

**ROLE OF MICRO CREDIT IN PROMOTING GROWTH OF SMALL BUSINESS  
IN KISUMU: A CASE OF KENYA WOMEN FINANCE TRUST**

BY

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## DECLARATION

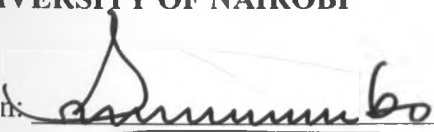
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## **DEDICATION**

This project is dedicated to my father Maurice Vitalis Ouma for the support he gave me throughout the period I was undertaking the course.

## ACKNOWLEDGEMENT

This project would not have been successful without the co-operation and assistance from a number of people and institutions. I would like to express my deepest appreciation to my two Supervisors Dr. Paul A. Odundo and Dr. Charles M. Rambo, who, although very busy scholars were patient with me, they read through every chapter of this work offering valuable suggestions, advice and encouragement. To them I am deeply indebted. Special thanks to the staff of the school of continuing and distant education Kisumu campus for the moral support they also gave me in order to see to it that this project comes to completion. I would like to thank the staff of the various libraries where I obtained valuable information to enrich this project. Special thanks to my research assistants Linda Atieno and Rose Odero both of whom made several call backs to ensure a high questionnaire return rate. I am also grateful to the staff and management and clients of KWFT who participated in the study. To George Owino and Nancy Awuor who also helped read through my proposal to edit and proof read, I say thanks. I am equally indebted to my colleague and friend James Otieno who stood in for me at the place of work while I prepared this report. I am extremely grateful to my father, Maurice Ouma who paid my school fees and ensured I got the best education while growing up. To my mother Christine Oganyo who prayed for me and ensured that I did not tire at any step of the preparation of this report I am grateful. Finally, special thanks and appreciation to my best friend, companion and husband, Erick Ngoje for taking care of our children Wendy Christine and Joshua Ouma while I was away studying. For their patience, inspiration and encouragement I say a big thank You.

## ABSTRACT

Micro credit forms a basis for the realization of the social and economic pillars of the Kenya government's growth blue print, Vision 2030 (Republic of Kenya, 2008). Access to micro credit improves the economic status of women and makes them more empowered in decision making (McCormick and Pedersen, 1996). Micro credit is essential in promoting growth of small business especially among women. This study attempted to look at the role of micro credit in promoting growth of small business among women traders within the Kisumu Central Business District.

The objective of the study was to assess the relationship between access to micro credit and growth of small businesses among women within the Kisumu Central Business District. The relationship between access to Micro credit and growth of small business was formulated as hypothesis and its validity tested. Kisumu Central business district was chosen as a case for this study due to the number of businesses that are operated by women as well as the researcher's interest to determine the contribution that micro credit is making within the Kisumu central business district. Ex post facto design was used because of its simplicity, ease of administration and ability to gather data from a relatively large number of cases at a particular time. Classification of small business into strata enabled the choice of a representative sample that is: hairdressing stores; seamstresses; food kiosks; hairdressing and clothing and boutique shops; seamstresses and clothing and boutique shops, retail shops and others (hardware stores, ice producing and bookshops). Qualitative and quantitative analyses were used to establish essential facts, perform hypothesis tests and to enable relevant conclusions to be drawn. The feminist empowerment paradigm by Mayoux (1998a) has been applied in the study together with the financial sustainability theory and the poverty alleviation paradigm to show how micro credit programs influence small business operations.

This study reveals that: (i) micro credit has played a significant role to increase profits, sales and to reduce liability levels among businesses that were sampled; (ii) treasury bills and premium bonds are the major sources of funding among others including gifts from well wishers and sale of assets; (iii) the KWFT uses individual and group solidarity methods to deliver micro credit to its clients; (iv) the procedures and systems used by KWFT in loan processing are reliable thereby keeping the defaulter rates low and that; (v) Default arises from calamities and emergency. The study recommends that its findings be considered to inform effort of new and established micro credit institutions in Kenya and beyond and that a similar study be carried out in a larger area so as to establish whether these findings can be generalized to a wider area and also if they hold in other situations. Also, another study that examines the roles played by the women groups in ensuring repayment of microcredit alongside the role played by institutional systems is recommended by the study.

## ABBREVIATIONS AND ACRONYMS

<b>AMFI-</b>	Association of Microfinance Institutions
<b>ASCAs-</b>	Accumulated Savings and Credit
<b>BIDS-</b>	Bangladesh Institute of Development Services
<b>CBS-</b>	Central Bureau of Statistics
<b>CGAP-</b>	Consultative Group to Assist the Poor
<b>ICEG-</b>	International Commission on Economic Growth
<b>IGA-</b>	Income Generating Activity
<b>K-REP -</b>	Kenya Rural Enterprise Program
<b>MEA-</b>	Microenterprise Associations
<b>MEs-</b>	Micro enterprises
<b>MFIs-</b>	Microfinance Institutions
<b>MC -</b>	Micro credit
<b>MSEs-</b>	Micro and small enterprise
<b>NGOs-</b>	Non Governmental Organization
<b>ROSCAs-</b>	Rotational Savings and Credit Associations
<b>SEWA-</b>	Self Employed Women Associations
<b>SMEs-</b>	Small and Micro enterprises
<b>SHG-</b>	Self Help Group
<b>KWFT-</b>	Kenya Women Finance Trust
<b>KCBD -</b>	Kisumu Central Business District

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## CHAPTER ONE

### 1.0

### INTRODUCTION

This chapter describes the background to the study, the statement of the problem, the purpose of the study, objectives of the study, research questions, research hypothesis and significance of the study. The chapter further details the basic assumptions, scope and limitations of the study, delimitations of the study, definition of significant terms as used in the study and organization of the study.

#### 1.1 Background to the Study

Microcredit has made women more productive, besides empowering them (Goetz & Sen., 1994). Women are now integrated into socio-economic activities, contributing to family income and decision making in addition to exercising more control over their fertility which enhances better childcare. Moreover, Microfinance has been effective in mobilizing savings from the poor borrowers who are mainly women. Instances are cited when microcredit programmes have been linked to a reduction in gender based violence (Mayoux, 1998a). This it is believed occurs when through obtaining micro credit (MC), women are able to have greater economic empowerment through increased incomes. It is then this economic empowerment that makes it less likely for disagreement over finances to build up into gender based violence.

According to Besley, (1995), MC was promoted by Yunus in Jobra, a village in Chittagong of Bangladesh. Since then MC programmes have spread all over the world. In support of this, the World Bank (1999) indicated that 25 million people worldwide are now

using microcredit to undertake income-generating or self-employment activities; Out of these women form more than 90% of the beneficiaries. The receipt of the 2006 Nobel Peace Prize by Muhammad Yunus and the Grameen Bank propelled microfinance to the forefront of the global discussion on poverty alleviation and economic development. Over the past three decades, microfinance has extended financial services to 113 million borrowers (Ibid). Yet, with three billion people living under two dollars a day globally, a critical look at the state of microfinance is integral to its future progress.

At present about 1,200 microfinance institutions (MFIs) operate in Bangladesh extending credit to about 8 million people, out of whom 90% are women. The borrowers are mostly self-employed, and involved in income generating activities. In addition, MFIs have created employment for about 70,000 people, 20% of whom are female. So far a total credit of US\$1.4 billion has been extended to the borrowers in the industry; of this total, US\$ 18,164 million remains outstanding. The net savings of the borrowers, worldwide, is US\$5,216 million (Ibid). Further analysis shows that members' savings meet about 20% of the total making it difficult to create a revolving fund. In Bangladesh, MC claims a high recovery rate from the borrowers, over 95% (Bangladesh Institute of Development (BIDS), 1999).

MC is an instrument for credit extension to the poor borrowers, besides being a movement to alleviate poverty especially among the women. It is also intended to improve their quality of life and build their capacity and create awareness for integration into the main stream economy. The benefits go beyond the quantifiable ones, but are evident in the socio-economic transformation of rural Bangladesh (Coleman, 1999). In Kenya a number of small businesses have benefited from MC services. However, the number was thought to be less than the ones that were expected (McCormick & Pedersen, 1996). The Baseline survey, also

found out that only 6% of the small businesses surveyed had successfully applied for and obtained credit (CGAP/ICEG/K-REP, 1999).

Microenterprises (ME) are reputed for the transformation of the economy in South East Asia and continues to play a significant role in Kenya. This is attributed to embracing unique opportunities for creating employment and wealth (Kimuyu & Omiti, 1999a). On the one hand Republic of Kenya, (2001) revealed existence of some 1.3 million MEs employing about 2.4 million Kenyans and accounting for approximately 70% of economic activities (CBS/ICEG/K-REP, 1999). The businesses operated by women micro entrepreneurs within the Kisumu CBD remain a viable option for inclusion of those left out of the mainstream job opportunities in the wider economy. This is because just as the businesses in South Asia have transformed the economy there, the ones in Kenya can do the same.

A confirmation of the role that can be played by the MC programmes in economic transformation of the country was made by the Republic of Kenya (1997), which reiterated that, by 1996, 2670 savings and credits cooperatives; 51 commercial banks; 23 non commercial banks; 5 building societies; 10 development financial institutions; 3 reinsurance companies; 1 capital markets authority; 20 securities and equities brokerage firms were operational. Even though, only savings and credit cooperatives societies were providing MC to members; few are the urban poor and rural inhabitants who could access them.

The inability to access credit inhibited traders from effective involvement in income generating activities. In Kenya like other developing countries, there are several organizations which extend microcredit to women. These organizations include; faith based organizations (FBOs), Non Governmental Organizations (NGOs), formal financial institutions, development organizations and local groups. It is said that there are over 36

organizations that extend credit to operators of MEs. Out of these organizations, it is KWFT that extends credit exclusively to women (Republic of Kenya, 2008).

Again, even though working capital could be obtained from friends and relatives, loans from banks and sale of assets, MCs stands out to be the cheapest source of working capital. The poor often have inadequate collateral to secure loans from formal financial institutions such as banks. In an attempt to fill the gap, MC provides financial support through tailor made loaning programmes to alleviate poverty. Republic of Kenya (2002) observes that provision of financial services targeting poverty reduction is largely handled by institutions which tend to cover larger parts of the country. One such MC with a countrywide network in Kenya is Kenya Women Finance Trust (KWFT) whose mandate includes empowering women through income generation as a poverty reduction strategy. Following KWFT establishment in 1981 and has developed a network of offices spread countrywide. It is headquartered in Nairobi with nine regional offices and 71 units as well as desks. In an effort to reach out to the needy, units serve urban centers whereas desks serve urban settlements (KWFT, 2008).

## **1.2 Statement of the problem**

Poverty alleviation strategies are better addressed through pragmatic initiatives that boost income generation and employment creation. This supports the view of McCormick and Pedersen (1996) which intimate that effective credit provisions to small enterprise sector stimulates growth and reduces poverty. Even though progress has been made; credit programmes are still unable to reach a large percentage of small scale traders and industrialists seeking financial support.



This has been occasioned by collapse of microcredit institutions which has been blamed on institutional inefficiencies, overreliance on donor funds which are limited, increasingly high defaulter rates, inappropriate regulation and weak financial systems. KWFT has been faced with financial indiscipline, insufficiency of funds. Besides, inadequate financial support accelerates collapse of ME contributing relapse into poverty due to declining business and this trend threatens sustainability of MEs contributing to poverty alleviation efforts. This study sought to investigate the role of microcredit extended by KWFT to women traders for promotion of growth of micro enterprise within the Central Business District of Kisumu, Kenya.

### **1.3 Purpose of the study**

The purpose of the study was to establish the role of microcredit extended by KWFT in promoting the growth of micro enterprises operated by women traders in Kisumu central business district.

### **1.4 Objectives of the Study**

The specific objectives of the study were to:

1. Assess the relationship between access to credit and promotion of growth of businesses among women traders in the Kisumu CBD.
2. Determine the methods used by the Kenya Women Finance Trust to deliver credit to women operating small businesses within the Kisumu CBD.
3. Establish the sources of funds that KWFT lends to women operating small businesses within the Kisumu CBD.

4. Explore the reasons as to why women traders within the Kisumu CBD applying for and obtaining credit from KWFT default in repayment of the same.
5. Establish the financial systems that are put in place by KWFT to guard against default once loans are obtained by women traders operating within the Kisumu CBD.

### **1.5 Research Questions**

The study was undertaken to answer the following research questions:-

1. Which delivery methods does Kenya Women Finance Trust use to disburse microcredit to women traders within the Kisumu central Business district (KCBD)?
2. Where does KWFT obtain the funds that they extend to women traders within the Kisumu central business district and how reliable are these sources?
3. Why do women operating small businesses within the Kisumu central business district default in repayment of microcredit once they obtain it?
4. How effective are the financial systems put in place by KWFT to guard against defaulter rates once micro credit has been obtained from them by women in the Kisumu CBD?

### **1.6 Study hypotheses**

The study was meant to prove the hypothesis that:

1. There is no statistical association between the access to microcredit from KWFT and the growth of business in terms of sales among women operating businesses within the Kisumu CBD.

2. There is no statistical association between the access to microcredit and the growth of business in terms of profits within the Kisumu CBD?
3. There is no statistical association between access to micro credit and the growth of business in terms of the levels of liability within the Kisumu CBD.

### **1.7 Significance of the study**

The study results will be used to develop policies and strategies that will guide the various ministries in the planning of micro credit programmes in Kisumu and other urban areas in Kenya. The end product of the study will be used to identify areas for further research. The study was worth it as it has filled in knowledge gaps. The results of the study will also be used by KWFT as well as other micro credit institutions to develop strategic plans as well as operational plans in for customer satisfaction hence efficiency and effectiveness in delivery of the same. The study could also be replicated in other areas of the country especially among women traders. The findings in the study could be used to help in the identification of the unique attributes of traders so as to assist in the development of training programmes for them. McCormick and Pedersen (1996) recommended that further research be conducted to determine the relationship between access to microcredit and the growth in the small business sector. This study focused on the KWFT because it was the only institution that offered credit exclusively to women at the time of study.

Whereas studies have been carried out in the small and micro enterprise sector most of the findings are very general and the overall impact of credit programmes on women operating small businesses have not been established (Ibid; Sabapathy, 1994 and Graham et al, 2000). Moreover, most women tend to be the majority in the small business sector of

Kisumu's CBD as a result the contribution of Microcredit offered by an organization offering credit to women only needs to be established. Moreover, in Kenya today emphasis has been laid on women's operation of small businesses for wealth creation which has culminated into the founding of a women's enterprise fund (Republic of Kenya 2008).

### **1.8 Limitations of the study**

In gathering secondary data, inadequate access to government and KWFT documents was made. This was due to confidentiality which these institutions are required to observe. Other publications were not updated an example is the 1999 Baseline survey that was referred to most of the time is now ten years old. Hence, use of UN records and other NGO publications was relied on for more updated information. At other times also, some respondents were unwilling to give information pertaining to profits of their businesses for fear that it may have been KRA agents soliciting the same. The study dealt with this by not asking for the exact figures that they made in terms of profit but asked whether the profit increased, remained the same or even reduced after obtaining MC. Another limitation noted was that most records kept by the women are not up-to-date a factor which made the study rely on estimates and word of mouth from the respondents. The study dealt with this by having the women note down any other ideas that they felt would improve on the areas that challenged them.

The study chose to use the ex post facto design and was limited to the register of the KWFT up on whom the study was being carried as such it was not possible to interview clients who had not received loans. Also, because the study was only on the KWFT it was not possible to include persons from outside the KWFT. However, women who belonged to the same group as the ones who obtained MC were also interviewed in order to establish the reasons as to why they had not obtained MC.

### **1.9 Delimitations of the study**

The study was delimited to women operating businesses within the Kisumu CBD as it was easier to reach women than men. Secondly similar studies have concentrated more on the Jua Kali industry where men have been the dominating gender. The KWFT was chosen as the case in this study because unlike all the other micro credit institutions, it offers MC to women only. Again, the study was being carried out just within the CBD of Kisumu because it was more accessible and the funds that were available were only able to fund the study within the KCBD. Moreover, the Kisumu City harbours quite good proportion of women who operate businesses within Nyanza province (Kimuyu & Omiti, 1999a) . Studies have also shown that women have better repayment rates than men who draw MC (McCormick & Pedersen, 1996) as such the study sought to find out whether with the good repayment rates the women have also been able to grow their businesses using the MC that they are able to repay.

### **1.10 Basic Assumptions of the study**

The study assumed that all the women traders within the City of Kisumu who accessed credit from KWFT and who were involved in the study gave their honest opinions of all the questions posed to them. It was further assumed that the records of KWFT are updated and that it was proper to use them for drawing a representative sample. The other assumption was that the businesses that were being operated by the women interviewed had grown based on the MC that was obtained from the KWFT.

### 1.11 Definition of Significant terms as used in the study

**Access to Microcredit:** refers to whether a woman operating business in the Kisumu CBD has received credit either once or more times through and from associated with KWFT.

**Appropriate regulation:** In this study this referred to the laws, policies, contractual clauses as well as constitutional guidelines as in the case of the MEAs which are viewed to support the operations of MFIs in Kenya, Kisumu and KCBD in particular.

**Attributes of the woman traders:** For the purposes of this study, this referred to a unique characteristic that a trader has. These include; her level of education, the type of ownership of the ME, and membership to Microenterprise association (MEA).

**Financial systems** For the purposes of this study, this meant a set of complex and closely interconnected institutions ,instruments, services, practices, and transactions that allow the transfer of money between the KWFT as an institution and women operating businesses within the Kisumu CBD.

**Growth of small business:** In the study it meant a collection of things including; profits, sales activity, types of services and products, level of liability as well as number of employees both before and after access to MC.

**Institutional Attributes:** This referred to the personal aspects of the institutions that gives microcredit services. Such attributes include: the amount of money available for disbursement as micro credit, the financial systems the institution uses as well as the method used to deliver the money to the clients.

**Micro credit:** In this study it refers to an amount which is made available KWFT to a woman operating a small business within the Kisumu CBD.

**Small business:** In this study it is a type of business that is run by women solely or jointly with other women and in which the capital base does not exceed Ksh. 1,000,000.

**Micro finance Institution (MFI):** It referred to KWFT as an organization that gives out small amounts, targeting women that operate businesses within the Kisumu CBD.

**Woman trader:** Is a woman, who along with other partners; women or men, is running the business and makes decisions concerning the day to day running of the business.

### 1.12 Organization of the Study

The study was organized into five chapters. These included the first chapter which was the introductory chapter. In the introductory chapter an introduction to the study was discussed followed by the background to the study, statement of the problem, purpose of the study, objectives of The study, research questions, study hypotheses, significance of the study, assumptions of the study, limitations of the study, delimitations of the study, definition of operational terms as used in the study. The chapter ended with the organization of the study.

Chapter two contained the review of literature. The literature was presented in themes. These include: origin of MC; appropriate regulation; attributes of MFIs; credit access and availability; delivery methods used by MFIs; attributes of a micro entrepreneurs as influencers of small business growth; rationale for MC in growth of small businesses; role of MC in small business growth; theoretical framework and finally the perceived conceptual framework. . Chapter three contains the methodology that was used to answer the research questions and subsequently the research objectives. Chapter four contains data analysis, presentation and interpretation discussed as per the study objectives. This is followed by

chapter five which contains summary, discussion, conclusions and recommendations for policy formulation as well as further research. Chapter five also contains the study's contributions to the body of knowledge.



## CHAPTER TWO

### 2.0

### LITERATURE REVIEW

#### 2.1 Introduction

This chapter reviewed the literature related to the study on the following themes: origin of MC, appropriate regulation, attributes of MFIs, credit accessibility and availability, delivery methods adopted by MFIs, attributes of a micro entrepreneur as influencers of business growth, rationale for MC in micro enterprise growth, role of MC in the growth of MEs, theoretical framework and the perceived conceptual framework.

#### 2.2 Origin of Microcredit

Microcredit is referred to as a small amount of money made available to a client by a bank or other institution. Good microcredit tailors the terms, pricing, criteria, evaluation and services. Microcredit can be offered to an individual or through group guarantee models. It gives people a means to invest in their human productive capital more profitably and according to their own priorities. Microcredit is a crucial element of the broader range of financial tools for poor and low income people to, referred to as microfinance (Sabapathy, 1994).

Kenya did not adopt microcredit from a vacuum. There are several types of microcredit institutions throughout the world. Several studies have been carried out on the subject which traces the micro credit era to have begun in Bangladesh in the 1970s by Professor Yunus who is the current Director of Grameen banks (Kimuyu & Omiti, 1999; McCormick & Pedersen, 1996). Since then micro credit has spread to several countries both outside and within Africa. In Kenya, micro credit has taken several shapes after independence. Indeed, Kenya is one of the first independent African states to formulate

special programmes for supporting small business in both urban and rural areas. The small and medium scale enterprises which form part of the formal economy were characterized with some degree of specialization which most Kenyans did not have by the time of independence hence leaving many indigenous entrepreneurs to remain artisans (Soludo et al, 2004).

Immediately after independence (1964-1970), the first Development Plan was drawn and in it, a mentioned was made of two programs: A training program founded on establishment of a small industry research and training center, and a minor small industry loan program. The development Plan that followed in 1970 to 1974 paid more attention to the generation of more employment opportunities in the rural areas particularly in small-scale industries. This it was said by Aba (1993), could be achieved through the expansion of the loan scheme, industrial training and extension services that were introduced by a system of industrial estates for small industries under Kenya Rural Industrial Development Program (RIDP)( Ibid).

The later Development Plan of 1979 to 1983 expressed the government's interests to promote the SMEs through rural development. For the first time the rural SMEs were specifically identified as having a special role to play in poverty alleviation and employment generation. At the same time, the government increased the number of industrial estates and RIDCs as direct assistance to the sector. The improved access to credits and loans together with expansion of training programs as well as the efforts of the government to decentralize spending were all aimed at the promotion of the rural informal sector (Billetoft, 1989).

The micro credit industry in Kenya took its present shape on the onset of economic liberalization between 1992 and 1994. Being a regional hub for trade in East and Central Africa, Kenya has developed a network of micro-credit institutions which extend loans to

small business operators. In-vest-in Kenya (2008), states that the Association of Micro finance Institutions (AMFI) was formed to serve the interests of these institutions by creating an enabling environment for micro finance, sharing best practices and creating business connections between various regional firms.

Currently, micro credit is offered through a number of institutions such as NGOs, FBOs, MFIs, SACCOs and even Formal financial banks. These institutions operate in different ways and target different beneficiaries. The KWT is one such institution that targets women micro entrepreneurs both in urban and rural areas. It has got branches in at least each of the seven provinces and is spreading fast to encompass every district of the country. The services it offers includes savings opportunity to the women micro entrepreneurs, insurance facilities and the major service is micro credit. This is on top of the equipment provision as well as training and capacity building of the groups it serves. Capacity building can be in terms of technical support as well as monetary contributions. Provided that it makes the institution in question become better able to carry on with the vital activities that ensure its survival (Sabapathy, 1994). Having dealt with its origin, it's now time to look at the regulations that govern the provision of micro credit services especially in Kenya.

### 2.3 Appropriate regulation

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Like the origin of micro credit, the regulations governing micro credit institutions have also evolved over the years. The institutions offering micro credit in Kenya are governed by about eight Acts of parliament. The Acts include: Banking Act, Building societies Act, Society's Act, Cooperatives Societies Act, Hire purchase Act, Companies Act, Trust Act and NGO Coordination Act (CBK, 2006). All these Acts are aimed at creating an appropriate atmosphere within which the clientele and the institutions can operate. These Acts have spelled out the minimum amount of capital that the institutions are expected to

have in order to undertake certain service provision activities. It also spells out the minimum interest rates that an institution should charge on micro credit advanced among other things. The nature of services an institution falling into whatever category should offer are also entrenched in these Acts.

Graham et al. (2000) acknowledged that though the discussions are underway, the debate is still far from being accomplished in Kenya. He recommended the legal framework that entails Rotating Savings and Credit Union agencies that involve a merger between institutions to create a regulatory and supervisory body for the MFIs. Alternatively, he suggested that a savings guarantee foundation be adopted and institutions made to place the amounts mobilized from clients in identified banks and that such savings should not be used for lending. Other option proposed was a market driven deposit insurance that requires an institution raising deposits to have their deposit insured by a bank doing business in the country and a bank should have an extensive reinsurance with a defined minimum acceptable contract to ascertain the enforcement (Von, 1998).

Effective supervision is thought out by Graham et al. (2000) to be necessary in helping achieve the goal of microcredit. They observed that the traditional tools used by commercial banks such as capital calls or ordering halt to lending cannot easily apply to micro credit. Similarly, Wally (1995) observed that microfinance operates largely as an integral part of the informal sector due to lack of regulatory frameworks. However, they have taken options of registering as companies or cooperatives to be in business. They vary from small locally based savings and credit clubs to large city based housing cooperatives to nationwide organizations such as the well known models of Grameen Banks in Bangladesh.

Susan and Rogaly, (1997) acknowledged that microenterprise promotion has been possible when people have access to credit to improve enterprises productivity and create

new sources of livelihood. However, institutions therefore focused on credit for small enterprises including agricultural products to improve economic security and income protection of the poor for poverty reduction. All in all, it is critical for MFIs to operate under favorable regulation in order for them to influence the growth of the small businesses especially the ones operated by women within the CBD of Kisumu.

#### **2.4 Attributes of MFIs**

The attributes of MFIs include but are not limited to corporate image, which allows them to mobilize monies from donors and governments. It also encompasses the financial systems within such organizations or institutions. This it is observed influences the success rate of repayment for micro credit (Rosenberg, 2001; Kimuyu & Omiti, 1999a; Olang'o, 2004; Mwomo, 2004 and McCormick & Pedersen, 1996). If the group collateral is depended upon micro entrepreneurs to whose groups micro credit is advanced, operators are likely to repay, mainly because members of such groups are familiar with each other (Rosenberg, 2001). Follow up and training is also inbuilt in the attributes of the MFI. When training is delivered MC success rates are bound to be higher and the rate of ME growth is hastened.

The capacities of the staff that are charged with the responsibility of following up micro entrepreneurs who benefit from micro credit services is a key factor in the repayment of the micro credit once it is advanced. It is argued that staff who have received formal financial training are more likely to carry out meaningful follow up than their counterparts who do not have similar training (McCormick & Pedersen, 1996). Closely related to staff capacity are material and machinery resources within the organization. Institutions with greater monetary capacity are better placed than their lesser able counterparts to deal with emergencies. It is also obvious that these organizations are able to lend out larger amounts at one go, more likely to have bigger loan portfolios than those that do not have that big

material capacity. They are also more likely to portray better corporate image than those that do not have similar capacity.

The financial systems that exist within an organization are also attributes that can make or break the success of micro credit programmes that are run by the organization. Whereas some financial systems are thought to be inefficient, others are thought to be efficient (Ernest, 1994). An efficient financial system is one that helps ensure that the costs of delivering a service are lower than the service itself thereby ensuring minimal wastages. On the other hand an inefficient financial system is one which is wasteful and uses more resources to deliver a service with minimal returns. For instance if MC is delivered and the number of staff required to oversee it is larger for instance the overhead costs become larger, to the detriment of the organization. In this respect therefore, a system that ensures minimal supervision but with higher repayment rates is preferred to that which requires more follow ups and lower repayment rates. Similarly, a system that gives repayment rates are high but with more resources cannot be preferred to the former.

Financial systems include controls that an institution that is providing MC has put in place in order to ensure efficiency of and effectiveness in service delivery (Lucey, 1996). Systems do not mean reacting to events after they have occurred but keeping an institution on track so as to respond to new opportunities that present themselves. The KWFT has put up financial systems that are aimed at responding to new occurrences as well as preventing outlier situations from leading the institution to collapse (KWFT, 2008). The procedures and requirement for obtaining MC are somehow uniform for all categories of women. There is no discrimination whatsoever for each of these women. So far, control systems facilitate decision making; improves decentralization; stimulates action; enhances employee morale;

promotes efficiency of operations and coordination of activities. These systems have been known to create cautiousness in employees thus ensuring standards are met at most times.

The physical location of an institution can make the institution accessible or not. If it is located in an area with security clients may prefer it to one that is at an insecure location. At the same time if clients have to travel long distance to have access to services it may curtail their movement towards the services. Availability of other facilities within an organizations premises may also increase access to MC such facilities as records in computers as opposed to the traditional files may make access to services much easier than when it's the traditional filing system which requires a lot of patience from women (Sabapathy, 1994).

## **2.5 Credit Accessibility and Availability**

Globally, the amount of money that is available for use as microcredit is said to be way below the amount that is actually needed. This therefore brings in issues of demand and supply to show that there is a deficit in the supply of credit. 25 billion dollars is available for use as microcredit whereas 250 billion dollars is required (Hume & Mosely, 1996). If the amount of microcredit available is less than what is required, then definitely fewer persons than are needy are likely to access it. No wonder, MFIs are putting several restrictions as to the number of persons that can obtain credit out of those that apply (Sabapathy, 1994).

Factors related to initial and working capital and credit accessibility are the most critical issues in the informal sectors and small enterprises' growth and development (McCormick & Pedersen, 1996). About 10%, 9%, 7% responsible in Nairobi, Kisumu and Mombasa had applied for formal sector credit facilities. The credit was availed to different types of MEs: metal and garage, woodwork, metal work and trade. The amounts extended

varied greatly with the type of sector a business belonged. These are some of the reasons that limit accessibility to credit.

Credit availability on the one hand refers to the criteria, timing and adequacy involved in the disbursement process. When women micro entrepreneurs apply for loans it is necessary to know how long it takes for them to acquire it. It is known that bureaucracy may be existent in the MFIS so that the time between which credit is applied and actually disbursed may take long. This also may impact on the growth of the microenterprise. The loan size and loan use are also determined by accessibility and availability of the loan, this Susan and Rogaly (1997) argue, enable women to retain significant control on use to which the loan is put. They further observe that when loan size is small loan use is based on activities that do not challenge notion of appropriate work for women and men.

## **2.6 Delivery methods Adopted by MFIs**

When delivering services to their clients, most microcredit institutions adopt either group-based or individual-based methods (Ferrand, 2001; Graham et al 2000). Group based methods include the solidarity group lending methods used by the Grameen bank, the village banking methodology used by FINCA in Bangladesh and the Self Help bank linkage method. On the other hand, individual based methods are used by the Bancosol in Bolivia. In the group based method, group members are jointly held accountable to each other's loans whereas in the individual-based method every borrower is held responsible for their own loans.

The method to adopt when delivering services to clients depends on a number of factors. The depth of outreach, ways in which groups are used, types of clients, loan analysis and approval as well as the core objective of the MFI are some of these factors. While some



MFIs attempt to reach the poorest of the poor, others only target the riches poor. The richest poor are those that are slightly above or below the poverty line. In this case the MFIs that target the poorest of the poor may rely on the solidarity group method other than the individual method simply because the poorest often lack physical collateral. The ways in which groups are used differ from one model to another. Some models use groups for purposes beyond the financial transactions, others just use the groups for the purposes of financial transactions. Models which use groups for financial as well as social purposes tend to also rely more on the power of peer pressure and peer monitoring to ensure repayment. Contrary to this groups may be used to facilitate repayment through guarantees rather than for social service or social pressure (Graham et al, 2000).

The type of clients whether of rural or urban origin, women or men, literate or illiterate, entrepreneurial or otherwise also determines the method that an MFI adopts in the delivery of services. Whereas for largely rural clientele one may adopt a highly group oriented model; for a largely urban clientele one may chose a rather individual or less group based type of delivery method. This also depends on the relationship that exists among the said group. The model of delivery may be varied from region to region. In East Africa, Ferrand (2001) observes that the methods used are varied and include: Rotating Savings and Credit Associations(ROSCAs); Accumulating Savings and Credit Associations; Informal moneylender; Minimalist group based credit and savings which reflects models of MFI approach by the Grameen banks as well as integrationist group based methods.

Sharma and Zeller (1998), noted that methods adopted by MFIs to reach clients in developing countries share basic elements such as; savings arrangements that provide the poor with precaution against future risks; Group guarantee mechanisms to reach the poor without collateral; provision of services that address not only product, income generating

accordingly but also consumption needs; Simple delivery with little paper work. This has been used in Africa with women forming groups that are easily supported in off farm Income generating activities (IGA) that form basis for cottage and light industries (Sabapathy,1994). The strength of microcredit lies in its ability to organize idle women into a productive workforce with their proven creditworthiness. It is therefore notable that MC as is delivered through groups has an impact on social relations leading to a progressive change focusing on women and changing gender relations leading to a progressive change focusing on women and changing gender relations in countries.

The target clients form associations through which various microcredit activities are initiated. Such activities may include savings. In this case KWFT uses groups of women to act as guarantors for one another. The associations could be called rotating savings and credit or accumulated savings and credit; ROSCAs and ASCAs respectively. Another method that is used by the microcredit institutions is the Bank Guarantees where a bank guarantee is used to obtain a loan. This method is used by individual members who run businesses that need large capital to start such as wholesale businesses. The group model is based on the philosophy that shortcomings at individual level are overcome by the collective responsibility and security afforded by the formation of groups of such individuals. Such groups are used for several reasons including educating and awareness building, collective bargaining power, peer pressure and as collateral too (McCormick & Pedersen, 1996).

## **2.7 Attributes of a Micro entrepreneur as influencers of small business growth**

Micro entrepreneurs differ in so many ways. Some of the key attributes of a micro entrepreneur that influence the growth of MEs that benefit from MC include; the level of education, age , access to training, Management skills, memberships to a microcredit users association and the choice of a work site and duration of attachment to MFIs ( Kimuyu &

Omiti, 1999a; McCormick & Pedersen, 1996). In this regard, a study by Ondiego (1988-1989) was quoted by McCormick and Pedersen (1996) to have included the variables; age, educational level, family and marital status, housing, training in business skills, sources of capital, ownership type and control. The study was carried out in three markets in Nairobi; Kariokor, Burma and Gikomba. In that study, a total of 165 women were interviewed and it was found that a strong positive relationship exists with each of the variables mentioned. In the study a questionnaire was administered to a stratified random sample.

It is based on such empirical evidence that this study conceptualizes the attributes of the micro entrepreneur as being cardinal in the relationship between access to MC and growth of small businesses. It has been found that the level of education that a micro entrepreneur possesses influences the managerial skills exercised by her thus improving the growth rate of her business (Mwomo, 2004). However, the education level alone is not thought to bring about massive influence on the promotion and growth of the small business ( McCormick & Pedersen, 1996; Kimuyu and Omiti, 1999) but that access to MC plays a major role in the relationship between education level and growth of small business (Olang'o, 2004).

## **2.8 Rationale for Microcredit in microenterprise growth**

Hume and Mosley (1996) enumerated the objectives of microfinance to include putting the traditional money lenders, who typically charges at least 10% a month and often more out of business. Micro credit has helped achieve economic growth, distribute economic opportunities and lead to economic stability (Ernest, 1994). MEs are said to be behind most of the transformation in South East Asia and plays a significant role in Kenya. This is because during early years of economic development, these enterprises embodied unique opportunities for creating employment and wealth (Kimuyu and Omiti, 1999b).

While much progress has been made in developing a viable, commercial microfinance sector in the few decades, several issues remain that need to be addressed before the industry will be able to satisfy massive worldwide demand. The current demand for MC stands at \$250 billion whereas the supply is at a far much less figure than that. The challenges associated with building a strong microfinance institution include; inappropriate donor subsidies, poor regulation and supervision of deposit taking micro financial institutions, few MFIs that meet the needs for savings, remittances/insurance and limited management capacity for MFIs institutional inefficiencies (Ibid).

Overall, the impact of microcredit has been very positive. Women have become aware about their political rights and microcredit has helped build their awareness. Increasingly, female microcredit borrowers are participating in local politics and development activities. In the 1997 Union Parishad (the grass-roots level administrative unit of the Bangladesh) election, about 4,483 women participated in the election of 4,283 Unions (BEC, 1997). Out of this, 110 women were elected as members, and, of these, 20 women were elected Union Parishad Chairmen.

### **2.9 Role of micro credit in ME growth**

The general roles that have been associated with MC include those of: gender awareness, value oriented empowerment, confidence building, raise incomes, build assets, cushion the poor against extreme shocks and integrate financial needs of poor people into a country's mainstream financial systems (CGAP, 2004). In terms of gender awareness, it has been documented that MC programmes also come with some training components which also act as agents of change in terms of the orientation that society has in relation to gender roles. Here, BEC (1997) drew a clear line between the emergence and growth of MC programmes in Bangladesh with the political rise of women into political positions. Of

particular reference is that the number of women that vied for positions kept rising by years as the MC programme grew. At the same time the number of women that showed interest and were elected into political positions rose with their active participation in the said MC programmes.

Having dealt with the role that MC plays in gender awareness, it is time to look at value oriented empowerment that comes with MC access. Empowerment is referred to by Mayoux (1998a) as the enabling aspect of development process. In her argument, empowerment refers to all the efforts that are aimed at making the poor more self reliant than dependent on external help (Ibid). On the other hand Sabapathy (1994) defines value oriented empowerment as that ability to improve the quality of development by adding specific but important aspects to any product being sold in the rural agricultural areas. Emphasis is laid on the fact that when women access MC they are able to find incomes that make them more able to add value to their services as well as products (McCormick & Pedersen, 1996). Moreover, they are then able to build assets that not only increase their access to MC but also boost their repayment rates hence improving their livelihoods via ensuring the growth of small businesses owned by them (Olang'o, 2004).

According to Republic of Kenya (1996), microfinance sector provides an essential training ground for development of entrepreneurial skills. This is also affirmed by Abo (1993) who observed that microfinance plays a role in gender awareness, value oriented empowerment and that confidence building components are crucial for micro enterprise promotion in any economy. McCormick and Pedersen (1996) argued that MC is an essential element in the development of MEs because entrepreneurs themselves blame many of their problems to credit access. Similarly, access to MC has also been attributed to the increment in sales (Kimuyu & Omiti, 1999b; McCormick & Pedersen, 1996; Mwomo, 2004 and Olang'o

2004). Also, profit margins, types of products and services offered by a small business, as well as employee numbers have been used to measure the growth of the business. In this study, the level of liability was introduced to measure business growth.

According to Mwomo (2004) the role of microfinance in small business development is great and inevitable. He found out that the ME sector has contributed to the creation of jobs and generation of income. However, the impact of access to MC was not specified among women micro entrepreneurs. Ernest (1994) in a German study acknowledged that about half of population of people in the developing world owes their survival to microenterprise sector either as owners or employees although he did not bring out clearly how this relationship measured out in those businesses operated by women. He concluded that Microenterprise forms the economic backbone of many countries and helps to achieve economic growth, distribute economic opportunities and lead to economic stability.

According to R o K (2002), a study by Boserup in 1970 realized that women account for one half or more of the labour force in trade in African countries. He found out that 70% of adult women interviewed in Ghana went to the market at least five times a week and spent between six and eight hours every day. The main reasons as to why small business operators apply for loans have also been explored in several studies (Mwomo ,2004; Olang', 2004; ; and Geertz ,1962) all of which have found the reasons include - expansion, purchase of tools, purchase raw materials or a site and increment of employees. Women micro entrepreneurs have ,however, been seen as relying more on relatives for running the businesses with others being more or less sole operators of their businesses(Rosenberg, 2001; Sabapathy,1996 and Ernest, 1994 ).

Another study was aimed at finding out levels of utilization of microcredit services, in it; Jua Kali operators in Mombasa, Kisumu and Nairobi were interviewed. The results

showed that out of those surveyed, 4.1% in Nairobi, 2.9% in Mombasa and 2.2% managed to secure loans applied for in formal financial institutions meaning that probably the rest were obtaining loans from MFIs.

A study by Masindo (2001) showed that 80% of Kenyans are predominantly poor with at least 50% living on less than a dollar a day. The founders of MC movement in 1970s like Muhammad Yunus targeted people earning less than a dollar a day who were perceived to have no practical access to formal sector finance (Republic of Kenya, 2008). This is reiterated by Kimuyu & Omiti (1999a) according to whom, those who borrow, only borrow modest amounts ranging from Ksh. 1,000/= to Ksh. 1,000,000. The mean application was found to be Ksh. 1,444, 220/= (CBS, ICEG, K-REP, 1999). It is notable to observe that of all the studies reviewed there is none that is specific to KWFT and Kisumu CBD. Again, none of the studies is specifically targeting women despite the fact that women tend to be the ones who bear the largest socio economic burden of society as is purported by Graham et al (2000).

## **2.10 Theoretical Framework**

The feminist empowerment paradigm is rooted in the development of some of the earliest microfinance programs in the south, including the self employed women's associations (SEWA) in India (Bangladesh Institute of Development (BIDS), 1999). The underlying concerns of this paradigm are women's rights and gender equality. The paradigm, promotes MC as an entry point within a wider context and as a strategy for women's economic and socio-political empowerment with an emphasis on gender awareness and feminist organization. Under this paradigm, microfinance must be part of a sectoral strategy for change that identifies opportunities, constraints and bottlenecks within industries which if addressed help to raise returns and prospects for large numbers of women. Possible strategies

include linking women to existing services and infrastructure, developing new technology such as labor saving food processing, building information networks, shifting to new markets and policy level changes to overcome legislative barriers and unionization (Rosenberg, 2001).

The paradigm is based on participatory principles to build up incremental knowledge of industries and enable women to develop their strategies for change. Many organizations go further than interventions at the industry level to include gender-specific strategies for social and political empowerment. Best and Khan(2004) observe that some programs have developed very effective means for integrating gender awareness into programs and for organizing women and men to challenge gender discrimination. At the same time, some also have legal rights support for women and engage in gender advocacy. These interventions to increase social and political empowerment are seen as essential prerequisites for economic empowerment (Mayoux, 1999). Economic empowerment itself is defined in more than individualist terms to include issues such as property rights, changes intra household relations and transformation of the macro-economic context.

The financial self sustainability paradigm (often referred to as financial systems approach or the sustainability approach) has very different views on many of these issues. Its definition of empowerment is essentially individual choice or capacity for self reliance. The paradigm assumes that increasing women's access to microfinance services will in itself lead to individual economic empowerment through enabling women's decisions about savings and credit use, enabling women to set up micro-enterprises, and increasing incomes under their control. It is then assumed that this increased economic empowerment will lead to increased well-being of women and also to social and political empowerment (Rhyne & Otero, 1994). The ultimate aim of this paradigm is large programs that are profitable and fully self-



supporting in competition with other private sector banking institutions and able to raise funds from international financial markets rather than relying on funds from development agencies. The main target group, despite claims to reach the poorest of the poor (CBS,ICEG,K-REP, 1999) is the bankable poor: small entrepreneurs and farmers.

Policy discussions have focused particularly on setting of interest rates to cover costs, separation of microfinance from other interventions to enable separate accounting and program expansion to increase outreach and economies of scale, reduction of transaction costs and ways of using groups to decrease the cost of delivery. Recent guidelines for CBS,ICEG,K-REP(1999) funding and best practice focus on production of a 'financial sustainability index' that charts the progress of programs in covering costs from incomes. This emphasis on financial sustainability is seen as necessary to create institutions that reach significant numbers of poor people in the context of declining aid budgets and opposition to welfare and redistribution in macroeconomic policy.

Within this paradigm, gender lobbies have been able to argue for targeting women on the grounds of female repayment rates and the need to stimulate women's economic activity as a hitherto underutilized resource for economic growth. Moreover, Bryman and Walker (2007) corroborate that they have had some success in ensuring that considerations of female targeting are integrated into conditions of microfinance delivery and program evaluation. Alongside this focus on women, the term empowerment is frequently used in promotional literature.

The poverty alleviation paradigm also differs in many of its interpretations and understandings of empowerment in microfinance. Poverty alleviation under this paradigm is defined in broader terms than market incomes to encompass increasing capacities and choices and decreasing vulnerability of poor people. The main focus of programs as a whole is on

developing sustainable livelihoods, community development and social service provisions like literacy, healthcare and infrastructure development. There is not only a concern with reaching the poor, but also the poorest. Policy debates have focused particularly on the importance of small savings and loans provisions for consumption and production, group formation and possible justification for some level of subsidy for programs working with particular client groups or in particular contexts (Susan & Rogaly, 1997). Some programs have developed effective methodologies for poverty and or operating in remote areas.

Here, gender lobbies have argued for targeting women because of higher levels of female poverty and women's responsibility for household well-being. However, although gender inequality is recognized as an issue, the focus is on assistance to households and there is a tendency to see gender issues as cultural and hence not subject to outside intervention. Although the term 'empowerment' is often considered best avoided as being too controversial and political (Mayoux, 1998a). Poverty alleviation and women's empowerment are seen as inherently synergistic. The assumption is that increasing women's access to microfinance, together with other interventions to increase household well-being, will translate into improved well-being for women and enable women to bring about wider changes in gender inequality.

One of the reasons why gender issues, particularly women's empowerment, frequently become marginalized in microfinance institutions is because of perceived conflicts between women's empowerment and the development of aims of the financial self sustainability and household level poverty alleviation programs. In the financial self sustainability paradigm, women's empowerment strategies are seen as entailing unacceptable costs as the paradigm's explicit aim is to develop fully financially self sufficient MFIs (Ibid). In poverty alleviation paradigm, women's empowerment is seen as an external imposition by

Western-influenced middle-class feminist elite with little relevance to the needs of poor women. It is also seen as policy sensitive and involving conflicts within households and communities that may undermine organizational sustainability.

Given the tensions and perceived possible benefits of each paradigm, many actors in the microcredit field are somehow satisfied that there is no need to adopt empowerment approaches to their service delivery methods. Many are the ones who assume that access to microcredit on its own leads to sufficient empowerment of the beneficiaries thereby rendering the development of specific empowerment strategies alongside credit provision barely useless. However, Berger (1995) observes that many are the times when microcredit has not been very empowering to the people who seek these services simply because individual attributes are not favourable.

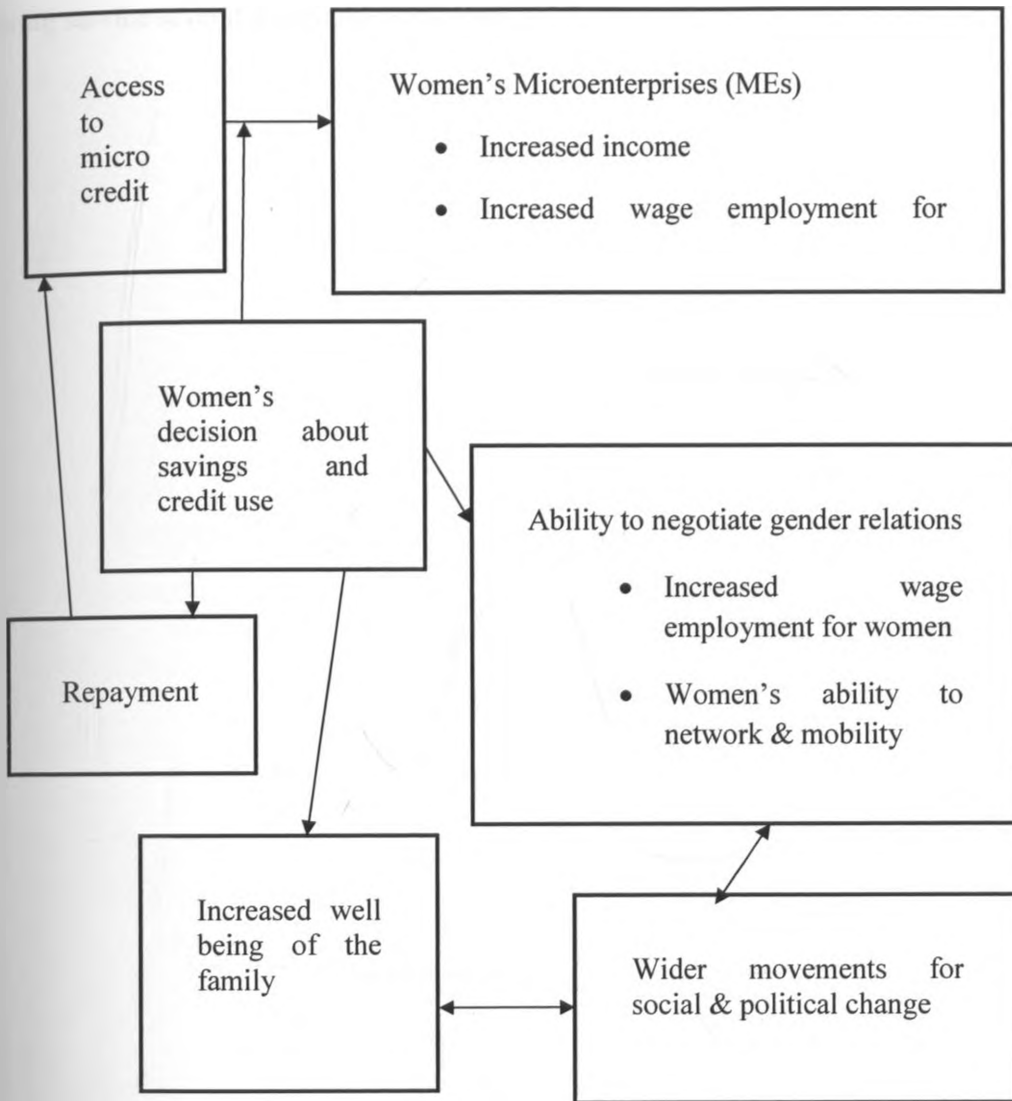
In this study, the three paradigms are used to bring in three different aspects of the study. The feminist empowerment paradigm has been used to help bring out the mission of KWFT. The financial sustainability paradigm has been brought out in order to look at the financial systems within the KWFT and bring out indicators of successful systems. The poverty alleviation system has been applied in order to stress the fact that the ultimate goals of micro credit programs worldwide is to alleviate poverty. Of the three paradigms the financial sustainability model has been referred to in answering most of the research questions. The interactions of the three paradigms are summarized as illustrated in Figure 2.1.

The theoretical framework presented in figure 2.1 relates to this study in that, the study seeks to find out the influence of financial systems on growth of businesses once the MC is accessed. It is being stipulated by a number of authors (McCormick & Pedersen, 1996; Sabapathy, 1994 and Ernest, 1994) that a strong financial system is paramount in the sustainability of MC programmes in Africa. However, the gap that the study seeks to fill is

how the financial system within the KWFT has been of importance in as far as the MC programme in KCBD is concerned.

The theoretical framework also stipulates that women who draw MC for their businesses are economically empowered by it. It is however, not clear to what extent they are empowered. The study seeks to find out whether access to MC empowers women economically through the growth of their businesses thereby helping improve on their welfare as well as that of their family members. The study seeks draw from the three paradigms in order to interpret data as well.

**Fig 2.1 Interactions of the three paradigms**



Source: Study Survey, 2009.

In Figure 2.1 it is envisaged that the critical point of meeting for the three paradigms is the decision making practice of the woman trader. So that once a decision is made about savings and credit use, feminist empowerment, financial self-sustainability and poverty alleviation come into play. This does not automatically move in a straight line since the credit

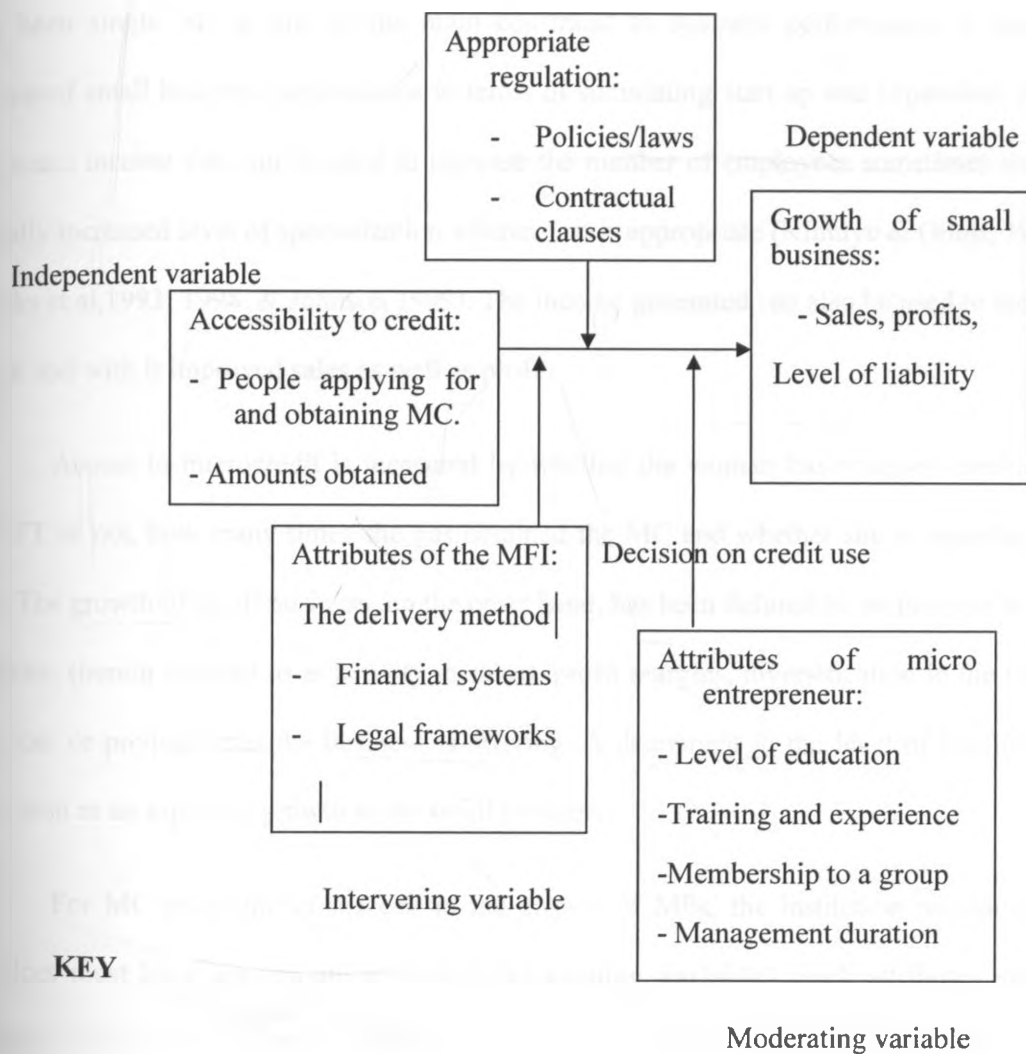
could still be obtained but due to the attributes of a woman trader or those of the institution offering service several diversions may occur.

## 2.11 Perceived Conceptual Framework

The study will be guided by the perceived conceptual framework in figure 2.1.

**Figure 2.1 – Perceived Conceptual Framework**

This study will be guided by the following perceived conceptual framework.



Source: Study survey, 2009.

## 2.12 Operational Definitions of Variables

In this study, the independent variable is the access to microcredit. On the other hand the dependent variable is the growth of the small business operated by the women who obtain MC from the KWFT. MC determines productivity as it provides more working capital which has been single out as one of the main constraint to business performance; it leads to increased small business performance in terms of stimulating start up and expansion. It also generates income that can be used to increase the number of employees sometimes with an equally increased level of specialization whenever it is appropriate (Kimuyu & Omiti, 1999a ; Hanks et al,1993; 1998 & Johnson 1999). The income generated can also be used to increase stock and with it improved sales as well as profit.

Access to microcredit is measured by whether the woman has accessed credit from KWFT or not, how many times she has obtained the MC and whether she is repaying it or not. The growth of small business, on the other hand, has been defined by an increase in sales volume; (herein referred to as activity in sales), profit margins, diversification in the type of services or products that the business is offering. A decrement in the level of liability was also seen as an aspect of growth in the small business.

For MC programs to succeed in the growth of MEs, the institution providing MC services must have appropriate attributes (**intervening variable**). Such attributes include; amount of money available for MC as well as the delivery method being applied, the financial systems and legal frameworks upon which the institution is operating. On the other hand, the attributes possessed by the woman trader(**moderating variable**) like the level of education, training, experience in managing a business influences the decisions about how the MC obtained is used thereby influencing the growth of the small business.



## CHAPTER THREE

### 3.0 RESEARCH METHODOLOGY

#### 3.1 Introduction

This chapter describes the methodology that was used in conducting the study. This includes: the research design; target population; sampling design and procedures; research instruments for data collection; the research process; validity and reliability of the research instruments; as well as data processing and analysis techniques.

#### 3.2 Research Design

Nachmias C. F and Nachmias. D (1996) asserts that research design refers to the master plan that was used in the study in order to answer the research questions An ex post facto design was used in this study. According to Saunders et al (2006) ex post facto refers to a design in which the independent variable or variables have already occurred and therefore, the researcher starts with observation of independent variables. The independent variables are studied in retrospect for their possible relationships to and effects on the dependent variable.

The ex post facto design is associated with some disadvantages including the argument that it may result in lack of control, low response rate as well as difficulty in asking sensitive questions (Best &Khan, 2004; Mbwesa 2006; Mugenda &Mugenda, 1999 and Nachmias & Nachmias, 1996). The identified limitations were overcome by selecting a large sample which in turn led to an increased response rate. On the other hand, the ex post facto design has got advantages ranging from its being low cost and time saving. For the purposes

of the time and the amount of money that was available, the ex post facto design was the best design so far.

### 3.3 Target Population

Kisumu City is the third largest city in Kenya after Nairobi and Mombasa respectively. It is located in Western Kenya, has got an area of 47,700 km<sup>2</sup> and a population of approximately 630,000 people (<http://www.kisumu.co.uk/Geography.htm> on 20/02/09). Kisumu has got expanding business opportunities in the informal sector. It is strategic to micro and small enterprise development in the Western Kenya region (Olang'o, 2004). The Kisumu Central Business District was the area of the study. Kisumu city was chosen in this study because it is the largest city in Nyanza province which harbours many small businesses operated by women (Kimuyu & Omiti, 1999a). In Kisumu city the KWFT has been in operation for a longer time than in most parts of Nyanza and the city is likely to reflect what happens in the other cities and small towns in Kenya (KWFT, 2008).

In this case the population was considered to be all the women that benefited from micro credit services from KWFT in the Kisumu CBD. For the study to realize as one of its objectives the relationship between the access to MC from the KWFT and the promotion of growth among women operating businesses within the CBD of Kisumu, businesses that had received MC were selected among a list that was presented by the KWFT in their register. Out of the same register, businesses that had been in operation for a minimum of three years were selected. This was to enable the study to find out the relationship between access to MC and how it promoted the growth of small businesses. A sample was drawn from that population.

**Table 3.1: Target Population (Beneficiaries of the KWFT)**

Type of microenterprise	Number	Percentage
Hairdressing stores(salons)	175	22
Clothing boutiques	145	18
Seamstresses(tailoring shops)	165	21
Food kiosks	55	7
Hair dressing stores & boutiques	23	3
Seamstresses & clothing boutiques	25	3
Retail shops	75	9
Others (hard wares, & bookshops)	137	17
Total	800	100

Source: Kenya Women Finance Trust- Kisumu Branch, 2009.

Table 3.1 presents the categories under which stratified sampling was done. From the table it is clear that the highest stratum from which sampling was done is hairdressing and salon, followed by clothing and boutique shops. The category with the list number of samples is hairdressing stores and clothing and boutique combined.

### **3.4 Sampling size and sampling procedures**

The proposed study applied a combination of multistage and stratified random sampling procedures. Stratified random sampling is a modification of random sampling in which the population is divided into two or more relevant and significant strata based on one or more attributes (Saunders, Lewis and Thornhill, 2007). The sampling design was used because it was observed to be suitable for a highly concentrated geographical area where face to face contact is required or where the population can be divided into two or more sub units based on certain internal characteristics (Mugenda & Mugenda, 1999).

Each of the stratum to which the population is divided obtains an equal chance of being sampled. Further, Kothari (2004) recommends stratified random sampling because it is accurate, easily accessible, divisible into relevant strata and it enhances better comparison; hence, representation across strata. The advantage of stratified sampling is said to be its ability to ensure inclusion of sub-groups, which would otherwise be omitted entirely by other sampling methods because of their small number in the population.

Table 3.1 shows how the stratification process was done and the categories to which the data were put. The researcher obtained a register of the clients whose businesses have benefitted from microcredit in the past form KWFT. In table 3.1 the beneficiaries from KWFT have been divided into eight categories; hair dressers, clothing boutiques, seamstresses, food kiosks, hair dressing stores and clothing and boutiques, seamstresses and

clothing and boutiques, retail shops and others (hardware stores, ice producing shops, assorted household items shops and bookshops).

The sampling frame for any probability sample is a complete list of all the cases in the population from which a sample is drawn (Saunders et al., 2007). For this study, the sampling frame was the employees in the Kenya Women Finance Trust-Kisumu Branch as well as the women traders operating businesses within the Kisumu CBD. In some instances as pointed out by Dooley (2003) the sampling frame may be divided into strata. Since not all the 9 employees could be interviewed, a sample of six including one manager was enough to give a representation of the population.

The sampling technique that was used is stratified random sampling method for the staff of KWFT and stratified random sample for the women operating small businesses within the CBD of Kisumu. This is a type of probability sampling which involves dividing the population into two or more relevant and significant strata based on one or a number of attributes. The division ensured that the data obtained was reflective of the population (Ibid). The employees of KWFT and were divided into two; management and staff. Purposive sampling was then used to select five staff and one manager who it was established had the information that was being sought in the study.

#### **3.4.1 Sample Size determination**

According to Mugenda A. O and Mugenda A. M (1999), sample size of more than 30 is usually recommended for social science. Moreover, Sekaran (2003) recommends that a sample size of more than 30 and less than 500 is appropriate for any social science research. One manager was interviewed purposively based on her role in the credit disbursement process. Purposive sampling which identifies a person to participate in the study because they

have the required characteristics as is purported by Dooley, (2003) was recommended and used. This was used to select a staff and the management to participate in the study by virtue of their roles in the credit system of the KWFT. For women traders, table 3.4, represents the different strata into which the businesses were divided. Sampling from each of the strata was proportional (Nachmias C. F & Nachmias D 1996). This represents the formula:  $n/N$ ; where  $N$ =population and  $n$ =strata population. The study used probability proportional to size in order to determine the actual sample size stratum in the table. Probability proportional to size ensures that results are not exaggerated for any stratum and that each stratum's result is reflective of its influence on the population (Dooley, 2003).

Sampling has been associated with several advantages. These include; the expense that comes with surveying the total population, budget constraint, time constraint as well as the fact that one may have collected data but need the results quickly ( Sekaran, 2003; Saunders et al, 2007 and Cooper,2006).

The sample size was calculated using the formula:

$$n_0 = \frac{z^2 \cdot p \cdot q}{(0.05)^2}$$

Where  $n_0$  = sample size

$z$  = this is a constant value and for a confidence level of 95% it is usually 1.96

$p$  = probability of the occurrence of the phenomenon of women obtaining credit from KWFT

$q = (1-p)$

0.05= the error margin

Substituting in the formula,  $p= 0.2$ ;  $q= 0.8$ ;  $z=1.96$ ;

$$n_0 = \frac{1.96^2 * 0.2 * 0.8}{(0.05)^2}$$

$$= 246$$

Once the population for each stratum was obtained, businesses in each stratum were given numbers ranging from zero to the last in the stratum. The first business in each stratum was given number 0 and the rest followed in that order. The first business to be sampled was chosen among any of the first three since the sampling fraction was 0.31. The sampling fraction was calculated by dividing the sample size (246) by the total population (800). When the required sample from the calculation had been obtained the procedure was applied to each of the other strata. It is to the sampled numbers that the questionnaires were dropped and picked. Table 3.2 represents a summary of how the stratified sample size determination was done.

**Table 3.2: Sample size for women traders (KWFT beneficiaries)**

Type of microenterprise	Number	Percentage	Sample size
Hairdressing stores(salons)	175	22	54
Clothing boutiques	145	18	45
Seamstresses(tailoring shops)	165	21	51
Food kiosks	55	7	17
Hair dressing stores and clothing boutiques	23	3	7
Seamstresses and clothing boutiques	25	3	8
Retail shops	75	9	23
Others ( hardware stores, ice producing household and bookshops)	137	17	42
<b>Total</b>	<b>800</b>	<b>100</b>	<b>247</b>

Source: Kenya Women Finance Trust- Kisumu Branch, 2009.



### **3.5 Data Sources**

The proposed study utilized data from primary and secondary sources. Primary data was sourced through an interview guide for the KWFT staff and in-depth interviews with beneficiaries of the KWFT herein referred to as women traders. The primary data collected reflected universal thematic areas. In addition, the study addressed the challenges that are facing the MEs. On the other hand, secondary data was sourced through the review of essential documents including the staff records as well as client reports, registers kept within the KWFT and their beneficiary premises if any. Other relevant documents were also reviewed.

### **3.6 Research Instruments**

The proposed study utilized three sets of research instruments to elicit the requisite information. These include a self administered questionnaire and an in-depth interview guide and an interview schedule. An interview schedule was used to obtain information from the staff of the KWFT. The questionnaire and in-depth interview guides were used to gather information from the women traders. The instruments were chosen based on the time available as well as the budget that was allocated in the study which are attached as Appendix I and Appendix II respectively.

#### **3.6.1 The questionnaires**

A questionnaire is a preformulated written set of questions to which respondents record their answers, usually within rather closely defined alternatives (Sekaran, 2003). The questionnaire was used to solicit information from the women traders. The aim was to determine the attributes of the women traders including the duration that they had been in association with KWFT; the highest level of education they attained, the frequency of

obtaining MC from KWFT. Also obtained by the questionnaire were the levels of access to MC and the growth of the small enterprises owned by the women. The questionnaire was also used to find out the challenges that the current delivery methods pose on the women obtaining MC from the KWFT. Other information that the questionnaire helped obtain were those pertaining to financial systems evaluation. Sekaran (2003) and Saunders et al (2007) considers questionnaires as efficient data collection mechanisms when the researcher knows exactly what is required and how to measure the variables of interest. On the other hand, Harper (1991) argues that only few questionnaires are returned and as such caution needs to be observed especially when using mailed questionnaires.

### **3.6.2 The interview schedule**

The interview schedule was used to obtain in-depth and factual information from experts. The staff of KWFT were taken through an interview that was aimed at evaluating the effectiveness of the financial systems that the institution had put in place. Also, the methods of delivery used were also to be solicited using the interview guide. At the same time, information on the sources of funds and their reliability was obtained using the interview schedule. One of the advantages of the face-to-face interviews is observed by Sekaran (2003) as being that the interviewer can adapt the question as necessary, clarify doubts and ensure that the responses are properly understood. However, they are also expensive incase the geographic area to be covered is expansive.

### **3.6.3 Document Analysis**

In this study documents including minutes of staff meetings, contractual agreements that the women sign before obtaining loans were reviewed in order to obtain information on the requirements and step preceding MC acquisition. Published and unpublished books, journals and other such articles were used during literature review so as to help place the

study in context. It is from such reviews that the theoretical frame works were developed and hence the conceptual framework.

The instrument targeted information under four key thematic areas including institutional set up, the delivery methods they use, the average loan sizes they extend to the women traders, reasons for seeking MC, uses to which amounts sourced from MC is put, amount available for MC against amounts applied for so far. Information on the regulations existing within the sector will also be sourced but just to the extent to which they are adequate and appropriate. Further, in-depth interview schedules will be used to elicit detailed qualitative data from the clients of the KWFT, all of whom should be members currently servicing loans. The instruments contain questions revolving around the four universal thematic areas, developed by the researcher as adopted from AMFI.

### **3.7 Research process**

The research process was systematic. It began by preparation, through pilot testing. After the pilot testing preliminary results were analyzed, after which a rough idea of how the field would be like was obtained. Also, the modification of data collection instruments was also be based on the data collection process during pilot testing. It was this that enabled the researcher to pre code the responses in the questionnaire and to modify some questions for the purposes of clarity.

### **3.9 Validity and Reliability of the Research Instruments**

Validity of research instruments ensure scientific usefulness of the findings arising thereof (Sekaran; 2003; Nachmias and Nachmias, 1996). Validity is to the extent to which the instruments will capture what they purport to measure (Dooley, 2003). Validity of the

instruments is critical in all forms of researches and the acceptable level is largely dependent on logical reasoning, experience and professionalism of the researcher (Cooper, 2008 ). To uphold content validity, the researcher discussed the contents of the qualitative data with the supervisors before generalizations and conclusions were made. Further, the researcher noted down and interpreted the circumstances upon which arguments were to be made. This ensured that all sentiments were scrutinized before being acceptable as valid findings of the study.

In the study, a high level of reliability was preferred. To achieve this, the researcher ensured that questions were designed and put across in the simplest way possible. This was accompanied by side notes that were meant to enable the respondents understand the requirements, and so providing as reliable responses as possible (See Appendix V). Moreover, the qualitative approach allowed the trained Research Assistants to elaborate questions in cases where they were not understood.

Nachmias C. F and Nachmias D (1996) notes that pilot-testing is an important step in the research process because it reveals vague questions and unclear instructions. It also captures important comments and suggestions from the respondents that enable the researcher to improve efficiency of instruments, adjust strategies and approaches to maximize response rate. It also helps in enhancing the reliability of instruments as consistent measures of the concept being studied (Ibid). Based on this realization, random sampling was performed to determine the staff of Opportunity International, Jamii Bora Trust and Faulu Kenya with who pilot testing was done. Careful reasoning was done to avoid those traders and staff who were to be included in the final study. During the pilot testing three staff of Faulu Kenya from the regional office and 10 women traders operating businesses within the KCBD were interviewed. The data collected during pilot- testing was prepared, analyzed and interpreted.

Based on the outcomes of the pilot testing, the instruments were then reviewed further in readiness for data collection. These refined instruments are attached as Appendix III and Appendix V respectively.

However, given the fact that some questions were open ended and that most variables were in nominal and ordinal scales of measurement, the application of quantitative techniques for determining reliability; specifically, parallel forms were used. The situation was further complicated by the nature of respondents- people whose level of education was varied; others who were generally very busy. In the case of the busy people it was really difficult to interview the same people twice, if quantitative techniques for determining reliability were to be used. Accordingly, the responses were matched with the study objectives to identify information gaps. In case of such gaps, the researcher reviewed the instruments as well as the data collection approaches. This was followed by sampling of more respondents. Pilot testing was conducted in order to ensure validity and reliability of the instruments.

### **3.10 Preparation**

The study began with the recruitment of a research assistant who helped with the data collection and processing. This was followed by consensus building involving the principal researcher and the research assistant. The research assistants were trained on the ethical issues of research. Other topics that were covered during the research assistants training included; basic interviewing skills and the objectives of each question in the questionnaire in order to enable them collect appropriate information. The purpose of the consensus building was to discuss feasibility of the study design, timeline, logistical requirements and acquisition of a research permit. The session was also used to discuss each of the items contained in the research instruments to ensure that they were well understood. At the end of the session,

necessary adjustments such as rationalization of the budget; re-statement of unclear questions and instructions; removal of irrelevant questions and grammatical errors were effected before the final copies were produced. The researcher also used the opportunity to apply for and obtain a research permit from the Ministry of Higher education.

### **3.10.1 Data collection Procedure**

Data collection began upon analysis, interpretation of results from pilot-testing and revision. Sampling was done in accordance with the stratified random sampling procedures elucidated under sub section 3.5. This was followed by data collection, which lasted three weeks. It was done in two phases: in the first phase; the questionnaire was administered to the women traders. Each trader was given a period of one day to fill in the questionnaire which was then picked the following day.

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In the second phase, the KWFT staff were interviewed using the in-depth interview schedule. To maximize the response rate, the researcher developed a letter, which explained the purpose for which the study was being undertaken as well as the need for the respondents to display utmost honesty. The letter also reflected the policy of confidentiality with responses. In addition the researcher built a rapport with management of KWFT to improve the level of commitment to assist in the process. After the sampling process, the researcher proceeded straight to the sampled staff, armed with the research permit from the ministry of higher education that is attached as Appendix VI. On the other hand a transmittal letter (Appendix I) was sent with the questionnaires in order to improve on the quality of data collected. The letter was also meant to boost the response rates.

### **3.12 Data Processing and Analysis Procedures**

Data analysis involves categorizing, ordering, manipulating and summarizing data to obtain answers to research questions. Data analysis for this study was done both qualitatively and quantitatively. The Statistical Package for Social Science (SPSS) an MS Excel program was used for analysis. Some of the questionnaires were Yes/No responses, others had set columns for priority (ordinal/nominal scales) all these were analyzed in table format. SPSS was appropriate for analysis in this study because of its efficient ability to handle large amounts of data. SPSS also has a wide spectrum of statistical procedures specifically designed for the social sciences. This study used the SPSS program to derive descriptive statistics on distribution of enterprises owned by women by category in relation to the variable under scrutiny. The method of analysis was based on type of data that had been collected.

According to Bryman and Cramer (1997), data analysis seeks to fulfill research objectives and provide answers to research questions. The choice of analysis procedures depends on how well the techniques are suited to the study objectives and scale of measurements of the variables in question (Kothari, 2004). The study applied both quantitative and qualitative approaches to process, analyze and interpret the data. The approaches are discussed in the subsequent sections.

#### **3.12.1 Quantitative data Processing and Analysis**

Quantitative data processing and analysis began with field editing to minimize errors. This was succeeded by coding the open ended data, entry, cleaning, transformation, analysis and interpretation (Nachmias C. F & Nachmias D, 1996). The statistical package for social sciences (SPSS) was applied to run descriptive analyses to produce frequency distributions and percentages while charts and tables were produced using Ms-Excel.

Hypothesis testing was done using Chi-square( $X^2$ ) technique which attempts to establish the relationship between two variables both of which are categorical in nature (Cooper 2008; Saunders et al, 2007; Sekaran, 2003 7; and Harper, 1991). In this case the variable access to credit was measured in terms of before credit and after credit. On the other hand the variable growth was categorized into less, similar and more for level of liability and margin of profit made. Similarly, sales were measured in terms of very active, active, inactive and very inactive. The Chi- square test is in turn a form of count that occurs in two or more mutually exclusive categories (Sekaran, 2003). The technique compares the observed proportions in each category with what was expected in each category based on the assumption of independence between the two variables. Suppose the observed frequency is greater than what was expected, the null hypothesis that the two variables are independent of each other is rejected.

1. There is no statistical association between the access to microcredit from KWFT and the growth of business in terms of sales among women operating businesses within the Kisumu CBD.
2. There is no statistical association between the access to microcredit and the growth of business in terms of profits within the Kisumu CBD.
3. There is no statistical association between access to micro credit and the growth of business in terms of the levels of liabilities within the Kisumu CBD.

### **3.12.2 Qualitative Data Processing and Analysis**

The analysis of qualitative data was undertaken as an activity simultaneous with data collection. According to Best and Khan (2004), the challenge of qualitative data is to make sense of massive amounts of data, reduce the volume of information, identify significant



patterns and construct a framework for communicating the existence of what the data reveals. Based on this realization, information obtained through qualitative methods was processed and analyzed following three steps (Ibid). In the first step, the data was summarized into daily briefs after each interviewing session. The second involved description of the responses to produce interim reports; areas that required additional information were identified and requisite data was sourced. The third step involved systematic analysis and interpretation of the interim report, which will be integrated with quantitative data in the main report.

The Qualitative data processing was used to meet the research objectives that included determining the methods used by the Kenya Women Finance Trust to deliver MC to the women that operate businesses within the KCBD. Whereby the women that had obtained MC from KWFT were asked to state how they had obtained MC and who was responsible for the repayment. The answers given by the women were then categorized into themes based on the literature review on the methods used by the MFIs to deliver MC to clients.

The second objective that the qualitative data wanted to meet was that of establishing the sources of funds that KWFT lends to women operating small businesses within the Kisumu CBD. The staff and management were asked to state the different sources from which they obtained funds. They were then asked to state how reliable the funds they had obtained were. The results of their answers were then presented in tables and the discussions given placed in themes.

Exploring the reasons as to why women traders within the Kisumu CBD that had applied for and obtained credit from KWFT defaulted in repayment of the same was the third objective of the study. This objective was achieved by asking the women that had defaulted in repayment their main reasons. The answers were then organized into themes. The results were then interpreted based the other qualitative as well as quantitative findings in the study.

The fourth objective of the study was to establish the financial systems that are put in place by KWFT to guard against default once loans are obtained by women traders operating within the Kisumu CBD. This was achieved by asking the women how slow or fast they thought they had obtained their loans. For women obtaining more than one loan reference was made to the last loan that they had obtained. The staff and management of KWFT were also asked to state what they thought of the effectiveness of the committees that approve and disburse loans to members. The results of these were then interpreted in tables and graphs.

## CHAPTER FOUR

### 4.0 DATA ANALYSIS, PRESENTATION AND INTERPRETATION

#### 4.1 Introduction

This chapter presents the research findings of the study which have been discussed under thematic sub-sections in line with the study objectives. The sub- themes include: questionnaire return rate; demographic characteristics of respondents; relationship between access to micro credit and growth of small businesses; delivery methods used by KWFT; Sources of funds that KWFT lends out as MC; Reasons as to why women default in repayment of loans obtained and the financial systems within KWFT.

#### 4.2 Questionnaire Return Rate

The number of questionnaire that were sent out to the women who operate small businesses within the Kisumu CBD are outlined in table 4.1 where a summary of the same is presented. The number that was targeted is presented in the first column; the second column represents the actual number to whom the questionnaires were administered. The third and last column represents the return rate for the questionnaires that were administered for the study. A 76.92% response rate was obtained in this study. The response rate could have been boosted by the fact that more units of observation were included. The researcher decided to analyze the data based on the response rate since the number of the questionnaires that were returned could depict a true picture of how each of the variables interacted within the population.

**Table 4.1: Questionnaire response rate**

Type of microenterprise	Delivered	Returned	Percentage
Hairdressing stores(salons and beauty parlours)	54	41	75.9%
Clothing boutiques	45	35	77.7%
Seamstresses(tailoring shops)	51	39	76.4%
Food kiosks	17	13	76.4%
Hair dressing stores and clothing boutiques	7	6	85.7%
Seamstresses and clothing boutiques	8	7	87.5%
Retail shops	23	17	73.9%
Others (hardware stores, ice producing and bookshops)	42	32	76.19%
Total	247	190	76.92%

From table 4.1 one can notice that the category that had the highest response rate was that of seamstress and clothing and boutiques which returned 7(87.5%) of the 8 questionnaires which were issued to them in that category. The second category in terms of return rate was

that of hair dressing and clothing and boutique shops with a return rate of 6(85.7%) out of the 7 questionnaires dropped. The clothing and boutiques category came third in the questionnaire return rate with 35(77.7%) out of 45 returning their questionnaires. A tie was witnessed among the seamstresses and food kiosks categories which registered a 76.4% return rate each. Hair dressing stores and retail shops came seventh and eighth with 75.9% and 73.9% return rates respectively.

#### **4.3 Demographic characteristics of the respondents**

The information pertaining to the demographic characteristics of the respondents include: the general characteristics of the respondents, age of business, level of education, who participated in the study, which are outlined in this section of the paper. Most of this information is presented in tables since it is mainly descriptive. This is significant because these characteristics will be used to analyze data so that the relationship between the dependent and independent variables is established beyond doubt. In essence, it is aimed at removing any spuriousness in the relationships between the two variables.

##### **4.3.1 General characteristics of the women interviewed**

The characteristics about the women that were interviewed in this study include; their level of education, age of businesses they have operated, the MFI they are attached to, cadre of participation in the groups as well as the number of years they have participated in the groups. Such information was necessary to make the study be placed in context so that only the targeted respondents would respond to the questions set forth in the questionnaire.

#### 4.3.2 Age of business in years

The respondents who participated in the study were asked to state the number of years their businesses had been in operation. This information was necessary since a number of authors (McCormick & Pedersen, 1996; Kimuyu & Omiti 1999a; Kimuyu & Omiti 1999b; Graham et al, 2000) indicated that one of the indicators of growth is the number of years that the business had been in operation. Out of the 190 respondents who participated in the study 69(36%) businesses had been in operation for between nine and eleven years, 58(31%) had been in operation for between six and eight years whereas 50(26%) had been in operation for between three and five years, 11(6%) businesses had been in operation for between twelve and fourteen years. Other businesses 1(0.5%) had been in operation for between fifteen and seventeen and over eighteen years respectively. The results are presented in table 4.2.

When the findings are put in context where literature surveyed state that about two thirds of enterprises collapse before the second year of operation (Graham et al 2000). One can actually visualize how many enterprises collapsed for the number in the tables to grow to the levels where they were. The reason why the number of years that a business had been in operation was sought was to place the study into context and to categorize the data into analyzable units.

**Table 4.2: Summary of the ages of businesses in years.**

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Age of business in years	Frequency	Percentage	Cumulative Percent
3-5	50	26%	26%
6-8	58	31%	57%
9-11	69	36%	93%
12-14	11	6%	99%
15-17	1	0.5%	99.5%
18 +	1	0.5%	100%
Total	190	100.0%	

---

From table 4.2, a majority of women enterprises 69(36%), are aged between nine and eleven years old . This is followed by those businesses that are aged between six and eight years 58 (31%), then those that are three to five years 50(26%) follow in that order. This finding is unique and contradicts that of most preceding studies (Mwomo, 2004; Kimuyu & Omiti, 1999b; McCormick and Pedersen, 1996) which found that most small businesses fail within the first years of startup. This is, however, possible if the knowledge that a number of women traders also reported having been associated with the microfinance institution for over three years (80.5%) and as having obtained micro credit more than once (51.1%) the access to micro credit could have been significant enough in the growth of these businesses. On the other hand, the fact that the study was particular as to targeting those businesses that had been in operation for at least three years could have also influenced the findings.

### 4.3.3 Level of education of the woman trader

The respondents who participated in the study were asked to state the highest level of education that they had attained so far. Out of 190 respondents who participated in the study 111(58.4%) stated that they had had primary level of education as the highest level of education, 61(32.1%) stated secondary as the highest level of education, 12(6.3%) stated collage as the highest level of education that was attained. 3(1.6%) reported having had no education at all and having had attained university education as the highest level of education. These results are presented in table 4.3.

**Table 4.3 – A Summary of the respondent’s level of education**

Level of education	Frequency	Percentage	Cumulative Percentage
None	3	1.6	1.6
Primary	111	58.4	60.0
secondary	61	32.1	92.1
College	12	6.3	98.4
university	3	1.6	100.0
Total	190	100.0	

The study found out that the majority of women traders within the Kisumu CBD (58.4%) have attained at least the basic education. There is an exception of a few (1.6%) who have



attained a university education as well as those that have not attained any education at all. The study did not seek to find the ages of the traders and so little is known as to whether the ones with primary education could have passed through the former system of education or the current system of education. At the same time, the study did not find out whether the women traders who did not attain any education at all engaged in adult education.

#### **4.3.4 Microfinance Institution to which Respondent is attached**

It was important for the study to establish how women entrepreneurs acquire MC from the MFI. On the basis of this, the respondents were asked to state the MFIs they normally acquire loans from. The responses were categorized into KWFT only, KWFT and another MFI and none. Out of the 190 respondents who participated in the study, 176(91.6%) obtained MC from the KWFT only whereas 16(8.4%) stated that they obtained MC from another MFI in addition to KWFT. This was illustrated by table 4.4.

**Table 4.4: Name of MFI respondent is attached to**

Name MFI respondent is attached to	Frequency	Percentage	Cumulative Percent
KWFT only	174	91.6	91.6
KWFT and another MFI	16	8.4	100.0
Total	190	100.0	

In table 4.4 one can establish that the numbers of women traders that are only attached to KWFT alone are the majority (91.6%). This could imply that the customers of KWFT have developed a sort of loyalty to KWFT as a source of MC and other services. As opposed to only 8.4 who also belong to other MFI the KWFT is depicted as having a bearing on the source of MC for the respondents. Whether a respondent belongs to another MFI or not the information is only to emphasize on the contribution that the KWFT has made in terms of promoting the growth of business of the respondent.

### 4.3.5 Cadre of participation

Recent studies (Olang'o, 2006; Mwomo, 2004; Omolo, 2007) have shown that the relationship between the lender and the lent play a major role in so far as access to MC is concerned. In this study too it was important that it is established whether the relationship between the staff of KWFT or the supposed relationship had an influence on any of the indicators of the variable access to MC. To achieve this, the women traders were asked to state their cadre of participation in their groups.

Table 4.5: Cadre of participant in group

Cadre of member in MFI	Frequency	Valid Percent	Cumulative Percent
Official of associate group	47	24.7	24.7
Member of affiliate group	141	74.2	98.9
Individual affiliate	2	1.1	100.0
Total	190	100.0	

The answers were categorized into leader and member. From the qualitative interviews it was established that the groups to which the women traders belong are very essential in so far as the credit system within the KWFT is concerned. First of all the groups approve a member's loan and ensures that the member repays the loan in time. In these groups there are leaders and members. Table 4.5 represents a summary of the level of engagement with the KWFT. From table 4.4 it is observed that the number of members is

three times more than that of members of groups. On the other hand only a minority (1.1%) are individuals who draw MC from KWFT at the time of the study.

#### 4.3.6 Number of years that the women have been in association with MFI

In the study it was necessary to know how long the women had associated with the KWFT. This was seen as an important factor that influenced access to MC (Kimuyu & Omiti, 1999a; McCormick & Pedersen, 1996). Based on this information, the respondents were also asked to state how long they had been in association with the MFIs. Out of the 190 respondents that participated in the study, 163(85.8%) stated that they had been in association with the MFI for more than three years, while 27(14.2%) stated that they had been in association with the MFI for between one and two years. This was illustrated in the 4.6 presents an outline of the number of years that the participants had been in association with the KWFT.

**Table 4.6: Number of years the participant has been associated with MFI**

Number of years	Frequency	Percentage	Cummulative Percent
More than three years	163	85.8	85.8
1-2 years	27	14.2	100.0
Total	190	100.0	

Table 4.6 displays a summary of the number of years that the participants have been in association with the KWFT. A majority 168(85.8%) have been in association with KWFT for over three years whereas only 27(14.2%) have been in association with the institution between a year and two. This finding impacted on the study positively since a majority of the businesses had a chance of obtaining MC more than once given that the repayment period ranged from six months to one year. The fact that a majority 163(80.0%) had been in association for over three years means that some might have obtained MC up to a maximum of six times if the shortest period of repayment was considered. This could have enhanced access to MC thereby influencing the rate of growth of the small businesses.

#### **4.4 Relationship between access to credit and promotion of growth of businesses**

One of the objectives of the study was to assess the relationship that exists between access to MC and growth of the small businesses. To achieve this objective, access to micro credit was measured in terms of such indicators as; association with a micro credit supplying organization, being a member of a group that is attached to a micro credit institution, having obtained credit from the institution once or more times, as well as the ability to repay the amount obtained. The level of access was determined by the number of indicators denoting access that a woman trader was able to answer positively for. On the other hand, promotion of the growth of business on the other hand was measured in terms of the profits, sales, types of services and products as well as the level of liabilities before and after the woman trader obtained micro credit.

The study ensured that the number of indicators of business growth were many so as to increase the validity of findings. Other studies (Kimuyu & Omiti, 1999; McCormick &

Pedersen, 1996) have also used similar indicators to denote the growth of a business. The respondents were asked to state the amounts that they had applied for from KWFT. For those who had applied for MC more than once, reference was made to the last amount that was applied for. Out of the 190 respondents that had participated in the study, 39 (20.5%) had accessed up to KES 5,000/=, 54 (28.4%) had received between KES 5,000/= - 10,000/=, 61 (32.1%) had received between KES 10,000 TO 50,000/=, 33 (17.3%) had received between KES 50,000/= and 100,000/=, while 2 (2.0%) had received 200,000/= and only 1 (0.5%) had received over KES 200,000/=. This was illustrated in table 4.7.

**Table 4.7: Amount of MC applied from KWFT**

Amount	Frequency	percentage	Cum. Percentage
Up to 5000	39	20.5	19.5
5000-10,000	54	28.4	47.9
10,000-50,000	61	32.1	79
50,000-100,000	33	17.3	96.3
100,000-200,000	2	2.0	98.8
200,000 plus	1	.5	100
Total	190	100	

The information presented in table 4.7 was aimed at determining the average amounts that the respondents were applying for and obtaining. The results were used to determine acceptable amounts as well as the available amounts that the KWFT were lending out. At the same time this would help measure the effectiveness of the system for screening for amounts

that the women would repay in time. The table presents that majority 61 (32.1%) of women obtain loans within the range of between ten and fifty thousand shillings. The fact that only 1(0.5%) of the women obtaining MC from the KWFT justifies the fact that women felt that the amounts were small. When traders obtain small amounts from whatever source, they are likely to divert some of it to other consumption uses (Mayoux, 2006; Sabapathy, 1994). This in turn lowers the benefits that their businesses would draw from the MC obtained (Kimuyu & Omiti, 1999a). The women traders were also asked to state how many times they had obtained MC from the KWFT. This was aimed at establishing the relationship between access to MC and growth of small businesses, the answers were categorized into once, more than once and never. This is illustrated in table 4.8.

**Table 4.8: Frequency of obtaining loan from KWFT by women traders**

Amount Obtained	Frequency	Percentage	Cumulative Percent
more than once	124	65.26	65.26
Only once	64	33.68	98.94
Did not answer	2	1.06	100
<b>Total</b>	<b>190</b>	<b>100</b>	

The frequency of obtaining loan from the KWFT was one of the indicators of access to MC as used in this study. The number of times that a woman had obtained MC was seen as a measure of how much access the woman had. In this case the women who had obtained MC

more than once 124(65.26%) were seen to have had more access than their counterparts 64(33.68%). Data collected from the qualitative interviews collected using the interview schedule placed a lot of emphasis on repayment as one of the factors that influence MC acquisition. Going by these data presented in Table 4.8, it is notable that the 124 (65.26%) were able to repay their first MC well and so were able to obtain more.

### **Testing hypothesis**

The researcher restates the hypothesis and presents evidence linked to its testing separately in the section that follows. To start with the first hypothesis stated that:

There is no statistical association between the access to microcredit from KWFT and the growth of business in terms of sales among women operating businesses within the Kisumu CBD.

This hypothesis was derived from the theoretical framework described in chapter 2 which postulates that access to micro credit is a determinant of growth of small businesses. To collect the information about business performance before and after access to MC, several questions were posed. The respondents were asked to rate in terms of activity their sales before and after receiving credit. The responses were categorized into four including; very active, active, inactive very inactive. Each of the responses was given a numeric value beginning with four till one so that very active was given the value four while very inactive was given a value one.

The results derived from the frequency tables displaying business performance before and after of MC indicate that there is a difference in the sales before and after the respondents obtained MC. The results derived from the women's access to MC when examined against



the sales made before and after obtaining MC reveal that there is a difference in sales before and after obtaining MC in terms of activity. These results are displayed in table 4.9.

**Table 4.9: Business performance in terms of sales before and after credit**

	Very active		Active		Inactive		Very inactive		Total	
	No	%	No	%	No	%	No	%	No	%
Before credit	11	5.8	32	16.8	7	3.7	140	73.7	190	100
After credit	29	15.3	160	84.2	0	0	1	0.5	190	100

Total number of sample (N= 190)

$X^2=7, 5df, p <0.05$  (critical value  $X^2= 3.16$ ).

As can be seen from the table the difference in sales before and after access to MC among the businesses before credit and after credit are statistically significant ( $X^2=7, 5 D.F., P < 0.05$ .) The null hypothesis is therefore not supported. This means that the sales that are recorded by businesses before they obtain MC differ significantly with those sales recorded by businesses after obtaining MC. This means that access to MC from the KWFT significantly influences the growth of businesses in terms of sales among businesses operated by women within the CBD of Kisumu. Moreover, in the table 4.2.3 one can note that the number of women responding positively for their businesses being very active and active after obtaining MC is 189(99.5%) whereas the same category has only 43(22.6%)

Women traders answering positively before receiving credit. These findings show that there is a significant relationship between access to MC and the growth of business in terms of sales. This is also true when information from Kimuyu & Omiti (1999a) is put into consideration. Similar findings were obtained by Mwomo (2004) and Olang'o (2004). On the other hand the 43(22.6%) of the respondents who reported active and very active sales before obtaining credit could be attributed to other factors including their worksite as was seen in the McCormick and Pedersen (1996) study which attributed active sales to the choice of appropriate work site in addition to other variables.

Having dealt with the first hypothesis, the second hypothesis was then tested with similar tests as the first hypothesis. To establish whether the profits of the respondents had changed after obtaining MC, they were asked what the states of their profits were before and after obtaining MC. The answers to these questions were categorized into more, same and less and the values three two and one attached to each of the categories respectively. The second hypothesis stated that;

There is no statistical association between the access to microcredit and the growth of business in terms of profits within the Kisumu CBD.

Like the first hypothesis, the second hypothesis was tested by the use of the frequency of obtaining MC against the type of profit made by the business. Here, the profit made was categorized into less, same and more than that made after the MC was obtained. To the category more a value of three was assigned whereas to the category same and less two and one were assigned respectively. The results obtained from this question are displayed in Table 4.10.

**Table 4.10: Performance before and after access to credit in terms of Profits**

	More profits		Same profits		Less profits		Total	
	No	%	No	%	No	%	No	%
Before credit	18	9.5	20	10.5	152	80.0	190	100
After credit	166	87.4	17	8.9	7	3.7	190	100

Number (N= 190)

$X^2= 13, 6$  D.F,  $P < 0.05$ (Critical  $X^2= 6.22$ )

The results of the hypothesis test show that a significant relationship ( $X^2= 13, 6$  D.F,  $P < 0.05$ ; Critical  $X^2= 6.22$ ) exists between access to MC and the growth of business in terms of profits. The null hypothesis is therefore rejected. From table 4.2.4 the number of businesses that recorded more profits after obtaining MC is 166 (87.4%), on the other hand the number which recorded having less credit after obtaining MC is 7(3.7%) meaning that access to microcredit had played a part in the growth of these businesses.

The performance of the business was also measured in terms of the types of services as well as products that the businesses were offering ton their clients. The respondents were asked to state whether they had more, same or less products before obtaining MC. The same question was asked to them to state how the situation was after they obtained MC and the three categories that were used to describe the situation before MC were maintained for that after. The third hypothesis that was tested was that:

There is no statistical association between access to micro credit and the growth of business in terms of the levels of liabilities within the Kisumu CBD.

The growth of business has been measured using the prior variables and even in the project development cycle all the other indicators are used except for the level of liability. In this study the level of liability was used to measure the growth of business as a unique attribute. The respondents were asked to rate their businesses in terms of liabilities. Responses were categorized into more, same and less with each being assigned a value of one two and three respectively. The rationale was that a more indebted business is at a much lower rate than a less indebted one. The responses were then analyzed into the predetermined categories and the results obtained are summarized in table 4.11.

**Table 4.11: Business performance before and after credit in terms of liabilities**

	More Liabilities		Same Liabilities		Less Liabilities		Total	
	No	%	No	%	No	%	No	%
Before credit	164	86.3	12	6.3	14	7.4	190	100
After credit	19	10.0	8	4.2	159	83.7	186	100

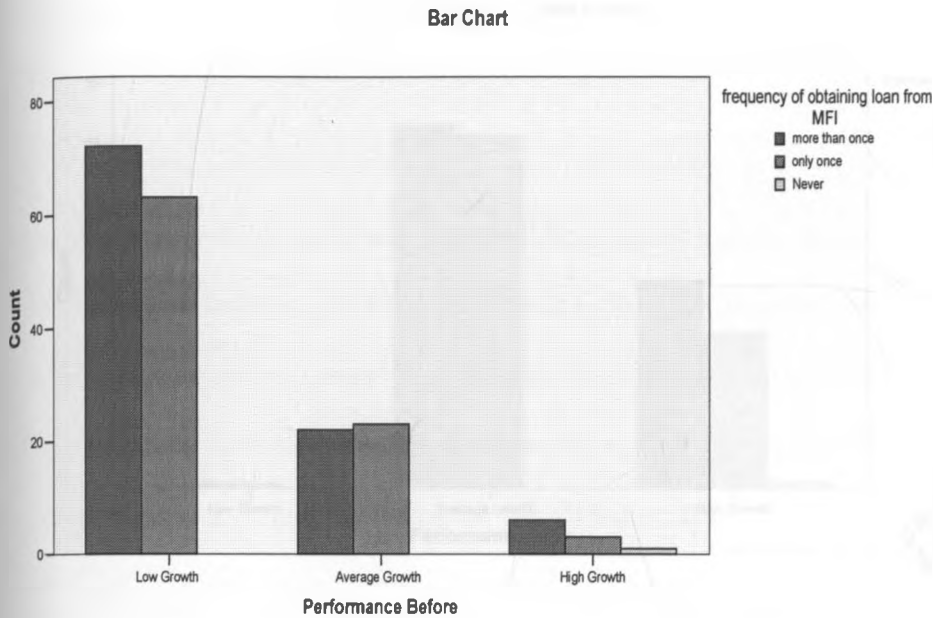
Number (190);  $X^2=9$ , 5 D.F.,  $P < 0.05$ , (Critical  $X^2= 1.5$ )

To test this hypothesis, the results obtained on the level of liability a woman's business had been in before and after obtaining MC was cross tabulated with the number of time they had obtained MC. The results obtained revealed that there is a significant relationship ( $X^2=9$ , 5 D.F.,  $P < 0.05$ , (Critical  $X^2= 1.5$ ) exists between access to MC and the level of liability. Table 4.10 also shows that the level of liability before credit is more than the level of liability after access to MC. A total of 163 respondents admitted that they did have more liability before accessing MC from KWFT which they were able to see reduce

after they obtained MC. The literature reviewed agrees with this in that when businesses do not have access to MC they tend to borrow from more expensive sources such as the informal moneylenders and shylocks (Graham et al, 2000). Once they obtain loans from MFIs and utilizing it properly in the business hence level of indebtedness reduces.

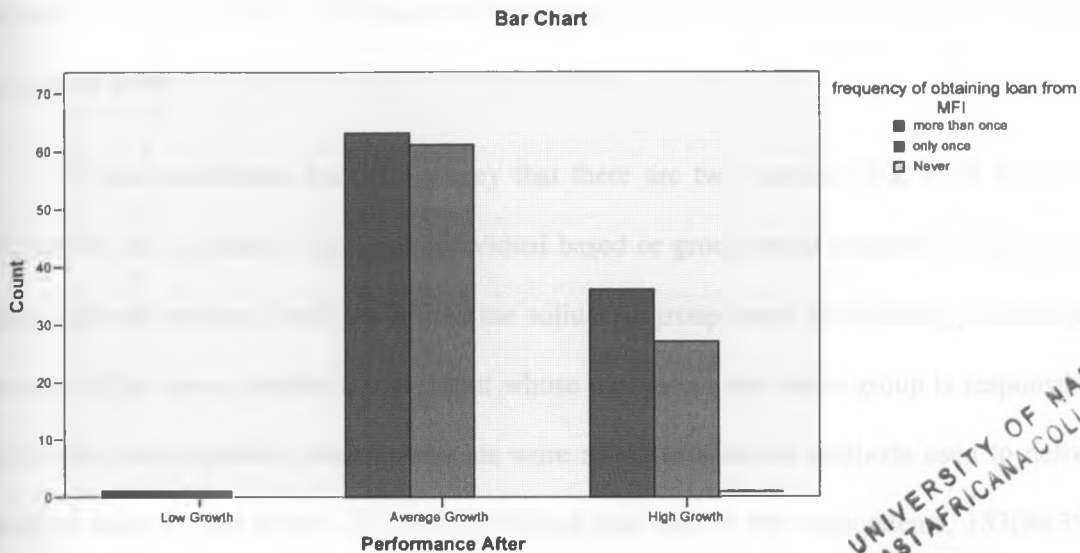
The general information which was collected for the performance of businesses before and after credit was then arranged into three categories. The categories included all the variables such as; the number of employees, level of liability, profit margins and sales activity and were used to classify the businesses in terms of slow, medium and high growth. Observation was then made for the number of businesses registering slow, medium and high growth before and after obtaining MC. The data was classified into the number of times that the business had obtained MC. The resultant information was then run in SPSS to produce the graphs in Figures 4.1 and 4.2. From figure 4.1, the observation is that the number of businesses registering slow growth in all the indicators is high 65(34.21%) for those obtaining MC once and 75 (39.47%) for those obtaining MC more than once before obtaining credit. This improves after the businesses obtained credit whereby now a relatively high 65(34.21%) reported medium growth in the category of businesses obtaining MC more than once. On the other hand 63(33.15%) registered medium growth in the category of businesses obtaining MC more than once.

**Figure 4.1: level of growth before credit**



One can also observe from the two figures that frequency of obtaining credit has played a part in the overall growth of the business since a majority of businesses in each of the three categories refer to those businesses that received credit more than once. An exception in the medium column reveals a possibility of many businesses in that category being those that are facing various challenges such as inadequate amounts for expansion as well as access to more expensive sources of MC. Information which was collected from the questionnaires explicitly cited challenges such as calamities befalling businesses and emergencies occurring thereby rendering many a business woman unable to cope. In figure 4.2, as in the previous figure 4.1, average growth was recorded by a majority of businesses regardless of the frequency of obtaining credit.

Figure 4.2: Level of growth after credit



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#### 4.4 Methods used by the KWFT to deliver credit to women traders.

The KWFT like all other MFIs targets the poor with its financial services. It has got a twin mission which as was obtained from its staff is both financial and social. The financial part of the mission is aimed at ensuring institutional sustainability whereas the social part is aimed at ensuring the welfare of the poor women. For the MC services to be sustainable both aspects of the mission must be accomplished. In chapter two this is a merger of the feminist empowerment model and the financial sustainability model. The two parts of the mission depend on each other for their execution whereas one can argue that for the women to obtain MC continually, the micro finance institution which in this case is KWFT needs to be sustained by their constant repayment of the same.

While targeting the poor, innovative MC delivery methods have to be developed since the targeted population is usually that which does not have physical collateral to offer for obtaining loans. The situation is even made worse because the traditions of the African

society for a long time prohibited women from owning land which was one sole security for obtaining MC from financial institutions. It is against this background that KWFT offers services within a channel that relies on the social capital of its women clients to deliver services to them.

It was established from the survey that there are two methods that KWFT uses to deliver MC to its clients. These are individual based or group based methods. Under group based delivery method, the KWFT uses the solidarity group based methodology whereby a member of the group obtains a loan about whose repayment the whole group is responsible. To achieve this objective, the respondents were asked to state the methods used to deliver credit to them by the KWFT. It was established that, out of 190 respondents, 183(96.3%) obtained their loan through the solidarity group lending method. This is displayed in table 4.12 alongside other findings on the methods of delivery used by the KWFT.

**Table 4.12: Delivery methods used by KWFT**

Response	Frequency	Percentage	Cum. Percent
MC in my name but group ensures I repay	183	96.3	96.3
Am not in group I got MC as individual	7	3.7	100.0
Total	190	100.0	

The literature that was surveyed also revealed that the KWFT majorly uses solidarity group model to deliver MC to its clients (KWFT, 2008). Asked why this is so the staff almost



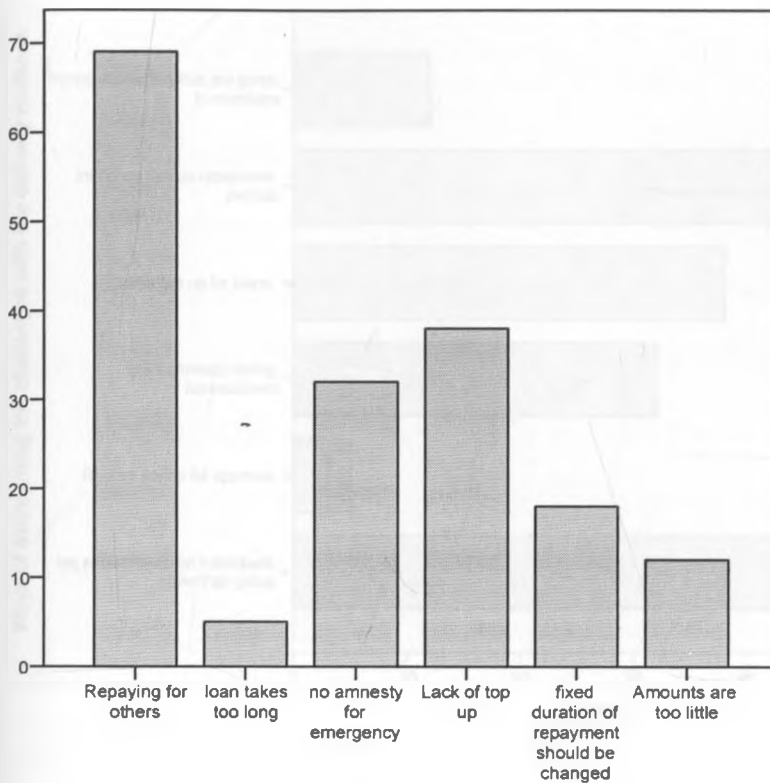
unanimously said that the method is associated with high repayment rates. Other authors (Kimuyu and Omiti, 1999b; McCormick and Pedersen, 1996) have attributed the high repayment rates associated with the group solidarity lending methodology to the strength of the social sanctions that any one solidarity group has put in place for its members. In order to obtain more information about the method used by the KWFT to advance MC to its clients, the respondents were asked to state any challenges they were facing with the current methods that are used by the KWFT to deliver MC to its clients.

Respondents stated a number of issues that they were facing with the current method. 69(36.3%) of the respondents stated that repaying for others was a major challenge for them. Others, 38(20%) said lack of top up was a challenge, whereas 32(16.8%), 18(9.5%), 12(6.3%) and 5(2.6%) stated lack of amnesty during emergency, fixed repayment rates, insufficient amounts and MC taking too long to process as their main challenges. These results are displayed in Figure 4.3 also some respondents felt that the periods of repayment needed to be prolonged

The respondents were then asked to suggest ways that they thought would help deal with these challenges that they face with the current method that KWFT is using to deliver MC to them. To this question, out of 190 respondents, 69(16.8%) said that individual performance should be the basis of loan approval and not group performance. This can be seen in figure 4.3 However, this is not possible based on the fact that the social capital which the groups give to each other is the security for the loans; other respondents, 38(20%) said that more flexible terms need to be developed in order to allow the women repay the loans without straining. Literature surveyed did indicate that good microcredit programs should be tailor made to the local conditions of the targeted population (Sabapathy, 1996). In view of

this the KWFT needs to come up with region specific terms in order to carry out their social mission while at the same time not compromising that of institutional sustainability.

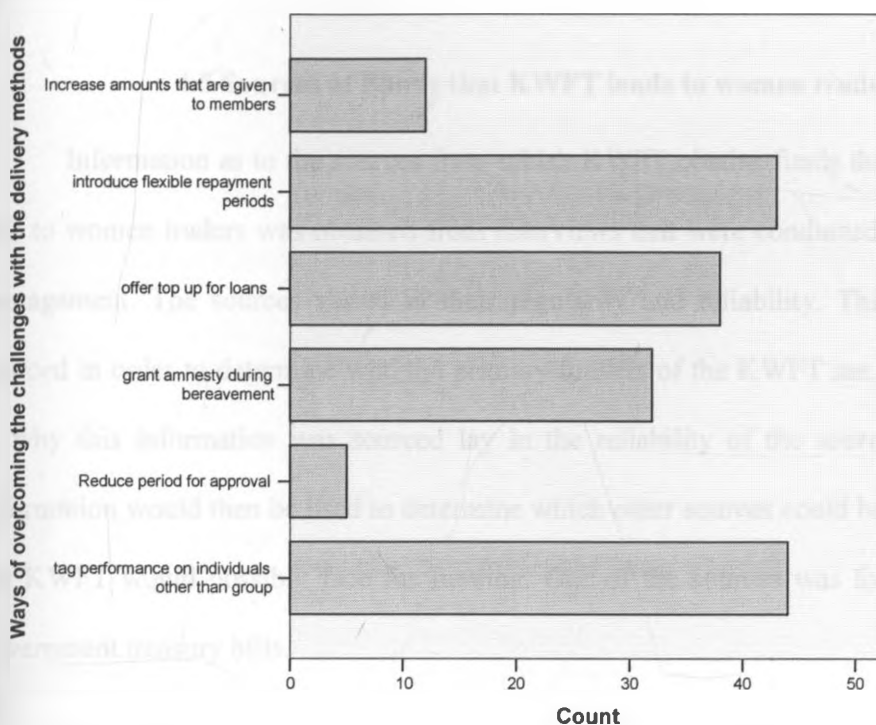
**Figure 4.3: Challenges respondents are facing with current MC delivery methods**



The challenges that have been outlined by the respondents include; repayments for others being stressful 69(36.3%), a lack of top up 38(20%), lack of amnesty for emergency 32(16.8%), fixed duration for repayment 18(9.5%), amounts disbursed being too little 12 (6.3%) and loans taking too long to process 5 (2.6%) in that order. Amounts being too little and lack of top up are challenges to do with the content of the MC. On the other hand, Fixed duration for repayment, lack of either amnesty or fixed duration for repayment are all systemic issues. It is proper that each issue be dealt with at its roots hence there need to be

constant consultations with the clientele in order to agree on the content and system within which to operate.

**Figure 4.4: Proposed ways of overcoming challenges**



From figure 4.4, out of 190 respondents, 44(23.2%) expressed that repayment of loans should be pegged on individual members and not on the group, 43(22.6%) suggested that KWFT needs to introduce flexible repayment periods, 38(20%) suggested that top ups would help ease their challenge of insufficient of loans. At the same time 32(16.5%) suggested that amnesty on loans upon bereavement would reduce the challenges that they are facing with the current delivery method used by the KWFT. Meanwhile, increasing amounts lent out and reducing for approval have been suggested by 12(6.3%) and 5(2.6%) respectively. A total of 16(8.4%) did not attempt to answer this question. Nonetheless, reducing the period of approval may introduce issues such as the compromise on the quality of service or even

increase the costs of operation to some extent. Should loan repayment be based upon an individual's performance and not that of the groups, issues of difficulty in repayment may arise since it is evident that the group solidarity method has guaranteed relatively high repayment rates.

#### **4.5 Sources of Funds that KWFT lends to women traders**

Information as to the sources from which KWFT obtains funds that it uses to deliver MC to women traders was obtained from interviews that were conducted with the staff and management. The sources varied in their regularity and reliability. This information was sourced in order to determine who the primary funders of the KWFT are. Another reason as to why this information was sourced lay in the reliability of the sources of funds. Such information would then be used to determine which other sources could be opportunities that the KWFT would possibly face for funding. One of the sources was found to be was the government treasury bills.

Member contributions was another source, individual donors as well as well wishers were said to be sources of funds. This information was sourced from each of the six staff that were interviewed from KWFT staff. Interview, of this, the respondents who participated in the study from KWFT were asked to state their sources of funds which they lent out to MEs. Out of 6 respondents, 3(21.4) mentioned treasury bills, 4(28.5%) mentioned member's savings, 3(2.4%) members mentioned well wishers, 2(14.3%) mentioned premium bonds, and 1(7.1%) mentioned sale of assets and profits made as sources of funds respectively. This is illustrated in table 4.13.

**Table 4.13: Sources from which obtains funds KWFT**

Source of Fund	frequency	Percentage
Treasury bills	3	21.4%
Members savings	4	28.5%
Well wishers	3	21.4%
Premium bonds	2	14.3%
Sale of assets	1	7.1%
Profits made	1	7.1%
	14	100%

Table 4.13 reveals that member's savings are the most well known sources of funds with a majority 4(28.8%) mentioning it as a source of fund. The information was collected from six staff of KWT and the responses are outlined in table 4.13. The treasury bills and well wisher's come second with 3(21.4%) of respondents mentioning them as a source of funding. Premium bonds, sale of assets and profits made come third and fourth with 2(14.3%) and 1(7.1%).

Having dealt with the sources of funds, the study sought to find out the reliability of the sources of funds mentioned. To collect this data an interview schedule was used. The staff who had been asked to state the sources of funds which they use to lend out as MC were also

asked to state how reliable they thought each of the sources they mentioned were. Out of the 3 who had mentioned treasury bills, 3(100%) thought they were very reliable. Out of the four respondents who mentioned members savings only 1(25%) thought that they were very reliable. At the same time none of the three respondents who mentioned well wishers as a source of funds thought they were very reliable. In the mean time, 2(75%) thought well wishers as a source of funding were unreliable while 1(25%) well wishers as a source of funds was reliable. 2(50%) of the respondents that had mentioned members savings also thought that they were reliable whereas only 1(25%) thought that well wishers as a source of funds was unreliable. The 1(100%) respondent that mentioned sale of assets and profits made thought that they were reliable and unreliable respectively. These findings are illustrated in table 4.14.

**Table 4.14: The reliability of the sources of funds**

Source of funds	Very reliable		Reliable		Unreliable	
	No	%	No	%	No	%
Treasury bills	3	100	0	-	0	-
Members savings	1	25	2	50	1	25
Well wishers	0	-	1	25	2	75
Premium bonds	2	100	0	-	0	-
Sale of assets	0	-	1	100	-	-
Profits made	0	-	0	-	1	100

The findings displayed in table 4.14 show that the majority of staff are aware of member's savings as a source of fund or lending out as MC. On the contrary, profits made are the least known sources of funds that each staff of KWFT was aware of so that only 1(16.7%) mentioned it. Treasury bills and premium bonds are the most reliable sources of funds according to the staff of KWFT because 3(100%) and 2(100%) of those who mentioned them also thought that they were very reliable. Sale of assets was also thought to be very reliable by the 1(100%) staff who had mentioned it. On the contrary, funding from well wishers was thought to be unreliable by 2(75%) who had mentioned it as a source of funds. Perhaps, it was being looked at that the well wishers are not a lot to depend on since it is a voluntary venture thereby no one would compel one to donate amounts to be advanced as MC. On the other hand member's savings could have some restrictions as to their usage on lending as MC (Kimuyu & Omiti, 1999b)

#### **4.6 Reasons as to why women traders within KCBD default in repayment**

In the study one of the objectives was to explore the reasons as to why women traders who obtain MC from KWFT default in repayment of the same. This information was deemed important based on the financial sustainability paradigm which asserts that when women traders access MC and repay it in good time, the MFI is likely to sustain itself and lend more to more women over a long period of time. To achieve this objective, the respondents were asked to state whether they had defaulted or not in repaying the MC that they had obtained. Further, they were asked to state the reasons as to why they had defaulted. The responses were categorized into: interest rates being too high; an emergency cropped up; my business suffered a calamity; did not get the anticipated profits and other (specify).

Data that was collected reflects that there are several reasons as to why women default in the repayment of loans. Interviews conducted with the staff of the KWFT reflected that the

defaulter rates have been increasing in the past three years. From the questionnaires administered to 190 women who draw micro credit from the KWFT, 18 responded yes to the question of whether or not they had defaulted in their repayments. Out of that total 8 had defaulted more than once. The reason as to why this information was sought lay majorly upon the realization that results of a system justify judgments as to whether there is failure or success in the implementation of a processes and procedures (Lucey, 1996). Based upon that belief it was only reasonable to find out how the women who received the MC repaid it. Whether it was timely or not as well as whether it was with ease or with difficulty. Findings of the reasons as to why the women traders defaulted are presented in table 4.15.

**Table 4.15: Reasons for default in repayment among women**

Reasons for default in repayment	Frequency	Percentage	Cumulative Percent
Interest rate too high	2	1.1	1.1
An emergency cropped up	1	0.5	1.6
My business suffered a calamity	14	7.4	8.9
Did not get anticipated profits	1	0.5	9.5
Other reasons			
Not applicable	172	90.5	100.0
Total	190	100.0	

The major reason as to why the women defaulted was that their businesses had suffered a calamity which was reported by 14(82.4%) of the 17 defaulters. This could point out to the fact that the women are not risk prepared and even though several of them mentioned that it was a requirement for them to pay insurance charges before they could

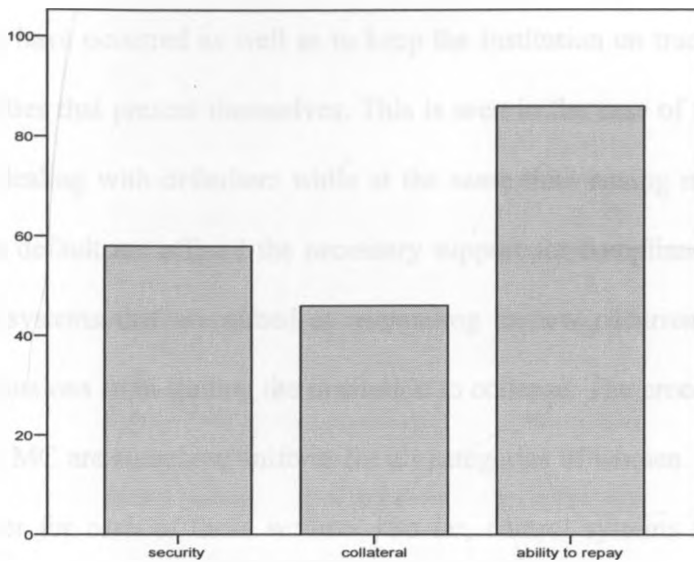


secure MC, seemingly they do not know how to determine the proximate cause principle of insurance. The general defaulter rates are however low but are likely to rise following the fact that most women commented that their businesses were yet to recover from the post election violence in the remark column of their questionnaires. Information collected from the interview schedules that were conducted by staff of the KWFT showed that of all other challenges given with regard to the MC programme, political uncertainty ranked first; a pointer that activities of the institution are influenced by the political situation that exists within the CBD.

#### **4.7 Financial systems within KWFT**

It was deemed important for the study to establish the financial system that has been put in place by the KWFT, in order to check the defaulter rates of repayment of MC once it has been obtained by the women traders. In order to investigate the financial systems that the KWFT has put in place to ensure the institutional sustainability for its micro credit program, the women traders and the staff were asked different questions. By the use of a questionnaire the women were asked to enumerate the requirements that each one had to meet before obtaining MC from the KWFT. Respondents gave a number of requirements. These were organized into themes and presented in Figure 4.5.

**Figure 4.5: Requirements for obtaining MC**



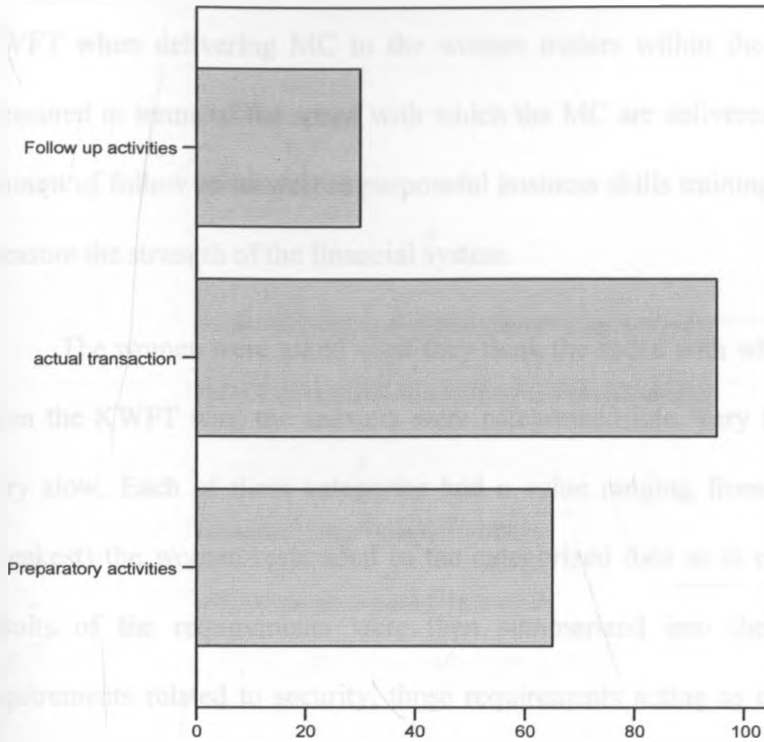
**Type of requirement**

In Figure 4.5, one can notice that a lot of emphasis is based on the ability of the woman to repay their MC. This ability to pay was gauged by the value of stock that a woman had in the small business. The cash flow pattern was also determined at some point hence the requirement that the business had to have been in place for at least six months. In some instances household items were also used to gauge ability to pay. This is an interesting finding in that whereas it is an undertaking to help poor women grow their businesses, the need to get a people just above the poverty line also is inherently implied in the requirements that are sought by the KWFT. Security items included request for a National identification card or passport, chief's affidavit signed by both the chief and a lawyer. Collateral include; signatures of members of one's group accepting to ensure that the loan is repaid.

The findings in this study is consistent with the literature that was reviewed which stipulated that good systems have the quality of ensuring efficiency of and effectiveness in service delivery (Lucey, 1996). Systems within KWFT are both meant to react to events after they have occurred as well as to keep the institution on track so as to respond to new opportunities that present themselves. This is seen in the case of the institution having clear ways of dealing with defaulters while at the same time having measures to ensure that the ones who default are offered the necessary support for compliance. The KWFT has put up financial systems that are aimed at responding to new occurrences as well as preventing outlier situations from leading the institution to collapse. The procedures and requirement for obtaining MC are somehow uniform for all categories of women. There is no discrimination whatsoever for each of these women. So far, control systems facilitate decision making; improves decentralization; stimulates action; enhances employee morale; promotes efficiency of operations and coordination of activities. These systems have been known to create cautiousness in employees thus ensuring standards are met at most times.

In order to evaluate the financial system that is within the KWFT, another question that was asked to the women traders using the questionnaire was to state the steps which they go through in order to obtain MC from the KWFT. These steps were organized into three distinct phases with each phase having several constituent activities. There were preparatory activities, actual transaction and follow up activities. In the category of follow up activities only loan repayment was emphasized and data gathered using the questionnaire on follow up proved that the follow up was minimal except for group meetings. For instance, 12(66.7%) out of 18 defaulters cited lack of follow up as a challenge they were facing as they repaid their loans. Figure 4.6 displays a summary of responses appertaining to steps followed in order to obtain loans from KWFT.

**Figure 4.6: Steps followed in obtaining loans**



In Figure 4.6 it is observed that the respondents could remember more of the transactional activities other than the preparatory and follow up activities. The fact that follow up ranks last in the responses may imply that the follow up activities take a shorter time whereas transactional activities take a remarkably longer time. Transactional activities include the filing in of request for the MC and actual cheque deliveries. On the other hand follow up activities include any communications made with the woman regarding the MC repayment. This can be done through phone calls or actual physical contact.

In order to evaluate the financial system that KWFT has put in place with regard to curbing defaulter rates and ultimately ensuring institutional sustainability, the respondents who in this case were women traders were asked to state how fast in terms of speed they thought they had obtained their last MC in the case of those obtaining more than one loan

during the study period. They were also asked to state the requirements that one had to meet before obtaining micro credit from the KWFT. The financial system that is used by the KWFT when delivering MC to the women traders within the CBD of Kisumu was also measured in terms of the speed with which the MC are delivered to the women traders. The amount of follow up as well as purposeful business skills training are all used in this study to measure the strength of the financial system.

The women were asked what they think the speed with which they obtain micro credit from the KWFT was, the answers were categorized into Very fast, fast, not fast, slow and very slow. Each of these categories had a value ranging from five (strongest) to one the (weakest) the women responded to the categorized data as is expressed in table 4.15. The results of the requirements were then summarized into themes. The themes include; requirements related to security, those requirements acting as collateral, those gauging the woman's ability to repay and others. The results of these findings are summarized in Figure 4.4. Table 4.15 presents the perception of women traders with regard to the speed with which the MC services are delivered to them.

**Table 4.16: Speed with Which MC is delivered to the small business women**

Speed of delivering MC	Frequency	Percentage	Cumulative Percent
Very fast	38	20.0	20.0
Fast	72	37.9	57.9
Not fast	79	41.6	99.5
Slow	1	.5	100.0
Total	190	100.0	

When examining the perception of the speed with which women operating small businesses within the CBD of Kisumu on view KWFT, 79(41.6%). said the services were not fast. Being a majority in one class o response, this could be a pointer that the women are disgruntled with the way the system of MC delivery is working. The finding contained in table 4.16 were used to rate the effectiveness of the system.

## CHAPTER FIVE

### 5.0 SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

#### 5.1 Summary of Findings

The primary objective of this study was to determine the relationship between access to microcredit and the growth of businesses among women operating small businesses within the Kisumu CBD. Specifically, assessing the effect of access to micro credit on the growth of small businesses being operated by women within the Kisumu CBD was the thrust of the study. The reasons as to why some women default in repayment of MC have also been examined. Investigation has been carried out to determine how the financial system and the delivery methods used by KWFT have been perceived by the women.

To assess the relationship between access to micro credit and promotion of growth of business among women traders three hypotheses were advanced from evidence available and from the relevant literature. In this section, the findings associated with the hypothesis are highlighted. The results pertaining to the hypothesis that there is no significant relationship between access to micro credit and the growth of small businesses in terms of sales, profits as well as level of liability, have shown that microcredit has affected the growth of the small businesses operated by women within the Kisumu CBD differently before obtaining credit and after obtaining credit.

More of the businesses reported having very active sales after obtaining microcredit. Similarly, many businesses reported having inactive and very inactive sales before obtaining credit. The improvement in sales activity was found to be significantly related to the access to MC. At the same time, more businesses reported having more profits after obtaining MC than before obtaining MC. Again, this relationship was significant enough when tested using

chi-square statistics. The level of liability recorded by businesses before access to MC was significantly higher than those reported after access to MC. Meaning that access to MC can help reduce the level of indebtedness in a business at least within the CBD of Kisumu.

The main method of delivery that is used by the KWFT to deliver micro credit to women operating businesses within Kisumu CBD is the solidarity group lending method. The group solidarity method has a principle in which members are all responsible for the repayment of a group member's MC once it is obtained and although many respondents complained of their performance being tagged on the group's, the system is working since defaulter rates have also been kept at manageable levels(9.5%).

The financial system that is used by KWFT is fairly effective; this is because quite a number of her clients perceive the speed with which they deliver credit not to be fast. The system has put in place measures that are aimed at ensuring the security of the MC; the assurance of the respondents ability to repay as well as the existence of the business. Such are the terms that make the system a strong one. The steps that are being followed are also systematic. Each member at least demonstrated knowledge of the order in which the steps come. This points out to the fact that the system ensures the participation of then clients as well as the staff of the KWFT.

## **5.2 Conclusions**

First, the present research findings have provided sufficient evidence that there is a relationship between access to micro credit and the promotion of growth among small businesses operated by women within the Kisumu CBD. This was established in all the indicators of growth; sales, profits as well as liabilities. The sales activity indeed improves with the access to MC. At the same time, profits improve when women traders operating



small businesses within the Kisumu CBD access MC from the KWFT. The liability levels of such businesses are also seen to reduce with access to MC. One can therefore conclude that; access to MC promotes the growth of small businesses within the CBD of Kisumu.

Second the study has found the reliability of the financial system that KWFT is currently using in order to deliver credit to the women operating businesses within the CBD of Kisumu. This system has been perceived not to be fast by majority of the women business operators. However, the defaulter rates have been found not to be alarming. A financial system that strong can then help promote the relationship between access to MC and growth of small businesses. The fact that there are steps to be followed before MC is delivered as well as after the delivery makes the system stand out as strong.

The main delivery method used by the KWFT in the MC programme is solidarity group lending. Individual loaning is also being utilized but to a much less extent than solidarity group lending. The group solidarity model has been borrowed from the Grameen bank and is ensuring high repayment rates. Hopefully it can increase the repayment rate that can as well eliminate default altogether. The study has revealed that the defaulter rate among the women obtaining MC from KWFT is relatively low. However, the fact that a majority of business operators also complained of not being happy with repaying for a group member who has defaulted shows that the procedures may not be unclear to the women before they obtain loans. Perhaps, they are oblivious of the consequences because of desperation for MC.

### **5.3 Recommendations**

Having looked at the theoretical framework, the conceptual framework alongside the literature review and the study findings, the following recommendations are made. First, Micro credit is an important tool for promoting the development of a strong women labour

force especially where small business is concerned. More specifically microcredit in this study has made significant contributions to the growth of small businesses operated by women in terms of sales, number of employees, profits, types of services and products as well as liability levels.

### **5.3.1 Recommendations for Policy Formulation**

For a strong micro credit to be sustained there is need to strengthen structures within the KWFT so as to keep the defaulter rates as low as possible so as to ensure that the MC has a wider outreach hence a greater impact. The defaulter rates can be checked if the system provides for a room where those that know they are having difficulty with repayment can be given options of using their own savings to repay for the MC and replenishing the same once their situations normalizes. Again, there is need to have the women run a parallel welfare kitty so as to cater for their consumption and emergency needs. This will help reduce the defaulter rates especially the ones caused by emergencies. It is necessary for KWFT to collaborate with the government of Kenya as well as other likeminded institutions to ensure success of their MC programmes.

A financial system that ensures reliable sourcing of funds for use in the MC industry is important in ensuring swift services in the perspectives of those served by the microcredit institutions including KWFT. Without a sound financial system in place the KWFT would collapse hence the relapse into poverty of the businesses that it has helped grow to maturity. The study findings seemed to all the time point towards the fact that without sound financial systems in place an institution can fail to sustain itself hence the relapse into poverty for them that depend on its MC services for survival and growth of their small businesses. The study is therefore recommending that:

A reliable source of funding is necessary to the sustainability of micro credit institutions such as KWFT. Reliability of funding can be ensured through such activities as marketing and campaigns. The entry into corporate social responsibility by the KWFT is also important since this will help woe willing well wishers to give a helping hand to the institution. This will increase the financial kitty of the KWFT thereby ensuring a wider outreach.

### **5.3.2 Recommendations for further Research**

This study did not explore certain areas that were equally important. Such areas were left out because the scope and limitation of this study warranted and also due to a limitation in time and other resources. In view of this the study recommends the following areas of further research. There is need for a longitudinal study to measure the exact extent to which the growth of small businesses among women traders in Kisumu CBD and Kenya as a whole. Such a study will come up with more precise issues as the method recommended may ensure observation of enterprises. This was not possible in the current study as the study had limited resources and tight time schedules.

Research needs to be carried out in order to determine the role that the women groups play in ensuring that the micro credit is repaid in time viz-a-viz the role that the financial systems within the MFI institution itself plays in the same. Such a study will help to recommend best practices that need to be adopted by MC advancing institutions so as to ensure their impact is felt in a wider region. Without these recommendations it is believed that the current interventions may just be mere duplication efforts and not fruitful efforts to eradicate poverty efficiently and effectively.

A comparative study among women who receive credit and those that do not access credit also needs to be carried out in Kisumu district. A comparative study is necessary because with it one is able to know the effects of extraneous variables on the relationship between access to MC and the growth of small businesses within the CBD of Kisumu. Through this study it is believed proposals to policy frameworks can emerge that can help form areas of best practice in the MC programming for the developing world in general and Kenya in particular.

A summary of the gaps in knowledge that this study has helped to fill are presented in terms of the objectives of the study. In the table 5.1, it was first discovered that the relationship between access to MC and growth of small businesses within the Kisumu CBD was not known. The study has revealed that indeed access to MC promotes the growth of small businesses within the Kisumu CBD. Again, the reliability of the sources of funding that KWFT uses to advance credit, the methods of delivery as well as the financial systems that are in place to curb default are explored. The reasons for default in repayment have been outlined in this chapter. More details on this are summarized in table 5.1.

**Table 5.1 Contribution to body of Knowledge**

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Objective	Contribution to body of knowledge
To assess the relationship between access to micro credit and promotion of growth of small businesses operated by them within the Kisumu Central Business District.	The indicators of access to micro credit when compared with those of growth of small businesses always gave a significant relationship between the two variables- the chi-square statistical method was used to test hypotheses.
Determine the methods used by the Kenya Women Finance Trust to deliver credit to women operating small businesses within the Kisumu CBD.	Premium bonds, treasury bills, shares from members, gifts from well wishers are some of the sources of funds that KWFT advances as micro credit.
Establish the sources of capital that KWFT lends to women operating small businesses within the Kisumu CBD.	The KWFT uses two methods to deliver micro credit to women. These are the group solidarity and the individual methods. The solidarity group method is common as it improves the rate of repayment of the MC.
Explore the reasons as to why women traders within the Kisumu CBD applying for and obtaining credit from KWFT default in repayment of the same	Calamity and emergency have been reported to have caused default within period of the study. In essence therefore MC programmes need to have a component of disaster and risk reduction in their training.
Investigate the financial systems that are put in place by KWFT to guard against default once loans are obtained by women traders operating within the Kisumu CBD.	The procedures and systems are effective since they have checked the rate of default. They however, need to be tailor-made to the needs of individual women themselves who seem not to be happy with the way group requirements override individual interest.

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## APPENDIX I

### TIME SCHEDULE

Activity	Time Schedule in Weeks																											
	Dec		Jan				Feb				Mar				April				May				June					
Choosing topic and methodology	■																											
First, second and third proposal drafting			■																									
Defending proposal before the board											■																	
Training Research Assistants													■															
Pretesting data collection tools																												
Refining tools																												
Collecting, processing & cleaning data																												
Analyzing data																												
report drafting																												
Reviewing findings																												
Refining report																												
Final report																												

## APPENDIX II

### BUDGET

Item	Quantity	Cost	Total amount
Transport	12 trips	150/=	1,800/=
Tools preparation	2400 pages	20/=	48,000/=
Photocopying	1000 pages	2/=	2,000/=
Pretesting	1	1,500/=	1,500/=
Training of research assistants	2	2,500/=	5,000/=
Research permit	1	1,000/=	1,000/=
Final report	1	1,800/=	1,800/=
Contingency		6,000/=	
<b>Grand Total</b>			<b>67,700/=</b>

**APPENDIX III**

**INTERVIEW SCHEDULE FOR STAFF OF KWFT.**

1.1	<p>How would you describe the efficiency of the credit approval, disbursement and recovery system in your organization, particularly in terms of the amount of resources spent in ensuring that the loans are recovered from clients?</p> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/>
<b>2.0 INSTITUTIONAL STRUCTURE</b>	
2.1	<p>In your view, what do you think are the short falls in the composition and operations of the microcredit approval committee in your organizations?</p> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/>
2.3	<p>What is your opinion about the measures instituted to regulate defaulter rates among clients that have received microcredit from your organization?</p> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/>
<b>3.0 REGULATIONS GOVERNING APPROVAL, DISBURSEMENT AND RECOVERY OF CREDIT</b>	
3.1	<p>What are the regulations governing credit approval in your organization?</p> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/>

	<hr/> <hr/> <hr/>
3.2	<p>What are the steps that are used to ensure that all the clients who obtain credit from your organization repay it in good time?</p> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/>
3.2	<p>In your opinion, to what extent do you think the approval committee operates within the regulations governing credit approval in your organization?</p> <hr/> <hr/> <hr/> <hr/>
3.3	<p>Suggest appropriate measures that should be taken to improve management of the credit approval system in your organization?</p> <hr/> <hr/> <hr/>
<b>4.0</b>	<b>STAFF CAPACITY TO MANAGE THE CREDIT SYSTEM</b>
4.1	<p>Do you think the staff that are charged with the responsibility of the credit system have the adequate skills to enable them steer the credit recovery activities effectively?( <b>Probe to obtain as many skill gaps as possible</b>)</p> <hr/> <hr/> <hr/>
<b>5.0</b>	<b>SOURCES OF FUNDING</b>
5.1	<p>Where does your organization obtain the funds that are used as micro credit. Kindly explain how reliable each source you have mentioned is?( <b>State whether it is very</b></p>

reliable, reliable, unreliable or very unreliable for each source you mention)

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## APPENDIX IV

### TRANSMITTAL LETTER

Clemencia Osa Ouma

University of Nairobi

School of Continuing and College of Distance Education

P. O Box 30197

Kisumu Campus

E-mail: daniosapamosa@yahoo.com

Date: 09-03-009

Dear Business woman

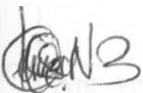
RE: QUESTIONNAIRE ON ROLE OF MICRO CREDIT ON SMALL BUSINESS GROWTH IN KISUMU CBD

I am a student at the University of Nairobi pursuing a Masters degree in Project Planning and Management. I am undertaking a study to find out the role that microcredit has played in the growth of Microenterprises. I am therefore requesting you to please answer the questions contained in this questionnaire in order to make me come to as accurate a conclusion as possible. Kindly answer these questions as honestly as possible. The answers you give to these questions will be used for the study reasons only and shall not be shared with anyone else for any other purpose. In any case you need to make inquiries about any issue contained in this questionnaire contact me on the addresses above.

Thank you in advance and have a nice day.

Thanks and have a nice day.

Yours Faithfully,



Clemencia Osa Ouma.

UNIVERSITY OF NAIROBI  
EAST AFRICANA COLLECTION

**APPENDIX V**

**QUESTIONNAIRE FOR WOMEN (CLIENTS OF KWFT)**

1.0	INTRODUCTION	RESPONSES	INSTRUCTIONS
1.1	a)Date of interview ____/____/2009	Start time_____	
1.2	How long has your business been in operation of years the business has been in operation?	_____ years	
1.3	To what category does your business belong?	Hair dressing stores.....1 Clothing boutique.....2 Seamstresses.....3 Food kiosks.....4 Hardware stores & clothing boutiques .....5 Seamstresses and clothing & boutiques.....6 Retail shops.....7 Others( hardware stores, etc).....8	Circle the most appropriate
1.4	Which is the highest level of education that you obtained?	None.....1 Primary.....2 Secondary.....3 College.....4 University.....5 Other(Specify).....8	Circle the most appropriate
1.5	Are you having any association/attachment with any micro finance institution?	Yes.....1 No.....2	Circle the most appropriate If no do not answer to the following questions.



1.6	If yes, which MFI are you attached to?	KWFT only.....1 KWFT and another one.....2 Other(specify)..... ....8	If not KWFT do not proceed to the next questions.
1.7	If KWFT only or KWFT and another, in what capacity do you associate with KWFT?	Official of an affiliate group.....1 Member of an affiliate group.....2 Individual affiliate.....3 Other(specify).....8	If not KWFT do not proceed to the next questions.
1.8	How many years have you been associated with KWFT?	More than 3 years.....1 For 1-2 years.....2 For less than one year.....3	Circle the most appropriate
<b>2.0</b>	<b>ACCESS TO MICROCREDIT</b>	<b>RESPONSES</b>	<b>INSTRUCTION</b>
2.1	Have you ever obtained credit from KWFT?	Yes.....1 .....1 No.....2 .....2	If no, proceed to question 3.3
2.2	How many times have you obtained credit from KWFT?	More than once.....1 Only once.....2 Never.....3 .....3	Circle the most appropriately
2.3	When did you obtain credit from KWFT?	Between May 2008 and March 2009.....1 .....1 Earlier than May 2008.....2 .....2 Later than March 2009.....3 .....3 Other(specify)..... 8	Circle appropriately (If you have obtained loan more than once, indicate the last time you obtained for a loan from KWFT)
2.4	How much did you obtain from KWFT?	Up to Ksh. 5000.....1 .....1	Circle the most appropriate

		Ksh. 5000- Ksh.10,000.....2 Ksh. 10,000- Ksh. 50,000.....3 Ksh. 50,000- Ksh. 100, 000.....4 Ksh. 100,000- Ksh. 200,000.....5 Ksh. 200,000 and above.....6	(if you have more than one loan that you are currently servicing give the total amount)
2.5	How much did you apply for from KWFT?	Up to Ksh. 5000.....1 Ksh. 5000- Ksh.10,000.....2 Ksh. 10,000- Ksh. 50,000.....3 Ksh. 50,000- Ksh. 100, 000.....4 Ksh. 100,000- Ksh. 200,000.....5 Ksh. 200,000 and above.....6	Circle the most appropriate ( if you applied for more than one loan that the total amount)
2.6	What was the reason for which you applied for the loan?	To boost business.....1 Personal/ house consumption...2	Circle the most appropriate
2.7	If to boost business performance, What was the loan for?	Purchase of equipment.....1 Increasing employee size.....2 Purchase a plot for expansion...3 To increase stock.....4 Other (specify)?.....8	Circle the most appropriate
<b>3.0</b>	<b>FINANCIAL SYSTEMS</b>	<b>RESPONSES</b>	<b>INSTRUCTIONS</b>
3.1	What steps were involved in the loan application process?	_____ _____ _____ _____ _____	Indicate in details. In case the space is not enough you can use the space at the back
3.2	What were the requirements before obtaining the loan?	_____ _____ _____ _____ _____ _____	Indicate in details. . In case the space is not enough you can use the space at the back
3.3	What other forms of assistance have you received from KWFT apart from the loan?	Savings opportunity.....A Insurance facilities.....B Machinery/physical equipment..... C Other(specify)?.....Y	Circle all that apply

3.4	How can you describe the process involved in acquiring loan from KWFT in terms of speed?	Very fast.....1 Fast.....2 Not fast.....3 Slow.....4 Very slow.....5	Circle the most appropriate
4.0	<b>DELIVERY METHODS</b>	<b>RESPONSES</b>	<b>INSTRUCTIONS</b>
4.1	Was the loan given to you directly in your name?	Yes.....1 No.....2 Other(specify)?.....3	Circle the most appropriate
4.2	Kindly indicate as accurately as possible the method that was used by KWFT to deliver the loan to you?	The loan was delivered by KWFT and the group was responsible for its repayment...1 The loan was delivered through another bank with which KWFT partners.....2 The loan was delivered to me as an individual member.....3	Circle the most appropriate, you are free to use the space provided at the end of the questionnaire to shed more light on your answer.
4.3	What other delivery methods do the KWFT use in disbursing loans to its members that you know of?	_____ _____ _____ _____ _____	Explain in details. . In case the space is not enough you can use the space at the back
4.4	Are there any challenges that you find with the current delivery methods used by KWFT to its customers?	Yes.....1 No.....2	Circle the most appropriate
4.5	If yes, which are these challenges?	_____ _____ _____ _____ _____	Explain in detail. . In case the space is not enough you can use the space at the back
4.6	How do you recommend that the	_____ _____	Explain in details. In case the space is

	challenges be dealt with?	_____ _____ _____ _____ _____	not enough you can use the space at the back
<b>4.0</b>	<b>LOAN REPAYMENT</b>	<b>RESPONSES</b>	<b>INSTRUCTIONS</b>
4.1	How many months have you had the loan?	For one year.....1 For less than one year.....2 Other(specify)?.....8	Circle the most appropriate. Ignore if you currently do not have a loan.
4.2	In how many installments are you repaying the loan?	Twelve.....1 Less than twelve.....2 More than twelve months.....3 Other (specify) _____?	Circle the most appropriate.
4.3	Have you ever defaulted in repaying the loan?	Yes.....1 No.....2	If no, skip to question 4.6
4.4	If yes, how many times have you defaulted in your repayment?	Once.....1 More than once.....2	Circle the most appropriate
4.5	If you have defaulted, what are the reasons for default?	Interest rates are too high.....1 An emergency cropped up.....2 My business suffered a calamity.....3 I did not get the profits that I had anticipated.....4 Other(specify).....8	Circle the most appropriate.
4.6	Are there any other difficulties you are facing with your repayments?	_____ _____ _____ _____ _____ _____	Be very specific and give all the reasons that apply.
4.7	In case of default what usually happens?	The group members pay.....A The business property are seized.....B One is curtailed from further	Circle all the appropriate and add any others.

		dealings with KWFT.....C One is taken to court.....D Personal property is captured...E Other(Specify)?_____Y	
4.8	Have you ever been followed up by KWFT in any way?	Yes.....1 No.....2	If no, proceed to 5.1
4.9	If yes, has the follow up been regular?	Yes.....1 No.....2	Circle the most appropriate.
4.10	If the follow up has been regular, how regular has it been?	Weekly.....1 Monthly.....2 Quarterly.....3 Other(specify)?.....8	Circle the most appropriate
4.11	If you have been followed up, who has followed you up?	Staff of KWFT.....1 Non staff of KWFT.....2 Other (Specify)? _____ 8	If not staff please specify who followed you up.
4.12	If yes, what was the reason for the follow up?	Business education.....1 Loan recovery and related.....2 Nothing specific.....3 Other(specify).....8	Circle the most appropriate
4.13	Do you think the agreement you had with KWFT in paper was followed to deal with you when you defaulted in you repayment off the loan?	Yes.....1 No.....2	Circle the most appropriate
4.14	If the answer to question 4.13 above is no, what aspects of the contract were not followed by KWFT?	_____ _____ _____ _____ _____ _____ _____	Give your answer in details. . In case the space is not enough you can use the space at the back
4.15	What aspects of the contract were not followed by you, the borrower?	_____ _____ _____ _____	Give your answers in details. . In case the space is not enough you can use

			the space at the back
<b>6.0</b>	<b>GROWTH OF BUSINESS</b>	<b>RESPONSES</b>	<b>INSTRUCTIONS</b>
6.1	Categorize the performance of your business in terms of sales before obtaining a loan from KWFT?	Very active.....4 Active.....3 Inactive.....2 Very inactive.....1	Circle the most appropriate
6.2	Categorize the performance of your business in terms of employees before obtaining a loan from KWFT?	More employees.....3 Same number of employees.....2 Less employees.....1 Not applicable .....99	Circle the most appropriate
6.3	Categorize the performance of your business in terms of profits before obtaining a loan from KWFT?	More profits.....3 Same profits.....2 Less profits.....1	Circle the most appropriate
6.4	Categorize the performance of your business in terms of services/products before obtaining the loan from KWFT?	More products/services .....3 Similar services and products...2 Less products and services.....1	Circle the most appropriate
6.5	Categorize the performance of your business in terms of services/products after obtaining the loan from KWFT?	More products/services .....3 Similar services and products...2 Less products and services.....1	Circle the most appropriate
6.6	Categorize the performance of your business in terms of sales after obtaining	Very active.....4 Active.....3 Inactive.....2	Circle the most appropriate

	the loan from KWFT?	Very inactive.....1	
6.7	Categorize the performance of your business in terms of employees after obtaining the loan from KWFT?	More employees.....3 Same number of employees.....2 Less employees.....1 Not applicable .....99	Circle the most appropriate
6.8	Categorize the performance of your business in terms of profits after obtaining the loan from KWFT?	More profits.....3 Same profits.....2 Less profits.....1	Circle the most appropriate
6.9	Categorize the performance of your business in terms of liabilities before obtaining the loan from KWFT?	More Liabilities.....1 Same liabilities.....2 Less liabilities.....3 Not applicable..... 99	Circle the most appropriate
6.10	Categorize the performance of your business in terms of liabilities after obtaining the loan from KWFT?	More Liabilities.....1 Same liabilities.....2 Less liabilities.....3 Not applicable..... 99	Circle the most appropriate
6.11	What challenges does your business face	_____ _____ _____ _____	Explain your answer in details. In case the space is not enough you can use the space at the back.
6.12	How do you suggest these challenges can be overcome?	_____ _____ _____	Try to be as specific as possible.
6.13	What constraints do you face in your attempt to acquire credit?	_____ _____ _____	Explain your answer in details. . In case the space is not enough you can use the space at the back
6.14	How do you suggest	_____	Try to be as

	these constraints can be Dealt with?	<hr/> <hr/> <hr/> <hr/> <hr/>	specific as possible. In case the space is not enough you can use the space at the back
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APPENDIX VI

RESEARCH AUTHORIZATION LETTER.

REPUBLIC OF KENYA



NATIONAL COUNCIL FOR SCIENCE AND TECHNOLOGY

Telegrams: "SCIENTECH", Nairobi  
Telephone: 254-020-241349, 2213102  
254-020-310571, 2213123  
Fax: 254-020-2213215, 318245, 318249  
When replying please quote

F.O. Box 30623-00100  
NAIROBI-KENYA  
Website: www.ncst.go.ke

Our Ref:

NCST/5/002/R/374/4

Date:

25<sup>th</sup> May 2009

Ms. Ouma Clemencia Osa  
University of Nairobi  
P.O. Box 30197  
NAIROBI


RE: RESEARCH AUTHORIZATION

Following your application for authority to carry out research on, *The Role of Micro Credit in Promoting Growth of Small Businesses among Women within the Kisumu Central Business District: A Case of Kenya Women Finance Trust*.

I am pleased to inform you that you have been authorized to carry out research in Kisumu Central Business District for a period ending 30<sup>th</sup> June 2009.

You are advised to report to the District Commissioner Kisumu District and the Town Clerk, Kisumu Municipal Council before embarking on your research.

On completion of your research, you are expected to submit two copies of your research report to this office.

  
PROF. S. A. ABDULLA RAZAK Ph.D, MBS  
SECRETARY

Copy to:

The District Commissioner  
Kisumu District

The Town Clerk  
Kisumu Municipal Council  
Kisumu

THIS IS TO CERTIFY THAT:

Prof./Dr./Mr./Mrs./Miss OUMA CLEMENCIA  
OSA

(Address) UNIVERSITY OF NAIROBI  
P.O. BOX 30197 NAIROBI

has been permitted to conduct research in KISUMU CENTRAL BUSINESS DISTRICT

KISUMU Location,  
District,

NYANZA Province,

on the topic THE ROLE OF MICRO CREDIT  
IN PROMOTING GROWTH OF SMALL  
BUSINESS AMONG WOMEN WITHIN THE  
KISUMU CENTRAL BUSINESS DISTRICT:  
A CASE OF KENYA WOMEN FINANCE  
TRUST  
for a period ending 30TH JUNE, 2009

Research Permit No. NCST/5/002/R/374

Date of issue 25.5.2009

Fee received SHS. 1000.00



*[Handwritten Signature]*

Applicant's  
Signature

*[Handwritten Signature]*

Secretary  
National Council for  
Science and Technology