SHETRADES

PROMOTING SME COMPETITIVENESS IN KENYA

International Trade Centre

TRADE IMPACT FOR GOOD

SHETRADES

PROMOTING SME COMPETITIVENESS IN KENYA

About the paper

Women make up almost half of Kenya's labour force, yet they remain on the margins of business ownership – only 9% of Kenya's firms are majority women-owned.

Kenyan women entrepreneurs say they need better access to loans, business registries, patents, quality certifications and affordable internet access to address the gap, according to this new ITC SME Competitiveness Survey of women-owned businesses in Kenya's services sector. The survey was carried out as part of the SheTrades initiative to connect one million women to markets by 2020.

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For more information on SheTrades, see: https://shetrades.com

For more information on the SME Competitiveness Survey, see: http://www.intracen.org/SMECS

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Foreword

Women continue to be one of the greatest untapped resources in the economic and development arsenals of governments. Unlocking the economic potential of women entrepreneurs can add up to $28 trillion to the world's GDP by 2025, according to the McKinsey Global Institute. Yet legal, regulatory, cultural, financial, and digital barriers continue to prevent women from fully contributing to our economies.

In an effort to dig deeper into this phenomenon, the International Trade Centre (ITC), the joint development agency of the World Trade Organization and the United Nations, has undertaken a series of data gathering exercises and analyses to better understand the barriers that continue to prevent women from reaching their full potential as equal economic actors.

We are pleased to launch this report as one in a series of three publications examining women entrepreneurship in the services sector in Kenya, Indonesia and Sri Lanka. This report builds on ITC's SME Competitiveness Survey and leverages the SheTrades country experience to highlight the barriers to growth for women-owned micro, small and medium-sized entrepreneurs (MSMEs) in Kenya's services sector. It highlights how policymakers, development actors, trade and investment support institutions and the private sector can build upon the recommendations to set policy and design interventions to support greater women's economic empowerment.

Launched in 2010, ITC's SheTrades Initiative aims to connect 1 million women to markets by 2020, by linking them to trade and investment opportunities. The initiative has mobilized a network of more than 800,000 women entrepreneurs, facilitated access to markets for more than 15,000 women in business, and has helped generate more than $70 million in trade for women.

With support from the Government of Australia's Department of Foreign Affairs and Trade, the SheTrades Indian Ocean Rim Association project improves the competitiveness of women-owned MSMEs in Kenya, Indonesia, and Sri Lanka and helps them reach international buyers.

The findings in this report feed into the ongoing, global work on the United Nations Sustainable Development Goals and it is our hope that it can be an important resource to support greater integration of women into the services sector.

Arancha González
Executive Director
International Trade Centre

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Acronyms

Unless otherwise specified, all references to dollars ($) are to United States dollars, and all references to tons are to metric tons.

ADBG	Asian Development Bank Group
BEEPS	Business Environment and Enterprise Performance Survey
EU	European Union
FDI	Foreign direct investment
GDP	Gross domestic product
ICT	Information and communications technology
IFC	International Finance Corporation
IMF	International Monetary Fund
IORA	Indian Ocean Rim Association
IPR	Intellectual property rights
ITC	International Trade Centre
KNBS	Kenya National Bureau of Statistics
MSME	Micro, small and medium-sized enterprise
OECD	Organisation for Economic Co-operation and Development
SME	Small and medium-sized enterprise
SPS	Sanitary and phytosanitary measures
TBT	Technical barriers to trade
TEMA	Trade Mark East Africa
TISI	Trade and Investment Support Institution

Executive summary

Women play a vital role in Kenya's economy. They make up almost half the labour force, and studies show they invest more of their income than men do in the education, health and nutrition of their families and communities. Kenyan women, however, remain on the margins of business ownership. Only 9% of firms in Kenya are majority women-owned, and barriers continue to stifle their growth.

To better understand these barriers, ITC's SheTrades Initiative project for the Economic Empowerment of Women in Indian Ocean Rim Association (IORA) countries studied the challenges faced by women-owned micro, small and medium-sized enterprises (MSMEs) in Kenya's services sector.

In 2016, ITC deployed its small and medium-sized enterprise (SME) Competitiveness Survey among 90 women-owned and led firms in Kenya. Drawing on a wide range of research as well as first-hand accounts, this report focuses on the barriers to growth for women-owned MSMEs in Kenya in terms of firm capabilities, the business ecosystem, and the national policy and regulatory environment. This study examines difficulties including securing access to finance as well the role of certification bodies, intellectual property laws, and trade and investment support institutions (TISIs).

Women tend to own and lead smaller firms

The proportion of women in the labour force in Kenya has gradually increased over the last 30 years. Today, women make up 47% of the labour force. However, only 9% of firms are women-owned, and women tend to own smaller firms. Only 3% of large businesses are owned by women compared to 15% of small enterprises. The average size of women-owned firms is 25 persons compared to 46 persons for men-owned firms. Women-owned enterprises in Kenya also tend to be concentrated in specific sectors such as food and beverage services, and other generally low value-added activities. As such, women-owned firms account for only 20% of Kenya's gross domestic product (GDP).

Women-owned firms in the informal sector

Many women-owned firms operate in the informal sector. Informality brings with it a host of disadvantages that stifle the growth of small firms. Businesses operating in the informal sector are often ineligible for internationally funded, capacity-building programmes or technical assistance provided by public and private support institutions. Similarly, unlicensed firms often have problems securing public procurement contracts, and entering global trade networks.

Kenya should consider introducing tailored incentives to encourage women to register their businesses. This could take the form of tax breaks, capacity-building programmes, reducing the cost of registration, or other benefits. TISIs focused on women could be enlisted to help register these firms. In India, for example, the Self-Employed Women's Association successfully registered 3,500 self-employed women, bringing them into the formal sector.

Barriers to loans for women-owned firms

Financial institutions use a mix of credit history, business performance, collateral and interest rates to offset the risk of any new loans. Banks often adopt a risk-adverse stance towards smaller firms, and ask for large amounts of collateral. As a result, many MSMEs find themselves trapped and unable to grow. Women-owned firms are less likely to get a loan than men-owned firms, and find it difficult to use movable assets (e.g. light machinery) as collateral.

Establishing a central electronic collateral registry can help reduce the costs for banks. Such registries automatically track and verify the ownership of movable asset used as collateral. Establishing good relationships with banks was one of the strongest determinants of whether or not a firm had its loan application approved. Technical support programmes, which build relationships between women entrepreneurs and banks, may be key to unlocking new sources of finance. Reforming inheritance law may also help. In Kenya, female and male spouses do not have the same inheritance rights. This inequality can make banks reluctant to lend to women, as they may not end up owning property put up as collateral upon the death of their partner.

Improving certification bodies

Standards and regulations play an important role in international trade. Any MSME seeking to export will have to meet at least one standard or regulation. However, becoming certified can be difficult. Firms must learn about various standards, select one that will add value to its product, and implement the necessary changes to become compliant. ITC's survey shows that most women-owned MSMEs do not find certification bodies and standards authorities to be effective. Only around a quarter of micro and small-sized enterprises gave certification bodies a high rating in terms of their efficiency.

One way to encourage improvements is by harmonising standards with regional neighbours and signing Mutual Recognition Agreements. Such efforts often force standards authorities to undertake intensive reforms that improve their efficiency. For MSMEs, sector associations as well as TISIs, are well placed to help firms become compliant with international standards. Special women-only trainings may result in more women-owned MSMEs engaging in international trade.

Access to information on intellectual property protection

ITC's survey shows that women-owned MSMEs in Kenya lack a good understanding of international intellectual property (IP) procedures. Yet, improving the protection of intellectual property rights helps increase innovation and foreign direct investment (FDI). Kenya ranks poorly in international indices of Intellectual Property Rights (IPR) enforcement, but does comparatively well regionally.

Reforming the application process for patents and trademark registration in Kenya is needed to encourage more MSMEs to protect their IPR, and help stimulate innovation. The government should consider deploying public funds to help research institutions, individuals, or private sector firms with the application process. Such an approach has been credited with increasing the number of patents in South Africa under the Support Programme for Industrial Innovation. Furthermore, the government should consider turning Kenya's leading innovators into 'innovation ambassadors' to raise awareness of the role of IP for innovation.

Ensuring women-owned businesses have access to information and communications technology

Most of the surveyed women-owned firms have a business website, but they also reported being dissatisfied with the quality of their Internet connection, the price of which has been steadily increasing over the last decade. Kenya has made considerable investments in fibre optic cables to improve the country's broadband availability and connectivity. While speeds may rise, so may costs.

It is therefore important the government encourage a competitive market to keep costs down, and ensure that the benefit from these new technologies does not accrue only to larger firms. MSMEs are particularly sensitive to large fixed costs and women-owned MSMEs more so due to their smaller size.

Improving support from trade and investment support institutions

Survey findings indicate the quality of services provided by private and public TISIs is inadequate; only 17% of small enterprises gave strong ratings to the quality of services provided by these institutions. TISIs can play an important role in setting the norms of any business ecosystem. If TISIs are better able to link to the firms they serve, and provide the services they require, businesses will be more competitive, both domestically and internationally.

Often, TISIs are not cognizant of the gender dimension of doing business and the specific needs of women-owned MSMEs. Women-focused TISIs should therefore be supported to advocate on behalf of women entrepreneurs, and help address the bottlenecks faced by women-owned firms.

CHAPTER 1 WOMEN ENTREPRENEURS IN KENYA

ITC's SheTrades Initiative

Women play a major role in the global economy. They invest more in the education, health and nutrition of their families than men do, thereby helping to create secure foundations for the future of their families and communities. Women entrepreneurs do the most to catalyse this virtuous cycle, as they tend to employ other women in their companies.

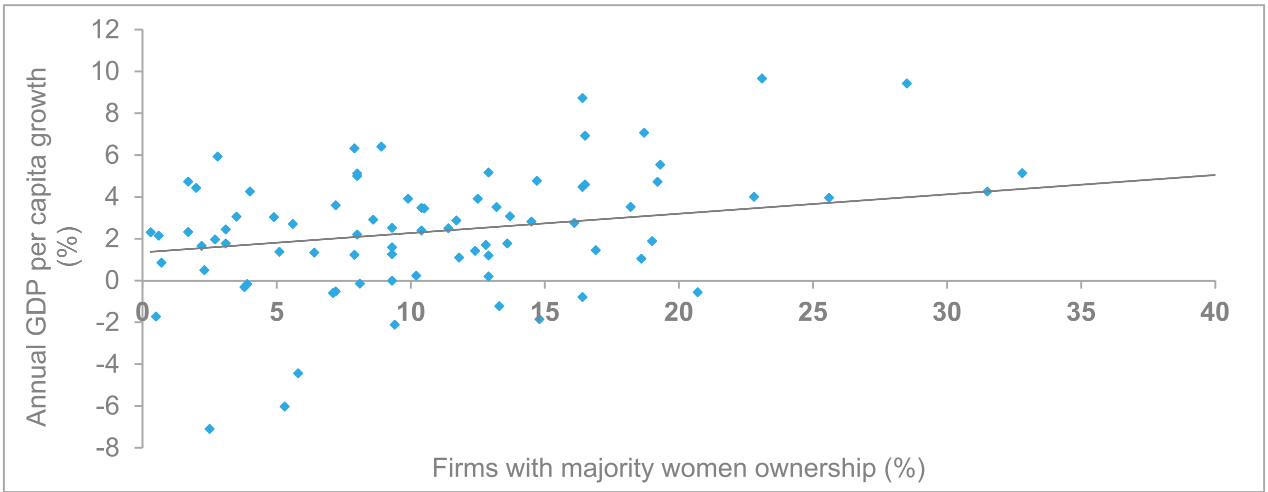
Improving the performance of women-owned or led firms can therefore translate into more jobs economy wide, and a more equitable distribution of income. International trade can support this process; firms that trade are typically bigger, more productive and live longer than firms that do not (ITC, 2015).

More women-owned enterprises, more growth

The contribution of women-owned firms to development outcomes is complex, not least due to patchy statistical coverage. Nevertheless, relatively simple plots can be quite revealing. Figure 1 shows the relationship between the annualised GDP per capita growth for 2016 and the per cent of firms with majority women-ownership.

These variables are significantly positively correlated, and although it should be noted that correlation does not imply causation, it makes intuitive sense that the more women-owned firms an economy has, the higher its growth should be. After all, women make up half the World's talent pool.

Figure 1 Countries with more women-owned firms grow faster



Source: ITC calculations based on World Bank data

Numerous gender-based disparities remain in the global economy. For one, women-owned businesses represent only between one quarter and one third of enterprises in the world. They operate largely outside of value chains, and thus international trade, where the greatest opportunities for growth lie. ITC's SheTrades Initiative strives to close these gender gaps by supporting women entrepreneurs to grow their businesses through international trade.

With a goal of connecting one million women to market, SheTrades provides a framework of seven global actions to unlock markets for women and an online platform for women entrepreneurs to connect to markets.

Stakeholders ranging from the private sector, research and multilateral organizations collaborate with ITC to expand opportunities for women entrepreneurs by making specific pledges based on seven pillars of action:

- To collect, analyse and distribute data on women's economic participation;
- To create trade policies and agreements that enhance women's participation in trade;
- To empower women-owned businesses to participate in the public procurement spending;
- To create corporate procurement programmes that embed diversity and inclusion in value chains;
- To address supply side constraints that affect women-owned businesses;
- To close the gap between men and women for accessing financial services; and,
- To ensure legislative and administrative reforms guaranteeing women's rights to ownership and control over resources.

Box 1 SheTrades in Kenya

The national chapter of SheTrades in Kenya (SheTradesKE), launched in 2016, works with several partner institutions including Barclays Bank of Kenya, the Kenyan National Chamber of Commerce, the Kenya Private Sector Alliance, and Kenya's Export Promotion Council, among others.

Through SheTradesKE and in close partnership with Barclays, ITC has trained more than 2,100 women entrepreneurs in financial management to help them maintain links to international markets. The bank has also supported women entrepreneurs by creating a $49 million fund to offer credit facilities to local women-owned business. In addition, ITC has collaborated with the African Guarantee Fund to deliver a workshop in Nairobi to expand access to green finance for 40 women-led MSMEs.

To date, 33 Kenyan organizations have made commitments to connect 124,000 Kenyan women entrepreneurs to market, an important contribution towards SheTrades goal of connecting one million women to market by 2020.

ITC has also scaled up its regional SheTrades activities. As part of the Trademark East Africa (TMEA) project, more than 300 Kenyan women entrepreneurs have benefited from tailored trade-related capacity-building activities in the agribusiness, services, and textile and apparel sectors, focused on topics such as meeting buyer requirements and preparing for international trade fairs. Through this project, ITC has been working closely with trade and investment support Institutions to increase the competitiveness of women-owned MSMEs in Kenya.

Source: ITC

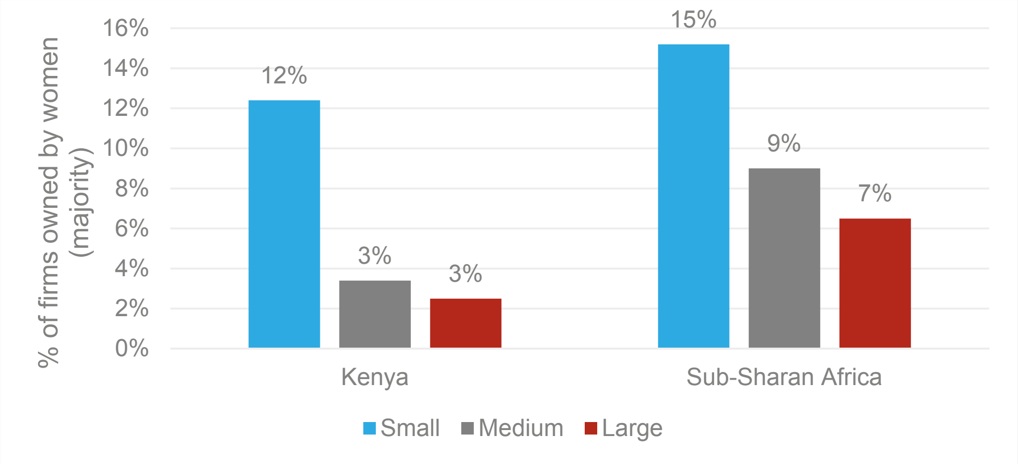
The role of women and women-owned firms in Kenya's economy

The proportion of women in the labour force in Kenya has gradually increased over the last 30 years. Today, women make up 47% of the labour force (WB, 2017). Encouragingly, firms with some degree of women ownership account for an estimated 49% of all firms. However, women-owned enterprises tend to be concentrated in low value-added sectors such as retail, and food and beverage service. As such, women-owned enterprises account for only 20% of Kenya's Gross Domestic Product (GDP) (Mbai & Maina, 2016).

Women tend to own and lead smaller firms

Although nearly half of Kenyan firms have some degree of women-ownership, this statistic is somewhat misleading. If the threshold is increased to majority ownership, only 9% of firms are women-owned (WB, 2013). In addition, breaking down this number by firm size reveals that women tend to own the smaller firms: only 3% of large firms are owned by women compared to 15% of small enterprises (Figure 2). The average size of women-owned enterprises is 25 persons compared to 46 persons for men-owned firms. Furthermore, Kenya has fewer women-led enterprises compared to regional averages. The same trends are observed when looking at women leadership in firms.

Figure 2 Kenya has fewer women-owned firms than in the region



Source: World Bank Enterprise Surveys data. (7 August 2017; http://www.enterprisesurveys.org/data/exploreeconomies/2013/kenya#gender)

Box 2 SheTrades testimonial: SendFlowers and Tando Commerce

Phyllis Mwangi
Founder, SendFlowers and Tandao Commerce
IORA Beneficiary in Kenya

Phyllis Mwangi first established an online flower shop –www.sendflowers.co.ke– and the success of this business inspired her to create Tandao Commerce, an online platform to provide
e-commerce services to businesses in Africa.

Through the support of SheTrades at the CeBIT Computer Expo in Hannover in March 2017, Tandao Commerce got exposure on how to run sustainable e-commerce business and identified new technologies and existing solutions that would add value to the product offering. Since the exposure, Tandao has operationalized 21 online shops and commissioned a second in-house shop giftmall.co.ke.

Mwangi's two e-commerce businesses have registered an average 20% increase in sales and grown from eight to 15 employees. They are looking to grow by 50% in the next one year.

Source: ITC

Women-owned firms in the informal sector

Many women-owned businesses operate as unlicensed firms. Part of the reason for this is the sheer size of the informal sector. In 2016, employment in the informal sector grew by 6%, employing 13 million people or approximately 49% of the working age population (KNBS, 2016).

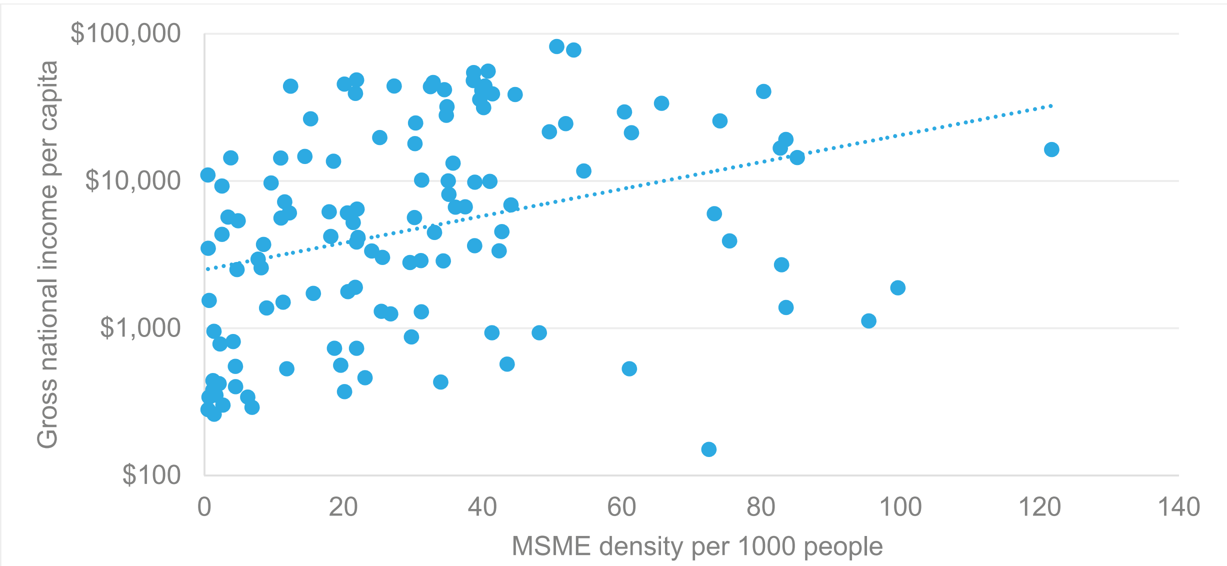
In addition, the informal sector generates nearly 10 times the number of new jobs as the formal sector (IFC, 2006). More than 60% of firms in the informal sector are women-owned, compared to just 31% for men.

Informality brings with it a host of disadvantages that stifle the growth of small firms. Businesses operating in the informal sector are often ineligible for internationally funded capacity-building programmes or technical assistance provided by public and private support institutions. Similarly, unlicensed firms often have problems securing public procurement contracts, and entering global trade networks. Since unlicensed firms are more likely to be owned by women, these constraints tend to affect women entrepreneurs more.

The benefits of micro, small and medium-sized firms

Globally, MSMEs constitute the overwhelming majority of firms, and countries with higher MSME densities tend to be richer. In Kenya, 75% of all enterprises are MSMEs, but they only contribute about 30% to the country's GDP, below the average of 52% in other countries (IFC, 2006). In general, countries with higher MSME densities have higher gross national incomes (Figure 3).

Figure 3 Countries with more small and medium-sized firms are richer



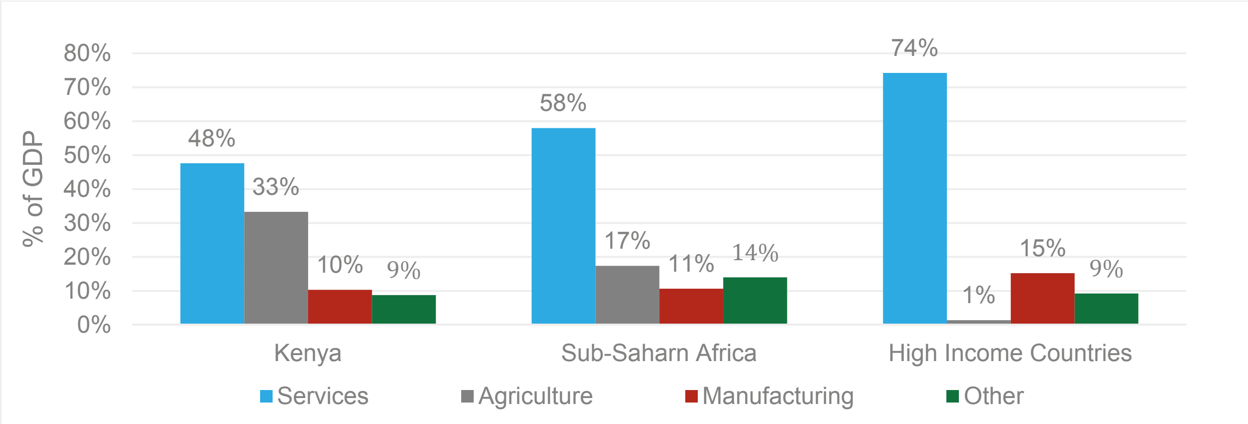
Source: ITC calculations based on IFC data.

Kenya's vibrant services sector

Although the services sector accounts for nearly half of Kenya's GDP, its contribution is lower compared to both other countries in sub-Saharan Africa and high-income countries (Figure 4). One of the reasons for this is the large proportion of services activities that are informal and thus are unaccounted for in official statistics.

As East Africa's financial and distribution hub, Kenya is well placed to grow its services industry to serve not only African markets but also Indian and Chinese firms seeking to enter Africa. The services sector has averaged growth of around 6% over the last 5 years, usually one or two percentage points higher than overall GDP growth (KNBS, 2017).

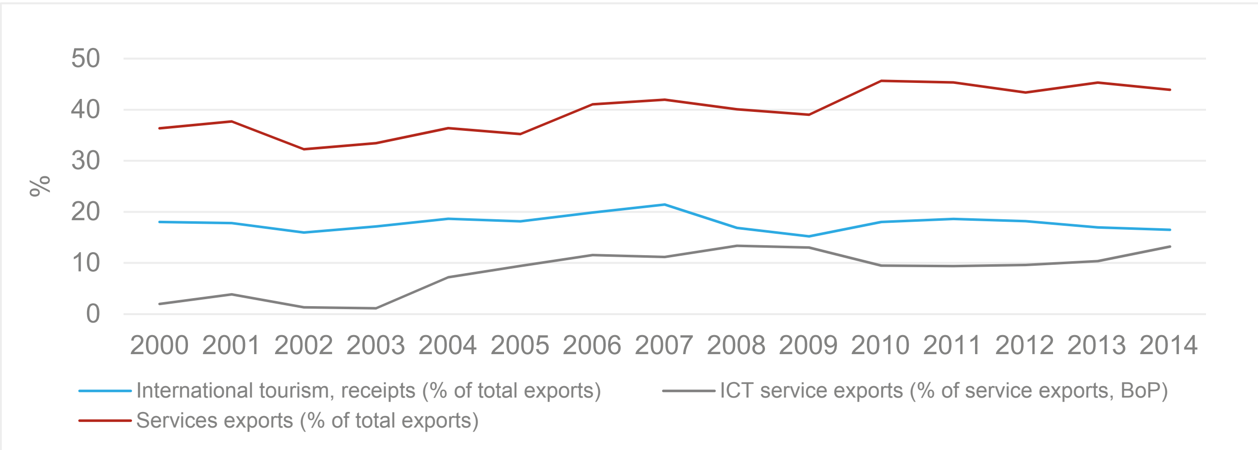
Figure 4 Overview of the services sector



Source: (Left) Kenya National Statistics Bureau Economic Survey 2017. (Right) World Bank Development Indicators (accessed on 20th July 2017; http://data.worldbank.org/indicator)

Kenya is a leading sub-Saharan African exporter of services to the region. The government recognizes it has a competitive advantage in the sector, and is aiming to further spur economic growth by promoting exports of services. Nearly 44% of Kenya's exports come from the services sector with tourism contributing around 20% and ICT 15% of exports (see Figure 5).

Figure 5 Overview of the services exports



Source: Kenya National Statistics Bureau Economic Survey 2017

Box 3 The IORA project

With funding from the Government of Australia's Department of Foreign Affairs and Trade, the project for Economic Empowerment of Women in the Indian Ocean Rim Association (IORA) countries connects women-owned MSMEs in Kenya, Indonesia and Sri Lanka with international buyers.

The project focuses on women-owned enterprises operating in the services sector, specifically in tourism, information and technology, and information technology-enabled services. In addition, the project strengthens the effectiveness of TISIs in these countries so that they are better able to provide women entrepreneurs with relevant services.

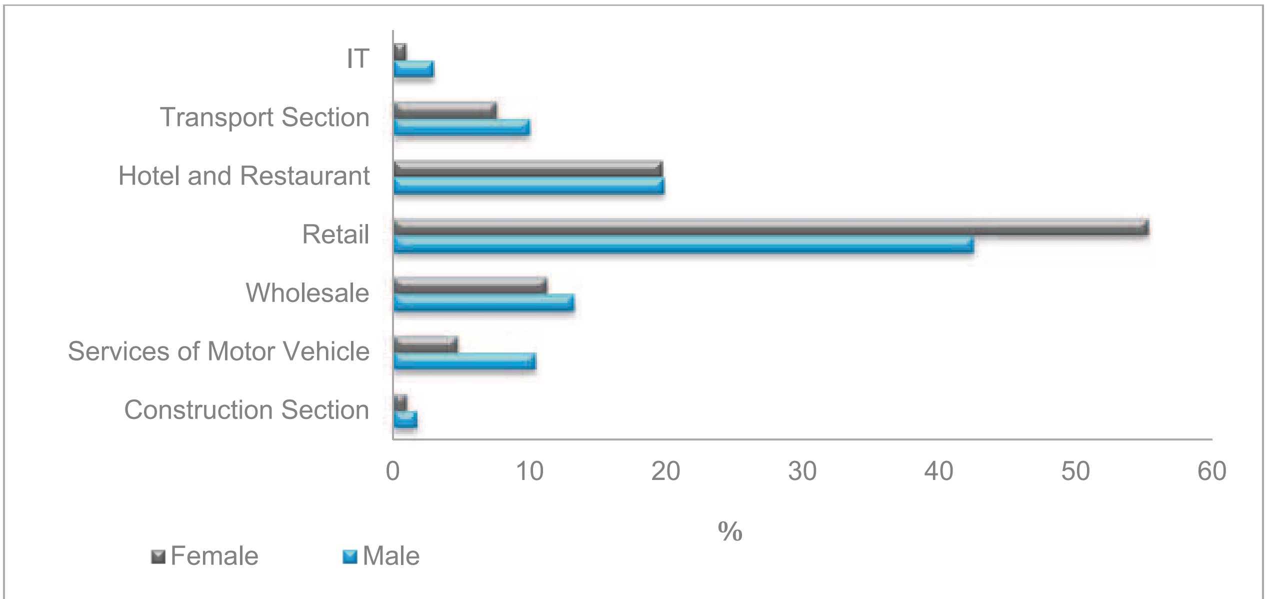
Source: ITC

Women-owned services firms in the retail sector

Within the services sector, it is difficult to find comprehensive data on the sorts of activities in which women-owned firms are engaged. However, some insights can be gleaned from the 2013 Business Environment and Enterprise Performance Survey (BEEPS) for Kenya, produced by the World Bank. Its sample size is relatively small – only 350 firms – but it nevertheless provides a good starting point. MSMEs are defined as follows: micro enterprises 1–4 employees; small 5–19 employees; and medium 20–99 employees. Only firms with at least one employee are included.

Figure 6 shows the distribution of men and women-owned firms by services sub-sector. From this figure, it is clear that women-owned firms operate mostly in the retail sector. In all other sectors, men-owned firms are more prevalent. The largest gap is, perhaps unsurprisingly, in the services of motor vehicles. However, for the hotel and restaurant sector, which is often heavily linked to tourism, the shares are roughly equal. The figure shows a large gap in information technology (IT), which is one of the focus sectors of the IORA project.

Figure 6 Kenyan services sector concentration by gender



Source: Business Environment and Enterprise Performance Survey, 2013 (accessed on 25th April 2017; http://data.worldbank.org/data-catalog/BEEPS)

CHAPTER 2 BARRIERS TO GROWTH FOR WOMEN-OWNED FIRMS IN KENYA

ITC's SME Competitiveness Survey

To assess the health of women-owned MSMEs in Kenya, ITC deployed the SME Competitiveness Survey among 90 women-owned and led firms in Kenya. Conducted in 2016, the survey assessed the strengths and weaknesses of these enterprises, and the wider business ecosystem in Kenya to help identify what bottlenecks to growth women-owned businesses are currently facing.

ITC's SME Competitiveness Survey has three key pillars:

- **Capacity to compete** is the static dimension of competitiveness. It assesses whether current production is efficient and meets market requirements.
- **Capacity to connect** is the connectivity dimension of competitiveness. To be competitive, firms must link to customers, businesses, institutions, and be literate in information and communications technology.
- **Capacity to change** is the dynamic dimension of competitiveness. It assesses whether firms have the capacity to make human and financial investments to adapt to fast-changing markets.

These pillars have three further levels:

- **Firm capabilities** assesses whether firms can manage resources under their control.
- **The business ecosystem** includes support institutions that supply enterprises with the resources or competences they need to be competitive.
- **The national environment** assesses the macro-economic and regulatory environment under which enterprises operate. Governments primarily set the national environment.

How do the pillars and levels fit together? Table 1 explains the connection by showing the SME Competitiveness Grid.

Table 1 The SME Competitiveness Grid

Theme	Firm capabilities / Business ecosystem / National environment (examples)
Quantity and cost requirements	Meeting liquidity requirements, access to electricity
Time requirements	Timeliness of suppliers, efficiency of customs
Certification and standards	Use of international certificates, regulations on standards
Competitors	Knowledge of competitors, competitive intensity
ICT requirements	Use of websites, quality of network connections
Linkages with customers	Advertising and promotion, marketing research
Linkages with businesses	Contact with private associations, quality of associations
Linkages with institutions	Contact with public institutions, quality of institutions
Financing requirements	Business bank account, access to financial institutions
Skills requirements	Training programmes, access to skilled labour
IP requirements	Patent registration, access to IP related information
Innovation requirements	Development of new or improved products, research networks

Source: ITC

Key features of the survey sample

The survey sample is composed of 90 women-owned or led services firms. The firms were mainly based in the county of Nairobi. Three were based in Kiambu County, one in Uasin Gishu, and one in Siaya. It should be noted that 90 firms is a relatively small number and therefore the conclusions, which are drawn from this analysis, should be interpreted with this in mind.

Table 2 presents some of the key features of the survey sample. Out of 90 firms, 30 are classified as micro-sized (1-4 employees), 51 are considered small-sized (5-19 employees), and nine are classified as medium-sized (20-99 employees). The sample does not contain large firms (100 or more employees). Exporters are firms that have 10% or more of their sales coming from direct or indirect exports.

Table 2 Key features of the survey sample

Firm-size	Total	Exporters	Importers	Import and export	ICT	Tourism	Other
Micro	30	5	5	2	1	9	20
Small	51	25	21	12	9	6	36
Medium	9	7	7	5	2	0	7
All	90	37	33	19	12	15	63

Source: ITC calculations based on IORA SME Competitiveness data

Securing access to finance

Access to finance is key to growing any business. Investment and innovation are difficult without adequate financing. Securing finance is one of the main bottlenecks to the growth of many businesses, particularly women-owned MSMEs.

High interest rates and collateral requirements

The survey asks a series of questions on whether firms applied for a loan, were granted one, and if not why. Comparing different types of enterprises, we see that micro and small-sized enterprises are less likely to apply for a loan than medium-sized enterprises (Figure 7).

Moreover, of the enterprises that applied for a loan, micro-sized firms face higher rejection rates when compared to small or medium-sized firms; 67% of micro-sized firm's loan applications were rejected, while only 17% of small-sized enterprises faced rejection. It is not surprising then that micro enterprises are less likely to even apply for a loan: only 13% did, while 36% indicated that they might have applied if the conditions were more favourable.

Figure 7 Access to finance

Size of firm	Applied for loan in last three years (%)
Micro	13
Small	29
Medium	75

Out-come of application	Micro (%)	Small (%)	Medium (%)
Approved	0	75	50
Rejected	67	17	50
Still in progress	33	8	0

Why did this firm not apply for a loan?	Micro (%)	Small (%)	Medium (%)
No need for a loan	64	19	-
Application procedure too complex	-	13	-
Interest rate were not favourable	18	38	-
Collateral Requirements were too high	9	25	100
Size of loan and maturity insufficient	-	-	-
Did not think it would be approved	9	6	-
Number of observations	**11**	**16**	**2**

Source: ITC calculations based on IORA SME Competitiveness data

Financial institutions use a mix of collateral and interest rates to offset the risk of any new loans. For the sample of firms surveyed, these were the two most highly cited reasons why MSMEs did not apply for a loan. Banks often adopt a risk-adverse stance towards smaller firms, and ask for large amounts of collateral.

Lack of capital in the form of fixed assets increases the chance that a loan application will be rejected, and if proposed, the loan would be offered at a prohibitively high interest rate. As a result, many women-owned MSMEs find themselves trapped and unable to grow. MSMEs try to bypass these barriers by using funding from friends and family. While this may help get a business venture off the ground, it is unlikely turn a micro-sized enterprise into a larger, successful company.

Loans for women-owned firms

In 2013, the World Bank conducted an Enterprise Survey of firms in Kenya. The survey included some questions on firms' access to finance and credit (see Table 3; also see the Appendices for a description of this dataset).

Table 3 Loan applications

	Men	Women
Overdraft facility (interest rate)	13.8%	13.2%
Nominal annual interest rate (most recent line of credit)	12.6%	13.3%
Per cent of credit financed from private banks	80.3	71.4
Average no. of applications submitted for loans in the last year	1.5	1.6
Average no. of loan applications rejected in the last year	0.095	0.542
Most cited reason for rejecting loan application	Collateral or co-signers unacceptable	Insufficient profitability

Source: World Bank Enterprise Survey, Kenya 2013 (accessed on 25th March 2017; http://www.enterprisesurveys.org/data)

According to the World Bank's survey, women-owned firms are less likely than men-owned firms to obtain a loan in Kenya. In cases where the loan application is approved, women entrepreneurs are charged higher nominal interest rate (by almost 0.6 percentage points) compared to men entrepreneurs. Women-owned MSMEs may be charged higher interest because the sectors in which their firms operate might be less profitable, are smaller in size, or have a lower value of fixed assets.[1]

To account for as many explanatory factors as possible, econometric regressions were run using the World Bank Enterprise Survey dataset comparing women and men-owned MSMEs. The results for the model are shown in the Appendices. Conditional on firm performance and risk, and other firm characteristics, women-owned enterprises are less likely to obtain a loan in Kenya. The probability of approval for a loan application for women-owned MSMEs is 1.3% less than men MSME owners. This result appears to indicate that among formal enterprises, there is a gender-based inequality in access to credit in Kenya.

Relationships with banks

One of the strongest factors in the approval of a loan application seems to be the personal relationship MSME owners have with the bank. Findings suggest that all the respondents who applied for a loan where they assert they had a personal relationship had their loan approved. Data indicates that very few women-owned MSMEs cited having a personal relationship with lending institutions.

Inheritance laws

In Kenya, the application of customary laws means that women have traditionally not had the same inheritance rights to property as men. While Kenya's new law on matrimonial property has addressed martial property rights (both spouses now have equal rights to administer joint property), there is need for similar legislation for widows (WB, 2016). Traditionally, widows have not been allowed to inherit their husband's property making investing in women a risk in the eyes of financial institutions.

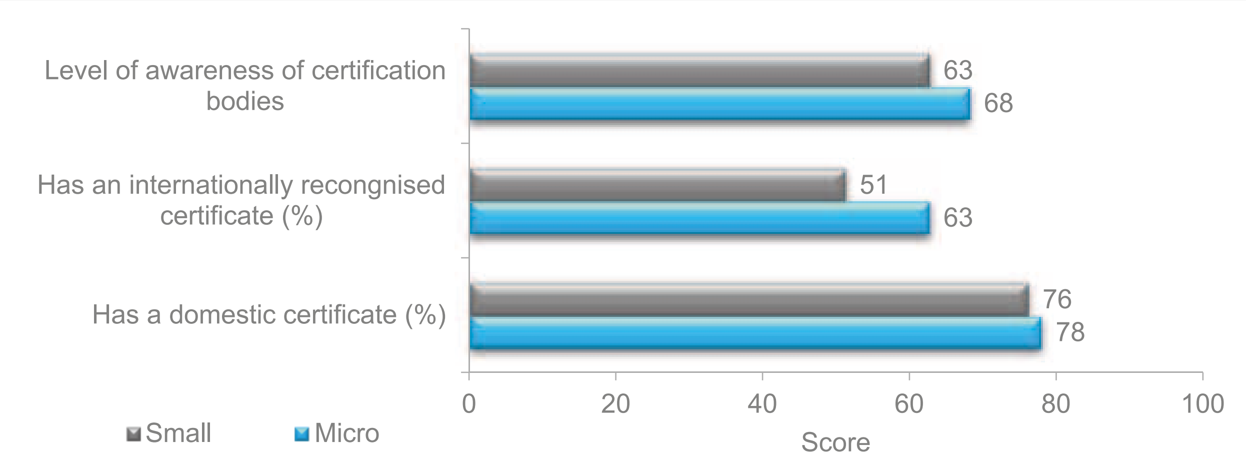
Difficulties with certification bodies

Standards and regulations play an important role in international trade. Any MSME seeking to export will have to meet at least one standard or regulation (ITC, 2016). However, becoming certified can be difficult. Firms must learn about various standards, select one which will add value to its product, and implement the necessary changes to become compliant. This process is often dependent on the quality of standards authorities, certification bodies and testing facilities (often referred to as technical infrastructure).

ITC's survey reveals a very low rating for certification bodies. Only 17% and 22% of micro and small enterprises gave high ratings to certification bodies. Figure 8 shows that most enterprises in Kenya adhere to one or more domestic certification or standard, but this percentage falls for all enterprises when it comes to international certificates and standards.

[1] Fixed assets are often used as collateral for loan applications.

Figure 8 Certification and standards indicators



Source: ITC calculations based on IORA SME Competitiveness data

Improving technical infrastructure

Technical assistance is needed to improve the performance of institutions involved in quality management, testing, and measurement. Furthermore, more help should be given to MSMEs that want to comply with product standards and regulations applied in exporting markets.

Certification has grown in importance in recent years. Thirty years of trade liberalization has brought down tariffs and quota restrictions around the world. New barriers to trade often take the form of so-called non-tariff measures (NTMs). NTMs are made up of technical barriers to trade (TBT), such as product specifications and safety standards, and sanitary and phytosanitary standards (SPS), such as food safety, animal, and plant health standards. Market access is now effectively controlled by a suite of TBT and SPS requirements.

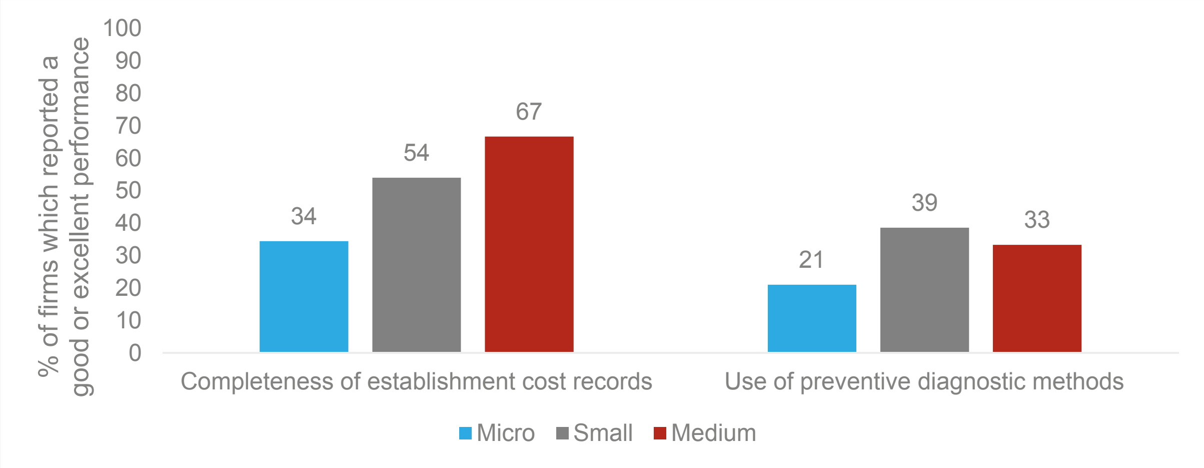
Meeting cost and production requirements

One of the problems facing a wide range of MSMEs is how to accurately record costs incurred by their businesses. Without proper accounting methods, the actual return on investment is often unclear. Furthermore, opportunities for cutting costs and therefore boosting profits can remain hidden from view. Related to this is production efficiency.

If MSMEs are to grow, they need to avoid production malfunctions or equipment breakdowns. Such concerns are not exclusive to the manufacturing sector. In ICT for instance, server breakdowns or data loss can ground a business indefinitely. ITC's survey asked two questions to assess MSME performance on these issues.

Figure 9 shows that the smaller the firm, the more it struggles to keep accurate cost records. Furthermore, it is clear that all firms report a low use of preventive diagnostic methods to avoid production downtime. Large enterprises have full-time staff with expertise to manage specific applications related to production monitoring. However, MSMEs are often unable to dedicate full-time staff to monitor such issues.

Figure 9 Meeting cost requirements



Source: ITC calculations based on IORA SME Competitiveness data

Intellectual property laws

Creativity and innovation are the fundamental basis for economic growth and competitiveness. Research has shown that growth is closely related with the capacity of the economy to generate innovation and commercialize innovative products.[2] As Kenya urbanizes, effective intellectual property protection and innovation will help the country, including women-owned MSMEs, to move into higher value-added activities.

Weak intellectual property protection systems

Since the agreement on Trade-Related Aspects of Intellectual Property Rights was signed in the Uruguay Round, developing countries that are members of the World Trade Organization have been encouraged to adopt a set of minimum standards on intellectual property rights (IPR). This change toward strengthening IPR protection in developing countries had a great impact on Foreign Direct Investment (FDI) in these countries for several reasons.

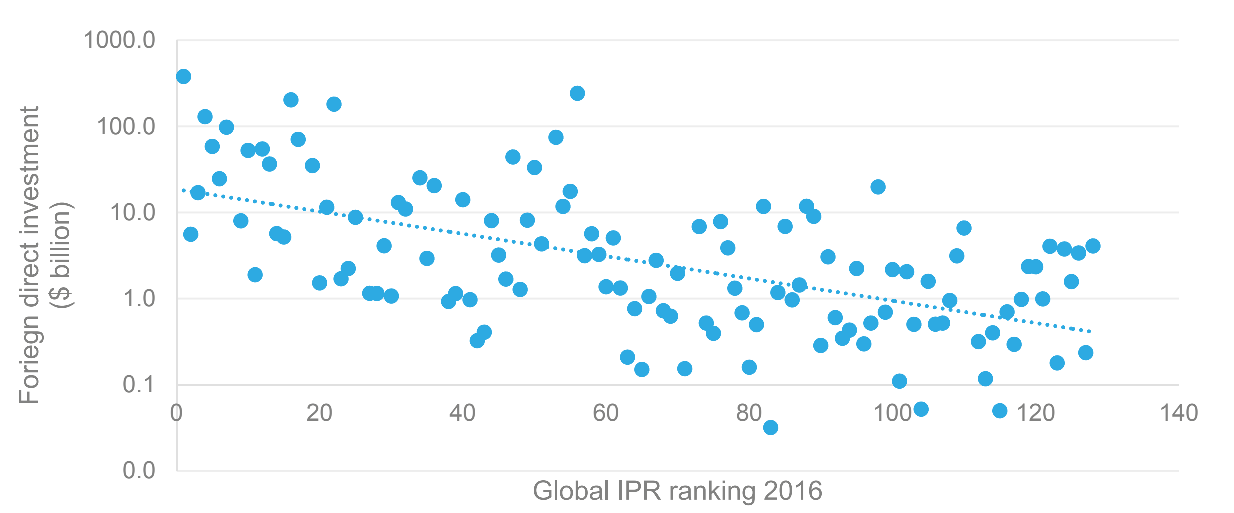
For example, strengthening IPR protection in a developing country makes it difficult for local firms to copy products developed by other firms and decreases the risk of technology imitation in that country. Strengthening IPR protection therefore helps a firm with advanced technology to decide on whether or not to transfer production to a developing country. In addition, a decrease in imitation changes the monopolistic rent that the inventor can earn, which is likely to influence investment in research and development activities by firms in developed countries (Tanaka & Iwaiskako, 2014).[3]

Figure 10 suggests that better IPR protection is associated with FDI levels. A plausible explanation is that a strengthening of IPR creates a better investment environment for technology transfer. An increase in FDI and technology transfer creates opportunities for MSMEs to benefit from better technology and investment.

[2]The following sections and many of the included examples of the benefits of IP economy are summarized in ICC, Intellectual Property: Powerhouse for Innovation and Economic Growth M2011O http://iccwbo.org/data/documents/bascap/ipQandQeconomicQgrowth/ipQpowerhouseQforQinnovationQandQeconomicQgrowth/ and ICCQBASCAP, Promoting and Protecting Intellectual Property in Kenya M2011O http://www.iccwbo.org/WorkArea/DownloadAsset.aspx?id=2147490263 WorkArea/DownloadAsset.aspx?id=2147490263.

[3] http://www.sciencedirect.com/science/article/pii/S001429211400021X

Figure 10 Intellectual property rights and foreign direct investment



Source: ITC calculations based on IPR and World Bank Data

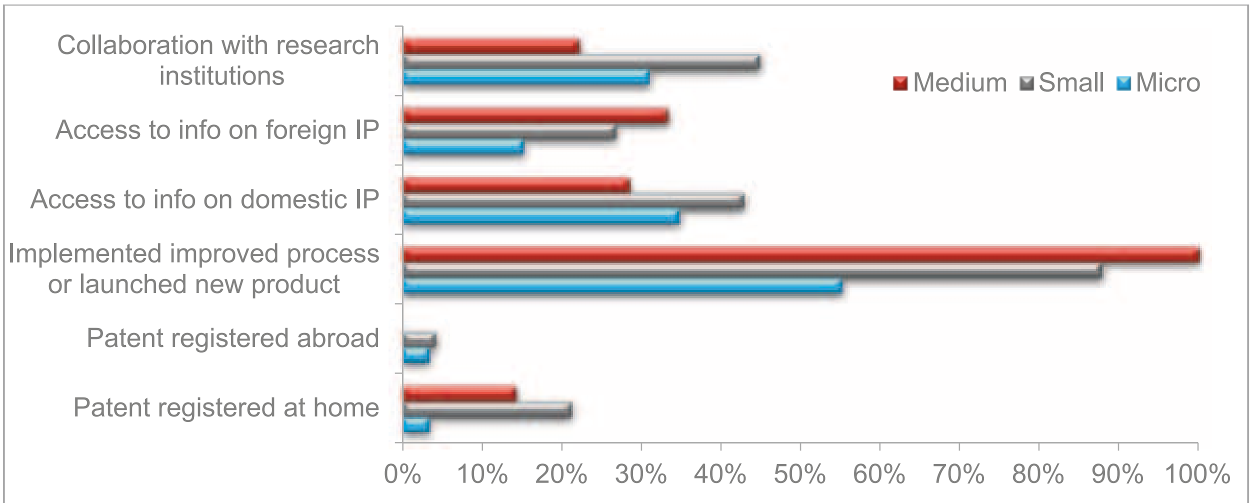
Poor access to information on intellectual property protection

Countries in Africa struggle the most in securing intellectual property rights. Kenya consistently ranks poorly in international indices for IPR enforcement but does comparatively well regionally in patent protection and copyrights (PRA, 2017).

ITC's survey suggests that women-owned MSMEs in Kenya report a very low awareness of international intellectual property procedures. Only 15% of small and 27% of micro-sized enterprises report having good or excellent knowledge of international IPR, even if the figures improve somewhat when it comes to domestic IPR. Furthermore, less than 15% of firms surveyed had a domestically-registered patent, which poses a potential threat to these businesses' competitive edge.

It is therefore not surprising that ITC's survey found that women-owned MSMEs do not collaborate with domestic research networks (see Figure 11). The services sector is characterised by its flexibility and high rate of innovation. If IPR laws are not strengthened in Kenya, the MSME-led shift to services the country is trying to engineer may not succeed.

Figure 11 Intellectual property and innovation indicators



Source: ITC calculations based on IORA SME Competitiveness data

Table 4 shows that those MSMEs that have higher knowledge of domestic and international intellectual property protection procedures report higher revenues, revenue per worker and fixed assets and employment. For example, MSMEs with a high knowledge of IP reported 77% more revenue, 7.6% more turnover per worker.

Table 4 Firm Performance by knowledge of domestic IP systems

Indicator	High knowledge	Low knowledge
Average revenue (KSh million)	27.8	15.8
Mean of revenue per worker (KSh million)	1.3	1.2
Mean of fixed assets (KSh million)	9.7	6.1

Source: ITC calculations based on IORA SME Competitiveness data

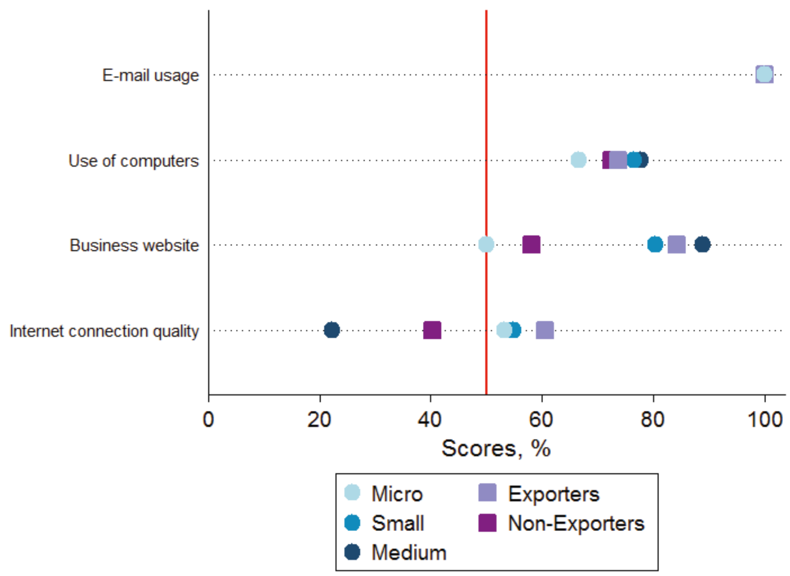
Access to information and communications technology

Today organizations of all types are using Information and Communication Technology (ICT) to cut costs, improve efficiency, and provide a better customer experience. Many firms in Kenya use computer systems, have an Internet connection, and use email to conduct business.

In recent years, studies have suggested that the Internet is one of the most important factors driving globalization. Evidence suggests that for every 10% increase in the number of webhosts in a country leads to a 0.2% increase in export growth (Freund & Weinhold, 2004).

ITC's survey assessed the quality of Internet connection of the firms sampled (see Figure 12). Exporting firms seem to be better connected: 61% of exporting enterprises reported to have fast Internet connection, compared to 40% of non-exporting businesses. The findings are in line with recent studies that enterprises with Internet access appear to export more than similar enterprises without access (Clarke, 2005). About half of micro firms do not have a website for their business; however, nearly 80% of small firms surveyed have a website.

Figure 12 ICT requirements indicators



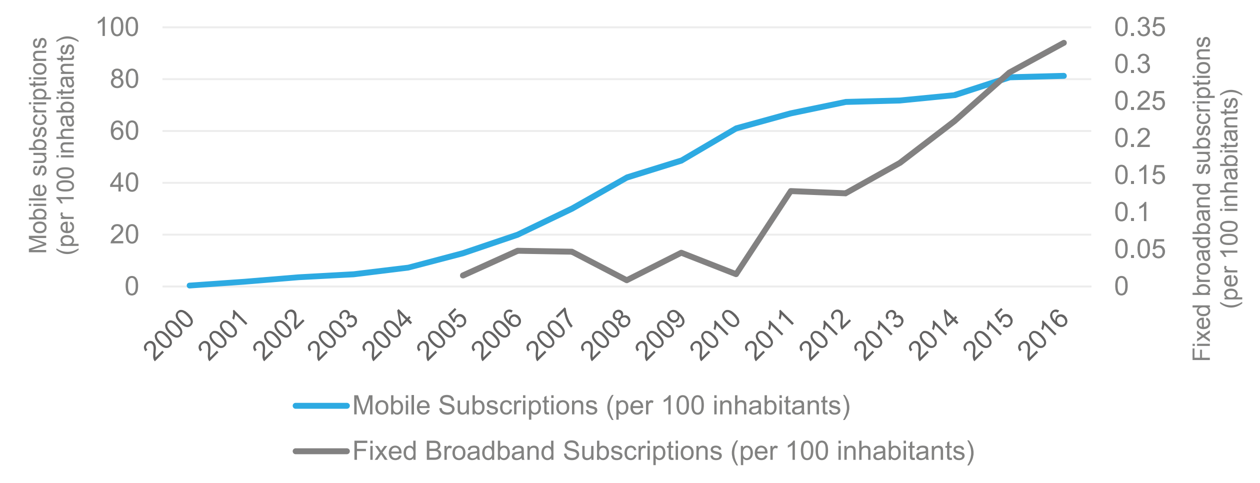
Source: ITC calculations based on IORA SME Competitiveness data.

Government investment

In line with the importance of this sector, Kenya has made considerable effort to enhance broadband availability by laying fibre optic cables for faster connectivity (Ministry of Information, Communication and Technology, 2016). Figure 13 shows that there has been a consistent increase in fixed broadband and mobile subscriptions in Kenya.

To keep costs down, it is important the government encourage a competitive market to form to keep costs down and ensure that the benefit from these new technologies does not accrue only to larger firms. MSMEs are particularly sensitive to large fixed costs and women-owned MSMEs more so due to their smaller size.

Figure 13 Internet and mobile subscriptions



Source: International Telecommunications Union (accessed on 21st July 2017; http://www.itu.int/en/ITU-D/Statistics)

Keeping updated client or market information

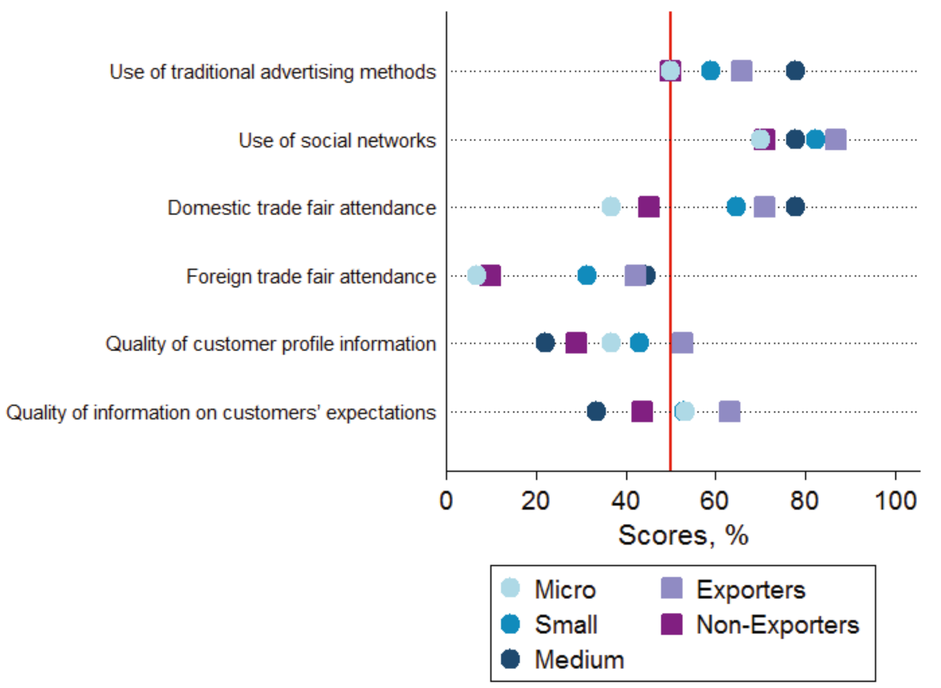
When faced with rapid changes in technology and customer preferences, there is a need to follow customers, to offset competitors' strengths, to satisfy customer expectations and to take advantage of new business opportunities. To measure the strength of a firm's market research and knowledge of their customers, ITC's survey asked two questions.

The first question asks firms to rate the accuracy and completeness of their profile information on customers (e.g. information on age, gender, employment background) on a scale of 0-5. The second asks firms the extent to which they collect information on their customers' expectations and product reactions; also on a scale of 0-5.

Except exporting firms, all other MSMEs report scores of less than 50% for the accuracy and completeness of information on their customers' profile (Figure 14). MSMEs need to have the ability to constantly change and update the way they operate their business. It is crucial for firms to be market driven when targeting the customer base for their services since market knowledge distinguishes the winners from the losers.

A market-driven approach for MSMEs is needed to gain the knowledge required to get services to the market. This also distinguishes exporter to non-exporters, as the survey shows that 51% of exporting firms report to have higher quality market research on customer profiles; whereas only 31% of non-exporting firms report to have good quality data on customer profiles.

Figure 14 Linkages to customers and communication technology



Source: ITC calculations based on IORA SME Competitiveness data

Box 4 The SheTrades web and mobile app

Given MSMEs active use of digital media, ITC unveiled a new web and mobile application in December 2015 that helps women entrepreneurs from across the world connect to markets.

The SheTrades web and mobile app platforms equip buyers from across the globe with a unique opportunity to connect with women enterprises. They provide a tool for women entrepreneurs to address many gender-specific barriers to trade, and enable women-owned firms to display their products in sectors ranging from agriculture to information technology.

Users from more than 80 countries are registered on the SheTrades app, and there is notably a higher concentration of users in Kenya and Nigeria. This is due, in large measure, to the advocacy efforts of ITC and local partner organizations. The top services selling on the SheTrades platform are information services, telecommunication and computers.

Source: ITC

Advertising through social media

In terms of advertising, there is an increasing use of digital and social media by micro and small-sized firms when compared to medium-sized firms. Seventy-eight percent of medium-sized firms use digital media for advertisement; whereas a full 82% of small and 70% of micro-sized enterprises use this medium.

Social media represents a great opportunity for smaller enterprises, as they can use it to help bypass the traditional costs associated with advertising, all while reaching millions of potential customers. However, as firm size increases, so does their propensity to use traditional forms of advertising, such as leaflets, newspaper, and TV. Seventy-eight percent of medium-sized firms use traditional advertising methods, compared to 59% of small and 50% of micro-sized firms.

Support from trade and investment institutions

TISIs cover a wide variety of associations and institutions that help business to participate in international commerce. Even though the competitiveness of firms is ultimately dependent on the choices firms make, the environment they operate under informs those decisions. TISIs play an important role in setting the norms of any business ecosystem. If TISIs are better able to link to the firms they serve, and provide the services they require, firms will be more competitive both domestically and internationally.

ITC survey findings indicate that the quality of services provided by private and public TISIs is inadequate; only 17% of small enterprises gave strong ratings to the quality of their services. Similarly, the quality of private associations is also a concern for MSMEs in Kenya, where only 28% of small enterprises gave strong ratings for the services they offer.

Technical advisory and consultancy services are scarce for women-owned MSMEs. Although business consultancies are emerging, they are often too costly, especially for potential exporters. Survey findings show a low quality of service provided by domestic trade and business consultancies. Only 40% of small enterprises gave strong ratings to the quality of services provided by domestic business consultancy. Similarly, the quality of domestic trade institutions is also a concern for MSMEs in Kenya, where only 35% of small enterprises gave strong ratings to the quality of their services. Though ratings assigned by MSMEs for domestic business and trade consultancies are better than TISIs, the ratings do not cross 50%, suggesting that the majority of MSMEs are dissatisfied by the services provided by domestic business consultancies.

Addressing bottlenecks for women entrepreneurs

It is important to make the support environment more favourable towards the role of women as entrepreneurs. One of the potential weaknesses in terms of delivering on these policy objectives is the absence of a dedicated focal point on women’s MSME development, such as dedicated public and private trade and support institutions, and business consultancies focusing only on women-owned MSMEs and addressing their specific obstacles in business operations.

As stated earlier, micro-sized firms are not well connected to public and private associations; only 41% and 47% report being well connected with private and public associations, respectively. Furthermore, only 37% of micro-size firms attended domestic trade fairs to display their product, a percentage that drops to 7% for their participation in international trade fairs. Similarly, small-sized firms also report low participation (31%) in international trade fair.

Box 5 SheTrades testimonial: Asilia Safaris

Rose Topisian
Director, Asilia Safaris, Kenya

'In addition to webinars and capacity building, I have received specialized support from ITC tourism experts on how to approach international buyers.

Participating in the world's largest tourism trade fair, ITB Berlin, has helped me take my company to the next level by building brand awareness, developing relations with international buyers and trade contacts, generating new sales leads, developing knowledge on markets and sectors, as well as informing the industry about my company's products and services.

During the ITB trade fair, I had the opportunity to receive support in developing a company and destination profile, and make contacts with at least 18 potential business partners. I was also able to identify new partnership opportunities and new markets, such as India and Turkey, as well as network with other women-led businesses, and engage with companies and partners that offer online marketing platforms.'

Source: ITC

CHAPTER 3 POLICY RECOMMENDATIONS AND ACTIONS

This chapter summarizes key bottlenecks faced by women-owned and led MSMEs in Kenya's services sector, and gives actionable, country-specific policy recommendations to bolster women entrepreneurship in Kenya.

Bringing women-owned enterprises into the formal sector

Key findings

- Even though women have some level of ownership in 48% of firms in Kenya, they have majority ownership in only 9%. Furthermore, women tend to own smaller firms; only 3% of large firms in the country are owned by women.
- Women-owned firms are more likely to operate in the informal sector than men-owned firms. Thus, the disadvantages associated with operating in the informal sector are most often faced by women entrepreneurs.

Recommendations

- The Government of Kenya should consider introducing specific incentives to encourage women-owned MSMEs to register their businesses. This could take the form of tax breaks, capacity-building programmes, reducing the cost of registration, or other benefits.
- TISIs focused on women could be enlisted to help register these firms. In India, for example, the Self-Employed Women's Association successfully registered 3,500 self-employed women.
- The country should continue to focus on improving the education of girls from an early age. Schools can help change attitudes towards women in business, thereby helping to reduce the gender gap present at all levels of business in the country.
- The Kenya National Bureau of Statistics should consider enhancing its collection and reporting of gender-disaggregated data to facilitate more detailed research into the barriers faced by women-owned MSMEs in the country.
- Kenya could help in the creation of standard definitions for women-owned firms to facilitate access to targeted support and markets. ITC defines a women-owned MSME as a company in which women own at least 30% of the invested capital, and is managed day-to-day by women.

Meeting financial requirements

Key findings

- Micro and small-sized women-owned firms in Kenya's services sector cite high interest rates and high collateral requirements as key barriers to getting credit. The interest rates offered often exceed the profit margin of small firms, making the loan unsustainable.
- Women-owned firms are less likely to get a loan than men-owned firms.

Recommendations

- Establishing strong relationships with banks is one of the strongest determinants of whether or not a firm has its loan application approved. Technical support programmes, which build relationships between women entrepreneurs and banks, may be key to unlocking new sources of finance.
- Kenya should reform inheritance law so that in all instances women have equal rights to property. Under some forms of customary law, women in Kenya do not have the same inheritance rights as men. This inequality may make banks reluctant to lend to women, as they may not end up owning property that is put up as collateral in the event of the death of their partner.
- Establishing a central electronic collateral registry can help reduce the costs for banks. Such registries automatically track and verify the ownership of movable asset used as collateral. Recently, Kenya passed the Movable Property Security Rights Act (2017) to encourage the use of movable

property as collateral for credit facilities. This act should enhance the ability of women enterprises to access credit using movable assets.

- Women associations should be involved in the Credit Reference Bureau where women fill in paperwork assessing their credit worthiness. This will allow lenders access to up-to-date information relating to credit worthiness of women-owned MSMEs.
- Kenya currently operates a budget deficit and trade deficit, both of which have had the effect of reducing private sector credit growth. MSMEs are particularly sensitive to worsening credit conditions, which may explain Kenya's relatively low MSME density. Improving Kenya's fiscal situation will be important to addressing these downside risks.

Certification and standards

Key findings

- More than 75% of firms surveyed hold domestic quality certificates for their main product. This percentage falls to around 60% for internationally recognized quality certificates.
- Firms of all sizes rate the effectiveness of certification authorities very poorly. Given that many of the firms surveyed hold a domestically recognized quality certificate, this indicates that their ratings are based on experience.

Recommendations

- Kenya should develop the capacity of its technical infrastructure to meet a variety of international standards. One way the country can encourage such improvements is by harmonising standards with regional neighbours, and signing Mutual Recognition Agreements. Such efforts often force standards authorities to undertake intensive reforms that improve their efficiency.
- Sector associations, as well as trade and investment bodies, are well placed to help firms become compliant with international standards. Sector associations have strong links to companies and can help firms become certified by building awareness of certification options, suggesting new markets for which certification is needed, and representing business interests to public or private technical infrastructure authorities, including standards agencies and testing laboratories. Special women-only trainings may result in more women-owned MSMEs engaging in international trade.

Cost and production requirements

Key findings

- The smaller the firm, the less likely it is to keep track of its costs using proper accounting methods. As a result, returns on investment are often unclear and opportunities for cutting costs remain hidden.
- MSMEs surveyed did not report having effective maintenance strategies in place to deal with equipment breakdowns. Poor maintenance strategies can cripple services firms just as badly as manufacturing companies.

Recommendation

- Capacity-building programmes focused on improving MSMEs' accounting practices (e.g. double entry bookkeeping) can help firms grow and generate employment. The same applies to the development of effective maintenance schedules. For individual firms, ITC offers a comprehensive company assessment tool called SCAN. Under SCAN, an ITC-trained business competitiveness counsellor works with the firm over several days to identify key bottlenecks and jointly create solutions.

Intellectual property requirements

Key findings

- Protection of intellectual property laws is associated with increased innovation.

- MSMEs surveyed report having a poor understanding of IP processes. Less than 15% have a domestically registered patent.

Recommendations

- Increased awareness of the role of patents in business is needed. The government should consider turning Kenya's leading innovators into innovation ambassadors to highlight the role of IP protection for innovation.
- The government should consider deploying public funds to help research institutions, individuals or private sector firms with the patent application process. Such an approach has been credited with increasing the number of patents in South Africa under the Support Programme for Industrial Innovation (SPII, 2013).
- Protecting a firm's intellectual property rights can be expensive. The cost of resolving disputes in Kenya is higher than in neighbouring Uganda or Tanzania. Women-owned businesses are smaller and generate less revenue, and thus are less likely to be able to afford these potentially high court costs. To help women-owned MSMEs access the justice system, procedural costs, as well as the duration of trials, must decrease. Innovative programmes such as mobile courts can help bring the courtroom to women. Furthermore, expanding the scope of work done by paralegals, which tend to be cheaper than certified lawyers, may help reduce costs.

Information and communications technology

Key findings

- Most of the services firms surveyed have a business website; however, they also reported being dissatisfied with the quality of their Internet connection.
- Small firms do not keep up-to-date profile information on their customers.
- MSMEs are more likely to use social media to promote their firms, while larger firms tend to use more traditional forms of advertising.

Recommendations

- The Government of Kenya should continue investing in ICT infrastructure. However, the benefits will be limited if the costs of online access remain high. Small or young firms are often unable to afford the high cost of electricity and Internet, which conspires to keep them small and uncompetitive. The most efficient way to keep costs low is to build a competitive market among Internet service providers.
- Capacity-building programmes that teach firms how to maintain client databases will help women-owned MSMEs more effectively target their customers.

Linkages to institutions

Key findings

- TISIs are rated poorly by women-owned MSMEs in the services sector. Only 17% of firms surveyed judged that TISIs are effective.

Recommendations

- Often TISIs are not cognizant of the gender dimension of doing business, and the specific needs of women-owned MSMEs. Women-focused TISIs should therefore be supported to advocate on behalf of women entrepreneurs, and help address the bottlenecks faced by women-owned firms.
- Trade and investment support institutions should work to expand membership and strengthen the portfolio of services they offer to women-owned MSMEs. Women sometimes lack the confidence to scale up their business or engage in international trade due to cultural norms. Capacity-building programmes aimed at addressing these issues may help.

APPENDIX

For the analysis on comparing women and men-owned enterprises, we use data from the 2013 Business Environment and Enterprise Performance Survey (BEEPS) for Kenya, produced by the World Bank. For our analysis, we retained data for firms in the services sector only. MSMEs are defined as follows: micro enterprises 1–4 employees; small 5–19 employees; and medium 20–99 employees. Only firms with at least one employee are included.

The data enable us to identify the gender of the principal owner of privately held shareholding companies, partnerships and sole proprietorships. Hence, in this paper, we define women-owned firms as the firms that have at least 30% women ownership. There are approximately 107 women-owned firms and 243 men-owned firms in the dataset.

In addition to firm ownership information, there are a host of performance variables for each firm. There is also a set of questions dealing with environmental factors, such as the area of finance, use of mobile money, and use of technology, which may affect the relative performance of men and women-owned business.

For the empirical analysis, we begin with an analytical sample of 350 firms for Kenya. This analytical sample is created as follows: first, from the base data only firms that are operating in the services sector are retained. Next, firms that have missing information on the sex of the principal owner (or owners), on sales, or on the number of permanent employees are dropped.

Productivity of women-owned enterprises

Ln(Y) is the log of sales, and *i* is the index number of the firm in question. The independent variables include sale per worker; number of employees, labour (number of permanent employees), age of firm, three-year sales growth rate, and three-year employee growth rate. Female is a dummy variable equal to one for men-owned MSMEs, or equal to two women-owned MSMEs.

$$lnY_i = a_0 + B_1Saleperworker_i + B_2Noemployees_i + B_3Age_i + B_4Salegrowth_i + B_5Employeegrowth_i + B_6Female_i + \varepsilon_i \quad (1)$$

The estimated coefficient B_6 on F in equation (1) presented in Table 5, indicates that subject to firm size, growth and efficiency, the average women-owned firm performs significantly better than men-owned firms in terms of generating revenue.

Table 5 Productivity regression results

	Coefficient Estimates
Sale per worker	$3.18x10^{-8}$ $(0.76x10^{-8})$***
Age (years)	$1.3x10^{-2}$ $(0.7x10^{-2})$**
Sales Growth Rate	$8.3x10^{-5}$ $(4.1x10^{-5})$*
Employment Growth Rate	$-0.5x10^{-3}$ $(2.8x10^{-3})$
Ln(employees)	0.965 (0.002)***
Woman	0.36 (0.21)*
Number of observations	266
R-Squared	0.54

Note: Robust Standard errors in parentheses. (*) Significant at 10%; (**) Significant at 5%; (***) Significant at 1%
Source: ITC Calculation Based on World Bank Enterprises Surveys Kenya 2013 data

Gender gaps

We perform a two-tailed test separately for men and women-owned MSMEs to investigate if returns to labour are constant (i.e., Ho: B_2 = 1). We then test for decreasing returns to scale, using a one-tailed test

(Table 6 and 7). For all the regions in Kenya we cannot reject the hypothesis of increasing returns to scale (Ho: B_2 ≥ 1). We failed to reject constant to scale for both women and men-owned MSMEs. The results suggest that in Kenya firms are often not operating at optimal scale with respect to employees. We do not have data on capital stock of firms.

Table 6 Women-owned firms one tail test

Variable	Observation	t	Std. Err	Std. Dev	[95% conf. Interval]	
No of employee	84	5.13	0.1635		0.513	1.163
		Ha: mean=1 Pr(T>t)=0.3246		Ha: mean≥1 Pr(T>t)=0.838		

Source: ITC calculations based on World Bank Enterprises Surveys Kenya 2013 data

Table 7 Men-owned firms one tail test

Variable	observation	t	Std. Err	Std. Dev	[95% conf. Interval]	
No of employee	184	10.49	0.0968		0.824	1.206
		Ha: mean=1 P value=0.8762		Ha: mean≥1 P value=0.562		

Source: ITC calculations based on World Bank Enterprises Surveys Kenya 2013 data

Loan applications

Unlike the traditional ordinary least squares estimator, in this case the selection occurs over a binary choice latent variable, so we use a maximum likelihood estimator. The main equation is as follows, where loan equals 1 if the firm obtained a loan in the last fiscal year and 0 otherwise:

$$Prob(Loan_i = 1) = \theta(a + B_1 lnsales_i + B_2 lnemployees_i + B_3 RevenueGrowth_i + B_4 Female_i + B_5 FinancialChecked_i + B_6 Currentloan + \varepsilon_i) \quad (2)$$

Once again, woman is a dummy variable indicating if one of the principal owners is a man; and we have similar firm-specific variables as in equation 1. With the exception to model 1, we have included two more dummy variables. Dummy variable Financial Checked indicates if financial statements of MSMEs are checked and certified by external auditor or not, and second dummy variable Current loan indicates if the firm currently has acquired credit or loan from financial institutions (see Table 8).

Table 8 Marginal effects from Probit model

Loan	Coefficient Estimates
Woman	$-1.3x10^{-2}$ $(3.1x10^{-2})$
Financial Checked	-1.9 $(4.1x10^{-2})$
Observation	60

Source: ITC calculations based on World Bank Enterprises Surveys Kenya 2013 data

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