Microfinance Credit-Assisted Microenterprises: Entrepreneurs' and Businesses' Characteristics and Their Implication on the Development Needs of Microenterprise-Sector in Kakamega County, Kenya

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Abstract
In developing countries, Kenya included, the microenterprise (ME) sector is key in their development process. In Kakamega County, the sector continues to register remarkable growth than other sectors, employing 30% of the labour force and contributing significantly to households' incomes and livelihoods. The sector is characterized by variations in entrepreneurs' and MEs' characteristics, making any stakeholders' intervention strategies in its development difficult without appropriate data. However, it is not clear the extent to which entrepreneurs' and MEs' characteristics vary, which the study sought to investigate. The study established that significant differences exist in entrepreneurs' and MEs' characteristics. To improve the sector, the study recommends policies that will: promote education and training of entrepreneurs in critical skills; encourage entrepreneurs to diversify their businesses/products and income sources in order to increase their incomes; provide credit and improve prices and markets for MEs products and services, among others.
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1. Introduction

In developing countries, Kenya included, the microenterprise (ME) sector is becoming important in terms of provision of employment and incomes to the increasing labour force, who cannot secure jobs in the formal sector. However, lack of credit, market for MEs' products and entrepreneurial skills, among other factors, have been cited as factors inhibiting the growth and development of the sector (African Development Bank Group [ADBG], 2013; Grameen Bank, 2020; International Labour Organization [ILO], 2021). According to the Micro and Small Enterprise Federation (2013), Government of Kenya (GoK (2018a), Kenya Vision 2030 and the Kenya Government Big Four Agenda, the development of the ME-sector will significantly contribute to employment creation, improve household's incomes and resilience to food security in Kenya. Further, MEs are expected to transit into small, medium and large scale enterprises in the long-run, partly improving commerce and trade, service and the manufacturing sectors.

The development of the ME-sector in Kakamega County is expected to play a major role in the diversification and de-agrarianization of the economy, given that the development of both agriculture and the formal wage employment sectors continue to register comparatively slow growth rates. Thus, the ME-sector, which is characterized by varied entrepreneurs' and businesses' characteristics, is indicative of a more progressive sector through which majority of the increasing labour force in the county can secure gainful employment and enhance as well as diversify and improve entrepreneurs' total households' incomes and livelihoods (GoK, 2018b).

To promote the growth of the ME-sector, the National and Kakamega County Governments have embarked on programmes meant to address problems bedeviling the sector through collaborative efforts with other stakeholders. These programmes include, among others: the development of the required infrastructure, training of labour and entrepreneurs in critical and required skills needed to efficiently run the businesses, provision of credit through grassroots programs (Ogot, 2014; GoK, 2018a; 2018b). Despite this, it is not clear to what extent differences in entrepreneurs' and MEs' characteristics vary in the ME-sector. This makes it difficult for the National and County Governments to come up with appropriate and specific intervention policies and strategies that can help address development needs of the ME-sector in Kakamega County. These existing knowledge gap informed the purpose of this study, which sought to find out the entrepreneurs' and businesses' characteristics and their implication on the development needs of the microenterprise-sector in Kakamega county.

2. Literature Review

2.1 Entrepreneurs' Socioeconomic Profile

There has been a proliferation of MEs in LDCs, attracting micro entrepreneurs with varying socioeconomic

profiles, including: age, sex, education levels, skills attained, ownership type, number of occupations, dependency levels and marital status (World Bank, 2013; 2021). Majority of the entrepreneurs are not trained or operate businesses that are not in-line with the training received (Al Mamun et al., 2019; Simwa & Sakwa, 2013). Those that are trained acquire skills through apprenticeship in single or partnership owned friends or family enterprises, with some having multiple skills that helps them diversify production or meet changing market conditions. However, some acquire skills through formal training, having in some cases worked in the formal sector (African Union Development Agency [AUDA-NEPAD], 2022; GoK, 2013a; 2013b). Nganu (2018) and Nyamboga et al. (2019) observed that training of an entrepreneur had a significant impact on ME performance. For instance, Otunga et al. (2001) found out that those engaged in tailoring and hairdressing were apparently efficient because they were operating MEs in line with the skills they had acquired through formal training.

Studies by Sengendo et al (2001) and Kaunda (2012) observed that the highest number of entrepreneurs were in the age category 25-37 years. Those under 24 years were relatively fewer, similar to those aged between 35-53 years, with the number declining sharply above 60 years. Further, Sengendo et al. (2001) found out that 39% and 49% of the entrepreneurs had attained primary and secondary education levels, respectively. Only 17% had attained tertiary level education while 3.7% had no form of education. Information on entrepreneurs' education is critical in any training programmes meant to impart business skills in the informal sector. Furthermore, a study by Kibas (2001) found similar distributional education characteristics, with 64% and 25% of the entrepreneurs being married and single, respectively.

Majority of entrepreneurs, both males and females, operating MEs in Kenya are not in formal employment, with quite a number engaged both in informal and formal employment so as to increase as well as diversify their incomes. Moreover, the increased investment in MEs has been associated with increased number of women entrepreneurs, wealthy business people, those in formal employment, school leavers and college graduates, as well as, retrenched employees (GoK, 2013a). On entrepreneur's marital status, Otunga et al. (2001) found out that 47% of women entrepreneurs were married and quite successful in business as a result of support they received from their spouses in regard to finances, motivation or encouragement, advice and actual involvement in the running of their businesses. Moreover, they observed that entrepreneurs were characterized with varying dependency ratios, affecting their ability to save and undertake business expansion, though there was no significant relationship between the two.

The ILO (2017) observes that gender occupation and business challenges exist and vary within the informal sector economy and this requires varied intervention mechanisms in addressing the needs of entrepreneurs. For instance, Seierup (2001) examining the socioeconomic profile of *mkokoteni* (hand-cart) business operators found out that majority of the owners were male and young, with a mean age of 26 years, attributing to the negative attitude or the physical nature of the work associated with the business, that is, pulling or pushing the *mkokoteni*.

2.2 Micro Enterprise Characteristics

The ME-sector comprises a wide spectrum of activities in the informal sector, making it difficult to define the sector. Most of the businesses are labour intensive and produce goods and services mainly for the local markets (World Bank, 2011). Despite this, quantitative and functional approaches have been used to define informal sector activities. The former approach uses variables such as level of capital investment and output, value of assets, number of workers and energy consumption, as convenient measures of scale. The latter approach takes into account the functional approach, classifying MEs on the basis of descriptive and qualitative data such as: organization and management of individual units, methods of production, their market share and influence, suspected and proven characteristics and problems. However, output level may not be a good measure of ME size, as it depends on price and market demand. But as much as income may be determined by price and market demand, it is very much correlated with ME capitalization level, hence a good indicator of ME size (Kinyanjui, 1996).

Kenya's Micro and Small Enterprise Act, 2013 defines a ME as one with an annual turnover of not more than Kes. 5,000,000 and employing less than 10 workers. Furthermore, the Act notes that MEs vary in capitalization (assets and stock) levels, which is an important factor in determining the size of a ME. Microenterprises may employ capital-intensive or labour-intensive methods of production (GoK, 2013a). Mutai (2011) gives examples of MEs to include street vendors, hawkers, artisans and traders in open-air markets, dressmaking, tailoring, retailing of clothes, hair salons, etc.

Most MEs require little start-up capital, are family owned and rely on indigenous resources (Nguyen & Canh, 2021). Further, Njoroge and Bett (2019) and Stevenson and St-Onge (2005) point out that MEs, as income-generating activities, operate in a dynamic and legally unregulated environment. For instance, they neither pay taxes nor observe laws on minimum wages, characterized with freedom of entry into the market by potential small investors. ILO (2021) and Mwami and Mutwere (2019) observe that they lack safety net and properly developed working places (premises), with some operating in open air markets not in consonance with land-use zones in urban areas that leads to poor hygiene. In spite of this, some MEs are engaged in lucrative business ventures, generating considerably incomes that are five times higher than low-income casual wage labourers.

It is evident from the foregoing literature that, there is paucity of information regarding MEs' and entrepreneurs' characteristics in the study area. Yet such information is critical to both National and County Governments in the formulation of appropriate and specific intervention policies and strategies that can help address the development needs of the ME-sector in the study area.

3. Theoretical Framework

This study was informed by the Flexible Specialization Model as originally proposed by Piore and Sabel (1984). The model explains how MEs operate in a dynamic, flexible and varied policy and market environments, utilizing either internal or external resources or both to develop desired characteristic changes besides compete, survive and grow in a competitive market. According to the model, an entrepreneur can: (a) hire more raw materials and labour to increase output and income; (b) use multiple skills that his/her employees have to diversify output and raise income; (c) raise or borrow more funds depending on his/her capability to pay back and invest in more assets and better forms of technology in order to raise and diversify output and improve on quality of products; (d) relocate to better sites conceived as either having a ready and bigger threshold for goods and services produced or create more space for expansion of business (Piore & Sabel, 1984). Schmitz (1989) and Sengendo, et al. (2001) have used this model in studying entrepreneurs' and MEs' varied and characteristic changes, resulting from utilization of resources, which are critical in any policy intervention in the development of the sector. Thus, the flexible specialization model provided a framework that informed this study on MEs' and entrepreneurs' characteristics.

4 Research Methodology

4.1 Study Area

Butere, Mumias, Matungu and Khwisero Sub-counties, which comprised the study area, are located in Kakamega County, Kenya (Figure 1). Agriculture is the mainstay of the sub-counties' economies, employing 95.4% of the labour force and contributing over 50% of households' incomes. However, both incomes and output in the agricultural sector are on the decline, attributing this to: reducing land sizes; continued use of traditional farming practices; and high cost of modern farm inputs. Thus, approximately 60% of the populations in the sub-counties are living below the nationally defined poverty income line of Kes. 5,995 per adult per month (KNBS, 2018; GoK, 2018a; 2018b). Other sectors that contribute to employment and incomes to the labour force are wage employment (0.3%) and informal sector and other activities (4.3%). The Informal sector, comprising mainly MEs, continues to register over 20% annual growth rate, which is remarkably higher compared to other sectors. Mumias Town accounts for the lion's share of MEs (22%) in the study area due to its location within the Sugar Cane Scheme and proximity to former Mumias Sugar Company (GoK, 2018b). Despite the important role the ME-sector plays in the economy of the study area, the sector, which is characteristically varied in nature, is faced by a myriad of problems, including: market constraints, lack of required entrepreneurial skills, credit constraints, among others. Thus, the generation of data on varied characteristics of MEs will be useful to planners and other stakeholders in addressing problems and challenges faced by the ME-sector.

4.2 Research Methodology

Descriptive research design was used in this study. The target population comprised 1779 members of SHGs (entrepreneurs) operating MEs located in 40 town/ market centres (Figure 1) and who had secured and serviced (or were still servicing) loans from five MFIs, including: Butere Financial Services Association, Ekero Financial Services Association, K-Rep, Khwisero Financial Services Association and Pioneer Development Programme between July 2014 and June 2015. Stratified and proportional random sampling techniques based on source of MFI- credit, town/market centre in which the MEs were located and type of ME, were used to select a sample size of 15% (267creidt-assisted entrepreneurs) of the target population using Kathuri and Pals (1993) formula below, with 241 covered in the survey (representing 90% of the selected sample).

$$n = \frac{\chi^2 NP(1-P)}{\sigma^2 (N-1) + \chi^2 P(1-P)}$$

Where: n = required sample size.
N = given population.
P = population proportion assumed to be 0.5.
σ^2 = degree of accuracy, assumed to be 5% (0.05).
χ^2 = chi-square at one degree of freedom, which is 3.841.
Substituting these values:

$$n = \frac{(3.841)^2 (1779) \times (0.5)(1-0.5)}{(0.5)^2 (1779-1) + (3.841)^2 (0.5)(1-0.5)}$$

$= 267.$

Data was sourced from entrepreneurs and credit officers of MFIs through a pre-tested and refined semi-

structured questionnaire. Observations and informal interviews with 15 (18%) Key Informant selected using stratified random sampling provided additional primary data. Secondary data was sourced from: business records for owners of MEs; records kept by officials of SHGs; credit officers of MFIs; sub-counties' officials of the Ministry of Labour, Social Security and Services; and officials of local *Jua Kali* Associations. This was done through reviewing and purchasing of relevant official records. Data was analyzed through the use of descriptive statistics, cross-tabulations and chi-square statistic.

5. Results and Discussion

This section discusses entrepreneurs' socioeconomic profile and MEs' characteristics.

5.1 Entrepreneurs' Socioeconomic Profile

A number of entrepreneurs' socioeconomic characteristics are discussed, including: age-sex distribution, years of schooling, number of income sources and types and levels of occupational training received.

5.1.1 Age-Sex Distribution

It is evident from Table 1 that the differences in entrepreneurs' age and sex based on ME type are significant at $\alpha = 0.05$ confidence levels. Notably, 0.4%, 48%, 94.2% and 5.4% of the entrepreneurs were in the age brackets 18-24, 33-40, 25-50 and 51+ years, respectively. Moreover, 72.6%, 17% and 10.3% of the entrepreneurs were operating MEs within the trade, service and artisan categories, respectively. This finding corroborates that of a baseline survey by the Central Bureau of Statistics (CBS; 1999) on small businesses in Kenya, which found out that MEs in the trade category are the majority, attributing this to the fact that many of them comparatively require low start-up capital.

Despite significant differences in entrepreneurs' sex based on ME type, it is further evident from Table 1 that both males and females of varying ages were operating businesses across the different types of MEs, including the artisan sub-category which has been presumed to be a preserve of men. Kiraka et al. (2013) and Mwakio (2013) observed similar findings, a move they refer to as '*gender revolution in the occupational structure'*.

Further, data in Table 1 shows significant differences in entrepreneurs' age based on ME type. The low percentage of entrepreneurs in the age bracket 18-24 years is attributable to the fact that 53.1% of the entrepreneurs were form four graduates (Table 2), who are faced with challenges in meeting MFIs' loaning conditions**.** For instance, one must be operating a business to secure a loan, yet majority of them had just completed school. Moreover, the apparent absence of female entrepreneurs in the age bracket 18-24 years, imply that either: (a) female entrepreneurs are faced with more challenges than their male counterparts in meeting the conditions for accessing loans from MFIs to start or expand their businesses, a finding also observed by Bulow et al. (1995), IFC (2013), ILO (2017) and Kibas (2001) or (b) they rely on other credit sources other than MFIs to start or fund their businesses. In support of this, the study found out that 19.1% of entrepreneurs, who were females, depended on their spouses to provide start-up capital, in addition to other business financial and non-financial assistance. Despite these observations, this study found out that generally the proportion of female entrepreneurs was quite significant, accounting for 48.5% of the total sample surveyed. However, 94% of them were aged between 25 and 50 years, with a higher percentage engage in simple and varied businesses in trade. GoK (2018a) point out that the number of women accessing loans is on the increase, courtesy of the expanding MFIs loan network in both rural and urban areas, with comparatively favourable loaning conditions.

Furthermore, entrepreneurs who were in the age bracket 51+ years were also fewer because they were found either to rely more on non-institutional sources of credit such as past savings or income from their other investments. Partly in support of this, findings in Table 4 shows that 46.2% of entrepreneurs aged 51+ years had more than one occupation. In line with this finding, a study by Wegulo and Obulinji (2001) observed that entrepreneurs who had many sources of income relied less on loans to improve their businesses.

5.1.2 Education and Training

Data in Table 2 shows a summary of education levels attained by entrepreneurs based on their sex and type of ME operated. Despite significant differences ($P<0.05$) in entrepreneurs' education levels, 3 (1.2%) entrepreneurs, who were females had no form of schooling, operating businesses within the trade category. Notably, 29.8%, 53.1%, 1.7% and 14.2% of the entrepreneurs had attained education levels of up to standard 8 and or below, form 4 (who were the majority), form 6 and college/university, respectively. In support of this finding, GoK (2018a; 2018b) confirms that the ME-sector employs both the educated and uneducated labour, the former finding solace in the sector due to inability to get formal employment. In spite of this, research finding shows that some MEs, particularly those in the service and artisan categories were owned/operated by entrepreneurs who had attained post-secondary education and training. Thus, specific skills remain critical in operation of some MEs.

In addition to determining level of education, data in Table 3 shows that there were significant differences ($\alpha= 0.05$) in entrepreneurs' level of training based on type of ME, with 43.2% of them having been trained, out of which 21.2% and 22% having been trained formally and informally, respectively. For those who received formal training, 11.6%, 7.9% and 1.7% had attained certificate, diploma and degree levels, respectively. Some of the areas

entrepreneurs had received training include: industrial production, procurement, financial management, sales, book keeping, human resource management, marketing, product design, catering, hotel management, customer service, welding and fabrication (metal works) and mechanics. However, whereas some businesses require single skills, others require an entrepreneur to have multiple skills. It is also evident from Table 3 that 68.3%, 14.9% and 88.0% of the entrepreneurs in the service, trade and artisan/manufacturing categories, respectively, had trained in skills that were in line with the businesses they were operating. In the same order, 31.7%, 85.1% and 12% of entrepreneurs did not have training in relevant business skills, with majority of them being engaged in the trade category. In support of this finding, National and Kakamega County Governments' policy documents (GoK, 2018a; 2018b) show that most of the entrepreneurs in the informal sector lack relevant training and skills required in various trades. According to Kithae et al. (2013), Munene (2013) and Nyamboga et al. (2019), entrepreneur's training has a positive impact on business performance. Thus, different MEs will require different training interventions to improve their business performance.

5.1.3 Number of Income Sources

Chi-square results in Table 4 show that the differences in entrepreneurs' number of income sources based on entrepreneurs' age distribution was significant (α= 0.05). Further, 35.3% of the entrepreneurs depended only on ME business, contributing 100% of their total incomes. However, 60.2% had one additional source of income, with MEs contributing 36.6% of their total income. The rest, accounting for 4.6%, had two additional sources of incomes, with the MEs accounting for 29.5% of their total incomes. It is thus evident that MEs diversify as well as contributes significantly in generating households' incomes. Further, majority of the entrepreneurs with one and two additional sources of income, were in the age groups 25-32, 33-40 and 41-50, comprising 62.3% of the sample, who apparently had many dependants too. This could be a reason as to why they are actively engaged in more than one economic activity, so as to generate additional income to meet their household socio-economic responsibilities. According to GoK (2019), those between 25-40 years are within the most reproductive ages.

5.2 Microenterprises Characteristics

This sub-section of the paper discusses MEs' characteristics, including: type; age; and capitalization, income and employment levels.

5.2.1 Types of MEs

Businesses within the informal sector are broadly classified into three categories: trade, service and artisan/manufacturing (GoK, 2013a). Data in Table 5 shows that MEs in the service, trade and artisan categories accounted for 17.0%, 72.6% and 10.4%, respectively, of the sample studied. The average start-up capital for businesses in the trade, service and artisan categories was Kes. 15,570.31, Kes 30,460.74 and Kes 21,731.30, respectively, comparatively, making it easier for entrepreneurs to start businesses within the trade category. These findings have implications to all stakeholders in Kenya's ME development policy framework and in particular, those engaged in provision of training services and credit facilities to the informal sector activities. For instance, it is imperative for MFIs and other creditors to apportion credit levels based on ME financial needs.

A part from site-businesses, itinerary-businesses were also captured in the sample studied, all of which were in the trade category accounting for 5.8% of the sample. Itinerary businesses included: cattle trading, distribution and hawking of manufactured food and non-food items by well-established shopkeepers, rotational market traders in fish and second-hand clothes. Itinerary businesses were found to register comparatively higher monthly incomes than site-businesses (Table 8) because of their spatially broader and rotational markets.

5.2.2 Microenterprise Age

Data in Table 6 shows significant differences (α = 0.05) in ME age, with 74.2% of MEs surveyed having ages between 6 and 15 years. The youngest and oldest business establishments were 5 years and 33 years, respectively, with a mean age of 8 years. Further, MEs in the age-group 1-5 years accounted for 18% of the sample. Those 6-15 years and 16years and above accounted for 74.2% and 7.8%, respectively. However, there were no MEs in the service category aged between 16-35 years, implying that their lifespan is comparatively low. Moreover, it was observed that as age increases the frequency of MEs reduces across the three categories of MEs, implying that very few survive for a longer period of time. This finding corroborates that of CBS (1999), which found out that most MEs do not survive to see their 10^{th} birthday. Despite this age limit, majorities of MEs that were aged 15 years and above were in the trade category and comprised 41.8% of the sample. Further, 84.2% of the MEs that were aged over 10 years were operated by entrepreneurs who mainly depended on MEs as their only occupation and source of income. This specific category of MEs contradicts the finding by CBS (1999) on ME age, implying that there is every reason for greater determination to ensure that the ME businesses do not fail on the part of the entrepreneurs who rely on them as their only source of income and livelihood. Further, it was observed that business age was significantly correlated to the age of the entrepreneur [ά = 0.01 level (2-tailed)], especially for those who depended on ME business as the only occupation and source of income. Partly in support of this, the finding by this study shows that the age of MEs and that of the entrepreneurs were significantly correlated [ά = 0.01 level (2-tailed)], implying that the older the entrepreneur the longer s/he has been in business. Also, ME age

was significantly correlated with ME income [ά = 0.05 level (2-tailed)], implying that the older the ME the higher was the income. These findings have important policy implications on Kenya's Vision 2030 and SDGs (No. 1 on no poverty, No. 2 on zero hunger and No.9 on industry, innovation and infrastructure) on the part of planners and stakeholders in the development of ME-sector as a source of employment and income generation to the unemployed.

5.2.3 MEs Capitalization Levels

Research data shows that there exist low and varied ME capitalization levels based on ME category, with the lowest and highest being Kes 4,000 and Kes 3,000,000, respectively. In the same order, these levels were observed in MEs within the service and trade categories. The mean ME capitalization level was lowest and highest within the artisan/manufacturing and trade categories, respectively. Also, there was a wide range in capitalization levels among MEs within the trade category, with majority of the MEs found on both extremes of the continuum and exhibiting comparably larger amounts of stock than assets, contrary to those in artisan and service categories. However, this explains comparably why in the long run MEs within the trade category may acquire higher capitalization levels mainly in the form of business stock than those in the service and artisan categories. Hence, MEs in the service and artisan categories rely more on the growth of their assets in raising their capitalization levels. It follows, therefore, that for one to start and run a business in the service and artisan categories, s/he requires more investments in form of assets than business stock. Moreover, it was observed that no ME exceeded a total (stock and assets) capitalization level of Kes. 3,000,000. This finding corroborates that of CBS (1999), which observed that the capitation level for most MEs hardly exceeds Kes. 5million mark. Also, the Micro and Small Enterprise Act (2013) classifies MEs in Kenya as those businesses with a capitation of up to Kes. 5 million and employing not more than 10 people. It was also observed that as the levels of capitalization increase in all the three categories of MEs, the frequency of MEs reduces drastically. The analysis further shows that ME capitalization was significantly correlated with entrepreneurs' education level (ά = 0.01 level (2-tailed), number of employees [ά = 0.01 level (2-tailed)], as well as employment volume [ά = 0.01 level (2-tailed)], and ME monthly income [ά = 0.01 level (2-tailed)].

5.2.4 MEs Income Levels

The findings of the study show that overall, MEs' minimum and maximum net monthly incomes were Kes. 3,000 and Kes. 40,000, respectively, with itinerary businesses registering comparably higher incomes, averaging Kes. 25,500. Significant differences (α = 0.05) in incomes were observed in all MEs categories, with the highest range and variability observed within MEs in the trade category. It is also evident that average ME income levels increased with rising average levels of ME capitalization. Further, as indicated earlier, it was established that ME incomes were significantly correlated with ME capitalization levels [ά = 0.01 level (2-tailed)], entrepreneurs' education levels [ά = 0.01 level (2-tailed)], the number of employees [ά = 0.01 level (2-tailed)] and the total employment volume [ά = 0.01 level (2-tailed)]. Also, the significant correlation between ME capitalization and income suggests that MEs with higher capitalization levels will generate higher business income. However, a comparison of MEs capitalization-income ratios at various ME capitalization categories reveals that businesses that had lower capitalization levels comparably had higher monthly net income ratios. This observation implies that some businesses do not require higher levels of capitalization so as to generate higher levels of income as demonstrated by businesses in food provisioning and itinerary cattle trading. Such businesses have higher turn-over of products and profit margins and it is easier to replenish production inputs, whether through trade-credits or purchases.

5.2.5 MEs Employment Levels

The study findings show that MEs covered in the survey on average employed two people, with the total number of people employed varying based on ME type and capitalization levels. The implication is that without growth in ME capitalization, significant growth in employment in the ME-sector will only result from establishment of additional than existing business units. Further, the average number of people employed and the monthly average employment volume generated in man-hours increased with rising levels of capitalization across all the three types of MEs. Comparatively, however, MEs in the service, trade and artisan categories generated on average 1036 man-hours, 407 man-hours and 574 man-hours, respectively, per month. The high level of man-hours generated within MEs in the service sector is attributed to two factors. First, MEs in the service sector employ comparatively more people given the nature of their production. Second, they also operate for longer hours in a day and (seven) days in a week. MEs within the trade category registered the least man-hours generated because some of the businesses were found to operate for a maximum of three days in a week, with some operating less hours in a day (i.e. butchery, itinerary trading in manufactured product, second-hand clothes, etc.). Average monthly man-hours generated from the businesses were found to be significantly different (α = 0.05) based on ME type. It was established that the number of people employed was significantly correlated with ME income [ά = 0.01 level (2-tailed)] and capitalization levels [ά = 0.01 level (2-tailed)]. Also, the total employment volume generated was significantly correlated with ME capitalization [ά = 0.01 level (2-tailed)], number of employees [ά = 0.01 level (2-tailed)] and monthly incomes [ά = 0.01 level (2-tailed)].

6. Conclusions and Recommendations

6.1 Conclusions

Two main conclusions are made from the findings of this study. First, there exist significant differences in entrepreneurs' socioeconomic profile based on ME type, including: entrepreneurs' age, sex, education levels, skills attained and number of income sources (occupation). Majority of the entrepreneurs operating credit-assisted MEs were in the age interval 25-50 years. The number of microfinance credit-assisted female entrepreneurs operating MEs are significant, accounting for almost half the sample. Female entrepreneurs also operate MEs in the artisan category, a sector thought to be men's domain. Comparatively, younger entrepreneurs and more so females are fewer, an indication that majority are either unable to raise business start-up capital or access loans from MFIs due to the loaning conditions. Entrepreneurs operating credit-assisted MEs had attained levels of education that range from primary to university level, with majority of them being form four graduates, implying that the sector employs both the educated and the uneducated. Most MEs in the artisan and service categories require specific skills to operate, unlike for those in trade category. Even though this is the case for MEs within the trade category, entrepreneurs are lacking basic skills in management and operation of their businesses. Significant differences in the levels of training based on ME types exist. Notably, Less than a half of the entrepreneurs had trained in various trades. However, majority of the entrepreneurs operating MEs in the service and artisan categories, unlike in trade, had trained in skills that were in line with their businesses. Some of the entrepreneurs in all the three categories did not have training or relevant skills in the businesses they were operating. Microenterprise businesses are a major source of income to a substantial number of entrepreneurs, despite others having either one or two other occupations. Those entrepreneurs with ME business as the only source of income showed that such businesses had a high longevity.

Second, significant differences exist in ME type, start-up capital, age, capitalization levels, income levels and employment volume. Microenterprises in the trade category were the majority. A significant number of MEs were aged between 6 and 15 years. The youngest and oldest MEs being 5 years and 33 years, respectively, with a mean age of 8 years. Further, Microenterprise age was found to be significantly correlated with ME income and employment levels. Microenterprises exhibited varied capitalization levels. The frequency of MEs reduced in number as MEs capitalization levels increased. The net monthly ME incomes varied too. In addition, ME incomes were found to be significantly correlated with ME capitalization, entrepreneurs' education levels and ME employment level. Even though this is the case, for some businesses, income level was not significantly correlated with capitalization level, implying that one could still generate higher business income with lower levels of capitalization. The average employment level per ME was 2 people, with employment level increasing with rising ME capitalization levels. However, MEs in the service category generated the highest employment volume.

6.2 Recommendations

Based on the key findings and conclusions of this study, the following recommendations are suggested to the National and County Governments that, if considered, can help address some of the ME-sector development need and benefits:

1. Policy formulation and strategies as well as provision of basic and required infrastructure by all stakeholders aimed at the development of the ME-sector should put into consideration the existing variations and specific needs of each ME-category, including: skills critical in business production and management, levels of credit needs, etc. For instance, government's programmes, MFIs and other stakeholders involved in credit provision, should provide loans based on actual business needs, with those in service and artisan categories given more resources.
2. There is need to provide friendly credit terms, especially seed money to enable those completing school and cannot secure jobs in the formal sector, venture into the informal sector activities and more so, females who tend to be disadvantaged in terms of accessing business start-up capital.
3. Majority of entrepreneurs lack necessary skills in the businesses they operate. National and County Governments, in collaboration with other stakeholders in ME development policy, need to come up with training programmes in various trades for both potential entrants and already existing entrepreneurs in the informal sector. An inventory of business types and relevant training skills required need to be done in order to identify existing training gaps. Each ME sub-sector will require different training intervention(s) that vary in types and levels of skills. The promotion and establishment of polytechnics and fees waiver for trainees by the National and County Governments is a move in the right direction. More funding and installation of relevant and adequate training equipment is critical in national and village polytechnics so as to offer the required and varied training needs. More so, priority should be given to those engaged in service and artisan ME categories because most of these businesses require skills to operate. But majority of those in ME trade category should not be left out, as they still require training in basic aspects of business management that cut across all forms of businesses, such as: book/records keeping, financial management, budgeting, procurement, sales and marketing, bargaining skills, networking, human resource management and customer service, among others. Also, with gender revolution in occupational

structure, there is no need to discriminate against women in men dominated sectors such as manufacturing/artisan

4. Preference, in terms of all forms of business support, should be directed to entrepreneurs who solely depend on ME as their only source of employment, contributing 100% of their income and their businesses comparatively having a higher longevity (lifespan).

5. ME-sector is important in the provision of employment and incomes, supplementing as well as diversifying households' incomes, even for those engaged in formal employment. Thus, to improve incomes for entrepreneurs, there is need to expand market for their products and services, as reflected in itinerary trading businesses that are characterized by wider markets and higher incomes. For instance, preference for ME products in government procurement, establishment of *Jua-Kali* Marketing Associations, among a raft of measures, can help improve markets for ME products and subsequently their incomes. Increased markets will require increase ME capitalization levels in the long-run, which can partly be achieved through provision of credit. Further, there is need to advise entrepreneurs to invest in MEs [such as selling second-hand clothes *(mitumba*), groceries (cereals, vegetables, etc), newspaper vending/selling, roasting maize, etc.] that require low capital but have high income ratio, that will earn them higher incomes without necessarily having a large capital base.

6. To create more employment in the ME-sector, there is need for an enabling environment that will spur the growth of existing businesses as well as entrance of new businesses in the market. This is because majority of the existing MEs hardly grow to employ more than two people, irrespective of their age. More so, substantial growth in employment opportunities from the ME-sector is likely to emanate from expansion of those in service category. Overall, the ME-sector is critical in creating jobs for both the educated and the non-educated and must be put into consideration in pursuing policies that aim to improve employment levels in the county.

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Author's Biography

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Figure 1: Map of the Study Area Showing 40 Town/Market Centres within Butere, Mumias, Matungu and Khwisero Sub-Counties where Credit-Assisted MEs were located.
Source: GoK (2012)

Table 1: Entrepreneurs' Age-Sex Distribution Based on Sex and Type of ME.

Age Bracket (in years)	Frequencies of Entrepreneurs Based on Type of ME Operated						Total/Percentage		Total/ Percentage (M+F)
	Service		Trade		Artisan/ Manu-facturing				
	M	F	M	F	M	F	M	F	
18-24	0	0	0	0	1	0	1(0.4%)	0(0.0%)	1(0.4%)
25-32	9	4	11	17	1	2	21(8.7%)	23(9.5%)	44(18.3%)
33-40	10	7	35	48	9	6	54(22.4%)	61(25.3%)	115(47.7%)
41-50	8	2	29	23	5	1	42(17.4%)	26(10.8%)	68(28.2%)
51-60	1	0	4	6	0	0	5(2.1%)	6(2.5%)	11(4.6%)
>61	0	0	1	1	0	0	1(0.4%)	1(0.4%)	2(0.8%)
Total	28	13	80	95	16	9	124(51.5%)	117(48.5%)	241(100%)

X^2cal = 156.1; df = 10. X^2cal > X^2c. The Differences in entrepreneurs' age based on ME type is significant at 95 per cent confidence level.
X^2cal = 176.84; df = 2. X^2cal > X^2c. The Differences in entrepreneurs' sex based on ME type is significant at 95 per cent confidence level.

M=Males. F=Females
Source: Research Data, 2015

Table 2: Education Levels Based on Sex of the Entrepreneur and Type of ME

Level of Formal Education	ME Category						Percentage/ Total		Percentage/ Total (M+F)
	Service		Trade		Artisan/ Manu-facturing				
	M	F	M	F	M	F	M	F	
None	0	0	0	3	0	0	0(0%)	3(1.2%)	3(1.2%)
Below Standard 8	2	0	5	12	3	0	10(4.1%)	12(5.0%)	22(9.1%)
Form 4	5	2	15	24	2	2	22(9.1%)	28(11.6%)	50(20.7%)
Form 6	15	9	47	42	9	6	71(29.5%)	57(23.6%)	128(53.1%)
College / University	1	0	2	0	1	0	4(1.7%)	0(0.0%)	4(1.7%)
Total	5	2	11	14	1	1	17(7.1%)	17(7.1%)	34(14.2%)
	28	13	80	95	16	9	124(51.5%)	117(48.5%)	241(100%)

X^2cal = 176.3; df = 25. X^2cal > X^2c. The Differences in entrepreneurs' level of education based on ME type is significant at 95 per cent confidence level.

M=Male. F=Female. Source: Research Data, 2015

Table 3: Entrepreneur's levels of Training and their Relevance to Businesses Operated

Entrepreneurs Type and Level of Occupational Training		Type of ME			Total/ Percentage
		Service	Trade	Artisan/ manufacturing	
Informal	Certificate	7(17.1%)	19(10.9%)	3(12%)	29(12.0%)
	Other	8(19.5%)	10(5.7%)	6(24.0%)	24(10.0%)
Formal	Certificate	6(14.6%)	14(8.0%)	8(32.0%)	28(11.6%)
	Diploma	4(9.8%)	12(6.9%)	3(12.0%)	19(7.9%)
	Degree	1(2.4%)	3(1.7%)	0(0.0%)	4(1.7%)
None		15(36.6%)	117(66.6%)	5(20.0%)	137(56.8%)
Total		41(100%)	175(100%)	25(100%)	241(100%)
% Relevance of Entrepreneurs Skills to Business Operated		28(68.3%)	26(14.9%)	22(88.0%)	

X^2cal = 343.1; df = 10. X^2cal > X^2c. The Differences in entrepreneurs' level of training based on ME type is significant at 95 per cent confidence level.

Source: Research Data, 2015

Table 4: Age Interval, Number of Income Sources and Percentage of ME Income to Total Entrepreneurs' Income

Age Interval (in years)	Entrepreneurs Frequency Distributions Based on Number of Income Sources			Total	Income Contributed by ME Business as a % of Entrepreneurs' Total Income		
	ME only	ME and One Other*	ME and Two Others*		ME only	ME and One Other	ME and Two Others
18-24	1(0.4%)	0(0.0%)	0(0.0%)	1(0.4%)	100%	0%	0%
25-32	26(10.8%)	18(7.5%)	0(0.0%)	44(18.3%)	100%	40%	0%
33-40	33(13.7%)	77(32.0%)	5(2.1%)	115(47.7%)	100%	35%	30%
41-50	18(7.5%)	47(19.5%)	3(1.2%)	68(28.2%)	100%	30%	28%
51-60	7(2.9%)	2(0.8%)	2(0.8%)	11(4.6%)	100%	28%	27%
>60	0(0.0%)	1(0.4%)	1(0.4%)	2(0.8%)	0%	50%	33%
Total/ Average	85(35.3%)	145(60.2%)	11(4.6%)	241(100%)	100%	36.6%	29.5%

X^2cal = 208.1; df = 10. X^2cal > X^2c. The Differences in entrepreneurs' number of income sources based on entrepreneurs' age is significant at 95 per cent confidence level.

*Other occupations include -Government employee/civil servant, teacher, private sector employee, farmer and retired officer/pensioner (taken as a source of income).
Source: Research Data, 2015.

Table 5: Distribution of Sample MEs Based on Source of Credit

MFIs (Source of Credit)	Type of MEs			Total/ Percentage
	Service	Trade	Artisan/ Manufacturing	
EFSA	14(34.1%)	58(33.1%)	7(28.0%)	79(32.8%)
BFSA	5(12.2%)	17(9.7%)	4(16.0%)	26(10.8%)
KFSA	6(14.6%)	34 (19.4%)	2(8.0%)	42(17.4%)
PDP	12(29.3%)	53(30.3%)	9(36.0%)	74(30.7%)
K-REP	4(9.6%)	13(7.4%)	3(12.0%)	20(8.3%)
Total	41(17.0%)	175(72.6%)	25(10.4%)	241(100.0%)

Source: Research Data, 2015.

Table 6: ME Age Based on Type of ME.

ME Age (In Years)	Type of ME			Total/ Percentage
	Service	Trade	Artisan/Manufacturing	
1-5	8(19.5%)	34(19.4%)	1(4.0%)	43(18.0%)
6-10	20(48.8%)	68(38.9%)	9(36.0%)	97(40.2%)
11-15	13(31.7%)	58(33.1%)	11(44.0%)	82(34.0%)
16-20	0(0.0%)	8(4.6%)	2(8.0%)	10(4.1%)
21-25	0(0.0%)	6(3.4%)	2(8.0%)	8(3.3%)
31-35	0(0.0%)	1(0.6%)	0(0.0%)	1(0.4%)
Total	41(100.0%)	175(100.0%)	25(100.0%)	241(100.0%)

Minimum ME age = 5 years
Maximum ME age = 33 years
Range = 28 years
Mean ME age = 8 years

X^2cal = 163.7; df = 10. X^2cal > X^2t. The Differences in ME age based on ME type is significant at 95 per cent confidence level.

Source: Research Data (2015).