

**INFLUENCE OF THE ACTIVITIES OF INFORMAL FINANCIAL GROUPS ON THE
GROWTH OF WOMEN OWNED BUSINESSES IN EMBU NORTH DISTRICT, EMBU
COUNTY, KENYA.**

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DECLARATION

**THIS RESEARCH PROJECT IS MY ORIGINAL WORK AND HAS NOT BEEN PRESENTED
FOR A DEGREE IN ANY OTHER UNIVERSITY OR LEARNING INSTITUTION**

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DEDICATION

I dedicate this research project to my family. First is to my dear wife Julia who despite many challenges was always there for me. Her encouragement and support saw me through. I also dedicate this research project to my sons; Banton, Asherly and Ashton who always “challenged me to do my homework as I had always challenged them to do”.

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ABBREVIATIONS AND ACRONYMS

ASCAs – Accumulating Savings and Credit Associations
DGSDO – District Gender and Social Development Officer
GCA – Global Coalition for Africa
GDP – Gross Domestic Product
KWFT – Kenya Women Finance Trust
MDG – Millennium Development Goals
ODA – Overseas Development Assistance
ROSCAs – Rotating Savings and Credit Associations
SACCOs – Savings and Credit Cooperatives
S.H.G – Self Help Group
SMEs – Small and Micro Enterprises
UNIDO – United Nations Industrial Development Organization
USAID – United States Agency for International Development
WEF – Women Enterprise Fund
W.G – Women Group
YEDF – Youth Enterprise Development Fund
Y.G – Youth Group

ABSTRACT

Access to financial services that include savings, access to credit, insurance services and remittance is critical for economic empowerment of any population, and it varies across gender. Women in particular have been involved in informal financial groups' activities and have relied on these groups as sources of funds for their business enterprises for decades. However, many of their businesses have remained small and informal in nature as compared to men owned businesses. The purpose of this study was therefore to establish why most of these women owned businesses tend to remain micro and informal despite being there for many years with most of them failing to pick up. The objectives of this study were; to establish how lending policies by the informal financial groups influence the growth of women owned businesses; to determine how the loan sizes offered by the informal financial groups influence the growth of women owned businesses; to establish the extent to which membership to an informal financial group influence growth of women owned businesses and to examine how literacy level of personnel in the informal financial groups influence the growth of women owned businesses in Embu North District . A descriptive survey research design was used as it is the most appropriate for collecting data about characteristics of a large population. The respondents were purposively sampled from two locations of the District under study; and only community groups that offer financial assistance and related services, and which have women as members were involved in the study. Data collection tools used in the study was questionnaires for youth groups, and interview schedules for women groups and self help groups. The researcher maintained confidentiality on the part of the respondents throughout the whole exercise. Data collected was analysed descriptively and inferentially by the use of the Statistical Package for Social Sciences, and presented using frequency tables and percentages. The findings of the study were that; lending policies that included screening and collateral or security were present in most of the informal financial groups and their interest rates were higher than those of local financial institutions. Most of the groups use both accumulated savings and loaning; and the rotational saving and loaning simultaneously. On loan sizes, it was found that members' deposit, which was mainly done on weekly basis, was the main determinant of the amount a potential borrower could be loaned as opposed to availability of funds. It was also found out that, informal financial groups seek for outside funding to boost their financial lending base with Government agencies as the main source of outside funding. Informal financial groups also maintain a controlled membership ranging between 10-29 members, with most of them operating unlicensed businesses and with no employee. Age of members in informal financial groups also varied across the categories of the groups with women and self help groups preferring members above the age of 34 years while youth groups preferred members below the age of 36 years. It was also found out that youth groups had a tendency of forming groups made of married couples which affected negatively growth of women owned businesses. On the literacy level of personnel in the informal financial groups, it was found out that there were no degree holders with only a few representations at diploma level among women and youth groups. Government agencies and local financial institutions were identified as the main provider of support training especially on entrepreneurship and financial management, but failed to impart leadership skills to the personnel. All informal financial groups indicated that they wholly managed their groups and supported availability of subsidized loans and market linkages as the two main ways of improving the sizes of their businesses. The study recommends provision of subsidized, collateral free loans, issuance of saving and credit passbooks to group members prior to groups' registration to encourage the culture of saving, compulsory training of informal groups on leadership, financial management and entrepreneurship as well as encouraging men to form or join informal financial groups to be included in the informal financial sector. The study recommends further studies on; opportunities available for young graduates in the informal sector, men' s participation in informal financial groups and their inclusion or exclusion in the informal financial sector; and the informal financial sector and market linkages.

CHAPTER ONE

INTRODUCTION

1.1. Background to the Study

Small and micro enterprises have sprout out in almost every corner of the world. There is a strong assumption that this could be as a result of the high number of microfinance institutions and the support they have received from governments, donors and the non-governmental organizations.

Economists argue that, to break the vicious cycle of poverty, there is need to be an outside force that will intervene at some point of the cycle to improve demand for goods and services. Micro financing is therefore seen as a major input in this and a viable escape route from poverty. Roodman and Quresh, (2006), argue that the need for the poor to borrow is greater than the need for such services by the better off people. This is because the incomes for the poor are tight and often volatile, thus financial markets that help them fill these gaps are a matter of survival. This support the notion that in commercial terms there is a market for microfinance despite the immense challenges: the fundamental problems of controlling costs, building volumes, keeping repayments rates high and preventing fraud while operating with poor people.

According to Kiiru and Mburu, (2007), persistent increase in informal micro-entrepreneurship is not always a good sign of economic empowerment. The argument is that this high concentration of entrepreneurs within a locality may as well indicate a non performing economy; that there are many bottlenecks to the formalization of enterprises or that they could be a sign of adapting to poverty rather than escaping poverty. Kiiru, (2007) furthers argues that microfinance has insignificant impacts in Kenya. However, despite these arguments, women owned businesses are highly increasing in the economies of almost all the countries. It is highly assumed that despite poverty, unemployment, illiteracy, not undermining the attitudes of the society towards women, women have found their strength in unity. The ability to come together and form groups has acted on women's advantage in accessing credit from formal microfinance institutions as well as from their own savings as a group. There is hence a need to understand how these microfinance institutions both formal and informal influence growth of women owned businesses.

1.2. Statement of the Problem

Women, unlike men are socially able to come together and form groups hence have an opportunity to gather week after week to conduct business in group meetings. According to Johnson (2009), women are significantly more likely to use informal groups than men thereby enhancing their inclusion in the financial sector. Women have been in community groups' activities for decades and the phenomenal growth of women owned businesses has made headlines for three decades. However, not many of them can boast of running successful business enterprises with about 50% of them failing in the first year and 95% failing within the first five years (Moya, K, 2013), downloaded from, www.moyak.com/papers/small-business-failure.html, on 8th February, 2013. The reasons for the failure of women owned businesses are given as due to lack of management knowledge and skills.

In Embu North District, women owned businesses have sprout in market places, in farms and along road reserves. However, despite this high growth rate of women owned business compared to men owned businesses; businesses owned by women are still smaller compared with business owned by men. The sizes of women owned businesses seem to remain the same throughout. The gap in the number of businesses owned across gender has however narrowed nationally but the average revenues of majority women owned businesses were still only 27% of the average majority men owned businesses; downloaded on 8th February, 2013 from wsj.com/article/SB10001424052748704688604575125543191609632.html. This study, therefore, seek to establish the influence of the availability of informal financial groups on the growth of women owned businesses in Embu North District.

1.3. Purpose of the Study

This study intended to establish why despite women entrepreneurs being in informal financial groups for decades, their enterprises have remained micro and informal in nature while most of them fail to pick up.

1.4. Objectives of the study

The objectives of this study were;

1. To establish how the lending policies by the available informal financial groups influence the growth of women owned businesses in Embu North District.
2. To determine how the loan sizes offered by the available informal financial groups influence the growth of women owned businesses in Embu North District.
3. To establish the extent to which membership to an informal group influence growth of women owned businesses in Embu North District.
4. To examine how literacy level of personnel in the available informal financial groups influence growth of women owned businesses in Embu North District.

1.5. Research Questions

The study was guided by the following questions;

1. How do lending policies by the available informal financial groups influence the growth of women owned businesses in Embu North District?
2. How does the loan sizes offered by the available informal financial groups influence the growth of women owned businesses in Embu North District?
3. How does membership to the available informal financial groups influence the growth of women owned businesses in Embu North District?
4. How does literacy level of the personnel in the available informal financial groups influence the growth of women owned businesses in Embu North District?

1.6. Significance of the Study

This was an important study especially in this era where the Kenyan Government intends to reduce the level of poverty, promote gender equality as well as empower women in the country as outlined in the millennium development goals and Kenya's vision 2030. The results of this study would therefore assist the government in policy formulation that would be based on the facts as outlined by women entrepreneurs.

Women entrepreneurs would benefit from favourable government policies designed as per their needs as well as the good services well designed for them resulting from these favourable government policies. When policies formulated favour women entrepreneurs, women will be able to conduct businesses that are likely to advance and be formalized. This will improve the living standards not only of women entrepreneurs but also their households as well as improve government revenues as more entrepreneurs participate in formal business enterprises. The results of the study would also be beneficial to other researchers who may be interested in this topic in future.

1.7. Delimitation of the Study

The study was conducted in two (2) of the seven (7) locations of Embu North District. The locations studied were selected through purposive sampling. The study was controlled by the study variables which were; lending policies by the available informal financial groups, loan sizes offered by the available informal financial groups, membership to an informal financial group and the literacy level of the personnel in the available informal financial groups and the influence they have on the size and type of women owned businesses as well as the number of women owned businesses.

1.8. Limitations of the Study

This was a qualitative study using a survey research design. The nature of this research design is that, large amount of data is involved. Due to limitation of resources that include time, the study covered only two (2) of the seven (7) locations in Embu North District. The study was also limited to informal financial groups registered with the Department of Gender and Social Development in the District. The results of the only apply to Embu North District and therefore cannot be generalized for other areas not covered by this study.

1.9. Assumptions of the Study

The study was based on the assumptions; that the respondents would participate freely without fear, and hence would answer questions correctly and truthfully, and that the two sampled locations would be a representative of the whole of Embu North District.

1.10. Definition of Significant terms

Influence – the power to affect another

Availability – present and availability for use; accessibility

Informal financial groups – community groups that offer financial services that include savings and loaning to their members without licenses to do so.

Growth – rise, advancement, development or change in status

Women owned businesses – these are business enterprises that are wholly controlled and managed by women or

Formal microfinance institutions – refers to registered institutions with business licenses to conduct the business of lending money to the women entrepreneurs.

Informal microfinance institutions – these are non-licensed institutions that lend money to entrepreneurs including women entrepreneurs.

Joint liability lending – this is a system of lending money to group members where all borrowers are jointly liable for each other's loan.

Microfinance institutions – designate financial institutions dedicated to assisting small enterprises, the poor and households who have no access to the more institutionalized financial system, in mobilizing savings and obtaining access to financial services. They range from small scale self-help groups to large poverty-target banks that provide loaning services to small and micro enterprises.

Self Help Groups – these are groups formed at the community level and whose members have a common goal or objective, especially in fighting poverty. They usually comprise of both men and women as members.

Small and micro enterprises – these are small scale businesses which are not necessarily registered. They operate their businesses by paying for a short term license ranging from one day to one year.

Women groups – these are informal groups formed at community level and comprises of either full women membership. However men can be members but should not exceed 1/3 of the membership or be in the group leadership.

Youth groups – they are informal groups whose membership is in the age group 18-35 years. However those above 35 years can be members but should not exceed 1/3 of the membership and should not be in leadership positions.

1.11. Organization of the study

The study was on the influence of the informal financial groups on the growth of women owned businesses in Embu North District. The research seek to establish how lending policies by the available informal financial groups, loan sizes offered by the available informal financial groups, membership to an informal financial group and the literacy level of the personnel in the available informal financial groups influence the size, type and the number of women owned businesses in Embu North District. The study assumed that the respondent sampled would be a representative of Embu North District; would cooperate well and would answer the questions correctly and truthfully. The findings of this study are expected to be beneficial to the community in Embu North District especially those interested in entrepreneurship, the available informal financial groups, and formal microfinance institutions interested in women entrepreneurs, researchers and the government in formulation of policies that are community based.

CHAPTER TWO

LITERATURE REVIEW

2.1. Introduction

This chapter outlined the literature, based on previous studies that had been conducted and were directly or indirectly related to this study. According to Aryeetey, (1995), most studies conducted in Africa show that informal financial arrangements varied from country to country and from region to region although there were also considerable commonalities in terms of operating principles and rationale. Aryeetey further pointed out that the rationale for the existence of each informal financial arrangement is the identification of niches that operators believe are the best suited to address since informal financial arrangements are often purpose-oriented hence are developed to meet the demand for specific financial services, that leads to the existence of significant variations in the goals of different social groups and communities hence the emergence of different informal financial units.

This chapter reviewed literature on microfinance and women empowerment; micro and small enterprises in Africa; informal financial institutions in Africa; micro finance and women entrepreneurs in Kenya; why microfinance institutions generally focus on women; reasons for participating in micro credit programmes; reasons why smallholders participate in informal financial groups ; and some common types of informal financial groups in Kenya ; the gaps identified in the literature review, and the conceptual framework based on the identified gaps the researcher will use as the variables of the study.

2.2. Microfinance and women empowerment

Women are becoming increasingly visible in the domestic and international sphere. Women owned businesses are highly increasing in the economies of almost all the countries (Kaur, K & Kaur, R, 2012). Skills, knowledge and adaptability in business are seen as the main reasons for women to emerge onto business ventures. Charantimath, (2009), identified various reasons as being behind the rapid growth of women entrepreneurs in India namely; economic necessity where some women work full-time and cannot make ends meet, hence enter into business; the need to solve and share problems; corporate women hitting the corporate glass ceiling ,become dissatisfied in their positions hence opt into business where they become their own bosses; for freedom and flexibility especially for mothers with young children who have to juggle their work life with their families; and also as a result of direct and indirect financial support.

Kaur, K & Kaur, R (2012), further argued that if the conditions of women are to be developed, then women have to be empowered. This supports a former president of India's view that, "Empowering women is a prerequisite for creating a good nation, when women are empowered, society with stability is assured. Empowerment of women is essential as their thoughts and their value systems lead to the development of a good society and ultimately a good nation". This concurs with Women Enterprise Fund slogan, a Kenya's flagship project in the achievement of Kenya's Vision 2030, that, "You empower a woman; you have empowered a family and a whole nation." Kaur further emphasized that, women empowerment is possible only through a scheme of entrepreneurship which is Self Help Groups, which enable the poor rural women to earn their own living besides participating in the process of development. In these groups, peer support and solidarity is generated. The groups directly help the women increase their incomes by providing loans for productive enterprises, which is an investment in the poor and an engine of development. These credits are combined with support services, a viable market and extension services. The journal further advocates for an exclusive women financial institution that can cater to the financial requirements of women belonging to all sections of the society. Such an institution would perform better due to undivided attention and pointed focus on their declared objectives, in this case being the provision of better credit facilities suiting the requirements of its exclusive women clientele.

Aryeetey, E., (1995) pointed out that, in India, and the world over, the commercial sector has for a long time avoided rural areas and the informal enterprises deeming these as non-profitable and risky. This led to the poor turning to local money lenders who may sometime overcharge, hence the need for well controlled and formal microfinance institutions. One of the powerful approaches to women and rural entrepreneurship is the formation of Self Help Groups. This strategy fetched noticeable results not only in India but the world over with groups being increasingly used as a tool for various developmental interventions. Adjetei, (1978), and Ashiley, (1986), identified a number of informal entities and distinct financial arrangements in Ghana which included; money lenders, saving and credit associations, mutual assistance groups, landlords, neighbours, friends and family members. However, for the purpose of this study, the researcher was limited to savings and credit financial associations which take the form of self help groups.

Aryeetey, (1995), pointed out that according to studies, micro financing in India has had mixed results. In most programs, women benefited to a limited degree and many did not control the loan use. At the same time, resources and time invested in economic activities were limited by responsibility for

household consumption and unpaid domestic work. Most women were engaged in low paid traditional female activities; hence increases in income were small. These programs sometimes created domestic tension between spouses and loss of spousal income and support. The issue of group repayment sometime created pressures among women as many women focused on personal rather than social objectives.

2.3. Micro and small enterprises in Africa

Africa's private sector consists of mostly informal micro-enterprises operating alongside large firms. They mostly take over opportunities that the large firms would consider non-viable due to their operating costs and profit margins.

Despite providing the highest percentage in employment, small and microfinance enterprises are generally weak in Africa. This is because of small local markets, undeveloped regional integration and very difficult business conditions, which include cumbersome official procedures, poor infrastructure, dubious legal systems' inadequate financial systems and unattractive tax regimes. Many firms stay small and informal and use simple technology that does not require great use of national infrastructure. The smallness of these firms protect them from legal proceedings since they have few assets to seize on bankruptcy, hence are more flexible in uncertain business conditions. This study focused on establishing how the size of these informal financial institutions influence growth of women owned businesses.

These enterprises have very little access to deposit and credit facilities and other financial services provided by formal financial institutions. This is quite a challenge to development bearing in mind the large population of the poor in Africa and the importance of the informal sector in the economy. Aryeetey, (1995), appreciate the dynamism and innovation in informal finance but doubt their capability of rapidly transforming the financial landscape in Africa. Indigenous African financial institutions tend to perform better in Africa than those that are not indigenous. The important thing is therefore to determine the type of support to be given to these informal institutions with a view to stimulating innovation. Financial and monetary sector policies can only be effective if strong links are established between formal and informal segments of the financial market. However, the inclusion of informal segments into financial and monetary projections is hindered by the fact that very little is known about the economics of the informal activities. There is therefore the need for African governments to obtain a fuller understanding of financial operations of these informal institutions for development of policies;

know who is involved and the various role each actor plays; and to know the size of the informal segment and the implications it has for the whole financial system (Aryeetey and Hyuna 1991).

2.4. Informal financial institutions in Africa

Informal finance thrives on the inadequacies of the formal financial system (Roemer and Jones, 1991), and usually target individuals, small-scale businesses and the agricultural sector (Adams and Fitchett, 1992).

According to previous studies, the products of informal financial arrangements are not particularly suitable for financing small growing businesses in Africa but have been of considerable use in the financing of small agriculture and consumption business. They however appreciate that the informal financial arrangements have greater potential for enhanced participation in small business finance (Aryeetey, 1995). This study was therefore to seek to unravel this potentiality of the informal financial groups' participation in small business financing. Aryeetey further pointed out that, financial arrangements that involve both deposit mobilization and direct lending appear to be newer institutions that have not been known for long.

Global Coalition for Africa, (1993) projected a steady decline in the net Overseas Development Assistance (ODA) from all sources to African countries. This increased the demands or attempts at domestic resource mobilization more essential. However, despite moderately rising incomes, many African countries have experienced low financial savings. GCA, (2003) attributed this to a lack of confidence in the stability of many systems of many countries as a result of years of interference in the operations of those systems by the respective governments. This lack of confidence led to savers looking for elsewhere to do their savings, especially in the informal sector. Chipeta and Mkandawire, (1991); and Aryeetey and Hyuna, (1991) viewed this as the reason why informal segments of the financial markets in many countries are likely to be larger than the formal ones.

According to USAID, (1989), the informal finance is significant and therefore policy makers should take heed of whatever lessons these activities have to offer before reforming the entire financial system. Also, the continual disregard of informal finance in financial and monetary policy matters is inappropriate for the development of an efficient financial system.

UNIDO, (2003) identified people living in the rural peripheries, and especially women as shouldering the burden of the world's poverty, particularly in the least developed countries and Sub-Saharan Africa. The organization also viewed the eradication of poverty as being a shared objective of the international community that can be achieved through the implementation of the Millennium Declaration of the

United Nations which stipulates the target of halving the proportion of the world's people whose income is less than one dollar a day by 2015. The Third millennium development goal is to promote gender equality and empower women as effective ways to combat poverty, hunger and diseases and to stimulate development that is truly sustainable. This has been intervened through social mobilization, awareness creation and sensitization, and institutional strengthening and programme implementation. These assist in mobilization of the necessary resources and have contributed in the formation of community based groups. On the other hand, the first millennium development goal is to eradicate extreme poverty and hunger. This has been intervened through rural income generation that include credit and rural financial services, farmers associations, development of small holders markets catalyzing the formation of producers and processor groups, market promotion and development leading to formation of marketing and value addition groups. The question to be answered through this study was how these informal groups contribute to the growth of women owned businesses.

In most African communities, women are known to have access to resources but no control over these resources. According to Evans, (2001), the idea of women in business at the start of 20th century seemed crazy; and that in those days, men held all positions of power and made all decisions about money. Also, men believed that a woman's place was in the home, looking after her children, cooking for her family and managing the house. Riria, (2011), concurred with this when she argued that, in the period 1991, women found it difficult to access loans from banks. Riria pointed out that, women were even threatened and got a hearing only if accompanied by men in financial institutions. Riria further argued that until and unless women take control over the asset and wealth that they create, no country will attain real sustainable and growing economy.

Women are however known to operate more effectively in groups than men. According to Johnson, (2009), women are significantly more likely to use informal groups than men which result in their increased inclusion in the financial sector. Johnson attributed women's effective operation in groups to gender norms where social sanctions like disgrace and shame act as mechanisms which force people repay money lent to them and that women's value of social networking and solidarity keep them together. This made it important to understand how women's participation in these groups contributes to their involvement in business activities.

Johnson *et al.*, (2009) conducted a survey in Kenya on the role of informal groups in the financial market and established that it was essential to understand the social dynamics in the groups if effective policies are to be developed. Johnson gave three options regarding the role of informal sector groups in developing development policy for the financial sector; ignore these informal financial institutions and focus on the development of the mainstream financial sector; engage directly with informal groups in a bid to improve their operations in a way that will deliver higher quality services to some of the poorest people who currently lack access to financial services; or seek to understand the way informal groups not only provide services but develop the mental models of their users towards more rational rule bound mechanisms and intervene to find ways to support this transition. This therefore called for a lot of literature concerning these informal groups and their operations for better or enhanced understanding in order to assist in financial and monetary policies development.

According to Johnson, (2009), use of financial services in Kenya could be categorized as; use of formal services like commercial banks and post bank at 18.5%; use of semi-formal services like MFIs and SACCOs at 8.1%; use of informal financial institutions at 35%, and financially excluded population at 38.3%. Based on those findings, the population that use informal financial institutions, and that excluded from such services were very high, totaling to about 73.3%. That being the case, the government cannot risk ignoring this population in the formulation of financial and development policies hence the importance of this study.

2.5. Microfinance and women entrepreneurs in Kenya

With the rise of microfinance institutions, the number of small and micro enterprises has also followed suit, most probably due to the aspect of financial inclusion or the broad access to financial services by the informal sector that provide for the absence of price and non-price barriers in the use of financial services (Johnson, 2009).

Small and micro-enterprises in Kenya are characterized with activities that are survivalist in nature as they are performed mostly by people who have been unable to find a job or get into an economic sector of their choice. The income generated from these activities usually fall short of the minimum income standard with little capital invested, no skills training in the particular field and limited opportunities for growth into a viable business. This category of enterprise is characterized with poverty and the attempt

to survive, yet a big percentage of the population survive in it hence constitutes a vast challenge which has to be tackled within the broader context (Kiiru and Mburu, 2007).

According to UNIDO, (2003), women entrepreneurs view the establishment of a productive business as a means to improve their status in society as well as their family's standard of living and to serve their community by creating employment opportunities. This has however remained a challenge due to lack of technical skills, confidence, strong individual involvement and the willingness to take risks, hence inability of the women to establish and sustain successful businesses. In the programmes by UNIDO, women in Kilifi and Murang'a faced several major constraints which included inability to judge the profitability of their operations due to a lack of basic accounting skills, insufficient technical and business management skills as well as socio-cultural constraints. Women entrepreneurs were therefore being encouraged to organize themselves in a business association through which they could get in touch with like-minded women, exchange ideas and take part in policy preparation processes that determine the future of micro and small scale enterprises.

Kiiru, (2007), viewed microfinance in Kenya as having had insignificant impacts but have a role in improving the household incomes of the rural poor. The whole argument was based on the notion that, to realize the dream of lending to the poor, earlier credit interventions had to focus on the now familiar set of three constraints; high transaction cost per loan when lending at small scales; determining the risk of potential borrowers and monitoring the progress of clients which is particularly difficult when the clients are poor and in the informal sector; and that many low income households lack assets and collateral that can be used as security for the loans.

Governments in addressing these constraints took it upon themselves to subsidize bank loans to poor households thus providing the banks with incentives to lend to the poor. Government subsidies were used to keep interest rates low in order to make credit affordable to poor borrowers, (Kiiru and Mburu, 2007). However, that has not significantly improved use of formal financial institutions at the expense of informal ones as established by a survey conducted by Johnson (2009) on the use of informal groups in Kenya. The survey showed that, use of informal groups stood at 35% compared to 18.5% for formal services, with 38.3% being financially excluded and about 8.1% using semi-formal services. This data show the great potential these informal groups have in providing financial services to a great proportion of the population, hence the need to fully understand their operations and involving them in development of financial and monetary policies.

On the linkage between informal groups and semi-formal or formal microfinance institutions, Kiiru, (2007), argued that the success of these microfinance institutions was possibly due to the approach they used of the Joint Liability Lending where many programmes ask borrowers to form a group in which all borrowers are jointly liable for each other's loans; individual group members engage in intensive monitoring of each other; microfinance institutions rely heavily on the promise of repeated loans for borrowers who performed well; and that those institutions imposed forced savings by individual group members to lower the risks of moral hazards. This works to the advantage of the microfinance institutions as it lower the transaction costs and the risk of default in loans repayments. On the part of the community, the advantage was that the poor with no collateral were able to access loans as long as they could be able to join a group. The main problem with this approach was that the borrowers could become addicted to debts by borrowing to clear previous debts making the borrower come face to face with debts leading to depletion of household capital assets as well as other livelihood assets thereby leaving the household exposed and more vulnerable.

Most of those studies focused on the relationship between formal financial institutions and the informal ones especially on how the formal financial institutions supported members of the informal institutions by virtue of their membership. However, not much has been done on how the informal financial institutions support their members through provision of financial services in order to engage in business activities. This study focused on how informal financial institutions or groups assisted their members, in this case women, with financial services that in return supported the growth of their businesses.

2.6. Micro finance institutions and Women Entrepreneurs

Research has shown that income accruing to women in the household has a great impact on household expenditures as compared to that accruing to men (Kiiru, 2007). Women, unlike men are socially able to come together and form groups hence have an opportunity to gather week after week to conduct business in group meetings. According to Johnson (2009), women are significantly more likely to use informal groups than men thereby enhancing their inclusion in the financial sector. Women operate more effectively in groups because of gender norms whereby social sanctions like disgrace and shame act like mechanisms which force to repay their loans and remain in groups. Also, women's value for social networking and solidarity keep them together. The formal Micro Finance Institutions and other Non-Governmental Organizations take this opportunity to channel their financial and non-financial services like entrepreneurial training. Through these groups, women are able to borrow, monitor each

other and hence be able to repay the loans. This established other non-financial services that women achieve on the basis of their participation in groups activities.

2.7. Importance of participating in micro credit programmes

Kiiru (2007) argued that depending on the household characteristics and socioeconomic status of the household, there are two main reasons why microfinance and informal entrepreneurship become attractive to households in poor rural areas. One reason being the possibility to exploit a potentially good business opportunity making the microfinance a good source of capital. This is an opportunity driven entrepreneurship where the borrower acquire capital needed to exploit a good income generating idea.

The other reason is where a borrower search for immediate survival funds since no other opportunity is available. This is what is termed as survival driven financing. Households looking for fast cash for survival would most likely consume most of the small loans or part of it. If this is done in non-productive household activities, it may increase its chances of depleting household assets in the process of repayment. However, some survival driven households may invest part of the loan in some kind of informal micro-enterprises (Kiiru and Mburu, 2007).

2.8. Reasons why smallholders participate in informal financial groups

Commercial banks and other formal institutions fail to cater for the credit needs of smallholders due to their lending terms and conditions. Their rules and regulations have created the myth that the poor are not bankable since they cannot afford the collateral, hence are not creditworthy (Adera, 1995). This is despite the fact that, small scale enterprises have become an important contributor to the Kenyan economy that contributes to the national objective of creating employment opportunities, training entrepreneurs, generating income and providing a source of livelihood for the majority of low income households in the country. 70% of such enterprises are located in rural areas and account for 12-14% of GDP, hence a high potential for contributing to rural development (Republic of Kenya, 1994). According to Schrieder and Cuevas (1991), most of the rural poor especially women have greater access to informal credit facilities than formal sources, a reason why these informal financial institutions cannot be ignored.

2.8.1. Types of informal financial groups

Most informal financial groups take the form of groups or associations that take deposits from members and provide varying forms of financial services to the members and sometimes to others. Their services are mainly intended to smooth the consumption patterns of members over short periods of time (Aryeetey, 1995). They sometimes finance very small business enterprises that formal finance cannot reach as well as consumptions for households that do not have access to formal consumption credit (Chipeta & Mkandawire, 1991). They also play a welfare or insurance function as they operate as mutual assistance associations as members seek to support each other in times of personal or household crises (Mauri, 1987; Aredo, 1993).

Johnson, (2009) identified some of the common informal financial groups as; welfare/clan groups; ROSCAs; ASCAs; and investment clubs. These financial institutions fall under self-help organizations and do well so long as the level of economic activity demands increased financial services for groups that cannot be reached by formal financial institutions (Chipeta & Mkandawire, 1994; Soyibo, 1994). For the purpose of this study, the researcher focused on ROSCAs and ASCAs as most of the informal financial institutions fall under any of these two categories.

2.8.1.1. Rotational Savings and Credit Associations (ROSCAs)

Rotating Savings and Credit Associations (ROSCAs) normally operate among people with fairly regular incomes, both salaried employees and market women. The savings are allocated to investments as well as consumption (USAID, 1989). They develop mostly in response to the lack of access to credit by SMEs forcing members to rely on their own savings and other informal credit sources for their financing.

It is an important source of credit in the country, found in both rural and urban areas as either registered or unregistered welfare groups. ROSCAs mainly provide credit to those who would most likely be ineligible to borrow from formal sources, and are the most commonly used savings and credit service. Rural residents are more likely to use ROSCAs than urban residents, and women are more likely to use them than men (Johnson, 2009).

2.8.1.1.1. Common features in Rotational Savings and Credit Associations

ROSCAs are a very basic and simple form of financial intermediation that has a very high degree of flexibility. Group members determine the amount to be saved, number of people in the system, regularity of contributions, number of people to receive a payout on each occasion and the use to which funds can be put. ROSCAs have clearly defined beginning and end points in the cycle, hence can be

disbanded and reformed. These groups employ a selection bias which assists a group to survive by eliminating problematic participants, meaning that at one point in time, such groups may have changed their membership in the process. Most of these groups are relatively new or a few years old due to their high rate of failure and the participants being busy trying new groups until they find ROSCAs that suit their needs (Bouman, 1995). Most premature deaths of ROSCAs are as a result of financial irregularities (Dagnelie and Le May-Boucher, 2008). This could be due to lack of the necessary skills in records keeping and financial management. This focused on the level of training of the personnel in the informal financial groups and their influence on the growth of women owned businesses.

Most of these groups are managed by a committee and such tend to perform better than those managed by an individual. The committees consist of elected leaders and such groups have written rules that guide in managing the affairs of the group. When power is invested in the hands of a few, the chances of failure are high as the few manipulate the operations of the group as a quick way to obtain wealth (Bouman, 1995). Defaults are also minimal in these types of groups. According to Alila, (1992), defaults are minimal as members could use gifts in some cases to make up the default as they view debt as a social relation. Nelson, (1995), pointed out that these systems allow for negotiated temporary default, concurring with Nelson, (2004), who argued that these systems allow for renegotiation of debts where members could pay at a later date thereby reducing the risk of entering debt relations as compared to formal sector. This study established how management of these groups influence growth of women owned businesses.

2.8.1.1.2. Gender prevalence in Rotational Savings and Credit Associations

According to Johnson (2009), women are more likely to use ROSCAs than men. Most of the women who use ROSCAs make smaller contributions as opposed to what men would like to save. The main purpose for these savings by women is smaller expenditures such as small household assets, clothing and other items for everyday expenditure. On the other hand men usually require access to larger amounts for larger expenditures. These include expenses such as school fees, farm inputs and larger assets and these expenditures usually come together, hence the need for such larger amounts. Due to these, men opt for formal financial institutions where finances are not as limited as they are in the informal institutions. This option is favoured by the fact that in Kenya, men unlike women have both access to and control over resources like land and other properties, hence can provide collaterals for loans seek from these formal financial institutions.

Women's value of networking and solidarity make them stick together in groups. Their groups have low default rate as they apply social sanctions like disgrace and shame mechanisms which are more effective for women than men in relations to debt repayment. Women often prefer single sex ROSCAs and will actively exclude men. Since women tend to save smaller amounts, these groups give women opportunities in saving accumulation by the time their turns come (Johnson, 2004). Default and collapse of a group may also be associated with gender. According to Burman & Lambete, (1995), mobility of men means that the potential of them to migrate and leave debts behind are higher, and that men tend to default with higher amounts.

2.8.1.2. Accumulating Savings and Credit Associations (ASCAs)

In exception of ROSCAs, ASCAs allow funds to accumulate in a fund which is not paid out or bid for each meeting but those who wish to take loans do so with interest, the payment of which enables the fund to grow. The shareholders, who are usually the savers or group members, earn a return on their savings in the form of a dividend when the fund is liquidated or paid out. The dividends can also be paid out on annual basis without the ASCA being fully liquidated. Operations in ASCAs are more complex compared to ROSCAs. According to Johnson, (2009), more educated people are significantly more likely to use ASCAs than those with no education, probably due to the greater complexity of their operations. These associations involve more complex systems of book-keeping and custodianship of funds belonging to the group that has not been lent out. This is unlike ROSCAs where there is uniformity of members' contributions and as much money as possible is lent out to reduce the risk of funds mismanagement by one or a few members (Bouman, 1994).

2.9. Gaps in literature review

According to Aryeetey, (1995) most studies conducted in Africa on informal finance were aimed at; characterizing the informal sectors of the informal market by analyzing the rationale for their existence, estimating their size, and providing a detailed description of their operations; analyzing any possible relationship between formal and informal finance; and establishing the efficacy of microeconomic policies, bearing in mind the existence of strong informal financial segment

Kiiru, (2007), and Johnson, (2009), explained why women are more likely to participate in informal financial groups compared to men. However not much has been said on how their participation in these informal financial groups influence the growth of women owned businesses. This research therefore focused on the common features found in informal financial groups and determining how they influence

growth of women owned businesses. These features included lending policies; loan sizes; membership to informal financial groups and the literacy level of personnel in the informal financial groups.

2.9.1. Lending policies

This study focused on some of the features that are associated with lending policies. These included; screening of potential borrowers, collateral required from potential borrowers and the interest rates charged on the loans given out. Access to financial services by smallholders is normally seen as one of the constraints limiting their benefits from credit facilities. In most cases, this access problem is created due to the institutions' lending policies as in; prescribed minimum loan amounts, complicated application procedures and restrictions on credit for specific purposes. Where the duration of credit, terms of payment, required security or collateral, and provision of supplementary services do not fit the needs of the target groups' potential borrowers, group members will not apply for credit even when it exists, and when they do, they will be denied (Schmidt and Kropp, 1987).

2.9.1.1. Screening

All lenders attach greater importance to screening which invariably determine lender's trust on the borrower to repay. The trust is improved by borrowers being members of a group or association that lenders can control. Informal units that offer credit services hence create distinct groups or associations that they can control or use to capture information about potential clients (Aryeetey, 1995). Bell, (1990), demonstrated that incomplete information or imperfect contract enforcement generate the possibility of loan default and eventually problems of credit rationing. Informal institutions therefore work well as they depend on personal relationships, trust on the person introducing the borrower and the history of repayment of the borrower which assist in the process of screening.

2.9.1.2. Collateral

Surveys on micro enterprises in Kenya have shown that most of these enterprises are located in rural areas. Parker and Torres, (1994), attributed this to 78%; while Central Bureau of Statistics, (1999), attributed this to 66%. Despite this high population, many financial institutions especially commercial banks rarely lend to small and micro enterprises since they emphasize collateral which most SMEs lack. Most of these banks are located in urban areas hence making it difficult to provide services to enterprises located in rural areas. They also discourage frequent withdrawals or attach charges on frequent withdrawals increasing the transaction costs. These micro entrepreneurs therefore rely on

their own savings and informal credit, hence prevalence of informal financial institutions in rural areas (Oketch, 1995).

2.9.1.3. Interest rates

Hoff & Stiglitz, (1990), observed that money lenders continue to exist and continue to apply high rates that are much higher than those of formal institutions. The duration of loaning influence the interest rate, ranging from 10% for short term loans to between 50% to 100 for long term loans.

Short-term loans are usually lent on monthly basis where the principal amount and the interest are paid back at the end of the month. However, the loan can be renewed whereby the interest is paid at the end of the month and the principal considered a new loan thereby attracting another interest rate at the end of the month. Long term loans usually cover several months to a year. The principal and interest are lumped together and paid in monthly installments over a period agreed upon by the two parties. This study aimed at establishing the interest charged by the informal financial groups as compared to other local financial institutions.

2.9.1.4. Mode of lending.

For the purpose of this study, the researcher focused on two main groups; ROSCAs and ASCAs and determined how money is lent to a group member. ROSCAs refer to rotational, saving and credit associations and are merry go round in nature; while ASCAs involve accumulation of savings by members and those willing to take loan can do so with an interest which after repayment allows the fund to grow. ROSCAs give a member an amount equivalent to her savings while ASCAs give members any amount a member request at an interest as long as it is available and according to a group's constitution or by-laws (Johnson, 2004; Dagnelie and Le May-Boucher, 2008). The researcher determined how the mode of lending influenced loan uptake; hence growth of women owned businesses in Embu North District.

2.9.2. Loan sizes

Although informal credit institutions have proved relatively successful in meeting the credit needs of small enterprises in some countries, their limited resources restrict the limit to which they can effectively cater for the high demand (Atieno, 2001). As micro enterprises expand in size, the characteristics of the loans they require become increasingly difficult for informal credit sources to satisfy, despite their small sizes for formal lenders (Aryeetey, 1995). This limitation of resources

influence the amount of money loaned to the interested entrepreneur. Under loan sizes, the researcher focused on members' deposit, outside sourcing of fund by the group and how amount loaned to members influenced the growth of women owned businesses.

2.9.2.1. Member's deposit

The amount of money women wish to save in ROSCAs is much smaller than that saved in ASCAs (Johnson 2004). This means that in ROSCAs what a group member receives will be equivalent or in proportion to the particular member's contribution only that it is paid in advance except for the last beneficiary. In ASCAs, the deposit is allowed to accumulate and interested members are lent money at an interest the repayment of which enables the fund to grow. The savers, also called shareholders earn a return on their savings in the form of a dividend when the fund is liquidated or paid out. The dividends may also be paid out on annual basis without the ASCA being fully liquidated.

2.9.2.2. Outside sourcing of funds

Due to limitation of financial resources, some groups are known to look for funds from other sources including formal microfinance institutions. The groups take money as loans which are then loaned to group members at an interest usually higher than that of the lending institution (Johnson, 2009). The researcher focused on outside sourcing of funds and their effect on loans uptake, hence growth of women owned businesses.

2.9.2.3. Amount loaned

Loan amounts are relatively small; however the fact that they can be regularly received ensures smooth expenditure patterns for many entrepreneurs who would like to make immediate payments to their suppliers to ensure a regular flow (Aryeetey, 1995). The research focused on what determine the amount loaned to members of the informal financial groups.

2.9.3. Membership to an informal group

Membership is an essential tool for screening and for ensuring that contracts are enforced (Aryeetey, 1995). This study focused on the aspect of the number, gender and age of members, and how they influence growth of women owned businesses in Embu North District.

2.9.3.1. Number of members

Sizes of groups are controlled by keeping them at levels that can be effectively managed hence acts as a constraints on the number of people who may have access to loans from the groups (Aryeetey, 1995). It may therefore be assumed that the bigger the group, the higher the number of women entrepreneurs. In this study, the researcher focused on determining how the number of group members influence the growth of women owned businesses in Embu North District.

2.9.3.2. Gender

According to Johnson (2009), women are significantly more likely to use informal groups than men and that they operate more effectively in groups because of gender norms. Social sanctions like disgrace and shame acts as mechanisms which force people to repay their loans and their value of social networking and solidarity keep them together. Women often prefer single sex groups and will actively exclude men. This study focused on finding out how gender of group members influence growth of women owned businesses by focusing on both single sex women groups and mixed self help groups in Embu North District.

2.9.4. Literacy level of personnel in the informal financial groups

According to Bouman (1994), illiteracy leads to difficulties in overseeing books and records which can be used as a source of power by those keeping them. This may lead to fraudulent behaviour by falsifying the records without the knowledge of other members. If not well checked, frauds or financial mismanagement leads to conflicts and collapse of groups. In this study, the researcher focused on the academic or professional qualifications of the group leaders and other related support services like support management and support training in the informal financial groups.

2.9.4.1. Academic qualifications

According to Johnson (2009), effectiveness in these groups can be realized by improving transparency and accountability in their operations. This means that the groups are engaged in financial operations that require some formal education. This study seek to find out the academic levels of the group officials who are trusted with the operations of these groups influence women's growth of women owned businesses in Embu North District.

2.9.4.2. Support management

Most informal financial groups especially in rural areas have membership with no formal education or with low level of literacy. However, these groups still conduct their operations and some have lived for years. According to Johnson, (2009), some ASCAs are managed through outsourcing of management services where financial records are managed by individuals who are not members of a group. In this study, the researcher was interested on whether informal financial groups in Embu North District outsource for support management for their groups.

2.9.4.3. Support training

According to Johnson (2009), other groups receive training on entrepreneurship, leadership skills, financial management and other related courses that assist them to manage the operations of the group regardless of their level of academic qualifications. This study focused on finding out whether informal financial groups in Embu North District outsource for support training.

2.10. Conceptual framework

This study was based on work of Stiglitz and Weiss (1981) which challenges the paradigm of competitive equilibrium. Henceforth, analysts have explored the implications of incomplete markets and imperfect information for the functioning of credit markets in developing countries. The work of Stiglitz and Weiss, (1981), marked the beginning of attempts at explanations of credit rationing in credit markets that involve the issues of interest rates, sorting potential borrowers, different terms of contracts and the resultant behavior of the borrowers.

Independent variables

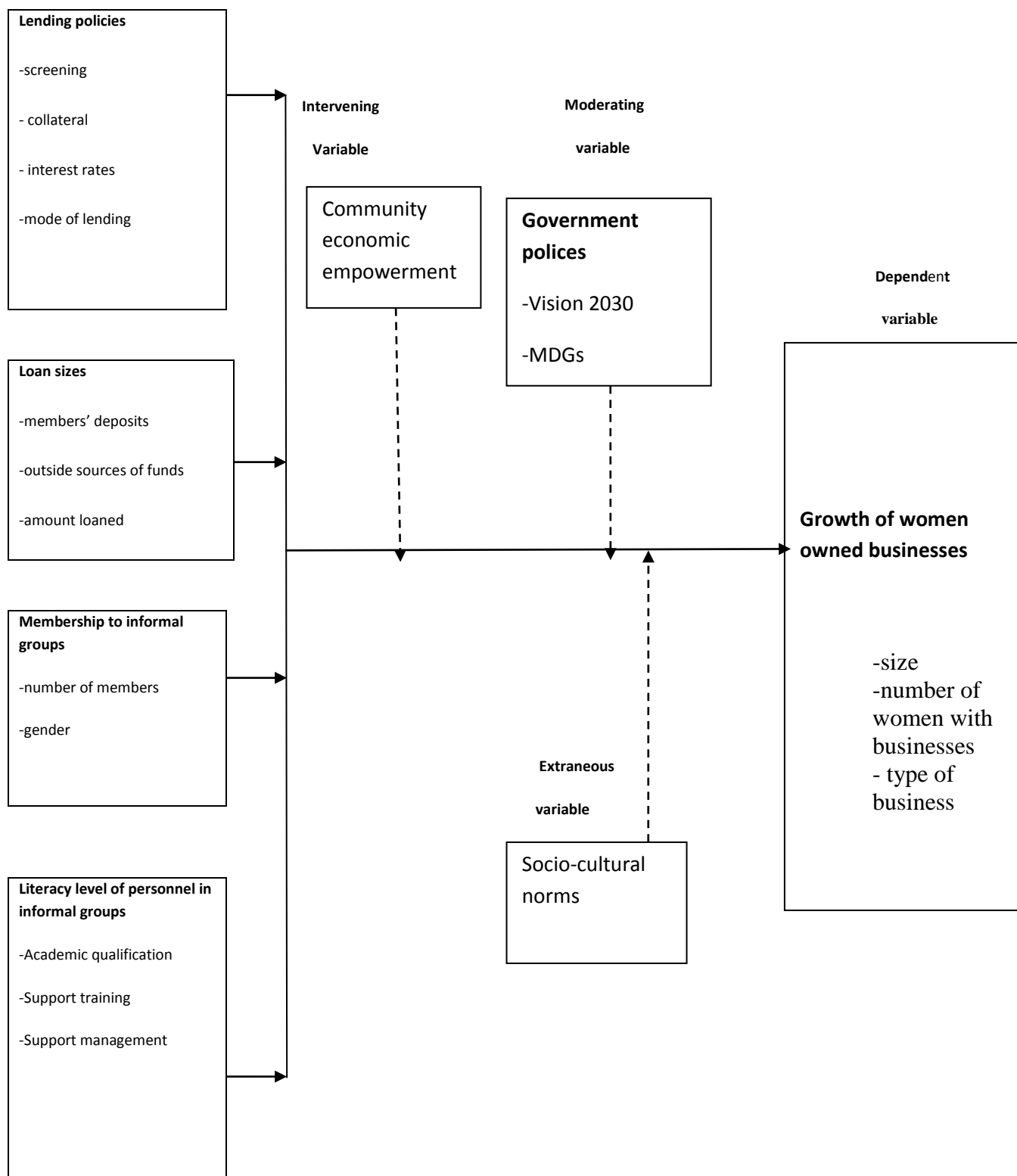


Figure 1. Conceptual framework

As indicated on the conceptual framework, lending policies, loan sizes, membership to an informal financial group, and the literacy level of personnel in the informal groups are the independent variables that most likely influence the growth in the size of women owned businesses, types of women owned businesses, and number of women owned businesses in Embu North District. These are the variables that the study concentrated on. Others include the moderating, extraneous and intervening variables. Moderating variable was identified as government policies including the Kenya's Vision 2030 and the Millennium Development Goals; extraneous variable identified included socio-cultural norms especially those based on ownership, access and control of resources; while intervening variable identified was community economic empowerment. These were however not be considered in the study.

2.11. Summary

According to Kiiru (2007), persistent increase in informal micro-entrepreneurship within a locality may not necessarily be a sign of economic empowerment of the households but could rather be an indicator of a non-performing economy; a sign of many bottleneck to the formalization of enterprises or could be a sign of adapting to poverty rather than escaping poverty. Kiiru also pointed out that research has not done much to demystify the role of microfinance and poverty reduction in any meaningful objective. The thesis points out that, researchers are still engaged on explaining particular specific results in specific contexts.

Gulli, (1998), argued that the issue of how and when poverty can be reduced through microfinance depends among other things on whether and how microfinance programs address real constraints faced by the poor in a certain context; Mayoux, (2002), viewed microfinance as having negative impacts on women's welfare; Khandker, (2006), concluded that microfinance had significant positive impact in Bangladesh; while Kiiru, (2007), concluded that microfinance has had insignificant impacts in Kenya.

This trend according to Kiiru, (2007) has continued to make the debate on microfinance extremely provocative and has the potential to make it difficult for policy makers who would like to make use of research to guide further policy on microfinance. Through this study, more information on how informal financial groups operate was gathered to add on to what other researchers have done. The results of the study would provide policy makers with a point of reference when dealing with issues of informal financial groups and their influence on the growth of women owned businesses.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Introduction

This chapter has discussed the procedure and strategies that were used in the study. Research design, target population, sampling procedures, methods of data collection, validity and reliability, operational definition of variables, methods of data analysis and ethical considerations were all discussed.

3.2. Research Design

The researcher used a descriptive survey research design which is most appropriate for collecting data about characteristics of a large population. Wiersma, (1985), pointed out that a survey design is concerned with gathering of facts or obtaining pertinent and precise information concerning the current status of a phenomenon and where possible, draws possible conclusions from the facts obtained. The Survey was done both qualitatively and quantitatively using the cross-sectional design which is the most appropriate for this study. The researcher used questionnaires and interview schedule as the main tools of data collection .Documentary analysis was also used as a tool of data collection especially in the identification of the registered informal financial groups at the department of gender and social development and for any other necessary information documented by the sampled groups. These tools of data collection provide an easy accumulation of data (Mugenda and Mugenda, 2003).

3.3. Target Population

The study involved informal financial groups that engage on the provision of financial services like saving and loaning activities to women in Embu North District. Since it was not possible to access the unregistered informal financial groups, the study relied on available data on registered and active groups with women as members that are readily available at the District Gender and Social Development Office. Actives groups were identified as those that have renewed their registration certificates for the year the study was taking place. The groups involved in this study were women groups, youth groups and other self help groups with both men and women as members. However, men groups were not included in the study. Self help groups and youth groups were in particular be used to provide data that the researcher used to determine how the gender of members of the informal financial groups influence growth of women owned businesses in Embu North District.

The study covered two (2) of the seven (7) locations in the district, that is Mbuvari and Kathangariri which is about 28.6% of the total population. The study involved fifty eight (58) groups out of a total of two hundred and eighty eight (288) groups in the two selected locations. This formed about 20.14% of the total population. Women groups were twenty (20); thirty one (31) self help groups and seven (7) youth groups.

3.4. Sampling procedure

Slavin, (1984), observed that due to limitation of time, resources and energy, a study can be carried out from a carefully selected sample to represent the entire population. It has been recommended that at least 20%-30% sample is a good representation (Borg and Gall, 1989). This study considered 20% of registered women groups, self help groups and youth groups in each of the selected locations in the district.

Since the Embu North District comprises of seven administrative locations, two (2) locations were selected. This represented about 28.6% of the population in the district, hence a representative sample according to Borg and Gall, (1989) who recommends between 20-30% of the population. The sample size of the each of the three categories to be involved in the study were; women groups 20.41%, self help groups 20.26% and youth groups will be 20%.

The researcher used both purposive sampling and stratified random sampling. Purposive sampling was first done to select groups engaged in informal financial activities from those engaged in other activities. It was also used to select the two locations to be used in the study. Stratified random sampling was also used where the sample was separated in to women groups, self help groups and youth groups.

The administrative locations used in this study were Mbuvari and Kathangariri, and the selected sample was as per the data available at the DGSDO's office in Embu North District. On the sampling of the locations, the researcher used purposive sampling methods, considering that the two locations have the highest number of registered and active informal financial groups hence provide a better representation of the population under study. The sample size was as follows;

Table 3.1. Registered and active informal financial groups in Mbuvari Location at the DGSDO's office in Embu North as at 31st December, 2012

No. of the groups (n) = 133

Type of group	No. of groups	Sample size	% of sample
Women groups	44	9	20.45
Self help groups	74	15	20.27
Youth groups	15	3	20
Total no. of groups	133	27	20.3

Table 3.2. Registered and active informal financial groups in Kathangariri Location at the DGSDO's office in Embu North as at 31st December, 2012

No. of the groups (n) = 153

Type of group	No. of groups	Sample size	% of sample
Women groups	54	11	20.37
Self help groups	79	16	20.25
Youth groups	20	4	20
Total no. of groups	153	31	20.26

3.5. Tools of Data collection

The study was conducted by the use of questionnaires and interview schedules as tools of data collection. A combination of these data collection tools provides a substantial amount of data hence the necessary tools in a qualitative research.

Self administered questionnaires were administered to either the chairperson, Secretary or the treasurer of the youth groups on assumption that the personnel have basic formal education hence will be able to read, interpret and answer the questions correctly and truthfully. They were written in simple English language and if need be, they were interpreted. Three (3) questionnaires were administered in Mbuvari location; while four (4) were administered in Kathangariri location, making a total of seven (7) questionnaires. Closed ended questions were used.

Interview schedules were administered to either the chairperson, Secretary or the treasurer of the women groups and other self help groups assuming that most of the group members may not have formal education. These were administered collectively by the researcher or research assistants who were first trained and guided on how to use the interview schedules. The questions on the schedule were similar to those on the questionnaires. Twenty four (24) interview schedules were administered to groups in Mbuvari location; while twenty seven (27) interview schedules were administered to groups in Kathangariri location, making a total of fifty one (51) interview schedules.

3.6. Validity

The instruments were checked and validated by a expert, in this case a university supervisor who is a research expert before they are administered to the respondents. A mock study was then conducted to test the research instruments by administering the validated instruments to some respondents in the neighbouring Ngandori West Location within Embu North District. Two women groups, two self help groups and two youth groups were involved in the mock study. The results of the mock study answered the research questions; hence the instruments were adopted for use in the study.

3.7. Reliability

This is a necessary condition for validity. To ensure this was achieved, the instruments used in the study were first validated by a technical person, a University Supervisor. A test-retest was done where the instruments were administered to six (6) respondents, two (2) from each of the three categories of informal groups for testing and after a period of about two weeks, they were administered again to another group of respondents in the selected neighbouring location, Ngandori west. The findings from the two tests tallied, hence the instruments were considered reliable for the actual data collection.

3.8. Operational definition of variables

Table 3.3. Operationalization of variables

The table below defines the concepts and how each was measured;

Objective	Variables	Indicator	Measure	Scale
1. To establish how the lending policies by the available informal financial groups influence the growth of women owned businesses in Embu North District.	Lending policies	-screening - collateral - interest rates -mode of lending	-Screening policies - existence of collateral agreement -percentage of interest -accumulated saving/credit lending	-nominal -nominal -ordinal -ordinal
2.To determine how the loan sizes offered by the available informal financial groups influence the growth of women owned businesses in Embu North District	loan size	-members' deposits -outside sources of funds -amount loaned	-Amounts -Amounts -Amounts	-ordinal -ordinal -ordinal
3. To establish the extent to which membership to an informal financial group influence growth of women owned businesses in Embu	membership	-number of members -gender	Number -sex	-Nominal -Nominal

North District.				
4.To examine how literacy level of personnel in the available informal financial groups influence growth of women owned businesses in Embu North District	Level of Academic qualification	-Academic qualification -Support training -Support management	-Academic level -Professional certificates - management agreements	-ordinal -ordinal -nominal
	Growth of women owned businesses	-Size of business -Number of women with businesses - type of business	-Number of employees -number -licensing	-nominal -nominal -nominal

3.9. Methods of Data Analysis

The data was analysed descriptively. After collection, the data was first edited and then assigned to the four research questions/objectives. The data was then interpreted in regard to the four research questions to establish the relationship between the availability of informal financial groups and the growth of women owned businesses in Embu North District. The researcher used the Statistical Package for Social Sciences (SPSS) to analyse the data collected. The researcher used frequency tables and percentages to establish the relationship between different variables of the study.

3.10. Ethical considerations

The researcher obtained an introduction letter from the DGSDO's office to collect data from the registered community groups. The researcher also informed the respondents that the information being

collected would only be for research purposes only and the respondents' identity would be kept confidential.

3.11. Summary

This chapter outlined descriptive survey as the research design used and why it was the best for this study. Through purposive sampling the respondents used in the study was 20.14% of the whole population. Questionnaires and interview schedules were used as tools of data collection. Questionnaires were administered to youth groups on assumption that they had basic formal education while interview schedules were administered to women and self help groups on assumption that members may lack basic education. The research tools were validated by an expert who in this was a supervisor from the University of Nairobi before being administered and re-administered to check on their validity and reliability.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1. Introduction

This chapter focuses on data analysis and presentation of findings from the research objectives that are; to establish how the lending policies by the available informal financial groups influence the growth of women owned businesses in Embu North District; to determine how the loan sizes offered by the available informal financial groups influence the growth of women owned businesses in Embu North District; to establish the extent to which membership to an informal group influence growth of women owned businesses in Embu North District; and to examine how literacy level of personnel in the available informal financial groups influence growth of women owned businesses in Embu North District. The data is presented using frequency tables for easy analysis and presentation. Statistical analysis of the findings was by the use frequency tables and percentages.

4.2. Instruments Response and Return rate

Table 4.1 below shows the number of questionnaires and interview schedule that were administered, those that were filled correctly and returned and the percentage of the return rate. For easy analysis the response return rate was conducted collectively for both the questionnaires and the interview schedules.

Table 4.1. Instruments return rate

Category of group	No. administered	No. returned	% returned
Women Groups (W.G)	20	18	90
Self Help Groups (S.H.G)	31	30	96.7
Youth groups (Y.G)	7	7	100
Total	58	55	94.8

Two sets of data collection tools were developed for women/self help groups and the youth groups. The women groups sampled were 20, out of which 18 interview schedules were filled accordingly and

returned. This represented a 90% return rate. For Self Help Groups, a total of 31 groups were sampled out of which 30 interview schedules were correctly filled and returned, representing a 96.7% return rate. The youth groups sampled were 7 in total and the 7 questionnaires administered to the groups were well filled and returned, representing 100% return rate. In total, 58 informal financial groups were sampled, out of which 55 data collection tools were correctly filled and returned. This represented 94.8% return rate. This response and return rate is considered adequate as according to Idrus and Newman (2002), a response rate of 50% is good enough in social sciences

4.3. Demographic characteristics of respondents

This is basically the information or biodata of the population that was interviewed in this study. The research sample included women groups, self help groups and youth groups. This section has analyzed age, gender and education level of the respondents in the three categories of the informal financial groups.

4.3.1. Age of respondents

It was necessary to have a background of the age distribution of the respondents. The respondents were requested to indicate the age group in which they fit. Table 4.2 below shows respondents' age distribution.

Table 4.2. Distribution of the respondents by age

No. of respondents=55

Age distribution	frequency			Percentage		
	W.G	S.H.G	Y.G	W.G	S.H.G	Y.G
18-25	0	0	1	0	0	14.3
26-33	0	0	6	0	0	85.7
34-41	9	6	0	50	20	0
42 and above	9	24	0	50	80	0
Total	18	30	7	100	100	100

The data from Table 4.2 above indicates that both women groups and self help groups prefer membership from individuals who are in their late phase of the youth age bracket as opposed to those in the early phase of the youth age bracket. The youngest in the two categories of groups were between the age group 34 – 41 at 50% and 20% respectively. None of the groups had members below the age of 34 years. The same case applied to the youth groups where none of the sampled groups had membership above the age of 33 years. This information shows a significant disparity in age of groups' members in the informal financial groups. It is evident that the groups need to be encouraged to include a proportion of members from various age groups to complement each other in areas of deficiencies like formal education and experience in running groups affairs.

4.3.2. Distribution of respondents by gender

It was also necessary to have a background of the gender distribution of respondents. The respondents were therefore asked to indicate their gender especially for the questionnaires administered on youth groups. For women groups and self help groups, the researcher and the research assistants would use observation as a data collection technique. Table 4.3 below shows gender distribution of respondents

Table 4.3. Distribution of respondents by gender

No. of respondents=55

Type of group	frequency			Percentage		
	W.G	S.H.G	Y.G	W.G	S.H.G	Y.G
Female	18	24	4	100	80	57.1
Male	0	6	3	0	20	42.9
Total	18	30	7	100	100	100

The information from Table 4.3 shows that women groups prefer single sex membership in the groups. Women groups comprised 100% women membership, while memberships in the self help groups and youth groups categories was also skewed towards the female gender at 80% and 57.1% respectively. The data from table 4.3 above shows a significant gap in gender participation in self help groups and youth groups where neither gender is controlled in informal groups' membership, while women groups have a preference of a single sex membership. It is evident that more men need to come up and get involved in informal financial groups' activities to enhance productive competition and unbiased inclusion in the informal financial sector.

4.3.3. Education level of respondents

Education level of respondents was viewed as necessary to be understood during the study. The respondents were asked to indicate their level of education, which were categorized into; degree level, diploma level, secondary certificate and primary certificate. Table 4.4 below indicates the respondents' level of education;

Table 4.4. Education level of respondents**No. of respondents=55**

Education level	Frequency			Percentage		
	W.G	S.H.G	Y.G	W.G	S.H.G	Y.G
Degree	0	0	0	0	0	0
Diploma	0	0	1	0	0	14.3
Secondary Certificate	12	12	6	66.7	40	85.7
Primary Certificate	6	18	0	33.3	60	0
Total	18	30	7	100	100	100

The data in Table 4.4 above indicates that most of the respondents had a secondary certificate and below. Only 14.3% of the respondents in youth groups' category had a diploma level of education with none in all categories of the informal financial groups having a degree certificate. Self help groups had the highest respondents with a primary certificate level of education at 60%, followed by women groups' category at 33.3%. The data shows that no respondents from the youth groups' category had a primary certificate. Secondary certificate level of education was the most dominant with 66.7%, 40% and 85.7% for women groups, self help groups and youth groups respectively. It is evident from the data that, more people with degree and diploma certificates need be encouraged to join informal groups for inclusion in the informal financial sector especially with the current high rate of unemployment.

4.4. Lending policies and growth of women owned businesses

There was need to understand the various policies employed by informal financial groups in provision of financial services to their members. The study focused on policies associated with lending such as screening, collateral and interest rates.

4.4.1. Screening and growth of women owned businesses

Respondents were requested to indicate how often they conducted screening of potential borrowers before loans could be granted to them. Four categories of were provided from which respondents were required to indicate the one that apply to their groups. Table 4.5 below shows the frequency of screening as indicated by the respondents;

Table 4.5. Frequency of screening

No. of respondents=55

Frequency of screening	Frequency			Percentage		
	W.G	S.H.G	Y.G	W.G	S.H.G	Y.G
Rarely	0	0	0			0 0 0
Often	0	0	1	0	0	14.3
Always	15	30	5	83.3	100	71.4
Not a requirement	3	0	1	16.7	0	14.3
Total	18	30	7	100	100	100

The data on Table 4.5 above indicates that only 16.7% and 14.3% of the respondents in women groups and youth groups respectively do not take screening as a requirement for loaning. 100% of the respondents from the sampled self help groups conduct screening always before loans can be granted, while 83.3 % and 71.4% of the respondents from women groups and youth groups respectively conduct screening always before loans are granted. It is evident from the information that screening is an important exercise in informal financial groups before loans can be granted.

4.4.1.1. Effects of screening on loans uptake

To establish the effects of screening on loans uptake, respondents were asked to indicate what happens when screening is not conducted before loans are given out to potential borrowers. The respondents were required to indicate whether inn such a case loans uptake goes up; loans uptake goes down or whether lack of screening has no effect on loans uptake. Table 4.6 below shows the effects of lack of screening as indicated by the respondents;

Table 4.6.Effects of screening on loans uptake

No. of respondents=55

No screening policy	Frequency			Percentage		
	W.G	S.H.G	Y.G	W.G	S.H.G	Y.G
Uptake goes up	15	30	3	83.3	100	42.9
Uptake goes down	0	0	0	0	0	0
No change on uptake	3	0	4	16.7	0	57.1
Total	18	30	7	100	100	100

The data from Table 4.6 above shows that, when screening is not conducted before loans are granted, loans uptakes go up with 83.3% and 100% of respondents in women groups and self help groups respectively supporting it. However, 57.1% of the respondents among the respondents in youth groups indicated that, lack of screening policies have no effect on loans uptake as opposed to only 16.7% of respondents in women groups indicated. It is evident from the data that more women would engage in business activities would there be no screening before loans are granted.

4.4.2. Collateral and growth of women owned businesses

Most lenders give out loans when there is collateral to guarantee the security of the money lent out. It was therefore necessary to find out whether informal financial groups request for security before giving out loans and also to establish how this security is guaranteed. Respondents were therefore requested to indicate how borrowers guarantee the security of the money being lent to them by choosing among joint liability, personal assets, members savings, both personal assets and members savings or whether collateral is not required. Table 4.7 below indicates how borrowers secure their loans based on the responses of the sampled respondents.

Table 4.7.Mode of security for loans granted**No. of respondents=55**

Mode of security	Frequency			Percentage		
	W.G	S.H.G	Y.G	W.G	S.H.G	Y.G
Joint liability	0	0	0	0	0	0
Personal asset	6	6	1	33.3	20	14.3
Member's savings	10	18	5	55.6	60	71.4
Both personal asset and savings	2	6	0	11.1	20	0
Not required	0	0	1	0	0	14.3
Total	18	30	7	100	100	100

Most of the respondents indicated that members' saving is the most common mode of security with 55.6%, 60% and 71.4% for women groups, self help groups and youth groups respectively. Women groups had the highest respondents among the three categories of the groups who use personal assets as security for loans granted at 33.3% as opposed to self help groups and youth groups with 20% and 14.3% respectively. It was only among youth groups where 14.3% of the respondents indicated that security for the loan granted was a requirement. The data from Table 4.7 above indicate that most informal financial groups secure the loans they grant to their borrowers.

4.4.2.1. Effect of lack of collateral on loan uptake

It was necessary to understand how lack of collateral or security policy for loans being granted to borrowers influence loans uptake. Respondents were provided with three options from which to indicate how lack of collateral or security for loans granted affect loans uptake. Table 4.8 below indicates the responses as provided by the sampled respondents;

Table 4.8: Lack of Collateral and loan uptake

No. of respondents=55

Effect of lack collateral	Frequency			Percentage		
	W.G	S.H.G	Y.G	W.G	S.H.G	Y.G
Uptake goes up	18	24	7	100	80	100
Uptake goes down	0	6	0	0	20	0
No effect on uptake	0	0	0	0	0	0
Total	18	30	7	100	100	100

The information from Table 4.8 above shows that without collateral being imposed on potential borrowers, loans uptake goes up with 100%, 80% and 100% the respondents among women groups, self help groups and youth groups supporting this. Only 20% of the respondents among self help groups indicated that without collateral, loans uptake would go down. It is however expected that without collateral, most people would go for loans. It can therefore be assumed that the 20% of the respondents among women groups could have misunderstood the question

4.4.3. Interest rates and growth of women owned businesses

Borrowing of funds usually has a cost implication. It was therefore necessary to understand how informal financial groups charged interests on the loans granted as compared to other formal financial institutions. Respondents were required to indicate whether their interest rates were higher, equal or lower than those offered by the available formal financial institutions. Table 4.9 below shows how respondents rated their interest rates as compared to formal financial institutions;

Table 4.9. Groups' interest rates compared to formal financial institutions

No. of respondents=55

Interest rate	Frequency			Percentage		
	W.G	S.H.G	Y.G	W.G	S.H.G	Y.G
Higher	16	30	5	88.9	100	71.4
Equal	0	0	0	0	0	0
Lower	2	0	2	11.1	0	28.6
Total	18	30	7	100	100	100

The data from Table 4.9 above indicates that interest rates offered by informal financial groups are usually higher compared to those offered by available formal financial institutions. Self help groups led at 100%, women groups at 88.9% while youth groups had 71.4%. It was only among women groups and youth groups where 11.1% and 28.6% of the respondents indicated that their interest rates were lower than those of available formal financial institutions. Further probing revealed that those respondents who indicated that their interest rates were lower than those of available formal institutions did not consider the duration of loans repayment.

4.4.4. Mode of lending and growth of women owned businesses

Informal financial groups offer lending services based on accumulated saving and lending, rotational saving and lending or both. Respondents were asked to indicate how they conduct their lending business based on the three. Table 4.10 shows the respondents' view on this;

Table 4.10. Mode of lending among informal financial groups

No. of respondents=55

Mode of lending	Frequency			Percentage		
	W.G	S.H.G	Y.G	W.G	S.H.G	Y.G
Accumulated saving & lending	5	6	2	27.8	20	42.86
Rotational saving & lending	1	6	1	5.6	20	14.29
Both	12	18	3	66.6	60	42.86
Total	18	30	7	100	100	100

The data from Table 4.10 above indicate that informal financial institutions usually use both accumulated saving and lending and rotational saving and lending at 66.6%, 60% and 42.86% for women groups, self help groups and youth groups respectively. Only 5.6%, 20% and 14.29% of the respondents in women groups, self help groups and youth groups respectively use rotational saving and lending commonly known as merry go round as the only way of providing lending services. Accumulated saving and loaning commonly known as table banking had preference as the only way of lending among 27.8%, 20% and 42.86% of the respondents in women groups, self help groups and youth groups respectively. It is evident from the information in table 4.10 above that the culture of saving is developing in informal financial groups but more emphasis should be put to enhance savings.

4.5. Loan sizes and growth of women owned businesses

Amount lent for business purposes have direct influence on growth of a business. It was therefore found necessary to establish how loan granted influence growth of women owned businesses. Respondents were requested to indicate how they ensured that loans granted to borrowers were utilized in business enterprises. Table 4.11 indicates how respondents from the three categories of informal financial groups ensured that money borrowed was utilized for the purpose it was meant for;

Table 4.11. Loan uptake and utilization in a business enterprise**No. of respondents=55**

Loans utilization follows up	Frequency			Percentage		
	W.G	S.H.G	Y.G	W.G	S.H.G	Y.G
Baseline survey	0	0	2	0	0	28.6
Follow up	18	24	3	100	80	42.9
Demand for progress reports	0	0	0	0	0	0
No need as long as the pay	0	6	2	0	20	28.6
Total	18	30	7	100	100	100

The information from Table 4.11 above indicate that there is a significant concern in informal financial groups to ensure that loans granted to women entrepreneurs are utilized for business purposes. This was evident with 100%, 80% and 42.9% of the respondents among women groups, self help groups and youth groups respectively making follow ups on borrowers, while 28.6% among youth groups conduct baseline surveys before loans are granted. It was only 20% and 28.6% of the respondents among self help groups and youth groups respectively who saw no need of ensuring that the loans were utilized for business purposes as long as borrowers paid back. This tend especially on the high rate of making follow ups on loans utilization may explain why many small businesses have sprout up among women in Embu North District.

4.5.1. Members deposits and growth of women owned businesses

There was a need to establish the frequency at which informal groups members deposited their money with the groups as the higher the frequency of deposit, the more the money a group can have to give out as loans. Respondents were asked to indicate how often the deposited money with their groups by choosing from; daily, weekly, monthly or twice a month. Table 4.12 indicates the frequency of deposit in the three categories of groups;

Table 4.12. Frequency of group members' deposit in informal financial groups

No. of respondents=55

Frequency of deposit	Frequency			Percentage		
	W.G	S.H.G	Y.G	W.G	S.H.G	Y.G
Daily	0	0	0	0	0	0
Weekly	2	4	2	11.1	13.3	28.6
Monthly	16	20	5	88.9	66.7	71.4
Twice a month	0	6	0	0	20	0
Total	18	30	7	100	100	100

The data in Table 4.12 indicates that most of the informal groups receive deposits from members on monthly basis with 88.9%, 66.7% and 71.4% for women groups, self help groups and youth groups respectively. Only 11.1%, 13.3% and 28.6% of the respondents in women groups, self help groups and youth groups respectively deposit on weekly basis, while 20% of respondents in self help groups deposited twice a month. It is evident from the information that the frequency of deposit in informal financial groups need be increased as this would also mean available funds for loaning to potential borrowers.

4.5.2. Outside sources of funds and growth of women owned businesses

Due to limitation of resources, informal financial groups tend to source for funds from other sources. It was therefore necessary to establish how outside sourcing of funds influence loans uptake as this would most likely affect growth of women owned businesses. Respondents were requested to indicate how outside sourcing of funds affect loans uptake in their groups. Table 4.13 below show how outside sourcing of funds affect loans uptake;

Table 4.13. Outside sourcing and loan uptake**No. of respondents=55**

Effect of outsourcing	Frequency			Percentage		
	W.G	S.H.G	Y.G	W.G	S.H.G	Y.G
Increase loan uptake	18	30	5	100	100	71.4
Decrease loan uptake	0	0	0	0	0	0
No effect on loan uptake	0	0	1	0	0	14.3
Never outsourced	0	0	1	0	0	14.3
Total	18	30	7	100	100	100

The information from Table 4.13 indicates that outside sourcing of funds increase loans uptake with almost all the respondents supporting this. This was evident as supported by the 100% among women groups and self help groups, and 71.4% among youth groups. The information also indicate that 14.3% of the respondents among youth groups have never outsourced for funding while 14.3% saw no effect on loans uptake. This trend among youth groups means that a lot of sensitization need be done among the youths and be encouraged to seek for funding in order to venture into business thereby reducing joblessness.

4.5.3. Source of outside financial support for financial groups

It was also necessary to establish where the informal financial institutions outsourced for funding. Respondents were requested to indicate the source of their funding by choosing between government agencies and local financial institutions. Table 4.14 shows outside sources of funds as indicated by the respondents;

Table 4.14. Outside sourcing and loan uptake**No. of respondents=55**

Source of training	Frequency			Percentage		
	W.G	S.H.G	Y.G	W.G	S.H.G	Y.G
Government agencies	10	20	5	55.6	66.7	71.4
Local financial institutions	8	10	1	44.4	33.3	14.3
None	0	0	1	0	0	14.3
Total	18	30	7	100	100	100

The data in Table 4.14 above shows that the main sources of outsourced funds for informal financial institutions were government agencies with 55.6%, 66.7% and 71.4% of respondents from women groups, self help groups and youth groups supporting this. 44.3%, 33.3% and 14.3% of the respondents in women groups, self help groups and youth groups respectively outsourced from local financial institutions, while 14.3% of the respondents in youth groups never outsourced. The preference for government agencies as the main source of outsourced funds could be as a result of the devolved funds by the Kenyan women and youth entrepreneurs. It is evident that local financial institutions need to market themselves more and offer women friendly products as they complement government as sources of funding for entrepreneurs.

4.5.4. Amount loaned and growth of women owned businesses

Amount of money loaned to women entrepreneurs would also mean availability of capital to venture in to business or to expand existing business enterprises. It was found necessary to establish what determines the amount of money loaned to a group member. Respondents were asked to indicate the determinants by picking on either of the following; availability of funds, availability of collateral, guarantor's deposit or member's deposit. Table 4.15 below indicates the determinants of the amount loaned based on the responses given;

Table 4.15: Determinants of amount loaned to group members

No. of respondents=55

Loan amountdeterminant	Frequency			Percentage		
	W.G	S.H.G	Y.G	W.G	S.H.G	Y.G
Availability of funds	3	7	3	16.7	23.3	42.85
Availability of collateral	2	3	1	11.1	10	14.29
Guarantor's deposit	0	0	2	0	0	28.57
Member's deposit	13	20	1	72.2	66.7	14.29
Total	18	30	7	100	100	100

The information on Table 4.15 shows that a member's deposit is the main determinant for amount of loan granted to women entrepreneurs especially in women groups and self help groups with 72.2% and 66.7% of the respondents supporting it. Availability of fund was the most popular among respondents in youth groups' category with 42.85% as opposed to member's deposit, guarantor's deposit and availability of collateral which scored 14.29%, 28.57% and 14.29% respectively. This trend in youth groups could be attributed by the fact that government has provided youth fund for young entrepreneurs, and the fact that this category was comprised of young and unemployed persons thereby affecting negatively their saving capacity hence depending on availability of funds more. It was also the only category that considers guarantor's deposit as a determinant to amount loaned at 28.57% probably due to this category comprising of majority of persons who lack property to offer as collateral. Availability of funds was the second highest determinant of the amount loaned to members at 16.7% and 23.3% among respondents in women groups and self help groups' categories respectively. This could be attributed to the devolved funds by the government that is interest free through Women Enterprise Fund and Youth enterprise development fund.

4.6. Membership and growth of women owned businesses

There was a need to understand some aspects or dimensions of membership in the informal financial groups. The study focused on the number of group members, gender and the age of group members.

4.6. 1. Number of members and growth of women owned businesses

Respondents were asked to indicate the number of members in their groups by choosing from various classes provided. Table 4.16 indicates the number of members in informal financial groups;

Table 4.16: Number of group members

No. of respondents=55

Number of members	Frequency			Percentage		
	W.G	S.H.G	Y.G	W.G	S.H.G	Y.G
10 – 14	5	0	1	27.78	0	14.3
15 – 19	10	10	4	55.56	33.33	57.1
20 – 24	0	5	0	0	16.66	0
25 – 29	3	5	2	16.66	16.66	28.6
30 and above	0	10	0	0	33.33	0
Total	18	30	7	100	100	100

From Table 4.16 above, it data shows that most informal financial groups prefer a membership of between 15-19 members with a support of 55.56%, 33.33% and 57.1% for women groups, self help groups and youth groups respectively. It was only in self help where membership in groups exceeded thirty (30) members with a support of 33.33%, while at the same time, it was the only category that had no membership of below fifteen (15) members, with women groups and youth groups being represented at 27.78% and 14.3% respectively. The membership category of between 25-29 members was fairly

represented with 16.66% for both women and self help groups' categories; and 28.6% in the youth groups' category. It is evident from the data that self help groups accommodate the highest number of members with all the respondents showing that this category of group has 100% membership above fourteen (14) members. This could be due to the fact that membership in these groups is more open irrespective of gender and age.

4.6.2. Gender of members in the informal financial groups

Gender of informal financial groups' members was considered an important dimension of the study. Respondents were therefore requested to indicate the gender of group members by showing whether female membership is less than a half, equal to men memberships, more than half of the group members or if all are female. Table 4.17 shows the gender of informal financial group members based on the criteria provided;

Table 4.17: Gender of members in informal financial groups

No. of respondents=55

Female membership	Frequency			Percentage		
	W.G	S.H.G	Y.G	W.G	S.H.G	Y.G
Less than a half	0	6	3	0	20	42.86
Equal to men	0	0	1	0	0	14.29
More than a half	0	24	2	0	80	28.57
All	18	0	1	100	0	14.29
Total	18	30	7	100	100	100

The data in Table 4.17 indicate that, women groups and self help groups have a very high representation of female membership at 100% and 80% for women and self help groups respectively. Only 20% of the respondents in self help groups indicated that female membership was less than a half of the total membership. The youth groups' category shows a fair distribution of groups with female membership with those with less than a half accounting for 42.86%; and a total of those with full female membership and those with more than a half of the membership accounting for the same, 42.86%. It was interesting

to note that it was only among youth groups that 14.29% of the respondents indicated that female and male membership were equal. Further probing revealed that the groups were formed by young couples. This could have contributed to the high number of female members of informal financial groups with no business enterprises as observed in table 4.18 below. This trend need be checked and discouraged especially when informal groups are being registered.

4.6.2.1. Women members with business enterprises

It was necessary to find out the number of women with a business enterprise in the informal financial groups. Respondents were asked to indicate whether women with business enterprises were less than a half, more than a half, all or none. Table 4.18 below representation of women with business enterprises as indicated by the respondents;

Table 4.18. Women members with business enterprises

No. of respondents=55

women members with businesses	Frequency			Percentage		
	W.G	S.H.G	Y.G	W.G	S.H.G	Y.G
Less than a half	0	6	1	0	20	14.29
More than a half	9	24	1	50	80	14.29
All	9	0	2	50	0	28.57
None	0	0	3	0	0	42.86
Total	18	30	7	100	100	100

The information in Table 4.18 above shows that women groups have the highest representation of women with business enterprises with 50% of the respondents indicating that women members with business enterprises were more than a half ; and the other 50% of the respondents indicating that all women members have business enterprises. Among respondents in self help groups, 80% of the respondents indicated that more than half of the women members have their own business enterprises, while 20% of the respondents in the same category of informal groups indicated that less than half of women members have business enterprises. The trend is worrying among youth groups where 42.86% of the respondents indicated that none of the women members own a business enterprise with only

28.57% of the respondents indicating that all women members own business enterprises. The rest was shared equally at 14.29% of the respondents indicating that less than a half and more than a half of the women members own a business enterprise. It is evident from this information that follow up on the utilization of funds borrowed must be emphasized.

4.6.2.2. Women entrepreneurs with an employee in their business enterprises

To have an understanding on the size of women owned businesses, it was found necessary to establish the representation of women entrepreneurs with at least an employee in their enterprises. The respondents were asked to indicate the number of women entrepreneurs with an employee by showing whether they were less than a half, more than a half, all or none. Table 4.19 below shows women entrepreneurs with an employee in their business enterprises;

Table 4.19. Women entrepreneurs with an employee in their business enterprises

No. of respondents=55

women entrepreneurs	Frequency			Percentage		
	W.G	S.H.G	Y.G	W.G	S.H.G	Y.G
with an employee						
Less than a half	3	0	3	16.7	0	42.86
More than a half	6	6	1	33.3	20	14.29
All	2	0	0	11.1	0	0
None	7	24	3	38.9	80	42.86
Total	18	30	7	100	100	100

The data in Table 4.19 shows that women groups lead with the highest representation of women entrepreneurs with no single employee in their businesses at 80% followed by youth groups at 42.86% and women groups at 38.9%. Only women groups were represented with 11.1% of the respondents indicating that all had at least an employee in their businesses. Youth groups had the least representation of women entrepreneurs with an employee in their businesses with 14.29% indicating that more than half of the women members had an employee, while 42.86% of the respondents indicated that less than half of the members have an employee in their businesses. Only 20% of the

respondents in self help groups indicated that more than half of the women entrepreneurs had an employee in their businesses. It is evident from the data that informal financial groups have not created employment opportunities for others apart from the entrepreneurs themselves as it would have been expected. With the high number of women in informal financial groups being engaged in business, this can be a source of employment opportunities if their enterprises can be expanded.

4.6.2. 3. Women entrepreneurs with licensed business enterprises

It was also found necessary to establish the number of women entrepreneurs with licensed businesses. Respondents were requested to indicate the number of women entrepreneurs with licensed businesses by indicating whether it was less than a half, more than a half, all of them or none. Table 4.20 shows the representation of women entrepreneurs with licensed business enterprises;

Table 4.20. Women entrepreneurs with licensed business enterprises

No. of respondents=55

Licensed businesses	Frequency			Percentage		
	W.G	S.H.G	Y.G	W.G	S.H.G	Y.G
Less than a half	10	12	2	55.56	40	28.57
More than a half	5	6	1	27.78	20	14.29
All	0	0	1	0	0	14.29
None	3	12	3	16.67	40	42.86
Total	18	30	7	100	100	100

The data in Table 4.20 shows that only 14.29% of the respondents in the youth groups' category indicated that all women entrepreneurs operated a licensed business. 27.78%, 20% and 14.29% of the respondents in women, self help and youth groups respectively indicated that more than half of the women entrepreneurs operated licensed businesses, while 55.56%, 40% and 28.57% of the respondents in women, self help and youth groups respectively indicated that less than half of women entrepreneurs operated licensed businesses. It is also indicated that, 16.67%, 40% and 42.86 % of the respondents in women, self help and youth groups indicated that none of the women entrepreneurs operated licensed

business enterprises. It is evident from the information that very few women entrepreneurs operate licensed businesses meaning that their capacity to borrow from formal financial institutions would also be limited. Women should therefore be encouraged to license their businesses to make them more formal and hence be able to access funds from formal financial institutions.

4.6.2.4. Age in years of groups members

To understand the distribution of age of group members in the informal financial institutions, respondents were asked to indicate the age group in which members of their groups fit in. Table 4.21 shows the age distribution of group members as indicated by the respondents;

Table 4.21. Age in years of groups members

No. of respondents=55

Age	Frequency			Percentage		
	W.G	S.H.G	Y.G	W.G	S.H.G	Y.G
18 – 26	3	4	1	16.7	13.3	14.3
27 – 35	6	8	6	33.3	26.7	85.7
36 and above	9	18	0	50	60	0
Total	18	30	7	100	100	100

The information in Table 4.21 above shows that none of the respondents in youth groups have members beyond the age of 35 years, with a representation of 85.7% in age group 27-35 and 14.3% in the age group 18-26 years. Women groups and self help groups have a significant representation of youth in their members with a representation of those below 35 years at 50% and 40% respectively. It is evident from the information that youth groups prefer members within the youth age bracket of between 18-35 years, and this could be affecting their involvement in establishing formal and successful business enterprises. It would be interesting to find out what happens to their members once they exceed the age of 35 years.

4.7. Literacy level of personnel in informal financial groups

Managers of organizations determine a lot how an organization would perform in achieving their objectives. It was therefore necessary to establish the literacy level of the officials in the informal financial institutions. Respondents were asked to indicate the highest level of education of the highest educated official in the groups by choosing among primary certificate, secondary certificate, diploma certificate or degree certificate. Table 4.22 below indicates the literacy level of personnel in informal financial groups as per the responses received;

Table 4.22. Literacy level of personnel in informal financial institutions

No. of respondents=55

Level of education	Frequency			Percentage		
	W.G	S.H.G	Y.G	W.G	S.H.G	Y.G
Primary certificate	5	18	0	27.78	60	0
Secondary certificate	10	12	4	55.56	40	57.1
Diploma certificate	3	0	3	16.67	0	42.9
Degree certificate	0	0	0	0	0	0
Total	18	30	7	100	100	100

The data in Table 4.22 above shows that none of the group officials has acquired a degree certificate, with a high representation being among secondary certificate holders at 55.56%, 40% and 57.1% for women groups, self-help groups and youth groups respectively. Self help groups had the highest representation of officials holding a primary certificate at 60% and women groups at 27.78%, while youth groups had none. Youth groups had the highest representation of diploma holders at 42.9% and women groups at 16.67%, while self-help groups had none.

It is evident from the information that degree holders must be encouraged to form or join groups and be job creators instead of jobseekers to reduce the rate of unemployment.

4.7.1. Other support training achieved by personnel in informal financial groups

Having understood the level of education of the personnel in the informal financial institutions, it was necessary to establish whether they have acquired any other support training. Respondents were asked to indicate the course they have been trained on. Table 4.23 shows the course trained on based on the responses received;

Table 4.23. Other support training achieved by personnel in informal financial groups

No. of respondents=55

Course trained	Frequency			Percentage		
	W.G	S.H.G	Y.G	W.G	S.H.G	Y.G
Financial management	0	2	1	0	6.7	14.3
Leadership skills	0	0	0	0	0	0
Entrepreneurship	12	18	4	66.7	60	57.1
None	6	10	2	33.3	33.3	28.6
Total	18	30	7	100	100	100

The data from Table 4.23 above shows that, majority of women entrepreneurs have been trained on entrepreneurship at 66.7%, 60% and 57.1% for women groups, self help groups and youth groups respectively. None of the respondents in women groups had been trained on financial management, while only 6.7% and 14.3% had been trained on financial management in self help groups and youth groups respectively. It is ironical that despite being groups' leaders, none of them in the three categories have been trained in leadership skills. It is also worrying that those who have never received any of the training represent a significant number with women groups and self help groups tying at 33.3% while youth groups followed closely at 28.6%. It is evident from the information that a lot of emphasis need to be put in support training services to women entrepreneurs to ensure that their business enterprises grow. It is also evident that some informal financial groups access outside funding without being trained and this could be risky to inexperienced investors.

4.7.1.1. Source of support training to informal financial groups

With government agencies and local financial institutions being the main source of outside funding, it was also necessary to establish who the main providers of support training are. Respondents were therefore asked to indicate who provide the support training by picking on either government agencies or local financial institutions. Table 4.24 below show the providers of the support training;

Table 4.24. Source of support training to informal financial groups

No. of respondents=55

Source of training	Frequency			Percentage		
	W.G	S.H.G	Y.G	W.G	S.H.G	Y.G
Government agency	15	25	6	83.3	83.3	85.7
Local financial institutions	3	5	1	16.7	16.7	14.3
None	0	0	0	0	0	0
Total	18	30	7	100	100	100

The information in Table 4.24 above shows that most of the support training is provided by government agencies women groups and self help groups tying at 83.3%, and youth groups at 85.7%. Support training by local financial institutions stood at 16.7% for both women groups and self help groups while that of youth groups stood at 14.3%.When referring to the source of outside funding, information in Table 4.14 showed the funding as 55.6%, 66.7% and 71.4% from government agencies to women groups, self help groups and youth groups respectively; while that of local financial institutions was 44.4%, 33.3% and 14.3% for women groups, self help groups and youth groups respectively. This trend was not the same with support training as indicated in Table 4.24 above. It is evident that local financial institutions must improve on provision of support training and ensure that funding is only given to trained groups. This would reduce defaults rates and also assist women entrepreneurs in establishing successful and formal business enterprises.

4.7.2. Support management and women owned businesses

It was necessary to have an understanding of who manages the informal financial groups and whether the groups get any support management from outside. The respondents were asked to indicate who is responsible for the overall management of the groups. Table 4.5.3 shows their respective responses;

Table 4.25. Informal financial groups' management

No. of respondents=55

Overall group manager	Frequency			Percentage		
	W.G	S.H.G	Y.G	W.G	S.H.G	Y.G
Elected officials	18	30	7	100	100	100
Contracted managers	0	0	0	0	0	0
Financial stakeholders	0	0	0	0	0	0
Total	18	30	7	100	100	100

The information in Table 4.25 indicates that all the informal financial groups sampled managed their groups by themselves. This being the case, it is therefore important their capacities through training to ensues effective and efficient management of the groups.

4.7.2.1. Respondents' rating of their groups' management

There being no support management for the informal groups, it was necessary to find out how management of these groups would be rated. Respondents were asked to rate the management of their groups by showing their level satisfaction. Table 4.26 below respondent's rating of their groups' managers;

Table 4.26. Respondents' rating of their group's management

No. of respondents=55

Rating	Frequency			Percentage		
	W.G	S.H.G	Y.G	W.G	S.H.G	Y.G
Satisfactory	12	26	4	66.7	86.7	57.14
Average	5	4	2	27.8	13.3	28.57
Excellent	1	0	1	5.5	0	14.29
Poor	0	0	0	0	0	0
Total	18	30	7	100	100	100

The data in Table 4.26 above shows that the respondents had no management issues with their groups' managers with none indicating poor management. Most of the respondents were satisfied with the groups' management at 66.7%, 86.7% and 57.14 for women groups, self help groups and youth groups respectively. 27.8%, 13.3% and 28.57% of the respondents indicated that their groups' management was average; 5.5% and 24.29% of the respondents rated their management as excellent in women groups and youth groups respectively; while none of the respondents in self help groups rated their groups' management as excellent. It is evident from the data in table 4.26 that the informal financial groups have confidence on their management. With such confidence on the management, any support provided to these informal financial groups be it financial or any other kind of capacity building would assist women entrepreneurs in establishing successful business enterprises.

4.7.2.2. Improving management of informal financial groups

Although respondents had no issue with the management of the groups, it was necessary to understand how they would like the management to be improved. Respondents were requested to indicate what they would like to be done in order to improve management of the informal financial groups. Table 4.27 below shows respondents' view on improving the groups' management;

Table 4.27.Improving informal financial groups’ management**No. of respondents=55**

Rating	Frequency			Percentage		
	W.G	S.H.G	Y.G	W.G	S.H.G	Y.G
Training of all group members	14	26	5	77.8	86.7	71.4
Training of group leaders	4	4	2	22.2	13.3	28.6
Outside sourcing of managers	0	0	0	0	0	0
Total	18	30	7	100	100	100

The data in Table 4.27 above indicates that none of the respondents supported outsourcing of managers to improve the groups’ management. Most of the respondents supported the issue of training of all groups’ members with a representation of 77.8%, 86.7% and 71.4% for women groups, self help groups and youth groups respectively. There was also a representation of those who supported the training of groups’ leaders as a way of improving group’s management at 22.2%, 13.3% and 28.6% for women groups, self help groups and youth groups respectively. It is evident from the data that more women group members’ value training as a way of improving groups’ management.

4.7.3. Improving the size of business enterprises

With most women owned businesses remaining small and micro in nature for very long, it was found necessary to find out how the sizes of their business enterprises would be improved. Respondent were asked about their views on improving the sizes of their businesses by choosing among provided options. Table 4.5.5 below shows respondents’ views on how the size of their businesses can be improved;

Table 4.28. Improving the size of business enterprises

No. of respondents=55

Strategy of improving size of business	Frequency			Percentage		
	W.G	S.H.G	Y.G	W.G	S.H.G	Y.G
Availability of linkages to market	7	11	3	38.9	36.7	42.9
Availability of subsidized loans	11	16	4	61.1	53.3	57.1
Amalgamation individual small businesses	0	0	0	0	0	0
Reduction of licensing fee	0	0	0	0	0	0
Training on entrepreneurship	0	3	0	0	10	0
Total	18	30	7	100	100	100

The data in Table 4.28 shows availability of subsidized loans as the most popular way of improving the sizes of business enterprises among women in informal financial groups at 61.1%, 53.3% and 57.1% for women groups, self help groups and youth groups respectively. Availability of linkages to markets was also well represented at 38.9%, 36.7% and 42.9% for women groups, self help groups and youth groups respectively. Only 10% of the respondents in the self help groups' category felt that training in entrepreneurship would be the best option. It is evident from the information that subsidized loans coupled with availability of linkages to market would boost improve the sizes of women owned businesses.

CHAPTER FIVE

SUMMARY OF THE FINDINGS, DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1. Introduction

This chapter entail a summary of findings from the responses on the questionnaire items by informal financial groups' leaders in women groups, self help groups and youth groups; discussion of findings in regard to the literature review and the objectives of the study; recommendations for policy action based on the outcome of the study; suggestions for further studies and contribution of the study to the body of knowledge.

5.2. Summary of the findings

Respondents for this study were sampled from three categories of informal financial groups; women groups, self help groups and youth groups where women membership is open. Women groups sampled were 20, out of which 18 interview schedules were filled accordingly and returned, representing a 90% return rate. For self help groups, a total of 31 groups were sampled out of which 30 interview schedules were correctly filled and returned, representing a 96.7% return rate. Youth groups sampled were 7 in total and the 7 questionnaires administered to the groups were well filled and returned, representing 100% return rate. A total of 58 informal financial groups were sampled, out of which 55 data collection tools were correctly filled and returned, representing 94.8% return rate. Age of respondents varied across the informal groups with none in the youth groups' category being above 35 years, and none in the women groups and self help groups being under 34 years. Gender of the respondents was 100% female for women groups, 80% female and 20% male for self help groups, and 57.1 female and 42.9 male for youth groups. The education level of respondents also varied across the three categories of informal financial groups with a high concentration of secondary certificate holders at 66.7%, 40% and 85.7% for women groups, self help groups and youth groups respectively. Respondents with primary level certificate were highly represented in self help groups at 60%, followed by women groups at 33.3% while youth groups had none. Only youth groups had a representation beyond secondary level certificate at 14.3% as diploma level holders.

Lending policies were found to be present in informal financial groups. Only 16.7% and 14.3% of the respondents in women groups and youth groups indicated screening as not being a requirement before loans are granted to borrowers. The rest conducted screening before giving out loans. Security of the

loans granted to women borrowers was highly valued with only 14.3% of respondents in youth groups indicating collaterals for loans granted not being a requirement. Collateral offered was either in the form of members' savings, personal assets or both. Members' savings was the most popular collateral at 55.6%, 60% and 71.4% for women groups, self help groups and youth groups respectively. Personal assets as collateral was present in both women groups and self help groups at 11.1% and 20% respectively but absent in youth groups. Some women groups and self help groups use both members' savings and personal assets collectively with a representation of 11.1% and 20% respectively. Interest rates among informal financial groups were indicated as being higher than in other local financial institutions with a representation of 88.9%, 100% and 71.4% for women groups, self help groups and youth groups respectively. Only 11.1% and 28.6% of the respondents indicated that their interest rates were lower than those of other local financial institutions. When respondents were asked about their mode of lending, all the three categories of groups were found to use both accumulated savings and loaning and the rotational saving and loaning collectively at 66.6%, 60% and 42.86% for women groups, self help groups and youth groups respectively. Those who used accumulated savings and loaning; and rotational saving and loaning separately were 27.8%, 20% 42.86%; and 5.6%, 20% and 14.29% for women groups, self help groups and youth groups respectively.

On the sizes of loans given to women borrowers, it was found that members deposit was a major determinant of the amount to be given to a borrower in women and self help groups at 72.2% and 66.7% respectively as opposed to other determinants. Amount loaned in youth groups depended mainly on the availability of funds at 42.85% compared to members deposit at 14.29%. When asked about the frequency of deposit by members, it was found out that most of them did it monthly at 88.9%, 66.7% and 71.4% for women groups, self help groups and youth groups respectively. Respondents were also asked about their main outside sources of funding, where 55.6%, 66.7% and 71.4%; and 44.3% 33.3% and 14.3% indicated government agencies and local financial institutions for women groups, self help groups and youth groups respectively. Except for 14.3% and another similar percentage of respondents from youth groups who indicated that outside sourcing had no effect or have never outsourced for funds, all the others agreed that outside sourcing of funds increased loans uptake.

Number of groups' members was found to range between 10 – 29 members with a high representation between 15 – 19 members. Only self help groups had a membership above 30 at 33.33% of the respondents supporting it and no representation below 15 members. Gender of members was highly skewed towards the female even in groups that allowed men to be members. It was found that the

women groups category allowed for only female members, with self help groups and youth groups having a representation of 20% and 42.86% of groups with female being less than a half. It was only in youth groups' category where equal membership of female and male was noted at 14.29%. Further probing revealed that the represented groups with equal female and male members were formed by young married couples. When asked about the number of women with businesses, it was found out that, 50% of the respondents in women groups had all their women members with businesses, while the rest had more than half of the members having businesses. It was also noted that among respondents in youth groups, 42.86% indicated that no women members owned businesses. It was also in women groups' category where 11.1% of the respondents indicated that all women members with businesses had an employee in their businesses. Self help groups had the highest representation of respondents who indicated that none of the women members with businesses had an employee at 80%, followed by youth groups at 42.86% and women groups at 38.9%. it was also noted that not many women owned businesses had licenses. Those with less than a half of the members with licenses were 55.56%, 40% and 28.57% for women groups, self help groups and youth groups respectively. Only 16.67%, 40% and 42.86% of the respondents in women groups, self help groups and youth groups indicated that all the women in their groups who had businesses had acquired licenses for them. When asked about the age of their women members, it was noted that youth groups had no representation from 36 years and above, as opposed to women groups self help groups who had 50% and 60% of their members at 36 years and above respectively.

About the literacy level of personnel in the informal financial groups, it was found that none had a degree, with a few representations at diploma level at 16.67% and 42.9% among women groups and youth groups respectively. Self help groups had the highest representation of primary level certificate at 60% and women groups at 27.78% while youth groups had none. Secondary level certificate was represented in all the three categories of informal groups at 55.56%, 40% and 57.1% for women groups, self help groups and youth groups respectively. When asked about any support training, 66.7%, 60% and 57.1% of the respondents indicated that they had received training on entrepreneurship among women groups, self help groups and youth groups respectively, while 6.7% and 14.3% had been trained on financial management in self help groups and youth groups respectively. A significant of those who had not received any support training was also noted at 33.3% for both women and the same for self help groups, and 28.6% for youth groups. Government agencies provided most of the support training at 83.3% for both women and self help groups and 85.7% among respondents in youth groups. Local

financial institutions also provided support training with a representation of 16.7% for women and self help groups each and 14.3% for youth groups.

All the respondents indicated that the groups' management was wholly by elected leaders and the rating of the group management was encouraging. 66.7%, 86.7% and 57.14% indicated that the management was satisfactory for women groups, self help groups and youth groups respectively. Only 5.5% and 14.29% of respondents in women and youth groups indicated that the management was excellent. The rest in every category of the groups indicated that management was average. When respondents were asked to show how the management of the groups would be improved, 77.8%, 86.7% and 71.4% indicated that it would be improved by training all members; while 22.2%, 13.3% and 28.6% indicated that management would be improved by training groups' leaders. None thought outsourcing of managers would improve the management of the informal financial groups.

On improving the sizes of their businesses, availability of subsidized loans and availability of linkages to markets were the only two options supported by respondents at 61.1%, 53.3% and 57.1%; and 38.9%, 36.75 and 42.9% for women groups, self help groups and youth groups respectively. Amalgamation of individual businesses and reducing licensing fee had no support among the respondents. Only 10% of respondents in self help groups indicated that training on entrepreneurship would contribute in improve size of their businesses.

5.3. Discussions of the findings

According to a survey conducted in Kenya by Johnson (2009), on the role of informal groups in the financial market it was established that it is essential to understand the social dynamics in the groups if effective policies are to be developed. This calls for a lot of literature for better and enhanced understanding in order to assist in financial and monetary policies development. This section deals with lending policies, loan sizes, membership to an informal group and the literacy level of personnel in these informal financial groups as some of the dynamics in informal financial groups.

5.3.1. Lending policies and growth of women owned businesses

Schmidt and Kropp, (1987), established that access to credit facilities by smallholders is in most cases influenced by the institutions' lending policies. If the requirements that include security or collateral, terms of payment and provision of other supplementary services do not fit the target groups' potential borrowers, group members will not apply for credit even when it exists, and when they do, they will be

denied. Bell, (1990), and Aryeetey, (1995) established that informal groups conduct screening in order to capture information about potential clients. The results in this study have established that screening is an important exercise in informal financial groups before loans can be granted. From the study, 100% of the respondents from the sampled self help groups, 83.3 % and 71.4% of the respondents from women groups and youth groups respectively conduct screening always before loans are granted. The results also showed that more women would engage in business activities would there be no screening before loans are granted. This was supported by 83.3% and 100% of respondents in women groups and self help groups respectively. However, 57.1% of the respondents among the respondents in youth groups indicate that, lack of screening policies have no effect on loans uptake as opposed to only 16.7% of respondents in women groups.

According to this study, informal financial groups secure the loans they grant to their borrowers. Most of the respondents indicated that members' saving is the most common mode of security with 55.6%, 60% and 71.4% for women groups, self help groups and youth groups respectively. This therefore means that members with little or no savings in the group may not be able to access credit from the groups hence affecting negatively the number of women entrepreneurs. Hoff & Stiglitz, (1990) observed that money lenders continue to exist and continue to apply high rates that are much higher than those of formal institutions. This was confirmed by the results of this study as 100% of respondents in self help groups, 88.9% in women groups and

71.4% youth groups agreed that their interest rates were higher than those of local formal financial institutions.

5.3.2. Loan sizes and growth of women owned businesses

Atieno, (2001), established that informal financial institutions have proved relatively successful in meeting the credit needs of small enterprises in some countries, but their limited resources restrict the limit to which they can effectively cater for the high demand. Aryeetey, (1995), agreed that limitation of resources influence the amount loaned to interested entrepreneurs and force some groups to look for funds from other sources which are later lent to interested members at an interest. The results of this study indicated that outside sourcing of funds increase loans uptake with almost all the respondents supporting it. This is evident as supported by 100% of the respondents among women groups and self help groups, and 71.4% among youth groups. Informal financial groups should be encouraged to take risk in business and source for funds where it is available to expand their lending capacities to interested

members thereby increasing the number of women in business. The information also indicate that 14.3% of the respondents among youth groups have never outsourced for funding while 14.3% saw no effect on loans uptake. This trend among youth groups means that a lot of sensitization need be done among the youths and be encouraged to seek for funding in order to venture into business thereby reducing joblessness.

The main sources of outsourced funds for informal financial institutions according to this study are government agencies with 55.6%, 66.7% and 71.4% of respondents from women groups, self help groups and youth groups supporting this. 44.3%, 33.3% and 14.3% of the respondents in women groups, self help groups and youth groups respectively outsourced from local financial institutions, while 14.3% of the respondents in youth groups never outsourced. The preference for government agencies as the main source of outsourced funds could be as a result of the devolved funds by the Kenyan women and youth entrepreneurs through women enterprise fund and youth enterprise development fund. It is evident that local financial institutions need to market themselves more and offer women friendly products as they complement government as sources of funding for entrepreneurs.

This study was also interested on loan uptake and utilization, where the researcher established that, most informal financial institutions make follow ups of the loan given to members to ensure that it was utilized for the purpose it was meant for. 100%, 80% and 42.9% of the respondents among women groups, self help groups and youth groups respectively indicated that they made follow ups on borrowers. This means that if informal groups have enough money to satisfy the demand, more women would have businesses of their own.

The results of this study established that informal groups receive deposits from members on monthly basis with 88.9%, 66.7% and 71.4% for women groups, self help groups and youth groups respectively. Only 11.1%, 13.3% and 28.6% of the respondents in women groups, self help groups and youth groups respectively deposit on weekly basis, while 20% of respondents in self help groups deposited twice a month. Since the amount loaned in informal financial institutions as per the results of this study depend on members' savings, it is evident from the information that the frequency of deposit in informal financial groups need be increased as this would also mean available funds for loaning to potential borrowers, hence more women entrepreneurs.

5.3.3. Membership to an informal financial group and growth of women owned businesses

Aryeetey, (1995), established that sizes of informal groups are controlled by keeping them at levels that can be effectively managed hence acts as a constraints on the number of people who may have access to loans from the groups. Results of this study established that most informal groups have a membership not exceeding thirty (30) members. It was only 33.33% of the respondents in self help groups who indicated a membership above 30. Since being a group member ensures saving in the group which in turn influence access to loans, it is important to ensure that as many women as possible engage in informal groups affairs. This can be through mobilizing those who are not in groups to form their own groups hence ensuring women inclusion in the informal financial sector.

Johnson, (2009), established that women are significantly more likely to use informal groups than men and that they operate more effectively in groups because of gender norms. The results of this study indicated a very high representation of female membership even in groups whose membership is open to both women and men as in self help groups where 80% were women. Only 20% of the respondents in self help groups indicated that female membership was less than a half of the total membership. The youth groups' category shows a fair distribution of groups with female membership with those with less than a half accounting for 42.86%; and a total of those with full female membership and those with more than a half of the membership accounting for the same, 42.86%. It was interesting to note that it was only among youth groups that 14.29% of the respondents indicated that female and male membership were equal. Further probing revealed that the groups were formed by young couples. This could have contributed to the high number of female members of informal financial groups with no business enterprises. This trend among youth groups need be checked and discouraged especially when informal groups are being registered as it affect negatively the number of women engaging in business.

Results of this study established that informal financial groups have not created employment opportunities for others apart from the entrepreneurs themselves as it would have been expected, and their businesses have still continued to be small in size. Women entrepreneurs with no single employee in their businesses were highly represented at 80% for self help groups, followed by youth groups at 42.86% and women groups at 38.9%. Only women groups were represented with 11.1% of the respondents indicating that all had at least an employee in their businesses. Youth groups had the least representation of women entrepreneurs with an employee in their businesses with 14.29% indicating that more than half of the women members had an employee, while 42.86% of the respondents indicated that less than half of the members have an employee in their businesses. Only 20% of the

respondents in self help groups indicated that more than half of the women entrepreneurs had an employee in their businesses. If the high number of women in informal financial groups would be engaged in sizeable businesses, more employment opportunities would be created. It was also evident from the study that very few women entrepreneurs operate licensed businesses meaning that their capacity to borrow from formal financial institutions would also be limited. Women entrepreneurs should therefore be encouraged to license their businesses to make them more formal and hence be able to access funds from formal financial institutions.

Age of informal financial groups was also considered during the study. Although women groups and self help groups showed a fair representation of youth who are below the age of 36 years, at 50% and 40% respectively, youth groups had no representation beyond the age of 35 years. It is evident from the information that youth groups prefer members within the youth age bracket of between 18-35 years, and this could be affecting their involvement in establishing formal and successful business enterprises. It would be interesting to find out what happens to their members once they exceed the age of 35 years.

5.3.4. Literacy level of personnel in informal financial groups and growth of women owned businesses

Bouman, (1994), established that illiteracy leads to difficulties in overseeing books and records and this could lead to informal groups' mismanagement. Johnson, (2009), observed that effectiveness in informal financial groups can be realized by improving transparency and accountability in their operations, hence the need for formal education. The results of this study established that that none of the group officials had acquired a degree certificate, with a high representation being among secondary certificate holders at 55.56%, 40% and 57.1% for women groups, self help groups and youth groups respectively. Self help groups have the highest representation of officials holding a primary certificate at 60% and women groups at 27.78%, while youth groups had none. Youth groups have the highest representation of diploma holders at 42.9% and women groups at 16.67%, while self help groups had none. This cannot be said to be enough training for management of financial groups hence necessitated the need to understand whether the leaders have attained any other support training.

The results of this study indicated that most of the respondents have been trained on entrepreneurship and a few on financial management; at 66.7%, 60%, 57.1%; and 0%, 6.7% and 14.7% for women groups, self help groups and youth groups respectively. However, none had been trained on leadership skills. It was also established that the source of this support training were government agencies at 83.3%, 83.3% and 85.7% for women groups, self help groups and youth groups respectively. Those who had been trained by the local financial institutions were represented at 16.7%, 16.7% and 14.3% for women groups, self help groups and youth groups respectively. The results of this study indicated that, personnel in informal financial institutions lack training on leadership skills which is very important in groups' management. It is evident from the results of this study that degree holders must be encouraged to form or join existing groups in order to be included in the informal financial sector as well as be job creators instead of jobseekers hence reduce the rate of unemployment.

5.4. Recommendations for policy action

The results of this study could be used for policy action in such areas as;

- Provision of subsidized, collateral free loans and market linkages to informal financial groups.
- Provision of savings and credit passbooks for informal financial groups at the time of registration, to encourage and build the culture of saving.
- Compulsory training of informal financial groups on leadership, financial management and entrepreneurship prior to registration
- Inclusion of men in the informal financial sector by encouraging men's' participation in informal financial groups.
- Compulsory monitoring and evaluation reports on registered informal financial groups.

5.5. Suggestions for further study

The researcher suggests for further training on such areas as;

- Men's participation in informal financial groups and their inclusion or exclusion in the informal financial sector.
- Opportunities available for young graduates in the informal sector

- Informal financial sector and market linkages.
- Factors hindering growth and development of young entrepreneurs, especially those who have just graduated from the youth bracket of 18-34 years.

5.6. Contributions to the body of knowledge

- Most women entrepreneurs in the informal financial groups operate unlicensed business enterprises affecting negatively their capacity to borrow especially from local financial institutions.
- Informal financial institutions have capacity to create more jobs if well managed and supported through capacity building.
- Members of informal financial groups have confidence on the management of their groups but this could be improved by extending training services to group members other than leaders alone
- Groups formed by couples affect negatively growth of women owned businesses
- The culture of saving can be developed by encouraging frequency of deposits by members and this can be controlled through issuance of members' savings and credit passbooks at the time of group's registration
- Young men beyond the youth age bracket have been excluded from the informal financial sector as they cannot access youth fund as provided by the government.

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APPENDICES

Appendix 1: QUESTIONNAIRE FOR CHAIRPERSONS OF YOUTH GROUPS

Hello, my name is **Francis Mwangi**. I am a student at the University of Nairobi doing a Master Degree in Project Planning and Management. I intend to conduct a research on the influence of the availability of informal financial groups on the growth of women owned businesses in Embu North District. Your response will be strictly confidential and will only be used for this study. Kindly answer all the questions, and in case of any clarification, do not hesitate to contact me on 0721 546638.

Date of Interview: _____

Name of youth group: _____

Administrative location: _____

Position of respondent: _____

SECTION A: BIODATA

1. What is your gender?

a). Female

b). Male

2. What is your age in years?

a). 18 - 25

b). 26 - 33

c). 34 - 41

d). 42 and above

3. What is the level of your education?

- a). Primary
- b). Secondary
- c). Diploma
- d). Degree

SECTION B.

4. How often do you conduct screening of potential loanees before granting them loans?

- a). Rarely
- b). Often
- c). Always
- d). Not a requirement
- e). others specify.....

5. What happens to loans uptake when screening is not conducted before loans are granted?

- a). Uptake goes up
- b). Uptake goes down
- c). No change on uptake

6. How do you secure loans granted to members of your group?

- a) Joint liability
- b) Personal assets
- c) Member's savings
- d) No security
- e) Others Specify

7. What would happen to loan uptake if no collateral or security is required before granting loan?

- a) Uptake goes up

- b) Uptake goes down
- c) No effect on uptake
- d) Others specify.....

8. How are your interest rates compared to formal financial institutions?

- a) Lower
- b) Higher
- c) Equal

9. What is the mode of lending in your group?

- a) Accumulated saving and loaning
- b) Rotational saving and loaning
- c) Both

SECTION C.

10. How do you ensure that members who get loans utilize it in a business enterprise?

- a) Conduct a baseline survey before loaning
- b) Conduct follow up of loan beneficiaries
- c) Demand for progress reports
- d) No need as long as they repay
- e) Others specify.....

11. What can be done to raise loans uptake by members of your group?

- a) Remove collateral
- b) Reduce interest rate
- c) Introduce reward schemes to frequent borrowers

d) Increase duration of repayment

e) Others specify.....

12. How often do group members contribute their savings?

a) Daily

b) Weekly

c) Monthly

d) Quarterly

e) Annually

f) Others specify

13. What can be done to increase available funds for loaning?

a) Increase frequency for deposit

b) Increase amount deposited

c) Recruit additional members

d) Outsource additional funds

e) Funds available is enough

f) Others specify.....

14. How does outsourced funds affect loan uptake by your group members?

a) Increase loan uptake

b) Decrease loan uptake

c) No effect on loan uptake

d) Others specify.....

15. Who is the main provider of outsource funds?

- a). Government agencies
- b). Local Financial Institutions
- c). None
- d). others specify.....

16. What determines the amount of money loaned to a member?

- a) member's deposit
- b) Availability of funds
- c) Availability of collateral
- d) Guarantors' deposit
- e) Others specify.....

SECTION D.

17. What is the number of members of your group?

- a) Between 10-14
- b) Between 15-19
- c) Between 20-24
- d) Between 25-29
- e) Others specify.....

18. How is women membership of your group?

- a) Less than a half
- b) Both men and women are equal
- c) More than half
- d) All are women

19. Among the women members, how many own a business enterprise?

a) All of them

b) Less than a half

c) Half of them

d) More than a half

e) None

20. How many of the above women entrepreneurs have employed a worker in their business?

a) All of them

b) Less than a half

c) Half of them

d) More than a half

b) None of them

21. How many women entrepreneurs operate licensed business enterprises?

a) All of them

b) Less than half of them

c) Half of them

d) More than half

22. What is the age in years of your group members?

a) Between 18-25

b) Between 27-35

c) 36 and above

23. How many of your members are above 36 years of age?

- a) None
- b) A third of them
- c) Half of them
- d) More than a half

SECTION E.

24. Which among the following is the level of education of your highest qualified group leader?

- a) Primary
- b) Secondary
- c) Diploma
- d) Degree
- e) Others specify.....

25. What other related support training has your group leaders achieved?

- a) Financial literacy
- b) Leadership skills
- c) Entrepreneurship
- d) Others specify.....

26. Who provided the related support training?

- a) Government agencies
- b) Local formal microfinance institutions
- c) Other group members
- d) Others specify.....

27. Who is responsible of overall management of your group?

- a) Elected officials
- b) Contracted managers
- c) Financial stakeholders
- d) Others specify.....

28. How can you rate the services offered by your group management?

- a) Satisfactory
- b) Poor
- c) Average
- d) Excellent
- e) Others specify.....

29. How can the management of your group be improved?

- a) Outside sourcing of managers
- b) Training of group leaders
- c) Training of all group members
- d) Others specify.....

30. What can be done to improve the size of your businesses?

- a) Availability of linkages to markets
- b) Availability of subsidized loans
- c) Amalgamation of small businesses
- d) Reduction of licensing fees
- e) Other specify.....

THANK YOU FOR YOUR VALUED CONTRIBUTION

Appendix II: INTERVIEW SCHEDULE FOR WOMEN AND SELF HELP GROUPS LEADERS

Hello, my name is **Francis Mwangi**. I am a student at the University of Nairobi taking a Master degree in Project Planning and Management. I intend to conduct a study on the influence of the availability of informal financial groups on the growth of women owned businesses in Embu North District. Women groups are known to have contributed to this trend through their various activities, especially in providing loans to their members. This study will assist in establishing your contributions to the growth of these women owned businesses. Kindly answer the questions as asked and any clarification is highly welcome.

Date of Interview: _____

Name of group: _____

Administrative location: _____

Position of respondent: _____

SECTION A: BIODATA

1. What is your gender?

a). Female

b). Male

2. What is your age in years?

a). 18 - 25

b). 26 - 33

c). 34 - 41

d). 42 and above

3. What is the level of your education?

a). Primary

b). Secondary

c). Diploma

d). Degree

SECTION B.

4. What do you consider for a member to qualify for a loan?

5. How often do you conduct screening of potential loanees before granting them loans?

6. What happens to loans uptake when screening is conducted before loans are granted?

7. How do you secure loans granted to members of your group?

8. What would happen to loan uptake if no collateral or security is required before granting loan?

9. How are your interest rates compared to those of other formal financial institutions?

10. What is the mode of lending in your group?

SECTION C.

11. How do you ensure that members who get loans utilize it in a business enterprise?

12. What can be done to raise loans uptake by members of your group?

13. How often do group members contribute their savings?

14. What can be done to increase available funds for loaning?

15. How does outsourced funds affect loan uptake by your group members?

16. Who is the main provider of outsourced funds?

17. What determines the amount of money loaned to a member?

SECTION D.

18. What is the membership of your group?

19. How many of your members are women?

20. Among the women members, how many own a business enterprise?

21. How many of the above women entrepreneurs have employed a worker in their business?

22. How many women entrepreneurs operate licensed business enterprises?

23. What is the minimum and maximum age in years of your group members?

24. How many of your members are above 36 years of age?

SECTION E.

25. What academic qualifications do you consider for a member to qualify as a group official?

26. What other courses are your officials trained on?

27. Who is responsible for the training mentioned above?

28. Who are your other stakeholders and what support does each offer your group?

29. Who is responsible for the overall management of your group?

30. How can the management of your group be improved?

31. What can be done to improve the size of your businesses?

THANK YOU FOR YOUR VALUED CONTRIBUTION

Appendix III: INTRODUCTION LETTER

Francis Mwangi M.

P.O Box 32 60101

Manyatta.

8th April, 2013

To Whom It May Concern,

I am a final year student at the University of Nairobi taking a Master degree in Project Planning and Management. I am undertaking a study on the Influence of the availability of Microfinance Institutions on the growth of women owned businesses in Embu North District.

This is to request you to willingly participate in this study by providing information as may be asked to you. Your response will be totally confidential and will only be used for the purpose of this study.

Thanks a lot for your cooperation and for your highly valued contribution.

FRANCIS MWANGI

