

INFLUENCE OF INFORMAL FINANCING ON FINANCIAL PERFORMANCE OF WOMEN OWNED ENTERPRISES IN KENYA, A CASE OF NAIROBI COUNTY

^{1*} Beth Wanjiru Wanyoike
bethwanjiru01@gmail.com

^{2} Professor Willy Muturi**
mmuturi2001@gmail.com

^{1, 2} Department of Economics Accounting and Finance, School of Business, Jomo Kenyatta University of Agriculture and Technology, P.O Box 62000-00200, Nairobi, Kenya.

ABSTRACT

Women-owned business have low start-up and working capitals and therefore potential customers perceive these businesses as lacking the capacity to satisfy their needs and provide quality services. The women therefore seek informal financing as their main source of funding due to their flexibility and they offer significant benefits similar to those provided by formal financing but they may have varied results in accordance to their performance. The study's objectives aimed to assess Trade credit financing, interpersonal borrowing, private money houses borrowing and community co-operatives borrowing as factors that affect the performance of women-owned SMEs. A descriptive survey was utilized with a sample of 376 respondents was utilized for the purpose of the study and stratified random sampling was used in selection of the respondents. Questionnaires were mainly used to collect data which was analyzed using SPSS version 25. A multiple linear regression was applied to show how independent variables affected the dependent variable. From the findings, the coefficient of multiple determination was 0.413; implying that 41.30% of the variation in financial performance of women owned enterprises is explained by informal financing. From the ANOVA results (Test statistic and p value), the researcher found that $F=3.737$, $p=0.004$ and since the p value is less than 0.05, the researcher rejected the null hypothesis at 0.05 level of significance. From the regression coefficients, Trade credit, Interpersonal borrowing and Community cooperatives were significant at 0.05 significant levels. The researcher concludes that informal financing play a key role in providing access to credit through trade credit financing, interpersonal borrowing finance and through private money houses. The researcher recommends further studies to be carried out to assess the skills of women owned businesses and their ability to run them effectively.

Keywords: credit financing, interpersonal borrowing, private money, community co-operatives borrowing

Background of the study

Economic growth is a critical aspect of every country as it is instrumental in the sustenance of all its major activities. The employment rates and more importantly the revenue generated from the different sectors has become critical in ensuring the growth of a particular country. A number of countries in the world were solely dependent on the formal sector however, the jobs eventually depleted as not all individuals could be absorbed

into the systems hence these individuals ended up in the informal sector which covering at least half of all employment globally (Chambwera, MacGregor, & Baker, 2011).

The informal economy does not fall under organized economic activities. A lack economic growth is mostly felt in developing countries that have transitioned to the informal sector. This sector takes up nearly 90% of all employment and its flexible nature has led to its increased adoption most especially women. The promotion of growth was directed towards channeling support to large-scale businesses in order to increase employment after independence through import substitutions strategies. This issue was mainly attributed to the role of rapid urbanization that attracted these countries especially in the maximization of the rates (Liedholm & Chuta, 1976).

However, this was not entirely realized because their policies did not promote both economic development and creation of employment that the countries wanted (Gakure & Otieno, 2006). The informal sector in Sub Saharan Africa created tremendous employment which was contrary to the formal sector as it offered a number of advantages to the overall economy e.g. proper utilization of resources, generation of income, equitable distribution of resources, and dealing with social and economic issues and more importantly the creation of employment. This promoted the Kenyan government to restructure their microeconomic policies (Gakure & Otieno, 2006).

Roles of SMEs

Small and micro enterprises are critical influencers of economic growth in every country mainly due to the labor input they bring to the market. Globally, these firms generate half of the domestic products and they create a significant amount of employment thereby alleviating the government on the need for offering employment. The firms are also a major source of innovation in that they offer new products and services (Edinburgh Group, 2012). More importantly, small businesses, which have tremendously increased have become crucial to every economy as they create employment, grow to become larger businesses and they act as the engine of growth (Itonga *et al.*, 2016).

The Kenyan economy is riddled by issues of unemployment which has significantly inhibited the transition of growth of and poverty reduction. A majority of the population are not employed and they, therefore, seek other interventions to make a living. The small and medium enterprises, therefore, act as the medium through which the majority of the unemployed populations acquire their source of revenue from. These individuals engage in various forms of trade to provide for their respective families and homes. The wages acquired from a majority of the business only enable the workers to live by hand to mouth but it helps in the alleviation of poverty. Moreover, these enterprises reduce the burden on the government to provide employment for the country (Jiang, Zimmerman, & Guo, 2012).

Performance of SMEs

The relationship between the performance of small and medium enterprises and finance has acquired tremendous attention, especially in the finance literature. There have been varied approaches in describing this variable from different researchers. There is extensive research based on different concepts e.g. financial and non-financial options and how they affect small and medium enterprises (Palm, 2008). In accordance with previous literature, the overall definition of the term is performance especially in the small and medium enterprise is a tremendous challenge. There a number of definitions for performance with most of them connecting it the overall results of a company achieved through the interventions that it incorporates in order to achieve the marketing and financial goals (Harash *et al.*, 2014).

Statement of the problem

According to Itonga *et al.*, (2016), in as much as women-owned businesses offer a positive outlook, this is not the case as anticipated in Kenya. Women-owned businesses perform dismally mainly due to poverty, financial literacy and most important access to credit. Additionally, 60% of women-owned businesses in Kenya can be traced to lack of continuity in stock. Access to finance is prerequisite for survival and performance of any enterprise and has become an increasingly important development metric responsible for widespread economic development (Cracknell, 2012). Banks deny women loans or credit due to their lack of collateral. Women, therefore, opt for informal sources of finance to start and expand their businesses (Muturi, 2012).

In Kenya, women-owned business has low start-up and working capitals and therefore potential customers perceive these small businesses as lacking the capacity to satisfy their needs and provide quality services. Larger companies are therefore given these opportunities which are solely based on their financial outreach and recognition (Nkatha, 2016). Informal financing act as a major source of funding for women-owned due to their flexibility and they offer significant benefits similar to those provided by formal financing. According to Aleke (1991), women-owned enterprises use savings and loans by family members and friends because they cannot access funds from the country's financial system besides several financial infrastructure limitations which include inconsistent Government policy on interest rates, unmet credit needs among others.

There are numerous research studies conducted in regards to other sources of financing most especially those related to formal sources of funding and in regards to factors associated with the performance of small and medium enterprises in general. A majority of these studies point out that funding and/or access to credit is critical for the operation of small and medium enterprises (Itonga *et al.*, 2016; Maina, 2016; Muthoka, Ngui, & Joseph, 2016; White *et al.*, 2015). The study by White *et al.*, (2015), for example, focuses on sources of finance as drivers of performance and the study by Maina, (2016) purposes to find out the role of lending practices among commercial banks in Kenya. However, there is very little research done in regards to informal sources of funding most especially in regards to women-owned SMEs performances and their role in the economy. Hence this study, therefore, aims at filling the missing knowledge gap by assessing the effects of informal financing on the financial performance of the women-owned enterprise, Nairobi County.

Objectives of the study

The general objective of the study was to assess the influence of informal financing on the performance of women-owned enterprises in Nairobi County, Kenya.

1. To assess the influence of trade credit financing on the financial performance of women-owned businesses in Nairobi County.
2. To determine the influence of interpersonal borrowing on the financial performance of women-owned businesses in Nairobi County.
3. To establish the influence of private money houses borrowing on the financial performance of women-owned businesses in Nairobi County.
4. To examine the influence of community co-operatives borrowing on the financial performance of women-owned businesses in Nairobi County.

Literature Review

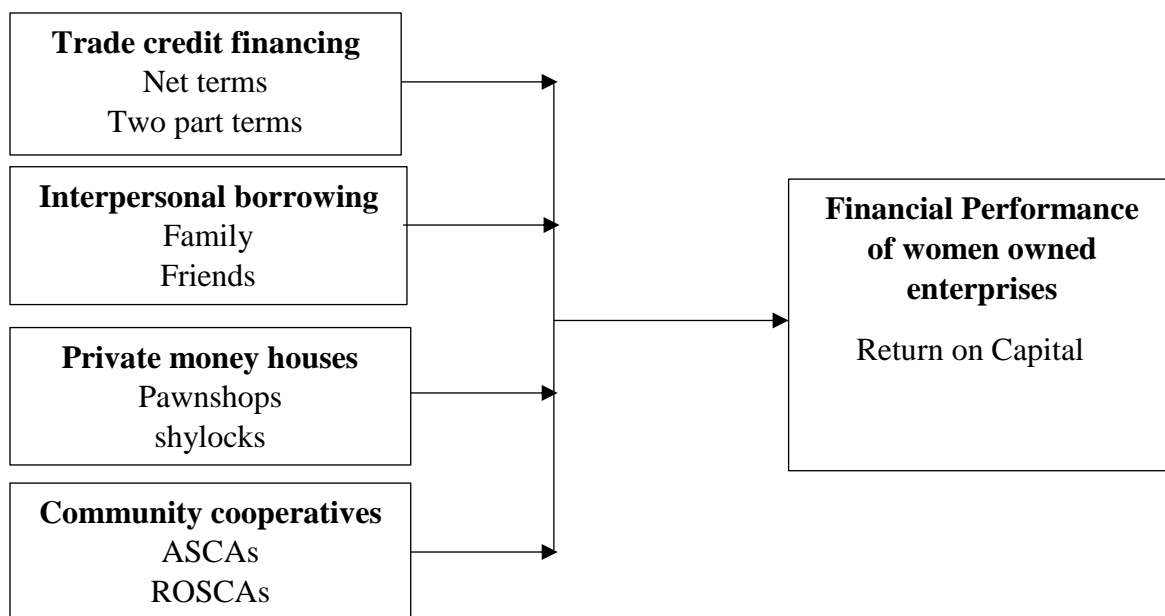
The study was based on the following theories

The Adverse Selection Theory: The Adverse selection theory was developed by Stiglitz & Weiss, (1981) and it posits that the amount of credit that a credit institution charges has a significant impact on sorting the borrowers (causes adverse selection) and in turn which affects their actions (incentive effect). The interest rates might have an impact on the transaction but this does not entirely have an impact on the market. Formal credit associations insist on collateral as part of security that affects limits the access to credit as it basically means that those who lack collateral cannot access the credit. Small firms are therefore perceived to be risky and therefore this forces them to seek other credit associations (informal). The absence of reliable information in regards to the borrower causes adverse selection as only individuals with bigger and riskier projects are able to repay the loans mainly due to the high-interest rates. Allocation of loans is therefore in relation to the amount of interest rate charged that affects the allocation of loans to the borrowers. Additionally, lack of adequate information in regards to the small and medium enterprises. This theory is however criticized for the fact that it does not focus on the borrower’s ability to assure the lenders of repayment of the loans.

The Altruistic financing model: This theory developed by Lee & Persson, (2012), posits that there are only two reasons that through which entrepreneurs would seek credit from their families and or friends. The first being that informal lending from friends and family is usually advantages into being sanctioned and these individuals usually have a high cost of capital. However, despite the advantages of this source of funding, entrepreneurs still seek other avenues of funding. Additionally, credit from family and friends reduces the rate of risk-taking from in these businesses and eventually has a significant effect on the financial performance of the business. Hence, credit from these sources has significant and opposite effects in regards to performance.

Financial liberalization theory: Theory of financial liberalization developed by McKinnon, (1973) posits that high-interest rates charged from private institutions create higher financial gain. Additionally, the theory reiterates that the acquisition of profits undertaking this route would, in turn, strengthen investments contrary to investing directly in the market. Private firms are mostly prevalent in less developed countries that rely on this source of credit (mostly scarce resources) as they help in the growth of the economy despite their unregulated interest rates. Reform in financial aspects, therefore, raises the domestic private saving in contrast to the income. This would, therefore, result in economic benefits through effective resource allocation, resource creation, and allocation.

Conceptual framework



Trade credit funding and performance: Trade credit is a term that is usually used to depict the provision of credit to people to help boost their respective needs. These transactions are usually short-term delayed payments (30-60 days) for purchases made on intermediate goods and services (Fisman & Love, 2001). Trade credit suppliers can therefore effectively supply their clients with short-term debt acquired from the delayed payments. Trade credit is however different from the other types of funding through three main differences. The funds are lent out in kind, the credit is never subject specific in terms of contracts and they are issued out to non-financial firms. At the individual level, this type of funding is the most important source of funding which is significant across different economies in the world (Cuñat & Garcia-Appendini, 2012). The provision of credit to businesses is more likely where there is a higher probability of easier resale of the items being sold. This is because it allows the seller to seize and resell the products in the event of a default (Mian & Smith, 1992; Murray & Maksimovic, 1998).

Interpersonal borrowing on the performance: In the African and at least a few other societies, when an individual has financial constraints they usually turn to their family members or friends as their first intervention. Family members or friends who approve of the business or idea are supportive of the individuals business can help channel money directly into the business or to the borrower. This a quicker and less expensive route, when compared to other methods as the terms of repayment, are greatly flexible. However, these sources of funding are directly related to further stressing the business owner and driving the business into more difficulties (Mungiru & Njeru, 2015).

The family members and/or friends mainly credit the borrower from their personal savings especially during start-ups of the enterprises. This reveals the financial inability of the markets to adhere to the existing the credit demand from the borrowers. In Kenya, a majority of enterprises are reported to have sought credit from their relatives and friends (Atieno, 2001). A study by Macharia, (2012), reveals that family and friends are critical especially in financing small and medium businesses as they boost the operations of these businesses. According to the study, 40% of the credit accessed by small and medium businesses from family members and friends followed by 30% from business savings and 24% that came from formal financial institutions.

Community co-operatives on performance: Bouman, (1995), is originally credited for the introduction of the term Accumulating Savings and Credit Association which mainly refers to the description of a group of individuals who save money which is not immediately withdrawn for the purpose of loan growth which is contrary to the operations of ROSCAs. These savings are mostly accumulated in a time period of between 6-12 months. At the end of the cycle the savings are let out in parts to both the group members and non-members (at higher rates). These groups decide the duration through which they will contribute, the number of time they will hold meetings, the amount saved and the conditions for loaning out money. A majority of ASCAs are time bound and therefore when the cycle is over, these funds are withdrawn and distributed out to the members with the profits (Collins, Morduch, Rutherford, & Ruthven, 2009).

Research Methodology

A descriptive survey design was used in this study. This study mainly targeted registered women-owned small and medium businesses currently in operation in Nairobi. There are approximately 3000 Small and medium owned businesses in Nairobi registered businesses in the county. The sampling frame was the list of the registered small and medium enterprises owned by women in the county. Stratified random sampling was used to capture the sample that partook in the study. Each 5th random registered SME owned by women was chosen as part of the sample. A semi-structured questionnaire was used in the collection of primary data. Screening was done before entry of data into the analysis software and the spoilt questionnaires were not be used in the

study. SPSS version 25 was used in the analysis of both descriptive and inferential statistics. Frequencies and percentages were used in the description of descriptive statistics while inferential statistics was achieved through the use of chi-squares and multiple regression analysis to test for association between the variables

Results and Discussions

Trade credit Financing

The researcher sought to establish the respondents who use trade credit financing in net term and two term credit. The researcher went ahead to establish trade credit financing acquired in net term and the value and the results were presented in table 1

Table 1 Respondents use of trade credit financing in net term and the value

		Amount acquired from net term financing				Total
		Less than 20,000	20,000-30,000	30,001-40,000	40,001-50,000	
Used trade credit financing	Yes	Count 87	215	12	1	315
		% of Total 25%	61%	3%	0%	90%
	No	Count 17	18	0	0	35
		% of Total 5%	5%	0%	0%	10%
Total		Count 104	233	12	1	350
		% of Total 30%	67%	3%	0%	100%

From the results in table 1, it was revealed that most respondents who use trade credit financing acquire an amount of 20000-30000 as indicated by 61%, whereas 25% of those who use trade credit acquire an amount less than 20000, while only 3% acquire trade credit value of 30001-40000. Trade credit is important for businesses as it helps inject new capital into the business hence making it possible to expand the business. By these results, it is clear that respondents have access to less than 30000, which is not adequate to help take care of the business and expand it appropriately. This is attributed to the fact that the cost of business expenses is high which needs more funds to help expand and grow businesses. This therefore limits the expansion ability of most businesses. The researcher went ahead to establish whether there was any association between the use of trade credit and the amount acquired as shown in the table 2:

Table 2: Net Trade credit financing chi-square tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	7.438 ^a	3	.069
Likelihood Ratio	8.166	3	.043
Linear-by-Linear Association	7.321	1	.007
N of Valid Cases	350		

a. 3 cells (37.5%) have expected count less than 5. The minimum expected count is .10.

The chi square results revealed no association between acquisition of trade credit financing and the amount received as shown by the chi square value of 7.438 and p=.069 which was greater than .05 thus not significant. This meant that respondents can acquire more trade credit financing for business purposes if so required by them.

Acquisition of two term credit: The researcher went ahead to establish trade credit financing acquired from two term financing and the value. The results were indicated in the table 3.

Table 3 Use of trade credit and amount acquired from two term financing

		Amount acquired from two-term financing			Total	
		Less than 20,000	(20,000-30,000)	(30,001-40,000)		
Used trade credit	Yes	Count	85	227	3	315
		% of Total	24%	65%	1%	90%
	No	Count	18	17	0	35
		% of Total	5%	5%	0%	10%
Total		Count	103	244	3	350
		% of Total	29%	70%	1%	100%

From the results, it was revealed that most respondents who had acquired two term credit financing were 65% with value of 20000-30000, while 24% had acquired less than 20000. Only 1% of the respondents had acquired a trade credit from two term financing with a value of 30001-40000. This results were a confirmation that a majority of the respondents acquire little amounts of trade credit and forego huge amounts of trade credit. This might be as the result of business risks available and the fear of inability to pay up the huge trade credit they may have acquired. This thus acts as a hindrance to trade expansion by the respondents under the study. The researcher went ahead to establish whether there was an association between two term credit financing acquisition and the value as shown in the table 4.

Table 4 Two term trade credit financing acquisition chi square tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	9.223 ^a	2	.010
Likelihood Ratio	8.746	2	.013
Linear-by-Linear Association	9.158	1	.002
N of Valid Cases	350		

a. 2 cells (33.3%) have expected count less than 5. The minimum expected count is .30.

The researcher found an association between the use of two term credit financing and the value acquired as indicated by the chi square value of 9.223 and $p=.010$ which was less than .05 significance level. This was an indication that respondents take up a similar amount of trade credit the second time as they did it on the first time. Most respondents can thus be said to be risk averse as they are only willing to take up less risk which translates to less returns. Therefore, most respondents have the fear of taking high risks which is associated with high liability in case of inability to pay up. Lastly, the researcher went ahead to check whether trade credit financing has an association with the financial performance of women owned businesses in Nairobi County and found the results as summarized in table 5.

Table 5 Chi square test between trade credit financing and financial performance

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	100.844 ^a	44	.000
Likelihood Ratio	74.770	44	.003
Linear-by-Linear Association	8.793	1	.003
N of Valid Cases	350		

a. 42 cells (70.0%) have expected count less than 5. The minimum expected count is .01.

The findings from the study revealed that trade credit financing had an influence on the financial performance of women owned businesses in Nairobi County as indicated by Pearson Chi-Square value of 100.844 and

$p=.000$ which was less than $.05$ thus significant. With this results, it means that the more trade credit financing is availed, the higher the performance of the businesses. Therefore, more women should be encouraged to seek trade credit financing in order to boost and expand their businesses.

Interpersonal borrowing

The researcher sought to establish the use of interpersonal borrowing and the value acquired.

Use of interpersonal family borrowing and amount acquired: The researcher established the interpersonal borrowing from a family member and found the results as shown below:

Table 6 Interpersonal Borrowing and Amount Acquired from Family Member

			<u>Amount acquired from family member</u>			<u>Total</u>
			Less than 20,000	(20,000-30,000)	(30,001-40,000)	
Used interpersonal borrowing	Yes	Count	41	251	33	325
		% of Total	12%	72%	9%	93%
	No	Count	6	11	8	25
		% of Total	2%	3%	2%	7%
Total		Count	47	262	41	350
		% of Total	13%	75%	12%	100%

From the results, 72% of the respondents acquire 20000-30000 from a family member, 12% borrow less than 20000, while 9% borrow 30001-40000. In general, 93% of the respondents use interpersonal borrowing by acquiring from a family member. This results indicated that majority of respondents were comfortable approaching a family member to aid them start or boost their businesses. This is highly attributed to the fact that family members are not strict in offering trade credit as they do not give stringent terms and conditions for failure to repay the acquired amount on credit. Moreover, it is easy to negotiate with a family member as the benefits of the business are largely attributed to the family and its members. The researcher went ahead to establish the association between interpersonal borrowing from a family member and the amount acquired as indicated in table 7.

Table 7 Chi-Square Tests between family interpersonal borrowing and amount acquired

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	15.123 ^a	2	.001
Likelihood Ratio	12.469	2	.002
Linear-by-Linear Association	1.009	1	.315
N of Valid Cases	350		

a. 2 cells (33.3%) have expected count less than 5. The minimum expected count is 2.93.

From the results, there was an association between the interpersonal borrowing from a family member and the amount acquire as indicated by Pearson Chi-Square value of 15.123 and $p=0.001$ which was less than $.05$ thus significant. These results implied that the amount respondents borrowed from a family member for businesses largely depended on the interpersonal relationship of the borrower and the family creditor. Therefore, the more cordial relationship existing between the two, the amore the amount of the credit value the respondent would get.

Use of interpersonal borrowing from a friend and amount acquired: The researcher went ahead to establish the interpersonal borrowing from a friend and the amount acquired as indicated in the table 8.

Table 8 Interpersonal Borrowing and Amount Acquired from Friend

		Amount acquired from friend			
		Less than 20,000	than (20,000-30,000)	Total	
Used interpersonal borrowing	Yes	Count	41	284	325
		% of Total	12%	81%	93%
	No	Count	14	11	25
		% of Total	4%	3%	7%
Total	Count	55	295	350	
	% of Total	16%	84%	100%	

From the results, it was revealed that 81% of the respondents borrow 20000-30000 from friends, while only 12% borrow less than 20000. This results also asserted the fact that interpersonal borrowing largely depend on the cordial relationship between the borrower and the creditor. This is also attributed to the fact that less stringent rules are available when borrowing from a friend as a result of goodwill and interpersonal relationships between the parties. However, the amount borrowed among this parties is largely less than 30000 in general. This kind of borrowing is limiting since only little amounts of money can be borrowed due to lack of strictness in clear repayment terms. The researcher went ahead to conduct chi square tests to establish any association between interpersonal borrowing and the amount acquired from a friend as indicated in table 9

Table 9 chi square test between interpersonal borrowing from a friend and the amount

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	32.990 ^a	1	.000
Likelihood Ratio	23.779	1	.000
Linear-by-Linear Association	32.895	1	.000
N of Valid Cases	350		

From the results, there was an association between the amount borrowed from a friend and its value as indicated by Pearson value=32.990 and p=.000 which was less than .05 significant. These results was a further indication that the amount acquired depended on the cordial relationship of the borrower and the creditor. Therefore, the more cordial relationship that exists between the two parties, the more likely the borrower would get the amount and the higher the value of the credit given. The researcher finally sought to determine whether interpersonal borrowing had an influence on the financial performance of women owned businesses in Nairobi County as indicated in the table 10:

Table 10 Chi-Square Tests of interpersonal borrowing and financial performance

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	61.995 ^a	33	.002
Likelihood Ratio	58.334	33	.004

Linear-by-Linear Association	.155	1	.694
N of Valid Cases	350		

a. 35 cells (72.9%) have expected count less than 5. The minimum expected count is .06

From the results, there was an association between interpersonal borrowing and performance of women owned businesses in Nairobi County as shown by Pearson Chi-Square value of 61.995 and $p=.002$ which was less than .05 thus being significant. This asserted the fact that interpersonal borrowing was common amongst the respondents which helped them aid their businesses. Therefore, if interpersonal borrowing is enhanced with appropriate terms and cordial relationships, there will be an increase in the performance of women businesses as they will be able to acquire more funds for their businesses.

Private Money Houses

The researcher sought to establish the acquisition of money from pawnshop and the amount acquired as indicated in the table 11.

Table 11 Acquisition of money from pawnshop and the amount acquired

		Amount acquired from pawnshop			
		Less than 20,000	(20,000-30,000)	Total	
Used private money houses	Yes	Count	9	5	14
		% of Total	3%	1%	4%
	No	Count	169	167	336
		% of Total	48%	48%	96%
Total	Count	178	172	350	
	% of Total	51%	49%	100%	

From the results, it was revealed that 76% of the respondents acquire less than 20000 from pawnshops, while only 6% acquire 20000-30000 from pawnshops. From these results, a majority of respondents acquire less amount from pawnshop who loan money to people who bring in valuable items which they leave with the pawnbrokers. Due to lack of valuable items, many women business owners are limited with the valuable items they can offer in return to credit acquisition that only able to take little amount. The researcher went ahead to conduct chi square tests to establish whether there was an association between acquisition of money from pawnshops and the value as indicated in table 12:

Table 12 Chi Square test for acquisition of money and value

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	1.052 ^a	1	.305
Likelihood Ratio	1.068	1	.301
Linear-by-Linear Association	1.049	1	.306
N of Valid Cases	350		

The researcher found an association between the amount acquired from the pawnshop and its value as shown by Pearson Chi-Square value of 72.162 and $p\text{ value}=.000$ which was less than .005 thus significant. This that the amount acquired only depends on the value of collateral, thus the higher the value of the collateral, the higher the amount acquired. Since most women are disadvantaged in terms of property ownership, it becomes difficult for them to acquire money from pawnshops. This therefore acts as an obstacle to business expansion; due to inability of access to credit from pawnshops.

Acquisition of money from shylocks and the value:

The researcher also sought to establish the acquisition of money from shylocks and the value acquired as indicated in the table 13

Table 13 Acquisition of money from shylocks and value acquired

		Amount acquired from shylocks		Total	
		Less than 20,000	(20,000-30,000)		
Used private money houses	Yes	Count	8	6	14
		% of Total	2%	2%	4%
	No	Count	168	168	336
		% of Total	48%	48%	96%
Total	Count	176	174	350	
	% of Total	50%	50%	100%	

From the results, it was revealed that 77% acquire less than 20000 from shylocks, while a further 5% acquire 20000 from shylocks. In general, 82% of the respondents acquire capital from shylocks. This is highly attributed to the fact that shylocks are ruthless moneylenders who lend money at exorbitant interest rates. Moreover, shylocks demand extra amount from their debtor's as compensation for default upon a loan. This thus discourages acquisition of more business money, which hinders women’s business growth because of inadequate funds. The researcher went ahead to establish whether there was any association acquisition of money from shylocks and the value acquired as indicated in table14:

Table 14 chi square test of acquiring money from shylocks and its value

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	.274 ^a	1	.600
Likelihood Ratio	.275	1	.600
Linear-by-Linear Association	.274	1	.601
N of Valid Cases	350		

There was an association between acquisition of money from shylocks and the amount received as shown by the Pearson Chi-Square value of 73.634 and p=.000 which was less than .05 hence significant. This further asserted that acquisition of money from shylocks only depends on the acceptance of the borrower to pay the set interest rates. The researcher further went ahead to establish whether private money houses borrowing had an influence on the performance of business owned by women in Nairobi County as indicated in the table15:

Table 15 Chi-Square Tests of private money houses borrowing and financial performance

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	40.844 ^a	22	.090
Likelihood Ratio	41.469	22	.007
Linear-by-Linear Association	.761	1	.383
N of Valid Cases	350		

a. 23 cells (63.9%) have expected count less than 5. The minimum expected count is .05.

From the analysis, there was a significant association between private money houses borrowing and financial performance of women owned businesses in Nairobi County as indicated by Pearson Chi-Square value of 56.807 and p=.000 which was less than .05 thus significant. This result asserted the fact that most women business owners acquire money from private houses for their business but the amount is less than 20000. This

is as a result of stiff conditions private money houses use on their borrowers with exorbitant interest rates that are exploitative and discourage borrowing from them. Furthermore, private money houses require collateral from borrowers of money which most women business owners do not have.

Community co-operatives

The researcher established the amount of money acquired from ASCAs and its value as shown in the table 16:

Table 16 Acquisition of money from ASCAs and value acquired

		Amount acquired from ASCAs		Total	
		Less than 20,000	(20,000-30,000)		
Used community cooperatives	Yes	Count	266	20	286
		% of Total	76%	6%	82%
	No	Count	33	31	64
		% of Total	9%	9%	18%
Total	Count	299	51	350	
	% of Total	85%	15%	100%	

From the results, it was revealed that 3% of the respondents borrow less than 20000 from ASCAs, while only 1% borrow 20000-30000. From this, it can be deduced that respondents have access to less amount of money from ASCAs which is highly attributed to the large number of people who save and also need to borrow from the same. As a result of being equitable with the little amount, the borrowing is capped to ensure that majority of the members can borrow from the facility since loaning large amounts would mean that only a few people would acquire the funds. Therefore, majority of respondents do not prefer this form of financing as it is not adequate to finance women’s businesses to a large-scale level hence hindering business expansion of women enterprises. The researcher further established whether there was an association of acquisition of money from ASCAs and the value acquired as shown in table17:

Table 17 Chi square test of acquiring money from ASCAs and its value

	Value	df	Asymptotic	Significance (2-
			sided)	
Pearson Chi-Square	72.162 ^a	1	.000	
Likelihood Ratio	57.003	1	.000	
Linear-by-Linear Association	71.955	1	.000	
N of Valid Cases	350			

From the results, there was no association between the Pearson Chi-Square of 1.052 and p=.305 which was greater than .05 hence not significant. This implied that the ability to acquire a higher value of money from ASCAs depended on the individual’s value of deposit. Therefore, the higher the amount deposited by the borrower, the higher the amount the borrower is likely to get from the facility but this is not the case as respondents do not use this facility as established.

Acquisition of money from ROSCAs and value acquired:

The researcher sought to establish the respondents’ money acquisition from ROSCAs and the value acquired.

Table 18 Acquisition of money from ROSCAs and its value

		Amount acquired from ROSCAs			
		Less than 20,000	(20,000-30,000)	Total	
Used community cooperatives	Yes	Count	270	16	286
		% of Total	77%	5%	82%
	No	Count	35	29	64
		% of Total	10%	8%	18%
Total	Count	305	45	350	
	% of Total	87%	13%	100%	

From the findings, it was revealed that 2% of respondents acquire less than 20000 from ROSCAs while a further 2% acquire 20000-30000 from the same. These results also asserted the fact that respondents acquire little money from cooperatives which are only tied to the amount of deposits they make. Moreover, ROSCAs collect money for a prearranged objective thus lending out huge sums of money is likely to hinder the achievement of the set objective. Therefore, women businesses end up having access to limited capital which is not adequate to spur business expansion beyond the financial incapacitation. The researcher conducted chi square tests to establish whether there was an association between ROSCAs and acquisition of money from them as indicated in table 19.

Table 19 chi square test of amount acquired from ROSCAs and its value

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	73.634 ^a	1	.000
Likelihood Ratio	57.047	1	.000
Linear-by-Linear Association	73.424	1	.000
N of Valid Cases	350		

There was no association between ROSCAs and the amount respondents acquired from them as indicated by the Pearson Chi-Square value of .274 and p=.600 which was greater than .05 thus not significant. This further asserted the fact that the amount acquired from ROSCAs largely depended on the borrower’s deposits and the purpose for which the amount being deposited is meant for. Hence, if the money meant for the objective is in excess, then there will be plenty to be lent and vice versa. But in this case, a majority of respondents do not use ROSCAs. The researcher further sought to establish whether community borrowing cooperatives had an effect on financial performance as indicated in table 20.

Table 20 Chi-Square Tests between community borrowing cooperatives and financial performance

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	56.807 ^a	22	.000
Likelihood Ratio	61.907	22	.000
Linear-by-Linear Association	6.055	1	.014
N of Valid Cases	350		

a. 15 cells (41.7%) have expected count less than 5. The minimum expected count is .31.

The researcher found out that there was no association between community borrowing and financial performance of women owned business enterprises in Nairobi County as indicated by Pearson Chi-Square

value of 40.844 and $p=.090$ which was greater than .05 thus not significant. This simply asserted that community cooperatives are not a preference of financing to women owned businesses, as most of them do not acquire money from the facilities.

Regression analysis

The researcher finally conducted a regression analysis to measure the ability of the independent variables in predicting the outcome in the dependent variable where there is a linear relationship between them. In order to test the hypotheses of the of the regression model that there is no significant relationship between informal financing and performance of women owned enterprises, Analysis of Variance (ANOVA) was used. Anderson *et al.* (2002) notes that Analysis of Variance can be used to test the relationship between independent variables on the access to credit finance and to test the goodness of fit of the regression model for the data.

The coefficient of determination (R^2) was used to measure the change in dependent variable explained by the change in independent variables. F-test was carried out to evaluate the significance of the overall model and to define the relationship between the dependent variable and independent variables; t- test was used to test the significance of the individual independent variables to the dependent variable. In fitting a multiple linear regression model, a regression analysis conducted was summarized in tables 21, 22 and 23.

Table 21 Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.648 ^a	.42	.413	.25935

a. Predictors: (Constant), community cooperatives, private money houses, interpersonal borrowing, trade credit financing

b. Dependent Variable: financial performance

From the findings, the coefficient of multiple determination was 0.413; implying that 41.30% of the variation in financial performance of women owned enterprises is explained by informal financing.

Table 22 ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.006	4	.251	3.737	.004 ^b
	Residual	23.206	345	.067		
	Total	24.212	349			

a. Dependent Variable: financial performance

b. Predictors: (Constant), community cooperatives, private money houses, interpersonal borrowing, trade credit financing

From the ANOVA results (Test statistic and p value), $F=3.737$, $p=0.004$ and since the p value is less than 0.05, the researcher rejected the null hypothesis. Therefore, at 0.05 level of significance, there exists enough evidence to conclude that at least one of the predictors is useful for predicting the financial performance of women owned enterprises; therefore the model is useful.

Table 23 Regression coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.470	.125		11.788	.000
Trade credit financing	.385	.056	.346	6.843	.011
1 Interpersonal borrowing	.149	.050	.180	2.991	.003
Private money houses	.101	.086	.065	1.171	.029
Community cooperatives	-.218	.086	-.128	-2.542	.670

To fit the regression model, the researcher established the regression coefficients which showed the extent to which each independent variable contributed to the dependent variable. The independent variables were Trade credit, Interpersonal borrowing, Private money houses and Community cooperatives against a dependent variable of financial performance. From the regression coefficients, Trade credit, Interpersonal borrowing and Community cooperatives were significant at 0.05 significant levels. A regression equation was then fitted as follows:

$$Y = 1.470 + .385X_1 + .149X_2 + .101X_3 - .218X_4$$

Where:

Y = Financial performance

X1= Trade credit financing

X2 = Interpersonal borrowing

X3 = Private money houses

X4 = Community cooperatives

Conclusions

The researcher concludes that informal financing plays a key role in providing access to credit through trade credit financing, interpersonal borrowing finance and through private money houses. Access to credit is a key booster of financial performance as it helps acquire goods and services which help boost businesses. However, acquisition of trade credit should be done with caution as it can lead to business downfall due to accumulated debts. Therefore, the study concludes that informal financing should be pursued by women business owners in Nairobi County as there are multiple sources of acquiring business credit and pursue the desired business ventures.

Recommendations

Based on the study findings, the researcher recommends the following:

1. There is need to offer training to women in business in order to equip them with business skills to help them tap more into the business world and grab the available opportunities.
2. There is need to educate women in businesses on the importance of formalizing their business enterprises to enable them access even high credit from formal financial institutions.
3. Pooling of resources should be encouraged in order to create a high source of capital through partnerships and joint business ownership with specialization.

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