to worry both the administrators of the fund and potential beneficiaries. This study therefore seeks to examine the factors that affect access to financing from the Uwezo Fund with

specific reference to Embakasi Central Constituency.

Objectives of the study

- Establish the effect of business training on access to financing from the Uwezo fund
- Determine how business experience affects seeking business financing from the Uwezo fund
- Determine how socio-cultural factors affect borrowing from the Uwezo fund
- Ascertain how entrepreneurial spirit of motivation affects access to funding by Uwezo fund

Literature review

Theoretical Review

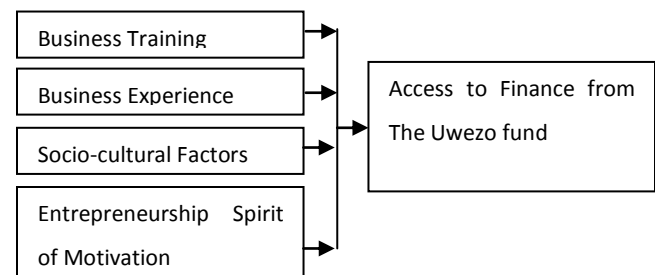
The study was based on the Entrepreneurship Event and the Ajzen’s theory of planned behaviour. Entrepreneurship event theory examines life path changes and their impact on individual desirability and feasibility related to new venture formation. The underlying assumption is that critical life changes precipitate a change in entrepreneurial intention and subsequent behavior, e.g., job loss or availability of new funds (Shapero & Sokols, 1982). The Entrepreneurship Event theory links the “event” of say, losing a job or desiring to start a business with the variables of this study including business training, entrepreneurial spirit of motivation and business experience. The relationship between the Event and these variables is that, if a person has been trained on a certain trade or has some experience in some business from their previous job, if they lose the job; they are more likely to have a desire to start a similar or related business. This desire will be more so motivated if feasibility of such business is enhanced by availability of financing.

The theory of planned behavior (TPB) was developed by Ajzen in 1988 and proposes a model which can measure how human actions are guided. Ajzen and Fishbein’s theory of planned behaviour

(2005) holds that one’s intention to engage in that behaviour and intentions are influenced by attitude towards behaviour. The theory mentions three components of entrepreneurship intention which include perceived desirability that refers to the attractiveness to start up a venture; perceived feasibility which refers to the degree to which an individual feels that he/she is capable of starting a business (e.g., lack of finance or entrepreneurial skills, etc.); and a propensity to act, which indicates an individual’s willingness to act on decisions.

Assumptions in this theory are that behaviour is planned and preceded by intention; that human beings are rational and make systematic use of information available to them when making decisions; and that intentions precede behaviour. The theory of planned behavior (TPB) was developed by Ajzen in 1988 and proposes a model which can measure how human actions are guided. It predicts the occurrence of a particular behavior, provided that behavior is intentional. The model represents the three variables which the theory suggests will predict the intention to perform behavior.

Conceptual framework



Dependent Variables Dependent Variable

Figure 1: Conceptual framework

Empirical review

Business training

Chigunta (2006) defines business training as an organized activity aimed at imparting business information and/or instructions to improve the recipient's performance or to help individuals attain

a required level of business knowledge or skill. The study on youth and women by Sagwe et al., (2011) indicated that issues of Business Training, education and prior experience in the same field have a positive effect on a new business. Joshi (2009) also cites lack of specialized Business Training and education as being a barrier to women entrepreneurship.

Itani et al., (2011) in a study undertaken on barriers to women entrepreneurship in UAE, cites lack of government support in terms of proper Business Training and education including, coaching and managerial Business Training, to have hindered success. In a study of factors on the social inclusion of women in business, Fielden (2006), cites putting up a business plan and completing paperwork as real challenges to some business women in the U.K. In the research on youth entrepreneurship in Zambia, a relationship between education and enterprise ownership was found, albeit a weak one, which means that although education helps to access more information about access to resources technology and market conditions, educated persons still experience barriers to entry in the informal sector (Chigunta, 2002).

Business Experience

Business Experience is defined as the experience that a person already has of working (Firkin, In De Bruin and Depuis, 2003). Todd and Shaw (2005) suggest that experience may be more important for success in the informal sector than education. Work experience in their view refers to skills, knowledge and attitudes from the workplace especially the formal sector. Chigunta (2005) concludes that young people lack job experience. From his own experiences in Ghana, Jajah (2009) asserts that with major incentives and motivation by their government, youth in Ghana could become a major force in economic growth. Sagwe et al.,(2011) in their study on the performance of the Youth Enterprise and Women Enterprise funds indicate that need for business experience in the success of

an enterprise was found to be medium for both women and youth, while need for planning expertise was rated low for both groups.

Chigunta (2003) in his study on youth in Zambia showed that 56.1% of youth in entrepreneurship had not worked before and asserts that such young person's lack the necessary managerial and work experience to succeed. Most youth do not see the need for Business Training as a priority and so on-the-job Business Training becomes the source of skills in the informal sector. He however asserts that skills grow as the enterprise grows.

Socio-cultural factors

According to Verheul, Vansteel and Thurik (2007), sociocultural factors are customs, lifestyles and values that characterize a society. Socio-cultural factors are influences derived from the customs, traditions, perceptions and beliefs of an individual's culture and can be a key determinant in whether or not a person even agrees to seek care and use the devices. To increase the usability of a design, a device should fit seamlessly into societal norms by not resembling anything with a negative social connotation, not disrupting gender roles and not causing privacy issues.

Firkin (2003) describes social capital as relationships and networks within the family as well as social, ethnic, professional and political associations, while Chigunta (2003) describes social assets for young people as social and peer networks, group membership, relationships of trust, access to wider institutions of society, freedom from violence, community and family support for self-employment, voice and feelings of inclusion. Nahaphiet and Ghoshal (1998) describe social capital as "the resources individuals obtain from knowing others for being part of a network with them, or merely being known to them and having a good reputation". They give professional business services, networks and contacts as examples.

The study by Sagwe et al., (2011) indicated that 59% of the random sample of 240 respondents showed

that team members are an important source of support. It has been observed that there are different social culture characteristics that exist to bring about success in entrepreneurship. Some cultures and ethnic groups are said to be “born entrepreneurs”, such as the Igbo and Ijebu of Nigeria and the Kikuyu of Kenya (Chigunta 2005). It is however noted that although personal traits contribute, good entrepreneurship education is crucial. Anyone should be able to succeed in entrepreneurship with a combination of Business Training, experience and mentoring (Chindoga, 2011).

Entrepreneurial spirit of motivation

Bardasi, Blackden and Guzman (2008) define entrepreneurial spirit as the perception as a highly creative and dynamic entity. In their study of recipients of the Youth and Women Enterprise funds. Sagwe et al (2011) categorize factors comprising entrepreneurial spirit to include strategic focus, appetite for risk, dynamism, informal communication and team co-operation. 56% of the youth were found to rate low in this category while women entrepreneurs scored high in appetite for risk and dynamism.

Sagwe et al (2011) suggest that motivational factors encourage the search for independence and control over ones destiny. Jajah (2009) posits that young people in Ghana land into business mostly by accident, and thus have no clue how to run the business. The youth prefer formal employment preferably with a stable government job as priority. Jajah thus opines that mentorship programs should be put in place to support and encourage youth entrepreneurs. In his view, traits required for success in business by youth should include confidence, courage, tenacity, risk taking, hard work, honesty and determination.

Research Methodology

The study adopted a case study design. This methodology was selected because the Uwezo Fund

is a national scheme with a central management office in Nairobi with operations offices based in each constituency in Kenya. The population of the study was both current and potential users of the Uwezo fund in Embakasi Central Constituency. The population consisted of the youth from age 18-35years both male and female and women from age 18. A purposive sampling method was employed. Sampling frame was a list of youth from the Ministry of youth and gender. The study selected 91 respondents as the sample for this study using Fisher, Laing and Stoeckel (1983) formula. Fisher, Laing and Stoeckel formula is used when the target population is large. The selection formula is as follows:

$$n = Z^2 p \cdot q \frac{N}{e^2 (N - 1) + Z^2 p \cdot q}$$

Where n= the required sample size

P = proportion of population with the required characteristics of the study

Q = proportion of population without the required characteristics of the study (1-P)

N= Total population

e = accuracy level required. Standard error = 1%

Z= Z value at the level of confidence of 95% = 1.96

Primary data was collected using a structured questionnaire. Descriptive and inferential statistics was used to analyze information generated from respondents.

Findings

From the data in the table 1 the established regression equation was;

$$Y = 5.258 - 0.201X_1 - 0.386X_2 + 0.801X_3 + 0.244X_4$$

From table 1, the constant value of 5.258 indicated that if all the dependent variables (business training, business experience, social cultural factors and entrepreneurial spirit) were held constant, the borrowing from Uwezo fund would be at 5.258. A unit increase in business training would lead to

decrease in borrowing from uwezo fund by 20.1%, unit increase in business experience would lead to 38.6% increase in borrowing from Uwezo fund, unit improvement in socio-cultural factors would lead to

increase in borrowing from uwezo fund by 80.1% and a unit increase in entrepreneurial spirit will result to a 24.4% in borrowing from uwezo fund.

Table 1: Regression coefficients
Coefficients^a

Model		Unstandardized		Standardized		
		Coefficients		Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	5.258	1.279		4.110	.000
	Business Training	-.201	.137	-.150	-1.473	.144
	Business Experience	-.386	.168	-.242	-2.292	.024
	Social Cultural factors	.801	.218	.356	3.682	.000
	Entrepreneurial Spirit	.244	.231	.104	1.057	.293

a. Dependent Variable: ATF

The researcher conducted a Pearson moment correlation in order to determine the correlation of the study variables. The findings reveal that there was a negative correlation between business training and borrowing from Uwezo fund as shown by correlation coefficient of -0.217 significant at the 0.05 significance level. A negative relationship was found to exist between business experience and borrowing from Uwezo fund as shown by

correlation coefficient of -0.320 significant at the 0.01 level. The correlation coefficient of 0.419 significant at 0.01 level indicates a positive relationship between socio-cultural factors and borrowing from Uwezo fund. The findings reveal a positive correlation between entrepreneurial Spirit and borrowing from Uwezo fund as shown by correlation coefficient of 0.116. However, the relationship was found to be insignificant.

Table 2: Correlation matrix

		Uwezo Borrowing	Business Training	Business Experience	Socio- cultural Factors	Entrepreneurial Spirit
Uwezo Funding	Pearson	1				
	Correlation					
	Sig. (2-tailed)					
	N	88				
Business Training	Pearson	-.271*	1			
	Correlation					
	Sig. (2-tailed)	.011				
	N	88	88			
Business Experience	Pearson	-.320**	.403**	1		
	Correlation					
	Sig. (2-tailed)	.002	.000			
	N	88	88	88		
Socio-cultural	Pearson	.419**	-.081	-.116	1	

Factors	Correlation					
	Sig. (2-tailed)	.000	.454	.282		
N	88	88	88	88	88	88
Entrepreneurial Spirit	Pearson					
		.116	.051	.230*	.210*	1
	Correlation					
	Sig. (2-tailed)	.282	.635	.031	.050	
N	88	88	88	88	88	88

*. Correlation is significant at the 0.05 level (2-tailed).

**. Correlation is significant at the 0.01 level (2-tailed).

Conclusions and recommendations

From the findings, the researcher concluded that business training and business experience have a weak negative relationship with borrowing from Uwezo fund by Women and youth in Embakasi Central constituency. However social cultural factors and entrepreneurial spirit have a positive relationship with borrowing from Uwezo fund by Women and youth in Embakasi Central constituency. From the regression analysis, the study concluded that business training, business experience, socio-cultural factors, entrepreneurial spirit affected borrowing from Uwezo fund by Women and youth in Embakasi Central constituency.

From the findings of the study the study recommended that the government make the application of Uwezo fund easier and friendlier. More sensitization was also required to encourage the people to form groups and motivate each other towards borrowing from Uwezo fund. The

government should have had training programs where the public could be trained on how to run business and manage their finance. This would give them the capacity to grow their business and source for funding from Uwezo fund.

The women and youth should be form groups and ensure cooperation in the groups. This would enable them to access Uwezo fund by the groups. They may also be able to share ideas that can materialize to business funded by Uwezo fund. The government should create an entrepreneurial spirit in women and youth through workshops and seminars. This will equip the people with the will to borrow and develop their ideas in business. This would increase the level of borrowing by the youth and women which would enable them to generate income through business. From the findings of the study the researcher recommended a study on the challenges facing Youth in accessing government funding by the youth in Kenya with reference to areas outside Nairobi County.

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