

# Socio-Economic and Legal Factors Affecting Growth of Businesses Owned by Entrepreneurs with Disabilities (EwD's) in Rural Areas in Kenya: A Case of Meru County

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**Abstract:** *In Kenya, over 1.3 million Persons live with disabilities with most of them being generally economically deprived. An alternative career option for persons with disabilities is self-employment where the entrepreneur enjoys freedom, flexibility, and independence. Past researchers have focused more on EwD's in the urban areas and this study therefore sought to bridge this gap by establishing socio-economic and legal factors affecting growth of businesses owned by entrepreneurs with disability in rural areas in Kenya: a case of Meru County. The target population comprised of 2021 entrepreneurs with disability, 22 managers in Youth Polytechnics, 5 principals in technical training institute and 40 government officers. The researcher used a combination of stratified and purposive sampling method to select the respondents. The study established that majority of EwD's were not conversant with the positive changes in business environment, lacked mentors, had little business training levels and felt that increase in loan amounts and timely disbursement of funds in government funding programs would play a key role in growing their businesses. Therefore, the study concluded that policy and regulatory environment, technical and vocational training, access to capital and finances and mentorship programs affects growth of businesses owned by EwD's in rural areas in Kenya.*

**Keywords:** Entrepreneurs, Disability, Self-employment, Business training, Persons with disabilities (PwD's)

## 1. Introduction

According to WHO (2011), disability is a functional problem affecting an individual's capacity to participate in activities of life. The Constitution of Kenya defines disability as any physical condition, deficiencies or illness having long-term effect on a person's capacity to carry out every day's activities (GOK, 2010).

About 10% of the world's population live with a disability (WHO, 2011). In Kenya, there are 1.3 million Persons with Disabilities (GOK, 2009) with majority of them living in rural areas, often facing a higher likelihood of being unemployed than persons without disabilities (WHO, 2011). Mersland, Bwire&Mukasa, (2009) observed that unemployment rate among PwD's in developing countries was over 80%, possibly due to employers' skepticism about PwD's productivity and vulnerability to accidents in the workplace (HaubenCoucheir, Spooren, McAnaney & Delfosse, 2012).

Self-employment has been advanced as a viable avenue of empowering PwD's to move from unemployment and dependence on community support to productive employment and financial independence (Mersland, Bwire&Mukasa, 2009; DeClerq&Honig, 2011).

### 1.1 Statement of the Problem

Namatovu, Dawa, Mulira&Katongole (2012) identified policy and regulatory environment, enterprise education and training services, access to credit and capital, business networks as some of the factors affecting growth of businesses operated by EwD's. They recommended further research to focus on challenges of EwD's in rural

areas. Oloro&Ngugi (2013) also found out that most of PwD's in Nairobi County had low level of education, little business training and limited access to financial services. They recommended further research to be conducted in rural areas. Tengecha (2013) noted that business training, mentorship, technology, government policy and startup capital affects growth of businesses owned by PwD's in Kitale Municipality. He recommended similar research to be conducted in other rural areas in Kenya.

Meru County is a rural county (GOK, 2009) and this study therefore sought to bridge this gap by investigating socio-economic and legal factors affecting growth of businesses owned by EwD's in rural areas with a particular focus on Meru County.

## 2. Theoretical Literature

In their review of growth studies published between 1997 and 2008, Achtenhagen, Naldi&Melin (2010) identified increase in sales, increase in the number of staff as some entrepreneurs' ideas of growth.

The Lifecycle Theory posits that businesses evolve natural through various distinctive stages that are incremental and progressive (Muhos, Chang &Kess, 2014) though such progression is not always linear (Davidsson, Delmar &Wilund, 2006). Scott & Bruce's five stage model of small business growth has 5 phases: inception, survival, growth, expansion and maturity (Scott, & Bruce, 1987). Every stage has its own characteristics and challenges requiring a set of resources and capabilities to maximize growth in that particular stage (Wright &Stigliani, 2012; Muhos, Chang & Kess, 2014).

The Resource-Based View (RBV) theory is based on the premise that businesses compete on the basis of their resources (tangible and intangible) as well as their capabilities (Coad & Tamvada, 2012). Therefore, ownership of resources including managerial experience, prime business location, innovation among others, greatly affects a business's competitive advantage (Perenyi, Selvarajah & Muthaly; 2008; Hamilton, 2010).

According to Rauch & Rijskik (2013) the characteristics and behaviors of the entrepreneur also affects growth of businesses. EwD's strong desire to succeed, willingness to take risks, and ability to establish relationships and handle uncertainties, all have a positive effect on growth of a business (Wakkee, Van Der Veen & Eurlings, 2015).

## 2.1 Empirical Literature

For several decades, the government of Kenya has paid attention to Micro and Small Enterprises (MSEs) because of their potential in generating wealth (Kiraka, Kobia & Katwalo, 2013; GOK, 2012). In Kenya, businesses are classified based on the number of employees and business's annual turnover meaning that growth could be viewed as graduation to an upper level within the same category or different category. While many micro and small entrepreneurs in Kenya aspire to grow and expand (Osoro, 2012), only half of them survive past the third year of operation (Coad & Tamvada, 2012).

A research by International Finance Corporation (IFC, 2011) established business environment as a major obstacle in growth of small businesses. Additionally, Doern (2009) noted that public policies and support programs within the political environment governmental affects growth of a business.

Nyamoki (2008) further established a positive relationship between quality of courses taken and opportunities for employment. In Zambia, training opportunities available to PwD's were generally traditional and old fashioned, limiting their chances of employment (ILO, 2007). However in India, technical and vocational training for PwD's is tailor-made and based on labour market needs and focusing on maximizing an individual's potential and economic productivity (Patanjali, 2005). Indeed, effective vocational and technical training empower trainees to think and behave entrepreneurially (Cooney, 2012; GOK, 2013).

Access to capital and finances is an important ingredient in the growth of a business because it greatly influences acquisition and retention of key resources (IFC, 2011). Fatoki & Garwe (2010) further noted that though most MSME's often depend on informal sources of funding in the early stages of the business, ultimately, availability of external funding determined the rate of growth of such businesses. However, Handicap International (2006) lamented that PwD's tended to be excluded from mainstream finance services sector though according to Tengecha (2013), government funding schemes such as Women Enterprise Fund, Youth Enterprise Fund, Uwezo fund were bridging this financing gap.

Starting and growing a business is an overwhelming task particularly for EwD's who start businesses to earn an income and accommodate their disabilities and not to meet a market

need (Tengecha, 2013). Having a mentor, joining an association or group or even having a role model increase an entrepreneur's knowledge, skills and competencies which ultimately increasing chances of a business's survival and subsequent growth (Forde, 2011).

## 3. Research Design

The study adopted a descriptive survey design for the purposes of establishing socio-economic and legal factors affecting growth of businesses owned by Entrepreneurs with Disabilities in Meru County.

### 3.1 Target population, sampling design and data collection technique

The target population comprised of 2021 entrepreneurs with disabilities, 22 managers in Youth Polytechnics, 5 principals in technical training institutes and 40 government officers. The researcher used a combination of stratified and purposive sampling method to select the respondents. A sample of size 245 was used and data was collected through use of questionnaires

### 3.2 Data Analysis

After data collection, quantitative data was analyzed using SPSS software and Microsoft Excel as well as various statistics including frequencies and measures of central tendencies and inferential statistics. In addition, the researcher conducted correlation coefficient test to check the strength of the relationships between variables. Qualitative data was summarized and common themes captured and presented in frequency tables.

## 4. Findings

### 4.1 EwD's Background Information

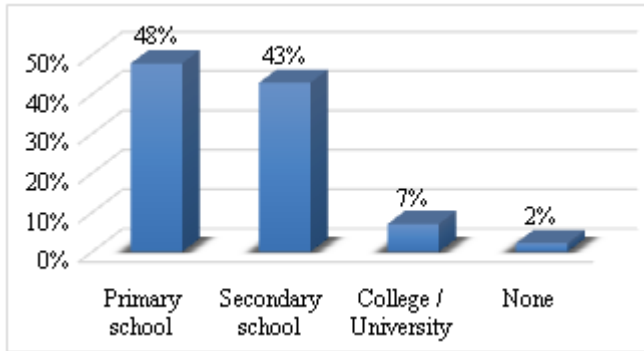
From the results 52 % of the EwD's were male, while 48% were female (pointing to a slightly significant gender disparity) with over 90% of them aged between 18-35 years of age. Additionally, 54.9% of the EwD's had physically disabilities, followed by visual disabilities (26.1%) and hearing disabilities (16.8%).

#### 4.1.1 EwD's Level of Education.

The study sought to establish EwD's level of education and majority (47.8%) of the EwD's had primary school education followed by secondary school education as shown in Figure below

These findings are in line with UNESCO (2014) who noted that less than one-third of mature PwD's were likely to have completed primary school. Jiménez, Palmero-Cámara, González-Santos, González-Bernal, Jiménez-Eguizábal, (2015) further noted that level of education increases a business' survival rate as it increases entrepreneurs' managerial ability as well as their capacity to adjust to the ever changing external environment.

The study further established that 64% of EwD's ventured into business because they could not get other jobs, findings that were supported by DeClerq & Honig (2011) who noted that majority of PwD's were necessity entrepreneurs.



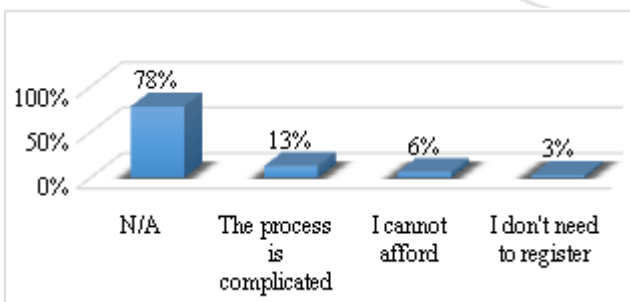
DeClerq&Honig (2011) however cautioned that failure to focus on market need would lead to frustration brought about by slow or no growth at all. Probably it is this frustration that led to 59% of EwD's expressing their willingness to take up salaried employment given the opportunity.

Additionally, at  $r = 0.15$ ,  $n = 184$ ,  $p = .311$ , the study established insignificant positive correlation between duration of business existence and number of employees implying that older business do not necessarily have more employees than younger ones. This could be attributed to adoption of ICT which according to Modimogale & Kroeze (2011) enables MSME's to manage their staff cost.

#### 4.2 Policy and Regulatory Environment

The study established that 78% of EwD's were aware of their equal rights under the law, a conclusion supported by KNHCR (2014) who noted PwD's were proactively seeking more information about their rights and freedoms as enshrined in the constitution. Nevertheless, 66% of EwD's lamented that the community continued to harbor a negative attitude towards their ability to positively contribute to society.

In regard to registration of businesses, the study established that over 75% of EwD's were operating unregistered businesses with 13% of EwD's stating that the registration process was complicated. It is worth noting that 70% of EwD's opted not to answer this question as shown in Figure below

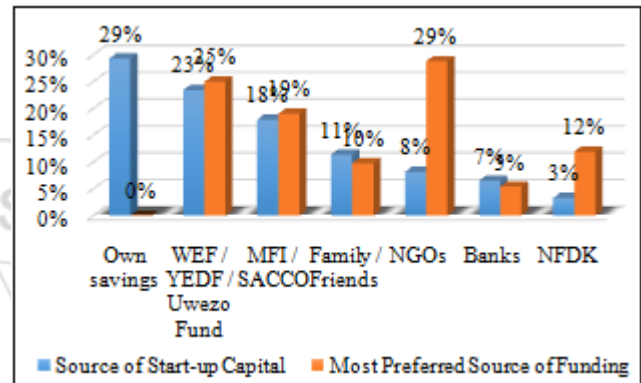


In reference to ease of business registration, 76.6% of Government Officials stated that business registration processes were user friendly, while 70.1% of EwD's disagreed with the statement, a conclusion supported by T-test which yielded a two-tailed P value of 0.0297. Similarly, the question on accessibility and responsiveness of public buildings to needs of PwD's revealed a difference in opinion. 63.3 % of the Government officials stated that public facilities were accessible and responsive to PwD's challenges

while over 80% of EwD's held a dissenting view. These findings were supported by T- test which yielded a two-tailed P value of 0.0355 and were reinforced by KNHCR (2014) who stated that public building and facilities, some of which hold public information, were not accessible to PwD's.

#### 4.3 Access to Capital and Finances

Regarding source of start-up capital, 29.3% of the EwD's indicated personal savings followed by 23.4% who obtained start capital from Women, Youth and Uwezo fund. However, 28.8% of EwD's indicated NGO's as most preferred source of funding followed by WEF / YEDF / Uwezo Fund at 25% and MFI / SACCO at 19.02% as shown in Figure Below



These findings are backed by Kiraka, Kobia&Katwalo (2013) who observed that Entrepreneurs in the informal sectors mainly accessed their financial resources through groups underscoring importance of intangible resources such as relationships and networks in growing a business (Coad & Tamvada, 2012).

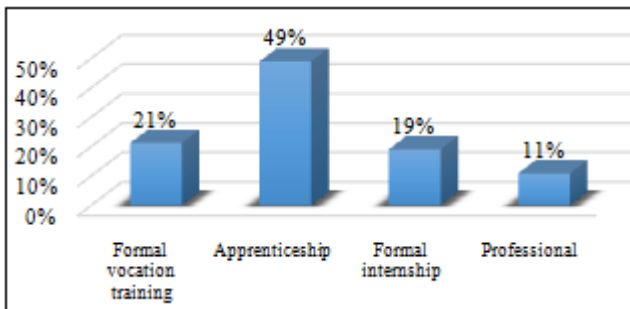
Further, EwD's differed with Government officials on whether loans and grants from government funding programs were responsive to the inadequacies and needs of PwD's, findings that were supported by T- test which yielded a two-tailed P value of 0.024. However, Government officials and EwD's concurred that the loan application process in government funding programs was not friendly and that the loans amounts from government funding programs were too small a conclusion supported by T- test which yielded a two-tailed P value of 0.171 and 0.221 respectively. These findings were supported by Kiraka, Kobia&Katwalo (2013)'s observation that loan amounts granted under the government funding programs were too low for entrepreneurs to engage in fruitful business ventures. This could also explain why 63% of EwD's in the study preferred to borrow as individuals as opposed to borrowing in groups.

From the study, majority of managers and principals Youth polytechnics and Technical training institutes (80%) had College or University education though Gathara (2010) noted that pursue of higher education in Kenya was in most cases about getting promotions and not about improving quality of education. Additionally, 53.3% managers and principals had no training in Special Needs Education (SNE) which according to Opini (2010) is crucial in handling trainees with disabilities. The study further established that most popular courses among trainees with disabilities were dressmaking, knitting, woodwork and building/construction, findings

supported by Njati (2016) who asserted that such courses offer better prospects for self-employment.

However, over 75% of managers and principals in the study lamented that community negative attitude about technical and vocational training discouraged youths from enrolling at Youth polytechnics and Technical training institutes. These findings were supported by Kamau (2013) who observed that community's negative attitude towards technical and vocational education not only affected student but also trainers.

Regarding modes of acquiring entrepreneurial skills, the study established that majority of EwD's acquired their skills through apprenticeship (48.9%) followed by 21.1% (formal vocational training) as shown in Figure Below



In reference to availability and quality of training materials and equipment, the study established that Government Officers and Managers and Principals concurred that availability and quality of training materials and equipment affected overall effectiveness of technical and vocational training, a conclusion supported by T- test which yielded a two-tailed P value of 0.2525. However Government Officers and Managers and Principals differed on whether the Government was providing quality materials and equipment for technical and vocational training, a conclusion that was supported by T- test which yielded a two-tailed P value of 0.0026.

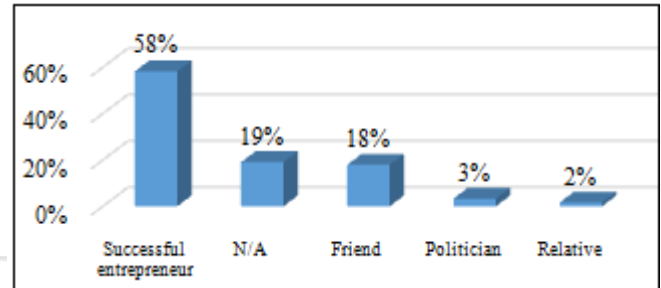
On issue of funding, 91% of managers and principals stated that shortage of Government's funding to their institutions limited their capacity to acquire tools and materials which according to Njati (2016) hampers smooth running of practical sessions and ultimately acquisition of skills. The study further established that though 78% of managers and principals had some knowledge in ICT, lack of ICT facilities in Youth polytechnics and Technical training institutes was the major impediment in leveraging ICT in teaching.

#### 4.4 Mentorship Programs

The study established that though majority of EwD's appreciated role of mentors or mentorship programs (in growing a business), only 27% had received support of a business mentor. Davila, Foster & Jia (2010) emphasized importance of mentorship stating that increase in an entrepreneur's knowledge, skills and competencies ultimately shapes the future of that enterprise. Additionally, while the study established that all respondents in the study concurred on importance of continuous business training in enhancing growth of a business, (a conclusion supported by ANOVA's

P values of 0.31), only 30% of EwD's had undergone some form of business skills

Furthermore, the study established that 66% of EwD's were members of a group or an association with 33% EwD's indicating financial reasons as main reason for being members. In reference to role models, 83% of EwD's indicated having a role model with over 50% indicating a successful entrepreneur as their role model as presented in Figure below



#### 4.5 Correlational Analysis between Independent Variables and Annual Sales of Businesses Run by EwD's.

The study established a significant and positive relationship between policy and regulatory environment and annual sales at  $r = .421$ ,  $n = 184$ ,  $p = .004$ . Also technical and vocational training had a significant and positive relationship with annual sales at  $r = 0.353$ ,  $n = 184$ ,  $p = .002$ . Additionally mentorship programs and sales was found to have a relatively weak but significant relationship at  $r = 0.11$ ,  $n = 184$ ,  $p = .004$  and finally access to capital and finances had a significant positive relationship with annual sales at  $r = .659$ ,  $n = 184$ ,  $p = .003$ .

### 5. Conclusions

The study concluded that though majority of entrepreneurs with disability were aware of their equal rights under the law, the society continued to harbor a negative attitude toward their ability to positively contribute to society. The study also concluded that majority of EwD's were not aware of the positive changes in business environment and that half of EwD's were willing to take up employment given the opportunity. Also in regards to access to public buildings, EwD's, government officials and managers and principals in youth polytechnics and technical training institutes were in agreement that more needed to be done to make public facilities and buildings more accessible to PwD's

The study also concluded that though the government had initiated funding programs to address the challenge of collateral among EwD's (when accessing credit), the loan amounts were too low and the loan application process unfriendly. Further, the study established that community's negative attitude toward technical and vocational training affected enrollment levels in Youth polytechnics and Technical training institutes.

Additionally, the study concluded that funding in youth polytechnics and technical training institute was insufficient and often delayed. The study further concluded that while mentors and role models were vital in growing businesses,

few EwD's had mentors. It was evident that EwD's had role models with most of them having a successful entrepreneur as their role model. The study further concluded that a significant number of the EwD's belonged to groups or association mainly because of the financial reasons.

### 5.1 Recommendations

The government together with development partners should initiate more awareness raising campaigns on contribution of PwD's in growing the economy. The government should also ensure that information is shared in Kenyan sign language, braille or any other communication layouts and technologies accessible to EwD's. Also, the Government should enforce laws relating to accessibility of public building as well as initiate programs supporting social enterprises creating jobs for PwD's.

The government should provide adequate and timely funding to vocational and technical training institutions. On the other hand, vocational and technical training institutions should invest more on ICT infrastructure and also establish partnerships with private sectors which are critical in running successful incubation centers within their institutions. The vocational and technical training Youth polytechnics institutions should also recognize and rewards members of staff undertaking entrepreneurial activities in various academic units and invest in tracer studies on status of their graduates.

Government funding programs such as Women, Youth and Uwezo fund should increase the minimum loan amount, simplify loan application process and ensure timely disbursement of funds as well as establish strategies of lending to individuals. Finally, a mentorship office should be established in every constituency to offer sector specific programs including activities geared towards exposing EwD's to successful entrepreneurs.

### 5.2 Suggestions for Further Research

The present research considered EwD's in Meru County and so further research should widen the scope on the factors affecting growth of business owned by EwD's and more so, impact of ICT adoption on growth. Further research should also explore how gender affects growth of MSME's owned by EwD's as well as challenges MSME's face in leveraging resources or skills gained through mentorship programs.

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