



EFFECT OF POLITICAL-LEGAL ENVIRONMENTAL FACTORS ON GROWTH OF MSMEs OWNED BY ENTREPRENEURS WITH DISABILITIES IN RURAL AREAS IN KENYA

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Abstract

The political environment is made up of three political institutions namely legislature, executive and the judiciary (GOK, 2010) and off course their influence in developing and controlling business activities (Neneh & Vanzyl, 2012). The study sought to establish the relationship between the political –legal environment on growth of MSMEs owned by entrepreneurs with disabilities in rural areas in Kenya. The target population was 2021 registered persons with disability. The study used of questionnaires for data collection. The researcher opted for stratified purposive sampling technique in selecting Entrepreneurs with disabilities and purposive sampling in managers in Youth Polytechnics (YPs).A sample size of 200 was selected. Quantitative data obtained was analyzed using SPSS software. the researcher conducted correlation coefficient test and significant levels to check the strength of the relationships between variables. Additionally, logistic regression model was used to examine the relationship between the independent variables and dependent variable. The study results indicated that political-legal environmental factors affect the growth of MSMEs owned by Entrepreneurs with disabilities in rural areas in Kenya significantly and positively. The study

recommended that 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 study also recommended that government should create more awareness on policies to ensure that there is gender equality among women and men with disabilities owned MSMEs.

Keywords: Political –legal, Growth, MSMEs, Entrepreneurs, Disability, Rural Kenya

INTRODUCTION

Worldwide, the SME sector has widely been acknowledged as the engine of economic growth and poverty eradication in the world. Infact, economic growth in countries such as Japan, Korea, Taiwan and many others, is significantly attributed to SME activities (Katua, 2014). For several decades, the government of Kenya has increased its policy attention on Micro, Small and Medium Enterprises (MSMEs) because by their nature and numbers, they are a potential source of employment, economic dynamism and innovation (Kiraka, Kobia & Katwalo, 2013). Infact, MSMEs have a greater potential of contributing to the achievement of Vision 2030 in Kenya than larger enterprises (Katua, 2014).

In Kenya, the political environment is made up of three political institutions namely legislature, executive and the judiciary (GOK, 2010) and off course their influence in developing and controlling business activities (Neneh & Vanzyl, 2012). It therefore follows that a stable and dynamic political environment is crucial for business growth. Indeed, the political instability in the year 2007/2008 after the presidential election clearly exhibited the effects of political instability on existence and growth of businesses persons with and without disabilities.

Research objective

To determine the effect of political-legal environmental factors on growth of MSMEs owned by Entrepreneurs with disabilities in rural areas in Kenya

LITERATURE REVIEW

Schiffer (2005) noted that governments keen on increasing the number of MSMEs were focused on establishing a business environment that gave small and large enterprises equal opportunities Further, Klapper et al. (2009) found countries with a large number of startups provided entrepreneurs with a stable political environment, proper governance structure, modernized ways of registering businesses as well as simplified license acquisition processes. Initially, the government was opposed to growth and development of the informal sectors but since ILO report of 1972 on Employment, income and equity in Kenya was published, the

government has seeking ways of developing this sector (Ronge, Ndirangu & Nyangito, 2002) the latest being the new Micro and Small Enterprise Act 2012 (MSE Act 2012) which provides room for growth of MSMEs especially through the devolved governments.

Businesses owned by EwD's lead to remarkable growth of MSMEs. Examples of policies that promote MSMEs (including those owned by EwD's) revolves around reduction in complexity of registration of businesses and acquisition of licenses, investment in infrastructure, reduced uncertainties about regulation and technology, and access to capital or finances (Badulescu 2012; Neneh & Vanzyl, 2014; Xu, 2016). In relation to devolved system of depends on the nature of regulations and readiness of institutions in the devolved system of governance to support growth of MSMEs.

Government's commitment in supporting PwD's is clearly captured in the Constitution of Kenya 2010 (GOK, 2010) as well as other relevant pieces of legislations including Persons with Disabilities Act of 2003, The Children Act of 2001, The Employment Act of 2007, PwD's Access to Employment, Services and Facilities, Cost Care and Registration Regulations of 2009, PwD's Income Tax Deductions and Exemptions Order of 2010. Other institutions committed to supporting PwD's include National Gender and Equality Commission, Ministry of Labour, Social Security and Services, The National Council for Persons with disabilities, The Kenya Institute of Special Education (KISE), The Kenya National Commission on Human Rights among others. Other initiatives that the Government has initiated include youth enterprise development fund, women enterprise fund, national fund for persons with disabilities, affirmative action social development fund (ASSDF) among others. Namatovu et al (2012) stresses the need for constant review of the political- legal environment to ensure it provides the supports necessary for PwD's to thrive.

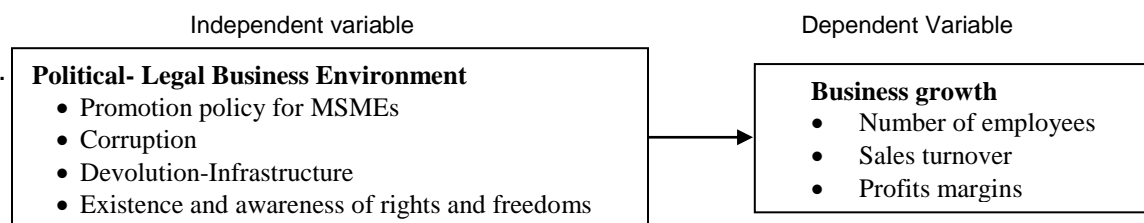


Figure 1: Conceptual framework

METHODOLOGY

This study adopted a survey research design for the purposes of investigating external business factors affecting growth of MSMEs owned by entrepreneurs with disabilities in Meru County. This design was appropriate for gathering information, summarizing and reporting the way things are (Mugenda & Mugenda, 2003).

Research Population

The targeted population comprised the following informant resource persons: 2021 registered PwD's, 16 managers in youth polytechnics, 6 principals in technical training institute, Women Enterprise Fund officers (9), Youth Enterprise Development Fund officers (18), Uwezo Fund officers (9), National Council for Persons with Disabilities officer (1), Micro and Small Enterprise Authority officer (at the county level) (1) and Meru County Government's disabilities office (1).

Sampling

Mugenda & Mugenda (2003) defines sampling as the process of selecting a number of individuals for a study in such a way that the individual selected is representative of the larger group from which they are selected. The researcher opted for stratified purposive sampling technique in selecting Entrepreneurs with disabilities and purposive sampling in managers in Youth Polytechnics (YPs) to participate in the study. While scholars fail to agree on the exact proportion of the accessible population that should form the sample size, Mugenda & Mugenda (2003) suggests that in descriptive studies 10% of the survey population is representative enough to generalize characteristics being observed. In this study two hundred (200) PwD's participated in the study.

Table 1: Sampling Frame & Sample Size

Sub-Counties	Registered PwD's	Percentage	Sample Size
Imenti South	260	10%	26
Central Imenti	180	10%	18
Tigania East	241	10%	24
Imenti North	225	10%	23
Igembe North	216	10%	22
Igembe Central	280	10%	28
Igembe South	202	10%	20
Buuri	197	10%	20
Tigania West	199	10%	20
Total	2000		200

In addition, the study included 9 (nine) principals of Youth Polytechnics (YPs), 6 (six) principals in technical training institutes, 9 (nine) officers in Women Enterprise Fund, 9 (nine) officers from Youth Enterprise Development Fund, 9 (nine) officers from Uwezo Fund, 1 (one) officer from National Council for Persons with Disabilities, 1 (one) officer from Micro and Small

Enterprise Authority (at the county level) and 1 (one) officer from Meru County Government's disabilities office. The total sample population was therefore be two hundred and forty-five (245) respondents.

Data Collection and Analysis

The study used questionnaires for the primary data collection. Brinkmann and Kvale (2009) assert that data that has been gathered need to be transformed prior to presentation. In data clean-up process recognizing and eliminating wrongly or partially filled answer the researcher transcribed the data to minimize its loss over the period of times (Bryman & Bell, 2011).

Data collected in quantitative form was computed, and figures were extracted with the assistance of; Number of respondents table, measures of central tendency and inferential statistics attained from SPSS software, Microsoft Excel and other quantitative measures. Quantitative data was analyzed using Number of respondents distribution tables and graphs, as well as explanations in text form. Non numerical data was compiled and summarized to obtain general patterns and the Number of respondents and distribution tables captured and presented commonalities.

Furthermore, the researcher run correlation coefficient test under specific significant levels to verify the correlation between independent and dependent variables

RESULTS

The study sought to determine the effect of political-legal environmental factors on growth of MSMEs owned by Entrepreneurs with disabilities in rural areas in Kenya. The respondents were asked to indicate their level of agreement with various statements. Their replies were as shown in Table 2.

Table 2: Level of Agreement with Statements on Political-Legal Environment

	Mean	Std. Dev.
Stable political environment has contributed to my business growth.	4.1016	.7372
I have benefited from funding meant for persons living with disabilities.	3.9412	.7418
My business has grown because of funding meant for persons living with disabilities.	3.9251	1.1569
Exemption from tax has helped me save hence increase stock for my business.	2.4545	1.1320
I have benefited from Uwezo Fund or Youth Enterprise Fund or Women Enterprise Fund to grow my business.	2.1979	.8021

Devolution has enabled persons living with disabilities to access funding.	4.1818	.6871
I am aware of my rights as a person living with disability under the new constitution.	3.8770	.7116
Devolution has made business registration and acquisition of licenses easy processes.	2.5508	.5878
The government has put in place sufficient policies to boost growth of my business as a person living with a disability.	3.9626	.5425
County and national government policies affect growth of my business.	4.2620	.5964

Table 2...

The respondents agreed that county and national government policies affect growth of my business as shown by a mean of 4.2620, that the devolution has enabled persons living with disabilities to access funding as illustrated by a mean of 4.1818, that stable political environment has contributed to my business growth as expressed by a mean of 4.1016 and the government has put in place sufficient policies to boost growth of my business as a person living with a disability as indicated by a mean of 3.9626. This concurs with Klapper *et al.* (2009) found countries with a large number of startups provided entrepreneurs with a stable political environment, proper governance structure, modernized ways of registering businesses as well as simplified license acquisition processes. Initially, the government was opposed to growth and development of the informal sectors but since ILO report of 1972 on Employment, income and equity in Kenya was published, the government has seeking ways of developing this sector

The respondents further agreed that they have benefited from funding meant for persons living with disabilities as shown by a mean of 3.9412, that their business has grown because of funding meant for persons living with disabilities as expressed by a mean of 3.9251 and that they are aware of my rights as a person living with disability under the new constitution as shown by a mean of 3.8770. Moreover, the respondents were neutral that devolution has made business registration and acquisition of licenses easy processes as expressed by a mean of 2.5508 and that exemption from tax has helped me save hence increase stock for my business as illustrated by a mean 2.4545. However, the respondents disagreed that they have benefited from Uwezo Fund or Youth Enterprise Fund or Women Enterprise Fund to grow my business as shown by a mean of 2.1979. This study is in line with Neneh and Vanzyl (2014) who notes that increased efforts by the governments to promotion of businesses owned by EwD's lead to remarkable growth of MSMEs. Examples of policies that promote MSMEs (including those owned by EwD's) revolves around reduction in complexity of registration of businesses and acquisition of licenses, investment

in infrastructure, reduced uncertainties about regulation and technology, and access to capital or finances.

The researcher further asked the respondents to indicate whether their business is registered. Their responses were as shown in Table 3.

Table 3: Whether Respondents Business is Registered

	Frequency	Percent
Yes	84	44.9
No	103	55.1
Total	187	100.0

Majority of the respondents indicated that their business was not registered as shown by 55.1% while others indicated that their business is registered. This implies that most of the entrepreneurs living with disability operate unregistered business because of not probably meeting the minimum requirements for business registration. Those who had not registered their business indicated that it was because of complicated process (43.9), they cannot afford (30.5%) and because they don't need (25.7) as shown in Table 4.

Table 4: Reason of not Registering Business

	Frequency	Percent
It is complicated	46	43.9
I Cannot afford	31	30.5
I do not need to	26	25.7
Total	103	100.0

Table 5: Regression Coefficients

Model	Unstandardized		Standardized	t	Sig.
	Coefficients		Coefficients		
	B	Std. Error	Beta		
(Constant)	0.951	0.217		4.382	.000
Political -Legal Environment	0.882	0.352	0.913	2.506	.014

The findings presented show that taking all other independent variables at zero, a unit increase in the legal environment would lead to a 0.882 increase in the score of business growth. This variable was significant since the p-value 0.014 was less than 0.05.

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

The study revealed that county and national government policies affect growth of business, that the devolution has enabled persons living with disabilities to access funding, that stable political environment has contributed to my business growth and the government has put in place sufficient policies to boost growth of my business as a person living with a disability. Further the study revealed that disabled entrepreneurs have benefited from funding meant for persons living with disabilities, that their business has grown because of funding meant for persons living with disabilities and that they are aware of my rights as a person living with disability under the new constitution. Moreover, the study found that devolution has made business registration and acquisition of licenses easy processes and that exemption from tax has helped me save hence increase stock for my business but disable entrepreneurs have benefited from Uwezo Fund or Youth Enterprise Fund or Women Enterprise Fund to grow my business. It was also clear that most of the entrepreneurs living with disability operate unregistered business because of not probably meeting the minimum requirements for business registration.

The study recommended that the government and other stakeholders should create more awareness on policies to ensure that there is gender equality among women and men with disabilities owned MSMES. This will avert the longstanding perception that women owned MSMES are less important than men owned MSMES. The study further recommended that entrepreneurs living with disabilities should incorporate leadership strategy in the learning by attending leadership training forums. This will make them effective managers in the running of their Business.

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