

**EDUCATION AS DETERMINANT OF MOTIVATION AND PERFORMANCE OF WOMEN OWNED SMALL FIRMS: EVIDENCE FROM KENYA**

**Dr. Jane Queen Omwenga**

Jomo Kenyatta University of Agriculture and Technology, College of Human Resource Development  
P. O. Box 62000-00200, Nairobi, Kenya, Phone: +254-723-374815

**ABSTRACT**

The purpose of the study is to diagnose the relation between education of women owners and factors affecting their decision to set up a business. Furthermore, the study researches the influence of education and participation in training courses on the performance of the firms. The research concerned the operation of companies from 2012 to 2017 in Nairobi City County and 158 women-owned enterprises were polled. The empirical material was processed by means of descriptive statistics and Spearman's method of rank correlation coefficient. The study confirmed the hypothesis that education and professional experience of women were decisive in prioritizing by them the external and internal factors which influenced the decision of setting up a firm. The study showed that a significant factor influencing firm growth and firm performance was training and development courses.

**Keyword:** Education, Motivation, Performance, Women-Owned, Kenya

**INTRODUCTION**

Entrepreneurs play an important role in any given economy and are the prime movers of economic development. Policy makers, program planners and academician focused on building a successful entrepreneurship development strategy for Kenya or any other least developed countries will find this study useful. Entrepreneurship is commonly linked directly to Small and Medium Enterprises (SMEs) and Micro and Small Enterprises (MSEs). Limited studies have reviewed literatures on individual entrepreneurial attributes on the entrepreneurial activity of women entrepreneurs (Shane, 2003).

The study hinges on the fact that there is scarcity of research that reviews literatures on individual attributes and business environment factors on the entrepreneurial activity of women entrepreneurs (e.g. Kuzilwa, 2005; Shane, 2003; Shastri & Sinha, 2010). An internal control expectation is usually associated with entrepreneurial characteristics (Littunen, 2000). Entrepreneurship development is considered a vital link to an overall economic growth of a nation through its positive impact on economic development especially at the grassroots. (Planck, 2007) and women in less developed countries face unique obstacles in starting and growing their firms such as lack of skill or training, limited access to capital or credit, lack of savings and social networks, and limited choice of industry (Akanji, 2006; Ibru, 2009; Lakwo, 2007; Martin, 1999; Ojo, 2009; Peter, 2001).

**STATEMENT OF THE PROBLEM**

Women entrepreneurs appear to face obstacles and difficulties different from those that other entrepreneurs for example men face (Mutuku, Olubandwa&Odero, 2006). Most of the women enterprises are either micro or small. However, these enterprises are important household income generators in Kenya today (Mutuku, Olubandwa&Odero, 2006). Although these women enterprises contribute greatly to economic development of this country, enterprise growth for instance from micro to small or from small to medium has been of great challenge to the women entrepreneurs. No significant studies have been done to establish the influence of education on performance of women run enterprises in respect to women in Nairobi City County and come up with recommendations of their policy implications and in so doing achieve Kenya's vision 2030 which is a blue print for economic development. Therefore, it is with this in mind that the study wanted to explore the influence of education on performance of firms run by women in Nairobi City County.

### **LITERATURE REVIEW**

Entrepreneurs with higher education levels can effectively manage and succeed in their businesses (Barringer *et al*, 2005). This is especially the case when entrepreneurs start businesses related to their areas of expertise. Education also enhances entrepreneurs' self-confidence and capability to perceive and exploit new entrepreneurial opportunities (Verheule *et al.*, 2001). Empirical evidence on the impact of educational level on business growth in Africa (Biggs & Shah 2006) shows that entrepreneurs with university or technical degrees start businesses approximately 50% larger than entrepreneurs who have only attained primary education. In her study, Omwenga (2013) found out that education is vital for the performance of any enterprise since it influences the ability to think critically. Education is one of the characteristics of women entrepreneurs that can affect their business performance, and literature supports that education and managerial experience may contribute to women's business growth but certainly has positive impact on entrepreneurial performance (Omwenga *et al*, 2013).

### **RESEARCH METHODOLOGY**

The empirical material was collected by means of questionnaires administered by Research Assistants in the form of a face to face interview in targeted enterprises whose owners are women. The research concerned the operation of companies from 2012 to 2017 in Nairobi City County and 158 women- managed enterprises were polled. The empirical material was processed by means of descriptive statistics and Spearman's method of rank correlation coefficient.

### **RESULTS AND DISCUSSIONS**

Most of the women polled were managing service companies (60 percent of women), 30.8 percent were managing trading companies, 17.4 percent were managing mixed profile firms, that is production-service and trade. Only 1.8 percent was managing production companies. About a half of the companies polled (45 percent) had been operating on the market for over a decade. A vast majority of women managed micro companies (89.9 percent) which employed up to 5 workers. The level of satisfaction with revenues and solvency grew with the level of education of women managers.

**Statements on educational influence**

The respondents were issued with various statements regarding the influence of education on the performance of the enterprise. The respondents were to indicate the extent to which they agreed with the given statements and their responses were put on a likert scale of 1 to 5 with 1 being ‘strongly disagreed’, 2 being ‘disagreed’, 3 being ‘neither agree nor disagree’, 4 being ‘agree’ and 5 being ‘strongly agree’. Mean and standard deviation were calculated and are shown Table 1.

When asked to explain their views of the influence of educational level on the performance of small and medium owned enterprises, most respondents indicated that education improves one’s confidence, skills and knowledge hence able to deal with employees and customers. With education one understands the sector well, is able to calculate profits and losses, keep the records effectively and in addition to understanding the risks to undertake, one is able to venture into market research.

Majority of the interviewees said that they measure performance of their enterprise on the basis of the number of employees, the profits, sales volume, meeting business costs and expansion of the business. They said that if the business expands and open up new branches, it indicates good performance of the business. They elaborated that if the business increases the number of employees, profits, sales volume and it’s able to meet all its costs then the performance of that business is good and progressive.

**Table 1: Descriptive Statistics between Education and Performance of Women Firms**

	N	Mean	Std. Deviation
The level of education does not influence enterprise performance	158	2.1139	.99665
Years of formal education are related to enterprise performance	158	3.6203	.62442
College and university education employees are less likely to fail in business	158	3.8987	.67898
College and university entrepreneurs have greater access to loans from commercial banks.	158	4.4051	.85241
Higher education influences performance of entrepreneurial ventures as measured by profits	158	3.9810	.59157
Education enhances self-confidence and capability to perceive and exploit new entrepreneurial opportunities thereby increasing sales	158	4.0570	.63088

From the study findings in the table above, most of the respondents disagreed that the level of

education does not influence enterprise performance (mean =2.1139). However, most agreed that: years of formal education are related to enterprise performance; college and university education employees are less likely to fail in business; college and university entrepreneurs have greater access to loans from commercial banks; higher education influences performance of entrepreneurial ventures as measured by profits; education enhances self-confidence and capability to perceive and exploit new entrepreneurial opportunities thereby increasing sales (average mean of 4).

**Hypothesis: Educational level on the performance of women-owned firms.**

H<sub>0</sub>: Educational level has no significant influence on the performance of small and medium women-owned enterprises in Nairobi County.

H<sub>1</sub>: There is significant influence of educational level on the performance of small and medium women-owned enterprises in Nairobi County.

**Table 2: Hypothesis on educational level on the performance of women-owned firms Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.846	.716	.294	.74278

a. Predictors: (Constant), Educational level  
 b. Dependent Variable: Enterprise Performance

Adjusted R<sup>2</sup> is the coefficient of determination and indicates how the enterprise performance varies with education level. From table 4.6, the value of R<sup>2</sup> is .716. This implies that, there was a variation of 71.6% of Enterprise Performance which varied with Educational level

**ANOVA<sup>b</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	43.713	1	43.713	79.231	.001 <sup>a</sup>
	Residual	103.171	156	.552		
	Total	146.884	157			

a. Predictors: (Constant), Educational level  
 b. Dependent Variable: Enterprise Performance

The ANOVA results indicate that the independent variables significantly (F=79.231, p=0.001)

explain the variance in the level of education. The F-Statistics produced was significant at 0 per cent level (Sig.  $F < .000$ ) thus confirming the fitness of the model. The null hypothesis is rejected since the P value is less than 0.05, therefore the hypothesis that state that there is significant influence of educational level on the performance of small and medium women-owned enterprises in Nairobi County is accepted.

**Regression Coefficients'**

Model	Unstandardized Coefficients		Standardized Coefficients		t	Sig.	95.0% Confidence Interval for B	
	B	Std. Error	Beta				Lower Bound	Upper Bound
1 (Constant)	1.963	.270			7.269	.001	1.430	2.496
Educational level	.294	.062	.546		8.901	.001	.433	.679

a. Predictors: (Constant), Educational level  
 b. Dependent Variable: Enterprise Performance

The summary of the basic logic of ANOVA is the discussion of the purpose and analysis of the variance. The purpose of the analysis of the variance is to test differences in means (for groups or variables) for statistical significance. The analysis of variance results indicate that the independent variables significantly ( $F=79.231$ ,  $p=0.001$ ) explain the variance in the level of educational level. The accomplishment is through analyzing the variance, which is by partitioning the total variance into the component that is due to true random error and the components that are due to differences between means. The ANOVA analysis is intended to investigate whether the variation in the independent variables explain the observed variance in the outcome – in this study the influence of educational level. The Coefficients explains the change in enterprise performance with effect to change in Educational level. One unit change in Educational level will lead to .294 changes in Enterprise Performance.

In her study, Omwenga (2013) found out that education is vital for the performance of any enterprise since it influences the ability to think critically. Studies by GEM (2010) tend not to be in agreement with this and suggest that education has a significant influence on enterprise performance. Entrepreneurs with higher education levels can effectively manage and succeed in their businesses (Barringer *et al*, 2005). This is especially the case when entrepreneurs start businesses related to their areas of expertise. Education also enhances entrepreneurs' self-confidence and capability to perceive and exploit new entrepreneurial opportunities (Verheul *et al.*, 2001). Empirical evidence on the impact of educational level on business growth in Africa (Biggs & Shah 2006) shows that entrepreneurs with university or technical degrees start

businesses approximately 50% larger than entrepreneurs who have only attained primary education.

Similarly, managers with secondary and university educations run MSEs that grow 6% faster on average than MSEs with managers who have attained primary or no education. This suggests that better educated entrepreneurs are more likely to experience growth in their businesses than entrepreneurs with low levels of education. Education and skills are required to run micro and small enterprises. Studies suggest that those with high education and training are more likely to be successful in the SME sector (King & McGrath 2002).

### **CONCLUSION**

The study confirmed the hypothesis that education and professional experience of women were decisive in prioritizing by them the external and internal factors which influenced the decision of setting up a firm. Unemployment as an external factor remained an important reason behind setting up firms, especially for both women with higher or secondary education or those declaring lack of professional experience. Knowledge gained through these courses is truly useful for managing a company.

### **RECOMMENDATIONS**

The study showed that a significant factor influencing firm growth and company performance was training courses. Better educated women and those who took advantage of training courses were more satisfied with revenues and solvency. Female entrepreneurs who participated in courses used credit facilities to a greater extent.

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