DETERMINANTS OF MICRO CREDIT PROVISION TO WOMEN ENTREPRENEURS BY MFIs IN KENYA

BY

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DECLARATION

This project report is my original work and has not been presented for examination in any other University.

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DEDICATION

I dedicate this piece of work to dear wife, parents and child who have supported me throughout my MBA programme.

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During this research, a lot of support has been extended to me by a number of people to whom without this kind of assistance it would have been impossible to carry on. First and foremost I would like to acknowledge the financial and moral support extended to me by my family especially my wife during this research. Secondly, I wish to thank all the MFI's that allowed me to use their data during the entire research period. Lastly I wish to recognize my supervisor for his assistance, his heartfelt support in executing the research.

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LIST OF ABBREVIATIONS

CBK	-	Central Bank of Kenya
FINCA	-	Foundation for International Community Assistance
GAD	-	Gender and Development
GDP	-	Gross Domestic Product
IAS	-	International Accounting Standards
IPO	-	Initial Public Offering
LAC	-	Latin America and the Caribbean
MDGs	-	Millennium Development Goals
MFIs	-	Micro - Finance Institutions
MSEs	-	Micro and Small Enterprises
NGOs	-	Non Governmental Organizations
RoScAs	-	Rotating Savings and credit Associations
SEWA	-	Self-Employed Women's Association
UN	-	United Nations
WMIL	-	Worldwide Microfinance Institutions List

DEFINITION OF TERMS

Entrepreneur – refers to one who is willing and able to initiate and successfully manage for a length of time an activity that involves at least some degree of personal and organizational risk (Khandwalla, 1979)

Microcredit – refers to a small financial loan made to poverty-stricken individuals seeking to start their own business

Millennium Development Goals - refers to globally-adopted targets for reducing poverty, hunger, child and maternal mortality, lack of education, gender exclusion, and disease (Kuzu, 2010).

Regulation – refers to laws and rules that govern what financial institutions such as banks, brokers and investment companies (Financial times, 2012).

ABSTRACT

Several attempts have been made by the government of Kenya towards poverty eradication and the creation of wealth. Most notable of these attempts is contained in Sessional Paper No. 2 of 1992 entitled "Small Enterprise and Jua Kali Development in Kenya. This paper provided a comprehensive framework for the promotion of small enterprises and Jua Kali development in Kenya. This was geared towards improvement of the existing policy and regulatory environment, gender specific issues, policy measures to improve access to credit facilities, and measures to improve provision of nonfinancial promotional programmes. In spite of the several milestones made in some of these areas, gender issues relating to provision of credit have not been conclusively tackled. The main purpose of this study thus was to explore the factors influencing the provision of women entrepreneurs by MFIs in Kenya. The specific objectives include; to identify the determinants of microcredit provision to women entrepreneurs by MFIs in Kenya. This study adopted explanatory research design. The scope of this study was the MFIs in Kenya. The study sought views of registered MFIs in Kenya.

Stratified random sampling was used to come up with a representative sample size. Secondary data was gathered from authoritative sources including books, published articles, and on-line journals. Data was collected by use of questionnaire method. The questionnaire had structured open and closed ended questions. It comprised of two sections. The first part sought to obtain general information on respondents' profile. The second part was devoted to the identification of determinants of micro credit provision to women entrepreneurs by MFIs in Kenya. The data was collected through questionnaires edited, classified, coded and tabulated in a systematic manner to allow for accurate analysis. Statistical Package for Social Sciences was used to generate the outputs. Tools of descriptive and inferential statistics were employed to analyze the data. Reliability test was done by use of cronbach's alpha test. Multiple regression analysis was used to establish the predictive power of the study model. The findings were then presented in form of summarized tables with percentage scores, statistical mean and standard deviation together with outputs of inferential statistics.

As relates to the influence of women savings mechanisms on microcredit provision to women entrepreneurs by MFIs based on specific variable measures, the study found out that poor product design by MFIs, lack of freedom and bargaining power by women and the relegating status for women to position of subordinates in resource management had the greatest influence on micro-credit provision to women entrepreneurs by MFIs in that order. On the influence of interest rates regulation based on specific variable measures, the study found out that the set high return on equity, high debt service chargeable on microloans and low monthly rates of return on capital in that order had the greatest influence on micro-credit provision to women entrepreneurs by MFIs. Interest inelasticity among micro-finance consumer loans, slow portfolio growth by MFIs together with low returns on agricultural investment and weak institutional growth and performance were also greatly influencing micro-credit provision to women entrepreneurs by MFIs in Kenya. Lastly, terms of payment, the lending base, the prescribed minimum loan amounts, supplementary services and restriction of credit to specific activities were found to have greatest influence on micro-credit provision to women entrepreneurs by MFIs in Kenya.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Microfinance for women has been a popular poverty-alleviation strategy among development agencies since the mid- 1980s. It has also been considered an effective vehicle for women's empowerment. Support consists most typically of the provision of small loans, either to individuals or groups. Group loans are based on traditional rotating credit arrangements. This strategy has received large amounts of funding in recent years from the major development agencies and banks, with the World Bank committing US$200 million in the mid-1990s to programmes that support poor women entrepreneurs (Wolfensohn, 1995).

The rationale for providing women with loans has been that: Women are disproportionately represented among the poorest in society and need more help than men in securing sustainable livelihoods, women are discriminated against in the formal labour market and so are usually obliged to seek an income on the margins of the economy, in the informal sector, women-headed households are on the increase as a result of economic recession, changing labour needs, increasing urbanization, and the break-up of extended family structures. In some male-headed households, women are now the main source of income. In addition; Women-headed households are usually more vulnerable in times of crisis, as they have fewer resources to draw upon. Studies show that repayment rates on loans and contributions to family well-being are often higher among women than among men (Mayoux, 1999).

However, along with the usual risk of business failure, the provision of microfinance to women presents a number of pitfalls in terms of its impact on gender relations. Focusing on women risks excluding and alienating male relatives who are used to fulfilling the economic role in the household. They may refuse women the support they need to ensure that their micro enterprises grow, or may even actively undermine or sabotage their activities. On the other hand, if the household is the target of assistance, man are likely to take control of all the resources and women will have gained nothing. They may even be further marginalized in decision making (Mayoux, 1999).

In recent years, doubts about the efficacy of microfinance as a vehicle for women's empowerment have arisen (Johnson and Kidder, 1999; Mayoux, 1999; Kabeer, 1998), in large part as a result of growing criticism that faith placed in microfinance as a poverty-alleviation strategy has been grossly exaggerated (Hulme and Moseley, 1996; Buckley, 1997). With regard to women, Linda Mayoux provides a strong critique of the naïve belief that microfinance by itself creates a 'virtuous spiral' of economic, social, and political empowerment, without it being considered necessary -to develop explicit strategies to address other dimensions of poverty or gender subordination. She considers as highly simplistic the view that mere participation in such a scheme is sufficient for women's empowerment. Indeed, a number of studies in Bangladesh show that while for some women it may be empowering, for many others it is marginal both in economic and socio-political terms (Kabeer, 1998; Goetz and Sen Gupta I996; Schuler et al., 1999). In some cases, it increases domestic violence.

As Chant and Gutmann (2000:4) point out, recent interest surrounding men and masculinities in development raises questions about how gender can be made an issue for men as well as for women, without marginalizing women in the process. This has over the past decade or so become a familiar question for development agencies: how to empower women without antagonising men? Increasingly, we also have to ask: how to assist the growing numbers of men who are also poor, vulnerable, and marginalized?

For instance, given the very dominant patriarchal gender relations in the Indian context, how could the men cease to be seen as a 'problem' and become part of the 'solution'? As Chant and Gutmann (2000:10) point out, there is scant evidence of male'- inclusive gender and development (GAD) initiatives on the ground and 'GAD still remains a theory in need of a methodology for implementation' (cited in Humble 1998). There is considerable concern that 'bringing men in' will undermine the hard work already done to advance women's interests.

MFIs in Kenya

Microfinance, the provisions of financial services to the low-income households and micro and small enterprises (MSEs), provide an enormous potential to support the economic activities of the poor and thus contribute to poverty alleviation. Widespread experiences and research have shown the importance of savings and credit facilities for the poor and MSEs. This puts emphasis on the sound development of microfinance institutions as vital ingredients for investment, employment and economic growth (Omino, 2005).

The potential of using institutional credit and other financial services for poverty alleviation in Kenya is quite significant. About 18 million people, or 60% of the population, are poor and mostly out of the scope of formal banking services. According to the National Micro and Small Enterprise Baseline Survey of 1999, there are close to 1.3 million MSEs employing nearly 2.3 million people or 20% of the country's total employment and contributing 18% of overall GDP and 25% of non-agricultural GDP. Despite this important contribution, only 10.4% of the MSEs receive credit and other financial services. According to the Poverty Reduction Strategy Paper (PRSP) of 1999, a large number of Kenyans derive their livelihood from the MSEs. Therefore, development of this sector represents an important means of creating employment, promoting growth, and reducing poverty in the long-term (Omino, 2005).

Over 100 organizations, including about 50 NGOs, practice some form of microfinance business in Kenya. About 20 of the NGOs practice pure microfinancing, while the rest practice microfinancing alongside social welfare activities. Major players in the sector include Faulu Kenya, Kenya Women Finance Trust (KWFT), Pride Ltd, Wedco Ltd, Small and Medium Enterprise Programme (SMEP), Kenya Small Traders and Entrepreneurs Society (KSTES), Ecumenical Loans Fund (ECLOF) and Vintage Management (Jitegemee Trust). The Kenya Post Office Savings Bank (KPSOB) is also a major player in the sector but only to the extent of providing savings and money transfer facilities. Many microfinance NGOs have successfully replicated the Grameen Bank method of delivering financial services to the low-income households and MSEs (Omino, 2005).

1.2 Statement of the problem

In most countries, regions and sectors, the majority of business owners/managers are male (from 65% to 75%). However, there is increasing evidence that more and more women are becoming interested in small business ownership and/or actually starting up in business. Although there are no official statistics relating businesses to the gender of their owner/manager, there is a good deal of evidence to suggest a significant increase in female entrepreneurship. One consequence of this is that women are a relatively new group of entrepreneurs compared with men, which means that they are more likely to run younger businesses. This in turn has some implications for the problems they face and their ability to deal with them (Carter, 2000).

A key issue, therefore, is whether women entrepreneurs face specific problems in setting up in businesses that are different from those faced by male-owned businesses. Like young entrepreneurs, women may have particular problems with raising finance and may have had less chance than most men to accumulate the confidence, skills and contacts necessary to start and run a successful business. In addition, gender discrimination by finance and support providers, customers or employees may be an issue. Some previous research has suggested that it is more difficult for women to raise start-up and recurrent business finance than men and those women are more likely to encounter credibility problems when dealing with bankers (Carter and Cannon, 1992).

In this context, Carter (2000) has identified four areas of financing that previous research has noted can pose particular problems for women. Firstly, women may be disadvantaged in their ability to raise start-up finance. Second, guarantees required for external finance may be beyond the scope of most women's personal assets and credit track record. Third, once a business is established, finance may be more difficult for female entrepreneurs to raise than for their male counterparts, because of the greater difficulties that women face in penetrating informal financial networks. Finally, the relationship between female entrepreneurs and bankers may suffer from sexual stereotyping and discrimination.

Certainly, recent evidence suggests that female entrepreneurs use substantially less capital at start-up than male owners, although intra-sectoral similarities demonstrate that gender was only one of a number of the variables affecting the business financing process (Carter and Rosa, 1998). Other variables might also have been playing a role and in particular within MFIs financing. Variables such as lending regulations, women saving mechanisms as well interest rates regulations were thought to play a role. However, there was no empirical evidence available to link them to provision of micro credit to women entrepreneur by MFIs. Consequently, it was imperative to conduct a study on the three variables and test them within MFIs in Kenya.

1.3 The Objectives of this study were;

To identify the determinants of microcredit provision to women entrepreneurs by MFIs in Kenya

1.4 Significance of the study

The findings of this study would be useful to various stakeholders; say the government, MFIs' management and their staffs and women entrepreneurs within MFIs under study. Firstly, the findings would be useful to the government in re-directing relevant policies towards smoothening MFIs microcredit requirements targeting women entrepreneurs.

Secondly, the findings would be useful to the management of the MFIs under study especially in reviewing regulations that govern their lending and interest rates regimes.

To staffs, the findings would be useful in offering women entrepreneurs' informed advisory services in their quest for access to microcredit facilities.

Finally, the findings of the study would be useful to women entrepreneurs in providing requisite insights on the dynamics involved in access to microcredit facilities by MFIs in Kenya.

1.5 Scope

The scope of this study was the MFIs in Kenya. The study sought views of registered MFIs in Kenya.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presented a review of the related literature on the subject under study presented by various researchers, scholars, authors and analysts. It provided literature on microcredit provision to women entrepreneurs, lending regulation, women saving mechanism and interest rates regulation. The grounding model of this study i.e. model of impact chains was also partly been reviewed. As well, other components tackled here included summary of research gaps and the conceptual framework.

2.2 Theoretical Review

2.2.1 Models of Impact Chains

Behind all microfinance programs is the assumption that intervention will change human behaviours and practices in ways that lead to the achievement or raise the probability of achievement of desired outcomes. IAs assesses the difference in the values of key variables between the outcomes on 'agents' (individuals, enterprises, households, populations, policymakers etc) which have experienced an intervention against the values of those variables that would have occurred had there been no intervention. The fact that no agent can both experience an intervention and at the same time not experience an intervention generates many methodological problems. All changes are influenced by mediating processes specific characteristics of the agent and of the economic, physical, social and political environment that influence both behavioural changes and the outcomes in ways that are difficult to predict (Sebstad et al, 1995).

The change in microenterprise income causes changes in household income which in turn leads to greater or lesser household economic security. The modified level of household economic security leads to changes in the morbidity and mortality of household members, in educational and skill levels and in future economic and social opportunities. Ultimately, perhaps, these changes lead to modifications in social and political relations and structures. The complexity of such chains provides the assessor with a range of choices about which link (or links) to focus on. For microfinance, it is useful to distinguish between two main schools of thought with regard to which link(s) in the chain to focus on. For convenience, these are termed the 'intended beneficiary'ii school and the 'intermediary' school. The intended beneficiary school, building on the ideas of conventional evaluation, seeks to get as far down the impact chain as is feasible (in terms of budgets and techniques) and to assess the impact on intended beneficiaries (individuals or households). The intermediary school focuses purely on the beginning of the chain and in particular on changes in the MFI and its operations. Its roots are closely associated with the Ohio State School's analyses of rural finance. Generally, two key variables are focused on: institutional outreach and institutional sustainability (Yaron, Benjamin and Piprek, 1997). If both outreach and sustainability have been enhanced then the intervention is judged to have a beneficial impact as it has widened the financial market in a sustainable fashion.

This is based on the assumption that such institutional impacts extend the choices of people looking for credit and savings services and that this extension of choice ultimately leads to improved microenterprise performance and household economic security. While this assumption can be supported by theoretical frameworks (if a set of further assumptions are made about perfect competition and other factors) it is an assumption which has proved invalid in a number of experiences.iv In addition, it will not reveal borrower 'cross-financing' of loans (Wiig, 1997) which may threaten the long term viability of an MFI.

2.2.2 Micro-Credit Provision to Women Entrepreneurs

The entrepreneur denotes a person who discharges the entrepreneurial function of coordination, organisation, supervision and risk bearing (Say, 1827), innovator with unusual will and energy, clarity of vision and an ability to act (Max Weber, 1930), high need for achievement, problem solver, setting goals and reaching these goals by one's own efforts (McClelland, 1961; Rao & Mehta, 1978), innovative (Schumpeter, 1955, Gaikward, 1978). According to Khandwalla (1979) " An entrepreneur is one who is willing and able to initiate and successfully manage for a length of time an activity that involves at least some degree of personal and organisational risk."

Pareek & Nadkarni (1978) stressed that an entrepreneur is one who initiates and establishes an economic activity or enterprise. On the basis of definitions given by different authors, it may be stated that the entrepreneur is perceived as an individual with certain characteristics helpful in conceiving, initiating, establishing, running and finally managing an enterprise. An enterprise can vary from starting a small shop to establishing an advanced technology based industry. An entrepreneur, therefore, may be differentiated not only in terms of the kind of activities he/she pursues but in the context of his/her life style, attitudes, values and behaviour, which together go to make the entrepreneurial personality.

Micro-credit is the provision of working capital for the world's poor in the form of small loans. These loans range from as low as US $ 20 to US $ 1,000 and are mostly used for income-generating activities. The borrowers pay back through instalments which include interest on these loans. Micro- credit is the main pillar within Microsystems for the world's poor. A disproportionately high population of the poor is women as they are in a disadvantageous position regarding access to education, employment, and productive resources such as land and credit. Other compelling reasons are that women spend more of their income on their families' welfare and also they have proven to be credit-worthy and good savers. There are numerous institutions that have successfully expanded the delivery of micro-credit. Grameen Bank of Bangladesh, and FINCA, an American non-sentative cases. Grameen Bank founded by Professor Yunus Muhammad in 1976 has provided small loans to over 5 million poor people, 96% of them being women. The total amount of loans disbursed by Grameen since its inception is 242 bn Taka (US $ 5 bn). The repayment rate has been 98% and the borrowers own 94% of the Bank (Grameen, 2005).

FINCA, which stands for Foundation for International Community Assistance, was set up in 1984 by John Hatch. FINCA pioneered the village banking method for poor. A village banking group consists of 10 – 50 members, mostly women/mothers. FINCA gives loans to the group and the group is given the autonomy to manage and run the bank. The women provide themselves with small loans, saving facilities, and mutual support (FINCA, 2005). Both Grameen and village banking have been replicated in many countries. In addition to Grameen and FINCA, micro-finance institutions ("MFI") such as SEWA Bank in India, Adopem Bank in the Dominican Republic, Compartamos in Mexico and Prodem in Bolivia, as well as networks such as ACCION International and Women's World Banking, have been extensively and efficiently delivering financial services to the poor.

Micro-credit provides the opportunity for the poor, especially women, to help lift them out of poverty. It allows them to increase their income and to build viable businesses. Furthermore, its impact is not only limited to the improvement of their financial/economic condition but it also affects the well-being of their families' health and education. Micro-credit also empowers the individual by raising her self-esteem and self-confidence. It is one of the most effective tools for the eradication of poverty. In addition, as micro- finance promotes self-sufficiency on a sustainable basis, it is a powerful tool for wealth-creation for the poor, the world's majority. The United Nations declared the year 2005 as the UN International Year of Micro-credit to promote and develop inclusive financial sectors as well as to achieve the Millennium Development Goals (Kuzu, 2010).

The MDGs are globally-adopted targets for reducing poverty, hunger, child and maternal mortality, lack of education, gender exclusion, and disease. Access to financial services or micro-finance has been recognized not only by international development organizations but also by many governments and the G8 as a critical means to achieve these goals.There are millions of women in the world, whether in Africa, Asia, Middle East, Latin America or the Common-wealth of Independent States, that are benefiting from micro-credits. Unfortunately, there are even more millions who still have no access to financial services nor employment (Kuzu, 2010).

The majority of the poor women in the world work in the informal sector. "In developing, countries over 60% of women workers are in informal employment outside of agriculture, far more if agriculture is included" (UNIFEM, 2005). They survive by making and selling food, curtains, or starting a small trade or a small business (micro-enterprise) often with the help of family members. As their revenues increase, they can afford to buy a small property or build a house. Although it depends on the country's legal system surrounding property rights and titles, these women are gradually being integrated in the formal sector through ownership of property/housing. Many micro-enterprises start as a family business and as these expand, they can create jobs.

2.2.3 Lending regulations

Financial availability and accessibility is cited in many studies as being one of the major barriers and constraints to growth. In a study of NGOs and women small-scale entrepreneurs in the garment manufacturing sector of the textile industry in Nyeri and Nairobi by Macharia and Wanjiru (1998), the factors that inhibit credit availability to women include: lack of start-up (seed) capital; lack of awareness of existing credit schemes; high interest rates; lengthy and vigorous procedures for loan applications; and, lack of collateral security for finance. These factors have become a major barrier to the growth potential of businesses owned by women.

Although more than a quarter of households in Kenya are women-headed, only five per cent of the women own land in their own name (Feldman, 1984). At a recent "Kenya Gender and Economic Growth Assessment" seminar in May 2006, a case clearly illustrating the plight of women was presented by an official from the Ministry of Trade and Industry. A loan approved for the woman applicant by the Joint Loan Scheme at the Ministry, failed to materialize because her husband refused to pledge the family's land title deeds as collateral. Owning title deeds as collateral to finance expansion is still a hurdle for most women entrepreneurs, given that property is not usually registered in their names (Karanja, 1996). The Government is, however, moving towards solving this problem through the Sessional Paper No. 2 of 2005 and the Micro-Finance Bill of 2005.The latter became an Act of Parliament in December 2006.

Accessibility to initial capital, even when available, is also a major hurdle for women entrepreneurs. Microfinance institutions (MFIs) and commercial banks choose where they locate, thus excluding entrepreneurs in remote regions, leading to regional disparities. Credit conditions when forming a group, paying membership fees, group registration fees and joining saving plans, result in delays in accessing initial capital, thereby worsening the women's household financial burden (Stevenson and St-Onge, 2005; Alila et al., 2002). However, this is no longer the key barrier and constraint, but a lack of creativity, innovativeness and responsiveness (on the part of capital suppliers) that now hampers women's entrepreneurship in Kenya. Whereas many MFIs emerged to provide initial and working capital, relevance and cost-effectiveness is often inappropriate in satisfying the particular needs of potential and operating women entrepreneurs (Government of Kenya, 1999).

Access to financial services by smallholders is normally seen as one of the constraints limiting their benefits from credit facilities. However, in most cases the access problem, especially among formal financial institutions, is one created by the institutions mainly through their lending policies. This is displayed in the form of prescribed minimum loan amounts, complicated application procedures and restrictions on credit for specific purposes (Schmidt and Kropp, 1987).

For small-scale enterprises, reliable access to short term and small amounts of credit is more valuable, and emphasizing it may be more appropriate in credit programmes aimed at such enterprises. Schmidt and Kropp (1987) further argue that the type of financial institution and its policy will often determine the access problem. Where credit duration, terms of payment, required security and the provision of supplementary services do not fit the needs of the target group, potential borrowers will not apply for credit even where it exists and when they do, they will be denied access.

The Grameen Bank experience shows that most of the conditions imposed by formal credit institutions like collateral requirements should not actually stand in the way of smallholders and the poor in obtaining credit. The poor can use the loans and repay if effective procedures for disbursement, supervision and repayment have been established. On the issue of interest rates, the bank also supports the view that high interest rate credit can help to keep away the influential non-target group from a targeted credit programme (Hossain, 1988).

This further demonstrates the need to develop appropriate institutions for the delivery of loans to small-scale borrowers. Notable disadvantages of the formal financial institutions are their restriction of credit to specific activities, making it difficult to compensate for losses through other forms of enterprises, and their use of traditional collateral like land. There is need for a broad concept of rural finance to encompass the financial decisions and options of rural economic units, to consider the kind of financial services needed by households, and which institutions are best suited to provide them (Hossain, 1988).

Credit markets in Africa have mainly been characterized by the inability to satisfy the existing demand for credit in rural areas. However, whereas for the informal sector the main reason for this inability is the small size of the resources it controls, for the formal sector it is not an inadequate lending base that is the reason (Aryeetey, 1996b). Rather, the reasons are difficulties in loan administration like screening and monitoring, high transaction costs, and the risk of default.

Credit markets are characterized by information asymmetry, agency problems and poor contract enforcement mechanisms (Nissanke and Aryeetey, 1995). They are mainly fragmented because different segments serve clients with distinct characteristics. Because of this, lending units are unable to meet the needs of borrowers interested in certain types of credit. The result is a credit gap that captures those borrowers, who cannot get what they want from the informal market, yet they cannot gain access to the formal sources. Enterprises that want to expand beyond the limits of self-finance but lack access to bank credit demand external finance, which the informal sector is unable to satisfy (lack of capacity).

Two main theoretical paradigms have been advanced to explain the existence of this fragmentation: the policy-based explanation and the structural-institutional explanations (Aryeetey et al., 1997). According to the policy-based explanation, fragmented credit Markets (in which favoured borrowers obtain funds at subsidized interest rates, while others seek funds from expensive informal markets) develop due to repressive policies that raise the demand for funds. Unsatisfied demand for investible funds forces credit rationing using non interest rate criteria, while an informal market develops at uncontrolled interest rates. Removing these restrictive policies should therefore enable the formal sector to expand and thereby eliminate the need for informal finance.

According to the structural-institutional explanations, imperfect information on creditworthiness, as well as cost of screening, monitoring and contract enforcement among lenders, results in market failure due to adverse selection and moral hazard, which undermines the operation of financial markets. As a result, lenders may resort to credit rationing in the face of excess demand, thus establishing equilibrium even in the absence of interest rate ceilings and direct allocations. Market segmentation then results. Market segments that are avoided by the formal institutions due to institutional and structural factors are served by informal agents who use personal relationships, social sanctions and collateral substitutes to ensure repayment. An extended view of this explanation is that structural barriers result in monopoly power, which perpetuates segmentation.

Another view has attempted to explain the existence of informal finance as simply residual finance, satisfying only the excess demand by those excluded from formal finance. According to this view, informal sector finance develops in response to the formal sector controls. Structural and institutional barriers across segments perpetuate segmentation by providing opportunity for monopoly power. A further explanation is that fragmentation exists due to inherent operational characteristics of the markets.

Looking at the role of informal financial sectors in Ghana, Aryeetey and Gockel (1991), attempted to investigate factors that motivate the private sector to conduct financial transactions in the informal financial sectors. They argue that the informal sector derives its dynamism from developments in the formal sector as well as from its own internal characteristics. The informal and formal sectors offer similar products that are not entirely homogeneous, implying that both sectors cater to the needs of easily identifiable groups of individuals and businesses, but at the same time serve sections of the total demand for financial services.

However, participants from either sector may cross to the other depending on factors like institutional barriers, availability of credit facilities and the ease of physical access. Aryeetey and Gockel (1991) examine some of the factors that influence demand for formal savings and lending facilities in Ghana and observe that incomes, bank formalities and banks' preference for large transactions were the major ones. Travel costs and time are among other factors that determine transaction costs to the entrepreneurs.

Besley (1994) has classified major features of rural credit markets that can be used to explain the existence of formal and informal credit markets in Africa. Among these are the existence of collateral security and covariant risk. Collateral security is often beyond the reach of many borrowers in rural areas. But even where this is not the case, the ability of the lender to foreclose is often limited, making enforcement of loan repayment difficult. Such difficulties help to explain the use of informal financial markets, which use social sanctions to ensure enforcement. In rural areas, shocks in incomes that create borrowers' potential to default will affect the operation of credit markets. In most rural economies, borrowers are faced with risks arising from uncertainties about their incomes.

By diversifying their loan portfolios, lenders can avert such risks. However, credit markets in rural areas are segmented, with lenders' loan portfolios being concentrated on borrowers facing common shocks to their incomes. An important cost of segmentation is that funds fail to flow across groups of individuals despite the benefits of doing so. According to Besley (1994), this kind of segmentation may also be reinforced by government regulations. In incomplete markets, rural households could use partially functioning credit markets to provide insurance against income shocks mainly by trading insurance. However, due to incomplete information about the nature of the risk faced by each individual, and possible changes in the private behavior of other individuals, insurance arrangements are only partial (Aryeetey, 1996b) or are totally absent (Aryeetey and Udry, 1997).

Another important factor of both formal and informal markets relates to penalties. In the absence of formal contract enforcement mechanisms, both formal and informal institutions rely on lending practices that emphasize loan screening rather than monitoring, which appears to suggest more concern with adverse selection than moral hazard. Differences emerge in the methods used by formal and informal institutions. Whereas formal lenders rely more on project screening, informal lenders rely more on the character and history of the borrower, particularly on personal knowledge of the borrower.

Loan monitoring is rarely done by informal lenders due to the lenders' knowledge of borrowers, while in the formal market it is mainly due to lack of facilities. Transaction costs are generally lower in informal markets than in formal ones. One of the issues that emerges from this market structure is which financial institutions are accessible to the rural poor, and which factors determine their demand for credit from the different sources as determined by their participation decisions.

The foregoing literature review shows that financial markets in African countries are characterized by imperfect and costly information, risks, and market segmentation, resulting in credit rationing. This is one of the underlying factors in the coexistence of both formal and informal credit markets serving the needs of the different segments of the market. On the other hand, policy-based and structural-institutional explanations attempt to explain the coexistence of both segments of the market as a result of policy and structural-institutional rigidities. This review provides a conceptual background for an empirical investigation of borrowers' participation in credit markets and access to different sources.

Imperfect information emerges as an important explanation for credit rationing. This is because, due to information asymmetry, loan terms and conditions are used that affect the behavior of borrowers. The literature also shows that the assumption that formal interest rates are the reason borrowers do not use formal credit is not correct. Rather, the unique characteristics of credit services explain segmentation in the credit market. In addition, lack of effective contract enforcement and the consequent default risk are also important in loan rationing.

2.2.4 Women Savings Mechanisms

The recent shift in terminology from microcredit to microfinance reflects the acknowledgment that savings services and not just loans can help improve the well-being of the poor in general and of women in particular (Zeller and Shamia 2000; MacIsaac 1997; Morris and Meyer 1993). Although microfinance often targets women and although women often use microfinance, Johnson (1999) notes that product design rarely addresses gender-specific aspects of the use of financial services. Indeed, despite the pervasive belief that microfinance helps women, few programmes have developed concrete ways to meet the distinct demands of poor women for savings services.

How can savings services best serve poor women? A place to start looking and draw lessons from are the informal savings mechanisms that poor women already use all over the world: door-to-door deposit collectors, Rotating Savings and Credit Associations, and Annual Savings Clubs. Examples of practical applications of these lessons are the creation of the Safe Save organisation in Bangladesh (Rutherford, 2000) and the design of savings products at Bank Rakyat Indonesia (Robinson 1994), These efforts are not gender specific, but they do combine some of the strengths of informal and formal savings mechanisms.

This literature derives lessons from informal finance for the design of formal savings services that respond to women's responsibilities for market production and for household reproduction and that also address issues of cultural patriarchy and domestic violence. Two specific services are discussed. The first safe-deposit boxes allows women to maintain independent savings. This boosts their freedom and bargaining power within the household and cushions the shock of divorce or abandonment. The second matched-savings accounts structures saving, promotes peer support among women savers, and subsidizes savings targeted to women-specific concerns such as healthcare or school fees.

Interest in micro savings beyond just microcredit has grown just as microfinance practitioners have come to understand that small loans are not always appropriate for poor women (Kabeer, 2001; Rabman. 1999). After all, a loan becomes debt, and the poor are exposed to crisis if expected sources of funds for repayment evaporate (Rogaly 1996).

Thus, borrowing is often riskier than saving. For example, a woman could save or borrow to buy a sewing machine. If a child falls ill savings could be tapped into to pay for medicine; debt repayment, on the other hand, might preclude medical treatment. Furthermore, although not all people are credit-worthy or want debt, all people are deposit-worthy and want assets. Of course, saving requires current sacrifice, and with saving—unlike borrowing—the sacrifice precedes the reward. On the other hand, saving offers flexibility, and while borrowers pay interest, savers earn it. Also, the choice to save is voluntary; once indebted, repayment is mandatory. Both savings and loans have a place, but saving is often a better choice for poor women. As stated by Johnson and Kidder (1999:6), not all poor people are 'budding entrepreneurs or people living in poverty, perhaps it is access to a savings account that needs to be the core service on offer.'

A wealth of evidence now suggests that many ostensible micro-enterprise loans axe in fact used for consumption or at least not directly invested in business assets and are repaid out of existing income sources (e.g. Sinha & Matin 1998; Johnson 1.998). Thus, the poor have a strong demand not just for micro-enterprise loans but also for financial services that help them manage liquidity in the household.

Stuart Rutherford (2000) suggests that the poor (like the non-poor) use financial services to turn small, frequent cash inflows (from daily milk sales, for example) into usefully large sums (perhaps to buy a cow or land). They may also use financial services to turn large inflows (such as monthly salaries or proceeds from the sale of a cow) into small, frequent outflows (such as daily food purchases).

Accumulated savings can also buffer expected or unexpected spikes in household expenses due to childbirth, school fees, home repairs, life-cycle celebrations, or widowhood (by death, divorce, or abandonment). Savings may also cushion familial risks due to illness, theft, or job loss, as well as structural risks due to war, floods, or fire. Finally, savings allow people to take advantage of unexpected investment opportunities. As stored resources, savings are useful for a wide range of purposes.

In his path-breaking work, The Poor and their Money, Rutherford (2000) describes two types of 'basic personal financial intermediation' used by the poor, namely saving up and saving down. In common usage, saving up is just called saving: the poor turn a trickle of small cash inflows into an accumulated balance that at some point becomes a large cash outflow (for an emergency, a big-ticket item, or a life-cycle event). In common usage, saving down is called borrowing. Rutherford's new terminology highlights that, whether saving or borrowing, the poor turn a trickle of many small cash inflows into a large, one-time cash outflow. With saving up the cash outflow comes last, whereas with saving down it comes first. Much of the microcredit movement focuses on saving down and removing the main constraint against it (lack of permanent, reasonably priced lenders).

Poor women everywhere, use informal savings to smooth consumption, to prepare for emergencies, and to fund large purchases. The existence of these informal mechanisms shows that poor women want to save, and work very hard to do so (Rogaly 1996). For the purposes of this study, formal finance relies on public, institutionalized means, such us police or courts, for contract enforcement. In contrast, informal finance relies on social or personal ties for contract enforcement.

What do poor women value in a savings product? Research on informal savings mechanisms: door-to-door deposit collectors, Rotating Savings and Credit Associations, Annual Savings Clubs, and in-kind storage) suggests that women want low transaction costs and assistance with deposit discipline.

Transaction costs are the non-price costs of using financial services. An example is the opportunity cost of the time spent to make a deposit or withdrawal. Transaction costs also include indirect cash expenses for transport, childcare, food, or copies needed to open an account. For the poor transaction costs can swamp all other factors in the choice of savings mechanism. Suppose, for example, that a woman has $5 that she might save. If she must find someone to watch her children, ride a bus (fare $0.25) for half an hour (one-way), and stand in line for 20 minutes, then she may choose not to bother.

Cash at home, however, is easier to 'withdraw' and spend than cash in a bank (Beverly et al. 2001). To maintain savings, poor women must resist demands from children who need clothes, husbands who want to drink or gamble, and relatives and neighbours who want loans or gifts. These short-term pressures weigh less if cash is out of sight and out of reach. Furthermore, a social obligation to save a fixed amount each day, week, or month can be an acceptable excuse for a poor woman to deny requests for help.

Door-to-door deposit collectors, Rotating Savings and Credit Associations, Annual Savings Clubs, and in-kind storage illustrate these two basic strengths of low transaction costs and assistance with deposit discipline. Rotating Savings and credit Associations (RoScAs). RoScAs are small groups who meet to make fixed contributions at given intervals (e.g. 12 people might meet monthly to contribute 100 lempiras each). By turns, each member gets the pool. Those who have yet to receive the pool are savers, and members who have already received the pool are debtors. Like deposit collectors. RoSCAs are common among poor women because they offer low transaction costs and exert pressure to save regularly (Ardener and Busman 1995). Transaction costs are low because RoSCAs are formed among people who know and trust each other and who already meet regularly or live or work close to each other. There is pressure to save because failure to do so reduces the pool for other members.

Informal savings mechanisms are useful, but they do not remove the need for formal services. In developed countries, for example, people with a choice usually use formal services. What do the formal mechanisms offer that the informal ones do not? Formal savings services offer greater safety, higher rates of return, quicker access to funds, and greater anonymity.

Formal savings mechanisms have some advantages over informal services. Thus, it may be useful to combine the strengths of the informal mechanisms (low transaction costs and assistance with saving discipline) with those of the formal mechanisms (safety, positive returns, quick access to funds, and anonymity). At the very least, the provision of formal savings services can do no harm; poor women can always choose to continue to use informal services if they believe they are better. Some ongoing efforts to integate aspects of formal and informal savings services are described below. Safe Save One attempt to combine the best of the formal and informal savings services is Safe Save in Dhaka, Bangladesh (Rutherford 2000).

2.2.5 Interest rates regulation

According to the Central Bank of Kenya (CBK), the share of micro credit as a percentage of total credit is 0.9 percent, while it contributes a meagre 0.2 percent of the GDP. The CBK says 70.2 percent of the population lives on less than $1 a day; there is weak institutional and managerial capacity of existing microfinance institutions; weak capital base of microfinance institutions. According to CBK, past initiatives on micro-funding failed for reasons of lack of adequate skills to deliver services effectively; unwillingness of conventional banks to support micro enterprises; paucity of loanable funds; absence of support institutions in the sector; incompetent management; poor corporate governance;

insider abuse, weak internal controls, poor credit administration and asset quality; and low management capacity of clients (Kolkata, 2012).

To address the situation and provide sustainable finance services to micro entrepreneurs, the Microfinance Policy, Regulatory and Supervisory Framework was launched on December 15, 2005. Following this launch, over 200 microfinance institutions came on stream even though recent reforms in the sub-sector reduced their number. Creation of MFIs was hailed in the industry but one sore point which surfaced later was the issue of high cost of lending, a burden which they complained of under the commercial bank lending regime. When confronted with this issue of high lending rates, managers of these MFIs are quick to run into defence, saying they do not think interest rates charged by MFIs are too high. They contend that MFIs globally charge high interest rates and compete with the commercial banks for the same funds (Kolkata, 2012).

For instance, Microfinance programs and institutions in Latin America and the Caribbean (LAC) tend to charge higher interest rates for short-term lending to both the urban and the rural poor than conventional banks charge their generally more affluent customers. Recent studies by the Multilateral Investment Fund of the Inter-American Development Bank show that annual interest rates on microloans in the region range from 15 to 109 percent, with the majority of microfinance institutions (MFIs) charging between 20 and 45 percent (Economist Intelligence Unit, 2007).

Many politicians, policymakers, and entrepreneurs (in the farm sector, in particular) have long complained that these rates are too high and that they stifle business expansion, productivity-enhancing investment, and wealth accumulation. A better and more widely shared understanding of the drivers of interest rates in various financial markets, including microfinance, is needed to inform policy dialogues and the design of development projects, resulting, one hopes, in lower interest rate spreads.

The main reason given by the critics of high microfinance interest rates is that the modest rates of return achieved in most small-scale businesses in general, and in agriculture in particular, are insufficient to cover debt service at such rates. Academic research on the matter has been inconclusive. One study from South Africa (Karlan and Zinman. 2008) suggests that there may be some interest inelasticity in microfinance consumer loans, contrary to conventional wisdom which assumes that low-income clients are willing to bear high interest rates if transaction costs are low and repayment schedule convenient.

On the other hand, World Bank research in Sri Lanka and Mexico (De Mel, McKenzie, and Woodruff, 2007; McKenzie and Woodruff, 2007) finds that monthly rates of return on capital are very high in a wide range of nonfarm micro entrepreneurial activities, ranging from 4 to 7 percent per month, well above the typical interest rates charged by microfinance lenders of 2 to 3 percent per month. Another recent study (Bidwell, 2009) finds that returns on agricultural investment are quite high in Ghana but that farmers seem to be risk constrained, fearing a loss of collateral because of the high variability in rainfall. Defenders of commercial microcredit claim that access to credit is more important than the cost of credit, and that the mere fact of steady growth in the number of clients willing to pay the high interest rates is proof that microfinance provides a valuable service.

In April 2007 the Mexican commercial MFI Compartamos publicly offered its shares for sale on the Mexican stock market. With a limited history of MFI initial public offerings (IPOs) to draw on, even Compartamos's managing directors were surprised when the IPO was more than 13 times oversubscribed, resulting in the share price jumping by 32.2 percent on the first day and raising capital of US$458 million. The positive market reaction was based on Compartamos's exceptional 2006–07 financial performance: the company reported a return on equity of 38.4 percent, a return on assets of 17.2 percent, nonperforming loans of only 1.4 percent of the portfolio, and profits of $80 million, and had seen its loan portfolio grow at a double-digit rate for several years.

For comparison, in 2007 most private commercial Mexican banks averaged a return on equity of 15 percent, and self-sufficient Mexican financial organizations averaged a return on assets of 5.5 percent. To achieve its superior results, Compartamos's leadership had pursued a policy of high interest rates on its lending (annualized rates averaged 90 percent) coupled with high profit retention. The profits were reinvested, permitting rapid portfolio growth largely independent of contributions from donors (Malkin, 2008).

Whereas the market reaction to the Compartamos IPO was overwhelmingly positive, within the global microfinance community the event caused a firestorm of debate over what levels of interest rates and profits should be considered socially responsible. Many observers, including the founder of the MFI movement, Nobel laureate Muhammad Yunus, accused Compartamos of charging excessive interest. It was argued that if the company lowered its lending rates, it could benefit even more low-income clients while still enjoying strong institutional growth and performance (Malkin, 2008).

Although the Compartamos IPO was mainly responsible for the period of microfinance industry soul searching that started in the spring of 2007, other factors also contributed. One of these was the rise in the number of left-of-center governments in the region starting in the late 1990s, several of which in Argentina, Colombia, Ecuador, Nicaragua, and Paraguay enacted interest rate ceilings on microcredit. In some of these countries, the definition of microcredit is broad, generous fees and commissions are permitted (thus offsetting much of the effect of the cap), and enforcement is lax. In Ecuador and Nicaragua, however, the caps have had a marked impact on the industry's development. Ecuador's law allows the central bank to eliminate commissions and limit interest rates for microcredit, which ranged from 9.3 to 33.9 percent per year in 2009 (Malkin, 2008).

In Nicaragua, since the implementation of the Microfinance Association Law in 2001, microfinance interest rates have been limited to the average of interest rates charged by the banking system. In 2004, as a result of industry pressure, MFIs were allowed to charge commissions, but this resulted in greater opacity of pricing: many clients no longer knew the effective interest rate being charged on their loan. In the wake of a massive expansion of MFIs in rural areas and the absence of effective judicial enforcement of debt instruments and a functioning credit bureau, over indebtedness emerged as a problem.

As delinquencies mounted, some MFI staff engaged in overly aggressive collection practices, thereby alienating and abusing their clients. This triggered popular antagonism toward MFIs in several communities and gave rise to the No Payment Movement (Movimiento No Pago), which attracted attention and support from politicians at first. The government of Nicaragua later renounced the movement following acts of violence by its supporters, but it also introduced a bill calling for general debt forgiveness. In response, both MFIs and commercial banks in several areas of the country have ceased to operate, and the fear is widespread that if the bill is passed, the expansion of credit to rural areas of Nicaragua will be hindered for several years to come.

The advent of the global economic and financial crisis in the last quarter of 2008 has further constrained liquidity in the region. MFIs continue to grow, but at more modest rates, since their cost of funds has increased and many are experiencing difficulty accessing capital at any price. At the same time, the number of nonperforming loans is rising, and remittances from expatriate workers have fallen. The latter is worrisome because some MFIs had been generating substantial fee income from handling these remittances, and the recipients had often used the money toward loan repayment.

Most MFIs are coping with the crisis, focusing on improving their internal procedures and operational efficiency. Meanwhile, however, many governments in the region have announced new or expanded subsidized credit programs targeting the low-income population. Many of the MFIs that participate in these programs have to adhere to fixed intermediation margins, which are sometimes insufficient to cover operating costs. In short, the confluence of long-simmering discontent with high-interest-rate policies, the backlash against the Compartamos IPO, the spread of interest rate ceilings, and the expansion of government-subsidized programs indicate an acceptance of a more activist government role in financial markets and a rejection of the tenets of financial liberalization that reigned in the 1990s. Many MFIs now find themselves struggling to adapt to these changes (Malkin, 2008).

2.3 Summary of Research Gaps

The literature reviewed in this study indicated that a number of studies relating to the subject matter of this study had been done but empirical evidence for most areas were lacking. It was also evident that most of those studies already done, a majority of them were at the international scene and at the regional level establishing a gap in relation to scope providing a rationale for further research attempts to zero in on this gap, especially in relation to the local context.

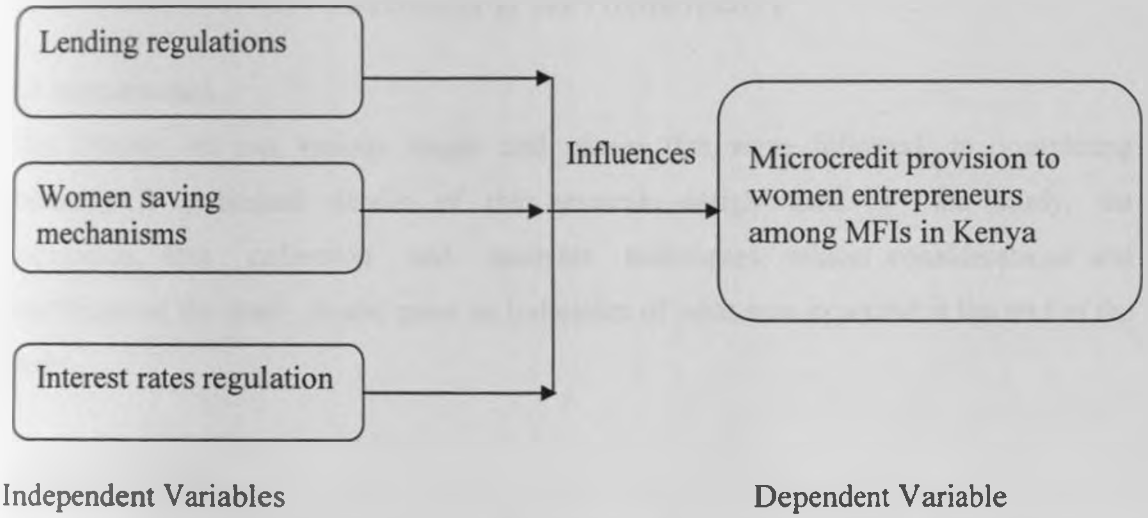
To start with, empirical evidence indicated that with regards to lending regulation, no much work had been done within MFIs. This called for an attempt to do the same to bridge this gap. In addition, as related to women savings mechanisms as well, there was no empirical evidence to indicate whether or not studies that examined women savings mechanisms within MFIs had been done.

Finally, a number of the studies done on interest rates regulations tended to touch more on formal financial institutions as opposed to MFIs. This provided extensive gaps in research. Consequently, it was in this background the researcher contended that there was need to further explore and document the same for use in academia and in practice.

2.4 Conceptual Framework

A conceptual framework helped simplify the proposed relationships between the variables in the study and showed the same graphically or diagrammatically (Mugenda & Mugenda, 2003). The conceptual framework of this study was based on three independent variables namely; lending regulations, women saving mechanisms as well as interest rates regulation. The dependent variable of this study was the micro credit provision to women entrepreneurs among MFIs in Kenya. Figure 2.4 showed how the various independent variables influenced the dependent variable under study.

Figure 2.1: Conceptual Framework



Source: Author (2012)

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

This chapter set out various stages and phases that were followed in completing the study. It presented details of the research design used in the study, the population, data collection and analysis techniques, ethical considerations and limitations of the study. It also gave an indication of what was expected at the end of the study.

3.2 Study Design

This study employed a triangulation of explanatory and case study research designs that sought to gain an in-depth understanding on determinants of micro credit provision to women entrepreneurs by MFIs in Kenya. Explanatory research avoided invalid inferences as it focused on answering the "why" question.

According to Mugenda and Mugenda (2003), a case study is an in-depth investigation of an individual, group, institution or phenomenon. Kombo and Tromp (2006), contend that a case study seeks to describe a unit in detail, in context and holistically. The researcher will scrutinize in detail determinants of micro credit provision to women entrepreneurs by MFIs in Kenya.

3.3 Target Population

Mugenda and Mugenda (2003) define a population as an entire group of individuals, events or objects having a common observable characteristic. Target population in statistics is the specific population about which information is desired.

The target population of this study was all the employees of MFIs in Kenya MFIs. There were 1,780 such employees (CBK, 2012). However, the proportion of the population that had the characteristics to be measured constituted 114 employees of the six registered

MFIs managing credit provision in the period between 2007 and 2012 (See Appendix II). Their categorization was as follows;

Table A: Target Population

Branch	Population frequency	Percentage %
Faulu Kenya DTM Limited	54	47.4
Kenya Women Finance Trust DTM Limited	32	28.0
Rafiki Deposit Taking Microfinance	6	5.3
Remu DTM Limited	6	5.3
SMEP Deposit Taking Microfinance Limited	12	10.6
UWEZO Deposit Taking Microfinance Limited	4	3.6
Total	114	100

Source: http://www.amfikenya.com/

3.4 Sample Design

According to Kothari (2002) the required sample size can be estimated through calculation using the following formula:

$$n = T^2pg/m^2$$

Where: n = the required sample size

T = the standard normal deviate at the required confidence level

p = the proportion in the target population estimated to have the characteristics being measured

g = 1-p

m = the level of statistical significance set (Margin of error)

The sample size was estimated within 95% confidence interval (z=1.96) and a desired accuracy level of 0.05 as follows;

$$n = (1.96)^2 . (0.064) . (0.936) / (0.05)^2 = 92 \ (\textit{approx})$$

For this research a total sample size of 92 was adequate. Since 92 was the total sample size required, this was picked as a proportion of 114 using stratified random sampling as follows;

Table B: Sample Size for various target respondents

Branches	Population frequency	Sample ratio	Sample
Faulu Kenya DTM Limited	54	0.807	43
Kenya Women Finance Trust DTM Limited	32	0.807	26
Rafiki Deposit Taking Microfinance	6	0.807	5
Remu DTM Limited	6	0.807	5
SMEP Deposit Taking Microfinance Limited	12	0.807	10
UWEZO Deposit Taking Microfinance Limited	4	0.807	3
Total	114		92

Source: Author (2012).

3.5 Data Collection

3.5.1 Research Instrument

Data was collected mainly by use of questionnaire method. The questionnaire had structured open and closed ended questions. It comprised of two sections. The first part sought to obtain general information on respondents' profile. The second part was devoted to the identification of determinants of micro credit provision to women entrepreneurs by MFIs in Kenya, where the four variables of the study were put into focus. The researcher adopted a drop and pick method where the instruments were dropped in the morning and collected after having been completed by the respondents.

3.5.2 Data Reliability and Validity

According to Mugenda and Mugenda (2003), reliability is a measure of the degree to which a research instrument yields consistent results or data after repeated trials and validity is the degree to which results obtained from the analysis of the data actually represent the phenomenon under study. The researcher carried out a pilot study to pretest and validate the questionnaire. The pilot study enabled the researcher to identify items that required modification. The result helped the researcher to correct inconsistencies arising from the instruments, which would ensure that they measure what was intended.

3.6 Data Analysis

Before processing the responses, the completed questionnaires were edited for completeness and consistency. The data was then coded to enable the responses to be grouped into various categories. The researcher mainly used descriptive statistics to analyze data. This included frequency distribution tables, mean and standard deviation. SPSS was used to generate outputs.

In addition to the above, inferential statistics especially multiple regression analysis were done. Cronbach alpha test was used to test for the reliability or internal consistency of the study variables. Multiple linear regressions used to establish the predictive power of the study model specified by the following equation:

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_3X_3 + \varepsilon$$

Whereby Y = Provision of micro credit to women entrepreneurs

X_1 = Lending regulations

X_2 = Women saving mechanisms

X_3 = Interest rates regulation

ε = Error term/Erroneous variables β_0 is the intercept

3.7 Ethical considerations

This study adhered to appropriate research procedures and all sources of information were acknowledged as far as possible. Before the questionnaire was administered, consent was sought and given by the respondents. The respondents were informed of their right not to take part in the survey. Full confidentiality was maintained especially when dealing with questionnaires and the identity of the respondents was kept secret. Personal information was only be used for the purpose of the study and the respondents were not be revealed to any other source. Participants were informed of any potential limitations to the confidentiality of any information supplied. Procedures were put in place to protect the confidentiality of information and the anonymity of the participants in all research materials. The participants were offered access to the results of the study.

3.8 Limitations of the Study

The study was faced with the problem of concealment of material facts by the respondents. This was because most the information sort was classified. To avoid this, the researcher made it clear to the respondents that the information they provided would not be used against them or to their disadvantage but rather to their own benefit.

CHAPTER FOUR
DATA ANALYSIS AND INTERPRETATIONS

4.1 Introduction

This chapter presented the outcomes of the analysis of the data collected during the study survey. This section was divided into twelve sections. Section 4.1 covers introduction, section 4.2 gives the study response rate, section 4.3 gives summary of the respondents' profile, section 4.4 gives information on micro-credit provision to women entrepreneurs by MFIs, section 4.5 gives information on lending regulation, section 4.6 gives information on women savings mechanisms, section 4.7 gives information on interest rates regulation, section 4.8 gives information on reliability test, section 4.9 gives information on model formulation and estimation, section 4.10 gives information on ANOVA, section 4.11 gives information on model summary, section 4.12 gives information on test of hypotheses. Both descriptive and inferential statistics were relied on to draw conclusions.

4.2 The response rate

Out of the 92 questionnaires administered, 70 were successfully filled and returned. This implied that, the response rate for this study was 76%. This was substantially adequate number for analysis.

4.3 General information

4.3.1 Distribution of Respondents by Age

Majority (64.3%) of the respondents were below 30 years of age while 7.1% of the respondents were between 40-49 years and 50-59 years of age respectively. The rest of the findings are as shown in table 1.

Table 1:Distribution of Respondents by Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below 30 years	45	64.3	64.3	64.3
	30-39 years	15	21.4	21.4	85.7
	40-49 years	5	7.1	7.1	92.9
	50-59 years	5	7.1	7.1	100.0
	Total	70	100.0	100.0	

Source: Survey data (2012)

Table 2: Micro-Credit Provision to Women Entrepreneurs

	N	Minimum	Maximum	Mean	Std. Deviation
Lack of clarity of vision and ability to act	70	1	4	2.29	1.105
Poor coordination and organization	70	1	5	3.00	1.319
Poor supervision and risk bearing	70	1	4	2.86	1.067
Poor goal setting	70	1	5	3.29	1.446
Lack of innovation	70	1	4	2.86	.997
Lack of ability to initiate and establish economic activity or enterprise	70	1	5	3.07	1.448
Poor management skills	70	1	4	3.14	1.133
Lack of business value, attitudes and behaviors	70	1	5	3.07	1.344

Source: Survey data (2012)

4.3 Lending Regulations

The respondents were asked to rate lending regulations based on lending regulations measures on a five point likert scale. The range was strongly agree (5) to strongly disagree (1). The scores of strongly disagree and disagree were taken to represent a component that had an influence to a small extent (S.E) equivalent to a mean score of 0 to 2.5 on a continuous likert scale; (0≤ S.E≤ 2.4). Scores of neutral were taken to represent a component that had an influence to a moderate extent(M.E) equivalent to a mean score of 2.5 to 3.4 on the continuous likert scale: (2.5≤M.E≤ 3.4). The scores for both agree and strongly agree were taken to represent a variable which had an influence to a large extent(L.E) equivalent to a mean score of 3.5 to 5 on a continuous likert scale; (3.5≤ L.E≤ 5.0). A standard deviation of 1.5 implied a significant difference on the influence of the component among respondents.

The survey found out that all the variable measures used during the study survey had greatest influence on micro-credit provision to women entrepreneurs by MFIs. For instance, the collateral requirements (mean: 4.14), complicated application procedures and restrictions (mean: 4.07) were rated highest in influencing micro-credit provision to women entrepreneurs by MFIs in Kenya.

Other variable measures that rated highest as having the greatest influence on micro-credit provision to women entrepreneurs were: terms of payment (mean: 3.93), the lending base (mean: 3.86), the prescribed minimum loan amounts (mean: 3.79), supplementary services (mean: 3.64) as well as restriction of credit to specific activities (mean: 3.57). Table 3 has details of the findings.

Table 3: Lending Regulations

	N	Minimum	Maximum	Mean	Std. Deviation
Complicated application procedures and restrictions	70	3	5	4.07	.598
Prescription of minimum loan amounts	70	1	5	3.79	1.215
Terms of payment	70	2	5	3.93	1.040
Supplementary services	70	1	5	3.64	1.240
Collateral requirements	70	2	5	4.14	.921
Restriction of credit to specific activities	70	1	5	3.57	1.246
L ending base	70	2	5	3.86	.643

4.4 Women Savings Mechanisms

The respondents were asked to rate women savings mechanisms based on savings mechanisms measures on a five point likert scale. The range was strongly agree (5) to strongly disagree (1). The scores of strongly disagree and disagree were taken to represent a component that had an influence to a small extent (S.E) equivalent to a mean score of 0 to 2.5 on a continuous likert scale; ($0\leq$ S.E≤ 2.4). Scores of neutral were taken to represent a component that had an influence to a moderate extent(M.E) equivalent to a mean score of 2.5 to 3.4 on the continuous likert scale: ($2.5\leq$M.E≤ 3.4). The scores for both agree and strongly agree were taken to represent a variable which had an influence to a large extent(L.E) equivalent to a mean score of 3.5 to 5 on a continuous likert scale; (3.5≤ L.E≤ 5.0). A standard deviation of 1.5 implied a significant difference on the influence of the component among respondents.

The survey found out that the variable measures used in the study survey had both greatest and moderate influences on micro-credit provision to women entrepreneurs by MFIs in Kenya. This is to say that poor product design by MFIs (mean: 3.86), lack of freedom and bargaining power by women (mean: 3.71) as well as the relegating status for women to position of subordinates in resource management (mean: 3.71) were rated highest as having the greatest influence on micro-credit provision to women entrepreneurs by MFIs. Poor savings services by MFIs (mean: 3.57) as well as existing informal savings mechanisms such as annual savings clubs, rotating savings and credit associations and door to door deposit collectors (mean: 3.43) were among the other measures rated as having the greatest influence on micro-credit provision to women entrepreneurs by MFIs.

The variable measures that were rated as having moderate influence included: existing cultural patriarchy and domestic violence (mean: 3.29), lack of indepedence in savings by women (mean: 3.07) as well as women specific concerns such as healthcare or school fees for children (mean: 2.64). See table 4 for results.

Table 4: Women Savings Mechanisms

	N	Minimum	Maximum	Mean	Std. Deviation
Poor product design by MFIs	70	3	5	3.86	.643
Poor savings services by MFIs	70	1	5	3.57	1.357
Existing informal savings mechanisms such as annual savings clubs, rotating savings and credit associations and door to door deposit collectors	70	1	5	3.43	1.303
Existing cultural patriarchy and domestic violence	70	1	5	3.29	1.446
Lack of indepedence in savings by women	70	1	5	3.07	1.171
Lack of freedom and bargaining power	70	2	5	3.71	1.105
Women specific concerns such as healthcare or school fees for children	70	1	5	2.64	1.352
Relegating status for women to position of subordinates in resource management	70	1	5	3.71	1.169

Source: Survey data (2012)

4.5 Interest Rates

The respondents were asked to rate women savings mechanisms based on savings mechanisms measures on a five point likert scale. The range was strongly agree (5) to strongly disagree (1). The scores of strongly disagree and disagree were taken to represent a component that had an influence to a small extent (S.E) equivalent to a mean score of 0 to 2.5 on a continuous likert scale; ($0\leq$ S.E≤ 2.4). Scores of neutral were taken to represent a component that had an influence to a moderate extent(M.E) equivalent to a mean score of 2.5 to 3.4 on the continuous likert scale: ($2.5\leq$M.E≤ 3.4). The scores for both agree and strongly agree were taken to represent a variable which had an influence to a large extent(L.E) equivalent to a mean score of 3.5 to 5 on a continuous likert scale;

(3.5≤ L.E≤ 5.0). A standard deviation of 1.5 implied a significant difference on the influence of the component among respondents.

The survey found out that all the variable measures used in the study were rated as having the greatest influence on micro-credit provision to women entrepreneurs by MFIs as follows: the set high return on equity (mean: 4.00), high debt service chargeable on microloans (mean: 3.93) and low monthly rates of return on capital (mean: 3.71). Interest inelasticity among micro-finance consumer loans (mean: 3.64), slow portfolio growth by MFIs in Kenya (mean: 3.64), low returns on agricultural investment (mean: 3.50) as well as weak institutional growth and performance among MFIs (mean: 3.50) were also rated highest in influencing micro-credit provision to women entrepreneurs by MFIs in Kenya. Table 5 has details of the findings.

Table 5: Interest Rates

	N	Minimum	Maximum	Mean	Std. Deviation
High debt service chargeable on microloans	70	2	5	3.93	.890
Interest inelasticity among micro-finance consumer loans	70	2	5	3.64	.817
Low monthly rates of return on capital	70	2	5	3.71	.965
Low returns on agricultural investment	70	2	5	3.50	.830
Slow portfolio growth by MFIs in Kenya	70	1	5	3.64	1.404
Weak institutional growth and performance among MFIs	70	1	5	3.50	1.189
Set high return on equity	65	2	5	4.00	1.118

Source: Survey data (2012)

4.6 Reliability test

A reliability test was done using Cronbach's alpha test. The main reason for this test was to measure the internal consistency of the study components, which is, how closely related a set of components are as a group. The Cronbach's alpha value for this research was found to be 0.783 suggesting that the components have relatively high internal consistency. Wherry (1984) argued that a reliability coefficient of 0.70 is considered "acceptable" in most social science research situations. The findings of this study were as indicated in table 6.

Table 6: Reliability Statistics

Cronbach's Alpha	N of Items
.783	34

Source: Survey data (2012)

4.7 Model formulation and estimation

Model formulation and estimation was done using the coefficients of multiple regression analysis. This is used to establish the predictive power of the study model specified by the following equation:

$$\mathbf{Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \ \beta_3X_3 + \varepsilon}$$

Whereby Y = Provision of micro credit to women entrepreneurs

X_1 = Lending regulations

X_2 = Women saving mechanisms

X_3 = Interest rates regulation

ε = Error term/Erroneous variables β_0 is the intercept

Table 7: Model formulation and estimation Coefficients

	Unstandardized coefficients		Standardized coefficients			95% confidence interval	
	B	Std. Error	Beta	t	Sig.	Lower bound	Upper bound
(Constant)	2.331	.830		2.808	.007	.673	3.989
Lending Regulation	.246	.117	.245	2.098	.340	.012	.479
Women Savings Mechanisms	.381	.152	.315	2.502	.015	.077	.684
Interest Rate Regulation	-.367	.151	-.321	-2.728	.018	-.669	-.065

A Dependent Variable: Micro-credit provision to women entrepreneurs

Since X_1 – Lending regulation, X_2- Women savings mechanisms, X_3- Interest rates regulation and Y- Micro-credit provision to women entrepreneurs, then the multiple regression equation for this model would be as follows:

$$Y= 2.331 + 0.246X_1 - 0.381 X_2 - 0.367 X_3$$

4.8 Analysis of variance

Table 8: Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	24.861	3	8.287	6.727	.002[a]
	Residual	29.567	24	1.232		
	Total	54.429	27			

a. Predictors: (Constant), Interest rates regulation, Women savings mechanisms, Lending regulation

b. Dependent Variable: Micro-credit provision to women entrepreneurs

The ANOVA findings of this study explains that the $0.002 \leq$ p-value ≤ 0.05 implying that there are significant differences in the means of the groups from which the study data was sourced and thus, the groups are independent i.e. the study confirms that there are variations among the groups which make them different and hence independent.

4.9 Model fit

In addition, a model fit analysis was done using multiple regression analysis. This was aimed at establishing how fit the model equation fits the data. The coefficient of determination was used to establish the predictive power of study model. The coefficient of determination of this study was found to be 0.711 (see table 11), implying that 71.1% of the variations in micro-credit provision to women entrepreneurs are explained by lending regulations, women saving mechanisms and interest rates regulation. This implies that the multiple regression equation above appears useful in making predictions since the r^2 is close to 1.

Table 9: Model fit

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.843(a)	.711	.701	.88357

a Predictors: (Constant), Organizational Politics, Members' Competencies, Institutional Independence

4.10 Test of Hypotheses

The null hypotheses of this study were: Ho_1: There is no significant relationship between lending regulation and provision of microcredit to women entrepreneurs by MFIs, Ho_2: There is no significant relationship between women saving mechanisms and provision of microcredit to women entrepreneurs by MFIs, Ho_3: There is no significant relationship between interest rates regulation and provision of microcredit to women entrepreneurs by MFIs.

Since the sampling of this study was done at a significance level of $\alpha = 0.05$(see the sampling design) it follows that, at 5% level ($\alpha = 0.05$), since the p-values for lending regulation ($p = 0.340$), women savings mechanisms ($p = 0.015$), interest rate regulation ($p = 0.018$) then two of these variables namely women saving mechanisms and interest rates regulation have critical values and are therefore within the rejection region. While lending regulation does not. Consequently, the null hypotheses which state that; Ho_2: There is no significant relationship between women saving mechanisms and provision of microcredit to women entrepreneurs by MFIs, Ho_3: There is no significant relationship between interest rates regulation and provision of microcredit to women entrepreneurs by MFIs are rejected. However, the null hypothesis which state that Ho_1. There is no significant relationship between lending regulation and provision of microcredit to women entrepreneurs by MFIs is accepted.

Hence, the study concluded that at the $\alpha = 0.05$ level of significance, since the p-value for lending regulation was found to be more than 0.05 (i.e. $0.340 \geq 0.05$), women saving mechanisms found to be less than 0.05 (i.e. $0.015 \leq 0.05$) as well as interest rate regulation found to be less than 0.05(i.e. $0.018 \leq 0.05$), then there exists enough evidence to conclude that the slope of the multiple regression line is not Zero and hence the two variables namely; women savings mechanisms and interest rate regulation are significant and good predictors of micro-credit provision to women entrepreneurs by MFIs and should be retained in the study model, while lending regulation is insignificant and a poor predictor of micro-credit provision to women entrepreneurs by MFIs and therefore qualifies to be excluded from the study model. .

CHAPTER FIVE
SUMMARY OF THE KEY FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter covered summary of the key findings, conclusions, policy recommendations as well as areas for further study.

5.2 Summary of the key findings

This study was conducted within Kenya to find out determinants of micro-credit provision to women entrepreneurs by MFIs. The objectives of the study were: to identify the determinants in microcredit provision to women entrepreneurs and to examine their influence in microcredit provision to women entrepreneurs by MFIs in Kenya. As a result, the study found out that the major determinants of micro-credit provision to women entrepreneurs by MFIs in Kenya were women savings mechanisms and interest rates regulation. The study further found out that there existed a significant relationship between women savings mechanisms (i.e. $0.015 \leq$ p-value ≤ 0.05) and interest rate regulation (i.e. $0.018 \leq$ p-value ≤ 0.05) and the microcredit provision to women entrepreneurs by MFIs.

As relates to the influence of women savings mechanisms on microcredit provision to women entrepreneurs by MFIs based on specific variable measures, the study found out that poor product design by MFIs, lack of freedom and bargaining power by women and the relegating status for women to position of subordinates in resource management had the greatest influence on micro-credit provision to women entrepreneurs by MFIs in that order. In addition, poor savings services by MFIs as well as existing informal savings mechanisms such as annual savings clubs, rotating savings and credit associations and door to door deposit collectors had also the greatest influence on micro-credit provision to women entrepreneurs by MFIs.

On the influence of interest rates regulation based on specific variable measures, the study found out that the set high return on equity, high debt service chargeable on microloans and low monthly rates of return on capital in that order had the greatest influence on micro-credit provision to women entrepreneurs by MFIs. Interest inelasticity among micro-finance consumer loans, slow portfolio growth by MFIs together with low returns on agricultural investment and weak institutional growth and performance were also greatly influencing micro-credit provision to women entrepreneurs by MFIs in Kenya.

Although lending regulations were found to have insignificant relationship with micro-credit provision to women entrepreneurs by MFIs, such variable measures such as collateral requirements, complicated application procedures and restrictions were rated highest in influencing micro-credit provision to women entrepreneurs by MFIs in Kenya. In addition, terms of payment, the lending base, the prescribed minimum loan amounts, supplementary services and restriction of credit to specific activities were found to have greatest influence on micro-credit provision to women entrepreneurs by MFIs in Kenya.

5.3 Conclusions

The study concluded that policies related to women savings mechanisms and interest rates regulation were hurting micro-credit provision to women entrepreneurs by MFIs in Kenya. The study further concluded that to fast track credit provision to women entrepreneurs, a review of policies related to women savings mechanisms and interest rates regulation were long overdue.

On women savings mechanisms, the study concluded that MFIs required innovating their product designs to appeal to women entrepreneurs as a stimulus to their access. The study also concluded that MFIs required recognizing women as independent clients and respecting their bargaining power in their quest for micro-credit facilities.

In terms of interest rates regulation, the study concluded that MFIs required to favorably reset their return on equity, their debt service chargeable on micro-loans and their monthly rates of return on capital to make their credit facilities attractive to women entrepreneurs.

Finally, on lending regulations, the study concluded that there was need for MFIs to review their policies on collateral requirements and ease their application procedures to make it easy for women entrepreneurs to access their products and in particular their micro-credit.

5.4 Policy Recommendations

The following policy recommendations were proposed to fast track microcredit provision to women entrepreneurs by MFIs in Kenya. First, in regards to women savings mechanisms, a mechanism is devised to innovate the design of MFIs' products to appeal to women entrepreneurs. This is to be achieved through designing tailor made products that suit women entrepreneurs and their specific business activities.

Secondly, MFIs design products that take into account women's lack of freedom in making financial decisions particularly within the family setting. This is to be achieved through analysis of other risk factors in women's specific business enterprises and use the factors as the basis upon which certain micro-credit provision decisions may be made.

Thirdly, MFIs consider giving women entrepreneurs specific training that suit their businesses as to be able to make sound decisions in resource management. This is to be achieved through training needs assessment with a special reference to the uniqueness of their business enterprises.

Fourthly, in regards to interest rates regulation. MFIs set business values that drive their businesses and in particular values that guard against exploitation of women entrepreneurs compromising the stability of their businesses. This is to be achieved through building diversity in their products and choosing from among them which ones to levy high rates and which ones are to be considered for low rates. This is to say MFIs should not be driven by high returns on equity alone but also by a contribution to society. Fifth, MFIs to set a reasonable debt service chargeable on micro-loans. This is to be achieved through recognizing that there are several avenues through which MFIs may raise more funds to cater for what is catered for through charging high debt service on micro-credit. Sixth, MFIs review their monthly rates of return on capital. This is to be achieved through critical analysis of their product portfolio and varying their rates through taking into consideration women entrepreneurs and the fragility of their businesses.

Seventh, in regards to lending regulation, MFIs review their policies on collateral requirements in a way that does not limit women entrepreneurs' access to micro-credit. This is to be achieved through cognizance that women in most instances do not physically own property that could be used as collateral due to cultural issues surrounding marriages. Finally, MFIs ease complications in application procedures. This is to be achieved through critical analysis of the nature of their various customers and initiating procedures that suit each one of them.

5.5 Areas for further study

A study is done to incorporate more variables like; economic stability, competition from banks, the political climate, the role of Sacco in micro-credit provision to women entrepreneurs among many other variables. This is supported by the fact that the coefficient of determination of the model of this study was not found to be 1 implying that there are other extraneous variables that explain variations in microcredit provision to women entrepreneurs by MFIs in Kenya.

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APPENDIX I
QUESTIONNAIRE

Serial No………………………………..

My name is Albert Orero Onchiri. I am a Master's student in Business Administration at University of Nairobi. Kindly fill this questionnaire to enable me collect data for this study. The questionnaire is meant to collect information on determinants of micro credit provision to women entrepreneurs among MFIs in Kenya. Kindly answer the questions by writing a brief statement or ticking in the boxes provided as will be applicable. The information provided will be treated as strictly confidential and at no instance will your name be mentioned in this research. This research is intended for an academic purpose only.

SECTION ONE: DEMOGRAPHIC INFORMATION

1. Gender Male ☐ Female ☐
2. Age ☐ below 30 years ☐ 30-39 years ☐ 40-49years ☐ 50-59 years ☐ 60-69 years
3. For how long did you/have you work(ed) for your MFI?
   a) ☐ 0-5 years
   b) ☐ 5-10 years
   c) ☐ 10-15 years
   d) ☐ 15-20 years
   e) ☐ 20 and above years
4. What is your highest level of education?
   i. Secondary ☐ iii. Tertiary College ☐
   ii. Undergraduate ☐ iv. Postgraduate ☐
   v. Other (specify) ……………………………………

SECTION TWO: MICRO-CREDIT PROVISION TO WOMEN ENTREPRENEURS

5. The following are statements about micro-credit provision to women entrepreneurs. To what extent do you agree with these statements? Guide: Strongly Disagree (1), Disagree (2), Neutral (3), Agree (4), Strongly Agree (5)

No	Description	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
i	Lack of **clarity of vision and ability to act** by women entrepreneur prevents MFIs from giving them micro-credit					
ii	**Poor coordination and organization** by women entrepreneurs prevents MFIs from giving them micro-credit					
iii	**Poor supervision and risk bearing** by women entrepreneurs prevents MFIs from giving them micro-credit					
iv	**Poor goal setting** by women entrepreneurs prevents MFIs from giving them micro-credit					
v	**Lack of innovation** by women entrepreneurs prevents MFIs from giving them micro-credit					
vi	**Lack of ability to initiate and establish economic activity or**					

	enterprise by women entrepreneurs prevents MFIs from giving them micro-credit					
vii	**Poor management skills** by women entrepreneurs prevents MFIs from giving them micro-credit					
viii	**Lack of business values, attitudes and behaviors** by women entrepreneurs prevents MFIs from giving them micro-credit					

SECTION THREE: LENDING REGULATIONS

6. Comment on the following issues on the effects of lending regulations on the provision of micro credit to women entrepreneurs. Guide: Strongly Disagree (1), Disagree (2), Neutral (3), Agree (4), Strongly Agree (5)

No	Description	Strongly disagree (1)	Disagree (2)	Neutral (3)	Agre e (4)	Strongly agree (5)
i	Complicated **application procedures and restrictions** by MFIs impedes the provision of micro-credit to women entrepreneurs					
ii	The prescription of **minimum loan amounts** by MFIs impedes the provision of micro-credit to women					

	entrepreneurs					
iii	The extent of **credit duration** by MFIs impedes the provision of micro-credit to women entrepreneurs					
iv	The existing **terms of payment** by MFIs impedes the provision of micro-credit to women entrepreneurs					
v	Poor **supplementary services** to target groups by MFIs impedes the provision of micro-credit to women entrepreneurs					
vi	The existing **collateral requirements** by MFIs impedes the provision of micro-credit to women entrepreneurs					
vii	**Restriction of credit to specific activities** by MFIs impedes the provision of micro-credit to women entrepreneurs					
viii	Inadequate **lending base** by MFIs impedes the provision of micro-credit to women entrepreneurs					

SECTION FOUR: WOMEN SAVINGS MECHANISMS

7. The following are statements about the effects of women savings mechanisms on the provision of micro-credit to women entrepreneurs. To what extent do you agree with these statements? Guide: Strongly Disagree (1), Disagree (2), Neutral (3), Agree (4), Strongly Agree (5)

		Strongly disagree(1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly agree (5)
i	**Poor product design** by MFIs impedes the provision of micro-credit to women entrepreneurs					
ii	**Poor savings services** by MFIs impedes the provision of micro-credit to women entrepreneurs					
iii	The **existing informal saving mechanisms** such as annual savings clubs, rotating savings and credit association and door to door deposit collectors impedes the provision of micro-credit to women entrepreneurs by MFIs					
iv	The existing **cultural patriarchy and domestic violence** impedes the					

	provision of micro-credit to women entrepreneurs					
v	Lack of **independence in savings** by women impedes the provision of micro-credit to women entrepreneurs					
vi	Lack of **freedom and bargaining power** by women within households impedes the provision of micro-credit to women entrepreneurs					
vii	Women **specific concerns** such as healthcare or school fees for children impedes the provision of micro-credit to women entrepreneurs					
viii	The **relegating status of women to position of subordinates** which is reflected in resource management impedes the provision of micro-credit to women entrepreneurs					

SECTION FIVE: INTEREST RATES REGULATION

8. Comment on the following issues on the effects of interest rates regulation. Guide: Strongly Disagree (1), Disagree (2), Neutral (3), Agree (4), Strongly Agree (5)

		Strongly disagree(1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly agree (5)
i	**High debt service** chargeable on microloans impedes the provision of micro-credit to women entrepreneurs					
ii	**Interest inelasticity** among micro-finance consumer loans impedes the provision of micro-credit to women entrepreneurs					
iii	Low **monthly rates of return on capital** among MFIs impedes the provision of micro-credit to women entrepreneurs					
iv	Low **returns on agricultural investment** among women businesses impedes the provision of micro-credit to women entrepreneurs					
v	Slow **portfolio growth by MFIs in Kenya** impedes the provision of micro-credit to women entrepreneurs					
vi	**Weak institutional growth** and performance among MFIs impedes					

	the provision of micro-credit to women entrepreneurs					
vii	The set **high return on equity** by MFIs impedes the provision of micro-credit to women entrepreneurs					

THANK YOU FOR TAKING YOUR TIME TO PARTICIPATE IN THIS SURVEY.

APPENDIX II

LIST OF MICROFINANCE INSTITUTIONS

APPENDIX II

LIST OF MICROFINANCE INSTITUTIONS

	INSTITUTION	ADDRESS	LICENCE DATE	BRANCHES
	PART A. LICENCED MFIs:			
1	Faulu Kenya DTM Limite	P. O. Box 60240 – 00200, Nairobi Faulu Kenya House, Ngong Lane www.faulukenya.com	21.05.2009	27
2	Kenya Women Finance T	P. O. Box 4179-00506, Nairobi Woodlands Business Park, Kiambere Road, Upper Hill 'www.kwft.org	31.03.2010	16
3	Rafiki Deposit Taking Mi	P. O. Box 12755-00400 Nairobi 2nd Floor, El-roi Plaza, Tom Mboya Street Email: info@rafiki.co.ke	14.06.2011	3
4	Remu DTM Limited	P. O. Box 20833-00100 Nairobi Finance House, 14th Floor, Loita Street Email: info@remultd.co.ke	31.12.2010	3
5	SMEP Deposit Taking M	P. O. Box 64063-00620 Nairobi SMEP Building - Kirichwa Road, Off Argwings Kodhek Road 'www.smep.co.ke	14.12.2010	6
6	UWEZO Deposit Taking	P. O. Box 1654-00100 Nairobi Park Plaza Building, Ground Floor, Moktar Daddah Street www.uwezodtm.com	08.11.2010	2

PART B. BANKS UNDER MFIs LIST:

7	Co-operative Bank	P.O BOX 48231-00100, NAIROBI Co-operative Bank House TEL: 3276210 Fax: 249480 www.co-opbank.co.ke
8	K-rep Bank Ltd	P.O BOX 25363-00603 NAIROBI Opposite Precious Blood Girls Sec School. Naivasha Rd -Kawangware Tel 3871511 Fax 3873178 www.k-repbank.com
9	Equity Bank	P.O BOX 75104-00200 NAIROBI NHIF Building Upper Hill Tel: 27366620/17 www.equitybank.com

PART C. INSURANCE COMPANIES UNDER MFIs LIST:

10	Chartis Insurance	P.o Box 49460-00100, Chartis House, Eden Square Complex, Chiromo Road Nairobi. www.chartisinsurance.com
11	AAR Credit Services	P.O BOX 41766 GPO NAIROBI Tel: 2715319 Fax: 2715328 www.aarcredit.com
12	CIC Insurance	P.O Box 59485-00200, NAIROBI. CIC Plaza, Mara Road Tel:2823000 Fax: 2823333 www.cic.co.ke

13	Chartis Insurance	P.o Box 49460-00100, Nairobi. Chiromo Road Tel: 020-3676901/0720854979 Fax: 020-3676001 www.chartisinsurance.com
	PART D. NON-LICENCED MFIs:	
14	ADOK TIMO	P.O. Box 3650-40100 Sifa House, Ground Floor, Mission Rd. Off Kakamega Rd. Opposite Kibuye Market. KISUMU. www.adoktimo.com
15	Agakhan First Microfinance Agency	P.O BOX 13149-00100, NAIROBI Mpaka plaza, Westlands 3rd floor www.akdn.org
16	BIMAS	P.O BOX 2299 EMBU BIMAS Comlex Opposite Shell Petrol Station Embu. Tel: 068-31645 'www.bimaskenya.com
17	Blue Limited	P.O. Box 27749 - 00100 Chester House, Ground Floor,Koinange Street www.bluelimited.com
18	Canyon Rural Credit Limited	P.O Box 46532 - 00100, Nairobi Studio House, 3rd Floor www.canyonruralcredit.com

19	Century DTM LTD(Interim)	P.O. BOX 38319-0063 Vision Towers 5th Floor Muthithi road Wastelands www.century.co.ke
20	ECLOF Kenya	P.O Box 34889 Royal Offices, Mogotio Rd., Off. Chiromo Lane, Parklands Nairobi www.eclof.org
21	Fusion Capital Ltd	P.O Box 47538 - 00100 ACK Garden House, Block A 1st Ngong Avenue, opposite Bishops Rd. www.fusioncapital.org
22	Greenland Fedha Limited	P.O Box 30213 - 00100, Nairobi KTDA Farmers Building, agathuku@ktdateas.com
23	IndoAfrica Finance	P.O BOX 39435-00623 Nairobi -Kenya Museum Hill Centre 3rd Floor Museum Hill Road www.indoafricafinance.co.ke
24	Jitegemea Credit Scheme	P.O BOX 46514, NAIROBI KCB Plaza Jogoo Road
25	Jitegemee Trust Limited	P.O BOX 21768-00505 NAIROBI Lenana Road Roshan Maer Place www.jitegemeetrust.co.ke
26	Juhudi Kilimo Company Limited	P.O Box 10528 - 00100, Nairobi Kenya K-Rep Centre, Wood Avenue www.krepbank.com
27	K-rep Development Agency	P.O BOX 39312 NAIROBI Next to Kileleshwa Police station www.k-repbank.com

28	KADET	P.O BOX 1676-00200 NAIROBI Capital Hill Towers www.kadet.co.ke
29	Empowerment Foundation (KEEF)	www.keefkenya.org
30	Kenya Post Office Savings Bank	P.O BOX 30311-00100 House Banda Street NAIROBI. www.postbank.co.ke
31	Kilimo Faida	P.O Box 10144-00100 Outering Road, New Donholm www.orioneastafrica.co.ke
32	Micro Africa Limited	P.O Box 52926 - 00200 Cape Office Park, 2nd Floor, Ring Road, Kilimani http://microafricagroup.com/
33	Micro Enterprises Support Fund(MESPT)	P.O Box 187 - 00606 Nairobi 2nd Flr Vision Towers Muthithi Rd, Westland info@mespt.org
34	Microensure Advisory Services	P.O Box 13383 - 00100, Nairobi Hughes Building, Kenyatta Avenue, 8th Floor Tel: 020 - 2221074 kate.waiganjo@microensure.com
35	Molyn Credit Limited	P.O Box 10144 - 00100, Nairobi Bruce House, 9th Floor, Std Street www.molyn.co.ke
36	Society Ltd	P.O Box 1145 - 10200 Murang'a, Kenya. Muramati Building, Hospital Road Tel: 060 2030273 Fax: 060 2030058 info@muramatisacco.co.ke www.muramatisacco.co.ke
37	Musoni	P.O. Box 25351-00100 Cape Office Park, Along Ring Road Kilimani, Opposite Yaya Centre www.musoni.eu
38	Ngao Credit Ltd	P.O. Box 60776-00200 Nairobi 2nd Floor NHIF Bldg. Community www.ngaocredit.com

39	Opportunity International	P.O Box 19497 - 00202 Geomaps Centre, 1st Floor, Matumbato Rd. Upperhill www.opportunity.org
40	Pamoja Women Development Programme (PAWDEP)	P.O Box 2472 - 00100 Kikinga House, Ground Floor, Kiambu www.pawdep.org
41	Platinum Credit Limited	P.O. Box 73304-00200 Nairobi 2nd floor, union towers, moi avenue
42	Oikocredit	P. O. Box 30328-00100 Nairobi, Kenya Rd.2nd Floor www.oikocredit.org
43	One Africa Capital Limited	P.O Box 74093 - 00200 Koinange Street, Ratansi Educational Trust Building, 2nd Floor, Tel: 254 726 376 293 Fax: 254 20 2210260 oneafrica.microfin@yahoo.co.uk
44	Rupia Limited	P.O Box 2987 - 00200, Nairobi Tel: 020 - 2251389 / 2229178 View Park Towers, 10th Floor
45	Renewable Energy Technology Assistance	P.O Box 28201 - 00200, Nairobi Kenya Westlands, Waumini House Eastern Wing, 1st Floor, Mobile: 0722 520031 / 020 354592 Tel: 020 3002344 / 2033867 / 4454306 www.retap-africa.org
46	Select Management Services Limited	P.O Box 27639 - 00506, Nairobi. Kenya Re Towers, off. Ragati Road Tel: 254 20 2735229 Fax: 254 20 2731162 info@selectafrica.net
47	SISDO	P.O BOX 76622-00508 NAIROBI Ngong Lane, off Ngong Road www.sisdo.org

48	Sumac Credit Ltd	P.O. Box 11687-00100 Consolidating Bank Building, Koinange Street, 2nd Floor info@sumacredit.co.ke
49	Swiss Contact	P.o Box 47996,00100,Nairobi. Westlands,Vanguard House, 6th Floor, Tel: 4445284 Fax: 4445315 www.swisscontact.co.ke
50	Taifa Option Microfinance	P.O Box 727 - Ruiru Kenya Tel: 067-5855169 taifaoption@yahoo.com
51	U & I Microfinance Limited	P.O Box 15825 - 00100 Arrow House, Koinange street, Nairobi info@uni-microfinance.co.ke
52	Fund	P.O. Box 17126-00100 Nairobi 14th Floor
53	Yehu Microfinance Trust	P.O Box 82120-80100 Head Office - Mombasa - Coast ProvinceOff Tom Mboya Avenue - Buxton yehumfi@africaonline.co.ke

SOURCE

1 http://www.centralbank.go.ke/financialsystem/microfinance/deposittaking.aspx

2 http://www.amfikenya.com/

Rider: Micro finance institutions in Kenya are registered under various bodies ranging from :

a) Ngo Council

b) The Ministry of social services

c) AMFI

d) Banks

e) No single board has the entire list.

The central bank of Kenya has only listed the six (6) licensed MFI's

APPENDIX III

LIST ALL MBA STUDIES IN THE RELATED AREA DONE AT THE UON

KARIUKI C.N.	APRIORI DETERMINANTS OF PERFORMANCE OF ENTREPRENEURS IN JUA KALI SECTOR: THE CASE OF NAIROBI EASTLANDS
KIGUNGU J.M	PERCEIVED FULFILMENT OF ORGANIZATIONAL EMPLOYMENT VERSUS ENTREPRENEURSHIP: THE CASE OF GRADUATE BUSINESS STUDENTS
KURIA D.M.	PERCEPTION OF OPPORTUNITIES IN THE REGIONAL ECONOMIC GROUPINGS BY KENYAN ENTREPRENEURS. A CASE OF KNCCI
MURIITHI J. NDEREBA	RELATIONSHIP BETWEEN PERSONAL FACTORS & ENTREPRENEURSHIP BEHAVIOUR AMONG MICRO & SMALL SCALE ENTERPRISES IN NAIROBI