INFLUENCE OF ACCESS TO SOCIAL CAPITAL ON PERFORMANCE OF SOCIAL ENTERPRISES IN NAIROBI COUNTY

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ABSTRACT

The purpose of social entrepreneurship in the country remains closely related to minimizing communal challenges and consequently eliminating poverty levels. Social entrepreneurship has been recognized as an approach to responding to social challenges such as unemployment, deprivation, and social division, to attain widespread social justice. Social enterprises generate positive development in the larger society by engaging the marginalized people in the society. The research intended to examine the way social entrepreneurship influences performance of social enterprises. The study specifically looked at the entrepreneur intention, social capital access, entrepreneurship risks, and social intervention capabilities. Theories informing the study included social capital, social enterprise, social innovation, and stewardship theory. The study employed a descriptive study approach targeting 216 middle-level managers of the available enterprises within Nairobi. The sampling size was made up of 140 participants selected through stratified and random sampling approaches. Questionnaires were administered both online as well as in-person. Quantitative techniques were employed to analyze data by SPSS 23.0 on both descriptive and inferential analysis. The presentation of findings was through frequency tables that were interpreted narratively, and findings were discussed. The study revealed that access to social capital and entrepreneurship risk significantly influenced the performance of social enterprises. The study recommended for social enterprises build sufficient networks with financial institutions and credit partners for social capital support.

Key words: Social Capital, Social Networks, Enterprises Performance, Social Enterprises.

INTRODUCTION

Social Entrepreneurship is significant to any economy across the globe, and it is considered the country's economic engine needed to achieve economic development, employment creation, and alleviating poverty (Smith & Tendai, 2014). According to Bacq and Janssen (2011), the activities around identification, evaluation, and exploitation of existing openings to establish social value from market-related processes is what form social entrepreneurship. Betts et al. (2018) described social entrepreneurship as a basic manner of resolving communal challenges dominantly under the state’s authority and non-profitable. Thisted and Hansen (2014) expressed the view that social entrepreneurship is about how to use practical, innovative, and more sustainable techniques for the public good in general, putting more emphasis on the marginalized populations and poor people in society.

Kreitmeyr (2019) stated that social entrepreneurship plays a significant role in the social and economic development of a nation and in the same way entrepreneurs can transform the aspects of a company, social entrepreneurs on the other hand function as change agents for the community, by seeing opportunities that others fail to see while refining the systems, and the invention of new approaches, as well as offering solutions that better the society (Faruk et al., 2016).

Smith and Tendai (2014) stated that social enterprise activity within Kenya began during the economic reforms started in the 1980s after comprehensive economic reforms in Kenya. This enabled the government to significantly decrease expenditure on social services, as well as foster an increase in service delivery by external actors among them Non-governmental organizations (NGOs) and commercial players. The social enterprise ecology in Kenya is led by youth within the age of under 35 years and this is due to the high level of education and absence of work-related possibilities. The Kenya Vision 2030 aims to achieve a 10.0 percent growth rate and to reduce the number of individuals who live in extreme poverty to the 'smallest number of the entire population' (KNBS, 2020).

Dupas and Robinson (2013) expressed views that when it comes to the performance of social enterprises in Kenya, Kenya is surrounded by an inadequate supply of products and services, fiscal liabilities, and losses arising from inefficiency. This results in inadequate creation of employment and an increase in poverty level as well as inequalities in most sectors of the society. Additionally, in Kenya, social entrepreneurship remains under-researched in the field of academics, and the significance of social entrepreneurship as a fact for social improvement is critical.

Chege (2014) added that social enterprise in Nairobi County focuses on helping to solve social problems such as poverty, unemployment, and marginalization while preserving a better environment, promoting equal distribution of resources, and improving the standards of living in a society. However, many of these social enterprises always collapse before five years due to their commitment to solving societal problems instead of aiming to be profitable. Social enterprise studies in Kenya are limited and this restricts sources of information. Thisted and Hansen (2014) study focused on narratives of six successful enterprises in Kenya which defined the path that social enterprises take to accomplish social impact using available methods in Kenya. This present study established the relationship of social entrepreneurship and the performance of social enterprises in the Kenyan context.

Local studies on entrepreneurship and performance include Kiprotich (2018) who determined the influence of social capital on the growth of SMEs in Nairobi County. The findings of the research established that social capital influences the growth of SMEs; Rapando (2016) examined the aspects of impacting social entrepreneurship in Kariobangi, among three social enterprises. The study revealed that the respondents considered individual attitude and social entrepreneurial intention as important factors in enhancing performance. The study concluded that entrepreneurial environmental factors affected social entrepreneurial intention. Kaliti (2015) undertook an analysis of the impact of risk management traditions on the performance of companies in the hospitality segment in Nairobi County. The study revealed that risk accounts for 34% of the changes in business performance and did not significantly influence performance. Whereas some scholars presented that social entrepreneurship components had a positive and significant effect on performance (Kiprotich, 2018; Rapando, 2016), others presented insignificant relationships (Kaliti, 2015).

From the contradicting and inconsistent findings, it is clear that different sectors of the economy presented their unique findings. Choice of methodology would also be the cause of variation in findings, some used interviews whereas others used questionnaires, and some studies used descriptive analysis alone in the analysis of their data. Therefore, the current study sought to answer the question: what is the influence of access to social capital on the performance of social enterprises in Nairobi County?

LITERATURE AND HYPOTHESIS

Beck and Levine (2018) studied the accessibility to financial services and the impact that it had on the performance of small and medium enterprises in European firms. The study was conducted by sending online survey questions to owners of the firms. Data for the study was analyzed through cause-effect research design using correlation analysis on regression models. The results of the study noted most importantly that those entrepreneurs who cannot access credit services from banks and insurances are classified as unbanked and had a hard time achieving better business performance. The study noted a positive and significant relationship of firm performance and capital base. The study concluded that these firms had failed to access the credit facilities through their lack of proper record keeping as well as lacking a proper business plan of what they needed to achieve.

Weerakoon, McMurray, Rametse, and Arenius (2019), studied the effect that social capital has on the innovation of social enterprises in Australia. The study relationship was moderated by motivation and knowledge creation. The study data was collected through pre-tests and piloted questionnaires given to middle managers among 112 social enterprises. The study analysis was conducted through structural equation modeling with SPSS AMOS version 25, the study revealed the relationship of social capital and social innovation was moderated by motivation and knowledge creation. The study, therefore, recommended for to managers allocate more financing to the projects on innovation. The study revealed an important connection of social capital and innovation. The study also introduced a moderator in the study to show that the variables had a significant moderation effect on the relation of the key variable. The study however had a different dependent study variable from the current study which looked at the social performance of enterprises with different sub-variables. The study was also carried out in a developing country where the social enterprise's sector is affected by different macro and the micro-environment from the Kenyan case, it was, therefore, important to carry out a local study with measures on the dependent variable that is the performance of social enterprises to give more insight on the relationship of social capital and performance of social enterprises.

An analysis by Kumar and Francisco (2005) in Brazil on business size, financing trend, and constraints of credit accessibility determined the existence of an association between finance accessibility and business size. The study revealed that small and upcoming businesses encounter many problems because of the absence of audits and their reduced collateral ability in comparison with big organizations. The small and upcoming businesses have access to just 30% of the funding available while the bigger ones have access to 48% of the funding. There is increased challenge by small firms in accessing credit facilities compared to the established ones because of exiting banking institutions, market setting that is not suitable, and an increase in the cost of production from lack of economies of scale.

Aritenang (2021) carried out a study on the role that was played by social capital in the growth and general performance of rural firms in Indonesia. The study was premised on government economic programs aimed at uplifting the status of the rural poor. The study was a case study research design that applied qualitative research where data for the study mainly comprises interviews, focused group discussions observation, and perusal of policy documents. The study data was analyzed through content analysis, the findings of the study revealed that the impact of the rural enterprises was not felt, the study also emphasized the importance of enhancing the human capital through continuous training of the rural enterprises as well as enhancing marketing skills for their product. This study emphasized the importance of components of social capital that include networks, and human capital. The study however was carried out premised on government interjection through the provision of social capital support programs. These projects are different from the ones that the current study focuses on where the entrepreneur is the founder and financier of the ideas. This study was also qualitative; the study did not test for the hypothesis to establish the relationship between the study variables it was therefore hard to critique existing theories on social capital.

The study hypothesis was as follows: H_{01}: Social capital does not significantly influence the performance of social enterprises in Nairobi county.

DATA AND METHODS

The study applied a descriptive research design to investigate the relationship of the study variables, due to its ability to capture the perception of respondents by answering the questions that relate to how? when and what? etc.. The descriptive research design also borrowed heavily from positivism theory which holds that research can improve the predictability of theories by the development of hypothesis to the relationship of variables through the creation of quantitative data and testing of the relationship between the quantitative data (Sekaran & Bougie, 2016).

The stratified random sampling procedure was preferred due to its ability to give a representative sample size across the strata (Kothari, 2004).

The sample size was determined by using *Yamane's'* formula.

$$n=\frac{N}{1+N(e)2}$$

Whereby:

N*=** population size, ***n=sample size, and ***e***=level of precision.

At 95% confidence level which is p = 0.05 and N =216. The sample size will be as follows:

Sample size $n = 216/ [1+ 216 (0.05)^2]$

Sample size n = 140.

The data collection exercise was either through physically administering the questionnaire to the respondents in the study or online or through online way.

Data for the study was analyzed through SPSS version 23 where both descriptive analysis and testing of the hypothesis were carried out.

RESULTS AND DISCUSSIONS

From the 140 questionnaires administered in the field, 125 questionnaires were found responsive and used in analysis representing a response rate of 89%.

A descriptive analysis of the access of social capital and performance.

Table 1 Revealed that respondents agreed with the statements on the accessibility to social capital access. The respondents agreed with the Statement on Descriptive statistics on Access to Social Capital as shown by a mean of 4.05; similarly, the respondents agreed that they received technical advice from formal institutions including financial institutions and consulting agencies as revealed through a mean score of 4.14. Besides the respondents agreed that they had built networks with suppliers and creditors as shown through a mean of 4.65. The findings of the study are in agreement with Beck and Levine (2018) who revealed that through access to credit, a business or investment can receive both financial support as well as technical support. Beck and Levine (2018), further support the study findings when they revealed that access to credit is dependent and has a role to play in the performance of an enterprise.

Table 1: Descriptive Statistics on Access to Social Capital

Statement on Descriptive statistics on Access to Social Capital	**N**	**Mean**	**Standard deviation**
Our enterprise has sufficient marketing networks for social enterprises	125	4.05	.876
We receive technical advice from formal institutions including financial institutions and consulting agencies	125	4.14	.734
We have a non-governmental organization that supports us with capital	125	4.49	.932
We have built networks with our suppliers	125	4.65	.961
We have training and development facilities on social entrepreneurship	125	3.96	1.071
Composite Mean	**125**	**4.26**	

Source; Researcher (2022)

Descriptive Statistics On Social Enterprises Performance

Table 2 shows that the respondents agreed with the statement that their enterprises had sufficient marketing networks for social enterprises as shown by a mean of 4.05. The study also revealed that the firms had gained great market share as was agreed by respondents through a mean score of 4.67. Besides, the social enterprises had increased profits and sales revenues as was agreed by the respondents through a mean score of 4.18 and 4.09 respectively. The results are in agreement with Rapando (2016) who argued that the performance of the organization is its ability to adapt to the environment that surrounds it, together with any transformations in the market environment that consists of new entrants, customers, and those that may impact business operations

Table 2: Descriptive Statistics for Social Enterprise Performance

Statement on Social Enterprise Performance	**N**	**Mean**	**Std. Deviation**
We have gained a higher market share	125	4.67	1.030
Our sales and revenues have increased	125	4.09	1.016
We have increased our profits	125	4.18	1.083
We have increased the average number of customers coming to our business annually	125	4.07	0.959
We have increased our employees' numbers	125	3.01	0.847
we have received more positive feedback from our satisfied customers	125	4.51	1.406
Composite Mean	**125**	**4.08**	

Hypothesis Tests

H01: *Social capital does not significantly influence the performance of social enterprises in Nairobi county.*

The findings are presented in the correlation table 3 on bi-variate correlation analysis to establish whether access to social capital had a significant correlation with the performance of social enterprises. The study revealed that access to social capital significantly and positively influences the performance of social enterprises in Nairobi county (r=0.603, p-value =0.001< 0.005).

Table 3: Variables Correlations

		Access to social capital	**Social Enterprises performance**
Access to social capital	Pearson Correlation	1	.603**
	Sig. (2-tailed)		.000
	N	125	125
Social Enterprise performance	Pearson Correlation	.603**	1
	Sig. (2-tailed)	.000	
	N	125	125

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

Ozigi (2018) study agreed with the study findings on analyzing the effect of social capital and the performance of enterprises in Nigeria among SMEs. The study revealed that the three components of capital (mutual trust, social networks, and reciprocity) had a strong positive and significant influence on the performance of SMEs in Lagos.

CONCLUSIONS AND RECOMMENDATIONS

The study concluded that social capital positively and significantly influenced the performance of social enterprises. Therefore, the study REJECTED the hypothesis that stated that: There is no significant positive influence of social capital on the performance of social enterprises.

The study recommended that for social enterprises in Nairobi County to build sufficient marketing networks, and get technical and business assistance from formal institutions on financial management and sourcing, the organization should also build a good network with Non-governmental institutions for financial support as well as create rapport with creditors to get goods and services on credit because the study revealed that access to social capital is significant in enhancing the performance of social enterprises in Nairobi county.

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