DETERMINANTS OF INVESTMENT DECISIONS BY WOMEN ENTREPRENEURS IN KENYA

BY

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UNITED STATES INTERNATIONAL UNIVERSITY-AFRICA

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DETERMINANTS OF INVESTMENT DECISIONS BY WOMEN ENTREPRENEURS IN KENYA

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A Research Project Report Submitted to the School of Business in Partial Fulfillment of the Requirement for the Degree of Masters in Business Administration (MBA)

UNITED STATES INTERNATIONAL UNIVERSITY-AFRICA

SUMMER 2015
STUDENT’S DECLARATION

I the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than the United States International University in Nairobi for academic credit.

Signed ___________________________ Date ___________________________

Mwaura Jeremiah (ID 629496)

This Research project has been presented for examination with my approval as the appointed Supervisor.

Signed ___________________________ Date ___________________________

Supervisor: Sammy Lio

Signed ___________________________ Date ___________________________

Dean, Chandaria School of Business
DEDICATION

To God, thank you for your guidance. To my family I want to thank you for continuous support and inspiration throughout my MBA. I also sincerely thank Prof. Sammy Lio, my supervisor for his guidance and encouragement.
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ABSTRACT

This research aimed to establish and explain the determinants of investment decisions by women entrepreneurs in Kenya. The study sought to fill this existing research gap by looking at the following specific objectives: First was to determine the personal factors that influence investment decision making among women entrepreneurs in Kenya, second was to determine the economic factors that influence investment decision making among women entrepreneurs in Kenya, and third was to determine the political factors that influence investment decision making among women entrepreneurs in Kenya.

This research was facilitated by the collection of primary data using structured questionnaires and adopted a descriptive survey research design to get a valid conclusion on the specific objectives mentioned above. The total population of 150 comprised of women entrepreneurs in Kenya, specifically from Nairobi County from which a sample of 75 respondents was selected using simple random sampling technique. The research was conducted during the months of June and July 2015. Data analysis was done through descriptive and regression statistics and presented in pictorial representation in the form of tables and figures. The data was coded using Microsoft Excel and Statistical Package for Social Sciences (SPSS version 21) in order to generate the descriptive statistics in the form of frequencies and percentages.

The study revealed that majority of the respondents were in agreement that the following individual factors determined investment decisions by women entrepreneurs in Kenya: personal and job experience lifestyle, level of income, the time horizon of the investment, the double responsibility of running a business and family, and social cultural factors for example religion. Among the individual factors, most respondents agreed that education specialization was not a major factor on the individual investment decisions made by women entrepreneurs in Kenya.

The study further revealed that the following economic factors are determinants of investment decisions made by women entrepreneurs in Kenya: high interest rates; restrictive lending policies; limited access to appropriate technology; entry of new firms and competition; declining customer purchasing power due to inflationary pressures; and finally the level of the risk associated with the investment. Among the economic factors,
most of the respondents agreed that the risk associated with the investment was the highest determinants in making investment decisions.

Finally the study revealed that majority of the political factors were a determinant to investment decisions by women entrepreneurs in Kenya; and this included bureaucracy and cost of business registration, regulatory environment such as commercial and capital investment laws, complicated processes in business registration, taxation policies, and stability in the political environment. Most of the respondents agreed that complicated processes in business registration, taxation, and political stability had the most influence in determining the investment decisions they made as women entrepreneurs in Kenya among the political factors.

The major conclusion was that when it came to investment decisions among women entrepreneurs in Kenya education was not a major factor and more emphasis on the education system to produce entrepreneurs in Kenya should be emphasized. There also need to be more women representation in the political system in the country to ensure that the rights and needs of women entrepreneurs in Kenya are well represented.

The researchers recommend further studies to be done to determine the extent to which the discussed factors influenced the investment decisions among women entrepreneurs in Kenya, with a special focus on the education specialization factor since it had the least influence as a determinant of investment decisions made by women entrepreneurs in Kenya.
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CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Problem

Entrepreneurship has become an absorption point especially for the unskilled labor in our country and additionally it offers a soft landing ground for those retrenched from formal employment (Von Oetinger, 2005). The role of women enterprises in the Kenyan economy cannot be ignored nor can their potential be underestimated. These enterprises are crucial to our country’s economy because they create wealth and employment, reduce poverty through increased levels of income, contribute to Gross domestic product and support industrialization (Kasekende, 2003). Further, the MSE sector is a driver in promoting competition, innovation and enhancing the enterprise culture among women, which is a necessity for the development of the private sector and for industrialization (Ndolo, 2005).

Women enterprises in Kenya have received a lot of attention from the 1990s in terms of capital injections as well as scholarly work. This focus on these enterprises is driven by the fact that the formal sector has not been able to generate increased employment opportunities to absorb the ever increasing labor force in the urban areas largely due to massive rural urban migration (Mostafa, 2005). The ongoing retrenchment in the public and private sectors has rendered many Kenyans jobless. Such victims end up working or starting income generating activities resulting in the proliferation of women enterprises in urban areas. According to the economic recovery strategy (2007), the Kenyan government is committed to the growth and survival of this sector although the support may not trickle down to the women enterprises. In the economic pillar of vision 2030 substantive capital investment is being made towards strengthening the informal sector. Additionally in the 2009/2010 Kenyan financial budget the Minister for finance granted several tax exemptions geared towards making the informal sector more competitive. Among the exemptions given include; exemption of import duty on importation of industrial spare parts and asbestos not forgetting the promise to revive the cotton industry (G.O.K, 2009).
Women entrepreneurship is particularly important in the modern day business environment. Across the globe, women-owned businesses account for 25 to 33 per cent of all businesses. This percentage is higher in Africa at between 40 and 50 percent and in some countries up to 60 percent (Marcucci, 2011). African women entrepreneurs are playing an increasing role in diversifying production and services in African economies. Fostering women’s entrepreneurship development is crucial for the achievement of Africa’s broader development objectives, including economic development and growth (Hensel, 2012). Additionally, by providing a way of circumventing the proverbial ‘glass ceiling’, entrepreneurship opens up opportunities for leadership, self-development and empowerment that women do not find in large enterprises (Marcucci, 2011).

The World Economic Forum's Global Gender Gap Report states that there is a strong correlation between gender equality and a country's prosperity and economic competitiveness (Haußman, 2010). It is thus important to mainstream women in broader enterprise support policies and programmes such as women’s enterprise centers, coaching and mentoring programmes and financing initiatives. In addition to such support measures, literature demonstrates that there is a strong and positive relationship between the expansion of the financial sector, economic growth and development.

A majority of investors, both women and men, believe several hundred if not several thousand dollars are required in order to get started investing. Yet, those with access to an automated platform that enables cost-effective investing in small dollar amounts think otherwise. According to a study done by Manov (2011) in India almost half (48%) of women investors think they need more than $500 to start investing compared to 56% of other male investors. In another research carried out by Kea New Zealand (2010) focusing on investment preferences, women (under 35 years old) are often attempting their first investments, frequently co-investing with colleagues. It is thus important for the women investors to consider all the available factors and obtain as much knowledge as possible so as to make the most optimal investment decision.

In an investor study, conducted by Harris Interactive (2010) that surveyed 1,021 general women investors the ages of 21 – 65, we are able to see how the women investors make their choice to invest in a particular segment. The survey analyzed young women and old investors on motives, barriers, influencers and expected returns. Women investors were
deemed more optimistic in their outlook, believing that it was a good time to invest and planned to invest more than their older counterparts. This survey concluded that women investors currently rely on financial websites, blogs (49%) and print publications (39%) for investing advice more than brokers, financial planners or financial advisors. Overall, fewer investors are relying on financial professionals for advice about their investments, preferring instead to take more personal responsibility.

Social and economic disparities have their effects on the quality of life of the women. Factors such as the low levels and quality of education, high and rising unemployment figures, and high prevalence of violence amongst and against the women are some serious causes for concern. Most importantly, these issues will cause long-term development challenges for Kenya if they are not addressed (Muturi, 2010).

Scarce socio-economic opportunities provided for women are further limited due to the inadequate knowledge of investment and financial management skills. According to a study by Kamau (2013), women rarely make a financial plan nor balance their income and spending to secure their financial future by investing. The general population of Kenya and especially its women, lack viable information to make wise investment decisions such as how one calculates their disposable income; make a short-term and long-term financial budget; file their taxes or simply understand basic economic and financial terminology. They also lack knowledge on how to use financial investment tools which could end up with a female population undertaking risky financial decisions (Mwangi, 2010).

An important issue which has also attracted a lot of attention in light of the recent global economic environment is the national personal savings rates. The personal savings rate (PSD) is defined as disposable income less consumption expenditures, all divided by disposable income – meaning that a negative PSD shows that the individual is spending more than their income after taxes. To aid women consumers, it is critical for researchers to explore how financially knowledgeable women adults are. Understanding the factors that contribute to or detract from the acquisition of financial knowledge can help policymakers design effective interventions targeted at the women entrepreneurs.
Additionally there is a great need for women entrepreneurs to get access to credit facilities so as to make informed investment decisions. Policy makers therefore should understand and develop successful strategies to address the issue (World Bank, 2008). The lack of adequate access to credit facilities women entrepreneurs will be subjected to negative shocks and factors such as poor production levels, lack of growth and generally poor performance of the business. They can lose some of the few assets they have unlike their male counterparts who can access well-designed credit and loans easily thus able to finance their businesses and adopt more effective and efficient strategies to stabilize their businesses (Diagne and Zeller, 2011). In general proper access to financial services provides opportunities for improving the women’s businesses and the economy of the entire communities and countries. This study therefore sought to examine the determinants of investment decisions by women entrepreneurs in Kenya. The general objective of the study therefore was to examine the determinants of investment decisions by women entrepreneurs in Kenya.

1.2 Problem Statement

In developing countries women entrepreneurs are often prevented from running competitive businesses by their relatively low education and skill levels, which generally limit their access to the various support and credit services (Cutura, 2014). Even when they have access to information on the financial services and market opportunities available to them, women may be less equipped to comprehend it due to low levels of literacy (UNDP, 2014).

Previous researches conducted Sallie (2010) and Mae (2009), have tried to examine investment decisions by entrepreneurs. This will help build on this current research, and having analyzed previous research work, it is critical for researchers to explore how financially knowledgeable investors are. There exist a gap in research given that majority of these studies have been conducted in other parts of the world, with no particular study focusing on Kenyan women entrepreneurs. Additionally this study however differs from all above studies as earlier researchers look at all investors and the focus is not on women. This study therefore sought to bridge this gap by examining the determinants of investment decisions by women entrepreneurs in Kenya.
1.3 General Objective

The general objective of the study was to examine the determinants of investment decisions by women entrepreneurs in Kenya.

1.4 Specific Objectives

1.4.1 To determine the individual factors that influence investment decision making among women entrepreneurs in Kenya

1.4.2 To determine the economic factors that influence investment decision making among women entrepreneurs in Kenya

1.4.3 To determine the political factors that influence investment decision making among women entrepreneurs in Kenya.

1.5 Significance of the Study

1.5.1 Financial institutions

This study will be of benefit to banks in deciding on the marketing strategies to employ while targeting women investors. Women investors do not necessarily have the cash to invest and will thus need to borrow from banks and other financial institutions.

1.5.2 Women

The study will provide an insight to all women out there on the factors to consider when choosing a particular type of investment. The women investors will be able to consider all factors.

1.5.3 Investment companies/clubs/institutions

These institutions need as many people to invest as possible for them to get their return. Given that the women of today are very dynamic and are keen on investing, the study will help them assess the gaps and any hindrances to investments by women in Kenya and thus come up with a strategy on how to draw more women people to invest.
1.5.5 Researchers and academicians

Researchers and academicians will find this study beneficial as a basis to explore patterns adopted by women entrepreneurs when choosing an investment.

1.6 Scope of the Study

This study was focused on the women entrepreneurs in Kenya and specifically those in Nairobi County. The target population was 150 women and focused on factors affecting their decision making in investments as women entrepreneurs. The study was carried out between June 2015 and July 2015, and was thus limited to the events of this period. The main limitations were time and financial resources required to conduct a more vast research on this topic.

1.7 Definition of Terms

1.7.1 Women investor

This refers to women both formally and informally and self-employed who have put their money in a business with the aim of making profit (Ghadoliya, 2009).

1.7.2 Environment

According to Fisher (2009), environment refers to all the internal and external factors that influence the performance of an organization.

1.7.3 Microfinance

Microfinance is a general term that is used to describe financial services to low income individuals or to those who do not have access to typical banking services (Pacific Financial Inclusion Programme, 2009).

1.7.4 Employment Status

This is defined as the type or nature of employment of an individual whether casual, or permanent or even temporary (Kimani, 2011).
1.7.5 Disposable Income

The amount of money that households have available for spending and saving after income taxes have been accounted for (Jones, 2010).

1.7.6 Interest rates

Interest rates are the annual charge for borrowing funds, usually specified as a percent of the amount borrowed. Changes in interest rates affect the overall expense of borrowing and thus expenditures undertaken with the borrowed funds (Amos, 2012).

1.8 Chapter Summary

Investment has become a basic requirement in the current economy due to effects of globalization and changes in the business world today. Technology and the dynamic business environment have made it necessary for individuals to consider investments as a great milestone today. This research is focused on finding the factors that influence the women entrepreneurs of Kenya in making a choice on the type of investment to undertake. It mainly seeks to establish the personal/individual factors, economic and political challenges women entrepreneurs face in making investment decisions in Kenya. The next chapter is literature review where we look in depth at the three factors. Chapter three addresses the research methodology used while chapter four looks at the results and findings from the research and chapter five presents a summary, discussions, conclusions and recommendations.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction
This chapter investigates in detail from other published works the factors influencing the investment decisions of women in Kenya. It in particular focuses on the influence of personal choices, economic challenges and political factors in the investment environment and the decision making of the Kenyan women due to these factors. These factors will be examined based on studies carried out by other researchers in the world and will be broken down to their various components.

2.2 Individual Factors that Determine Investment Decision Making among Women Entrepreneurs in Kenya

2.2.1 Experience and Lifestyle
Shyng et al. (2010) suggest that past experiences of individuals usually affect their attitudes when they made investment decisions. Barber and Odean (2000) explored the impact of intuitive thinking on investment preference to study the experience of actual investors while Kabra, Mishra and Dash (2010), conducted a research on the factors influencing investment decision of generations in India and found out that investors’ age and gender predominantly decides the risk taking capacity of investors. The study also found out that the modern investor is a mature and adequately groomed person blind investments were scarce as majority of the respondents were using some other sources as reference to their investment choices. A study on the Kuala Lumpur Stock Exchange to determine the investor’s attitude and characteristics among the share owners found out that there were differences between passive and active investors and these differences could be attributed to the demographics, the investment characteristics as well as the investment behavior (ET Retail Equity Investor Survey, 2004).

Rajarajan’s (2014) did a study focusing on the lifestyles and characteristics of investors. This study was mainly to determine the preference of investors based on the size, pattern and investment preferences of the future based on their lifestyles. The findings of the study showed that most investors read more than one source for information on investment and that those who were active in investment were mostly below the age of 35 years while the industrial group of investors was above the age of fifty years while the
passive investors were between the ages of 35-50 years. The investment vehicles that investors chose such as bonds, shares or real estate can be based on their lifestyles and demographic characteristics as these investors see the returns based on this (Rajarajan 2014).

2.2.2 Level of Income

Muthupandi (2013) conducted a study on the title “Factors influencing investment decisions” which revealed the various characteristics of an investor. Samples of 100 investors were selected in Madurai city. The study revealed that income of investors affects the investment decision to the greater extent.

Income is a very vital consideration when making an investment choice. This is because the level of income affects the level of savings an individual can have which in turn affects how much money is available to invest. In a similar study by Hillel (2002), the results found out that inequality in incomes in developing world often leads to encourage entrepreneurship. However the study also found out that this motivation also depends on other factors such as financial constraints in starting these businesses where families with more financial resources are more likely to succeed in startup businesses.

2.2.3 Risk Appetite

There are many risks in investment strategy selection, such as social risk, policy risk, economical risk, credit risk, technological risk, interest rate risk and operating risk (Better et al. 2008). There is hardly some form of investment which doesn’t involve risk. Government Securities (gilt edged) come close to be called risk free; but even they have some risks attached to them. Risk actually is the balancing factor of the financial markets. Various types of investment risk exist, such as financial risk, currency risk, inflation risk or capital risk are the most common one. Different investors react differently to these risks. While majority of the investors are risk averse, there are some investors who are seeking more risky ones with expectations of higher yields (Bharathi, 2010).

The risk appetite an also can also be seen in the optimism and gender of the investor where male investors are seen to take more risky investment choices than women (Felton et al. 2003). Maxfieldet al. (2010) suggests that the role of gender plays no part in the risk profile of an investor other than in portfolio allocation. Women exhibit less risk taking than men in their most recent, largest and riskiest mutual fund investment decisions
Women are more risk-averse than men in gambles, investment frames with the possibility of loss and gamble frames with possibility of no loss (Eckel and Grossman, 2003). However, the empirical investigation of gender difference in risk-taking is inconclusive (Charness and Gneezy, 2004).

In an abstract lottery choice, Schubert et al. (2000) framed choices as either potential gains or potential losses. They found that women are more risk-averse than men in domain of gains, while men are more risk-averse than women in the loss domain frame. Women fund managers—both domestic and international—hold portfolios with marginally more risk than men and their returns outperform those of men (Bliss and Potter, 2001). Women were found to be less risk-averse than men when the gambles were framed as insurance (Dudaet al., 2004). Graham et al. (2012) believes that women are less risk-tolerant investors because they are less confident and have different style of information processing than men. The level of confidence and information processing was also being found to account for the low risk attitude adopted by women risk.

Women differ in information processing styles while making investment decisions. They tend to be more detail-oriented, want to understand their investment better and consider all relevant investment information. This makes them more thoughtful and informed investors. In short, they tend to be more holistic and methodical in their investment process. Males, on the other hand, tend to decide quickly and take risks. They are inclined to employ simplifying heuristic devices to arrive at the decision quickly. They adapt a more casual approach towards investment decision making (Maguire, 1999).

Olsen and Cox (2001) found out that women were also found to be more risk-averse than their male counterparts when faced with investments in social and technology hazards despite both genders having the same experience and competence. In portfolios it was found out that women make decisions which reduce the risk as Barber and Odean (2001) found out during a study of over 35,000 households where women returns were found to reduce by 1.72% as compared by men 2.65%. These findings can also be attributed to the fact that men traded 45% more than women in the same period.
2.2.4 Education Specialization

IIMS Data works (2007) led an Invest India Income and Savings Survey among 321 million paid up workers between the ages of 18 and 59. This survey gave a 360 degree view of the financial behavior and future investment intentions of the Indian workforce. It was discovered that there is a significant relationship between educational levels and financial behavior, except for the case of bank accounts and deposits, which seem popular across people of varying educational backgrounds. Hibbert et al. (2008), measuring the gender difference in risk aversion, suggested that given the same level of education, irrespective of their knowledge of finance, women’s risk aversion is same as that of men.

Bhatt (2012) conducted a study on the effect of investor education on choice of investment and his results showed that individuals with a similar level of education made similar investment choices. Bhatt’s study showed that there was a change in behavior of investors towards investment preference with the change in occupation and as well as change in education level of investors. The study also states that there are different objectives of investment among different classes of investors.

In a study by Chen et al. (1998) on management students and organizational psychology, the results found out that the students who had studied entrepreneurship and had founded their own businesses had a higher level of self-efficacy in innovation and risk taking than the ones who didn’t study entrepreneurship and were not business founders.

2.2.5 Socio-Cultural Environment

According to Thornton, Ribeirisoriano and Urbano (2011), entrepreneurs should not ignore the social cultural factors because businesses will always reflect the culture of the environment they are in e.g. characteristics such as strategic orientation and growth expectations for the business. This social cultural environment of an investor is composed of beliefs which can be religious, the society’s tastes and preferences, customs and traditions. The social cultural factors affect business processes and performance in terms of profitability to a great extent. The success in business comes from understanding of this environment and formulating strategies to accommodate all these factors. Investors need to know how to package the product been marketed to the society as differences in the cultural environment affects how the product is used and even packaged. The choices
of investment and the way people live such as who they associated with can be attributed to the religion they practice (Fam, Waller and Erdogan, 2002).

Wu and Dagher (2007) conducted a study on the effects of culture on entrepreneurs who exhibit the need for high achievement theory. The study found out that the entrepreneurs who had a higher need for achievement stayed in business longer and in the process had a higher chance of succeeding.

2.3 Economic Factors influencing Investment Decisions by Women Entrepreneurs

2.3.1 Interest Rates
Interest rates are very high for investment projects supported by banks; women-supported projects may face even higher interest rates. To explain women’s difficulties when applying for a loan it is also argued that women may lack a track record as entrepreneurs and therefore face higher difficulties (Manov, 2011).

Women’s projects are frequently primary beneficiaries of microfinance. While this type of support is undeniably a precious development tool, women entrepreneurs will face challenges once their company expands and its financing needs exceed micro-credit ceilings. They may then be confronted with the above hurdles which may prevent the company from expanding. The limited development of alternative sources of financing in Kenya such as women funds affects women-owned businesses during both the start-up and development phase. Studies show that women in some developing countries are less likely than men to seek and receive business angel financing (Harrison, 2014), it is likely that similar observations apply in Kenya.

The most basic investment decisions revolve around the comparison of expected return and risk involved. No investor will take on higher risk if there is no chance of equally higher returns. Investors strive to reach on the best trade-off point between risk and return which go well with their financial requirements. These expected returns are not always equal to what an investor actually gets after some time. The possibility that actual return will not be the same as what they expect is called risk (Bharathi, 2010).
2.3.2 High Operation Cost

Andrew and Euclid (2009) established that there is a negative impact on investments financed by external sources on long run profitability. This effect is attributed to the high cost of interest on long term loans and the increased costs and expenses of additional management needs associated with the external funds. The study recommends that organizations should utilize internal sources of finance such as retained profits to make investments especially those of long term nature.

Kimuyu and Omiti (2010), on the other hand in their study found that lack of working capital is the most important reason for business closure in Kenya. They recommended for businesses to seek affordable short term bank financing tailor made to their ability to repay. They concluded that availability of external financing is crucial for business growth and ultimate profitability. Hansa (2009), in his study found out that young organizations struggle to reach a critical size at which they can sustain themselves as a result of increased operation costs. He observed that outside funds can help such institutions to gain scale more quickly.

The access to capital for startup businesses was recently seen as a barrier but recently banks have seen the importance of the female market and applied more enhanced analysis to gender entrepreneurship and finance debate. According to a research conducted in the United Kingdom by Carter (2006), it was found out that distinctive funding profile of women now appears to be the consequence of the interaction between demand-side and supply-side factors which ultimately lead to restricted starting capitalization.

2.3.3 Financial Infrastructure

Fixing the so-called plumbing of the financial system, some would argue, lies at the heart of current efforts to apply efficient and effective regulation and supervision (Haldane, 2009). Indeed the Group of Twenty has charged the Financial Stability Board with pressing ahead on many fronts dealing with the harmonization of definitions, standards, and calibrations. As the recent crisis has shown, the ability to value, clear, and settle in financial markets is a vital part of being able to implement successful resolution plans (Chen, 2009). A principal problem here is a lack of transparency. Transparency, of course, brings greater competition and may remove or alleviate barriers to change. In this context, the current questions over the merits of conventional trading facilities versus the
newer alternative trading platforms are partly a debate about the quality, accessibility, and flexibility of the infrastructure (Haldane, 2009).

2.3.4 Access to Capital

At the turn of the nineteenth century, the issue of financial globalization was seen more in terms of deploying the surplus savings of developed regions in the (then) emerging economies, rather than as a means to spur development of financial markets in the receiving countries (Lin et al. 2009). Nevertheless, the flood of capital into North and South America and parts of Asia did enhance growth and the development of financial centers. Conversely, sudden stops in capital flows also had severe effects in sparking and compounding banking and financial crises. In the context of today’s emerging world, there is probably a greater realization on the part of governments that access to foreign investors, be it through banking flows, portfolio flows, or foreign direct investment flows can be of substantial economic benefit (Haldane, 2009). But, in general, there probably is also a greater awareness now of the potential negative effects of fostering large-scale inward investment, both in terms of lopsided growth and the often unequal distribution of this capital, and in terms of conflicts between short-term and longer-term objectives (Chen, 2009).

2.3.5 Fiscal and Exchange Rate Regimes

A number of modern, emerging economies are finding that the existence of well-organized capital markets and financial structures can greatly assist in the pursuit of their objectives with regard to fiscal policies and exchange rate regimes. An example from the past was the establishment of the Caisse de Dépôtset Consignations (CDC) in France in 1816. Effectively, the CDC was set up to distance government from borrowing from the household sector by empowering it to collect up all the small deposits of post banks, savings banks, notaries, and others and use them for the purchase of government securities (Columba et al., 2009). The CDC became the dominant player in this market. It could be argued that by opening more financing to market forces, as opposed to imposition of more bureaucratic rationing mechanisms—a country would improve the economic efficiency of its capital usage. A counterargument is that at certain stages of development, it makes sense for a country that has embarked on one path of development to apply a degree of financial repression, since a rapid move to too much market openness may leave the system open to abuse (Haladane, 2009).
One recent study conducted by Lin (2009) emphasized the need to think carefully about the sequencing of financial reforms as part of a liberalization process, particularly in connection with exchange rate and tax policies. It highlighted the experience of the Nordic countries in the 1980s, where this was not done: “The Nordic record of financial liberalization demonstrates that the sequencing of financial reforms, internally and externally, on the route to financial liberalization is of the utmost importance in determining macroeconomic performance. It is the key to the ruinous record of Finland and Sweden. “In effect, a bout of financial liberalization, combined with certain tax incentives and a fixed exchange rate regime, created a powerfully procyclical environment that was not sufficiently offset by tight enough fiscal policy (Lin, 2009).

2.3.6 Economic Environment

The inflation rate, the interest rates, the monetary or fiscal policies, the foreign exchange rates that affect imports and exports, together drive the economy towards a particular direction. Organizations dissect the economy and roll out strategies and systems befitting improvements that incorporate changes that are about to occur. Although the effects of inflation can either be positive or negative depending on whether one is an importer or exporter, the negative effects are more pronounced. Kimani and Mutuku (2013), observed the impact of high rates of inflation have on the purchasing power of the cash meant for business use and conclude that the real value of money decreases when there is high inflation leading to unsustainability of the business. The effect of a rapid inflation leads to traders hoarding goods and a shortage is experienced in the market. They also came to a conclusion that inflation rate that cannot be predicted discourages savings and investments.

Geetha (2011) observed that there is a negative impact on every sector of the economy when the rate of inflation is high. This according to Geetha (2011) affects sectors such as employment leading to high unemployment rates, exchange rates, investments including in the stock market and also leads to high interest rates. All these negative effects of a high inflation affect the organization from the reduction in the purchase power leading to poor performance. There is a need for investors to do an environmental analysis as the macro environment is ever changing to help in formulating strategies that can cushion them against these shocks. Amonoo, Acquah and Asmah (2003) also observed that there was an inverse relationship between interest rate and demand for credit. They also looked at the relationship between interest rates and loan repayment and found out that there was
an inverse relationship between interest rates and loan repayment. The effect of high exchange rates can be felt negatively by investors who depend on imported raw materials and machines while those that depend on exports this can be an advantage in the short run.

2.4 Political Factors influencing Investment Decisions

2.4.1 Government Policy and Regulation Pressure
Government can limit or even restrict investments with such controls as licensing requirements and limits on access to funds. Influencing major political decisions is part of corporate strategy as long as this is done openly and with integrity. According to Lynch (2010), any strategy adopted by a company without taking into account the history and momentum of politics is ignores a vital factor in the environment under which they operate.

Regulatory pressures always constraints business activities by prescribing uniform resource standards, competencies and ways of deploying resources across given industries and by defining what resources are socially acceptable or permissible as inputs. These pressures limit diversity by constraining the range of firms’ permitted resource options and by imposing common societal expectations across competing firms about how inputs should be combined and deployed in production (Oliver, 1997). Dess, Lumpkin and Eisner (2006) observe that the environmental regulations with which industries must comply are influenced by political processes and legislation. They also contend that the changes can be of benefit or damaging to an industry as with many factors in the general environment.

Thompson Jr, Strickland III and Gamble (2010) state that actions of the government in matters of regulation can force industry practices and strategic approaches to change significantly. The effect of deregulation has also proved to be advantageous in industries such as the airline, banking, natural gas, telecommunications and electric utility industries. Governments can drive competitive changes by opening their domestic markets to foreign participation or closing them to protect domestic companies.
2.4.2 Stringent Procedures and Requirements for Investors

Lending policies for example that requires women to include their husbands as co-signers even if he lacks financial resources or is not involved in the woman’s business. This is as part of a perceived effort to ensure that the woman’s activities do not interfere with the wishes of her family or her husband (Chamlou, 2008). Some of the women may be single by choice or do not wish to involve their husbands in the business and hence feel harassed.

Debt financing is the principal external source of financing for women entrepreneurs in Kenya. Lack of sufficient collateral is considered a key obstacle for accessing finance. Hence, when women do not turn to informal networks, they will primarily seek support through debt financing. However, their ability to obtain funding is impacted by traditional property arrangements. Although women are legally allowed to own property, in practice their husbands may own house deeds. As a result, women often do not have the collateral necessary to access commercial loans. Owing to a variety of circumstances, ranging from lower wage income for women than for men to smaller inheritances for daughters than for sons, women will, if owners, often only have small amounts of personal capital to be used for start-ups or as collateral (Hansa, 2009).

2.4.3 Regulatory Environment (Tax and capital investment laws)

Legal and regulatory forces can come in many shapes and forms. Investment decisions can be regulated by having their functions controlled for example, long-versus short-term business, types of deposits they might supply, composition of portfolios they might hold, access to individual market segments restricted and restrictions on the amount of loans. Institutions may even be restricted by geographic limits. Restrictions can also be applied for regulatory and supervisory purposes, for solvency reasons, and also in support of fiscal and monetary goals. This can generate conflict if the need to build capital buffers clashes with the need to provide credit during periods of economic stress (Goodhart, 2009). Laws relating to accounting standards, definitions, incorporation rules, bankruptcy, solvency, and transparency can all have an impact on financial structure. Some have argued, for example, that the legacy of common law in some former colonies in Asia had an important influence on their bankruptcy regimes. At the very least, changes in all of these factors will have transitional cost effects. Hence the benefits of “regulatory
convenience” must be weighed against the costs of inefficient allocation of capital (Obstfeld, 2009).

Regulatory pressures constrain heterogeneity by prescribing uniform resource standards, competencies and ways of deploying resources across given industries and by defining what resources are socially acceptable or permissible as inputs. These pressures limit diversity by constraining the range of firms’ permitted resource options and by imposing common societal expectations across competing firms about how inputs should be combined and deployed in production (Oliver, 1997). These political processes and legislation can either be to an advantage or disadvantage to the industry as compliance with the rules will affect the (Dess, Lumpkin and Eisner, 2006).

2.4.4 Complicated Processes and Literacy Levels

A large group of women may seek to set up a part-time or full-time business as an alternative to being unemployed and they typically want to combine running a business with running a family. It may be this group that influences the overall observation that women are poorer and more conservative with money. The double responsibility of running a business and a family might lead to a lower risk aversion among women entrepreneurs and hence they may consider smaller projects for which they have lower capital requirements. However, other factors may be at play. Social values are notably reflected in upbringing and education. While women’s education has made great strides in Kenya, their entrepreneurial or management knowledge and experience might be limited because of a lack of both training and experience (Kimuyu and Omiti, 2010).

Some observers claim in addition that women entrepreneurs, whose marketing and financial education is weaker than that of men, face particular difficulties presenting their investment projects to bankers or investors. Independently of their knowledge base, women may lack confidence in dealing with authorities and financial institutions and therefore find it difficult to convincingly convey their business proposals. Indeed, women entrepreneurs are unlikely to obtain financing for their projects if they lack the skills to accurately assess their financing needs, develop a convincing business plan, and make a compelling pitch to potential investors or lenders. But women entrepreneurs also have ways of managing and doing business that differ from men. McKinsey studies highlight
differences in management styles between women and men and bring to light a correlation between the involvement of women in top management and corporate performance (McKinsey & Company, 2007).

2.4.5 Political Environment

An economy with high political risk tends to discourage investment in its market, since political volatility hurts the profitability of an investment. War and political violence, including terrorist activities, can damage assets immediately and discourage the productivity of a host economy in the long run (Jensen, 2008).

Political factors consist of laws, regulations and government policies that facilitate or hinder direct marketing (Wilkinson, McAlister and Widmier, 2007). Among the ways that governmental policies and politics sway businesses can be to provide advantages and opportunities by setting commitments and obligations to both parties involved. Wilkinson et al (2007) also includes the managerial, long term planning, global trends, lobby groups as part of the business that is affected by the political environment.

According to Spencer and Gomez (2011) the degree of business regulations, market interventions, and practicability of government policies and level of corruption has significant effects on the level of sales growth, achieved by firms. They also observed that the political environment has a differential effect on small firms and large firms in such a way that both small and large firms differ in the effect of the political environment. The study also came to the conclusion that depending on the nature of the business both business regulations and extensive market intervention appeared to greatly pose obstacles to large firms than small firms and this depended on the nature of business the large firms were engaged. Finally, Spencer and Gomez (2011) found out that the political environment in a country had different effects on foreign and domestic firms. This study also found out that the foreign firms do perceive government policies as more predictable and perceive fewer obstacles related to domestic political corruption than do domestic firms. However the study was inconclusive on the matter as to whether these foreign firms held a sway over the local politicians involved in drafting policies or whether was because they were able to avoid corruption better than domestic firms.

The political environment is thus a key consideration when making a choice on what to invest in. Particular types of investments are prone to political risk e.g. short term stock
investments. In 2008, Kenya faced the worst ever post-election violence which affected many investors. For a period of time, people preferred to invest outside the country or risk losing a lot of their money by investing in Kenya. Investors thus need to be keen when choosing an investment and incorporate an element of political risk which is a significant consideration in choosing an investment and where to invest.

2.5 Chapter Summary

This section analyzed some of the relevant literature with regards to the research objectives. The chapter has reviewed literature on the individual factors that influence investment decision making among women entrepreneurs in Kenya followed by the economic factors and finally the political factors influencing investment decision making among women entrepreneurs in Kenya. The next chapter presents the research methodology that was used to carry out the study.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This chapter offers a detailed description of the methodology approach that was taken in this study. The chapter presents a discussion on the research method, research design as well as the study population that was targeted in this particular study. It also focuses on data collection instruments and data analysis technique.

3.2 Research Design

A research design is described as a composition of a number of decisions which are taken by a researcher when it comes to deciding on what, where, by how much and by what means concerning an enquiry or a research study. In this particular study, descriptive research approach was adopted so as to be able to elicit the findings with regards to the objectives of the study. According to Sloman (2010), descriptive research design involves direct observation of behavior in a natural environment thus helping in identifying relevance to use for functional analysis. Churchill and Brown (2007) also state that descriptive research design involves determining the frequency with which something occurs. Descriptive research design was therefore adopted because of its suitability for this type of research. This involved use of questionnaires with both closed and open ended questions for the purpose of gathering and clarification of interpreted information.

The research design was best suited for the study as it sought to investigate the determinants of investment decisions by women entrepreneurs in Kenya. The research therefore sought to answer the following questions: The individual factors influencing investment decision making among Kenya women entrepreneurs, the economic factors influencing investment decision making among women entrepreneurs in Kenya and the political factors influencing investment decision making among Kenya women entrepreneurs.
3.3 Population and Sampling

3.3.1 Population
Cooper and Schindler (2008) define a study population as simply a total number of elements upon which inferences can be made and the researcher intends to generalize their findings to. In this study, the population of the study comprised of women entrepreneurs in Nairobi County. Target population is defined as that population to which a researcher wants to generalize the results of the study (Mugenda and Mugenda, 2003). The study targeted 150 women run enterprises, which are legally licensed to operate in the county with a list of these businesses obtained from the Nairobi county offices. The population consisted of startups to businesses which have been in operation for more than five years.

3.3.2 Sampling Design
3.3.2.1 Sampling Frame
Cooper and Schindler (2000) define a sampling frame as a list of elements where the sample to be used is drawn from. It is also known as the working population. The sampling frame in this study 150 women entrepreneurs in Nairobi. The list of these businesses was obtained from the Nairobi County Offices to ensure that the involved businesses were legally allowed to operate in Nairobi County and to ensure that that the sampling frame was current and complete to help in achieving the objectives of this study.

3.3.2.2 Sampling Techniques
In this particular study simple random sampling technique was used to select the respondents to be involved in the study. Simple random sampling technique was chosen because it ensures that all elements in the population are given a known non-zero chance of selection (Cooper and Schindler, 2008) and that the resultant sample is fully representative of the population of study. Simple random technique was also used since it involves selecting the sample at random from the sampling frame (Lewis and Thornhill, 2003). This technique gives every element in the population an equal chance of been selected (Cooper and Schindler, 2008). However, according to Churchill and Brown (2007) it is a sample in which each target element has a known, nonzero chance of being
included in the sample. Simple random sampling technique was adopted to ensure that every element in the population was represented and also to achieve statistical efficiency.

3.3.2 3 Sample Size
According to Thietart et al., (2001), a sample size is the set of elements from which data is collected. This study focused on the sample size of 75 respondents. According to Mugenda and Mugenda (2003) a good sample size needs to be about 30% of the entire population and this study focused on 50% of the targeted population for a sample of 75 respondents as a representative of women entrepreneurs in Nairobi.

3.4 Data Collection Methods
Data collection instrument is a device used to collect data in an objective and a systematic manner for the purpose of the research, data collection instruments can be questionnaires, interviews, schedules and available records (Cooper and Schindler, 2008). In this study, questionnaires were the main data collection instruments and contained both open ended and close ended questions. Questionnaires were preferred because they are effective data collection instruments that allow respondents to give much of their opinions pertaining to the researched problem. The Likert Scale was used since it provides room for the respondents to indicate the degree to which they agree/disagree with various statements. Section A of the questionnaire deals with the general information of the respondents while section B,C and D focus on the individual factors, economic challenges and political factors influencing investment decision making among the respondents.

3.5 Research Procedures
The questionnaires used for this research were prepared and submitted to the supervisor for advice on structure, content and the flow as a measure of validating the research instrument. This ensured the items capture all the information that is required for this specific study. A pilot study was also conducted using 10 respondents before the actual data was collected to remove questions that were unclear and enable administration familiarization of the data to be collected. The pilot study also used the simple random sampling method. After the pilot study ambiguous or unclear items were removed or rephrased and the questionnaires were distributed by hand to the respondents and this ensured a high response rate among the targeted population.
3.6 Data Analysis Methods
Primary data was collected through questionnaires which were later coded and tabulated appropriately for ease of further extraction and analysis. Since this research was essentially descriptive, appropriate descriptive statistics like percentages and frequency distribution were employed in analyzing primary data. Data was analyzed using Statistical Package for Social Sciences (SPSS) and Microsoft Excel and presentation of findings was mainly in tables and figures.

3.7 Chapter Summary
The chapter covered details on the methodology used as it described the population under study and the type of research used while explaining why the design was relevant for this type of study. Population, sampling technique, sample frame and sample size to be used have also been explored. Lastly, computer soft wares which included Statistical Package for Social Sciences (SPSS) program and Microsoft excel were mentioned as the tools to used for data analysis. The next chapter presents the results and findings of the research.
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction
This chapter shows the analysis, results and discussion of findings of the study as set out in chapter three. The Statistical Package for Social Sciences software was used and the findings were presented as descriptive statistics, and regression analysis.

4.2 Background Information

4.2.1 Age of the Respondents
Table 4.1 provides a summary of the age of the respondents as a result of the responses given by the respondents. According to the study most of the respondents were between 30-39 years. Specifically 11 percent were aged between 18-29 years old, while 56 percent were between 30-39 years old and the remaining 25 percent were aged between 40-49 years respectively.

Table 4.1: Age of the Respondents

<table>
<thead>
<tr>
<th>Age</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>18-29</td>
<td>8</td>
</tr>
<tr>
<td>30-39</td>
<td>42</td>
</tr>
<tr>
<td>40-49</td>
<td>25</td>
</tr>
<tr>
<td>Total</td>
<td>75</td>
</tr>
</tbody>
</table>

4.2.2 Level of Education
Table 4.2 presents findings with regards to the level of education among the respondents who were involved in the study. The study findings reveal that 53 percent of the respondents had undertaken university degree education, while 33 per cent had gone through middle level college education as the remaining 13 per cent had post graduate qualification.
Table 4.2: Level of Education

<table>
<thead>
<tr>
<th>Level of Education</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mid-Level College</td>
<td>25</td>
<td>33%</td>
</tr>
<tr>
<td>University degree</td>
<td>40</td>
<td>53%</td>
</tr>
<tr>
<td>Post graduate</td>
<td>10</td>
<td>13%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>75</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

4.2.3 Marital Status

Table 4.3 presents findings relating to the marital status of the respondents who were involved in this particular study. Table 4.3 reveals that majority of the respondents were married (71 percent), while 27 percent were single, as the remaining were separated (1 percent) or divorced (1 percent). This implies that indeed marriage was a respected institution in the country.

Table 4.3: Marital Status

<table>
<thead>
<tr>
<th>Marital Status</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single</td>
<td>20</td>
<td>27%</td>
</tr>
<tr>
<td>Married/With family</td>
<td>53</td>
<td>71%</td>
</tr>
<tr>
<td>Separated</td>
<td>1</td>
<td>1%</td>
</tr>
<tr>
<td>Divorced/Widowed</td>
<td>1</td>
<td>1%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>75</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

4.2.4 Years of Doing Business

Table 4.4 presents findings with regards to the respondents' views on the number of years they have been engaged in their businesses. As seen in table 4.5, it was evident that majority of the businesses have been operational for more than 5 years (55 percent), while 40 percent have been operational between 1-5 years while 5 percent have been operating for less than 1 year.
Table 4.4: Years of Doing Business

<table>
<thead>
<tr>
<th>No. of Years in Business</th>
<th>Distribution</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
<td>Percent</td>
</tr>
<tr>
<td>Less than 1 year</td>
<td>4</td>
<td>5%</td>
</tr>
<tr>
<td>1-5 years</td>
<td>30</td>
<td>40%</td>
</tr>
<tr>
<td>Over 5 years</td>
<td>41</td>
<td>55%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>75</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

4.2.5 Position in the Business

As seen in table 4.6, it was evident that 52 percent of the respondents were owners of the business, while 39 percent were employees of the businesses as the remaining 9 percent were Directors of the business. This implies that most of the respondents were decision makers in their businesses and therefore better placed to understand the various investment decisions.

Table 4.5: Position in the Business

<table>
<thead>
<tr>
<th>Position</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner</td>
<td>39</td>
<td>52%</td>
</tr>
<tr>
<td>Employed</td>
<td>29</td>
<td>39%</td>
</tr>
<tr>
<td>Director</td>
<td>7</td>
<td>9%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>75</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

4.3 Individual Factors influencing Investment Decisions by Women Entrepreneurs

The first objective of the study was to determine the various individual factors influencing investment decisions by women entrepreneurs in Kenya. The following section therefore presents findings regarding how the various respondents answered questions relating to this objective.
4.3.1 Personal and Job Experience

Figure 4.1 presents findings with regards to how personal and job experience influence investment decisions by women entrepreneurs in Kenya. As seen in figure 4.1, it was evident that 70 per cent of the respondents strongly agreed, 15 per cent agreed, 2 per cent were neutral, 6 per cent disagreed while 7 per cent strongly disagreed on personal and job experience influence investment decisions by women.

![Bar Chart: Personal and Job Experience](image)

**Figure 4.1: Personal and Job Experience**

4.3.2 Lifestyle

Figure 4.2 presents findings with regards to how lifestyle of the individual influence investment decisions by women entrepreneurs in Kenya. As seen in figure 4.2, it was evident that 61 per cent of the respondents strongly agreed, 29 per cent agreed, 0 per cent were neutral, 4 per cent disagreed while 6 per cent strongly disagreed on lifestyle as a factor influencing investment decisions by women.
4.3.3 Level of Income

Figure 4.3 presents findings with regards to how level of income of the individual influence investment decisions by women entrepreneurs in Kenya. As seen in figure 4.3, it was evident that 37 per cent of the respondents strongly agreed, 44 per cent agreed, 4 per cent were neutral, 6 per cent disagreed while 9 per cent strongly disagreed on level of income influencing investment decisions by women.
4.3.4 Time Horizon of the Investment

Figure 4.4 presents findings with regards to how the time horizon influence investment decisions by women entrepreneurs in Kenya. As seen in figure 4.4, it was evident that 49 per cent of the respondents strongly agreed, 28 per cent agreed, 5 per cent were neutral, 12 per cent disagreed while 5 per cent strongly disagreed on level of income influencing investment decisions by women.

4.3.5 Double Responsibility

Figure 4.5 presents findings with regards to how the double responsibility of running a business and home influence investment decisions by women entrepreneurs in Kenya. As seen in figure 4.4, it was evident that 49 per cent of the respondents strongly agreed, 28 per cent agreed, 5 per cent were neutral, 12 per cent disagreed while 5 per cent strongly disagreed on double responsibility influencing investment decisions by women.
4.3.6 Social Cultural Factors

Figure 4.6 presents findings with regards to how the social cultural factors influence investment decisions by women entrepreneurs in Kenya. As seen in figure 4.4, it was evident that 49 per cent of the respondents strongly agreed, 28 per cent agreed, 5 per cent were neutral, 12 per cent disagreed while 5 per cent strongly disagreed on social cultural factors influencing investment decisions by women.
4.3.7 Education Specialization

Figure 4.7 presents findings with regards to how the educational specialization influence investment decisions by women entrepreneurs in Kenya. As seen in figure 4.4, it was evident that 49 per cent of the respondents strongly agreed, 28 per cent agreed, 5 per cent were neutral, 12 per cent disagreed while 5 per cent strongly disagreed on education specialization influencing investment decisions by women.

![Figure 4.7: Education Specialization](image)

4.4 Economic Challenges faced by Women Entrepreneurs

The economic challenges faced by women entrepreneurs in Kenya were the second objective examined in this study. The following section therefore presents findings regarding how the various respondents answered questions relating to this objective.

4.4.1 Interest Rates

Figure 4.8 presents findings with regards to how interest rates influence investment decisions by women entrepreneurs in Kenya. As seen in figure 4.8, it was evident that 56 per cent of the respondents strongly agreed, 17 per cent agreed, 2 per cent were neutral, 3 per cent disagreed while 6 per cent strongly disagreed on education specialization influencing investment decisions by women.
4.4.2 Lending Policies

Figure 4.9 presents findings with regards to how lending policies influence investment decisions by women entrepreneurs in Kenya. As seen in figure 4.9, it was evident that 61 per cent of the respondents strongly agreed, 29 per cent agreed, 4 per cent disagreed while 6 per cent strongly disagreed on lending policies influencing investment decisions by women entrepreneurs in Kenya.
4.4.3 Limited Access to Appropriate Technology

Figure 4.10 presents findings with regards to how limitation to appropriate technology influence investment decisions by women entrepreneurs in Kenya. As seen in figure 4.10, it was evident that 37 per cent of the respondents strongly agreed, 44 per cent agreed, 4% were neutral, 6 per cent disagreed while 9 per cent strongly disagreed on limitation to appropriate technology influencing investment decisions by women entrepreneurs in Kenya.

![Figure 4.10: Limited Access to Appropriate Technology]

4.4.4 Entry of New Firms and Competition

Figure 4.11 presents findings with regards to how entry of new firms and competition influence investment decisions by women entrepreneurs in Kenya. As seen in figure 4.11, it was evident that 49 per cent of the respondents strongly agreed, 28 per cent agreed, 5% were neutral, 12 per cent disagreed while 5 per cent strongly disagreed on entry of new firms and competition influencing investment decisions by women entrepreneurs in Kenya.
4.4.5 Customer Purchasing Power and Inflationary Pressure

Figure 4.12 presents findings with regards to how Customer purchasing power and inflationary pressure influence investment decisions by women entrepreneurs in Kenya. As seen in figure 4.12, it was evident that 39 per cent of the respondents strongly agreed, 28 per cent agreed, 5 % were neutral, 20 per cent disagreed while 8 per cent strongly disagreed on Customer purchasing power and inflationary pressure influencing investment decisions by women entrepreneurs in Kenya.

Figure 4.12: Customer Purchasing Power
4.4.6 Risk Associated with Business

Figure 4.13 presents findings with regards to how risk associated with business influence investment decisions by women entrepreneurs in Kenya. As seen in figure 4.13, it was evident that 72 per cent of the respondents strongly agreed, 17 per cent agreed, 2% were neutral, 3 per cent disagreed while 6 per cent strongly disagreed on risk associated with business influencing investment decisions by women entrepreneurs in Kenya.

![Figure 4.13: Risk Associated with Business](image)

4.5 Political Factors influencing Investment Decisions

The third and final objective of the study was to examine the political factors influencing investment decisions by women entrepreneurs in Kenya. The following section therefore presents findings regarding how the various respondents answered questions relating to this objective.

4.5.1 Government Policies

Figure 4.14 presents findings with regards to the influence of government policies on investment decisions by women. As seen in figure 4.3, it was evident that 70 per cent of the respondents strongly agreed, 15 per cent agreed, 5 per cent were neutral, 6 per cent disagreed while 4 per cent strongly disagreed on how government policies influence investment decisions by women.
4.5.2 Bureaucracy and Cost of Registration

Figure 4.15 presents findings with regards to the influence of bureaucracy and cost of registration on investment decisions by women. As seen in figure 4.15, it was evident that 47 per cent of the respondents strongly agreed, 28 per cent agreed, 6 per cent were neutral, 17 per cent disagreed while 34 per cent strongly disagreed on how bureaucracy and cost of registration influence investment decisions by women.
4.5.3 Regulatory Environment

Figure 4.16 presents findings with regards to the influence of the regulatory environment on investment decisions by women. As seen in figure 4.16, it was evident that 47 per cent of the respondents strongly agreed, 28 per cent agreed, 6 per cent were neutral, 17 per cent disagreed while 34 per cent strongly disagreed on how bureaucracy and cost of registration influence investment decisions by women.

![Figure 4.16: Regulatory Environment](image)

4.5.4 Complicated Process in Business Registration

Figure 4.17 presents findings with regards to the influence of the complicated processes in business registration on investment decisions by women. As seen in figure 4.17, it was evident that 32 per cent of the respondents strongly agreed, 48 per cent agreed, 3 per cent were neutral, 8 per cent disagreed while 9 per cent strongly disagreed on how complicated process of business registration influence investment decisions by women.
4.5.5 Political Stability

Figure 4.18 presents findings with regards to the influence of the political stability in business registration on investment decisions by women. As seen in figure 4.18, it was evident that 51 per cent of the respondents strongly agreed, 40 per cent agreed, 5 per cent were neutral, 2 per cent disagreed while 2 per cent strongly disagreed on how political stability influence investment decisions by women.
4.5.6 Taxation

Figure 4.19 presents findings with regards to the influence of taxation on investment decisions by women. As seen in figure 4.19, it was evident that 70 per cent of the respondents strongly agreed, 15 per cent agreed, 2 per cent were neutral, 6 per cent disagreed while 7 per cent strongly disagreed on how taxation influence investment decisions by women.

![Figure 4.19: Taxation](image)

4.6 Correlation Analysis

As seen in table 4.7 it is evident that there was a positive correlation between the investment decision and political factors (0.955), economic factors (0.837) and individual factors (0.939). The results of this correlation show that political factors with a Pearson correlation r = .955 had the most effect on investment decisions among women entrepreneurs in Kenya followed by individual factors where r = .939 and economic factors were the least according to this research with r = .837.
4.6 Correlation Analysis

<table>
<thead>
<tr>
<th></th>
<th>Political factors</th>
<th>Economic Factors</th>
<th>Individual Factors</th>
<th>Investment Decisions</th>
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</thead>
<tbody>
<tr>
<td><strong>Political factors</strong></td>
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<tr>
<td>Correlation</td>
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<td>.952**</td>
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<td>Sig. (2-tailed)</td>
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<td><strong>Economic Factors</strong></td>
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<tr>
<td><strong>Individual Factors</strong></td>
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<td>Correlation</td>
<td>.952**</td>
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<td>Sig. (2-tailed)</td>
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<td><strong>Investment Decisions</strong></td>
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<td>Correlation</td>
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<td>75</td>
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</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).

4.7 Chapter Summary

This chapter has presented the analysis, results and discussion of findings of the study as set out in chapter three. The Statistical Package for Social Sciences software was used and the findings were presented as descriptive statistics, and correlation analysis. The next chapter presents a summary of the findings, discussion, conclusions and recommendations.
CHAPTER FIVE

5.0 DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter consists of a discussion on the findings in chapter four and it relates them to the concepts that were elaborated in chapter two. The initial segment gives a synopsis of the critical components of the study which incorporates the study objectives, methodology and the findings. The subsequent section discusses the major findings of the study with regard to the specific objectives. Section three examines the conclusions based on the specific objectives, while using findings and results which are acquired in the fourth section. The last sub-segment gives the recommendations for improvement and further studies.

5.2 Summary

The main objective of this study was to examine the determinants of investment decisions by women entrepreneurs in Kenya. The study was guided by the following research objectives: First was to determine the personal factors that influence investment decision making among women entrepreneurs, secondly to determine the economic factors that influence investment decision making among women entrepreneurs and to determine the political factors that influence investment decision making among women entrepreneurs in Kenya.

This research was facilitated by collection of primary data using structured questionnaires and adopted a descriptive survey research design to get a valid conclusion on the specific objectives mentioned above. The total population of 150 comprised of women entrepreneurs in Kenya specifically from Nairobi County from which a sample of 75 respondents was selected using simple random sampling technique. The research was conducted during the months of June and July 2015. Data analysis was done through descriptive and regression statistics and presented in pictorial representation in the form of tables and figures. The data was coded using Microsoft Excel and Statistical Package for Social Sciences (SPSS version 21) in order to generate the descriptive statistics in the form of frequencies and percentages.
The study revealed that majority of the respondents agreed that the following individual factors influence investment decisions: Personal and job experience (86 percent), lifestyle (90 percent), level of income (81 percent), the time horizon (78 percent), the double responsibility of running businesses and family (67 per cent), social cultural factors (70 percent), education specialization (42 percent).

The study further revealed that the following economic challenges affect the investment decisions by women: high interest rates (78 per cent), lending policies (90 per cent), limited access to appropriate technology (81 per cent), entry of new firms and competition (77 per cent), customer purchasing power and inflationary pressure (67 per cent) and risk associated with the investment (89 per cent).

Similarly the study revealed that political factors such as government policies such as incentives (85 per cent) influence women entrepreneurs in making investment decisions, bureaucracy and cost of business registration (75 percent) is a challenge to women entrepreneurs in making investment decisions, regulatory environment such as commercial and capital investment laws (75 percent) influence women entrepreneurs in making investment decisions, complicated processes in business registration (81 per cent) influence women entrepreneurs in making investment decisions and stability in the political environment (91 percent) influence women entrepreneurs in making investment decisions and finally taxation where 85 percent agreed.

5.3 Discussion

5.3.1 Individual Factors influencing Investment Decisions

The study revealed that majority of the respondents agreed that the following individual factors influence investment decisions Personal and job experience (86 percent), lifestyle (90 percent), level of income (81 percent), the time horizon (78 percent), the double responsibility of running businesses and family (67 per cent), social cultural factors (70 percent), education specialization (42 percent).

The findings agree with Shyng et al. (2010) who argues that past experiences of individuals usually affect their attitudes when they made investment decisions. These findings also agree with Nagpal and Bodla (2009), who conducted a study on the impact of investors' lifestyle on their investment pattern and found out that investors’ lifestyle
predominantly decides the risk taking capacity of investors. These findings also agree with the Kuala Lumpur Stock Exchange study to determine the investor’s attitude and characteristics among the share owners which found out that there were differences between passive and active investors and these differences could be attributed to the demographics, the investment characteristics as well as the investment behavior (ET Retail Equity Investor Survey, 2004).

The findings also agree with Rajarajan’s (2014) whodid a study focusing on the lifestyles and characteristics of investors. This study was mainly to determine the preference of investors based on the size, pattern and investment preferences of the future based on their lifestyles. The findings of the study showed that most investors read more than one source for information on investment and that those who were active in investment were mostly below the age of 35 years while the industrial group of investors was above the age of fifty years while the passive investors were between the ages of 35-50 years.

The study also agrees with Muthupandi (2013) who conducted a study on the title “Factors influencing investment decisions” which revealed the various characteristics of an investor. Samples of 100 investors were selected in Madurai city. The study revealed that income of investors affects the investment decision to the greater extent.

Similarly the findings also agree with Felton et al. (2003) who did a study to find the role that gender play in the type of investment of students. They concluded that males make more risky investment choices than females, and this difference was mainly due to riskier choices made by optimistic males. Hibbert al. (2008), also observed that at the same level of education women risk appetite is the same as for men irrespective of any background on matters of financial investment.

5.3.2 Economic Challenges to Investment Decisions

The study further revealed that the following economic challenges affect the investment decisions by women: high interest rates (78 per cent), lending policies (90 per cent), limited access to appropriate technology (81 per cent), entry of new firms and competition (77 per cent), customer purchasing power and inflationary pressure (67 per cent) and risk associated with the investment (89 per cent).
The findings affirm that women projects are frequently primary beneficiaries of microfinance. While this type of support is undeniably a precious development tool, women entrepreneurs will face challenges once their company expands and its financing needs exceed micro-credit ceilings. They may then be confronted with the above hurdles which may prevent the company from expanding. The limited development of alternative sources of financing in Kenya such as women funds affects women-owned businesses during both the start-up and development phase. Studies show that women in some developing countries are less likely than men to seek and receive business angel financing (Harrison, 2014), it is likely that similar observations apply in Kenya.

The most basic investment decisions revolve around the comparison of expected return and risk involved. No investor will take on higher risk if there is no chance of equally higher returns. Investors strive to reach on the best trade-off point between risk and return which go well with their financial requirements. These expected returns are not always equal to what an investor actually gets after some time. The possibility that actual return will not be the same as what they expect is called risk (Bharathi, 2010).

The findings agree with Kimuyu and Omiti (2010), who found that lack of working capital, is the most important reason for business closure in Kenya. They recommended for businesses to seek affordable short term bank financing tailor made to their ability to repay. They concluded that availability of external financing is crucial for business growth and ultimate profitability. Hansa (2009), in his study found out that young organizations struggle to reach a critical size at which they can sustain themselves as a result of increased operation costs. He observed that outside funds can help such institutions to gain scale more quickly.

This study also agrees with Olsen and Cox (2001) who found out that women were also found to be more risk averse than their male counterparts when faced with investments in social and technology hazards despite both genders having the same experience and competence. In portfolios it was found out that women make decisions which reduce the risk as Barber and Odean (2001) found out during a study of over 35,000 households where women returns were found to reduce by 1.72% as compared by men 2.65%. These findings can also be attributed to the fact that men traded 45% more than women in the same period.
Graham et al. (2012) also found out that women are less risk-tolerant investors because they are less confident and have different style of information processing than men. The level of confidence and information processing was also being found to account for the low risk attitude adopted by women risk.

Felton et al. (2003) examined the role of gender and optimism on the riskiness of investment choices of students. The analysis suggested that males make more risky investment choices than females, and this difference was mainly due to riskier choices of optimistic males. Finally, the study findings agree with the turn of the nineteenth century, the issue of financial globalization was seen more in terms of deploying the surplus savings of developed regions in the (then) emerging economies, rather than as a means to spur development of financial markets in the receiving countries (Lin et al. 2009). Nevertheless, the flood of capital into North and South America and parts of Asia did enhance growth and the development of financial centers. Conversely, sudden stops in capital flows also had severe effects in sparking and compounding banking and financial crises. In the context of today’s emerging world, there is probably a greater realization on the part of governments that access to foreign investors, be it through banking flows, portfolio flows, or foreign direct investment flows can be of substantial economic benefit (Haldane, 2009). But, in general, there probably is also a greater awareness now of the potential negative effects of fostering large-scale inward investment, both in terms of lopsided growth and the often unequal distribution of this capital, and in terms of conflicts between short-term and longer-term objectives (Chen, 2009).

5.3.3 Political Factors influencing Investment Decisions

Finally the study revealed that majority of the respondents agree that political factors such as government policies such as incentives (85 per cent) influence women entrepreneurs in making investment decisions, bureaucracy and cost of business registration (75 percent) is a challenge to women entrepreneurs in making investment decisions, regulatory environment such as commercial and capital investment laws (75 percent) influence women entrepreneurs in making investment decisions, complicated processes in business registration (81 per cent) influence women entrepreneurs in making investment decisions and stability in the political environment (91 percent) influence women entrepreneurs in making investment decisions and finally taxation where 85 percent agreed.
The findings affirm that lending policies for example that requires women to include their husbands as co-signers even if he lacks financial resources or is not involved in the woman’s business. This is as part of a perceived effort to ensure that the woman’s activities do not interfere with the wishes of her family or her husband (Chamlou, 2008). Some of the women may be single by choice or do not wish to involve their husbands in the business and hence feel harassed.

Additionally the findings affirm that debt financing is the principal external source of financing for women entrepreneurs in Kenya. Lack of sufficient collateral is considered a key obstacle for accessing finance. Hence, when women do not turn to informal networks, they will primarily seek support through debt financing. However, their ability to obtain funding is impacted by traditional property arrangements. Although women are legally allowed to own property, in practice their husbands may own house deeds. As a result, women often do not have the collateral necessary to access commercial loans. Owing to a variety of circumstances, ranging from lower wage income for women than for men to smaller inheritances for daughters than for sons, women will, if owners, often only have small amounts of personal capital to be used for start-ups or as collateral (Hansa, 2009).

Finally the findings affirm that legal and regulatory forces can come in many shapes and forms. Investment decisions can be regulated by having their functions controlled for example, long-versus short-term business, types of deposits they might supply, composition of portfolios they might hold, access to individual market segments restricted and restrictions on the amount of loans. Institutions may even be restricted by geographic limits. Restrictions can also be applied for regulatory and supervisory purposes, for solvency reasons, and also in support of fiscal and monetary goals. This can generate conflict if the need to build capital buffers clashes with the need to provide credit during periods of economic stress (Goodhart, 2009). Laws relating to accounting standards, definitions, incorporation rules, bankruptcy, solvency, and transparency can all have an impact on financial structure. Some have argued, for example, that the legacy of common law in some former colonies in Asia had an important influence on their bankruptcy regimes. At the very least, changes in all of these factors will have transitional cost effects. Hence the benefits of “regulatory convenience” must be weighed against the costs of inefficient allocation of capital (Obstfeld, 2009).
5.4 Conclusion

5.4.1 Individual Factors influencing Investment Decision

The study concludes that the following individual factors influence investment decisions: Personal and job experience, lifestyle, level of income, the time horizon, the double responsibility of running businesses and family, social cultural factors and finally education specialization is found not to be a major influence in investment decision making among Kenyan women entrepreneurs.

5.4.2 Economic Challenges to Investment Decisions

The study further concludes that economic challenges affect the investment decisions by women: high interest rates, lending policies, limited access to appropriate technology, entry of new firms and competition, customer purchasing power and inflationary pressure and risk associated with the investment.

5.4.3 Political Factors Influencing Investment Decision

Finally the study concludes that policies such as incentives influence women entrepreneurs in making investment decisions, bureaucracy and cost of business registration is a challenge to women entrepreneurs in making investment decisions, regulatory environment such as commercial and capital investment laws influence women entrepreneurs in making investment decisions, complicated processes in business registration influence women entrepreneurs in making investment decisions and stability in the political environment influence women entrepreneurs in making investment decisions.

5.5 Recommendations

5.5.1 Recommendations for Improvement

5.5.1.1 Individual Factors Influencing Women Entrepreneurs in Making Investment Decisions

The influence of individual factors on investment decisions by women entrepreneurs cannot be ignored. The education system should be more based on developing individuals who are able to create self-employment as this will help the country achieve goals of self-sufficiency and achieve the objectives of vision 2030.
5.5.1.2 Economic challenges faced by women entrepreneurs in making investment decisions

The Government which is in charge with most of the economic policies in Kenya should employ measures which remove barriers to women entrepreneurs in Kenya with the aim of achieving economic goals set for vision 2030. This can be done by giving financial access to women who want to start up their own businesses as long as they meet the stipulated requirements for such funds.

5.5.1.3 Political Factors that influence Women Entrepreneurs in Kenya

There needs to be women representation in the politics of the country since they can articulate what type of measures or policies that can enhance their entrepreneurship development. The need for political stability cannot also be ignored since it forms the basis to a conducive environment for all types of businesses to thrive.

5.5.2 Recommendations for Further Studies

The researchers acknowledge the fact that limitations for instance time, measurement for data collection and questionnaire survey stood in the way of the study. The researcher therefore recommend that since entrepreneurship is a major driving force in the economy, more studies and in particular the effect of education specialization on investment decisions by women is undertaken to find out why education is not a major factor when it comes to making investment decisions among the Kenyan women entrepreneurs.
REFERENCES


APPENDICES

Appendix I: Letter of Introduction

Dear respondent,

I am carrying out a research on the *determinants of investment decisions by women entrepreneurs in Kenya*. This is in partial fulfilment of the requirements for the Degree of Master’s in Business Administration (MBA) program at United States International University (USIU).

This is an academic research and confidentiality is strictly emphasized, your name and other credentials will not appear anywhere in the report. The questionnaire takes a few minutes only. Kindly spare some time to complete the questionnaire herewith attached.

Thank you in advance,

Yours Sincerely,

*Mwaura Jeremiah*
Appendix II: Questionnaire

SECTION A: GENERAL INFORMATION

1. What is your age bracket?
   - 18 – 29 years
   - 30 – 39 years
   - 40 – 49 years
   - 50 years and over

2. What is your Highest Level of Education:
   - Middle level college
   - University degree
   - Post graduate
   - Other (please specify)

3. What is your marital/family status?
   - Single
   - Married/with family
   - Divorced/Widowed
   - Other

4. How many years have you been doing business?
   - Less than one year
   - 1-5 years
   - Over 5 years

5. What is your position in the business?
   - Owner
   - Employed
   - Director
   - Shareholder
   - Other (Please specify)
SECTION B: INDIVIDUAL FACTORS INFLUENCING WOMEN ENTREPRENEURS IN MAKING INVESTMENT DECISIONS

a) Using a scale of 1 – 5 tick the appropriate answer from the alternatives provided for each of the questions. 1. Strongly agree 2. Agree 3. Uncertain 4. Disagree 5. Strongly Disagree

<table>
<thead>
<tr>
<th>Factor</th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Uncertain</th>
<th>Disagree</th>
<th>Strongly disagree</th>
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<tbody>
<tr>
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<td>Lifestyle as a high spender or saver influences women entrepreneurs in making investment decisions</td>
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<td>Level of income influences women entrepreneurs in making investment decisions</td>
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<td>The time horizon i.e. term of investment influences women entrepreneurs in making investment decisions</td>
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<td>The double responsibility of running a business and a family might lead to low risk taking among women entrepreneurs and therefore are unable to make investment decisions</td>
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<td>Social cultural factors such as traditions, religion, tastes and preferences influence women entrepreneurs in making investment decisions</td>
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<td>Education specialization (Field of education – business, science, IT etc.) influences women entrepreneurs in making investment decisions</td>
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<td>Other factors (Kindly list any other individual factors that influence investment decisions as a woman entrepreneur)</td>
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</table>
SECTION C: ECONOMIC CHALLENGES FACED BY WOMEN ENTREPRENEURS IN MAKING INVESTMENT DECISIONS

b) Using a scale of 1 – 5 tick the appropriate answer from the alternatives provided for each of the questions. 1. Strongly agree 2. Agree 3. Uncertain 4. Disagree 5. Strongly Disagree

<table>
<thead>
<tr>
<th>Statement</th>
<th>Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>Agree</td>
</tr>
<tr>
<td>Interest rates are very high for investment projects, therefore making it difficult for women entrepreneurs to make investment decisions</td>
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<tr>
<td>Lending policies restrict women from accessing credit for example requirements for collateral and are therefore unable to make investment decisions</td>
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<tr>
<td>Limited access to appropriate technology limits women entrepreneurs from making investment decisions</td>
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<tr>
<td>Entry of new firms and competition may be a challenge to women entrepreneurs in making investment decisions</td>
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<tr>
<td>Customer purchasing power and inflationary pressure may act as a barrier to women entrepreneurs in making investment decisions</td>
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<tr>
<td>Other factors (Kindly list any other economic challenges that influence your investment decisions as a woman entrepreneur)</td>
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<td>a)........................................................................</td>
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</table>
SECTION D: POLITICAL FACTORS INFLUENCING INVESTMENT DECISIONS AMONG WOMEN ENTREPRENEURS

a) Using a scale of 1 – 5 tick the appropriate answer from the alternatives provided for each of the questions. 1. Strongly agree 2. Agree 3. Uncertain 4. Disagree 5. Strongly Disagree

<table>
<thead>
<tr>
<th>Statement</th>
<th>Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>Agree</td>
</tr>
<tr>
<td>Government Policies such as incentives influence women entrepreneurs in making investment decisions</td>
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<tr>
<td>Bureaucracy and cost of business registration is a challenge to women entrepreneurs in making investment decisions</td>
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<tr>
<td>Regulatory environment such as commercial and capital investment laws influence women entrepreneurs in making investment decisions</td>
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<tr>
<td>Complicated processes in business registration influence women entrepreneurs in making investment decisions</td>
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<tr>
<td>Stability in the political environment influence women entrepreneurs in making investment decisions</td>
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<tr>
<td>Taxation may act as a barrier to women entrepreneurs in making investment decisions</td>
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<tr>
<td>Other factors (Kindly list any other in political factors that influence your investment decisions as a woman entrepreneur)</td>
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<td>a) ...........................................................................</td>
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Thank you for your co-operation.