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Legal Regulatory Framework and the Performance of Women Owned Enterprises in Kenya A Study of Embu County

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Abstract
Micro and Small Scale Enterprises play a major role in strengthening the Kenyan economy. The Sessional Paper No. 2 of 1992 on Small Scale and Jua Kali Development in Kenya focused on the role of Micro and Small Enterprises and stressed the potential of the MSE sector to function as a catalyst of growth for the country's development. The Micro and Small Enterprises and especially those owned by women are a useful tool for Poverty reduction (45%), Promotes Rural Urban balance and stimulate Entrepreneurial spirit and development. Despite their significance, past statistics indicate that three (3) out of five (5) businesses fail within the first few months of operation. The study aimed at determining the influence of Legal and Regulatory Framework on the Performance of Women Owned enterprises. Literature related to the variables of the study was reviewed in relation to Performance of Women Owned Enterprises. The Social Cultural Theory of Entrepreneurship was used in the study. The study employed a cross sectional descriptive research design and employed a positivism philosophy. The study sample size was 260 respondents identified through two stages of probabilistic sampling techniques; stratified and simple random sampling because of the population's homogenous characteristics. Data was collected using structured questionnaire and interview guide. Reliability testing was carried out using Cronbach's Coefficient Alpha test, which was found to be above 0.7, it indicated satisfactory reliability. Descriptive and inferential Analysis was carried out. Inferential Statistics used the simple linear regression model and ANOVA. For the specific objective, the decision to reject or fail to reject the null hypothesis was based on the significance of coefficients ($p < 0.05$) of the variable in the fitted regression. The study found the influence of Legal and Regulatory Framework on firm performance to be insignificant. The findings of this study supports and add knowledge to previous studies on entrepreneurship. The results support the Social Cultural Theory, that entrepreneurship can develop in an environment when its regulation, ethos, philosophies, standards and code of practices permits a variety of choices and where social, political and economic processes and procedures are not rigid and in a situation which encourages the

development of personalities interested with enterprises. The study recommends all stakeholders in entrepreneurship, policy and practice and women entrepreneurs to enhance the application of Legal and Regulatory Framework in the Women Owned Enterprises in Embu County.
Keywords: Taxation, Interest Rates, Government Procedures, Policies and Licencing

Introduction

The key role of MSEs is widely acknowledged as they transverse all segments of the economy and provide many employment opportunities, wealth creation, rural urban balance, production of new products and services, promote utilization of locally available resources and generate a widespread economic benefits. The Sessional Paper No. 2 of 1992 on Small Scale and Jua Kali Development in Kenya (GoK, 1992) focused on the role of Micro and Small Enterprises (MSEs) and stressed the potential of the MSE sector to function as a catalyst of growth for the country's development.
According to the Economic Survey (2006), the sector contributed over 50% of new jobs in the year 2005. The MSEs are a source of employment, competition, economic dynamism and innovation; they stimulate the entrepreneurial process and the diffusion of skills. Due to their widespread geographical presence, MSEs also contribute to a more just distribution of income (Woodie, 2008; OSCE, 2006). According to World Bank, MSEs have such a crucial significance in the development of an economy that they cannot be ignored hence their development need to form one of the objectives of any country (WB, 2002).
A study by Nthuni (2014) stated that the SMEs in Kenya employed 3.2 million people and accounted for 18% of the National GDP. The Sessional Paper No. 2 of 1996 on Industrial Transformation to the Year 2020 (GoK, 1996) also states that recent years have demonstrated the dynamism of the MSE sector in creating employment and providing attractively priced products. It further recognised that it was only through rapid and sustained economic growth that the national wealth can be created and thus increased employment and incomes viable enterprises (WB, 2013; Bowman, 2006; Nthuni, 2014).
Despite their significance, past statistics indicate that three (3) out of five (5) businesses fail within the first few months of operation (Kenya National Bureau of Statistics, 2007).MSEs experience numerous constraints that range from financial (Marlow & Carter, 2004; Fielden & Davidson, 2005), lack of training (Stevenson & St-Onge, 2005; Mutuku et al., 2006), markets for their products (GOK, 2005), regulatory procedures and polices (Kibas, 2006), high interest rates and competition from large and other MSEs (K'Aol, 2008). All these pose a great menace to the existence and the performance of the MSEs. To overcome this challenges in Kenya, the government has since 2007 (Abel & Oketch, 2009) provided economic, Social and political interventions and support to MSEs in Kenya to ensure their smooth start up, growth and sustainability.
The purpose of the study was to determine the influence of Legal Regulatory Framework on the Performance of WOEs in Embu County. The key indicators employed in this study included interest rates, tax rates, policies and procedures and licencing requirements.

Statement of the Research Problem

Micro and Small Enterprises experience a myriad of constraints that range from financial (Marlow & Carter, 2004; Fielden & Davidson, 2005), lack of training (Stevenson & St-Onge, 2005; Mutuku et al., 2006), markets for their products (GOK, 2005), rigorous government policies and regulatory procedures (Kibas, 2006) and competition from large and other MSEs

(K'Aol, 2008). All these pose a great danger to the existence and the performance of the MSEs. One of the biggest obstacles that has been cited in MSEs is access to either start-up or expansion entrepreneurial capital (Abel & Oketch, 2009; Arasi & Garajafary, 2012; Kaur, 2010; Khanka, 2012). Lacking sufficient credit, entrepreneurs are seldom able to take advantage of quantity discounts on new materials, and are unable to extend credit to their customers (Mousavi & Jari, 2012). To overcome this challenges in Kenya, the
Government has since 2007 (Abel & Oketch, 2009) provided interventions and support to MSEs in Kenya, through creating conducive external business environment, such as interest rates, tax rates, policies and procedures and licencing requirements. Despite these interventions the performance of MSEs still leaves a lot to be desired. There remains a gap between what is expected and what is currently happening on the performance of the WOEs. The purpose of the study was to determine the influence of Legal Regulatory Framework on the Performance of WOEs in Embu County.

Objectives of the Study

General Objective

The general objective of the study was to determine the influence of Legal Regulatory Framework on the Performance of Women Owned Enterprises in Kenya.

Specific Objectives

The Specific Objectives were

a. To establish the influence of Licensing Requirements on the Performance of Women Owned Enterprises in Embu County.
b. To determine the influence of Taxation Requirements on the Performance of Women Owned Enterprises in Embu County.
c. To determine the influence of business related Government Procedures and Policies on the Performance of Women Owned Enterprises in Embu County.
d. To establish the influence of Interest Rates on the Performance of Performance of Women Owned Enterprises in Embu County.

Research Questions

The Research Questions were

a. What is the influence of Licensing requirements on the Performance of Women Owned Enterprises in Embu County?
b. What is the influence of Taxation requirements on the Performance of Women Owned Enterprises in Embu County?
c. What is the influence of Government Procedures and Policies on the Performance of Women Owned Enterprises in Embu County?
d. What is the influence of Interest Rates on the Performance of Performance of Women Owned Enterprises in Embu County?

Research Hypothesis

The hypothesis discussed assumed that there are relationships between various research variables after review of literature. The conceptual framework discussed the following hypotheses and the study also described how the hypotheses were tested.

H_{o1}: The Legal Regulatory Framework has no significant influence on the Performance of Women Owned MSEs in Embu County

Conceptual Framework

The study conceptualized that Legal Regulatory Framework impetuses the Performance of Women Owned Enterprises.

The relationship is shown in **Figure 1.**

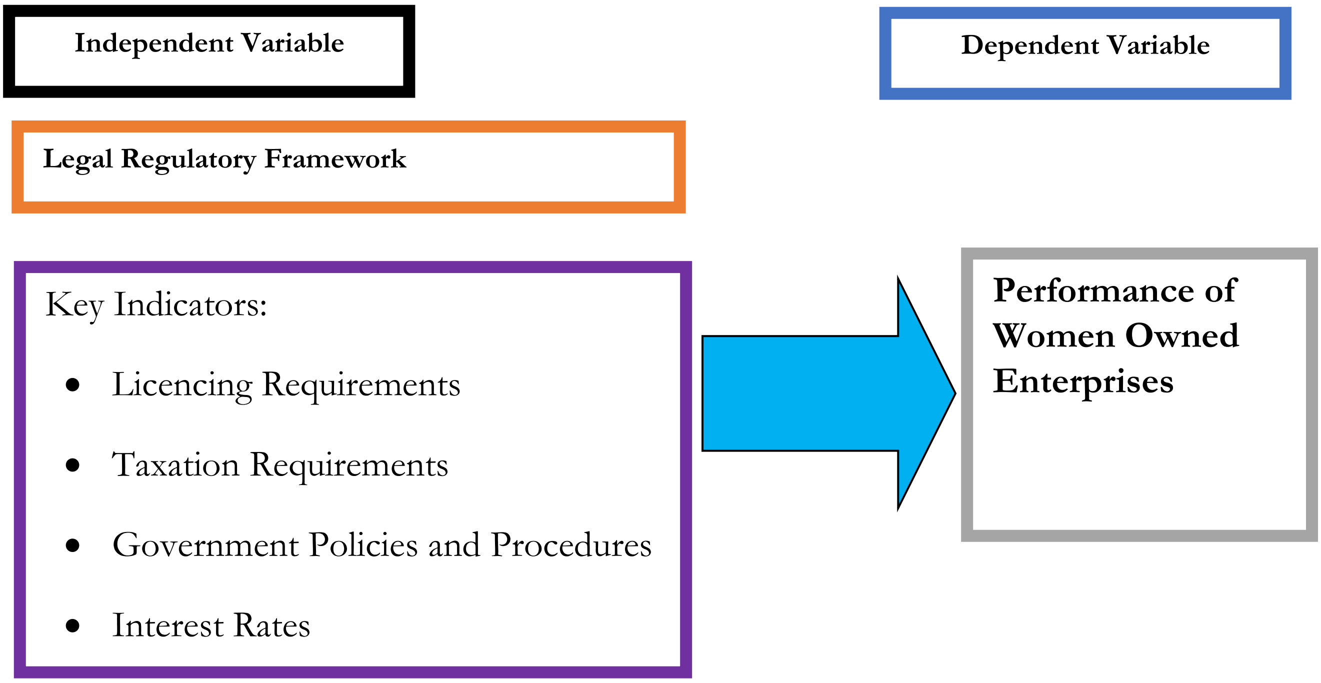

***Figure 1*: Conceptual Model (*Source: Authors, 2022*)**

Literature Review

Empirical Review of Literature

Legal Regulatory Framework and Performance of Women Owned MSEs

The literature review in this section was guided by the study objective: To establish the influence of LRF on the Performance of WOEs. An appropriate Legal Regulatory environment is one of the most important elements in any economic growth strategy which is essential for robust private sector development (Oludele & Kinfack, 2012). Regulation of business activity is a key issue challenging national governments and policy makers (OECD, 2000; Atherton et al., 2008). Regulations refer to a diverse set of instruments by which governments set requirements on enterprises and citizens.

The government has a key role of designing the rules and regulations of the society that allows enterprises and markets to thrive. It puts in place the relevant policies that facilitates and guides various economic transactions and undertakings. There are certain measures and interventions undertaken by National and County governments' bodies which impact Business Performance including Licensing, Taxation, Government Policies and Procedures and Interest Rates (GOK, 2012; GOK, 2013; Amarjit & Biger, 2012; Mwirigi, Mukulu & Karanja, 2011).

Licensing Requirements and Performance of Women Owned MSEs

From a governance perspective, regulatory requirements are key control mechanisms for all business firms and organizations to operate in harmony. Kotler (2006) elucidated that these requirements are mainly composed of legislative controls into which form the basis upon which business firms and organizations operate. Licensing Regulatory requirements have diverse constraints to the success and sustainability of MSEs development (Kauffmann, 2007) and although wide-ranging structural reforms have led to some improvements, prospects for enterprise development remain to be addressed at the firm level. Licensing and registration requirements, as well as high cost of settling legal claims, and excessive delays in court proceedings adversely affect MSEs operations (Wanjohi & Mugure, 2008).

The Licensing procedures adversely influence the businesses of disadvantaged groups such as women and PWDs, however, they are expected to formalize their businesses through officially registering their ventures before accessing government services such as the Access to Government Procurement Opportunities (AGPO) Program.

To be eligible, the business entities must pass a two-tiered registration process consisting of business registration with Attorney General Office or relevant County Office and with the AGPO Program at Treasury.

The Attorney Generals office registers business entities as; sole proprietorship, registered company, or partnership with disadvantaged groups invested capital/share ownership of at least 70%. The other statutory documents that should also be acquired and made available for a business to qualify are Business Regis

tration Certificate or Certificate of Incorporation, Partnership Deed for businesses registered as Partnership, Personal Identification Number (PIN), Value Added Tax and Tax Compliance Certificates, Memorandum of Association for Registered Companies, a letter/certificate from authorized technical/professional/regulatory body such as the National Construction Authority for those tendering for Public Works and Energy Regulatory Commission for those supplying energy/fuel product (Republic of Kenya, 2015).

Registration with the AGPO office at Treasury ensures that the business is among those prequalified to make procurement bids under the AGPO Program. It is vital to appreciate that while these pre-conditions may seem straight forward to most business enterprises, the disadvantaged groups are not particularly endowed with adequate capacity, especially financial and awareness capacity to for instance meet the modest registration fees required to obtain a business/technical registration certificate. Given most of them are based in rural and per-urban areas means they rarely comply with the necessary annual returns with Kenya Revenue Authority or other statutory bodies (Akwalu, 2014).

The problem of regulation for business owners involves the diversion of scarce resources away from productive, profit generating activities and towards the discovery, understanding of and compliance with regulations. Regulations have an impact on market signals, reduces the rewards of business ownership, disincentives, market entry, innovation and business growth, all of which leads to a sub optimal level of economic activity from which business, workers and consumers suffer. Though regulations may not constitute much of a problem, their cumulative effect is highly problematic for small firm’s owners, (Harris, 2002; Edward et al., 2003). MSEs are less resilient to regulatory shocks, miscalculations and uncertainties; they lack regulation specialists, large costs of administration of taxes as well as regulatory burdens. They need the assistance of the government to comply with the regulations. Many MSEs around the world have little knowledge about the regulations applicable to their economic sectors and which agencies are responsible for regulating them. The sector in Kenya can be considered to be an open system. The system comprises of the MSEs, suppliers and customers. The system is however, governed by various regulations which include licensing. If not carefully formulated, licensing related polices can negatively affect the performance of SMEs.

The complexities of legislations may further confuse matters and deter businesses from fully grasping their implications (Stuart, 2002; Odd-Helge et al., 2006), regulation enforcement rigid, inconsistent and there is not enough inspection by regulators and high cases of corruption. Jones and Tilley (2003); Simpson and Docherty (2004) as quoted by Boysana and Ladzani (2011) stated that small businesses in South Africa do not operate properly because their owners lack information about the registration of their businesses. This information, they felt should be provided by the government.

Taxation Requirements and Performance of Women Owned MSEs

The Tax systems play an imperative role in boosting growth, investment and innovation and facilitating local, international trade and mobility. For MSEs key considerations are to minimize administrative burden while ensuring compliance, including considering the drivers and impacts of operating in the informal economy (Reijonen & Komppula, 2007).

Bowen et al (2009) indicated that taxes are perceived to be a major problem for both young and old firms. Therefore, taxation has an influence towards impacting adversely on performance of MSEs. The findings indicated that majority of the respondents perceive the adverse impact of existing tax policies on the growth of SMEs and suggest for reforming the tax policies in the Country.

A study by Mbugua and Makori (2016) established that High tax rates, Tax complicity, Tax compliance and Bureaucratic procedures influenced the performance of MSEs in Kiambu County in Kenya. High tax rates and tax complicity discourage the growth of SMEs (Oludele & Emilie, 2012). This has the economic impact to the growth of the economy in the given country. From economic point of view, taxes increase production cost of goods and services which would eventually lead to higher price of goods and services to the final consumers. On the other hand, the revenue collected from taxes represents the major funding source for governmental expenditures (Baurer, 2005). A study conducted in Nigeria by Adebisi and Gbegi (2013) on the effect of multiple taxation on the performance of small and medium scale business enterprises in West African Ceremics Ajeokuta, Kogi State, revealed that multiple taxation had negative effect on SMEs' performance and the relationship between SMEs' size and its ability to pay taxes was significant. Additionally, in a study conducted by Ocheni (2015) on the impact analysis of tax policy and the performance of small and medium scale enterprises in Nigerian, indicated that majority of the respondents perceived the adverse impact of existing tax policies on the growth of SMEs and advocated for the need to reform the tax policies in the Country.

A study conducted by Kristiansen (2010) covering tailors and furniture makers in Tanga Region/Province designated that there were ethical issues involved to get out of tax and license duties that was common in the Tanzanian system thus undermining government revenues. Taxes are considered to be very prohibitive and the general feeling among small entrepreneurs is that they see no benefits from their payment according to this study.

It has further been established that the licensing practices have demonstrated that the law does not discriminate against those small firms which are unable to meet set standards prescribed by the government to discriminate against small businesses. Further, business licenses are too costly and most of the business codes prescribed cannot be attained by small businesses. This fact was further highlighted by Harper when he noted that, the restrictions that apply to large scale businesses were also applied to small businesses and disposed to impede the small ones (Nichter & Goldmark, 2009).

Government Policies and Procedures on Performance of Women Owned MSEs

In Kenya, the Sessional Paper No 2 of 2005 on Development of Small and Medium enterprises for Wealth and Employment Creation for Poverty Reduction ("Sessional Paper No. 2 of 2005") is considered as the endorsed policy framework of SMEs. This policy paper was envisioned to form the foundation for endorsing the SME Act to institutionalize SME Policy in Kenya. The SME Act would provide strategic direction on issues relating to: the legal and regulatory environment, markets and marketing, business linkages, the tax regime, skills and technology and financial services. The Kenya Constitution 2010 and the Micro and Small Enterprise Act 2012 provided an opening through which the advancement of SMEs was realized through the devolved System of Government. However, the impact of devolution of SMEs development depends on the architecture of the regulatory and institutional framework inclined to support SMEs in an economy. A study by Mazzarol and Choo (2003) observed that governments that were committed towards the promotion of small enterprises needed to examine the impact of its policies and procedures on the small businesses. It was reported by Lumpkin and Dess (2001) that government regulation about taxation, remunerations, licensing and others are among the important reasons why the informal sector business develops. Without vigilant consideration, government policies and procedures could adversely affect the performance of small business sector in any economy.

Interest Rates and Performance of Women Owned Enterprises

The Small and Micro Enterprises operate in both an internal and external environment which impacts the success and growth of the business. Specifically, if the economic environment of the business is healthy and prosperous then it has a strong positive bearing on the business. Economic dynamics such as interest rates on money borrowed from financial institutions can support or inhibit the progress of the business. An interest rate is expressed as a percentage that describes the amount a lender charges the borrower to get access to capital. Once any entrepreneur understands the context for running the business, adjustment of interest rate moves to shield businesses from undesirable effects and take advantage of positive ones. Interest rates can be a signal to either expand business or pull it back. It has been found out that when interest rates charged by banks rise, the implication of this to the business is that the entrepreneur has to use more of his earnings to pay interest on loans and by so doing this decreases business profitability (Mbugua & Makori,2016). This could have further business implications such as failure by the business owner to start new projects or expand the business during the period of high interest rates which hampers the advancement of the business. High interest rates affect small businesses that most likely operate with limited cash flow. Small business owners must set aside more money to be able to repay any loans and debt which reduces the income available of the business.

On the other hand, when interest rates remain low, businesses can borrow more readily. This assists in funding growth and increased prospect because businesses are able to earn more and to fulfill other business obligations and increased profitability. When interest rates rise, consumers have less discretionary income (WEF Report, 2013). This means that their ability to buy products and services are reduced so businesses suffer from a decrease in sales implying that this may also affect the ability of the entrepreneurial venture to buy new products and services. The funds accumulated through the savings earned as a result of low interest rate, businesses can invest their excess cash in interest-bearing accounts to make more money. During periods of high interest rates, businesses earn more from these investments. Business are more likely to use their cash for new equipment and plant

improvements. While this can be good for equipment sellers and construction firms, banks lose out. Banks make their money from providing loans. When business investments are not readily available to boost their assets, entrepreneurs are incapable of making as much money because they have less to loan out.
Interest rates not only affect loan payments but also have an impact on the business ability to secure funding. The interest rate fluctuates depending on the current economic conditions. When the economy is strong, interest rates will be high, meaning that loans will be more expensive to take out. When the interest rates are low for too long, banks tend to be more selective on the entrepreneurs to approve for a business loan.
The study by further established that high tax rates, tax complicity, tax compliance and bureaucratic tax payment procedures influence the performance of SMEs businesses. The study also established that licensing requirements, licensing procedure and business registration influences the performance of SMEs in Kiambu County.
In a study by Mbugua and Makori (2016) revealed that financing procedures, financing requirements for capital financing, amount obtained, duration of payment and interest rates influence the performance of small and medium enterprises to a great extent. The study recommends that the County government of Kiambu should develop a system for tax payment so as to enhance efficiency in tax collection and payment. In addition, the County government of Kiambu should streamline the licensing procedure and reduce the licensing requirements.

Theoretical Framework

Social Cultural Theory of Entrepreneurship

The study was founded on the Social Cultural Theory of Entrepreneurship. The theory was propounded by Hoselitz (1964) on the assumption that certain persons are endowed with creative power in any cultural or social group and they develop different attitudes while practicing social conduct. Entrepreneurial Culture can develop in an environment when its regulation, ethos, philosophies, standards and code of practices permits a variety of choices and where social, political and economic processes and procedures are not rigid and in a situation which encourages the development of personalities interested with enterprises.
Entrepreneurship can be developed in a society in which cultural norms permit variability in the choice of paths of life and in which the relevant processes of socialization of the individual are not so completely standardized. The entrepreneurs develop their attitudes in the direction of productivity and creative integration. The advocate of the social cultural theory points out that entrepreneurship is a product of culture or way of life (Mohanty, 2005). Entrepreneurial talents come from cultural values and cultural systems embedded into the social - cultural, economic and political environment. The theory holds that entrepreneurship is bound to get a boost in a particular social - cultural, economic and political environment. The society's values, religious beliefs, customs, taboos influence the behaviour of individuals in a society. The individual in this case plays the role of a performer according to the role expectations of the society.
The type of socialization that members go through in the society influences their understanding and interpretation of the existing Legal and Regulatory Framework. Societies are made up of networks, ethos and regulations (Stokes et al., 2010) and business activities occur and are embedded in relationships between people. Each society is made up of actors communicating and partnering with one another and operating individually and in groups to create value. Granovetter (1992), as quoted by Stokes et al (2010) argued that economic

activity can be understood only by seeing it within the social, economic and political context of individuals and organisations connected by a variety of ties.

Entrepreneurial Model of Growth

A number of growth models have been developed (Greiner, 1972; Churchill & Lewis, 1983; Scott & Bruce, 1987; Stokes & Wilson, 2006; Kuriloff et al., 1999) to describe the needs and characteristics of MSEs at various stages of development. The life cycle approach also referred to as descriptive (Dobbs & Hamilton, 2007), though criticised by certain authors Storey (1994) and Garnsey (1998) has been used in a number of empirical studies to explain the performance of enterprises at various stages (Miller & Friesen, 1984; Kazanjian, 1988). Needs vary as small businesses advance or evolve (Liedholm, 1993; Kuriloff, Hemphill & Cloud, 1999; World Bank, 1994).

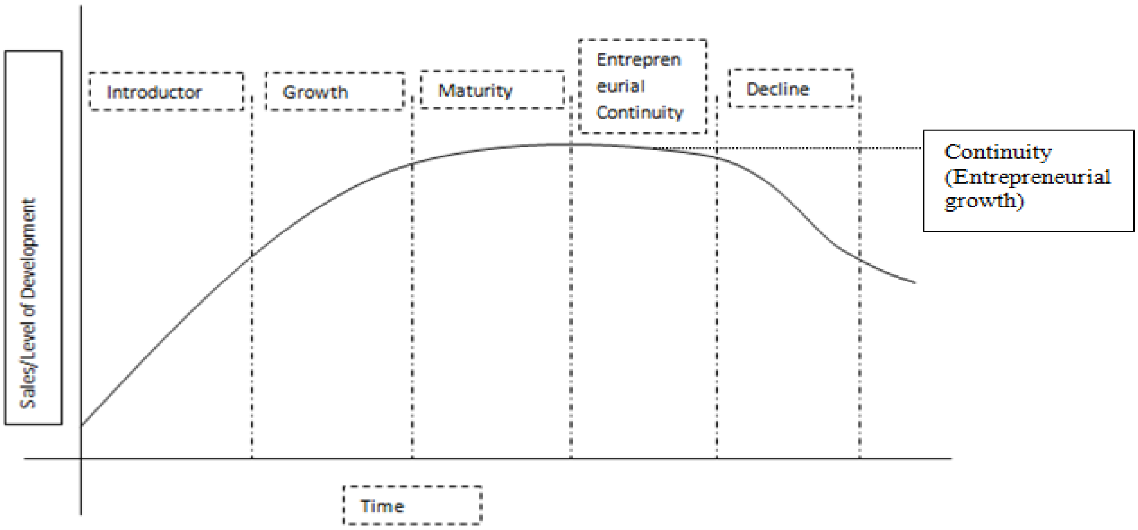

Figure 2 : Needs and Characteristics of a Small Business at Different Stages
(Source: Kuriloff et al., 1999)

For the purpose of this study, Kuriloff et al (1999) growth model was used as a reference for the growth and performance of enterprises as indicated in Figure 2. Their approach is analogous to lifecycle approaches to products, implying introductory stage, following growth, maturity, entrepreneurial continuity and eventually decline. Each stage has its challenges that can be approached in different ways. The implication of such an approach is that performance of an enterprise should be linked to the age of the firm.

The Introductory Stage*:* This is the stage when the market is very small and the production costs and start-up expenses are high. The aim of the enterprise at this stage is to stay alive. At this stage, the entrepreneur needs seed money for rent, supplies, inventory, equipment, wages, advertising, licences and fees and other expenses associated adherence to government procedures and policies while starting a business. These activities typically demand an aggressive entrepreneurial strategy with maximum efforts devoted to launching the venture. The stage is similar to Chandler’s description of the rationalization of the use of resources.

This is an exciting period marked by clumsiness and a high potential for failure. The pricing is experimental and in some cases, competition has not developed in the area. There are few customers ready to buy the product or service, therefore, the customer must be educated about or be made aware of the product or service. The source of finance during the introductory stage includes personal resources, wealthy investors and friends and relatives. Friends, family members and capacity building institutions play an important role in this stage of proving social capital to the entrepreneur. The stage is typified by strategic and operational planning steps designed to identify the firm's competitive advantage and uncover funding sources. Marketing and financial considerations tend to be paramount during this stage (Kuratko, 2009).

The Growth Stage; This is the second stage when the business requires additional financing for business expansion - the hiring of full time sales personnel, buying advertising, building new production facilities or investing in new product development. By this time, the business will have developed its products/services successfully, marketed what the business offers and generated respectable sales revenue. The market expands rapidly and competition emerges. Several alternatives exist for acquiring growth enabling funds.

The source of finance at this stage includes suppliers, commercial banks, hire purchase, venture capital firms, trade discounts, lease and small business loans. At this stage the entrepreneurial venture risk the danger of fluctuating interest rates that may adversely affect the performance of the business. The major sources of social capital and networks at this stage include professional advisors, mentors, staff, suppliers/distributors, family and friends. The challenges in this stage require the entrepreneur to develop a different set of skills while maintaining an entrepreneurial perspective (Kuratko, 2009; Allen, 2010). The stage is a transition from entrepreneurial one-person leadership to managerial team oriented leadership.

The Maturity Stage: During this stage, the number of customer's peak, so new customers are taken from competitors instead of the expanding markets (Kiunga, 2009). Design concentrates on lowering costs rather than improving products. In this stage, competition becomes severe and the enterprise has to comply to government policies and procedures, increase advertising and lower prices to keep customers.

The Entrepreneurial Continuity: At this stage the business has stabilized and established its competitive edge in the market. The entrepreneurs need to be innovative (Kiunga, 2009; Kuratko, 2009; Maragia, 2008) and embrace broader networks and entrepreneurial Strategic Partnerships to continuously remain relevant in the market (Bwisa, 2011).

The Decline Stage: Firms that fail to innovate will die (Kuratko, 2009; Stokes, Wilson & Mador, 2010). This stage exists when competition is very intense and sales fall off because new products have replaced the old ones, or the need for the product has disappeared. At this stage, all research and development has stopped and advertising disappears, price wars continue which result in deep discounting. Eventually, the business abandons the product altogether. Financially successful enterprises often will try to acquire other innovative firms (Drucker, 2007; Kuratko, 2009) thereby ensuring their growth. Many firms will also work on new products/service development to complement current offerings, cut costs, and redesign the business plan or obtain personnel capable of managing the expansion or shift to maturity activities (Kiunga, 2009; Maragia, 2008).

All of a venture life cycle stages are important points and each require a different set of strategies. Such model has limitations as growth is rarely smooth and does not necessarily take place in the order of the model; many enterprises reach a stable size and never grow out of this phase. (Stokes et al., 2010). The Performance of an enterprise is influenced by the entrepreneur, the enterprise, the management strategy and the external business environment such as the Legal and Regulatory Framework.

The Research Gap
The existing body of knowledge was not sufficient to show relationship between the Independent Variable; Legal Regulatory Framework and Dependent Variable; Performance of Women Owned Enterprises. The literature reviewed generally outlined the Internal and external environmental factors influencing Performance of Women Owned Enterprises and especially Small and Micro Enterprises. The literature laid little emphasis on the Licensing and Taxation requirements, Government Policies and Procedures and Interest rates and how these factors imparted on the behaviour WOEs. This study sought to fill the research gap by exploring the influence of Legal Regulatory Framework on the Performance of Women Owned Enterprises in Embu County.

Research Methodology
The purpose of this study was to determine the influence of Legal Regulatory Framework on the Performance of Women Owned Enterprises in Kenya. To achieve this, the study undertook a Survey Research Design which was Cross-Sectional in nature, also known as statistical research which answers research questions like who, what, where, when and how (Jacobs, 2009; Bryman & Bell, 2011). The Cross -Sectional Study Design or Status Studies was employed to describe the nature of a situation, as it exists at the time of the study and to explore the cause/s of particular phenomena (Leary, 2001, Ranjit, 2009). The design was found useful in obtaining an overall picture as it stood at the time of the study. The study was Cross -Sectional with regard to both the study population and the time of the investigation. This enabled the researcher to prove the already outlined hypothesis on how the LRF influenced the Performance of Women Owned MSEs.
The study took a positivism philosophy where data was collected using quantitative approach and questionnaires. Research hypothesis were formulated and subjected to testing during the research process to prove them right or wrong. This enabled gathering of reliable data which is a requirement for scientific methods to ensure measurability (Newman & Benz, 1998; Bryman & Bell, 2011). It allowed the use of statistical analysis of the ANOVA which is not possible for phenomenology approach where only descriptive analysis can be carried out.
The study used questionnaires to collect data. The questionnaire had closed-ended and open-ended questions. The closed-ended questions made use of a five-point Likert scale where respondents were required to fill according to their level of agreement with the statements. Many researchers prefer to use a Likert-type scale because it's very easy to analyze statistically (Jackson, 2009).
Descriptive statistics such as frequencies and percentages were used to Analyze the data. Pearson correlation coefficient was used to measure the strength and direction of the relationship between the dependent variable and independent variable. Correlation technique allowed the researchers to analyze the degree and direction of the relationship between the dependent variable and the independent variable.

The Scope of the Study
The study was carried out in Embu County which is one of the Forty-Seven (47) Counties in Kenya (COK, 2010). The Embu County Government is divided into four (4) sub counties, namely Mbeere North, Mbeere South, Manyatta and Runyenjes. The main variables that the study focused on included; Legal and Regulatory Framework and Performance of Women Owned Enterprises. To achieve the objectives of the study, research questions and hypotheses were developed. The main statistical model that was used for this study was the multiple linear

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regression models. For each objective, the decision to reject or fail to reject the null hypothesis was based on the significance of coefficients ($p < 0.05$) of the related variables in the fitted regression. The study targeted a total of seven hundred and sixty-five (765) WEF Loan beneficiaries in Embu and especially those that had taken the loan more than once as shown in Table 1.

Table 1
Geographical Scope

	Constituency / Sub County	2nd Time Borrowers	3rd Time Borrowers	Total 2nd and 3rd Borrowers	Proportional Allocation (Sample size)	Stratum Percentage (%)
1	Mbeere North	120	0	120	39	15
2	Manyatta	360	15	375	122	47
3	Runyenjes	210	15	225	74	28
4	Mbeere South	75	0	75	25	10
	Total	765	30	795	260	100%

Source: WEF 2013 (Eastern Region WEF Report)

To determine the proportionate allocation for each Sub County the computation was carried out as stated: the first step was to determine the total number of the 1st and 2nd borrowers' for each Sub County, second step was to calculate the total number of the 1st and 2nd borrowers in the Four Sub Counties and lastly was to compute the proportionate allocation which was the total of 1st and 2nd borrower for each Sub County divide by total of 1st and 2nd borrowers in the entire Embu County multiply by total of proportionate allocation for the entire County. For example, for Manyatta Sub County the computation was: 120/795=0.15*260=39.This computation formula was used to determine the proportionate for Runyenjes, Mbeere North and Mbeere South Sub Counties respectively.

This study used two (2) stages of probabilistic sampling techniques because of the population's homogenous characteristics (Kothari, 2004). The first stage involved stratified Random sampling technique where population was stratified into four (4) different Constituencies where the respondents came from to ensure the four (4) Constituencies are equally represented. The proportion size of each Constituency was arrived at using proportional allocation as shown in Table 2 the number of elements from each stratum in relation to its proportion in the total population was selected using proportionate stratified sampling procedure (Ranjit, 2009). Simple Random Sampling was employed in the second stage to ensure that all get equal chances to be selected with no specific order (Kothari, 2004; Mwituria, 2012).

Table 2
Calculated Proportional Allocation

No.	Sub County	Proportional Allocation (calculated)	Total
1.	Mbeere North	260(120/795) =260*0.15	**39**
2.	Manyatta	260(375/795)=260*0.47	**123**
3.	Runyenjes	260(225/795)=260*0.28	**73**
4.	Mbeere South	260(75/795)=260*0.09	**25**
	TOTAL	**260**	

(Source: Authors, 2022)

The study used three (3) methods to collect data to ensure both primary and secondary data were collected that is questionnaires, interview schedules and Review of secondary data.

The Operationalization of the Variables

The main tool of data collection was the questionnaire which was physically checked for consistency and reliability of the responses. All the questionnaires were organised according to the four (4) Sub Counties of Embu County (Mbeere North, Mbeere South, Runyenjes and Manyatta) and had serial numbers which ensured that no questionnaire was entered twice. The responses in the questionnaire were rated on a scale of 1-5, where 1 represented strongly disagree and 5, strongly agree.

For positively stated items the scale went from 1(Strongly Disagree) to 5(Strongly agree). For negatively stated items the scale went from 1(Strongly agree) to 5(Strongly disagree). In this study, a mean of 3.40 to 5 was considered to be good, and between 2.60 and 3.40 was considered to be moderate while that of below 1.80 showed that a particular dimension had not been applied to a great extent. The data had a few missing cases which were cleaned and edited, this was mainly observed as concerning the year the business was started. However, this did not affect the results of the study. As such Table 3, indicates how the study variables were operationalized and their corresponding sections on the questionnaire.

Table 3
Operationalization of the Variables

Variable	Indicators	Questionnaire
Dependent Variable Performance of Women Owned MSEs	• Net profit • Cash flow stability • Sales Volume • The number of Employees • Assets Acquisition • Market Share • Sales Growth Rate	Section 1
Independent Variable Legal and Regulatory Framework (LRF)	• Licencing Requirements • Taxation Requirements • Government Policies and Procedures • Interest Rates	Section 2

(Source: Authors, 2022)

Descriptive Analysis of Legal Regulatory Framework on the Performance of WO MSEs

The objective of the study was to establish the influence of Legal Regulatory Framework on the performance of WOEs in Kenya. Various indicators of existence of Legal Regulatory Framework in the firms were applied. These included; licences, taxes and government policies Respondents commented on their extent of agreement on these undertakings presented to them on a Likert scale where: (5) presents strongly agree; (4) agree; (3) neutral; (2) disagree; (1) strongly disagree. A higher standard deviation was an indication of higher variation, while a standard deviation of less than one (1) indicated less variation. For the purpose of this study, a mean score of above 4.2 implied that a particular Legal Regulatory Framework dimension was applied to a great extent. A mean of between 2.60 and 3.40 was considered to be moderate while that of below 1.80 showed that, that Legal Regulatory Framework dimension had not been applied to a great extent. The outcomes are as shown in Table 4.

It was observed that WOEs operates within a regulated environment impacted by law provisions and various regional regulations. The government has a special role to play towards creating policies and a conductive legal and regulatory environment that promotes growth of WOEs (Nteere, 2012).

Table 4
Legal and Regulatory Framework

Statements on Legal and Regulatory Framework	**Percentages (%)**					**Mean**	**Standard Deviation**
	S A	**A**	**N**	**D**	**S D**		
Bureaucratic Procedures	54.2	28.8	5.0	9.2	2.7	4.23	1.076
Many Licences required	28.8	51.9	12.3	3.5	3.5	3.99	.930
High Taxes levied	48.5	32.7	15.0	2.3	1.5	4.24	.900
Government cushions MSEs from Imports	25.4	45.8	21.9	6.2	0.8	3.89	.883
Inhibitive government policies	33.8	40.8	24.2	0.4	0.8	4.07	.815
Repayment period Increased	70.4	28.8	0.4	0.4	0.0	4.69	.495
Interest Rates increased	0.4	0.4	0.4	27.7	71.2	1.31	.541

n=260 SA-Strongly Agree, A-Agree, N- Neutral, D-Disagree, SD Strongly Disagree

It was observed that the respondents agreed that: the long procedures in getting business licences always negatively affected the Business Performance (83%); there were many Licences required for business operations (81%); there are high taxes levied to the MSEs (81%); government cushions MSEs from imports (71%); there are inhibitive government policies on MSEs funding (74%); and repayment period of loans should be increased (99%). The study established that the interest rate charged by borrowing institutions and tax levied on entrepreneurs were not reasonable. On other legal regulatory factors that promote performance of WOEs, 65(25%) indicated that there was need to have favourable regulatory framework that would make the businesses to thrive.
A further examination of the mean indicated a mean score of 1.31 and a standard deviation of 0.541 that majority of the respondents disagreed that the loan interest should be increased. Concerning the taxes levied on Small business a mean of 4.24 and standard deviation of 0.900 was noted indicating that the women entrepreneurs perceived there were high taxes imposed on businesses by the government which eventually negatively affected the day to day performance of the businesses. A study by Harris (2002); Edward et al (2003) confirmed that women entrepreneurs in MSEs divert the scarce business resources away from productive, profit generating activities and towards the discovery, understanding of and compliance with regulations. Women entrepreneurs faced many challenges which were attributed to high taxes and lack of comprehensive framework in terms of policies towards the development of the MSEs Sector.

Inferential statistics for Legal and Regulatory Framework on Performance of WO MSEs
H_{03}: *The Legal Regulatory Framework has no significant influence on the Performance of Women Owned* MSEs in Embu County.
A simple linear regression model was used to determine the relationship between Legal and Regulatory Framework (independent variable), and Performance of Women Owned MSEs (dependent variable). This provided the output of the model summary, ANOVA and regression coefficients.

Table 5
Legal Regulatory Framework Model Summary

Model	R	R Square	Adjusted R Square	Standard Error of the Estimate
1	.091[a]	.008	.004	.17348

a. Predictors: (Constant), Legal and Regulatory Framework (LRF)

Legal and Regulatory Framework was regressed on Performance and the model was found to be significant (F(1,258)=2.154, p=0.043) as shown in Table 5 with a goodness of fit of 0.8% (R square =0.008) as shown in Table 4. This shows that 0.8% of the variation in performance is accounted for by Legal and Regulatory Framework.

Table 6
Legal Regulatory Framework ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig. *(p value)*
1	Regression	.065	1	.065	2.154	.043[a]
	Residual	7.765	258	.030		
	Total	7.829	259			

a. Predictors: (Constant), LRF
b. Dependent Variable: Performance of Women Owned Enterprises

The fitted regression model was Performance= 0.037LRF +2.346 as observed in Table 7, which implies that one-unit increase in Legal and Regulatory Framework index increases Performance by 0.037 units.

Table 7
Legal Regulatory Framework and Performance Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig. *(p value)*
		B	Standard Error	Beta		
1	(Constant)	2.346	.011		218.012	.000
	LRF	.037	.025	.091	1.468	.143

a. Dependent Variable: Performance of Women Owned Enterprises

*Therefore, the study **FAILS TO REJECT** the null hypothesis that "the Legal and Regulatory Framework has no significant influence on the Performance of Women Owned MSEs in Embu County",*

Discussion of Findings for Legal Regulatory Framework on the Performance of WO MSEs

This section discusses the research findings based on the study objective that focused on establishing the influence of Legal Regulatory Framework on the Performance of Women Owned Enterprises in Embu County.

The study found that women Enterprises operate within a certain Legal and Regulatory environment. The study observed that: there were bureaucratic procedures in getting Trade

Licences; many Licences were required for business operations; there were high taxes levied to the MSEs; government cushioned MSEs from imports; there were inhibitive government policies on MSEs funding and the repayment period of loans was too short.
This is in line with Helms and Reille (2004) argument that the existence of a comprehensive framework in terms of policies that can support MSEs development and private sector involvement in critical services is needed as it promotes firm performance. However, experts in business belief that the nature of the regulation burden may affect the MSE competitiveness and productivity. The opponents of the regulation argue that it restricts business start-up, impedes successful performance and growth and contributes to business failure, (Amarjit & Biger, 2012; Mwirigib et al., 2011). It has been shown that there is a higher Micro and Small Enterprises start up rate if Legal and Regulatory constraints are eased (Maragia, 2008). The Kenyan MSEs experience attributes closure of business to legal regulatory and fiscal problems. The government regulates and controls economic activities leaving no room for MSEs to flourish and innovate.
It takes at least two months to obtain a business licence and to meet all obligations required to be compliant, (Maragia, 2008). Indirectly, the Legal and Regulatory Framework contributes to firm closure through lack of access to credit, raw materials, and operating capital.
These findings are also consistent with a World Bank Report that women entrepreneurs are affected by bureaucracy and red tape, lack of government supply –supporting programs, complexity of trade documentation including packaging and labelling, unfavourable legal and regulatory environment and in some cases, discriminatory regulatory practices.
The inferential statistics in this study indicated that when Legal and Regulatory Framework was regressed on Performance, the model was found to be significant ($F(1,258)=2.154$, $p=0.043$) as shown in Table 6 with a goodness of fit of 0.8% (R square =0.008) as shown in Table 4.

Summary, Conclusion and Recommendations
Summary
The study collected data from Women Owned MSEs in Embu County, Kenya, to realize an adequate and representative response rate of 100%. The respondents were Women Owned MSEs where women were mainly involved in running the business within the target four (4) Sub Counties of Embu County, Kenya. The study found that the respondents were mostly within the age bracket of above 41 years (75%) with very few of them being within the youthful age of below 40 years (25%), an indication of the low involvement of the youths in MSEs. Most of these were observed to have secondary or certificate levels of education. Most of these businesses were reported to be 5-10 years in age.
Most of these loans acquired were used in the business though a substantial amount was observed to be diverted to other uses. The loans received within the women MSEs were used to fund: marketing of their products; increasing customers; training; product diversification; increasing assets; creating networks and more products and services. This confirms the views posited by Halkias et al., 2011, that the proceeds from WEF loan assist business projects with a direct impact on the quality of business undertakings they offer.
The study established the influence of Legal Regulatory Framework on the Performance of Women Owned Enterprises in Embu County. The study explored the critical role that the government was playing in designing the rules and regulations of the society that allows enterprises and markets to thrive. The study found out that the relevant policies that facilitates and guides various economic transactions and undertakings had been put in place.

This referred to all measures and interventions undertaken by National and County governments bodies which affected Business Performance including taxation, interest rates, licencing and business related policies (GOK, 2012; GOK, 2013; Amarjit & Biger, 2012; Mwirigi et al., 2011). The study showed that regulations were necessary in providing suitable trading conditions and developing levels of business trust which could benefit the MSEs Development, (Atherton et al., 2008, Walter & Smallbone, 2006). The problem of regulation for business owners was found to involve the diversion of scarce resources away from productive, profit generating activities and towards the discovery, understanding of and compliance with regulations.
The descriptive analysis revealed that: there were bureaucratic procedures in getting Trade Licences (83%); there were many Licences required for business operations (81%); high taxes were levied to the MSEs (81%); government cushions MSEs from imports (71%); there were inhibitive government policies on MSEs funding (74%); and the repayment period of loan should be increased (99%).
From the goodness of fit analysis presented, it was observed that Performance had a coefficient index of 0.037 when regressed against Legal and Regulatory Framework. This is an indication that there was a relationship between the Performance of Women Owned Enterprises and the Legal and Regulatory Framework. This was further confirmed by a coefficient of determination of 0.011 observed in the model, an indication that Legal and Regulatory Framework had the ability to explain 1.1% of the variability in Performance of Women Owned Enterprises in Embu County.

Conclusion
The study found that the influence of Legal and Regulatory Framework on Firm Performance was not significant. It was observed that Legal and Regulatory Framework for Women Owned MSEs have a little impact on the Business Performance. This led to the conclusion that Legal and Regulatory Framework has a positive influence on Performance. Regulation of business activity is a key issue confronting national governments and policy makers. Most policy makers view them to have both positive (Oludele & Kinfack, 2012) or negative impact (Mwirigi et al., 2011) on the performance of the institutions. In line with the study findings, Harris (2002) posited that the Legal and Regulatory Framework have a positive impact on firm performance when it is created in a way that it supports the development of a sector. Therefore, for women MSEs to be affected positively by Legal and Regulatory Framework, the government creates a supportive regulatory environment.

Recommendations
From the findings, the study found that the Legal and Regulatory Framework for Women Owned MSEs was supportive to their operations hence positively impacts performance of Women Owned MSEs. From these findings, the study recommends that:

a. The Legal and Regulatory Framework ought to be seamlessly improved by the National and County Governments through enhancement of a conducive business working environment for WOEs especially in relation to development and implementation of entrepreneurship policies and procedures
b. A Multi-sectoral approach be adopted by the Government, Development Partners, Private Sector NGOs, and Faith based Organisations to regularly build the entrepreneurial Capacity of women engaged in Micro and Small Enterprises

c. The promotion of Whole of Government Approach (WOGA) and Whole of Society Approach (WOSA) be embraced to address the diverse challenges relating to MSES Taxation and Licencing requirement which would further lead to more enhanced performance
d. The Financial Intermediary Partners that support the WOEs together with other Key Agencies such as Kenya School of Government and Development Partners should devise intervention strategies on ways of Raising Awareness among the Women on matters relating to interest rates and management MSES.

These recommendations shall accelerate the effective and efficient Performance of WOEs, promote wealth creation, rural urban balance and high quality of life among women in Kenya. This will eventually lead to realization of Global, Regional and National Development Agenda.

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