

**EFFECTS OF ACCESS TO FINANCIAL CREDIT ON THE GROWTH OF WOMEN  
OWNED SMALL RETAIL ENTERPRISES IN UASIN GISHU COUNTY**

**A CASE OF KAPSERET CONSTITUENCY**

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REQUIREMENTS FOR THE AWARD OF A DEGREE OF MASTER OF ARTS IN  
PROJECT PLANNING AND MANAGEMENT OF THE UNIVERSITY OF NAIROBI**

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## **DECLARATION**

This research project is my original work and has never been submitted for a degree or any other award in any other university.

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## **DEDICATION**

This research project is dedicated to my loving mother, Rachael Cheluget and my father, Philip Cheluget.

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## **LIST OF ABBREVIATIONS AND ACRONYMS**

<b>SMEs</b>	Small Micro Enterprises
<b>MFI</b> s	Microfinance Institutions
<b>IDB</b>	Inter-American Development Bank
<b>MENA</b>	Middle East and North Africa
<b>IFC</b>	International Finance Corporation
<b>IGA</b>	Income Generating Activities
<b>SPSS</b>	Statistical Package for Social Scientists
<b>ILO</b>	International Labor Organization
<b>WOE</b>	Women Owned Enterprises
<b>SRE</b>	Small Retail Enterprise
<b>UGC</b>	Uasin Gishu County

## **ABSTRACT**

*Women in the world account the highest economic growth through the economic activities they engage in. Even though women entrepreneurs in Kenya have been known to engage in small scale retail enterprises, there has been a need to grow their businesses beyond the current level. However, hindering factors such as lower academic standards, higher interest rates, low income from these businesses and socio-cultural constraints have contributed to poor growth and management of these businesses. Access to credit by these women has also been hampered by these factors. The study investigated the challenges of access to credit on the growth of women owned enterprises in Kapseret constituency, Uasin Gishu County. The study was guided by the overall objective of identifying reasons why women owning business enterprises in Uasin Gishu County do not access credit. The study reviewed related literature and identified a gap in the literature. Use of questionnaires and interview schedules to collect primary data was preferred in this study. The study adopted a descriptive survey research design. It targeted women entrepreneurs in Kapseret constituency and the management of various micro-finance institutions in the region. A total of 1468 women entrepreneurs were targeted which is the total number of women identified to have small scale business enterprises in the region operating as small enterprises. The desired sample size was identified using the Morgan and Krejcie Table for Determining Sample Sizes where the sample size comprised of 306 respondents. SPSS was used to code and enter data for analysis. The study adopted both the qualitative and quantitative analysis in order to achieve the objective of the study where the former used descriptive statistics where graphs, tables and pie charts has been used. This research used quantitative analysis to analyze collected data. The study also employed descriptive methods such as means, mode and median. The study established that education levels affects access to credit by women entrepreneurs, income levels affects access to credit by women entrepreneurs, interest rate affects access to credit by women entrepreneurs, culture affects access to credit by women entrepreneurs and that access to credit affects the growth of women owned small retail enterprises.*

# **CHAPTER ONE INTRODUCTION**

## **1.0 Introduction**

This chapter presents the background of the study, statement of the problem, purpose of the study, general and specific objectives, research questions, limitation and delimitation of the study and concludes with operational definition of terms.

## **1.1 Background of the study**

Women entrepreneurship is increasingly recognized as an important driver of economic growth, productivity, innovation and employment, and it is widely accepted as a key aspect of economic dynamism (ILO, 2006). Transforming ideas into economic opportunities is the decisive issue of entrepreneurship. (Hisrich, 2005) elaborates that economic progress has been significantly advanced by pragmatic people who are entrepreneurial and innovative, able to exploit opportunities and willing to take risks. The role of entrepreneurship and an entrepreneurial culture in economic and social development has often been underestimated. Over the years, however, it has become increasingly apparent that entrepreneurship indeed contributes to economic development. Analyses of factors affecting access to credit by women entrepreneurs have included the effect of income levels. Namusonge (2006) states that access to credit has eventually become a detrimental factor to advancing their small scale business enterprises as most businesses owned by the rural poor women are poorly managed, have low income and are mostly deemed not credit worthy by financial institutions due to lack of training.

There has been contrasting opinions on the effect of interest rates on access to credit by women entrepreneurs. A similar study in Ghana by Amanoo (2003) proposes that the debate on whether high interest rate affects demand for credit is inconclusive. He advocates that high interest rates negatively affect the demand for credit because only limited borrowers with high risk projects may have their demand satisfied. He argues that high interest rates encourage adverse selection of loan seekers especially among Women Entrepreneurs. Those who take high risk and get their loans approved are those with high default rates. In his opinion, though, these high risk enterprises may not include SMEs because they cannot afford risky and high cost investment. He acknowledges that borrowing costs strongly affect the willingness of SMEs entrepreneurs to seek loans from

formal lender. Therefore it can be concluded that high interest rates constrain the demand for credit. While Amanoo (2003) proposes that interest rate affects access to credit in Ghana, Aryeetey (2004) carries a differing opinion from his study in Brazil. He argues that interest rates do not affect the demand for credit. The study indicated that the high interest rate was not a major concern for SMEs. Farming SMEs considered other factors other than interest rates while sourcing credit. SMEs considered an average annual interest rate of 19.5% to be fair and reasonable, and this fell below the minimum market rate at that time by seven percentage points.

Culture has also been observed to have an effect in women participation in entrepreneurship and access to business credit. Ukpore (2009) postulates that culture can constraint the opportunities women pursue in pursuing business credit. Women can face additional barriers related to custom, have less time available due to the prevailing gender division of labor, or have lower intra-household bargaining position and consequently less control over their earnings. Nevertheless, the significant numbers of enterprises were owned by men (ILO, 2006). In other words, it was not common to see women-owned businesses worldwide including even developed countries like the America and Britain. However, this trend is long gone in these developed countries (ILO, 2006). However, it is still rare to find women owning major businesses in third world countries such as Kenya.

In developed countries such as America and Britain, access to credit is based on the annual income from businesses (Ansoglenang, 2006). Issues such as gender and social status of individuals do not interfere with the ability of one being able to access credit. However, in Kenya, this is still a challenge. Solutions such as MFIs have been developed to address these challenges among others. MFIs provide their members with financial and social intermediation services to help improve their businesses (Lakwo, 2006). Despite a multitude of studies devoted to the topic, the challenges affecting women borrowers have never been critically highlighted and their impact on women SMES in relation to empowerment of women entrepreneurs. This remains largely unexplored in Kenya.

The idea and practice of women entrepreneurship is a recent phenomenon in Kenya. Until the 1980's little was known about women entrepreneurship both in practice and research, which made its focus entirely on men. Scientific discourse about women's entrepreneurship and women owned and run organizations is just the development of 1980s (ILO, 2006) and late 1990s and early 2000s in Eastern Africa especially Kenya (Mwobobia, 2012).

### **1.2 Statement of the problem**

Access to credit by women owning small scale business enterprises in Kenya is hampered by numerous factors including low levels of education, higher interest rates by lending institutions, low income generated from these businesses and other socio-cultural factors that place women in a lower status in the society as compared to men in as far as running of businesses is concerned.

Njeru and Njoka (1998) point out that due to patriarchal social authority structures, women received substantial family support in the start-up stages of their businesses, but later on such support was limited, restricted or withdrawn for fear of husbands losing dominance over their wives. Moreover, there are many socio-cultural factors in Kenya impacting negatively on the upbringing of girls. Many ethnic cultures socially condition girls to acquire the need for affiliation, rather than achievement. Other studies carried out in Kenya by Mutuku (2006) have attributed the lack of entrepreneurial culture among Kenyan women to: lack of confidence and self belief; lack of a variety of strong and relevant networks; passive learning methods; and, starting up enterprises without adequate prior preparation. There is a need for entrepreneurial training to socially condition the youth, and particularly girls, to develop a desire for achievement. This can be achieved by way of profiling and/or imitating successful women entrepreneurs. Other constraints and barriers include a poor social background, inadequate and inappropriate training and preparation for entry into MSEs, and socio-economic discrimination (Njeru and Njoka, 1998; Mutuku, 2006).

Alila (2002) also argues that women have a heavier "household financial and time burden" as compared to men. Competing financial needs between family and business

becomes one of the major constraints to enterprise growth. With many women being poor, the little income earned from the business is sometimes used for what appears to be urgent family requirements, irrespective of why it was set aside. McCormick and Pedersen (1996) argue that most women entrepreneurs in Kenya in the MSE sector are married with more than six dependents, often with little or no assistance from their spouses. Therefore, women entrepreneurs have a heavier household financial burden than men.

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

The purpose of the study was to investigate the effects of access to credit on the growth of women owned enterprises in Kapseret constituency, Uasin Gishu County.

### **1.4 Objectives of the study**

The study aimed to achieve the following objectives:

1. To establish the effects of education level on access to credit by women who own small scale business enterprises in Kapseret Constituency, Uasin Gishu County.
2. To investigate the effect of low income on access to credit by women who own small scale business enterprises in Kapseret Constituency, Uasin Gishu County.
3. To identify how interest rates affect access to credit by women who own small scale business enterprises in Kapseret Constituency, Uasin Gishu County.
4. To examine the effect of culture on access to credit by women who own small scale business enterprises in Kapseret Constituency, Uasin Gishu County.

### **1.5 Research questions**

1. To what extent does education level affect access to credit by women who own small scale business enterprises in Kapseret Constituency, Uasin Gishu County?
2. To what extent does income affect access to credit by women who own small scale business enterprises in Kapseret Constituency, Uasin Gishu County?



3. To what extent do interest rates affect access to credit by small scale women entrepreneurs in Kapseret Constituency, Uasin Gishu County?
4. To what extent does culture affect access to credit by women who own small scale business enterprises in Kapseret Constituency, Uasin Gishu County?

### **1.6 Significance of the study**

The study was significant as it illustrated the challenges facing small scale women entrepreneurs in accessing credit. The findings will be useful to MFIs and Banks within Uasin Gishu County as they will move to address the identified challenges that touch on them. The findings will also aid policy makers to formulate and implement policies that protect small scale women entrepreneurs in Kapseret Constituency and Uasin Gishu County as a whole from higher interest rates.

### **1.7 Assumptions of the study**

The study assumed that all the women-owned business enterprises in Kapseret Constituency face similar challenges on access to credit. Further, the study made an assumption that all the women who own small scale business enterprises in Kapseret Constituency have access to credit, but for some reasons being studied here, are not able to access credit.

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

A number of setbacks were witnessed during the study. The first challenge was language barrier. Most of the women who owned small scale business enterprises in Kapseret Constituency found it difficult to communicate effectively in Swahili or English. As such, the study employed use of translators to assist during data collection. The study also faced cultural Barriers: Most women from the Nandi Community did not freely engage in business, especially businesses that deal with male clients. This called for the hiring of a female research assistant from the community, who was also subjected to the same cultural barriers. This affected the overall outcome of the project results.

### **1.9 Delimitations of the Study**

The study delimited itself to Kapseret constituency of the Larger Uasin Gishu County due to the nature of the vibrant economic and entrepreneurial activities that

women in the constituency have engaged in. The study also delimited itself to small scale business enterprises owned by women in the aforementioned study area. Further, the study delimited itself to challenges facing women who own small scale business enterprises while accessing credit in Kapseret constituency.

### 1.10 Definition of Significant Terms

<b>Term</b>	<b>Definition</b>
<b>Entrepreneur</b>	According to the Online Business Dictionary, this is A person who organizes and operates a business or businesses, taking on financial risk to do so. In this study, this is a woman who organizes and operates a small scale business or businesses, taking on financial risk to do so.
<b>Credit</b>	According to the Online Business Dictionary, this is the purchasing power created by banks or other lending institutions through lending based on fractional reserve system. In this study, this the purchasing power created by banks or other lending institutions through advancing of money to small scale women business entrepreneurs so as to advance their businesses
<b>Interest Rates</b>	According to the Online Business Dictionary, this is the annualized cost of credit or debt-capital computed as the percentage ratio of interest to the credit. In this study, this is the annualized cost of credit or debt-capital computed as the percentage ratio of interest to the credit advanced to small scale women entrepreneurs
<b>Income</b>	According to the Online Business Dictionary, this is an excess of revenue over expenses for an accounting period. Also called earnings or gross profit. In this study, this is an excess of revenue over expenses for a period of time in the small scale businesses owned by women
<b>Collateral</b>	According to the Online Business Dictionary, this is a specific asset (such as land or building) pledged as a secondary (and subordinate)

security by a borrower. The principal security is usually the borrower's personal guaranty, or the cash flow of a business. In this study, this is a specific asset such as land or building pledged as a secondary security by a woman operating a small scale business

**Microenterprise** According to the Online Business Dictionary, microenterprise may be defined as businesses operated by fewer than ten employees, which are owned and operated by the poor, irrespective of their product or service. In this study, a microenterprise is a business operated by less than ten employees, which are owned and operated by a woman, irrespective of their product or service.

**Small-Scale Business Enterprises** According to the Online Business Dictionary, a small scale business enterprise is a privately owned and operated business, characterized by a small number of employees and low turnover. This study adopted this definition.

**Growth** According to the Online Business Dictionary, growth is defined as the process of improving some measure of a business's success. In this study, growth is the overall increase in the number of employees, assets and sales per given period.

**Women Owned Enterprises** According to Karani (2012), "Women-owned small business concern means a small business concern—(a) which is at least 51 percent owned by one or more women; or, in the case of any publicly owned business, at least 51 percent of the stock of which is owned by one or more women; and (b) whose management and daily business operations are controlled by one or more women."

**Retail** According to the Online Business Dictionary, Retail is the sale of goods and services from individuals or businesses to the end-user. Retailers are part of an integrated system called the supply chain. A

retailer purchases goods or products in large quantities from manufacturers directly or through a wholesale, and then sells smaller quantities to the consumer for a profit.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter reviews existing literature. Challenges facing women entrepreneurs have been discussed. Specifically, this chapter discusses the impact of education levels, interest rates, amount of income generated from the business enterprises owned by women and socio-cultural constraints facing women entrepreneurs on accessing credit facilities. The chapter also covers the theoretical and conceptual frameworks as well the gap in literature.

#### **2.2 Challenges facing women entrepreneurs on access to credit**

Smith (1997) gives evidence from the UK that although the actual financial barriers faced by Women entrepreneurs have been extensively studied, this is one of the first studies to focus on the concept of perceived financial constraints faced by potential female entrepreneurs. Women were found to have the perception that they were disadvantaged due to their gender and could not easily manage businesses as opposed to their male counterparts. The gender of the respondent was also found to interact with a number of other personal characteristics in a significant manner. Policy makers in the UK were found to have ignored the gender issue while designing and implementing policies. Walsh & Likinski (2009) notes that more women need to participate in business education addressing business growth, technology, revenue models, and securing correct types of finance. She notes that globally, women-led businesses receive less than 5 percent of venture capital. Women business owners in the UK also seek less bank loans and overdraft facilities. In America, IDB (2011) states that women have dramatically increased their role in the workforce. Currently, about half of women in the region are economically active, more than double the level in the 1970s. IDB (2011) argues that lack of access to savings may be just as critical as lack of access to credit for women entrepreneurs, because savings are the main source of start-up credit for 73 percent of businesses globally. However, a majority of women who own businesses in the US also face challenges of access to credit IDB (2011). Women entrepreneurs influence the economic growth of a country by providing jobs, increase income and the standard of

living through the innovation, development and production of products that satisfy the needs of the population and in so doing; it provides them self-satisfaction, flexibility and independence (Waita, 2012). Nonetheless, these women are faced with some obstacles before reaching their goals such as their financial and psychological independence. Female entrepreneurs differ from their male counterparts as they encounter more problems as indicated by Jalbert (2000) and Saffu and Manu (2004). Research illustrates that men face less challenges than women especially with finance, education and management skills. Firms owned and managed by men had more sophisticated planning compared to females and they survive and grow from medium to large scale enterprises because they are literate and have access to credit and credit facilities since the societal norms are more in tune with them (Dovi, 2006).

### **2.3 Effect of Education on Access to Credit**

Despite significant gains made by women in Innovation and new technology, there is still a lot to do to plug in the innovation gap and eliminate illiteracy. With the changing position of women and their growing involvement in business domains, along with the growing importance of science and technology in the modern economy, there is now an urgent need to develop the innovation among women, in order to promote and take full advantage of their skills in all fields.(Walsh,2009)

#### **2.3.1 Effect of training on ability to manage business**

Education is one of the factors that impact positively on growth of firms (King& McGrath, 2002). Those entrepreneurs with larger stocks of human capital, in terms of Education and (or) vocational training, are better placed to adapt their enterprises to constantly changing business environments (King & McGrath, 1998). In the UK, the number of women seeking credit as seed or business advancement capital increased significantly in the recent past, probably due to the economic recess that saw UK and US cut down on recurrent wage bills, employment being one of them. In the three months, there was an overall 28 per cent increase in the number of women made redundant, compared to a 3.8 per cent increase among men (ONS, 2011). In the US, the Bureau of Labor Statistics has recently reported that of the 1.3 million jobs created in the last 12 months, 90 per cent went to men – women gained just 149,000 jobs (Blackburn, 2011).

Still the problem of women joblessness and the need to engage them in meaningful small businesses, especially in Latin America, increased. In such times, the ability to start one's own business can be a lifeline. This is especially true in those countries, such as the UK, where despite lack of jobs the government is issuing a clear message that woman – and especially lone mothers – should go out to work, and will be penalized financially if they do not secure employment (UKWBG, 2010). As such, the need for seed capital has equally gone high but institutions that provide credit do so discriminatively. Blackburn (2011) notes that financial institutions both in the US and UK would want to know about the academic achievements of lenders, especially women before processing any credit request. This is usually done without the knowledge of the applicant, but with the intention of knowing the ability of the lender in managing the intended business hence repayment ability in the long run (Blackburn, 2011). More evidence of female entrepreneurs being less well financed than male counterparts comes from the Netherlands as well (Verheul & Thurik, 2001), Norway (Alsos, 2006), Italy (Alesina, Lotti & Mistrulli, 2008), the US (Blanchflower, 2008; Cavalluzzo & Wolken 2002) and the UK (Small Business Service 2006). In the UK, while obtaining finance was an obstacle for 15.5 per cent of all small firms, it was an obstacle for 16.2 per cent of women-led enterprises. This 'gendered financing gap' is to our collective detriment.

The reasons why women are able to access less capital than men are not always easy to disentangle, especially as data sources tend to be relatively small, and different studies ask different questions of their sample of women entrepreneurs. But many researchers claim that this is essentially a demand rather than supply-side problem. Much is made of women's supposed propensity to 'not put themselves forward for loans' (Sena, 2010) and their supposed choice to start their business with reduced financial debt (Carter & Shaw, 2006), as well as their purported reluctance to assume the burden of business debt and engage in fast-paced business growth (Carter & Shaw, 2006; Bird & Brush 2002). Reasons for these attitudes are supposed to include women's 'fear of loan denial' (Robb, 2002), 'perceiving themselves to be less creditworthy', 'having a lower appetite for risk' (Watson & Robinson 2003), 'perceiving financial barriers that do not exist', and 'lack of self-confidence' (Scott & Roper, 2009).



Lower education levels puts women entrepreneurs in Kenya at a disadvantage compared to men. While gender gap in primary education in Kenya has decreased in recent years, the gap remains high at secondary and tertiary education levels. Mwobobia (2012) argues that lower education does not emphasize entrepreneurship skills. It decreases the chances that women will have the knowledge needed to excel in business, and thereby contribute to the country's overall economic growth. In education, preference is given to boys, thus the educational level of most women entrepreneurs is very low, creating a barrier to them accessing training and other business developments services. (Women Entrepreneurs in Kenya, 2008)

Lack of sufficient education and training for women is another impediment to micro-enterprise success. Culturally, and especially in the rural setting, the girl child was not given equal opportunity to study like the boys; hence they had limited education and training (if any) which tends to affect effective performance in later life. A Women Entrepreneurs in Kenya, (2008) report indicates that women are isolated socially; lack previous work experience, and access to enterprise information and marketing facilities which the men entrepreneurs acquire. The excessive demand on women as wives, mothers and 'managers' of the home front due to culturally set chores, make it nearly impossible to successfully operate an enterprise. This is besides their position in the family and the structure of power relations. One, who ventures out there to follow the entrepreneurial spirit, does so at the expense of her family (Women Entrepreneurs in Kenya, 2008). In addition, women are usually less educated than men, making them less well equipped to manage a business (Common Wealth Secretariat, 2002). Namusonge (2006) noted that entrepreneurial education and training play a key role in stimulating entrepreneurship and self-employment. Despite the presence of Business Development Services in Kenya not many women entrepreneurs use it because of cost, access, necessity, or availability (Robb, 2002).

In summary, access to credit for women intending to start small retail enterprises or advancing their already existing businesses remains a challenge due to the minimal education these women have. Usually, most of these women did not go past secondary

education and stand little chances of taking the initiative to seek information relating to credit access from MFIs.

### **2.3.2 Effect of training on ability to access business credit**

Starting and operating a small business includes a possibility of success as well as failure. Because of their small size, a simple management mistake is likely to lead to sure death of a small enterprise hence no opportunity to learn from its past mistakes Mwobobia (2012). Lack of planning, improper financing and poor management have been posited as the main causes of failure of small enterprises (Lakwo, 2006). Lack of credit has also been identified as one of the most serious constraints facing SMEs and hindering their development. (Mwobobia, 2012)

Women, in particular the less educated ones, find it more difficult to get financing from banks because they lack information on how to go about securing a loan(Lakwo, 2006).. Moreover, bank managers are often more reluctant to lend to women than to men.

Sometimes, credit may be available for women through several schemes but there are bottlenecks and gaps, and the multiplicity of schemes is often not adequately listed nor is there networking among agencies. As a result, clients approaching one institution are sometimes not made aware of the best option for their requirements (Mbogo, 2013). In many countries, women face unequal inheritance practices and laws, discriminatory laws on ownership of property or access to bank loans, or discriminatory practices by banks. In the area of guarantees, several discouraging habits have become ingrained in financial institutions and banks, such as requiring male members to accompany women entrepreneurs for finalizing projects proposed by women, as well as almost invariably insisting on guarantees from males in the family (Commonwealth Secretariat, 2002).

Education is one of the factors that impact positively on growth of firms (King & McGrath, 2002). Those entrepreneurs with larger stocks of human capital, in terms of education and (or) vocational training, are better placed to adapt their enterprises to constantly changing business environments (King & McGrath, 1998). Infrastructure as it relates to provision of access roads, adequate power, water, sewerage and

telecommunication has been a major constraint in the development of SMEs (Bokea, Dondo & Mutiso, 1999).

Lower education levels puts women entrepreneurs in Kenya at a disadvantage compared to men. While gender gap in primary education in Kenya has decreased in recent years, the gap remains high at secondary and tertiary education levels. Lower education does not emphasize entrepreneurship skills. It decreases the chances that women will have the knowledge needed to excel in business, and thereby contribute to the country's overall economic growth. In education, preference is given to boys, thus the educational level of most women entrepreneurs is very low, creating a barrier to them accessing training and other business developments services. (Women entrepreneurs in Kenya, 2008).Lack of sufficient education and training for women is another impediment to micro-enterprise success. Culturally, and especially in the rural setting, the girl child was not given equal opportunity to study like the boys; hence they had limited education and training (if any) which tends to affect effective performance in later life.

### **2.3.3 Lack of time for business training by women entrepreneurs**

Better time allocation would allow women to capitalize on inputs such as business training. A study looking at the impact of business training in Pakistan found that business training leads to increased business knowledge, lower business attrition, better business practices, and improvements in several household and member outcomes. (USAID, 2012)

However, these effects are mainly concentrated among male clients. A possible reason why women failed to capitalize on the training is that they have less time available to devote to the business or that their schedule is dictated by household chores and is thus inflexible. To realize the full potential of women entrepreneurs while improving women's human capital, it may be necessary to address gender gaps in time demand. (Lakwo, 2006)

Doyi (2006) analyses women entrepreneurship in India. He states that Government of India had ushered in the new millennium by declaring the year 2001 as 'Women's Empowerment Year' to focus on a vision 'where women are equal partners like

men'. The most common explanation of 'women's empowerment' is the ability to exercise full control over one's actions. The last decades have witnessed some basic changes in the status and role of women in our society.

The discrepancy in the ideology and practice of the empowerment policy of women in India constitutes its continued social, economic and social backwardness. Women make up 52% of our country's population. Hence there can be no progress unless their needs and interests are fully met. Empowerment would not hold any meaning unless they are made strong, alert and aware of their equal status in the society. Empowerment would become more relevant if women are educated, better informed and actively involved in entrepreneurial activities.

The greater time demand on women for household and child care activities affects their market time allocation, duration and type of experience, learning and, consequently, the sector and choice of activity. Overall greater demand on time has the effect of limiting women's labor mobility and burdening them with disproportionately higher household responsibilities. Combined household and micro-firm data from Mexico points to child care obligations as the main restriction on the growth of female-owned firms. The data show that the differences in size and profits between female- and male-owned firms are larger for women who live in households where children under the age of 12 are present.

According to statistics by USAID (2012), the presence of children accounts for about 30 to 40 percent of the size and profit difference between female- and male-owned firms. Additional results from Mexico and Bolivia also show that female-owned firms are two to three times more likely to operate inside the owner's home than are male-owned firms. This suggests that household obligations could restrict location, size, and industry choices for female business owners, possibly leading to performance differences. Research on Tanzanian women's economic activities suggests that reducing time burdens of women could increase household cash incomes for smallholder coffee and banana growers by 10 percent, labor productivity by 15 percent and capital productivity by 44 percent.

Consequently, flexibility in self-employment is often a big motivating factor for women with families to become self-employed, while this is not always true in the case of men. The gender gap in time demand may also affect the duration and types of work experience men and women have and thus are a significant reason why they are in formal and informal businesses.

#### **2.4 Effect of Low Income on Access to Credit**

Blackburn (2011) noted that in the UK and US, due to the economic recess experienced in the recent years, most people have been forced to quit formal employment in preference for self employment. As such, there have been an ever increasing number of small scale enterprises, especially those owned by women as there were more women who quit formal employment. Blackburn (2011) also notes that the government imposed penalties on the unemployed hence an increased need for credit for either seed capital or advancing already existing capital. The overall effect of this has been stiff competition and low income. Sena (2010) notes that the reduced income has led to poor financial history and eventually having an impact on the ability of these women securing credit.

The International Labor Organization (2008) notes that there is a pronounced rural-urban disparity in economic development in Kenya. This has been mainly due to the outcome of an underlying economic, ideological and socio-cultural orientation that perceived rural areas as peripheral to urban areas. This perception gave rise to a development model that placed urban areas at the top of the development agenda. The result has been that rural areas have been left behind in many spheres of development (ILO, 2008). Although this has changed a great deal over the years, the relics of policy bias are still evident to date. Labor force participation of women in the rural areas is much higher than that of men. Women are disadvantaged with low incomes from the IGAs related to farming as they cannot equitably participate in off-farm economy in MSEs in Kenya. The result of the rural-urban disparities is that more women than men in rural areas are poor, less educated, and less informed about the availability of employment opportunities (Human Development Report, 2001). This tends to relegate them more to the chores surrounding the village and the farms in the rural areas.

Access to credit has eventually become a detrimental factor to advancing their small scale business enterprises as most businesses owned by the rural poor women are poorly managed, have low income and are mostly deemed not credit worthy by financial institutions (Namusonge, 2006). Namusonge also notes that these women who own small business enterprises also are mostly reluctant to take credit as it is an expensive option to improving their business. They fear taking the risk associated with credits.

## **2.5 Effect on High Interest Rates Access to Credit**

Interest rates are high as it is an instrument used to curb inflation rates in different countries (Dovi, 2006). Many country studies show that women entrepreneurs are more likely to face higher interest rates, be required to collateralize a higher share of the loan, and have shorter-term loans (IFC, 2011). For example, in MENA between 50 and 75 percent of the women surveyed reported that they have sought external financing for their businesses at some time during the previous 12 months. Most had not received any financing from a formal financial institution. The difficulties reported include high interest rates, collateral, lack of track record, and complexity of the application process. Fully 55 percent of women business owners in Tunisia encountered an obstacle when seeking financing. For them, high interest rates (36%) were the most significant barrier (IFC, 2011). Another 11 percent were denied financing due to lack of collateral. In the UAE, 51 percent of those surveyed also encountered difficulties, ranging from high interest rates (28%) to finding the process too complicated (16%), lack of collateral (15%), and being denied formal bank credit because of the lack of a track record (14%). In Jordan, 47 percent of those surveyed encountered difficulties seeking external financing. Nineteen percent found the interest rates too high, 17 percent found the process too complicated, and another 16 percent were denied due to lack of collateral. In Lebanon and Bahrain, 29 percent encountered difficulties when seeking external financing. For them, high interest rates (16% each) were the main problem (IFC, 2011).

A recent enterprise survey of new enterprises in Côte d'Ivoire, Kenya, Nigeria, and Senegal finds that the share of women business owners is 50 percent higher in the informal sector, with 18.1 percent of the registered firms run by women, compared to

27.6 percent of the informal firms. Mwobobia (2012) on the other hand notes that IGAs in the informal sector in Kenya have lower incomes compared to those in the formal sector. Mwobobia further notes that such enterprises with lower income usually have a poor credit history and hence do not easily qualify for credit from already established MFIs. In case of advancement of credit, these enterprises receive little credit advances for very high interest rates whose collaterals usually are the means of production owned by these businesses (Nyamu, 1999).

Whereas many MFIs emerged to provide initial and working capital in Kenya, relevance and cost-effectiveness is often inappropriate in satisfying the particular needs of potential and operating women entrepreneurs (Government of Kenya, 1999). Where accessible, the cost of credit was found to be expensive for most MSEs; for instance, the interest rates charged by some MFIs is as high as 54 per cent per annum. This coupled with a short repayment period becomes a major constraint, resulting in forcing the entrepreneur to work almost round the clock to service the loans. The exorbitantly high cost of initial capital tends to make the enterprise almost uneconomical to operate as a business. This is common to most formal sources of credit as well as MFIs in Kenya (ILO, 2008).

## **2.6 Effect of Cultural Constraints on Access to Credit**

Cultures can constraint the opportunities women pursue. Women can face additional barriers related to custom, have less time available due to the prevailing gender division of labor, or have lower intra-household bargaining position and consequently less control over their earnings. For the women entrepreneurs who are looking to achieve scale and further develop their enterprises, such constraints may reduce the incentive to grow businesses and thus their ability to access financial services. (Njeru & Njoka, 1999)

### **2.6.1 Lack of rights to ownership of property by women**

According to Mutuku (2006), property or other assets that a borrower offers a lender to secure a loan. If the borrower stops making the promised loan payments, the lender can seize the collateral to recoup its losses. Because collateral offers some security

to the lender in case the borrower fails to pay back the loan, loans that are secured by collateral typically have lower interest rates than unsecured loans.

In some studies collateral seems to play a disciplinary role in the behavior of the borrower solving the moral hazard problem (Clever, 2005; CSS, 1998; Dovi, 2006)). However, other empirical studies suggest a signaling value of collateral solving the adverse selection problem (e.g. Jalbert, 2007; Kiraguri, 2006).

In addition, women's access to land, which they can use as collateral for expensive loans, has been limited by traditional institutions such as the chieftaincy and the belief that men are superior and hence only they can claim land and not women. The ever-increasing centrality of the market to the government's land reform program is set to reproduce these patterns, as poor women lack the necessary resources to set up as independent business entrepreneurs (Ukpore, 2009).

Access to finance is a key issue for women. Accessing credit, particularly for starting an enterprise, is one of the major constraints faced by women entrepreneurs. Women often have fewer opportunities than men to gain access to credit for various reasons, including lack of collateral, an unwillingness to accept household assets as collateral and negative perceptions of female entrepreneurs by loan officers. In South Asia, women are almost invisible to formal financial institutions – they receive less than 10 per cent of commercial credits (Mahbub ul Haq human Development Center, 2000).

When women do have access to credit it is often in small amounts, whether this suits their needs or not. Differential access to credit may of course be a reflection of differences in the choice of sector, educational level or the amount of loan requested. However, as sector choice and educational levels tend to be limited or influenced by gender, one could say that any differential access based on this motive is indirectly caused by gender perceptions. In addition to this, women entrepreneurs in developing countries continue to suffer from poor overall assets, poor enforcement of financial rights and the existence of unequal inheritance rights and consequently poor access to community and social resources. Gender-based obstacles – conventional thinking,



cultural and social values, and lack of collateral – all aggravate the difficulties faced by women. High transaction costs, the rigidity of collateral requirements and heavy paperwork are further impediments to women entrepreneurs. (Karani,2012).

The greatest barrier facing women entrepreneurs in Kenya is access to finance is an issue because of requirements of collateral. In Kenya only 1% of women own property and that makes it very difficult for women to provide collateral for banks. Most women who venture into businesses in the rural areas and need financing lack the needed collateral to enable them secure bank loans. Responsibility of entrepreneurs for dependents has limited opportunities to make savings or undertake business expansion and diversification. (Amu, 2004) The financial aspects of setting up a business are without doubt the biggest obstacles to women.

Women entrepreneurs often lack information about how to get a loan, lack the necessary collateral to obtain one and /or face discriminatory laws or practices related to finance and credit Common wealth secretariat (2002). Finding the finance to get a new business going, or to grow an existing one is a difficult challenge.

Makokha (2006) adds that women entrepreneurs have financial social demands that compete with business capital, leading to a diversion of capital away from business needs. Kinyanjui (2006) records that some entrepreneurs felt that it was difficult to obtain loans as they had to show credit records and they did not fully understand the requirements getting and paying loans. Loans from Kenyan microfinance institutions tend to be limited in amount, have no grace period, are short term in design and carry very high interest rates. Consequently, most women entrepreneurs are likely to have multiple short-term loans to cater for both businesses and social needs. Studies have shown that loans to MSE entrepreneurs only satisfy a fraction of their financial needs (Women Entrepreneurs in Kenya, 2008).

### **2.6.2 Effect of culture on women participation in business**

Besides the policy environment, women have also been constrained by existing socio-cultural norms through which they are perceived as inferior or second class citizens in most countries of the world. Although the positions of African women in traditional

societies remain undocumented, there has been a tendency to use culture and tradition to undermine that position. This has had a negative impact in promoting sustainable development (Namusonge, 2006). Culture has been used to justify the subordinate position of women in the household, a factor which excludes women from property ownership. Culture has also been used to justify the existing unequal division of labor where some of the cultural norms concerning age of marriage and marriage rights have also limited women's participation in formal schooling (Coles & Mitchell, 2011). Yet, African countries claim that African culture is dynamic and change-oriented. When it comes to issues of gender inequity, African culture seems to be protecting the culture of oppression

For culture to play that dynamic role, women themselves have to create an alternative culture that challenges the one endorsed by African countries. This is the context in which women's initiatives have to be analyzed. Poverty is a leading factor and an enabling environment for HIV/AIDS. Conversely, HIV/AIDS can as well aggravate poverty particularly among women. Due to limited access to productive resources especially land and credit by women in agriculture, women could hardly cope with the impact of HIV/AIDS. Women in rural areas running small scale businesses are disadvantaged with lack of information on HIV/AIDS prevention, care and support strategies (Jamali, 2009).

The perceptions of the traditional roles of women in Kenya such as in firewood collection, peasant farming, child bearing and raising are slowly being overtaken by new lifestyles, such as formal and informal education which introduces them to alternative income generating activities. In the rural informal sector, women have dominated in some income generating activities such as tailoring and selling of agricultural products. (Jamali, 2009).

Forces that have made women living in the rural areas to embark in entrepreneurship are varied. Some join as a result of job losses in the formal sector or as a result of lack of employment in the formal sector. Others are forced to engage in rural entrepreneurship due to death of the breadwinners in the family e.g. spouses or close

relatives. Others are drawn by the successes of those already operating in sector while family influence also brings some to the informal sector industry. Due to increased population, the sizes of agricultural farms are becoming small and unproductive. As a coping strategy it has become extremely necessary for women to work in the informal sector to supplement most family's limited sources of income.

Women especially those living in the rural communities and the urban poor in Kenya still face daunting challenges (Kiraguri, 2012). It has been noted that women enterprises are smaller, less likely to grow, less profitable and begin less capital investment than those owned by men. Despite the absolute increase in number of women in self-employment in recent years, there still exist significant differences in the level of new firm creation across gender and the number of women involved in starting business is significantly and systematically lower than that of men (Karani, 2012). In Kenya, women are not yet exploiting existing entrepreneurship opportunities to contribute towards economic development due to socio-cultural constraints. Another reason for this might be the education gap of women entrepreneurs in entrepreneurship that also arises as a result of socio-cultural constraints. This forces entrepreneurs in entrepreneurship not to contribute a lot to the poverty reduction of the town, region and the country as a whole (Kiraguri, 2012). A number of initiatives have been taken by Government, donors and Non-Governmental organizations both local and international to increase the start-up rates and performance of women owned entrepreneurship in Kenya. Nevertheless, women in the sector are still found predominantly in low-performance rates, earning lower revenues than their male counter parts (Karani, 2012).

### **2.6.3 Support from male family members in business operation**

According to Coles and Mitchell (2011) in their discussion on women entrepreneurship in India, family support ,or the lack of it, is of crucial importance in the decision making process for the women entrepreneur and, depending on the response from the family ,the woman entrepreneur can either be highly motivated in her new venture or completely demotivated. Since orthodox society has demarcated the boundaries of economic activity for men and women, the entry of women in the sphere of entrepreneurship may be discouraged. The family may be neither appreciative of this

independent decision, nor show any trust in the potential entrepreneur's ability to start an enterprise. This discouragement from the home, coupled with opposition from society at large creates emotional and physical barriers.

Ajare (2004) categorically states that "there is lack of family support to women entrepreneurs and access to peer support. "This is confirmed by Gupta (1996) who, through a Bombay based pilot study found that one out of every five business woman faced active resistance from family members in the initial stages. A comparative study of male and female entrepreneurs in Uttar Pradesh, India came up with the extreme finding that 95% of the female entrepreneurs faced "family problems" in the start up phase, as compared to only 16% males.

Lack of support from the family or husband can and does stop women from going out of the house to generate an income. If economic necessities are overriding concerns a woman's income may be tolerated, but it could still lead to tension between husband and wife. (Sanya, 2013). Conversely a research study revealed that the reason why 50% of the respondents (irrespective of economic status) chose to become entrepreneurs was because their husband /family supported them in this decision. A study conducted by Voulgaris (2003) revealed that of the women entrepreneurs surveyed, 70% said that their family members were a major source of inspiration.

#### **2.6.4 Sharing of household responsibilities between women entrepreneurs and their spouses**

Family structure in the context of the particular role played by the entrepreneur, e.g., husband or wife, father or mother, exposes critical familial and societal variables that may explain the different forces that are exerted on women and men to form independent organizations. Women in transition economies have suffered from traditional perceptions about women's role in society, and these attitudes persist. In the early 1900s, "work" became differentiated from "housework", with women excluded from the ranks of productive enterprise and confined to "supportive" domestic roles for the male head-of-household. And still today, among students and professionals alike, when given a forced choice of advancing their own careers or following their husbands

(or would-be husbands), women will usually subjugate their own careers to that of their spouse, rather than the other way around, despite the fact that on self-report questionnaires women in professional schools or in early stages of their careers will expound on their independence and the importance of their career.

While career opportunities for women have changed, family role models typically have not. While the percentage of stay-at-home dads has soared, their numbers are still few. Most young men and women see their mother doing the lion's share of home chores. The father's job is still seen as more important in terms of both money and prestige. Women are not prepared for business-related pressures that impinge on their role in the family (the role that they were taught to play). Sanya (2013) found that even among those who were career-oriented from an early age, many successful women undergo "role conflicts which may lead to an extended period of identity 'diffusion'" and missed opportunities (1997: 31). Women burdened with family responsibilities have less time for learning and/or exploring business prospects.

Even in the most liberal of households, boys and girls are presented with different views of the world. From an early age men expect to work to support themselves or their families and are encouraged to achieve; women have been socialized to nurture and to find someone to support them.

Two-career households reinforce these stereotypes when the mother attends to mundane household duties after work—"the second shift"—as the father either relaxes or attends to more "important matters," such as finances or home improvement projects (Scot & Roper, 1991). Even in the 2000s, few men buy their children's clothes or school supplies or volunteer at their children's school. In two-career families, the man's job is still viewed as more important or prestigious. For married women, especially those with children, business ownership takes its toll in stress and, in many cases, divorce (Winn, 2004). Even with a stable marital relationship to mitigate risk and provide a financial safety net and moral support, child-rearing responsibilities can interfere with the best of intentions. Children do not plan their illnesses or school schedules with their parents' needs in mind. While it is often permissible to miss a day at the office to tend to family

problems, small businesses have less slack than large companies and small business owners have less flexibility than their employees. Owners of new businesses find that they have more time constraints and less discretion than they anticipated in the planning stages of their business. For women, this is particularly troublesome.

While many mothers become successful business-owners, the difficulties of balancing their families with their business obligations cannot be overemphasized. While self-employed women may put in fewer hours per week at their jobs than the average full-time worker (OECD, 1991), women too often underestimate the extent to which their own business will interfere with their family (Longstreth, Stafford, & Mauldin, 1987), or to the extent that their family will encumber the business (Winn, 2004). Women have been criticized for limiting the growth of their businesses (Armstrong, 2002; Carter, 2003; Brush, 2004) but the combination of undercapitalization and family obligations conspire to keep their businesses small. Entrepreneurship requires complex and acute demands on one's time, and men and women prioritize their time differently. Research by Flinders University of South Australia (1996) acknowledges that women with dependent children are typically the primary caregivers, regardless of their professional status. Even in Western Europe, only two percent of men take on household responsibilities such as washing and cleaning (Armstrong, 2002). In transition countries, in particular, household chores are seen as humiliating (Maríková, 1999). In many countries, part-time work is rarely available, and childcare and domestic services are scarce and expensive (Open Society Institute, 2002; Marksová-Tominová, 2003). Women who choose self-employment or entrepreneurship forego healthcare benefits, maternity leave, and pension plans (Ruminska-Zimney, 2002).

Family obligations do not always lessen as children get older. Day-care is easier to find for young children. Older children pose more logistical problems, and when left to their own devices are not always trustworthy. Even when husbands are willing to share in the household and childrearing duties, women tend to suffer tremendous guilt and anxiety when their businesses require long hours away from home. The businesses

of women who lack non-financial help from their husbands or “significant others,” are often doomed to failure (Winn, 2004).

Work-home conflict is evident even for women who do not have children. Like the women in the study by Stoner, Hartman, and Arora (1990), Winn (2004) found that the demands of their business affected their ability to relax at home, causing marital unhappiness and work-home conflict. Even women who are encouraged by their husbands report that the time and stress of the businesses strained their marriages. Goffee and Scase (1985) point out that while “the wives of small businessmen are often subordinated to the needs of their husbands,” the reverse is seldom true (1985: 5). Even entrepreneurial couples, husband-wife teams who work closely together, “are often trapped by a gender-based division of responsibilities and authority” typically resulting in “the wife acquiescing to [the husband’s] benevolent authority” (Marschak, 1998: 169).

#### **2.6.5 Failure to access business credit due to cultural barriers**

Traditionally, women are associated either the home or hearth. They are primarily seen as providers within the confines of the home, perceived both by themselves and society at large, as wives, mothers or daughters. The potential roles of wives and mothers keep them from formal schools or advanced education, especially in poor households where parents have to make the choices of educating their male children as a security for their old age. The absence of basic literacy and numeracy skills can prove to be major barriers to the establishment of a successful enterprise, and lack of proper education and training make for huge gaps in women’s knowledge and skill levels.

It has been observed that “the traditional role perceptions of males and females have undergone very little change over the years. Despite the increase in the number of legal and social safeguards, increased enrolment of women in the educational institutions and entry of women into varied and diversified occupations, the institution of the family remains virtually untouched in Africa. The rigid hierarchical structure within the family and society re-emphasized the role stereotypes. The appropriate traits of conformity, obedience, modesty, dependence, submissiveness, self denial and adaptability are ingrained in the girl child within the rigid hierarchical structure of the family and get

reaffirmed by various other institutions like school, marriage *et cetera* in her later life. This results in the girl developing a low self image and sacrificing her self esteem to conform to the prescribed role of dutiful daughter and good mother.

Various psycho-social and socio-cultural factors act as barriers to women's entry into entrepreneurship. It is then natural that women are in a more disadvantaged position than men when they take to entrepreneurship for they have only a limited idea of business opportunities, no exposure to industry or business, and are unaware of sources of support and assistance. This apart, they often start out with low self-esteem, low confidence and less support from the family. It is against this backdrop that women entrepreneurs make an entry in the business world, survive, operate or exit.

## **2.7 Growth of Women-Owned Small Scale Enterprises**

According to USAID (2001), the standard measure of growth used in studies of small scale enterprises is the change in the number of workers since start up. In addition, Liedholm and Mead (1999) contend that job creation is an important social goal and development objective and policies to support small enterprises are frequently justified on their supposed employment effects (Liedholm and Mead, 1999; Voulgaris, 2003). Some studies, however, show the biases that might arise from use of employment as an exclusive measure of growth instead of alternative indicators such as changes in sales, outputs, or assets (USAID 2001). This is because of the seasonal nature of most Small retail enterprises employment, from the prevalence of part time work and from the extensive use of unpaid family labor including children as well as the slowly growing nature of employment, which appears to increase with a lag after a sizeable growth in real sales (USAID 2001).

Some critics also raise the issue of job quality to the forgoing argument against using employment as a measure of growth. They contend that most Small Medium sector employment is presumed to bring less pay and fewer benefits. Accordingly, Acs and Audretsch (1990) cited in Ajare (2004) define Small retail enterprises growth as an average change in sales. However, according to Gupta (1996) cited in Voulgaris (2003), enterprise performance and profitability is not related to growth of sales, since some



companies may be able to maintain high profits ,even with a declining growth rate. Some analysts of the growth of small businesses suggest the need to define employment effects to the context and aspirations of the potential beneficiaries'. Poor jobs, which require few skills, and are short term, intermittent and lowly paid may still be better than nothing for the unemployed and underemployed. In addition, they can provide flexible options for individuals, such as women, who have extensive competing obligations. They may also provide opportunities for men to live with their families, rather than migrating for work.

Liedholm and Mead (1999), contend that the growth of employment remains to be a substantial measure of firm growth. If there is a need for an objective, neutral, and relatively easily applied definition for use in research, employee number is probably the best unit of measurement. Studies, which took employment as an indicator of enterprise growth, indicate that small firms are contributing to a greater degree for annual number of jobs created.

In analyzing employment growth, some researchers choose to use annual compound growth rates or simple annual employment growth while others use the rate of total the number of employment change since start up. The compound annual growth is usually preferred. (Liedholm & Mead 1999, Liedholm 2001, Goedhuys 2002 and USAID 2001).

## **2.8 Effects of access to credit on growth of small retail enterprises**

Lack of access to credit has been ranked as the top challenge by small scale entrepreneurs in the small and medium enterprise sector as loan interest rates soar beyond reach (Sanya, 2013). He states that limited access to credit ranks above red tape, current economic conditions, domination of large corporates and lack of market information and managerial skills at 86% relevance to entrepreneurs. Due to this, and coupled with the other challenges so far established in this study, the 'mortality' rate of small scale women owned business enterprises is on the increase. In Ghana, similar observations were made by Association of Ghana Industries, AGI Report (2013) where difficulties in accessing credit re-emerged as the topmost obstacle restricting growth of small scale businesses,

noting that the worst hit were small scale businesses owned by women. The report specifically said access to credit; poor power supply and high cost of raw materials were ranked first, second and third, as the topmost three challenges limiting the growth of small scale businesses in the country. It showed that efforts needed to be geared towards eliminating the challenges already established. On sector by sector challenges, AGI (2013) stated that still access to credit, high cost of raw materials and cost of credit maintained first, second and third positions as the top most challenges restricting growth in the SME sector, where women-owned small enterprises fell under.

In Ghana and South Africa, women owned small scale enterprises represent a vast portion of businesses. They represent about 87% of Ghanaian businesses and contribute about 70% to Ghana's GDP and over 80% to employment. Women owned small scale enterprises also account for about 86% of the formal business entities in South Africa, contributing between 52% and 57% of GDP and providing about 61% of employment (CSS, 1998; Ntsika, 1999; Gumede, 2000; Berry, 2002). In Kenya, it is estimated that there are 7.5 million SMEs, with women ownership accounting for over 62% of the total. The sector's contribution to the gross domestic product has increased in the recent past from 13.8 per cent in 1993 to about 40 per cent in 2008 (Mbogo, 2013). He also asserts that the sector provides approximately 80 per cent of employment and contributes over 92 per cent of the new jobs created annually according to the Kenya National Bureau of Statistics and that SMEs in Kenya are expanding to meet the growing East Africa Community market.

Women-owned small scale enterprises have been noted to be one of the major areas of concern to many policymakers in an attempt to accelerate the rate of growth in low-income countries. These enterprises have been recognized as the engines through which the growth objectives of developing countries can be achieved. They are potential sources of employment and income in many developing countries (Advani, 1997). Women-owned small scale enterprises seem to have advantages over their competitors in that they are able to adapt more easily to market conditions. They are able to withstand adverse economic conditions because of their flexible and

persistence nature (Kayanula & Quartey, 2000 Women-owned small scale enterprises are more labor intensive and therefore have lower capital costs associated with job creation (Anheier & Seibel, 1987; Liedholm & Mead, 1987; Schmitz, 1995). They perform useful roles in ensuring income stability, growth and employment. Since women-owned small scale enterprises are labor intensive, they are more likely to succeed in smaller urban centers and rural areas, where they can contribute to a more even distribution of economic activity in a region and can help to slow the flow of migration to large cities. Due to their regional dispersion and their labor intensity, it is argued, small-scale production units can promote a more equitable distribution of income than large firms. They also improve the efficiency of domestic markets and make productive use of scarce resources, thus facilitating long-term economic and business growth (Kayanula & Quartey, 2000).

The nurturing and development of women –owned small scale enterprises therefore represents an essential element in the growth strategy of most economies and holds particular significance in the case of Kenya. As such, facilitation and provision of tools that would spark their growth, such as provision of credit and lowering of credit cost, is essential for the ‘ripple effect’ economic growth to be felt. Women owned small scale enterprises not only contribute significantly to improved living standards, employment generation and poverty reduction in Kenya, but they also bring about substantial domestic or local capital formation and achieve high levels of productivity and capability.

## **2.9 Theoretical Framework**

This study adopts the theoretical lens of social capital as postulated by Norman T. Uphoff. Social capital is subject to a variety of interpretations, which often confuse the application of the concept. Often, the concept refers to the links between people and how individuals take advantage of these links to access certain desirable resources.

### **2.9.1 Social Capital Theory**

Social capital is most often understood as the source through which individuals can take advantage of social relations, networks or other structures to obtain certain benefits

(Portes, 1998). The conceptualization of social capital dates back to Marx and Durkheim, but in the 1970's Pierre Bourdieu provided one of the most theoretical and instrumental contemporary interpretations of the concept. Economist Glenn Loury's work on the effect of social connections on access to employment inspired sociologist James S. Coleman to investigate the role of social capital on human capital. In the 1990's Robert Putman advocated for social capital as a means for collective action for mutual benefit, through trust and norms of reciprocity. Putman is also known for his distinction between 'bonding' and bridging' social capital, which refers, firstly, to the social connections between a homogeneous group of people and, secondly to the relations beyond and between differing groups. (Karlan , 2006)

Social capital has also gained steady ground within development literature. Michael Woolcock was the first to provide a unified conceptual framework for the concept of social capital in an economic development perspective (Piazza-Georgi, 2002; Woolcock, 1998). It has however, received much criticism mainly due to the variety of interpretations and thus confusion regarding its applicability (Lakwo, 2006). In a development context it is attacked for being used as a means to avoid inequality issues as power relations are accounted for without looking at the negative consequences of social life. Others disagree with the assumption that actors are social entrepreneurs and actively invest in relationships of trust. Yet others view social capital as embedded social resources, dynamic and negotiated but not easily stored and thus both constrain and enable individual action, as well as reproduce structural inequalities (Clever, 2005).

This study is inspired by the approach developed by social scientist Norman T. Uphoff (1941). Uphoff is a professor at the Cornell University, New York with a main research focus on the field of rural and agricultural development (cornell.edu, 2012). He bases his work on social capital on practical development projects (Krishna & Uphoff, 1999 and Uphoff & Wijayaranta, 2000), and his conceptualization of social capital is commonly employed in contemporary research and practice within fields as diverse as mental health and rural development ( Islam , 2006; Pronyk, 2008).

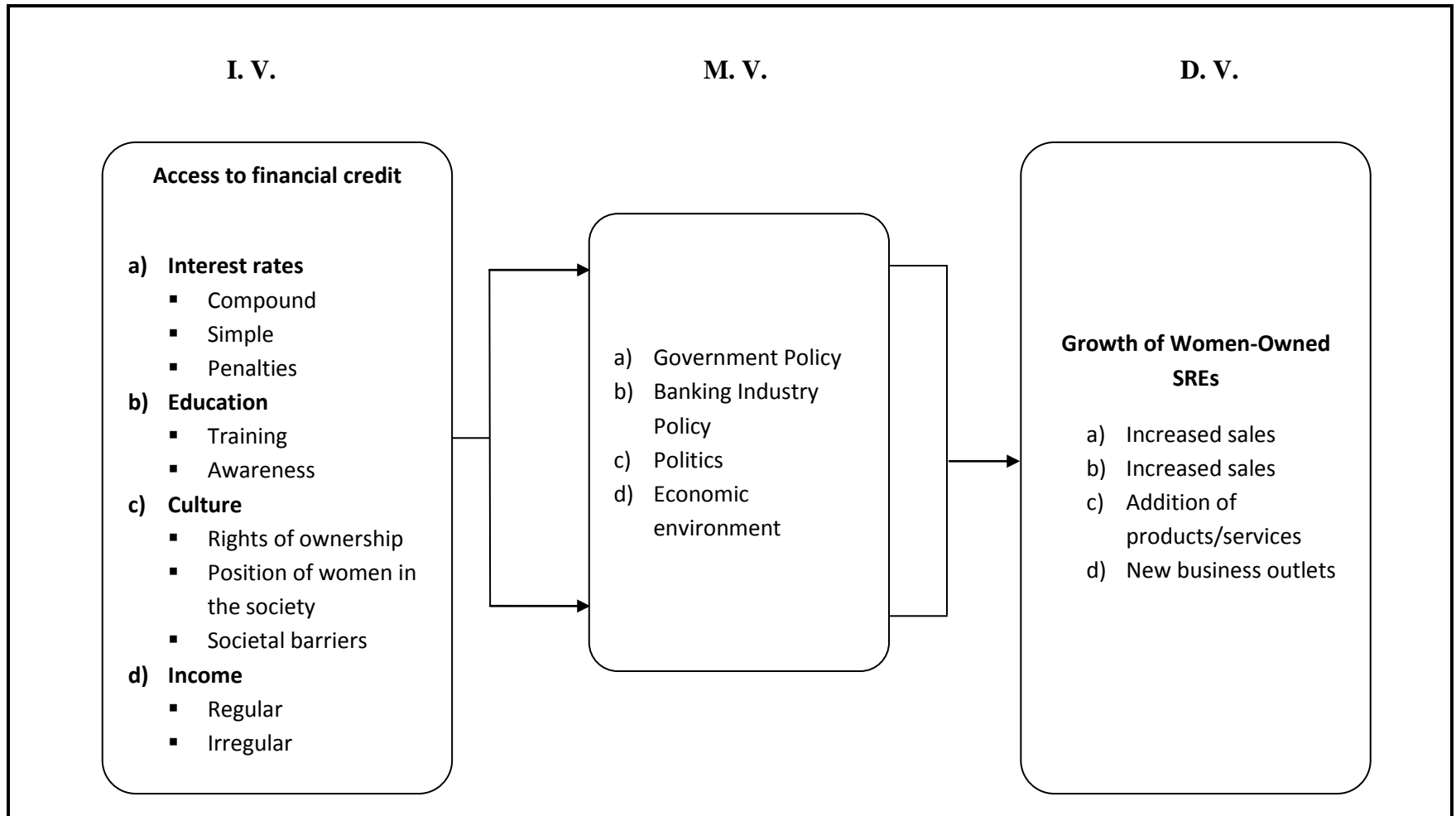
## **2.10 Conceptual Framework**

This study opined that there are four major factors that affect access to financial credit to women-owned small retail enterprises in Kapseret Constituency. These are the interest rates, collateral, culture and education levels of these businesswomen. These constitute sub-themes of the independent variable whose characteristics will be studied and will form the core objectives of the study.

On the other hand, the dependent variable will be the growth of the small retail enterprises owned by the women. The sub-themes of growth of the SREs are increased sales, increased assets, enhanced after-sale services, addition of products and/or services and opening of new business outlets. These sub-themes are directly or indirectly impacted by the various sub-themes of the independent variable.

However, while it is expected that the relationship between the dependent and independent variable is direct as described above, that is not the case in all situations. There are usually other factors that come in-between the two variables, known as the moderating or intervening variables. These variables can be studied independently if need arises. These are government policies on lending, policies of the lending institution, regional politics and other regional or global economic factors that generally affect trade, whether small scale or large scale.

Consequently, the study adopted the conceptual framework illustrated in Figure 2.1 and formed a basis for drawing conclusions and recommendations.



**Figure 2.1: Conceptual Framework**

Source: Author

Where I.V is the Independent Variable, M.V. is the Moderating/Intervening Variables and D.V is the Dependent Variables.

### **2.11 Gap in Literature Review**

From the reviewed literature, it is evident that much has been done with regards to access to credit for women entrepreneurs. However, in Kenya, challenges facing women entrepreneurs in rural areas in accessing credit have not been exhaustively covered. The effect of academic levels on access to credit by these women has received little attention. The link between culture and education has also not been established. It is already established that higher interest rates have led to the fear of utilizing credit facilities as a way of growing business, but the link between culture and venturing into business activities has not been evaluated. As such, this study will try to establish the missing links as highlighted above so as to provide more insight to the topic under study.

### **2.12 Summary of literature review**

From the literature reviewed, it is evident that businesswomen in minority countries initially faced major challenges in starting off businesses but were later successful in their business ventures. However, their access to credit still remains a challenge even in this era where they play a core role in the running of the economy. On the hand, their counterparts in majority countries such as Kenya face more pronounced challenges that range from lower education levels and empowerment to cultural barriers that hinder their operation of businesses. The high interest rates coupled with high penalties after defaulting the monthly credit repayments further limit the access to credit. Further, the value of the collateral provided by these women is low hence limiting the amount of credit they can access from the financial institutions.

These factors have generally led to a lower growth rate of the small retail enterprises owned by women developing countries. Consequently, the income levels have either decreased or stagnated for a long time hence frustrating the businesswomen further. Given the hard economic and operating environment, coupled with the banking industry policies, the study empirically established that growth of these enterprises is even further stifled in that the owners have to constantly use the business income for other activities that are not income-generating in nature such as sustenance of the family

through payment of school fees among other. This generally has affects the growth of the small retail enterprises owned by women in most developing countries.



## **CHAPTER THREE**

### **RESEARCH DESIGN AND METHODOLOGY**

#### **3.1 Introduction**

This chapter presents the research design, target population, sample selection procedure and the sample size, data collection instruments and data collection procedure. It also presents how data was analyzed and the various ethical considerations in the study.

#### **3.2 Research Design**

The study sought to identify the challenges of access to credit by women engaging in small scale businesses, the research design that was adopted was descriptive. Weiss (1998) argues that descriptive survey research design allows the collection of quantitative and qualitative data that can be used for establishing causes of specific events or happenings. The survey research design emphasized that subjects most suited to survey research were those which could accurately be measured by subject response.

#### **3.3 Target Population**

The study targeted women entrepreneurs in the Kapseret Constituency and the management of various MFIs in the region. This target population was selected because this was the group that was easily accessible to the researcher and had the right information about the challenges that the women entrepreneurs face. There were a total of 1468 women who are small scale business entrepreneurs targeted by the study. 15 management staff of local micro finance institutions operating in the constituency were also targeted.

#### **3.4 Sample Selection and Sample size**

The Morgan and Krejcie (1970) table (Appendix III) was used to determine the sample size for this study. Given the total target population of 1483, the corresponding sample size was 306 respondents. The respondents were distributed in Table 3.1 according to their ratio samples.

Table 3.1: *Sample Size*

Target Group	Target Population	Procedure	Sample Size
Managers, Microfinance Institutions	15	15/1483 * 306	3
Women Entrepreneurs	1468	1468/1483 * 306	303
<b>Total</b>	<b>1483</b>	1483/1483 * 306	<b>306</b>

### 3.5 Data Collection Instruments

Mugenda and Mugenda (2003) define data collection instruments as tools used to collect data from respondents (Dwivedi, 2006). This study collected both primary and secondary data and as such used Questionnaires and Interviews to collect primary data while document reviews enabled the researcher collect secondary data.

Dwivedi (2006) defines a questionnaire as a device for securing answers to questions by using a set of questions. The use of questionnaires offers considerable advantages in management as it presents an even stimulus to a large number of people simultaneously and provides investigator with a relatively easy accumulation of data. Further the use of questionnaires allows the respondents time on questions that would require reflections on to avoid nasty responses, however they require a lot of time in travelling hence a lot of expenses that inflate research cost, and some respondents do not answer all the questions. The researcher prepared questionnaires for the women entrepreneurs.

Dwivedi (2006) defines interview as face to face interpersonal role situation in which one individual (interviewer) asks the other individual (respondent) questions designed to obtain answers relevant to the research problem. The study used the interview schedule for gathering data because it permitted much greater depth than other methods of data collection. It also provided a true picture of opinions and feelings; however they were time consuming, expensive to conduct. The research used open-ended questions to elicit verbal responses from the Management staff of MFIs

### **3.5.1 Pilot Testing of the instrument**

The study first constructed the research instruments. The research instruments were pre-tested first to make appropriate modifications before embarking on the main study. The pilot study was conducted in Ainabkoi Constituency. During piloting, the study familiarized itself with the nature of expected respondents during the main study. The pilot study was conducted in two phases, two to three weeks after the others and after correcting some of the issues found to be of concern among the tools used. Due diligence was taken to ensure that the questions asked in the questionnaires and interview schedules were not too lengthy or so worded that would have made respondents unable to follow them also considering that we were enquiring on respondents with special needs. Moreover, after vigorous assessment of the study instrument after first pre – test, the instrument was amended and the adjusted interview schedule and questionnaires was put to test again. Modification was also done on the sampling, population, hypothesis and even research objectives.

### **3.5.2 Validity of the instruments**

Validity is the accuracy and meaningfulness of inferences which are based on the research results (Mugenda & Mugenda, 2003). The methods of determining validity of research instruments are: content, construct and criterion. The study utilized content validation measure to determine the validity of the research instruments. For this study, the supervisor assessed the validity of the research instruments to be used in the study. The advantage of using content validation measure is that it is usually subjective, thorough and representative of the wider body of material that the research is trying to assess. In order to establish content validity for quantitative data, results from the ratings were computed using the following formula.

$$\text{CVI} = \frac{\text{number of items rated as relevant (per objective)}}{\text{Total number of items in the questionnaire}} * 100\%$$

The end product will give the content validity of the research instrument. If CVI is more than 50% then the instrument is valid and if the instrument is less than 50% the instrument is not valid. Qualitative validity of instruments was to be ensured by

processing data into manageable proportions through editing, coding, and tabulation methods. Data collected was checked while still in the field to ensure that all questions were answered. Contradictory information would be removed if found infective. By coding, an answer to each item on the questionnaire was classified into meaning full categories. Tabulation was used to obtain frequencies and percentages of each item.

### **3.5.3 Reliability of the instruments**

Reliability is a measure of the degree to which a research instrument yields consistent results or data after repeated trials. Mugenda and Mugenda (2003) state that reliability in research is influenced by random error. As random error increases, reliability decreases. Weiss (2008) explains, although all measures contain error, the more reliable the method or instrument, the less likely it is that these influences will affect the accuracy of the measurement. Test – retest technique was used to determine the reliability of the research instruments to be used by the study as opposed to other reliability measurement methods like; split half technique and interpreter reliability. This also involved administering the same measure of the variable on two separate occasions 2 weeks apart is an example of this type of reliability in a different environment e.g. Ainabkoi Constituency. The interval of time between administrations should be considered with this form of reliability because test-retest correlations tend to decrease as the time interval increases (Robson, 2002). Therefore the period of two weeks interval will increase the correlation value as opposed to a longer period of time. Thereafter, Cronbach Alpha coefficient will be obtained and according to Creswell (2008), a reliability coefficient of 0.7 or more implies that there is a high degree of reliability of the data.

### **3.6 Data Collection Procedures**

To implement the general objectives plans of a research study, methods of data collection must always be used. Kerlinger, (1978) further says that problems dictate methods to a considerate extent, but methods, their availability, feasibility and relevance influence problems. McMillan and Schumacher (1993) argues that in order to begin the research, the researcher should formally acquire an introduction letter from the university identifying who he/she is, stating the intent of the student to conduct a research, the purpose and within what period. This enables the student secure a research permit from

the relevant ministry, upon which the student provides the same to the local authorities during data collection.

The interviews were conducted in pre-arranged dates while the questionnaires were administered and collected with the assistance of a research assistant who was hired and trained on the expected tasks to be carried out. The issues covered during training were ethical guidelines in conducting research. After receiving the research permit and letter of authority from relevant institutions, research instruments were ready for field studies. The interview sessions were conducted while the interview questions were recorded on a sheet of paper. The interviews were thought out beforehand and standardized so that all participants were asked the same questions in the same order. Appointments were also made with the managers of MFIs for the interview session before administering the interview.

### **3.7 Data Analysis techniques**

Yin (2003) pointed out that analysis of data involves examining, categorizing, tabulating or otherwise combining the evidence to address the initial propositions of a study. Before data entry, screening was done. (Leary, 2004) stated that Data screening ensures that responses are legible and understandable and that responses are within an acceptable range and are complete, and all of the necessary information has been included. Collected data were coded and entered into the SPSS program for analysis. The analysis of the data was conducted using descriptive and inferential statistical analysis. Descriptive statistics allowed the researcher to describe the data and examine relationships between variables, while inferential statistics allowed the researcher to examine causal relationships between qualitative and quantitative data (Leary, 2004). In many cases, inferential statistics allow researchers to go beyond the parameters of their study sample and draw conclusions about the population from which the sample was drawn. The qualitative analysis involves the idea of using themes and categories as advised by Charmaz (1983) who purported that categories serve to pull together and give meaning to a series of otherwise discreet events, statements, and observations in the data. Analyzed data was presented using tables, charts and narrations.

### **3.8 Ethical Considerations**

Ethics has been defined as that branch of philosophy which deals with one's conduct and serves as a guide to one's behavior (Mugenda & Mugenda, 2003). Moreover, these principles are intended to protect research participants from harm (Sieber & Stanley, 1988). Volunteer participation was clearly explained to the participants before they signed in their consent forms. Participants had the freedom to withdraw from the study at any stage. Cohen and Manion (1994) suggested that informed consent is an important issue that one has to consider. The purpose of the study was explained to the participants so that they could make their own informed choices. The study promised full disclosure of the findings of the study to the participants. Additionally, the study guaranteed confidentiality and anonymity to the participants. Since the respondents were aware of the cultural norms of my study arena, the study made sure that words and language that seemed to be sensitive were avoided. The names of all informants were coded to conceal their identity and to maintain confidentiality.

## **CHAPTER FOUR**

### **DATA ANALYSIS, PRESENTATION, INTERPRETATION AND DISCUSSIONS**

#### **4.1 Introduction**

This chapter presents data on effects of access to credit on the growth of women owned small retail enterprises in Uasin Gishu County. The data was collected through questionnaires and interviews. The qualitative data was organized in broad themes that answered the research objectives. Quantitative data was organized in frequency counts and converted to percentages for clear presentation.

#### **4.2: Response Rate**

All questionnaires issued in the study (304) were fully filled and collected. This represents a 100% response rate. This was ensured through revisits to respondents and clarification on questions that needed attention. The respondents who totally failed to give feedback were replaced and questionnaires re-administered.

#### **4.3: Demographic information**

The preliminary section of this study was done through administering of a questionnaire. The respondents in the study were disaggregated by gender, age bracket, duration in entrepreneurship and academic levels attained.

**Table 4.1: Demographic information**

		<b>Count</b>	<b>Percentage</b>
<b>Gender of respondents</b>	Female	304	<b>99%</b>
	Male	2	<b>1%</b>
<b>Age of respondents</b>	18-20 yrs	36	<b>12%</b>
	21-25 yrs	67	<b>22%</b>
	26-30 yrs	70	<b>23%</b>
	Above 30yrs	130	<b>43%</b>
<b>Duration in entrepreneurship</b>	1year or less	203	<b>67%</b>
	1-2 years	79	<b>26%</b>
	2-3 years	15	<b>5%</b>
	More than 3 years	6	<b>2%</b>
<b>Highest academic levels</b>	Primary level	115	<b>38%</b>
	Secondary level	161	<b>53%</b>
	Certificate	12	<b>4%</b>
	Diploma	9	<b>3%</b>
	Degree	6	<b>2%</b>
	Master	0	<b>0</b>
Doctorate	0	<b>0</b>	

#### **4.3.1 Gender of respondents**

Out of the 306 respondents, the majority of 304 (99%) were female while only 2(1%) were male. There were only 2 male managers of microfinance institutions that constituted 1 %.

Given that the study focused on women entrepreneurs, all entrepreneurs participating in the study belonged to the female gender. MFI managers were selected purposively to provide an in-depth understanding of women entrepreneurship in KC. There were 2 (67%) male and 1 (33%) female MFI managers.

Women form the majority of the population in most countries (Kenya population and housing census, 2009), yet they are not equitably represented in economic activities, either as employees or owner managers of businesses. For instance, according to the Economic Survey of 2005, in 2003 and 2004, men accounted for 70 per cent of wage employment and women for only 30 per cent. (Table 4.1)



#### **4.3.2 Age of respondents**

The study sought to establish the ages of selected women entrepreneurs who participated in the study. Only a handful of respondents 36 (12%) were aged between 18 and 20 years of age. 67 (22%) were aged between 21 and 25 years of age, 70 (23%) were aged between 26 and 30 years and the greatest proportion of 133 (43%) were aged above 30 years of age.

The study revealed that the higher the age brackets of respondents, the more the number of women engaging in entrepreneurship.

#### **4.3.4 Duration in entrepreneurship**

More so, the study sort to know the duration in which the women entrepreneurs had engaged in business. 203 (67%) of entrepreneurs had operated women owned SMEs for a year or less, 79(26%) for up to two years but more than a year, 15 (5%) for between 2 years and 3 years while a paltry (6) 2% for more than three years. It is interesting to note that as the duration of operation of business increased, there were fewer women owned enterprises. (Table 4.1)

The study established that as the duration of being in business increased, there were fewer SMEs. These results suggest that there were many SMEs during start up but few survived after a period of time.

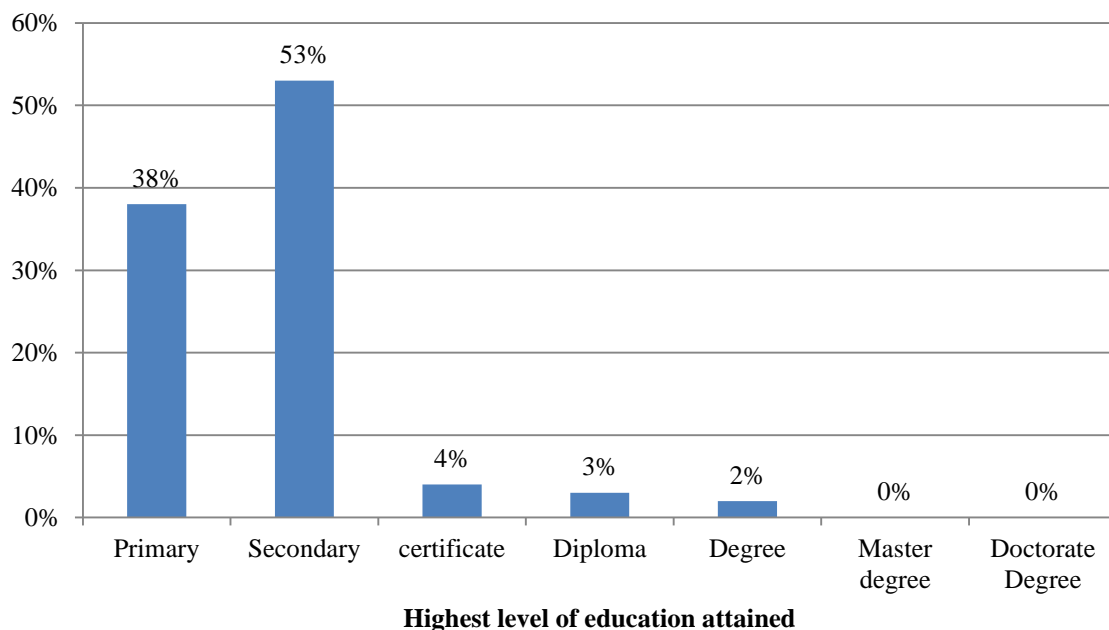
This phenomenon has been observed not only in Women entrepreneurship but as a characteristic prevalent in all SMEs. According to the Kenya Economic Survey of 2005, a majority of Small and Medium Enterprises (SMEs) that operate in Kenya have for a long time failed in their operations. The reasons for failure are not necessarily environmental issues but deficits in their management as well as daily operations.

It continues to state that one of the outstanding challenges hindering their expansion is managing their financial operations as well as financial management. Because of the perceived risks involved, SMEs have often had a difficulty in obtaining finances for start-up, expansion and working capital. In those lines a number of SMEs have primal financial management that makes them prone to financial problems.

#### 4.3.5 Highest academic levels attained by entrepreneurs

The study sought to identify the highest levels of education attained by women entrepreneurs in order to test association with size of the enterprise. In response to this question the study established that 38% (115) of women entrepreneurs had attained education levels to primary level. 53% (161) had attained secondary level education, 4% (12) had attained certificate, 3% (9) had attained diploma levels, while only 2% (6) had attained degree level education. Surprisingly, none of the women entrepreneurs had attained Master or Doctorate level academic qualifications.

**Figure 4.1: Academic levels attained by entrepreneurs**



The study established that the majority of women entrepreneurs were educated to secondary school levels. 38% had attained primary level education, 53% secondary level, 4% certificate level, 3% diploma, 2% Degree while none had attained Master or doctorate level Degrees.

#### 4.4 Education levels and access to credit

The study sought to determine the relationship between education level and access to credit. To address the issue, women entrepreneurs were asked to rate on a five

Likert scale the extent to which they agreed with statements relating to how education affects access to credit by women owned enterprises.

#### 4.4.1 Training and ability to manage businesses by women

The study examined the relationship between training and ability to manage businesses by the women entrepreneurs. The responses are summarized as below.

*Table 4.2: Case Processing Summary*

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
<b>Ward by Effects of Education</b>	<b>301</b>	<b>99.3%</b>	<b>2</b>	<b>0.7%</b>	<b>303</b>	<b>100.0%</b>

In response to this question 86 respondents indicated that training was very significant in managing business and seemed to agree that trained women entrepreneurs managed businesses better than those who were untrained. 128 said that training had a fairly significant impact on the management of businesses while 87 said that training played a significant role in managing business enterprises owned by women in the constituency.

*Table 4.3: Effect of Training on Ability to Manage Businesses by Women*

		Effects of Education			Total
		Very significant	Fairly significant	Significant	
<b>Ward</b>	Simat	18	34	7	<b>59</b>
	Kipkenyo	14	27	18	<b>59</b>
	Ngeria	24	20	16	<b>60</b>
	Megun	16	28	17	<b>61</b>
	Langas	14	19	29	<b>62</b>
<b>Total</b>		<b>86</b>	<b>128</b>	<b>87</b>	<b>301</b>

These figures represented 19.6% from Simat Ward, 19.6% from Kipkenyo Ward, 19.8% from Ngeria Ward, 20.2% from Megun Ward and 20.8% from Langas Ward. The study established that women entrepreneurs perceived training on business management to be essential. Management skills, lack of occupational experience in related businesses for many women entrepreneurs has been indicated as a constraint to growth. Kibas (2006)

identified lack of opportunities for management training, financial management, marketing and people management, to be limitations facing them.

#### 4.4.2 Training and ability to access business credit

Similarly, the study sought to find out whether how training had an effect on ability to access business credit. The study asked respondents to indicate the extent to which they thought training affected their ability to access business training. 285 (95%) of respondents agreed that level of training had an effect on the ability to access credit while only 15 respondents corresponding to (5%) disagreed with this opinion.

**Table 4.4: Effect of Training on Ability to Access Business Credit**

		Ability to access credit by Learned women		Total
		True	False	
<b>Ward</b>	Simat	60	0	<b>60</b>
	Kipkenyo	54	5	<b>59</b>
	Ngeria	54	5	<b>59</b>
	Megun	57	3	<b>60</b>
	Langas	60	2	<b>62</b>
<b>Total</b>		<b>285</b>	<b>15</b>	<b>300</b>

The study revealed that women entrepreneurs perceived training as an important factor in accessing credit trained hence, women entrepreneurs had better chances of accessing business credit from MFIs. From the analysis of responses from Managers of MFIs, the reasons that were stated for this is that trained women had a higher ability to keep financial records concerning their businesses develop business plans and project proposal than untrained women. Approximately 70% of trained women entrepreneurs who applied for credit were able to access credit while 50% of untrained women entrepreneurs accessed credit from MFIs.

In emphasizing this point, International Labour Organization (2006) states that lower education levels puts women entrepreneurs in Kenya at a disadvantage compared to men. While gender gap in primary education in Kenya has decreased in recent years, the gap remains high at secondary and tertiary education levels. Lower education does not emphasize entrepreneurship skills. It decreases the chances that women will have the

knowledge needed to excel in business, and thereby contribute to the country’s overall economic growth.

#### **4.4.3 Training and ability to form groups and secure loans from MFIs**

As a contrast to ability to access business credit, effect of training on ability to form groups and secure loans from MFIs showed different results. The least proportion of respondents (5%) disagreed with the opinion that training had no effect on the ability of women entrepreneurs to form groups and secure MFI loans while the remaining 95% of the respondents agreed that training enhanced the ability of women forming groups for easy access to credit.

***Table 4.5: Effect of Training on Ability to Form Groups and Secure Loans from MFIs***

		<b>Group formation by learned women</b>		<b>Total</b>
		<b>True</b>	<b>False</b>	
<b>Ward</b>	Simat	59	1	<b>60</b>
	Kipkenyo	54	5	<b>59</b>
	Ngeria	54	5	<b>59</b>
	Megun	57	3	<b>60</b>
	Langas	60	2	<b>62</b>
<b>Total</b>		<b>284</b>	<b>16</b>	<b>300</b>

The results of the study indicate that women entrepreneurs perceived training to be important in formation of groups. A further inquiry indicates that peer group formation was more based on commonality of interest and on the level of training attained.

An interview with managers of MFIs showed that MFIs have adopted this practice of allocating loans to individuals with little or no collateral—but with social capital in the form of peers who are also co-applicants and who in many cases are jointly liable.

#### **4.4.4 Availability of time for business training by women entrepreneurs and business growth**

Women entrepreneurs were asked to state whether they agreed that they lacked time for business training hence could not grow their businesses. The majority of respondents (77%) strongly agreed, 16% agreed, 5% undecided while 2% disagreed.

**Table 4.6: Effect of Lack of Time for Extra Business Training By Women Entrepreneurs on Business Growth**

		Extra Time for Business training		Total
		True	False	
<b>Ward</b>	Simat	54	6	<b>60</b>
	Kipkenyo	55	4	<b>59</b>
	Ngeria	54	5	<b>59</b>
	Megun	53	7	<b>60</b>
	Langas	57	5	<b>62</b>
<b>Total</b>		<b>273</b>	<b>27</b>	<b>300</b>

The findings revealed that majority of women entrepreneurs (total of 91%) either strongly agreed or agreed that they lacked time for business training. The data suggested that women entrepreneurs in KC were "time poor" due to their dual roles in the household economy and the labor market, as mothers, housekeepers, wives and owners/managers. In addition, such dual roles did not give women adequate time to plan and manage their businesses well. Women's lack of business training in MSEs, was due to their dual "role conflict".

#### **4.5 Level of income and access to business credit**

Objective two of the study sought to establish the influence of the income levels on access to credit by small retail enterprises owned by women in Kapsaret County. The findings are discussed in the following sub-sections.

##### **4.5.1 Income levels and ability to secure credit**

An inquiry of whether business income levels had any significance on access to credit by women entrepreneurs indicated that 86 (28.6%) agreed that it had a very significant on access to credit, 128 (42.5%) agreed that income levels had a fairly significance on access to credit while 87 (28.7%) said there was a significance on access to credit.

**Table 4.7: Significance of Income Levels on Ability to Secure Credit**

		<b>Income Statement and Ability for Loan Acquisition</b>			<b>Total</b>
		Very significant	Fairly significant	Significant	
<b>Ward</b>	Simat	18	34	7	<b>59</b>
	Kipkenyo	14	27	18	<b>59</b>
	Ngeria	24	20	16	<b>60</b>
	Megun	16	28	17	<b>61</b>
	Langas	14	19	29	<b>62</b>
<b>Total</b>		<b>86</b>	<b>128</b>	<b>87</b>	<b>301</b>

As reflected by responses from managers of MFIs, cash flows were used to assess the ability of enterprises to pay back loans. Lenders needed to determine whether entrepreneurs could comfortably manage payments. Past income and employment history were good indicators of the ability to repay outstanding debt. Income amount, stability, and type of income would all be considered.

#### **4.5.2 Difficulty in loan repayments by women owned SMEs**

Asked whether they faced a difficulty in loan repayments, 116 (38.5%) of women entrepreneurs agreed that they faced very significant challenges in loan repayments, 80 (26.6%) agreed that they faced fairly significant difficulties while 105 (34.9%) also said that the difficulties were significant.

**Table 4.8: Difficulty in Loan Repayments by Women Owned SMEs**

		<b>Income statement and Loan repayment</b>			<b>Total</b>
		Very Significant	Fairly significant	Significant Challenges	
<b>Ward</b>	Simat	24	21	14	<b>59</b>
	Kipkenyo	28	9	22	<b>59</b>
	Ngeria	24	20	16	<b>60</b>
	Megun	26	11	24	<b>61</b>
	Langas	14	19	29	<b>62</b>
<b>Total</b>		<b>116</b>	<b>80</b>	<b>105</b>	<b>301</b>

Based on the findings, the majority of women entrepreneurs did face a challenge in loan repayment.

#### 4.6 Interest rate and access to credit

The research aimed at investigating the effects of interest rates on access to credit. It also sought to determine the effect of interest rates on sustainability of women owned enterprises and its effect on willingness to request for business credit by women entrepreneurs.

##### 4.6.1 Interest rates and access to credit

The results indicated that higher interest rates were a deterrent to borrowing by women entrepreneurs. A massive 287(94.7%) of respondents strongly agreed that interest rates affected their ability to borrow while only 15(5.3%) disagreed with this opinion.

*Table 4.9: Effects of Interest Rates on Access to Credit*

		Interest rates and Access to credit		Total
		True	False	
Ward	Simat	61	0	61
	Kipkenyo	54	5	59
	Ngeria	54	5	59
	Megun	58	3	61
	Langas	60	2	62
Total		287	15	302

The findings suggested that interest rate was an important fact of consideration by women entrepreneurs in assessing suitability of loans for their enterprises. The majority of women were sensible to high interest rates. It was evident that borrowing costs strongly affected the willingness of women SMEs entrepreneurs to seek loans from a formal lender. Therefore it was concluded that high interest rates constrain the demand for credit.

##### 4.6.2 Interest rate and the sustainability of women owned enterprises

The research was interested in finding out whether high interest rates caused difficulty in repayment of credit hence posing a risk for business failure. Similar to findings on effects of interest rates on access to credit respondents showed a high rating towards strongly agree and agree. The majority 276 (91%) strongly agreed, 21 (7%) agreed while only 6 (2%) were undecided.



**Table 4.10: Effect of Interest Rate in the Sustainability of Women Owned Enterprises**

	<b>Frequency</b>	<b>Percentage</b>
Strongly agree	276	91%
Agree	21	7%
Undecided	6	2%
Disagree	0	0%
Strongly disagree	0	0%
<b>Total</b>	<b>303</b>	<b>100.00%</b>

Basing on the results, it was concluded that cost of borrowing was perceived by women entrepreneurs to be an important factor in the sustainability of women owned enterprises. High interest rates were considered to be risky.

#### **4.6.3 Interest rate and willingness to seek for business credit by women entrepreneurs.**

Entrepreneurs were asked to state whether rate of interest on business loans affected their willingness to borrow both in the short and long-term. Worthy to note, the bulk of responses 287 (94.7%) agreeing while only 15 (5.3%) disagreeing. Women entrepreneurs were reluctant to borrow when interest rates were raised.

**Table 4.11: Effect of Interest Rate on Willingness to Seek For Business Credit by Women Entrepreneurs**

		<b>Interest rates and Access to credit</b>		<b>Total</b>
		<b>True</b>	<b>False</b>	
<b>Ward</b>	Simat	60	0	<b>60</b>
	Kipkenyo	55	5	<b>60</b>
	Ngeria	54	5	<b>59</b>
	Megun	58	3	<b>61</b>
	Langas	60	2	<b>62</b>
<b>Total</b>		<b>287</b>	<b>15</b>	<b>302</b>

Similar to the examination on effect of interest rate in the sustainability of women owned enterprises, women entrepreneurs heavily determined whether to borrow or not basing on the interest rate.

#### 4.7 Culture and access to credit by women entrepreneurs

The research aimed at finding out whether cultural aspects such as women ownership of property for collateral, women participation in income generation for families, support from male members of the family in business operation and willingness of male family members to perform household responsibilities affected business operation and access to business credit where applicable.

##### 4.7.1 Lack of rights to ownership of property and access to business credit

The study set out to investigate whether rights to ownership of property was a factor affecting access to credit by women entrepreneurs. Women entrepreneurs were asked to state whether they lacked right to ownership of property for use as security which in turn prevented them from accessing loans. 272 of the respondents agreed with this statement while 32 disagreed.

**Table 4.12: Lack of Rights to Ownership of Property and Access to Business Credit**

		Property ownership		Total
		Yes	No	
<b>Ward</b>	Simat	54	6	<b>60</b>
	Kipkenyo	48	11	<b>59</b>
	Ngeria	54	5	<b>59</b>
	Megun	57	4	<b>61</b>
	Langas	59	6	<b>65</b>
<b>Total</b>		<b>272</b>	<b>32</b>	<b>304</b>

In situations where the need arose, SMEs considered using asset based financing. Selling account receivables, and borrowing against assets like properties, plants and equipment were all potential sources of financing. Lack of ownership rights as a result of culture therefore deterred women entrepreneurs from borrowing.

##### 4.7.2 Culture and the participation of women in business activities

This objective aimed at investigating whether culture was an impediment to women participation in business operations. Women entrepreneurs were asked to state the extent to which they agreed with the statement that culture was an obstacle to their participation in entrepreneurial activity. 286 respondents agreed with this statement and only 15 had a differing opinion.

**Table 4.13: Culture and the Participation of Women in Business Activities**

		<b>Business engagement</b>		<b>Total</b>
		Yes	No	
<b>Ward</b>	Simat	56	0	<b>56</b>
	Kipkenyo	58	5	<b>63</b>
	Ngeria	53	5	<b>58</b>
	Megun	58	3	<b>61</b>
	Langas	61	2	<b>63</b>
<b>Total</b>		<b>286</b>	<b>15</b>	<b>301</b>

Based on the findings, it was evident that respondents deemed culture as a barrier to their participation in business activities. Cultures constrained the opportunities women pursue. Women faced additional barriers related to custom, had less time available due to the prevailing gender division of labor, or had lower intra-household bargaining position and consequently less control over their earnings. For the women entrepreneurs who were looking to achieve scale and further develop their enterprises, such constraints reduced their incentive to grow businesses and thus their ability to access financial services.

#### **4.7.3 Support from male family members in business operation and sourcing credit**

Respondents were asked to indicate whether they received support from male members of the family in business in terms of operation and fulfilling the requirements of MFIs. Results indicated that only 66 agreed with this opinion while 240 respondents disagreed with it. These results indicate that very few men offered support to their female partners in business operations and sourcing.

**Table 4.14: Support from Male Family Members in Business Operation and Sourcing Credit**

		<b>Support from husband</b>		<b>Total</b>
		Yes	No	
<b>Ward</b>	Simat	13	42	<b>55</b>
	Kipkenyo	19	43	<b>62</b>
	Ngeria	16	45	<b>61</b>
	Megun	7	57	<b>64</b>
	Langas	11	53	<b>64</b>
<b>Total</b>		<b>66</b>	<b>240</b>	<b>306</b>

The majority of women entrepreneurs indicated that they did not receive support from male members of the family in business in terms of operation and fulfilling the

requirements of MFIs for borrowing. Support from male members of the family in business in terms of operation and fulfilling the requirements of MFIs. Njeru and Njoka (2008) developed a theory supporting this. They point out that due to patriarchal social authority structures, women received substantial family support in the start-up stages of their businesses, but later on such support is limited, restricted or withdrawn for fear of husbands losing dominance over their wives.

#### **4.7.4 Sharing of household responsibilities between women entrepreneurs and their spouses**

An analysis of whether women entrepreneurs received assistance from their spouses in performance of household responsibilities such as taking care of children, food and laundry produced interesting results. The majority of women entrepreneurs 272 (89%) strongly disagreed with this opinion while 14 (11%) agreed.

***Table 4.15: Sharing Of Household Responsibilities between Women Entrepreneurs and Their Spouses***

		<b>Husband sharing household duties</b>		<b>Total</b>
		<b>Yes</b>	<b>No</b>	
<b>Ward</b>	Simat	2	54	<b>56</b>
	Kipkenyo	3	54	<b>57</b>
	Ngeria	2	54	<b>56</b>
	Megun	2	58	<b>60</b>
	Langas	5	52	<b>57</b>
<b>Total</b>		<b>14</b>	<b>272</b>	<b>286</b>

All but 14 (11%) of the respondents indicated that they did receive assistance from their spouses in performance of household responsibilities. Therefore women entrepreneurs had to apportion time between performing household duties and entrepreneurial functions.

#### **4.7.5 Failure to access business credit due to cultural barriers**

To cap the whole examination on the effect of culture on women entrepreneurship, respondents were asked to state whether culture (considering property ownership, women participation in business, support and household responsibilities) was a barrier to access to credit. 230 (76%) strongly agreed, 39 (13%) agreed, 9 (3%) were undecided 15 (5%) disagree while 10 (3%) strongly disagreed. A total of 89% showed

agreement with this statement indicating that culture was a major challenge to credit access and ultimately advancing women entrepreneurship.

**Table 4.16: Failure to Access Business Credit Due to Cultural Barriers**

	<b>Simat</b>	<b>Kipkenyo</b>	<b>Ngeria</b>	<b>Megun</b>	<b>Langas</b>	<b>Total</b>
<b>Strongly agree</b>	54	43	38	27	68	<b>230</b>
<b>Agree</b>	6	5	9	6	13	<b>39</b>
<b>Undecided</b>	0	2	2	0	5	<b>9</b>
<b>Disagree</b>	3	3	4	1	4	<b>15</b>
<b>Strongly disagree</b>	3	1	2	0	4	<b>10</b>
<b>Total</b>	<b>66</b>	<b>54</b>	<b>55</b>	<b>34</b>	<b>94</b>	<b>303</b>

Based on the findings, it was concluded that women perceived culture as a deterrent to their access to credit.

#### **4.8 Access to credit and business growth**

The study aimed at investigating whether access to credit had a relationship with women owned business enterprise growth. Business size was measured using number of product lines, number of business outlets, sales level and number of employees. Using correlation analysis, the study tested the nature and strengths of the relationships between measures of growth access to credit. The study also examined whether respondents agreed with the statements that access to credit affected each of these measures of enterprise size on a Five Likert scale of Strongly Agree (1), Agree (2), Undecided (3), Disagree (4) and Strongly Disagree (5).

**Table 4.17: Access to Credit and Business Growth**

		Range of products	Number of outlets	Sales attained	Hire more employees	Access to credit
Range of products	Pearson	1	.363**	.460**	.068	.544**
	Correlation					
	Sig. (1-tailed)		.087	.007	.120	.047
	N	303	303	303	303	303
Number of outlets	Pearson	.363**	1	.635**	.018	.777**
	Correlation					
	Sig. (1-tailed)	.087		.049	.380	.014
	N	303	303	303	303	303
Sales attained	Pearson	.460**	.635**	1	.293**	.872**
	Correlation					
	Sig. (1-tailed)	.007	.049		.000	.001
	N	303	303	303	303	303
employees	Pearson	.068	.018	.293**	1	.191**
	Correlation					
	Sig. (1-tailed)	.120	.380	.000		.006
	N	303	303	303	303	303
Access to credit	Pearson	.544**	.777**	.872**	.191**	1
	Correlation					
	Sig. (1-tailed)	.047	.014	.001	.006	
	N	303	303	303	303	303

**4.8.1 Access to credit and number of product lines**

A comparison between ease in accessing credit and the number of product lines yielded a Pearson’s product moment correlation factor of 0.544 indicating a strong positive association. The association is also significant ( $p=0.047<0.05$ ) indicating that access to credit may be a factor affecting business growth. In addition, the descriptive

statistics indicate a mean of 2.72 on the likert scale variables and a standard deviation of 1.333. This points out that most responses were skewed towards ‘Agree.’

**Table 4.18: Access to Credit and Number of Product Lines**

	N	Minimum	Maximum	Sum	Mean	Std. Deviation
<b>Range of products</b>	<b>303</b>	<b>1</b>	<b>5</b>	<b>825</b>	<b>2.72</b>	<b>1.333</b>

A cross tabulation of access to credit against the range of products revealed a pattern of relationship between the two variables. A significant proportion of respondents (21%) who strongly agreed that it was easy to access credit also indicated the greatest variety of product range. This was also portrayed in ‘Agree’ (23%), ‘Undecided’ (16%), ‘Disagree’ (13%), and ‘Strongly Disagree’ (8%). A total of 75% of responses on access to credit were equally ranked with those of range of products indicating that there is a strong association between the variables.

**Table 4.19: Access to Credit and Number of Product Lines Cross Tabulation**

	Range of products					Single product	Total
	Above 7	6-7	4-5	2-3			
Strongly agree	63	0	0	7	14	84	
Agree	0	69	7	7	0	83	
Undecided	0	7	47	7	14	75	
Disagree	7	0	7	39	0	53	
Strongly disagree	0	0	0	0	8	8	
<b>Total</b>	<b>70</b>	<b>76</b>	<b>61</b>	<b>60</b>	<b>36</b>	<b>303</b>	

#### 4.8.2 Access to credit and number of business outlets

Correlation analysis was used to test the association between access to credit and number of business outlets of individual, women owned enterprises. This produced a Pearson's product moment correlation factor of 0.777 and a significance value of 0.014 indicating statistical significance in the association between the two variables. This is an indicator that access to credit may be a factor affecting growth of business enterprises. A further examination using descriptive statistics indicates a mean of 2.32 on the Likert scale variables and a standard deviation of 1.062.

**Table 4.20: Access to Credit and Number of Business Outlets**

	<b>N</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Sum</b>	<b>Mean</b>	<b>Std. Deviation</b>
Number of outlets	<b>303</b>	<b>1</b>	<b>4</b>	<b>704</b>	<b>2.32</b>	<b>1.062</b>

Similar to that of range of products, responses to number of outlets displayed covariance with that of number of business outlets against ease of access to credit. Respondents who agreed that it was easy to access credit and with the highest number of business outlets comprised 22% .Consequently, the highest proportion of respondents a (total of 82%) rated the responses similarly suggesting a strong association between credit ease of access and number of business outlets. Table 4.20 presents this data.

**Table 4.21: Access to Credit and Number of Business Outlets Cross Tabulation**

		<b>Business outlets</b>		<b>Total</b>
		<b>1</b>	<b>2-4</b>	
<b>Ward</b>	Simat	53	0	<b>53</b>
	Kipkenyo	56	8	<b>64</b>
	Ngeria	54	5	<b>59</b>
	Megun	57	3	<b>60</b>
	Langas	54	12	<b>66</b>
<b>Total</b>		<b>274</b>	<b>28</b>	<b>302</b>

#### 4.8.3 Access to credit and level of monthly sales

The study tested the association between access to credit and levels of sales per month of women owned enterprises. In affirming the relationship between access to



credit and business size, the results show a very strong positive association (P=0.872).The association is also statistically significant (0.001).The results also revealed a mean of 2.28 and standard deviation of 1.001.This measure of central tendency suggests that responses were skewed between ‘Agree’ and ‘Strongly Agree’.

**Table 4.22: Access to Credit and Level of Monthly Sales**

	<b>N</b>	<b>Minimu m</b>	<b>Maximu m</b>	<b>Mean</b>	<b>Std. Deviation</b>
<b>Sales attained</b>	303	1	5	2.28	<b>1.001</b>
<b>Valid N</b>	<b>303</b>				

A cross tabulation of results of access to credit against level of sales portrayed a similarity in rating of responses as displayed in table 24. An examination indicated that as ease of access to credit increased, the level of sales also increased. In addition an examination of responses shows that 25% of respondents who indicated the highest ease in credit access also indicated the highest level of sales (more than KES 25000) similar to Agree/KES 20000-25000 (27%),20% for Undecided /KES 15000-20000,13% for Disagree/KES 10000-15000 and 3% strongly disagree/KES 10000.A total of 88% of responses were similarly ranked in the order of magnitude between ease of access to credit and sales levels attained.

**Table 4.23: Access to Credit and Level of Monthly Sales Cross Tabulation**

		<b>Average Income</b>			<b>Total</b>
		<b>&lt; 5000</b>	<b>5000 - 10000</b>	<b>10001- 15000</b>	
<b>Ward</b>	Simat	18	34	7	<b>59</b>
	Kipkenyo	14	27	18	<b>59</b>
	Ngeria	24	20	16	<b>60</b>
	Megun	16	28	17	<b>61</b>
	Langas	14	19	29	<b>62</b>
<b>Total</b>		<b>86</b>	<b>128</b>	<b>87</b>	<b>301</b>

#### 4.8.4 Access to credit and number of employees

An examination of the relationship between access to credit and number of employees revealed a weak positive correlation ( $P=0.191$ ) and a level of significance of 0.006. The results also showed a mean of 2.83 and standard deviation of 1.560.

**Table 4.24: Access to Credit and Number of Employees**

	<b>N</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Mean</b>	<b>Std. Deviation</b>
<b>Employees</b>	303	1	6	2.83	<b>1.560</b>

A cross tabulation of the results based on ease of access to credit and number of employees is as displayed in table 26.

**Table 4.25: Access to Credit and Number of Employees Cross Tabulation**

		<b>Number of Employees</b>						<b>Total</b>
		> 50	30-50	20-30	7-20	2-5	Self run	
<b>Access to credit</b>	Simat	8	8	0	8	30	0	<b>54</b>
	Kipkenyo	2	31	8	15	7	20	<b>83</b>
	Ngeria	3	16	30	8	7	11	<b>75</b>
	Megun	5	0	8	22	8	10	<b>53</b>
	Langas	0	0	0	0	0	38	<b>38</b>
<b>Total</b>		<b>18</b>	<b>55</b>	<b>46</b>	<b>53</b>	<b>52</b>	<b>79</b>	<b>303</b>

The largest share of women enterprises (26%) were self run, 17% had 2-5 employees, 18% had 7-20 employees, 15% had 20-30 employees, 18% had 30-50 employees while only 6% had more than 50 employees.

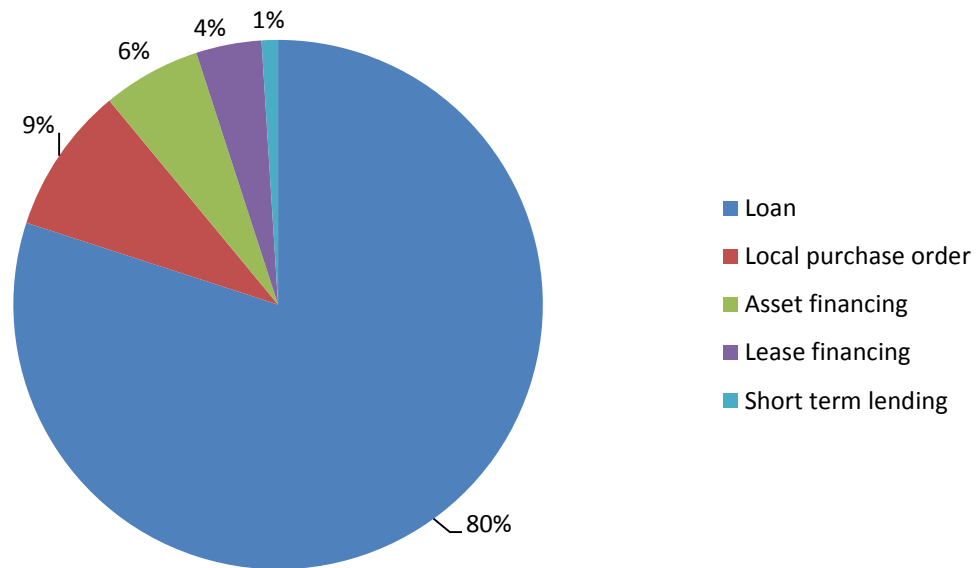
#### 4.9 Interview Schedule for Managers of MFIs

The interview schedule was administered to Managers of MFIs to ascertain factors relating to access to business credit by women entrepreneurs in Kapseret Constituency.

#### 4.9.1 Request for business credit by women entrepreneurs

Asked whether they received request for business loans from women entrepreneurs, Managers stated that an average of 60% of women entrepreneurs who banked with them applied for credit. Approximately 80% of those who requested for credit advances borrowed loans, 9% Local Purchase Order (L.P.O.) financing, 6% Asset financing, 4% lease financing and only 1% short term credit lending.

*Figure 4.2: Type of credit facility applied for by women entrepreneurs*



#### 4.9.2 Reason for borrowing credit

Managers of MFIs stated that an approximate average of 70% of women entrepreneurs borrowed for business start up while 30% borrowed for business expansion. Interestingly, though, 90% of those who borrowed for business expansion qualified for credit while only 40% of those who borrowed for startup qualified due to existence of a credit history for subsequent borrowers and non availability of collateral for first time borrowers.

**Table 4.26: Reason for borrowing from MFIs**

<b>Reason for borrowing</b>	
<b>Start up</b>	<b>70%</b>
<b>Business expansion</b>	<b>30%</b>

#### **4.9.3 Likelihood of qualification for credit for trained as compared to untrained women**

Trained women were more likely to acquire credit than untrained women. 2 out of 3 of the MFIs from which the managers were interviewed conducted capacity building workshops and follow up activities to impart skills in the women entrepreneurs. The reasons that were stated for this were that trained women were better able to keep financial records concerning their businesses develop business plans and project proposal than untrained women. Approximately 70% of trained women entrepreneurs who applied for credit were able to access credit while 50% of untrained women entrepreneurs accessed credit from MFIs.

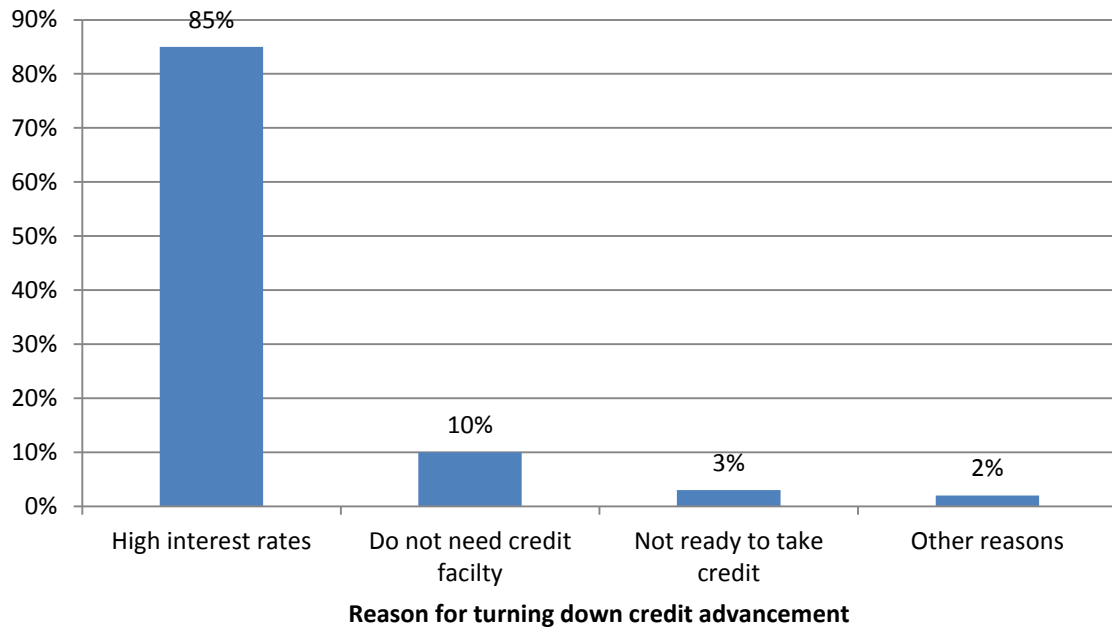
**Table 4.27: Qualification for Credit for Trained and Untrained Women**

	Percentage of applicants who qualified for loans
<b>Trained</b>	<b>70%</b>
<b>Untrained</b>	<b>50%</b>

#### **4.9.4 Interest lending rates as a deterrent for credit acquisition by women entrepreneurs**

An inquiry into reasons why women entrepreneurs were reluctant to take credit indicated that the greatest reason cited was high interest rates for approximately 85% of all women who were offered credit facilitation. 3% stated that they were not ready to take credit at the time, 10% did not need credit while 2% cited other reasons. (Table 31)

**Figure 4.3: Deterrents for Taking Credit Offers**



**4.9.5 Ownership of collateral for borrowing credit**

An assessment of ownership of collateral that was used to borrow credit showed that approximately 15% of all collateral were owned by the women entrepreneurs while a massive 85% were family assets under the control of male members. However the proportion of collateral assets owned by women entrepreneurs was higher for continuing businesses (75%) than for starting businesses (25%)

**Table 4.28: Ownership of Collateral**

<b>Ownership of collateral</b>	
<b>By women entrepreneurs</b>	<b>15%</b>
<b>By Male family members</b>	<b>85%</b>

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

The chapter describes the summary of the findings, recommendations, and suggestions for further research, and the study's contribution to the body of knowledge.

#### **5.2 Summary of findings**

From the findings it was evident that trained women entrepreneurs had better chances of accessing business credit from MFIs. From the analysis of responses from Managers of MFIs, the reasons that were stated for this is that trained women were better able to keep financial records concerning their businesses develop business plans and project proposal than untrained women. Approximately 70% of trained women entrepreneurs who applied for credit were able to access credit while 50% of untrained women entrepreneurs accessed credit from MFIs.

These findings concur with the findings of Kimuyu (1999a) in his research on Enterprise Structure and performance in Kenya. He finds that there is a possible positive correlation between an entrepreneur's education level and ability to pursue profitable entrepreneurship, understand and familiarize with the workings of credit/loan arrangements and finally successfully manage loans. In emphasizing this point, International Labour Organization (2006) states that lower education levels puts women entrepreneurs in Kenya at a disadvantage compared to men. While gender gap in primary education in Kenya has decreased in recent years, the gap remains high at secondary and tertiary education levels. Lower education does not emphasize entrepreneurship skills. It decreases the chances that women will have the knowledge needed to excel in business, and thereby contribute to the country's overall economic growth.

Findings indicate that income levels affect the level of credit that can be advanced to women entrepreneurs. This can be attributed to the measurement of ability to pay using level of income by credit raters, MFIs and other issuers of credit. The findings of Namusonge (2006) address the effect of low income on access to credit by women owned enterprises in Kenya. It states that access to credit has eventually become a detrimental factor to advancing their small scale business enterprises as most businesses owned by

the rural poor women are poorly managed, have low income and are mostly deemed not credit worthy by financial institutions. It continues to note that these women who own small business enterprises also are most reluctant to take credit as it is an expensive option to improving their business. They fear taking the risk associated with credits.

Findings indicated that higher interest rates were a deterrent to borrowing by women entrepreneurs. These findings suggested that women entrepreneurs in Kapseret constituency are sensitive to interest rates while sourcing for business credit. A similar study in Ghana by Amanoo (2003) proposes that the debate on whether high interest rate affects demand for credit is inconclusive. He advocates that high interest rates negatively affect the demand for credit because only limited borrowers with high risk projects may have their demand satisfied. He argues that high interest rates encourage adverse selection of loan seekers. Those who take high risk and get their loans approved are those with high default rates. In his opinion, though, these high risk enterprises may not include SMEs because they cannot afford risky and high cost investment. He acknowledges that borrowing costs strongly affect the willingness of SMEs entrepreneurs to seek loans from formal lender. Therefore it was concluded that high interest rates constrain the demand for credit.

Culture has an effect on access to credit by small scale women owned enterprises. Lack of property ownership rights, lack of women participation in entrepreneurship as a result of culture, lack of support from male family members in business operation and lack of time to engage in income generation were identified as cultural deterrents of women participation in entrepreneurship and access to credit. Ukpore (2009) holds a similar opinion. He postulates that culture can constrain the opportunities women pursue. Women can face additional barriers related to custom, have less time available due to the prevailing gender division of labor, or have lower intra-house hold bargaining position and consequently less control over their earnings. For the women entrepreneurs who were looking to achieve scale and further develop their enterprises, such constraints reduced the incentive to grow businesses and thus their ability to access financial services.

### **5.3 Conclusion**

The study sought to assess challenges of access to credit on the growth of women owned small retail enterprises in Kapseret Constituency, Uasin Gishu County. It aimed at finding out effects of education levels on access to credit by women who own small scale business enterprises, effect of low income on access to credit by Women entrepreneurs owning small scale business enterprises, effect of interest rates on access to credit by Women entrepreneurs owning small scale business enterprises and finally effect of culture on access to credit by Women entrepreneurs owning small scale business enterprises in Kapseret Constituency.

The study made the following conclusions:

1. Education levels affect access to credit by women who own small scale business enterprises in Kapseret Constituency.
2. Income level affects access to credit by women who own small scale business enterprises in Kapseret Constituency.
3. Interest rate affects access to credit by Women entrepreneurs owning small scale business enterprises in Kapseret Constituency.
4. Culture affects access to credit by Women entrepreneurs owning small scale business enterprises in Kapseret Constituency.

### **5.4 Recommendations**

Based on the findings of the study, the following recommendations are made.

#### **5.4.1 Effects of training on access to credit by women who own small scale business enterprises**

The study established that Education levels affect access to credit by women who own small scale business enterprises in Kapseret Constituency. In order to improve the level of access to credit constrained by low education levels, educational opportunities should be expanded to improve the literacy and numeracy of the pool of Kenyans from which the pool of entrepreneurs is drawn. Self-financing adult literacy classes for businesspersons should be encouraged.



In advocating the necessity to train women in management skills, Waita (2012) states that the associated benefits of higher management skills in terms of higher productivity are generally the same for women as for men. Women's measures of human capital are very similar to men working in the same type of activities. For example, the human capital of women in the formal sector is much more like that of their male colleagues in the formal sector than it is like that of women in the informal sector. However, women overall have less education and training. Improving women's access to training programs and networking opportunities will help expand their opportunities.

#### **5.4.2 Effect of low income on access to credit by Women entrepreneurs owning small scale business enterprises in Kapseret Constituency**

The study found out that Income level affects access to credit by women who own small scale business enterprises in Kapseret Constituency. To solve the challenge of low access by low income earning enterprises; three measures should be put in place. First, improve rural infrastructure to open up rural commerce and increase profitability of rural enterprises. Secondly, an increased pool of rural businesses should act as a pull for business services including financial services. Thirdly, other methods of linking up commercial banks and other less formal financial institutions serving the SME sector should be explored to create indirect links between SME and commercial banks.

#### **5.4.3 Effect of interest rates on access to credit by Women entrepreneurs owning small scale business enterprises in Kapseret Constituency**

Findings indicated that interest rates affected access to credit by Women entrepreneurs owning small scale business enterprises in Kapseret Constituency. In overcoming the challenge of high interest rates that make borrowing expensive, the government under the Ministry of Trade should expand financial infrastructure such as credit bureaus and collateral registries that can increase access and reduce the costs of borrowing. Integrated credit bureaus that access microfinance credit histories and small loans can increase access to finance. Bureaus should not only include negative histories, such as when loans are not paid back in full, but also positive histories, as when loans have been successfully repaid.

Building these credit histories may be particularly beneficial for women who are seeking to expand their amount of credit and who are more likely to lack traditional collateral. Further, credit bureaus, as they reduce information gaps, can reduce the cost of borrowing. Collateral registries and secured transaction systems can also expand the types of assets that can be used for collateral. Facilitating the use of movable collateral for borrowing could disproportionately affect women, whose assets are more likely to be movable.

#### **5.4.4 Effect of culture on access to credit by Women entrepreneurs owning small scale business enterprises in Kapseret Constituency**

Cultural barriers have been identified to have an effect on access to credit. Some of the recommendations to overcome this include, first, applying constitutional provisions of nondiscrimination in areas of marriage, property, and inheritance. Second, is giving women equal say over the administration and transfer of marital property. Third, is limiting or removing head-of-household laws that allow husbands to deny permission to their wives to engage in a trade or profession, or to choose the marital home. Fourth, is removing provisions requiring a husband's signature to enter into contracts or open a bank account.

#### **5.5 Suggestions for further research**

The study recommends further research to be carried out on:

1. Effects of male and female entrepreneurial profiles choice of industry, choice of organization structure and survival and success of the business.
2. Effect of Peer group lending on default rates of borrowers.

## 5.6 Contribution to the body of knowledge

Table 5.1: *Contribution to the Body of Knowledge*

No	Objective	Contribution
1.	Effects of education levels on access to credit by women who own small scale business enterprises	<p>1. Educational opportunities should be expanded to improve the literacy and numeracy of the pool of Kenyans from which the pool of women entrepreneurs is drawn</p> <p>2. Improving women's access to training programs and networking opportunities will help expand their opportunities.</p>
2.	Effect of low income on access to credit by Women entrepreneurs owning small scale business enterprises in Kapseret Constituency	<p>1. Improve rural infrastructure to open up rural commerce and increase profitability of rural enterprises.</p> <p>2. An increased pool of rural businesses should act as a pull for business services including financial services</p> <p>3. Other methods of linking up commercial banks and other less formal financial institutions serving the SME sector should be explored to create indirect links between SMEs and commercial banks.</p>
3.	Effect of interest rates on access to credit by Women entrepreneurs owning small scale business enterprises in Kapseret Constituency	<p>1. Ministry of Trade should expand financial infrastructure such as credit bureaus and collateral registries that can increase access and reduce the costs of borrowing</p>

2. Facilitating the use of movable collateral for borrowing could disproportionately affect women, whose assets are more likely to be movable. Collateral registries and secured transaction systems can also expand the types of assets that can be used for collateral

4. Effect of culture on access to credit by Women entrepreneurs owning small scale business enterprises in Kapseret Constituency

1. Applying constitutional provisions of nondiscrimination in areas of marriage, property, and inheritance.

2. Educating and giving women equal say over the administration and transfer of marital property.

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## APPENDICES

### Appendix I: Questionnaire

Dear respondent, you are kindly requested to fill the questionnaire below with utmost honesty. Information provided herein will not be used against you under whatsoever circumstances. Please do not provide any form of identity on this questionnaire. Thank you.

<b>SECTION A: BACKGROUND INFORMATION</b>				
1	Age bracket	18 – 20 21 – 25 26 – 30 >30	[ ] [ ] [ ] [ ]	Select the most appropriate
2	How long have you been in this type of business?	< 1yr 1-2yrs 2-4yrs >4yrs	[ ] [ ] [ ] [ ]	Select the most appropriate
3	Highest academic level attained	Primary O-Level Certificate Diploma Degree Masters PhD	[ ] [ ] [ ] [ ] [ ] [ ] [ ]	Select one
4	Type of business	Tied/Stationery shop Street Retailing Hawking Mobile/Stall shop Market Place Stall	[ ] [ ] [ ] [ ] [ ]	Select one
5	Source of capital	Savings Loans Sale of asset other	[ ] [ ] [ ] [ ]	Select one
6	Current capital base	< 5000 5000 – 10000 10001 – 15000 15001 – 20000 >20000	[ ] [ ] [ ] [ ] [ ]	Select one
7	Have ever applied for a loan from any Financial Institution?	Yes No	[ ] [ ]	Select one
8	What were the acceptable forms of loan collateral?	Title deeds Income statements Car logbooks	[ ] [ ] [ ]	Select one

		Others	[ ]	
<b>SECTION B: EFFECTS OF EDUCATION LEVELS ON ACCESS TO CREDIT</b>				
1	What is the effect of women education on business management?	Very Significant Fairly Significant Significant No Impact	[ ] [ ] [ ] [ ]	Select the most appropriate
2	Learned women who own businesses can easily get access to credit than unlearned women	True False Don't know	[ ] [ ] [ ]	Select the most appropriate
3	Learned women can easily form groups and manage to secure loans from MFIs	True False Don't know	[ ] [ ] [ ]	Select the most appropriate
4	Most women in the region have very little education background hence issuing loans to them is risky	True False Don't know	[ ] [ ] [ ]	Select the most appropriate
5	Women have no time for extra business training hence they cannot grow a business	True False Don't know	[ ] [ ] [ ]	Select the most appropriate
<b>SECTION C: EFFECTS OF LOW INCOME ON ACCESS TO CREDIT</b>				
1	What is the average amount of income generated from your business monthly?	< 5000 5000 – 10000 10001 – 15000 15001 – 20000 20001 – 25000 >25000	[ ] [ ] [ ] [ ] [ ] [ ]	Select one
2	Do you save with the bank you applied for a loan from (If yes to question 7, Section Above)?	Yes No	[ ] [ ]	Select one
3	What was the influence of your business income statement on the acquisition of the loan?	Very Significant Fairly Significant Significant No influence	[ ] [ ] [ ] [ ]	Select the most appropriate
4	What impact does the Income statement play depicting your loan repayment ability?	Very Significant Fairly Significant Significant No influence	[ ] [ ] [ ] [ ]	Select the most appropriate

5	What challenges would you face if your monthly income was affected while still repaying a loan?	Defaulting Repossession Collapsing of business Recovery from guarantors	[ ] [ ] [ ] [ ]	Select the most appropriate
<b>SECTION D: EFFECTS OF INTEREST RATES ON ACCESS TO CREDIT</b>				
1	What is the influence of interest rates towards acquisition of credit?	Very Significant Fairly Significant Significant No influence	[ ] [ ] [ ] [ ]	Select the most appropriate
2	How often do you consider the interest rate before applying for a loan?	Always Very Often Fairly often Rarely Never	[ ] [ ] [ ] [ ]	Select the most appropriate
3	What challenge would higher interest rates pose to your business?	Reduced stock Collapsing of business Suspension of business Closure of outlets	[ ] [ ] [ ] [ ]	Select the most appropriate
4	High interest rates contribute to reluctance to pursue credit by women who own businesses	True False Don't know	[ ] [ ] [ ]	Select the most appropriate
<b>SECTION E: EFFECTS OF CULTURE ON ACCESS TO CREDIT</b>				
1	Are you allowed to own land or other assets?	Yes No	[ ] [ ]	Select the most appropriate
2	Are women allowed to engage in business activities in your community?	Yes No	[ ] [ ]	Select the most appropriate
3	Do women who own businesses get support from their husbands?	Yes No	[ ] [ ]	Select the most appropriate
4	Do husbands share household responsibilities with their wives?	Yes No	[ ] [ ]	Select the most appropriate

5	Do husbands allow their wives to apply for credit for business start-off capital or for business expansion?	Yes No	[ ] [ ]	Select the most appropriate
<b>SECTION F: EFFECTS OF ACCESS TO CREDIT ON BUSINESS GROWTH</b>				
1	How many types of product (product lines) does your business offer to customers?	Single 2-3 4-5 6-7 Above 7	[ ] [ ] [ ] [ ] [ ]	Select the most appropriate
2	How many business outlets (including branches & dealerships) does your enterprise have?	1 2-4 5-7 Above 7	[ ] [ ] [ ] [ ]	Select the most appropriate
3	Approximately by how much do you expect your monthly sales to increase if you were to acquire credit?	0-10,000 10,000-15,000 15,000-20,000 20,000-25,000 Above 25,000	[ ] [ ] [ ] [ ] [ ]	Select the most appropriate
4	How many employees does your enterprise have?	Self run 1-5 6-10 11-15 Above 15	[ ] [ ] [ ] [ ] [ ]	Select the most appropriate
5	What is the most prevalent obstacle that your fellow women entrepreneurs face while accessing credit?	Lack of collateral Poor credit history Poor income statement High interest rates Lack of guarantors	[ ] [ ] [ ] [ ] [ ]	Select the most appropriate

*Thank you for taking your time to participate in this study. God bless.*

## **Appendix II: Interview Schedule**

1. How frequently do you receive women clients in need of loans to expand their businesses?
2. Approximately what proportion of women seeking business credit do so for
  - i) Seed capital?
  - ii) Business expansion?
3. In your opinion, are trained women more likely to acquire credit than untrained women for their enterprises?
4. Are there cases in which women entrepreneurs fail to take credit citing high lending interest rates?
5. Are the collaterals owned by the women or by their husbands?

**Appendix IV: Morgan and Krejcie Table for Determining Sample Size**

N	S	N	S	N	S	N	S	N	S
10	10	100	80	280	162	800	260	2800	338
15	14	110	86	290	165	850	265	3000	341
20	19	120	92	300	169	900	269	3500	246
25	24	130	97	320	175	950	274	4000	351
30	28	140	103	340	181	1000	278	4500	351
35	32	150	108	360	186	1100	285	5000	357
40	36	160	113	380	181	1200	291	6000	361
45	40	180	118	400	196	1300	297	7000	364
50	44	190	123	420	201	1400	302	8000	367
55	48	200	127	440	205	1500	306	9000	368
60	52	210	132	460	210	1600	310	10000	373
65	56	220	136	480	214	1700	313	15000	375
70	59	230	140	500	217	1800	317	20000	377
75	63	240	144	550	225	1900	320	30000	379
80	66	250	148	600	234	2000	322	40000	380
85	70	260	152	650	242	2200	327	50000	381
90	73	270	155	700	248	2400	331	75000	382
95	76	270	159	750	256	2600	335	100000	384

Note: “N” is population size

“S” is sample size.