

## Effect of Government Policy and Regulations on the Growth of Entrepreneurial Women Micro and Small Enterprises in Trans Nzoia County, Kenya

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### ABSTRACT

The MSEs are globally the focus of policy makers due to their ability to distribute incomes in both rural and urban areas for poverty reduction. Government policy and regulations is a major determinant of women MSE business start up, growth and graduation in to medium and large scale enterprises. The objective of this study was to determine the effect of government policy and regulations on the growth of women owned Micro and Small Enterprises in Trans Nzoia County, Kenya. Questionnaires, interview schedules and observation methods were used to collect data from 170 sampled women group MSE owner managers under Women Enterprise Fund subsidized credit scheme in Trans-Nzoia County who were licensed by the county revenue department and have been in business between 2009 and 2014. Growth was measured in terms of change in sales revenue, profit and number of employees before and after Women Enterprise Fund intervention measures. The data was summarised and analysed using frequency distribution, mean, correlation analysis, Analysis of Variance (ANOVA) and linear regression analysis. The study found out that Government policy and regulations had statistically insignificant relationship with growth of women MSEs at 0.05 level of significance. It was recommended that the Government in conjunction with County Governments should accelerate technology upgrading, provision of modern business infrastructure and reduce bureaucratic regulatory regime to women Micro and Small Enterprises in order to spur their meaningful and faster growth. To attain production and marketing economies of scale, clustering of women MSEs with subsequent subcontracting arrangements with medium and large enterprises was also recommended

**Keywords:** Government policy and regulations, Growth, Entrepreneurship, Women owned, Micro and Small Enterprises, Trans Nzoia, Kenya.

### INTRODUCTION

Micro and Small Enterprises play a significant role in creating employment opportunities to a large proportion of Kenyans more than any other sector. According to Republic of Kenya [RoK] Economic Survey (2016), 720,000(86%) new jobs were created in the informal MSE sector as compared to 120,000(14%) in the formal sector. This compares with 700,000 new jobs created in 2014 by informal Micro and Small Enterprise sector and 100,000 in the formal sector. The MSEs act as incubators for medium and large scale industries which are critical for industrialization (Republic of Kenya [RoK], 2005). The MSEs also contribute significantly to a country's GDP, for example, between 1993 and 1999, the contribution of MSEs to Kenya's GDP increased from 13.5% to 18.4% (RoK, 1999) where as total employment created by MSEs increased from 3.7 Million in 1999 to 12.6 million in 2015 (RoK, 2016).

Because of their importance in promoting economic development, it is envisaged that if this sector is made vibrant, it has the potential together with other sectors in the economy to increase the current economic growth rate from 5.6% to 10% by 2022 in line with vision 2030 (RoK, 2012a, RoK, 2016). Therefore, focus on MSEs sector should be increased because it has the ability to enhance national growth, create jobs and reduce poverty, which affect 41% of Kenya's population (RoK, 2016). The enterprises are a source of technological change and pace setters in innovation and maintenance of socio-economic stability. The MSEs have also become the focus of policy makers due to their ability

to distribute incomes in both rural and urban areas, and within gender (RoK, MSME Survey, 2016). RoK (2016) posits that the population of people engaged in MSE sector in rural areas was 64.5% compared to 35.5% in urban areas in Kenya.

RoK( 2005) averred that "Gender equity among MSE entrepreneurs in Kenya was undermined by the special constraints faced by women, including loopholes in the implementation of equitable laws, particularly in employment and inheritance, as well as discriminatory and often negative attitudes and social practices that limit equal participation of men and women in all entrepreneurial activities".

The recognition of the role played by women in the economy has led to the development of various programmes, projects and interventions aimed at assisting women in enterprise development in line with Sustainable Development Goal No. 5 on gender equality which proposes to achieve gender equality and empower all women and girls by 2030 (United Nations Sustainable Development Goals, 2015, RoK 2012a). The interventions by the government and NGOs to women MSEs are in the form of finances and entrepreneurial training. This is so because women face a multiplicity of constraints in business, like access to entrepreneurial finance through formal lending institutions, lack of formal education, lack of entrepreneurship culture and market knowledge, lack of time due to household responsibilities, socio-cultural constraints, legal and institutional constraints. Given the great role played by women in National Development, they need to be given incentives and interventions to enhance their contributions in line with Kenya vision 2030 (RoK, 2012a).

International Labour Organization (2012) posits that women's entrepreneurship is best promoted through comprehensive policy frameworks that protect, foster and regulate business start-up and development for women. In ILO's opinion, a policy to improve women's access to markets, control over (financial) resources and strengthening social protection that enhance social inclusion is of paramount importance. Such a policy framework is bound to reduce the risks and vulnerabilities faced by women entrepreneurs, thereby creating a more supportive enterprising culture and hence a favourable business environment for women entrepreneurs. Namusonge (2006) averred that women perform less well on quantitative measures such as job creation, sales turnover and profitability since women do not enter business for financial gain but to pursue intrinsic goals (for example, independence and the flexibility to run business and domestic lives). Other researchers found that differences in initial capital and goals explain the poor performance of women in businesses (RoK 2005).

Republic of Kenya Baseline Survey (1999) found out that 75% of MSEs' fail within the first three years of their operations despite the provision of interventions. According to the survey, 64.3% of the MSEs were in trade, 14.8% in service, and 13.4% in manufacturing while 7.7% engaged in other activities. The Majority of these enterprises (66%) were located in rural areas while women ownership stood at 48%. Out of the 48% owned by women, 75% were in trade and service subsectors. Nteere(2012) averred that MSEs have high mortality rates with most of them not surviving to see beyond their third anniversary thus "missing middle". This has resulted in a weak base for industrial take off and sustainable development.

### **Statement of the Problem**

The Micro and Small Enterprises play an important role in the Kenyan Economy. According to (RoK, 2016), the sector contributed over 85 percent of new jobs created in Kenya in the year 2015. RoK Baseline Survey (1999) found out that 75% of MSEs' fail within the first three years of their operations. Burgess (2001) averred that Governments around the world are placing increasing importance upon the success of small business entrepreneurs through provision of increased resources to support this emphasis for accelerated income generation, employment creation and poverty reduction. Nteere(2012) averred that the high mortality rate in the first three years of operation of Micro and Small Enterprises has made it difficult for their graduation in to medium and large scale enterprises, thus the "missing middle". According to( World Bank, 2016, Wanjohi and Migure,2008, Kaufmann,2007), bureaucratic regulatory regime pertaining to licensing, tax, business property registration and the long time taken in courts to settle business disputes are among the issues precipitating low growth and high mortality rate among MSEs.While Government of Kenya Micro and Small Enterprise promotion programmes in terms of policy and regulations as it pertains to incubation, technology upgrading and provision of business infrastructure is elaborately outlined in several policy documents since independence( RoK 1965,1992,1997,2005 and 2012a),the success

criterion of the intervention measures has not been ascertained as it pertains to MSEs growth. World Bank (2000) avers that many MSE promotion programmes have been implemented by Governments in third world economies but successive monitoring and evaluation to determine the programme impact has rarely been done. The study sought to determine the efficacy of Government policy and regulations on the growth of women owned Micro and small Enterprises supported by Women Enterprise Fund in Kenya, with a focus on Trans-Nzoia County(sub-nation). This is bound to serve as a monitoring and evaluation mechanism on the way Government policy and regulations MSE programmes are managed with a view of instituting timely corrective measures to facilitate faster growth and graduation of women owned MSEs in to medium and large enterprises to catapult Kenya in to a Newly Industrialising Country status by 2030 (RoK, 2012a)

### **Research Objective**

To determine the effect of Government policy and regulations on the growth of women owned MSEs in Trans Nzoia county, Kenya.

### **Research Question**

Do government policy and regulations affect the growth of women owned Micro and Small Enterprises?

### **Hypotheses**

**(H<sub>0</sub>):** Government policy and regulations has no significant effect on the growth of women owned Micro and Small Enterprises in terms of change in number of employees, annual sales revenue and profit

**(H<sub>1</sub>):** Government policy and regulations has significant effect on the growth of women owned Micro and Small Enterprises in terms of change in number of employees, annual sales revenue and profit.

### **Justification of the Study**

Many studies on Micro and Small Enterprise sector have mostly focused on heterogeneous enterprises, without specific attention to women entrepreneurs in particular. They therefore did not consider critically, gender specific problems faced by women entrepreneurs in the Micro and Small Enterprise sector performance. The study is justified in that the information availed would assist the Kenya Government and other stake-holders in policy formulation in the development of appropriate interventions and regulations to stimulate the growth of women managed enterprises and the MSEs sector in general. This is bound to midwife MSEs graduation in to medium and large scale enterprises, thereby filling the "Missing Middle" to facilitate growth of Kenya in to a Newly Industrializing Country status, with resultant high standards of life to the citizenry (RoK, 2012a). Finally, scholars will find this study a useful base for further research work in the dynamic Micro and Small Enterprise Sector.

### **Scope of the Study**

The study was carried out in Trans-Nzoia County on women entrepreneurs engaged in Micro and Small Enterprises who had received Government of Kenya interventions through Women Enterprise Fund of entrepreneurial credit and training between 2009 and 2014 and were still in business in Trans Nzoia county

### **Limitation of the Study**

Policy and regulations is the preamble of any Government MSE interventions. The study was limited to women owner managers who had received credit and entrepreneurial training interventions from Women Enterprise Fund between 2009 and 2014 and were still in business in Trans Nzoia County, with current business permits from County revenue department.

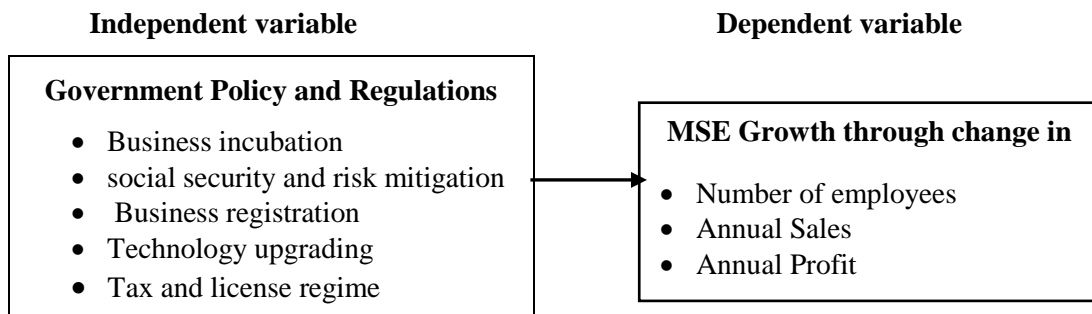
### **THEORETICAL FRAMEWORK: GIBBS THEORY**

The theory as propounded by Gibb (1988) outlines various policies that need to be considered while embarking on Micro and Small Enterprise Development programmes. The model is dynamic in that as the needs of the Micro and Small Enterprises change, policies, institutions and assistance packages for the development of the enterprise sector also change. The needs of MSEs determine the component of

the support service programmes. Four kinds of assistance packages for MSEs obtain in this model. First, the policy framework where the impact of policies for Micro and Small Enterprises are measured in various ways and secondly, the assistance frame that is divided in both software and hardware support: the software support includes training, counselling, consulting, transport etc where as the hardware support includes credit provision, infrastructure and materials. Thirdly is the needs frame model where Gibb (1988) asserts that the needs can be considered from the point of view of the Nation as a whole, the level of the local communities participation and from requirement of groups or individuals wishing to put up new business. Lastly, there is the institutional framework that consists of various dimensions of institutional capability geared towards promotion of the MSEs. Gibb (1988) noted that entrepreneurs seeking to start business for the first time needed non-financial assistance packages compared to those already running business. As it pertains to this study, Gibb’s model can be applied to expound that the business world of MSEs is beset with different problems especially to women owner managers. Business friendly government policies and regulatory regime composed of low tax rates and simple business registration and licensing requirements to owner managers improves their entrepreneurial capability and the overall growth of their Micro and Small Enterprises for income generation, employment creation and poverty reduction.

### Conceptual Framework

Cooper and Schindler (2009) averred that a concept is a generally accepted collection of meanings or characteristics associated with certain events, objects, conditions, situations and behaviour. Miles and Hubberman (1994) posit that conceptual framework explains either graphically or in narrative form, the main things for the study, key factors, constructs or variables and the presumed relationship among them. Therefore, conceptual framework shows the direction of the study by pointing out the dependent and independent variables. The study was guided by government policy and regulations independent variable and growth of women Micro and Small Enterprises as the dependent variable. The effect of Government policy and regulations on the growth of women MSEs was measured by five likert scale statements of between 1 and 5 options. An optimal one independent variable regression model with growth in terms of change in number of employees, sales revenue, and profit of this study is as shown in figure 2.2 below.



**Figure2.2.** *Conceptual Framework*

### Growth of Micro and Small Enterprises

Growth is regarded as the second most important goal of a firm, the most important being firm survival. Aversion to growth has been regarded as the principal reason why most MSEs stagnate and decline (Nteere, 2012; Umar, 2008; Wanjohi & Mugure, 2008; Okpara & Wynn, 2007; Anyadike-Danes *et al.*, 2009). Previous research reveals that firm growth is a multidimensional phenomenon but with substantial heterogeneity in a number of factors associated with firm growth and related research (Delmar *et al.*, 2003; Davidson *et al.*, 2006). The commonly used measures of firm growth are employment growth, sales growth, profit, return on equity [ROE], Return on Assets [ROA], capital employed and entrepreneurs’ perceived growth relative to their competitors in terms of increase in company value (Kangasharju, 2000; McMahon, 1998; Namusonge, 2011)

There is no general measurement of firm growth and researchers use various growth indicators when researching the field (Barkham *et al.*, 1996). Delmar *et al.* (2003) identified further growth indicators applied by various scholars such as assets, market share, physical output and profits. However, these indicators are generally not commonly used like sales, employment and profit because of limited applicability. Delmar *et al* (2003), however supports the importance of using multiple growth indicators when studying firm growth.

## **Research Gaps**

Fostering Women entrepreneurship development is critical for the achievement of Africa's broader economic development objectives of poverty reduction and faster economic growth (Stevenson & St-Onge, 2005). In Kenya, various studies have been carried out on growth of MSEs'. Mugo (2012), carried out a study on factors affecting entrepreneurs' performance in Kenya, the case of Nairobi women groups in the Central Business District. Wanjohi & Migure (2008) on Factors affecting growth of MSEs in rural areas, the case of ICT firms in Kiserian Township, Kajiado District of Kenya concluded that licensing and registration requirements as well as high cost of settling legal claims coupled with excessive delays in court proceedings and other regulatory constraints negatively affect MSE growth. Adebisi & Gbegi (2013) studied the Effect of multiple taxation on the growth of SMEs in Nigeria- A case of west African ceramics, Ajeokuta Kogi state and concluded that multiple taxation has significant negative effect on the survival and growth of SMEs

Empirical evidence about studies in Kenya's Micro and Small Enterprises sector shows that they have so far dwelt with specific objectives in major towns like Nairobi, Thika, Eldoret, Kisii and Mombasa. There is a gap in Knowledge since no studies of such magnitude and in particular dwelling on the effect of government policy and regulations on the growth of women owned MSEs have been done in Trans Nzoia County. There is therefore, no sufficient empirical data to show the effect of government policy and regulations on the growth of women owned Micro and Small Enterprises.

The study seeks to determine, highlight and document the Effect of Government policy and regulations on the entrepreneurial growth of women managed Micro and Small Enterprises in Trans-Nzoia County. This is bound to serve as a monitoring and evaluation tool to make timely positive corrective measures in the way the Government policy and regulations programmes are formulated and implemented in order to facilitate the desired growth trajectory of women owned Micro and Small Enterprises for income generation, employment creation and poverty reduction in Kenya.

According to SDGs (2015) goal 5, empowering women and promoting gender equality is crucial in accelerating sustainable development. This is due to the fact that ending all forms of discrimination against women and girls has a multiplier effect across all other development areas apart from being a basic human rights issue. The Kenya Government acknowledges that the economic empowerment of women is an effective way to combat poverty, hunger, disease and to stimulate sustainable development. Gender equality and women's empowerment is an important condition for the achievement of the 17 SDG goals that make up the vision 2030 agenda for Sustainable Development (SDG, 2015). Therefore, an integrated approach is crucial for progress across the multiple goals. Women and girls still bear the largest and most direct costs of the inequalities which are bound to be alleviated by women entrepreneurship promotion (RoK, 2012a).

## **RESEARCH DESIGN**

Research design constitutes the blue print for the collection, measurement and analysis of data. In a nutshell, research design is the plan and structure of the investigation conceived in order to obtain answers to research questions. According to Cooper and Schindler (2009), research design expresses both the structure of the research problem, the framework, organization or configuration of the relationship among variables of a study and the plan of investigation used to obtain empirical evidence on those relationships.

This research study utilised mixed research design where both qualitative and quantitative approaches were used with the aim of determining the relationship between the effect of Government intervention on the growth of entrepreneurial women Micro and Small Enterprises. Teddie and Tashakkori (2003) posits that mixed research design is preferred to using either qualitative or quantitative method alone since this may result to a tendency to overlook complexities that may only be revealed when a combination of the two methodologies is employed. The growth of Women MSEs was determined before and after Government interventions. The measure of growth before Government Interventions were obtained from forms which the entrepreneurs filled before accessing Government Interventions at the County Women Enterprise Fund office and the collaborating financial institutions. The study was conducted between 1<sup>st</sup> January and 28<sup>th</sup> February 2016. It began with a survey of the study area to determine the number women MSEs that accessed Women Enterprise Fund interventions between 2009 and 2014. Permission was sought from the County Women Enterprise Fund and County Gender and Social Development offices to carry out the research within the specified days.

### Target Population

The research study was carried out in Trans Nzoia County composed of five sub counties: Kiminini, Cherangani, Saboti, Kwanza and Endebess. The study sought to determine the effect of government policy and regulations on the growth of women Micro and Small enterprises. The target population was based on 700 Women MSE respondents who received direct Women Enterprise Fund interventions of entrepreneurial credit and training in Trans Nzoia County between 2009 and 2014. This constituted primary respondents. The secondary stakeholders were County Gender and Social Development Officer, County Women Enterprise Fund Manager and the Executive officer of Trans Nzoia County Maendeleo ya Wanawake Organization.

### Sample Size and Sampling Techniques

In order to decrease possibility of sampling error, establish statistical differences and get a true picture of patterns of variability of specific variables to be tested in an heterogeneous study group, it was necessary to have a fairly large sample: Mugenda and Mugenda aver that a large sample is useful for its potential in examining specific relationship and since the purpose of any research is to learn about a population, the larger the sample, the more it is likely to be representative of the population (Mugenda & Mugenda 2003). Since January 2009 to 31<sup>st</sup> December, 2014, 700 women groups were provided with entrepreneurial credit and training from Trans Nzoia Women Enterprise Fund Office. For this study, therefore, the sample size was determined between 1<sup>st</sup> January 2009 to 31<sup>st</sup> December 2014 using Coefficient of Variation formula as developed by Nassiuma (2000) as follows:

$$n = \frac{NC^2}{C^2 + (N-1)e^2}$$

**e = Tolerance level**

**C = Coefficient of variation**

The coefficient of variation is a more stable measure of variation compared to other measures of variation. A coefficient of variation of less than 30% is usually appropriate. The coefficient of variation that was used in this survey was 15% of the group population of 700 women group MSE entrepreneurs who received interventions from Women Enterprise Fund office in Trans Nzoia County, with a tolerance level of 1%. Substituting the formula with N = 700, C= 15% and e = 1% gave a sample size of 170 women group respondents. The sample selection was based on Nassiuma’s formula because it gave a bigger sample. Stratified random sampling technique based on the intervention provision by Women Enterprise Fund in five constituencies/sub counties that constitute Trans Nzoia County was used. The study on the effect of government policy and regulations was done on a sample of 170 Women MSE owner managers who were also beneficiaries of entrepreneurial credit and training interventions from Women Enterprise between 1<sup>st</sup> January 2009 and 31<sup>st</sup> December 2015

### Data Collection Methods

Primary Data were obtained from the field using a combination of data collection techniques and methodologies that included questionnaires, interview schedule and observation methods. Focus on group discussions with group leaders of women groups, key informants such as the County Gender and Social Development Officer and County Women Enterprise Fund Manager were used to enhance the quality of data. The services of one research assistant were used throughout the study. Secondary data was obtained from filled forms for the 170 successful women Enterprise Fund beneficiaries, policy documents and documentary review of both published and un-published statistics.

**Table3.1.** *Distribution of Women MSE Sample by sub-county*

Sub County	Total Population	Sample Size
<b>Kiminini</b>	206	50
<b>Saboti</b>	107	26
<b>Cherangani</b>	247	60
<b>Kwanza</b>	66	16
<b>Endebess</b>	74	18
<b>Total</b>	<b>700</b>	<b>170</b>

**Survey Data:** *County Women Enterprise Fund Office, 2015*

## **Pilot Study**

Pilot testing of the research instruments was done during a pilot study between 22<sup>nd</sup> and 23<sup>rd</sup> December 2015 on 17 women group Micro and Small Enterprises in Trans Nzoia County selected from Tuwan, Hospital and Matisi Electoral Wards in Kitale Municipality. One institutional respondent-Trans Nzoia County Women Enterprise Fund Manager was also included in the pilot study to enhance the quality of data. Normally 1-10% of sample size is used for pilot testing of the data collection instruments (Mugenda and Mugenda 2003). Mugenda and Mugenda also posit that pretesting of questionnaires and interview guides assist in identifying vague questions, getting suggestions, identifying deficiencies and helping to identify suitable data analysis methods for the study. Therefore, the results from the pilot study enabled the researcher to check and validate the research instruments for the actual research. .

Cronbach's alpha statistic propounded by Cronbach (1951) was used to determine the reliability of the research instruments. Cronbach's alpha is an index of reliability accounted for the true score of the underlying construct (Hatcher, 1994). Alpha coefficient range in value from 0 to 1 and are used to describe the reliability of factors extracted from dichotomous and/or multi-formatted questionnaires or scales. The higher the scale, the more reliable it is regarded. Nunnay (1978) posits that, 0.7 is the minimum acceptable reliability coefficient due to the diversity of the constructs being measured. Therefore, reliability of the questionnaire in this study was ascertained by Cronbach Alpha statistics using the data from 17 pilot study filled women group questionnaires between 22<sup>nd</sup> and 23<sup>rd</sup> December 2015. The mean Cronbach Alpha reliability of 0.859 was obtained for five 1-5 likert scale statements pertaining to Government policy and regulations variable which was above the minimum acceptable reliability coefficient measure of 0.7 suggesting high reliability of the instrument.

## **Data Collection Procedures**

Data collection for this study was done in two stages. In the first stage, County Women Enterprise Fund Manager and County Gender and Social Development Officer had their data on women MSE clients collected through interview schedule. The second phase of data collection involved administration of questionnaires, interview schedules in addition to observation to 170 women group MSE entrepreneurs in each of the five sub counties of Kiminini, Kwana, Saboti, Endebess and Cherangani in Trans Nzoia County between 1<sup>st</sup> January and 28<sup>th</sup> February 2016.

## **Data Analysis and Presentation**

Data analysis was guided by the objective of the study, research question and hypothesis. Cronbach Alpha statistics were used to test reliability of data. Descriptive statistics such as frequency distribution, mean, and standard deviation were used in analysis of data. This was followed by inferential statistics of correlation, Analysis of variance (ANOVA) and linear regression analyses. The results were presented in figures and tables. A linear regression model was used in determining relationship between government policy and regulations with growth of women owned MSEs as indicated below

$$Y = \beta_0 + \beta_1 X_1, \text{ where}$$

Y = growth

$\beta_0$  is the Y Intercept.

$X_1$  is the independent variable – Government policy and regulations

$\epsilon$  is the Error term.

## **DATA PRESENTATION AND DISCUSSION OF FINDINGS**

### **Response Rate**

The researcher required a minimum sample of 170 women Micro and Small Entrepreneurs distributed in all the five sub-counties/constituencies of Trans-Nzoia County. This represents 100% of the respondents required for the study. A higher number of 180(170 respondents was targeted to attain 100% response rate. Out of 180 questionnaires administered, 174 women MSE entrepreneurs responded while 6 were not located. The extra four questionnaires were discarded, leaving 170 which represents 100% response rate. The response rate which is above 70%, is a reasonable representative sample for the population and a good sample size for studies of this nature, in accordance with Saunders and Thornhill (2009)

## Descriptive Results -Government Policy and Regulations Consolidated Means and Standard Deviation

The responses for each of the five statements pertaining to Government policy and regulations variable based on a likert scal of 1 to 5 were summarised on table 4.1 below. Tax and license regime had a minimum response of 2 and a maximum of 5 on the likert scale, with the highest mean of 3.64 and standard deviation of 0.921. This was followed by MSE business registration regime which had a minimum response of 2, a maximum of 5 and mean of 3.39. The lowest mean of 2.82, minimum response of 1 with a maximum of 5 and a standard deviation of 0.938 was attained concerning incubation policy. The overall response had a minimum of 2, a maximum of 5 with a mean of 3.195 and standard deviation of 0.52260 which indicates above average rating on the likert scale for Government policy and regulations variable.

**Table4.1.** Government policy and regulations consolidated means and standard

Likert scale rating(1-5)	N	Minimum	Maximum	Mean	SD
Incubation policy	170	1	5	2.82	0.938
Social security and risk mitigation regime	170	2	5	3.11	0.741
MSE business registration regime	170	2	4	3.39	0.912
Technology upgrading	170	1	4	3.01	0.738
Tax and licence regime	170	2	5	3.64	0.921
Overall Government policy and regulations rating	170	2	5	3.195	0.52260

## Testing of Hypothesis

**(H<sub>0</sub>):** Government policy and regulations has no significant effect on the growth of women owned Micro and Small Enterprises in terms of change in number of employees, annual sales revenue and profit

**(H<sub>1</sub>):** Government policy and regulations has a significant effect on the growth of women owned Micro and Small Enterprises in terms of change in number of employees, annual sales revenue and profit

In testing the null hypothesis above, correlation analysis of Government policy and regulations variable with three main performance indicators of change in annual sales revenue, profit and number of employees were used as seen on table 4.2 below. The correlation analysis of Government policy and regulations with change in number of employees, annual sales revenue and profit had pearsons correlation coefficient ( r )values of 0.241( P = 0.001), 0.412 (= 0.000) and 0.264( P= 0.002) respectively. The correlation coefficients (r) in respect to the three performance indicators were all statistically significant at 0.05 level of significance. Regression analysis Beta values with respect to Government policy and regulations and three growth indicators of change in number employees, annual sales revenue and profit were -0.055(P=0.513),-0.085(P=0.561) and -0.0458(P=0.301) respectively. Based on the results of standardized coefficient Beta values, Government policy and regulations had statistically insignificant effect with all the three growth indicators of change in number of employees, annual sales revenue and profit at 0.05 level of significance. In fact the Beta values for profit and number of employees were negative. Therefore, Government policy and regulations has statistically insignificant effect with the growth of women owned Micro and Small Enterprises in terms of number of employees, annual sales revenue and profit. The null hypothesis (H<sub>0</sub>) was therefore accepted. There is no significant effect of Government policy and regulations with growth of women owned Micro and Small Enterprises in terms of change in number of employees, annual sales revenue and profit

**Table4.2.** Correlation analysis of Government policy and regulations and growth of women owned MSEs

Government policy and regulations	Correlation Coefficient (r)	P- Value	Decision
Sales increase	0.412	0.000	Accept Ho
Profit change	0.264	0.001	Accept Ho
Change in number of employees	0.241	0.002	Accept Ho
Correlation is significant at 0.05 level of significance (2-tailed).			



### Regression Analysis of Government Policy and Regulations with Change of Number of Employees

Regression analysis between Government policy and regulations and change in number of employees gave Standardized Coefficient Beta value of  $-0.055(P= 0.513)$ , F value of  $6.23(P= 0.000)$  and  $R^2 = 7.5\%$  as shown on tables 4.4, 4.5 and 4.6 below. Therefore, Government policy and regulations had insignificant reverse negative relationship with change in number of employees at 0.05 level of significance. The regression model  $R^2$  value  $=7.5\%$  implies that Government policy and regulations accounted for only 7.5% of the variation in number of employees with 92.5% being accounted for by other factors that are not the subject of this study or by chance. Substituting the regression equation with the constant ( $\beta_0$ ), Standardized Coefficients Beta ( $\beta_1$ ) value in respect of Government policy and regulations ( $X_1$ ) and the error term ( $\epsilon$ ) gives the regression model equation as here below:

$$Y = \beta_0 + \beta_1 X_1 + \epsilon$$

Regression model:  $Y = 0.065 - 0.055X_1 + 0.211$ ,  $R^2 = 7.5\%$ ,  $P = 0.000$

**Table 4.3.** Summary of means and standard deviations of employees change and Government policy and regulations

Variables	Mean	Std. Deviation
Employees Change in No	1.6765	.658
Government policy and regulations	3.27	.552

**Table 4.4.** Model regression summary of Government policy and regulations with change in number of employees

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.274 <sup>d</sup>	.075	.0600	0.211

d. Predictors: (Constant), Experience, Entrepreneurial Training, A entrepreneurial credit, Entrepreneurial Orientation (EO), Government policy and regulations ( $X_1$  to  $X_5$ )

**Table 4.5.** Analysis of Variance (ANOVA) of Government policy and regulations with change in number of employees

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	4.317	1	4.317	6.23	.000 <sup>b</sup>
Residual	36.121	169	.214		
Total	40.438	170			

a. Dependent Variable: Change in number of employees  
 b. Predictors: (Constant), Government policy & regulations, ( $X_1$ )

**Table 4.6.** Standardized Beta coefficients, t tests and significance of Government policy and regulations variable and change in number of employees

Coefficients <sup>a</sup> Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	.065	.04		-1.521	.417
Government policy & regulation	-.064	.02	-.055	-1.118	.513

a. Dependent Variable: Employees number of employees

### Regression Analysis of Government Policy and Regulations with Annual Sales Revenue

Regression analysis between Government policy and regulations and change in sales revenue gave Standardized Coefficient Beta value of  $-0.085(P= 0.561)$ , F value of  $4.295(P= 0.000)$  and  $R^2 = 10.6\%$  as shown on tables 4.8, 4.9 and 4.10 below. Based on Standardized Coefficient Beta results, Government policy and regulations had insignificant negative relationship with growth of women owned MSEs in terms of change in sales revenue at 0.05 level of significance. The overall regression model of  $R^2$  value of 10.6% implies that Government policy and regulations accounted for only 10.6% of the variation in sales revenue, with 89.4% being accounted for by other factors that are not the subject of this study or by chance. Substituting the regression equation with the constant ( $\beta_0$ ) in respect to change in sales revenue, Standardized Coefficient Beta ( $\beta_1$ ) value in respect of Government policy and regulations and the respective error term ( $\epsilon$ ) yields the model equation as shown below:

$$Y = \beta_0 + \beta_1 X_1 + \epsilon$$

Where  $x_1$  is Government policy and regulations independent variable

Regression model equation:  $Y = -12436 - 0.085X_1 + 3.325$ ,  $R^2 = 10.6\%$ ,  $P = 0.000$

**Table 4.7.** Summary of means and standard deviation of annual sales revenue and Government policy and regulations

	Mean	Std. Deviation	N
Sales increase	641747.0588	277499.80674	170
Government policy and regulations	3.27	.552	170

**Table 4.8.** Model summary of regression of Government policy and regulations with annual sales revenue

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.3255 <sup>d</sup>	0.106	0.093	3.325

d. Predictors: (Constant), Government policy and regulations.

**Table 4.9.** Analysis of variance of Government policy and annual sales revenue

ANOVA <sup>a</sup>						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	100951026.185	1	100951026.185	4.295	.000 <sup>e</sup>
	Residual	29653323561.239	169	175463.453		
	Total	29754273587.424	170			

e. Predictors: (Constant), Government policy and regulations

**Table 4.10.** Standardized coefficients and t tests of Government policy and regulations with annual sales revenue

Model		Unstandardizedm Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
	(Constant)	-12436.211	590.503		-1.611	.597
	Governmentpolicy regulations	-5246.307	250.176	-.085	-1.012	.561

a. Dependent Variable: sales increase

### Regression Analysis of Government Policy and Regulations with Change in Annual Profit

Regression analysis of Government policy and regulations with change in annual profit gave Standardized Coefficient Beta value of -0.046 ( $P = 0.301$ ), F value of 4.295 ( $P = 0.000$ ) and  $R^2 = 5.2\%$  as shown on tables 4.10, 4.11 and 4.12 below. Based on the respective Standardized Beta value result, Government policy and regulations had statistically insignificant negative relationship with growth of women owned MSEs in terms of change in profit at 0.05 level of significance. The overall regression model of  $R^2 = 5.2\%$  implies that Government policy and regulations accounted for only 5.2% of the variation in profit of women owned MSEs with 94.8% being accounted for by other factors that are not the subject in the model or by chance. Substituting the regression equation with the constant ( $\beta_0$ ) in respect to change in profit, Standardized Coefficient Beta value ( $\beta_1$ ) in respect of Government policy and regulations and the respective error term ( $\epsilon$ ) gives the resultant regression model equation as shown below:

$$Y = \beta_0 + \beta_1 X_1 + \epsilon$$

Where  $X_1$  is Government policy and regulations

Regression model equation:  $Y = -6837 - 0.046X_1 + 1.613$ ,  $R^2 = 5.2\%$ ,  $P = 0.011$

**Table 4.11.** Regression model summary of Government policy and regulations and annual profit

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.228 <sup>d</sup>	.052	.050	1.613

d. Predictors: (Constant), Government policy and regulations ( $X_1$ )

**Table 4.12.** Analysis of Variance (ANOVA) of Government policy and regulations with profit

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	7580995660.113	1	7580995660.113	3.215	.011 <sup>e</sup>
	Residual	42574013064.332	169	231917237.120		
	Total	50155008724.445	170			

a. Dependent Variable: Profit after

e. Predictors: (Constant), Government policy and regulations ( $X_1$ )

**Table4.13:** Standardized coefficients of Government policy and regulations with annual profit

Coefficients <sup>a</sup>					
Model	Unstandardized Coefficients		Standardized Coefficient	T	Sig.
	B	Std. Error	Beta		
(Constant)	-6837.833	250.100		-1.309	.328
Govt policy& regulations(X <sub>5</sub> )	-1582.307	88.758	-.046	-.783	.301

a. Dependent Variable: Profit change

## DISCUSSION OF FINDINGS

Descriptive results indicated that the overall mean response of women owned MSEs as it pertains to the five likert scale statements of 1-5 options for Government policy and regulations independent variable was 3.195 and standard deviation of 0.5226. This represent above average response concerning the effect of Government policy and regulations on the growth of women owned MSEs.

Correlation analysis of Government policy and regulations with sales revenue, profit and number of employees gave correlation coefficient (r) values of 0.412( P = 0.000)for change in sales revenue,  $r = 0.264 = (P = 0.001)$  for change in profit and  $r = 0.241 (P = 0.002)$  for change in number of employees respectively. Therefore, correlation coefficients (r) with respect to the three growth indicators were all statistically significant at 0.05 level of significance. However, this analysis alone was not evidence enough to accept the null hypothesis, thus the importance of using more than one test (cooper and Schindler, 2012).

The three regression analyses that involved Government policy and regulations and change in number of employees, sales revenue and profit gave Standardized Coefficient Beta value of  $-0.055 (P = 0.513)$  for change in number of employees,  $-0.085 (P = 0.561)$  for change in sales revenue and  $-0.046 (P = 0.301)$  for change in profit. Therefore, Government policy and regulations had negative and statistically insignificant relationship with growth of women owned Micro and Small Enterprises in terms of change in number of employees, sales revenue and profit at 0.05 level of significance. This implied that as Government policy and regulations independent variable increases by one unit, growth decreases respectively with 0.055 units for number of employees, 0.085 units for sales revenue and 0.046 units for profit. The insignificant effect of Government policy and regulations on growth of women owned MSEs agree with several scholars for example, World Bank (2016), Kenya Association of Manufacturers(2016),Wanjohi and Migure (2008), Masafu(2009), adebisi & Gbegi(2013) and Tomlin(2008) who averred that tax, license, business registration requirements, high costs of settling legal claims and excessive delay in courts proceedings adversely affect growth of Micro and Small Enterprises.

**Masafu (2009) and Kenya Association of Manufacturers (2016), aver that a high system of tax regime with the resultant administration and enforcement costs makes tax compliance unduly burdensome and often have a negative effect on the development of MSEs as they are tempted to camouflage in to forms that offer a lower tax burden or none at all and this results in tax system that imposes high expenses on the business community. Although there are several policy measures geared towards MSE growth in Kenya for instance, business incubation, technology upgrading through exchange visits and market support measures as illustrated in several Kenya Government sessional papers- RoK( 1992,1997,2005 and 2012a), the support needs to be increased, actualized and standardized for all MSEs in order to mitigate against the negative effect of policies that reduce the profitability of MSEs through added operation costs.**

## CONCLUSIONS

### Government interventions and Growth of women owned Micro and Small Enterprises

Results showed that Government policy and regulations had statistically insignificant negative relationship with growth of women owned Micro and Small Enterprises in terms of change in number of employees, sales revenue and profit at 0.05 level of significance. This implies that as the independent variable Government policy and regulations increases, the dependent variable growth decreases and vice versa. Therefore, it is concluded that Government policy and regulations has statistically insignificant relationship with growth of women owned Micro and Small Enterprises in terms of change in number of employees, sales revenue and profit.

## **RECOMMENDATIONS**

Based on the findings of this study to the effect that Government policy and regulations independent variable had statistically insignificant relationship with growth of women owned Micro and Small Enterprises, the following recommendations are made.

Given the important role played by MSEs in income generation and employment creation, the Kenya Government in Conjunction with the County governments should reduce the bureaucratic regulatory regime, accelerate provision of modern business infrastructure in the form incubation centers, roads, affordable and reliable power supply and facilitate modern technology adoption and innovation by MSEs to increase their competitiveness and therefore midwife their graduation in to medium and large scale enterprises.

MSEs in Kenya need to benefit from economies of scale to reduce operations costs. It is therefore recommended that the Kenya Government in conjunction with 47 County Governments should facilitate the formation of industrial structures rich in linkages like clustering of MSEs and subsequent subcontracting arrangements of these MSE clusters with medium and large enterprises. This is bound to increase accessibility of MSE products to both local and external market for higher multiplier effect of income generation, employment creation and poverty reduction in the 21<sup>st</sup> century.

The Kenya government should facilitate a technology grants system to link Universities, National Polytechnics, Research and technology institutions with Micro and Small Enterprises. This will facilitate modern technology diffusion and adoption by MSEs for faster growth and graduation to modern enterprises to catapult Kenya in to a Newly Industrializing Country Status in line with Kenya Vision 2030.

The Kenya government should facilitate women owned MSEs to access to 30% government tenders both within the National government and 47 subnations. The regulation for access to 30% government tenders by women, youth and people with disability is in existence but it has not been fully actualized. This will facilitate higher income and employment generation for poverty reduction among the women in line with 2030 Sustainable Development Goals that seek to empower women and girls.

Further research about the effect of Government policy and regulations on the growth of MSEs in Kenya should be conducted using experimental research design composed of experimental group and control group. The experimental group will be composed of MSE owner managers benefiting from related Government intervention measures of incubation policy, short term technology upgrading courses from National polytechnics, enterprise exchange visits, buyer meets seller arrangements, subcontracting arrangements with medium and large scale enterprises and participation in National and International exhibitions and trade fairs. The control group will be composed of MSE owner managers who would not have received any form of the above mentioned Government interventions. This will be a longitudinal survey of between three and five years that will measure performance of these enterprises in terms of changes sales revenue, profit, number of employees and capital employed. This is bound to determine clearly and concisely the Effect of Government policy and regulations on the growth of MSEs there by serving as a monitoring and evaluation tool with a view of instituting timely corrective measures. Research in this area have been limited with some yielding ambiguous results.

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