

**FACTORS INFLUENCING WOMEN'S SMALL SCALE
BUSINESSES IN ACCESSING MICROFINANCE LOAN:
A CASE OF MACHAKOS OPEN MARKET, KENYA**

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Project Planning And Management Of The University Of Nairobi.**

2014

DECLARATION

This Research Project report is my original work and has not been presented for an academic award in any other University.

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DEDICATION

This project report is dedicated to parents Eustace Kathuku and Veronica Kathuku, My husband Boniface Mweu and my children Joy, Steve and Rose.

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ABBREVIATIONS

APEC	:	Asia-Pacific Economic Cooperation
BCCI	:	Bank of Credit and Commerce International
FLO	:	Fair labeling Organization
GDP	:	Gross Domestic Product
GEM	:	Global Entrepreneurship Monitor
ILO	:	International Labour Organization
IMF	:	International Monetary Fund
KANU	:	Kenya African National Union
MDGs	:	Millennium Development Goals
NFPP	:	Non-Financial Promotional Programs
NFWBO	:	National Foundation for Women Business Owners
OECD	:	Organization for Economic Co-operation and Development
SAP	:	Structural Adjustment Programs
SED	:	Small Enterprise Development
SME	:	Small and Medium Enterprise
SMEs	:	Small and Medium Enterprises
UNCTAD	:	United Nations Conference on Trade and Development
USA	:	United States Of America

ABSTRACT

The main aim of this study was to investigate the factors influencing women's small scale businesses in accessing microfinance loans in Machakos market. The objectives of this study were : to examine how collateral influences women's small scale businesses in accessing microfinance loans in Machakos market, to assess how socio-cultural factors influences women's small scale businesses in accessing microfinance loans, to investigate how women's attitude influences women's small-scale businesses in accessing microfinance loans and to establish how interest rates influences women's small scale businesses in accessing microfinance loans in Machakos market. Descriptive survey research design was adopted for the study. The researcher targeted a population of 380 women respondents and 9 loans officers from microfinance institutions. Stratified Sampling was used to select 114 women respondents and 3 loans officers which is 30% of 380 and 9 respectively. Descriptive statistics was used to analyze data by use of frequencies, mean, standard deviation and percentages. Statistical Package for Social Sciences (SPSS) was used as a tool to aid the analysis. The study found out that most of women entrepreneurs in the Machakos market are of youthful ages of between 26-35 years which is the most productive and energetic age group. This is the age bracket when most of the women entrepreneurs started their businesses. Another finding is the accessing of credit particularly for starting an enterprise, as one of the major constraints affecting women entrepreneurs. Provision of soft loans is the major factor that hinders the women entrepreneurs in running the businesses effectively or illiteracy on how to access this financial aid. Also lack of tangible security is another major blow to the women entrepreneurs in order to have access to any financial aid by the financial institutions who also charge high interest rates hence repayment and running the business at the same time becomes hard. The study recommends that the financial institutions set some simple ways of accessing the financial facilities for the women small scale businesses and give them at reasonable rate to enable them to repay with ease. The body of women small scale businesses should carry out major seminars to educate the women on the major issues in running a business to success and also advise them when it is necessary to take loan facility and how to go about. The government to set policies that encourage women entrepreneurial initiatives and encourage them to own property especially land.

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Women entrepreneurs in Kenya are widely recognized as the prime movers of economic development; people who translate ideas into action. An interesting though not widely accepted definition of an entrepreneur is a person who has the ability to scan and identify opportunities in his environment, gather the resources necessary to take advantage of the opportunities and implement successful action to utilize the opportunities. In Kenyan context small enterprises are those businesses that have 10-50 employees, whereas medium enterprises are those that employ 50-90 (Ongori and Migori, 2011; Migori, 2006). In Machakos women entrepreneurs need to have good financial services to enhance economic development and break vicious circle of poverty. (Yehuala, 2008).

A common sight in Africa's sprawling peri-urban areas is the widespread proliferation of petty traders, hawking everything from garden produce to imported consumer goods. These small-scale merchants represent perhaps the fastest growing segment of the labour market in Africa, attracting the unemployed, the displaced, and the impoverished. Recent economic stagnation and restructuring on the continent spurred new growth in this sector, as waged employment declined and inflation spiraled. At least part of the restructuring has been under the watchful eyes of the International Monetary Fund (IMF) and the World Bank, whose programs have slashed public sector employment, urban subsidies (including subsidies on food), and the exchange value of local currencies. All of this has made it difficult for many Africans to subsist without holding multiple occupations, including involvement in all types of trade (Buiter, 2009).

Microfinance, according to Otero (1999, p.8) is "the provision of financial services to low-income poor and very poor self-employed people". These financial services according to Caves, (2008) generally include savings and credit but can also include other financial services such as insurance and payment services. Cochran, (2011) define microfinance as "the attempt to improve access to small deposits and small loans for poor households neglected by banks." Therefore, microfinance involves the provision of financial services

such as savings, loans and insurance to poor people living in both urban and rural settings who are unable to obtain such services from the formal financial sector.

Women are becoming increasingly important in the socio-economic development of both developed and developing economies as they account for significant percent of the operators of Small and Medium Enterprises (SMEs) (Cortes, 2007; Evans, 2007). Women entrepreneurs make a substantial contribution to national economies through their participation in start-ups and their growth in small and medium businesses (United Nations, 2006). Their interests and activities in the economic growth and development especially in the area of SMEs have received outstanding interest of researchers.

The role of entrepreneurs as agents in the labour market for creation of employment, wealth creation, poverty alleviation and provision of resources has helped tremendously to increase the number of women-owned entrepreneurial ventures in the world. The emergence of the private sector as the major participant/player in the industrial development of many countries has also improved women's access in employment opportunities as against when they experienced denial in employment opportunities as wage workers because of their family responsibilities, lack of skills, social and cultural barriers (Gakure, 2013).

To cope with these challenges, the development of self-employment, especially in the area of SMEs became the last resort for them (Gaskill and Van Auken, 2013). The operation of SMEs involves considerable risks, hard work, enormous sacrifice and sincerity of purpose which cut across various obstacles. Considering the various challenges and obstacles facing SMEs particularly in Kenya which include; capital inadequacy, unavailability of the required infrastructures, shortage of manpower to mention but few, someone may quickly conclude that women are usually discouraged from venturing into enterprise development. But today the story is a different one; women are starting and growing businesses at an unprecedented rate (Harper, 2013).

In USA, the analysis of gender creative businesses shows that the rate of growth of women – owned businesses is twice that of men and this comprises more than 35% share of all entrepreneurial ventures. They generate over \$2.3 trillion in annual revenue, and employ 18 million individuals (Jocumsen, 2004). Women small scale businesses are considered as an integral part of economic growth. Their businesses contribute jobs, productive and

distributive activities required for wealth creation both for family and nation's economies (Karekezi and Majoro, 2012). Small enterprises in the US are said to be a characteristic feature of the production landscape and have been noted to provide about 55% of manufacturing employment of the US (Keeble, 2007). SMEs are also believed to contribute about 37% to county's GDP and account for about 52% of businesses in US.

Britain adjusted its developmental concept and plan and see new enterprise development as very vital to their economic problems. Women entrepreneurship as the engine of economic growth and wheel that pedal the vehicle of economic development has been recognized for its importance in the area of job creation, revenue generation, poverty alleviation and wealth creation. This concept is now identified as the central element in the theory of economic development (Josiane, 2006) and it makes up the largest business sector in economies. It has been recognized as the driver of employment and economic growth (Kimuyu, 2008).

In India, around 3.01 million women-owned enterprises represent about 10 percent of all micro, small, and medium enterprises (MSMEs) in the country. Collectively, they contribute 3.09 percent of industrial output and employ over 8 million people. Approximately 78 percent of women enterprises belong to the services sector. Women entrepreneurship is largely skewed towards smaller sized firms, as almost 98 percent of women-owned businesses are micro-enterprises (King and McGrath, 2012). Approximately 90 percent of women-owned enterprises are in the informal sector. Access to finance is the biggest barrier to growth and development for women-owned MSMEs. As a result, there continues to be a heavy reliance on informal sources of finance for seed capital and working capital requirements. Although the financing needs for women-owned enterprises are not radically different from the needs of male-owned enterprises, the level of financial exclusion is higher due to a combination of factors. Also, the social status of women and prevalent social norms in India influence attitudes of financial institutions and the ability of women entrepreneurs to access finances (Lucas, 2008).

In Ghana, the seeming lack of finance for women SMEs is not only retarding their expansion but also the growth of the nation's economy. Macroeconomic conditions in Ghana in 2000 severely constrained private sector access to credit. High levels of government borrowing pushed interest rates up and crowded the private sector out of the financial markets. In view

of the perennial financing challenge faced by these women SMEs, many interventions have been made by the government through its recent monetary policy and financial sector reforms. These have substantially increased banks' lending to the private sector but limited access to credit, high interest rates and prohibitive collateral requirements still pose significant constraints to the growth of many SME's (McGahan and Porter, 2006).

In Somalia, the accessibility of microfinance services is considered difficult to women Small businesses due to the heavy collateral requirement that MFIs impose. Challenge those women entrepreneurs in Kenya face is discrimination. Even when women entrepreneurs do approach banks for financing, they tend to face discrimination. Women report that bank officials tend to ignore them in meetings and prefer speaking to their husbands or male business partners. The fact that banks engage in gender bias prevents many women from even approaching them. Some women get so discouraged that they do not bother to seek bank financing and turn instead to informal savings groups. Gray (1996) adds that the women's major problem during the start-up is the credit discrimination. A woman is not allowed to open a bank account or own land without her husband's or father cosignatory. Although inheritance laws were revised with the succession Act of 1981, women have rarely inherited land and other property in their own right. This means that they lack title deeds which are still the most commonly used form of security for borrowing money (May Meng and Liang, 2006).

According to Diagne and Zeller (2011), argue that lack of access to credit by the poor just below or just above the poverty line may have negative consequences for Small businesses and overall welfare, access to micro-credit further increases small businesses and enables consumption smoothing overtime. With these arguments, microfinance is assumed to improve the welfare of the poor people. Across developing countries Kenya included, small enterprises are turning to Microfinance Institutions (MFIs) for an array of financial services; this is because Microfinance is acknowledged as one of the prime strategies to achieve the Millennium Development Goals (MDGs) which are: poverty and hunger reduction, universal primary education, reduction of child mortality, combating diseases, malaria and environmental sustainability, because of access to sustainable financial services enables owners of small businesses to finance income, build assets, and reduce their vulnerability to external shocks (Mahjabeen, 2008). According to Wydick and Kevan (2001), the provision of

credit to the poor serves two purposes. First, as borrowed capital is invested in small enterprises, it often results in significant short-term increase in household expenditure and welfare. Secondly, micro enterprises credit encourages economic growth in the informal sector through promoting increase capitalization of business, employment creation, and long-term income growth (McPherson, 2005).

1.2 Problem Statement

Microfinance is the provision of financial services to low income poor and very poor self – employed. The financial services provided include saving and credit among others (Caves,2008). Accessibility of a good financial service is considered as one of the engines of economic development; the establishment and expansion of financial services as also instrument to break the vicious circle of poverty (Yehuala,2008).Across developing countries Kenya included, small enterprises are turning to Microfinance Institutions (MFs) for an array of financial services; this is acknowledged as one of the prime strategies to achieve the Millennium Development Goals (MDGs) (Diagne and Zeller,2011). Small scales businesses in the Kenyan economy are faced with financial constrain which impact negatively on their development and limit their potential to drive the national economy. Women owned small scale businesses are known for their low start up and working capital (Siwadi et al 2011, Glen 2013). Women small scale businesses in Machakos market lack audited financial statements and adequate collateral requirement by the banks before credit is given out (Coleman, 2010). The several literatures shows that the microfinance provides financial services to support small businesses, poor people and low income group; and also microfinance becomes a tool for fighting poverty .the main findings show that few number of small businesses and poor people access microfinance services. Therefore, the accessibility of microfinance for small businesses has not got adequate research attention in Machakos County. That means there is a gap in literature which needs to be covered by research .Therefore, this study attempts to fill this gap by investigating the situation that exist in Machakos market (Mead.2008).

1.3 Purpose of the study

The purpose of this study was to establish factors influencing women's small scale business in accessing microfinance loan at Machakos Market

1.4 Objectives of the Study

This study was guided by the following objectives.

- i. To examine how collateral influences women's small scale businesses in accessing microfinance loans in Machakos market.
- ii. To assess how socio-cultural factors influences women's small scale businesses in accessing microfinance loans in Machakos market.
- iii. To investigate how women's attitude influences women's small scale businesses in accessing microfinance loans in Machakos market.
- iv. To establish how interest rate influences women's small scale businesses in accessing microfinance loans in Machakos market.

1.5 Research questions

This study was guided by the following research questions:

- i. How does collateral influence women's s mall scale businesses in accessing microfinance loans in Machakos market?
- ii. To what extent do socio-cultural factors influence women's small scale businesses in accessing microfinance loans in Machakos market?
- iii. Does women's attitude influence women's small scale businesses in accessing microfinance loans in Machakos market?
- iv. How does interest rate influence women's small scale businesses in accessing microfinance loans in Machakos market?

1.6 Scope of the study

The scope of this study was Machakos market, which is found in Machakos Town in Machakos County. The study will target relevant stakeholders including; women traders, and microfinance institutions available in the county.

1.7 Significance of the study

This study may be of great importance to women entrepreneurs as it outlines factors influencing women small scale businesses in accessing microfinance loans in Machakos market Kenya.

The study also indicates how women's small scale businesses affect economic growth and development and the impact of women's entrepreneurship in economic development. To the stakeholders, the study may be of importance since it provides information that can be used to formulate policy.

To academicians and researchers, the study may be a source of reference material for future researchers on other related topics; it may also help other academicians who may undertake the same topic in their studies.

The financial institutions might come up with products which are tailor made to fit into women financial needs. In addition through the financial institutions corporate social responsibilities, may factor in women groups.

1.8. Limitations of the Study

The study was expected to encounter the following limitations: Due to time and resource constraints the study only covered women's small scales businesses operating in Machakos market. The haphazard and disorganized nature of the businesses operating within and around the market was also expected to hamper the collection of data. This was countered by hiring a research assistant so that more mobile businesses would be covered within the first day of data collection. The study also faced entrepreneurs who were unwilling to cooperate with researcher but they were explained the importance of the research and assured of the confidentiality of the information they would give.

1.9. Delimitations of the Study

The study was delimited to women's small scale businesses operating within Machakos market as it has a conglomeration of many SMES of different types. Machakos market is more accessible and convenient for this study as it brings together various types of businesses

within a small area. The study was also delimited to the use of questionnaire and interview guide

1.10 Basic Assumptions of the Study

The study assumed that the stated objectives were achieved, the respondents would cooperate by answering questions in the questionnaire and divulge information correctly and truthfully relating to the study. The study also assumed that the sample population was a representative of the whole population of female small scale traders in Machakos market. Finally it assumed that the research tools were adequate in collecting varied data for the desired objectives of the research.

1.11 Definitions of Significant Terms

Micro-credit: Programmes that extend informal credit or small loans to low-income people or groups for micro-enterprise development hence an investment not charity.

Microfinance Institutions: Specialized organizations formed to assist low income groups to save and borrow small amounts of loans to improve their living standards.

Poverty: Lack of basic needs such as food, shelter, clothing, health services, education, legal services or lack of ability to exploit the available opportunities and resources.

Small scale business: is a business that is privately owned by an individual and operated with one or two employees and has relatively low volume of sales due to the low capital it is set up with. Examples of small scale businesses include, Clothes stalls, small shops and kiosks, grains and vegetables.

Women entrepreneurs: The women running their own businesses rather than employed in any organization.

1.12 Organization of the Study

Chapter one of the study contains introduction, giving a background of the study while putting the topic of study in perspective. It gives the statement of the problem and the purpose of study. This chapter outlines the objectives, limitations, delimitations and the assumptions of the study.

Chapter two presents' scholars work on factors affecting women's small scale business in accessing microfinance loan at Machakos Market. Thereafter the chapter looks at the underpinning theory and empowerment theory inline with the study objectives.

Chapter three consists of research methodology which was used in the study. It covers the research design, target population, sample design, data collection, validity and reliability of data collection instruments, data analysis techniques, and ethical considerations.

Chapter four presents data analysis, presentation and interpretation. The main objective of the study is to establish the factors influencing women's small scale business in accessing microfinance loan at Machakos Market.

Chapter five presents a summary of the study findings discussion, conclusions and recommendations. The findings were summarized in line with the objectives of the study which is to establish the factors influencing women's small scale business in accessing microfinance loan at Machakos Market.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Chapter two presents' scholars work on factors influencing women's small scale business in accessing microfinance loan at Machakos Market. Thereafter the chapter looks at the underpinning theory inline with the study objectives and conceptual framework.

2.2 Women's Small Scale Businesses in Accessing Microfinance Loans

For over two decades, the experience of Kenya in the process of economic development has not been encouraging. This has resulted in low rate of most economic indicators. More importantly, Kenya's over dependence on oil has contributed much to her economic recession. The situation did not improve significantly until late 1980 when macro-economic variables began to rejuvenate as more development variables were injected into the process of her development. The new value systems introduced include inter-industry relationship, restructuring of production and distribution processes, recognition of small, micro and macro enterprises, a new role assigned to development of entrepreneurship, enhanced international competitive power, economic restructuring, industrial development and employment generation strategies (Schumpeter, 2006).

The role assigned to small scale businesses for economic growth and development especially in the developed economies such as USA, Britain, Japan, Canada and others made most developing economies to adjust their developmental concept and plan and see new enterprise development as very vital to their economic problems. Entrepreneurship as the engine of economic growth and wheel that pedal the vehicle of economic development has been recognized for its importance in the area of job creation, revenue generation, poverty alleviation and wealth creation. This concept is now identified as the central element in the theory of economic development (Josiane, 2006) and it makes up the largest business sector in economies. It has been recognized as the driver of employment and economic growth (Wang, Walker and Redmond, 2006).

Women small scale businesses is important for the support of small and medium enterprises (United Nations, 2006). With an active Small and Medium Enterprises (SMEs) sub- sector in the production process, developed and less developed countries are expected to depend less on large industries to drive their economy towards posterity. This is because economic renewal and growth is expected to be increasingly driven within the vehicle of enterprise creation and the industry clusters (Staw, 2011).

Women small scale businesses is therefore a process that involves a willingness to rejuvenate market offerings, innovate, risks taking, trying out of new and uncertain products, services, markets and being more proactive than competitors towards exploring new business opportunities (Covin and Slevin, 2007 and Wiklund and Shepherd, 2005). It attracts both men and women who are interested in profitable inter-industry relationship. To ensure adequate development and competitiveness in entrepreneurship, considerable research has examined the participation of both male and female in venturing in business activities, particularly those reported to have personal dreams of entrepreneurship. This category has rapidly joined hands together to achieve success in business and enterprise development (Gelin, 2005).

2.3 Factors influencing women's small scale businesses in accessing microfinance loans

Women's small scale businesses in Machakos open market are influenced by the factors reviewed here under the headings; influence of collateral, influence of social cultural factors, influence of attitude and influence of interest rates in accessing microfinance loans as discussed below.

2.3.1 Influence of collateral in accessing microfinance loans

Collateral is a borrower's pledge of specific property to a lender, to secure repayment of a loan. The collateral serves as protection for a lender against a borrower's default - that is, any borrower failing to pay the principal and interest under the terms of a loan obligation. If a borrower does default on a loan (due to insolvency or other event), that borrower forfeits (gives up) the property pledged as collateral and the lender then becomes the owner of the collateral (Sullivan and Steven, 2003).

Accessing credit is considered to be an important factor in increasing the development of women's small businesses, it is thought that credit augment income levels, increases

employment and thereby alleviate poverty it is believed that access to credit enables poor people to overcome their liquidity constraints and undertake some investments (Hiedhues, 2010). According to the encyclopedia free online dictionary (2014), access can be defined as, the right to obtain or make use of or take advantage of something (as services or membership). Access to financial services by smallholders is normally seen as one of the constraints limiting their benefits from credit facilities; in most cases the access problem, especially among formal financial institutions, is one created by the institutions mainly through their lending policies; this is obvious in the form of prescribed minimum loan amounts, complicated application procedures and restrictions on credit for specific purposes therefore, small-scale enterprises reliable access to short-term and small amounts of credit is more valuable, and emphasizing it may be more appropriate in credit programmes aimed at such enterprises (Yehuala,2008). According to Hossain (1988), the Grameen Bank experience shows that most of the conditions imposed by formal credit institutions like collateral requirements should not actually stand in the way of smallholders and the poor in obtaining credit the poor can use the loans and repay if effective procedures for disbursement, supervision and repayment have been established.

Generally, since the beginning of government involvement in microfinance in the 1980s, the sector has operated without specific policy guidelines and goals. This partially accounts for the slow growth of the sector, and its apparent fragmentation and lack of direction and coordination. There has so far not been a coherent approach to dealing with the constraints facing the sector which include inappropriate institutional arrangements, a poor regulatory environment, inadequate institutional capacities, a lack of coordination and collaboration, poor institutional linkages, lack of criteria to categorize beneficiaries, the channeling of funds by MDAs, the lack of linkages between formal and informal financial institutions, inadequate skills and professionalism, and inadequate capital. Better coordination and collaboration among key stakeholders including development partners, governments and other agencies could help to better integrate microfinance with the development of the overall financial sector.

Secondly, traditional commercial banking approaches to microfinance delivery often do not work. According to traditional commercial banking principles, the credit methodology requires documentary evidence, long-standing bank-customer relationship and collateral, which most micro and small businesses do not possess (Sullivan and Steven, 2003). There is

increasing awareness among policy makers of the important contribution that women entrepreneurs can make to employment and the economic growth of their countries. According to the National Foundation for Women Business Owners (NFWBO), women entrepreneurs represent one-quarter to one-third of the total business population (OECD, 2000). In developed countries such as the United States, women own 38 per cent of small enterprises, which employ 52 per cent of the private sector workforce and generate 51 per cent of private sector output (Milken Institute, 2010). In some countries such as Brazil, the Republic of Ireland, Spain and the United States, women are creating new enterprises at a faster rate than men (OECD, 2001). Nevertheless, several studies have shown that women in developing and developed countries encounter serious difficulties when accessing finance especially for start-ups, but also for the expansion of established enterprises (Van Terpstra, 2008).

Women entrepreneurs who deal with financial institutions are often confronted with problems associated with gender bias. “Gender bias refers to lender behavior that fosters inappropriate consideration of the applicant’s gender in the credit underwriting and approval process. Gender-biased behavior can severely hamper women seeking small business credit and impede the formation of profitable customer relationships, even before customers’ needs or loan requests are assessed” (Woos, 1994).

When there is gender bias at high levels of management, loan requests will require additional and unnecessary documentation, additional guarantees or co-signers or other conditions different from male applications. Some examples of the difficulties that women experience when working with financial institutions are: a general lack of interest in women entrepreneurs’ projects; questions from loan officers regarding personal and family situations such as the spouse’s view of the business, marriage plans, plans for childbearing or other remarks unrelated to the financial aspects of the application; delays in the loan application process; limited information about alternative financial products and lack of explanations when financing requests are denied (Wagner, 2012).

Evidence shows, however, that once women obtain loans they can be “good credit risks” since they have low default rates. As observed by UNCTAD, “experience with micro-financing, where the vast majority of client borrowers are women, shows high repayment

rates, with figures of 95-98 per cent. The lesson of this experience is that financial institutions should reconsider the potential of their women clients (Wanjohi and Mugure, 2008).

2.3.2 Influence of Socio-cultural factors in accessing microfinance loans

Due to social-cultural constraints, women often have a more difficult time accessing finance than men, forcing them to depend on their savings or that of their relatives and on informal sources of finance. Women entrepreneurs own small enterprises and are on average more likely to have micro-enterprises, located in the service and retail sectors. Thus, women require small loan amounts that are not considered profitable by banks. Women in general have less personal capital/fewer assets to start a business or to be used as collateral. This may be due to social and legal disadvantages, such as lower wage incomes or limitations in the ownership of property. “In many countries, women cannot even hold land titles, thus they are effectively barred from formal sector credit. Another type of constraint is the requirement for the male spouse’s co-signature; and it is also often a requirement that women must obtain a guarantee declaration from their husband or father” (International Labour Organization, ILO, 2009). Moreover, since women’s enterprises are usually in the service sector and do not have tangible assets for collateral, such firms rely mainly on intangibles assets (which are difficult and costly to evaluate for financing institutions).

Women entrepreneurs have lower education levels and less professional experience than male entrepreneurs. They lack management skills and competencies in finance and accounting, which are key to improving access to finance. Furthermore, due to social and educational factors, they fear complicated bank procedures and lack confidence to deal with lending institutions and effectively convey their business proposals. Women entrepreneurs often lack information on the existence of credit facilities, financial instruments, networks and the borrowing conditions of financial institutions (Waring, 2006).

Women entrepreneurs have difficulty showing past business performance information or continuous business activity since they are often forced to interrupt their careers to take care of their families. Women entrepreneurs normally combine their business activities with their family obligations, which may be viewed with distrust by financial institutions. In addition to these particular difficulties, evidence has shown that there is still insufficient data about

women entrepreneurs, their needs, demands and available financing mechanisms, which is a significant obstacle to creating financing programmes adapted to their needs (Watson, 2006).

Weiss (2008) suggested that the personal characteristics of the business owner interacting with managerial defects produce weaknesses in the firm. Theng and Boon did an exploratory study on factors, which affects the failure of local small and medium enterprises and found that the entrepreneurs' personal attributes and shortcomings had a significant impact on the performance of a business enterprise:

According to Bonte et al, (2009) Empirical studies based on individual data have found an inverse U-shaped relationship between age and the decision to start a business, using changes in the age distribution of the population of western German regions over time, they found in accordance with micro level analyses an inverse U-shaped relationship between the regional age structure and start-up activity in a region. Moreover, their findings suggest that the age specific likelihood of becoming an entrepreneur changes with the size of the age cohort, pointing to the existence of a relationship between the age of the entrepreneur and the performance of the enterprise.

Although Zimmerer and Scarborough (2008) point out that most of entrepreneurs in the United States start business during their 30s and 40s, many researchers found that there is no limit of age for their entrepreneurial aspirations. Age variation at the start of business seems to have no direct relation to business success. According to Staw (2011), at the start of any business age is not a decisive factor, but with enough training and preparation, the earlier someone starts business the better. Staw (2011) also notes that age is related to business success if it includes both chronological age and entrepreneurial age. This means that the older an entrepreneur is, the more experiences in business he has. Age thus implies extensive experience. A recent baseline survey of small businesses shows that female ownership, informality and sole proprietorship have negative effects on the ability to generate revenue. Such ability, however, increases with the entrepreneur's age, educational achievement and membership in business support groups (Kimuyu, 2008).

It is an observed factor that young people are very aggressive, impatient and ready to take risk. Hence this factor may influence on business practices of entrepreneurs. The individuals are socialized to behave in ways that meet with the approval of their role set. To take an example, a young person with a business owning parent may well be expected to join the

family business and not to do so would create a vacuum in the business. If we accept that entrepreneurs require ideas, opportunities, resources skills and motivation for success, then the social structures and situations to which they are exposed will impact on the choice process. Simon (2008) found that actual and perceived entrepreneurial skills are acquired overtime and consequently age has an impact on entrepreneurship. For example it has been suggested that many people age thirty or less may not have acquired sufficient organizational experience while those age forty five or more may no longer possess the acquired energy. However, Longenecker, (2011) found that there are no hard and fast rules concerning the right age for starting a business.

2.3.3 Influence of women's attitude in accessing microfinance loans

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. Lack of planning, improper financing and poor management have been posited as the main causes of failure of small enterprises (Longenecker, *et al.*, 2006). Lack of credit has also been identified as one of the most serious constraints facing SMEs and hindering their development (Oketch, 2000; Tomecko and Dondo, 2012; Kiiru, 2011).

Education is one of the factors that impact positively on growth of firms (King and 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 and 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 and Mutiso, 2009).

The experiences the women entrepreneurs have in running their businesses include such problems as lack of enough capital, difficulties in transportation and marketing, the perishability of some commodities and competing demand related to household chores, difficulties in licensing procedures, finding staff with the right skills, willing to work for a small firm can be a problem, as is ensuring they have the time to update their skills and keep up with developments in the field. Ahmad, Xarier, perumal and Nor (2011) defines women

entrepreneur as a woman who have initiated a business, is actively involved in managing it, and owns at least 50% of the firm and have been in operation one year or longer.

This definition identifies an entrepreneur by their behavior rather than the specific occupation they are involved in. Those who have studied entrepreneurial behavior have noted certain characteristics such as innovativeness, ability and willingness to take calculated risks, determination, insight, total involvement, independence, need for achievement, leadership ability and among others Githeko Jason (2005). Most of the cultural values in any society basically develop due to religion. It provides the philosophical foundation for beliefs and values. “There are two primary reasons for a study of religions in the world economy. One is that religion is a major element of the cultural environment. The second reason is that religion is a mainspring of culture, an inner determination of many of the external manifestation of culture.” (Vern terpstra and Nanayakkara, (2009) observed that in the SriLankan cultural context, the child rearing practices as well as values transmitted by the elders to the children have created a dependence syndrome making the child continuously depended on the family. Sri Lankan family based value system as well as religious values is not favorable in generating an individual achievement oriented work ethic similar to the Protestant work ethic of the west. According to this view, a man would prove his worth by accumulating wealth through hard work and this would qualify such a person to receive the grace of God.

2.3.4 Influence of interest rate in accessing microfinance loans

Buiter, (2009) defines an interest rate as the rate at which interest is paid by a borrower (debtor) for the use of money that they borrow from a lender (creditor). 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).

There are institutions such as bank and non-bank financial institutions that are willing to provide funds to SMEs but Kenyan SMEs are not able to meet the requirements of these financial institutions. Chief among these requirements is the issue of collateral, which most SMEs cannot provide. Aside this is the other issue of small equity base of these SMEs among others. Secondly, those who are able to access this credit are also faced with high interest

rates and short repayment periods making it very difficult to embark on any developmental or expansion projects. Another interesting revelation with regards to the high rate of defaults in repayment of loans contracted, relates to the tight Cash flow situations of these SMEs that is mostly due to difficulties in the management of the account receivables of the respective SMEs surveyed.

It is generally recognized that SMEs face unique challenges, which affect their growth and profitability and hence, diminish their ability to contribute effectively to sustainable development these include: lack of Managerial Training and Experience, Inadequate Education and Skills, Lack of Credit, National Policy and Regulatory Environment, Technological Change, Poor Infrastructure and Scanty Markets information (Hill, 2007).

There are various other financial challenges that face small enterprises. They include the high cost of credit, high bank charges and fees. The scenario witnessed in Kenya particularly during the climaxing period of the year 2008 testifies the need for credit among the common and low earning entrepreneurs. Numerous money lenders in the name of Pyramid schemes came up, promising hope among the 'little investors,' which they can make it to the financial freedom through soft borrowing. The rationale behind turning to these schemes among a good number of entrepreneurs is mainly to seek alternatives and soft credit with low interest rates while making profits. Financial constraint remains a major challenge facing SMEs in Kenya (Wanjohi and Mugure, 2008).

A study by Wanjohi and Mugure, (2008) argued that the challenges faced by small business to access loan MFIs are Lack of access to credit by the poor just below or just above the poverty line may have negative consequences for Small businesses, Banks are frequently reluctant to support poor people those want to expand their businesses with a loan, Micro finance programs include lack of small amounts of capital paid back within a short time frame, Access to financial services by smallholders is normally seen as one of the constraints limiting their benefits from credit facilities, Repayment period/time, Group lending. As of the interpretation of these findings, researchers identified that the challenges facing small business to access loan from MFIs is existing and have effect on the entrepreneurs' willingness to borrow money from MFIs. Therefore the findings of this study are in line with Ojo (2009) that states small business are very zealous to have money borrowed from MFIs if there is no rigid challenges and requirements. Also respondents reported that accessing

microfinance service by small businesses is considered of the constraints that small businesses faced. That is why the accessing of these services consider as difficult.

2.4 Theoretical framework

Theoretical framework is a collection of interrelated ideas based on theories .It attempts to clarify why things are the way they are based on theories (Kombo and Tromp, 2006).This study will be guided by the entrepreneurship theory of Shane on opportunity..

2.4.1 Underpinning Theory

This research is underpinned on the Entrepreneurship Theory of Shane (2005). The theory consists of opportunity discovery, evaluation of the opportunity and the decision to exploit the opportunity. Others elements of the theory include self-employment, business operation and performance. The theory highlighted four operational measures of performance which are survival, growth, profitability/income, and experiencing initial public offering. Survival refers to continuation of entrepreneurial activity while growth refers to increase in the venture's sales and employment. Profitability refers to new surplus of revenue over cost while experiencing initial public offer refers to the sale of stock to the public (Shane, 2005).

Opportunities are created by the institutional or external environment for those entrepreneurs who could identify them to start or improve their businesses and subsequently, their welfare. Entrepreneurs' ability to identify and tap such opportunities differs between entrepreneurs. It also depends on their ability to access information and willingness to act upon the information in terms of risk; that is their attitude (Shane, 2005). Individual attributes affect discovery of entrepreneurial opportunity. It is made up of psychological and demographic factors such as motives, attitude to risk, education and training, career experience, age and social status.

Changes in business environment such as economic, financial, political, legal, and socio-cultural factors also affect discovery of opportunity. For example, income level of the entrepreneur, capital availability, political stability, laws concerning private enterprise and property rights, and desire for enhanced social status by the entrepreneur could affect discovery of entrepreneurial opportunity. Type of industry also affect opportunity discovery.

Industrial sectors such as distribution, manufacturing, agriculture, catering, and business services are more attractive to entrepreneurs (Brana, 2008; Carter and Shaw, 2006; Shane, 2005).

The concentration of industries in a particular location could also influence discovery of entrepreneurial opportunity by those in that location (Shane, 2005). Evaluation of the identified opportunity is another stage in the entrepreneurial process, and appropriate decision at this stage leads to the decision to exploit the opportunity (Shane, 2005). The decision to exploit the opportunity depends on the intention of the entrepreneur, and the appropriate measure of entrepreneurial decision-making is intention which leads to recognition of entrepreneurial opportunities (Shane, 2005). Exploitation of the opportunity depends on the entrepreneur's level of education, skills or knowledge acquired through work experience, social networks, credit, and cost-benefit analysis of the business (Shane, 2005).

2.5 Legislative Processes and Policy Framework

Ever since the ILO (1972) recognized the important role played by SMEs' informal Sector in employment creation, various policies have been put in place to promote establishment and growth of the sector. In Kenya, the major focus for this effort is the establishment of the Small Enterprise Development (SED) which is taxed with the role of creating an enabling environment for small enterprise growth including analysis and adjustments to the regulatory environment that has been a hindrance to prospective small business owners. Formal small enterprise development policy encompasses entrepreneurship development programs under a heading 'Non-Financial Promotional Programs' (NFPP). The other two aspects in SED policy are the provision of responsive small enterprise credit facilities and an examination of gender issues (Almus and Eric, 2010).

Sessional Paper Number 2 of 2005 on Development of Micro and Small enterprise for Wealth and Employment Creation for Poverty Reduction. This is the most recent policy instruments for SMEs and it notes, "SMEs have great potential for creating a variety of jobs, while generating widespread economic benefits...framework provides a more balanced policy in line with national goals of fostering economic growth, employment creation, income generation, poverty reduction and industrialization as stipulated Poverty Reduction Strategy Paper and the Economic Recovery Strategy for Wealth and Employment Creation, 2003-2007." The Economic Recovery Strategy for Wealth and Employment Creation of 2003-2007

which led to an employment policy that was to create 500,000 jobs annually. The “policy focus during the recovery period will increasingly be on small business enterprises” (Allison, 2012). According to Perera and Amin (2006), problems encountered by enterprises in the informal sector include the issue of legality, lack of infrastructure, substandard structures, and the threat of demolition. Informal enterprises are also considered an environmental hazard and urban planners argue that they can be a danger to the public, especially those that are carried out along roads and sidewalks. However, most of these problems would be eliminated if urban planners allocated land for the enterprises.

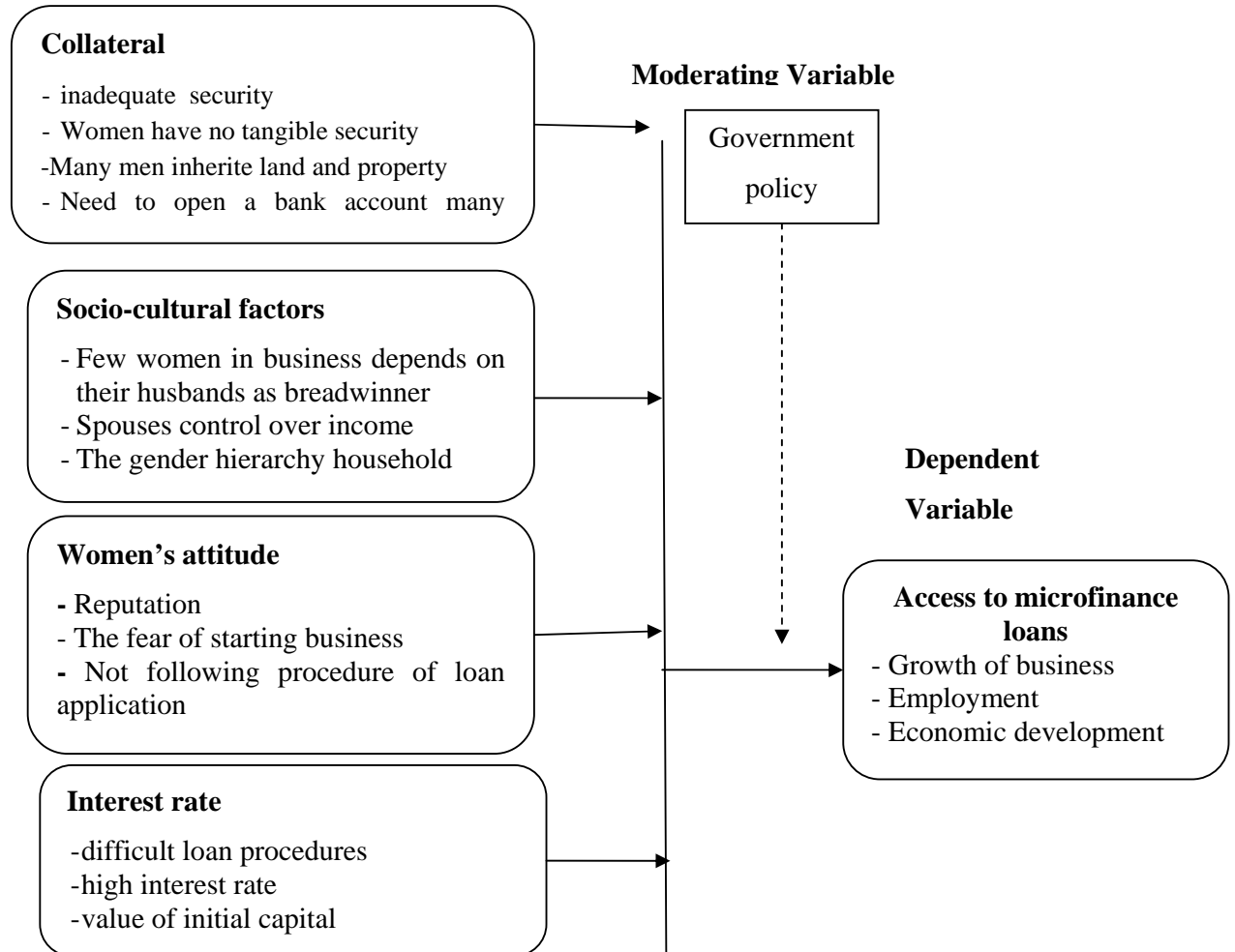
Many African countries are aimed at removing heavy policy distortions, which have been viewed as detrimental to the growth of the private sector. SAPs tend to severely affect vulnerable groups in the short run and have been associated with the worsening living conditions in many African countries (USAID 1991). The findings in the study by Wanjohi and Mugure (2008) indicate that business environment is among the key factors that affect the growth of SMEs. Unpredictable government policies coupled with ‘grand corruption,’ high taxation rates, all continue to pose great threat, not only to the sustainability of SMEs but also to the Kenyan economy that was gaining momentum after decades of wastage during KANU era.

According to Tinker (1997), harassment from local officials is the major obstacle faced by proprietors in the informal sector in Machakos market. Illegal enterprises are found in various parts of the town, and even though the City Council is known to demolish these enterprises, proprietors often erect new ones in the same location or move to a different part of the city. This obstacle can be overcome if officials adopt an enabling approach which urges governments to organize proprietors, and to encourage them to follow regulations and safety standards as well as to participate in the planning, assistance and advocacy processes.

2.6 Conceptual framework

Figure 1: Conceptual framework

Independent Variables



The conceptual framework outlined above shows the factors influencing women's small scale business in accessing microfinance loans, Machakos market. A general conceptualization diagram as shown illustrates factors influencing women's small scale business in accessing microfinance loans as independent variables and accessing microfinance loans as dependent variable while the government policy is a moderating variable.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter sets out various stages and phases that were followed in completing the study. It involves a blueprint for the collection, measurement and analysis of data. In this section the researcher identified the procedures and techniques which were used in the collection, processing and analysis of data. Specifically the following subsections are included; research design, target population, data collection instruments, data collection procedures, pilot testing and finally data analysis.

3.2 Research Design

The design of this research was descriptive survey. A descriptive survey research seeks to obtain information that describes existing phenomena by asking individuals about their attitudes, and values in accessing microfinance loans (Mugenda and Mugenda 2003). A descriptive study design was deemed the best design to fulfill the objectives of the study. A research design is the general plan of how one goes about answering the research question (Saunders, Lewis and Thornhill, 2000).

This design was considered appropriate for the type of objectives of this study and the implied comparative analysis to determine the factors influencing women's small scale business in accessing microfinance loans. This research is both explanatory and descriptive. It is explanatory in the sense that the problem is examined with an aim of establishing the casual relationships between variables. On the other hand, it qualifies as descriptive since it sought to portray the phenomenon through describing events, situations and processes.

3.3 Target Population

Ngechu (2004) defined a population as a well-defined or set of people, services, elements, and events, group of things or households that are being investigated. The study targeted women entrepreneurs and their representatives at Machakos Market. Currently the total

women entrepreneurs registered at Machakos Market branch are 380 women, who are available throughout the weekdays (Government county council of Machakos, 2014).

3.4 Sample size and Sampling Procedure

This section includes Sample size and Sampling Procedure of the study:

3.4.1 Sample Size

A sample size is a subset of the population to which researcher intends to generalize the results. Any statements made about the sample should also be true of the population (Orodho, 2002). Mugenda and Mugenda (2003), states that a sample of 30% is considered representative for a population less 500. The sample size is justified by 30% since it minimized the duplicity and redundancy of the data to be obtained and the size would be large enough to ensure collection of comprehensive data.

$$30 \div 100 \times 380 = 114$$

A sample size of 114 respondents out of 380 women was thus picked using simple stratified sampling technique based on the group of women available at the market and the type of commodities they sell. This was necessary because the technique gives all chance of being selected into the sample.

3.4.2 Sampling procedure

Sampling means selecting a given number of subjects from a defined population as a representative of that population. Sampling is the procedure a researcher uses to gather people, or things to study. It is a process of selecting a number of individuals or objects from a population such that the selected group contains elements representative of the characteristics found in the entire group (Orodho and Kombo, 2002).

Markets exhibit varying characteristics as far as population of women is concerned. Some have a high population and others have a low population. The study adopted stratified sampling to ensure the different women groups in the population are represented in proportion to their numbers in the population. The probability of selecting each respondent was proportional to their population so that category with larger population has proportionally greater chance of being included in the sample. The table below shows the sample size selected according to the commodities they sell which is 30 % of the population.

Table 3.1 Sample Size

General Business	Population	Sample size
Grains	106	37.8
Vegetables	134	40.2
Clothes	80	24.0
Shoes	60	18.0
Total	380	114

3.5 Research Instruments

The data for this study was collected using questionnaires. The questionnaires contained close ended items and Likert scale. The questionnaire contained closed-ended and open ended questions. The closed ended questions were accompanied by a list of possible alternatives from which respondents were required to select the answer that best described their situation.

3.6 Pilot testing

The research instrument was pre-tested before final administration to the respondents. Pilot study refers to feasibility studies which are small scale versions or trial runs done in preparation for the major study. A pretest prior to the actual study was carried out to enable the researcher to access the clarity of the instrument and its ease of use. According to Mugenda and Mugenda, (2003) pre-testing allows errors to be discovered before the actual collection of data begins and 10% of the sample size is considered adequate for pilot study.

3.6.1 Validity of Instruments

Validity determines whether the research instrument truly measures that which it is intended to measure or how truthful the research results are Joppe (2009). Research instrument is valid if it measures what it is supposed to measure and when the data collected through it accurately represents the respondents' opinion (Amin2005).

To enhance validity, a pilot study was done through administering questionnaire randomly to selected respondents in Kitengela north area, the area has similar characteristic as the case under study. It further enhanced making necessary adjustments to the questionnaire based on the pilot study.

3.6.2 Reliability of Instruments

Reliability is a measure of the degree to which a research instrument yields consistent results or data after repeated trials. Reliability refers to consistency of measurement; the more reliable an instrument is, the more consistent the measure. (Mugenda & Mugenda, 2003). The researcher tested reliability of instruments using Cronbach's alpha while conducting the research in order to obtain data that is consistent with the objectives of the study. Cronbach's case is useful with attitude instruments that use Likert scale SPSS is often used to calculate Cronbach (Del Siegle 2002). An alpha score of 0.70 or more indicated the instrument is reliable. Data reliability played an important role towards enhancing generalization of gathered data to represent the true characteristics on factors influencing women's small scale business in accessing microfinance loans since it aided the researcher in clearing any ambiguities and ensuring that the questions posed measure what it is intended. If the Cronbach's alpha is high, the instrument is said to yield data that have high test reliability.

3.7 Data Collection procedure

The researcher obtained a permit from National council for Science and Technology based on authorization letter from The University of Nairobi. This was used to obtain a permit from the county council office and education office in Machakos. Once all the permissions were granted, the researcher visited the area of study to make appointments with research assistant and target population.

Data was collected using a self-administered questionnaire. Nevertheless, where it proves difficult for the respondents to complete the questionnaire immediately, the researcher left them with the research assistant to pick on a later date and assist the respondents with difficult of responding to the questionnaire. In the course of piloting, the researcher visited the area of the study and administer the instrument.

3.8 Data Analysis Techniques

Analysis is the process of categorizing, ordering, manipulating and summarizing data to obtain answers from research questions. It is done to reduce data to intelligible and interpretable form using statistics. Data analysis refers to the process of examining what has been collected and making deductions and inferences out of it. (Kombo and Tramp 2006). It is the process of making meaning from the data. After the field work the researcher edited

and counter check completion of questions in order to identify items which were not appropriately responded to. The completed questionnaires were edited for completeness and consistency, checked for errors and omissions. Quantitative data was analyzed using descriptive statistics where responses from questionnaire were tallied and analyzed using frequency distribution, mean, percentage. In order to save time and money, while increasing accuracy of the results .computer statistical program for social sciences (SPSS) was used in processing data. The results were presented in tabulated form for easy interpretation. Interpretation refers to searching for meaning and implication of research instruments, in order to make inferences and draw conclusions. Tables represent research instruments more clearly and economically than text presentations (Kasomo 2006). The data from interview guide was sifted through, sorted into themes, categories and patterns. This further assisted in developing the narrative description.

3.9 Ethical measures

The study was conducted in an ethical manner. The respondents were explained to the purpose of the study and they were assured that their identity would be confidential and their names would not be divulged. Informed consent was sought from all the participants who agreed to participate. A research approval was also sought. The researcher personally administered the questionnaire to the respondents.

The respondent were not required to provide any identifying details and as such, transcripts and the final report did not reflect the subjects identifying information such as their names, in case they were not comfortable with it. After the study was completed and a final report written, the tools used to collect data were destroyed.

3.10 Operational definition of variables

The operational definitions of variables describe the independent and dependent variables measurement indicators of the study as shown in diagram below;

Table 3.2: Operationalization

Objectives	Independent Variables	Indicators	Measurement scale	Tools of Analysis	Types of analysis
To examine how collateral influences women's small scale businesses in accessing microfinance loans in Machakos market.	Collateral	<ul style="list-style-type: none"> - inadequate security - Women have no collateral like the men. - Men inherit land and property which they can use as collateral. - You need to open a bank account 	-Ordinal scale	Mean, frequencies, mode, Standard deviation	Quantitative
To investigate how socio-cultural factors influences women's small scale businesses in accessing microfinance loans in Machakos market.	socio-cultural factors	<ul style="list-style-type: none"> - Few women in business - Spouses control over income of their wives - The gender hierarchy within the household 	-Ordinal scale	Mean, frequencies, mode, Standard deviation	Quantitative
To investigate how women's attitude influences women's small scale businesses in accessing microfinance loans in Machakos market.	Women's attitude	<ul style="list-style-type: none"> - Most women are do not understand the processes of securing bank loans. - Reputation - The fear of starting business - The attitude of not following procedure of loan application 	Ordinal scale	Mean, frequencies, mode, Standard deviation	Quantitative
To establish how interest rate influences women's businesses in accessing microfinance loans	Interest rates	<ul style="list-style-type: none"> - Income levels - Difficult loan procedures - high interest rate - value of initial capital - minimum balance requirements 	-Ordinal scale	Mean, frequencies, mode, Standard deviation	Quantitative

CHAPTER FOUR

DATA ANALYSIS PRESENTATION, INTERPRETATION AND DISCUSSION

4.1 Introduction

This chapter provides an analysis of data collected from the field on the factors influencing women's small scale business in accessing microfinance loan at Machakos Market, presentation, interpretation and discussion. The chapter has five sections. The first section evaluates the influence of demographic factors of age category, age when starting business and educational background. The second section examines influence of collateral in accessing microfinance loans; third section assess influence of socio-cultural factors in accessing microfinance loans; fourth section determines influence of women's attitude and fifth section deals with influence of interest rates in accessing microfinance loan.

4.2 Response Rate

The response rate of the of respondents is presented in Table 4.1

Table 4.1: Response Rate

Category	Frequency	Percentage
Responded	86	75.4
Did not respond	28	24.6
Total	114	100

From Table 4.1 above, the researcher distributed 114 self-administered questionnaires to the sampled respondents, 86 questionnaires were returned and this represents 75.4% response rate which according to Mugenda and Mugenda (2003) a response rate of more than 70 % is sufficient for a study. The high response rate is attributed to the fact that the researcher personally administered the questionnaires to the respondents.

4.3 Background Information of the Respondents

The researcher asked the respondents to indicate their age category, age when they started business and their level of education.

4.3.1 Age Category

In this section the researcher sought to establish the age category of women available in the study. Their responses are highlighted in the table below

Table 4.2: Age Category

Category	Frequency	Percentage
Below 18	0	0
18-25 years	12	13.9
26-35 years	40	46.5
36-45 years	33	38
46-55 years	1	1.3
55 and above	0	1.6

From Table 4.2 above 13.9% of the women in Machakos market were aged between 18 and 25 years; 46.5% were aged between 26 to 35 years; 38% were aged between 36 to 45 years; 1.3% of the respondents were aged between 46 to 55 years. This shows that the largest population of the respondents was young enough as a result they are actively involved from the busy hassles of the markets. Majority of women are aged between 26 to 35 years which is 46.5 %, followed by those aged 36 to 45 years. This implies that these women already have responsibilities to attend to especially their families which compel them to work and meet their needs therefore, their involvement in small scale business.

4.3.2 Age when starting the business

Respondents at this level of the study were asked to indicate their ages when they started their businesses.

Table 4.3: Age when starting the business

Category	Frequency	Percentage
Below 18	15	17.4
18-25 years	40	46.5
26-35 years	28	32.5
36-45 years	3	3.4

From Table 4.3, 17.4% of the women in Machakos market began their businesses while still below the age of 18 years; 46.5% began the business while aged between 18 and 25 years; 32.5% began working at the market when aged between 26 to 35 years and only 3.4% began to work at the market while aged between 36 to 45 year. So majority of the women started their businesses aged between 18 and 25 years. This implies that they are in their youth, are energetic and aggressive and can take risk in business. Staw (2011) notes that age is related to business success if it includes both chronological and entrepreneurial age,

4.3.3 Educational background

The respondents were asked to indicate their academic background. Table below shows the study findings on the respondents' academic background.

Table 4.4: Level of education

Level of education	Frequency	Percent
Primary school	58	67.4
Secondary School	27	31.4
Diploma or less	1	1.2
Bachelor Degree	0	0
Master Degree	0	0
Total	86	100

From Table 4.4 above 67.4% of the respondents had primary school level of education, 31.4% of the population had secondary school education and 1.2% had tertiary education. This implies that majority of women in Machakos market have low level of education. King and McGrath (2002) notes that education is one of the factors that impact positively on business. Due to their low education levels, the women lack management skills, lack information and confidence to deal with banking institutions and this impacts negatively on

their businesses. Therefore they depend on their savings and money from relatives and friends to start and run their businesses.

4.4 Collateral factors

The researcher sought to address the first objective that looked at how collateral influences women's small scale businesses in accessing microfinance loans in Machakos market. Respondents were asked to state their degree of agreement/disagreement using a Likert 1-5 scale, with 1 being 'to no extent at all', 2 being 'to a small extent' 3 being 'to some extent', 4 being 'to a high extent' and 5 being 'to a very high extent'

Table 4.5: Collateral factors

Collateral factors	Mean	Standard deviation
Lack of security	3.0667	0.30
Provision of soft loans to entrepreneurs	3.0	0.41
Accessing credit , particularly for starting an enterprise, is one of the major constraints affecting women entrepreneurs	2.9667	0. 61
women entrepreneurs lack access to external funds due to their inability to provide tangible security	3.9333	0.53
Gender-based obstacles – conventional thinking, cultural and social values	3.244	0.65
Lack of information on the cost of obtaining such services	3.0667	0.40
lack of awareness of existing credit schemes	3.0	0.31
High interest rates	2.9667	0. 31
lengthy and vigorous procedures for loan applications are further impediments to women entrepreneurs	3.0333	0.43

From the study, it was found out that lack of security; provision of soft loans to entrepreneurs; accessing credit, particularly for starting an enterprise, is one of the major constraints affecting women entrepreneurs; women entrepreneurs lack access to external funds due to their inability to provide tangible security; Gender-based obstacles – conventional thinking, cultural and social values; Lack of information on the cost of

obtaining such services; lack of awareness of existing credit schemes; High interest rates and lengthy, vigorous procedures for loan applications are further impediments to women entrepreneurs were all agreed to a high extent with a mean above 3.0. The standard deviation also supports the findings due to the small values.

Interviewees were asked of their view pertaining the influence of collateral in accessing microfinance loans. They argued that accessing to financial services by smallholders is normally seen as one of the constraints limiting their benefits from credit facilities. In most cases the access problem, especially among formal financial institutions, is one created by the institutions mainly through their lending policies; this is obvious in the form of prescribed minimum loan amounts, complicated application procedures and restrictions on credit for specific purposes. Therefore, small-scale enterprises reliable access to short-term and small amounts of credit is more valuable, and emphasizing it may be more appropriate in credit programmes aimed at such enterprises. Accessing credit is considered to be an important factor in increasing the development of women's small businesses, it is thought that credit augment income levels, increases employment and thereby alleviate poverty it is believed that access to credit enables poor people to overcome their liquidity constraints and undertake some investments. This implies that most women do not access loans from the banking institutions because they lack security which is a requirement before money is given out. Another implication is that though security is there it is not adequate for the amount of loan they require. This is supported by Sullivan and Steven (2003) who notes that the credit methodology requires documentary evidence, a long –standing bank-customer relationship and collateral which most micro and small scale businesses do not possess'

4.5 Socio-cultural factors

Respondents at this level of the study were asked to rate how socio-cultural factors influences women's small scale businesses in accessing microfinance loans in Machakos market. The table below shows the study findings.

Table 4.6: Socio-cultural factors

Socio-cultural factors	Mean Score	Standard deviation
Spouses control over income of their wives therefore influences women access of microcredit loans	2.812	0.37
Women entrepreneurs have low-level management skills. They have to depend on office staffs and intermediaries, to get things done, especially, the marketing and sales side of business	3.0	0.15
Women, in particular the less educated ones, also find it more difficult to get financing from banks because they lack information on how to go about securing a loan	3.2667	0.36
A general lack of experience and exposure also restricts women from venturing out and dealing with banking institutions	3.0333	0.35
Gender hierarchy within the household influences women access of microcredit loans	3.0	0.25

Regarding the levels of agreement on the above factors: Spouses control over income of their wives therefore influences women access of microcredit loans; Women entrepreneurs have low-level management skills. They have to depend on office staffs and intermediaries, to get things done, especially, the marketing and sales side of business; Women, in particular the less educated ones, also find it more difficult to get financing from banks because they lack information on how to go about securing a loan; A general lack of experience and exposure also restricts women from venturing out and dealing with banking institutions and gender hierarchy within the household influences women access of microcredit loans were all agreed to a high extent with a mean above 3.0.

Key informants pointed out those socio-cultural factors are the main factors inhibiting women small scale businesses in accessing microfinance loans. They pointed out women lower levels of education, less professional experience than male entrepreneurs, lack of management skills

and incompetency in finance and accounting were the issues raised. Furthermore, due to social and educational factors, they fear complicated bank procedures and lack confidence to deal with lending institutions and effectively convey their business proposals. Women entrepreneurs often lack information on the existence of credit facilities, financial instruments, networks and the borrowing conditions of financial institutions.

Due to social-cultural constraints, women often have a more difficult time accessing finance than men, forcing them to depend on their savings or that of their relatives and on informal sources of finance. This may be due to social and legal disadvantages, such as lower wage incomes or limitations in the ownership of property. Another type of constraint is the requirement for the male spouse's co-signature; and it is also often a requirement that women must obtain a guarantee declaration from their husband or father. Moreover, since women's enterprises are usually in the service sector and do not have tangible assets for collateral, such firms rely mainly on intangibles assets.

4.6 Women's attitude

Respondents at this level of the study were asked to rate how attitude influences women's small scale businesses in accessing microfinance loans in Machakos market. The table below shows the study findings.

Table 4.7: Attitude

Factors Under Consideration	Mean Score	Standard deviation
Women do not understand the processes of securing bank loans therefore hinderarng from access of microcredit loans	3.06 67	0.40
women engaged in business activities due to family compulsion and the responsibility	3.0	0.31
Women have limited access to vocational and technical training in Kenya	2.96 67	0.61
Kenya is characterized by low enrolment among women in education, high dropout rates and poor quality of education	3.93 33	0.53
Lack of information on who is offering what and the cost of obtaining such services are some of the limitations faced by these entrepreneurs	3.0	0.25
The fear of starting business and they are not used access of microcredit loans	3.06 67	0.250

From the study, it was found out that women have low level of education and so they do not understand the processes of securing bank loans therefore hinderarng them from access

of microcredit loans. Women engaged in business activities due to family compulsion and the responsibility; women have limited access to vocational and technical training in Kenya. Kenya is characterized by low enrolment among women in education and high dropout rates. Lack of information on who is offering what and the cost of obtaining such services are some of the limitations faced by these entrepreneurs and the fear of starting business as they are not used to access of microcredit loans were found out to be the underlying factors of attitude with a mean of 3.0.

Key informant argued that there is a strong negative perception towards accessing microfinance loans. Although they also pointed out problems such as difficulties in transportation and marketing, the perishability of some commodities and competing demand related to household chores, difficulties in licensing procedures, willing to work for a small firm can be a problem, as is ensuring they have the time to update their skills and keep up with developments in the field.

4.7 Interest rate factors

Respondents at this level of the study were asked to rate how interest rate influences women's small scale businesses in accessing microfinance loans in Machakos market. Respondents were asked to state their degree of agreement/disagreement using a Likert 1-5 scale, with 1 being 'to no extent at all', 2 being 'to a small extent' 3 being 'to some extent', 4 being 'to a high extent' and 5 being 'to a very high extent'

Table 4.8: Interest rate factors

Factors Under Consideration	Mean Score	Standard deviation
High production cost of some business operations adversely affects the development of women entrepreneurs	3.0545	0.43
Reduction of tax for small and micro enterprises	3.254	0.2345
Since most women entrepreneurs operate on a small scale, and are generally not members of professional organizations or part of other networks, they often find it difficult to access information	3.095	0.327
Women have fewer business contacts, less knowledge of how to deal with the governmental bureaucracy and less bargaining power, all of which further limit their growth	3.455	0.7563
maintaining the operations and ploughing back money for surplus generation requires high risk taking attitude, courage and confidence	3.320	0.4323

On the factor of interest rates, respondents pointed out that: High production cost of some business operations adversely affects the development of women entrepreneurs; Reduction of tax for small and micro enterprises; Since most women entrepreneurs operate on a small scale, and are generally not members of professional organizations or part of other networks, they often find it difficult to access information; Women have fewer business contacts, less knowledge of how to deal with the governmental bureaucracy and less bargaining power, all of which further limit their growth and maintaining the operations and ploughing back money for surplus generation requires high risk taking attitude, courage and confidence were all agreed to a higher extent with a mean above 3.0

Interviewees argued that although interest rates is a crucial factor in accessing microfinance loans, loans themselves are not viewed as important and thus there are low levels of acquiring loans in Machakos market. There are institutions such as bank and non-bank financial

institutions that are willing to provide funds to SMEs but women SMEs are not able to meet the requirements of these financial institutions. Chief among these requirements is the issue of collateral, which most SMEs cannot provide. Aside this is the other issue of small equity base of these SMEs among others.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of findings, conclusions drawn from the findings and recommendations made. The conclusions and recommendations drawn were focused on addressing the purpose of the study, which was to investigate the factors influencing women's small scale business in accessing microfinance loan at Machakos Market.

5.2 Summary of findings

The findings of the study revealed that the contextual factors that affect women small scale businesses performance in Machakos Market are highly supported by the major factors in relation to collateral factors, socio-cultural factors, attitude and interest rate. From the findings most of women small scale businesses in Machakos Market are of youthful ages between 26-35 which is the most productive and energetic age group. In the same age brackets is when most of the women entrepreneurs start businesses. At this point they have raised some capital from other sources.

Findings of the study indicates that lack of collateral security; provision of soft loans to entrepreneurs; accessing credit, particularly for starting an enterprise, is one of the major constraints affecting women entrepreneurs; women entrepreneurs lack access to external funds due to their inability to provide tangible security; Gender-based obstacles—conventional thinking, cultural and social values; Lack of information on the cost of obtaining such services; lack of awareness of existing credit schemes; High interest rates and lengthy, vigorous procedures for loan applications are further impediments to women entrepreneurs were all agreed to a high extent.

Findings of the study indicate Spouses control over income of their wives therefore influences women access of microcredit loans; Women entrepreneurs have low-level management skills. They have to depend on office staffs and intermediaries, to get things done, especially, the marketing and sales side of business; Women, in particular the less educated ones, also find it more difficult to get financing from banks because they lack information on how to go about securing a loan; A general lack of experience and exposure also restricts women from

venturing out and dealing with banking institutions and gender hierarchy within the household influences women access of microcredit loans were all agreed to a high extent.

The findings of the study were that women are less educated and so they do not understand the processes of securing bank loans therefore hindering from access of microcredit loans; women engaged in business activities due to family compulsion and the responsibility; women have limited access to vocational and technical training in Kenya; Kenya is characterized by low enrolment among women in education, high dropout rates and poor quality of education; Lack of information on who is offering what and the cost of obtaining such services are some of the limitations faced by these entrepreneurs and the fear of starting business and they are not used access of microcredit loans were found out to be the underlying factors of attitude.

The study found out that High production cost of some business operations adversely affects the development of women entrepreneurs; Reduction of tax for small and micro enterprises; Since most women entrepreneurs operate on a small scale, and are generally not members of professional organizations or part of other networks, they often find it difficult to access information; Women have fewer business contacts, less knowledge of how to deal with the governmental bureaucracy and less bargaining power, all of which further limit their growth and maintaining the operations and ploughing back money for surplus generation requires high risk taking attitude, courage and confidence were all agreed to a higher extent

5.3 Conclusions

The major threat on women entrepreneurs is access to finances. The financial institutions should have an easier and faster method of issuing these facilities or making it easier to access without delaying if you have all the requirements. Nevertheless, women are also either illiterate on how to access this financial aid, or the process is cumbersome or involves a lot of paper work and then the process takes too long before it goes through and lack of tangible security is another major blow to the women small scale businesses in order to have access to any financial aid by the financial institutions who also charge high interest rates hence repayment and running the business at the same time becomes hard.

The research finds out that lack of experience and exposure also restricts women from venturing out and dealing with banking institutions or exposure to paper work is a great

drawback for women who would like to venture in business. Most of the women entrepreneurs depend on a second party to get things done especially in marketing and sales departments. The study therefore advocates for women education through seminars to help them keep proper record which shows proper well business operation, also to help them assess the business margins and mark-up to weigh the rate of business returns on their own. This intern will helps them in stabilization and forecasting for the present and future of the entrepreneur in an independent mind.

Most of the women small scale businesses depend on second party opinions to get things done especially in preparing financial statements.. Therefore, advocating for women education through seminars would enlighten most of those whose are not familiar with record keeping.

Lack of information on who is offering what and the cost of obtaining such services limit them and high inventory costing are some of the major drawbacks for success in women small scale businesses.

The high cost of running the entrepreneurs is a big threat to the women development due to lack of adequate capital and on the other hand lack of information on how to access funds to boost the business also is a major threat.

5.4 Recommendations

It is clear from this study that collateral factors, socio-cultural factors, women's attitude and interest rates influence women small scale businesses in accessing microfinance loans. The researcher therefore recommends the following:

- i. That the government introduces affirmative action, by setting policies that encourages more woman entrepreneurial initiatives.
- ii. The banks should introduce woman tailored products to suits their entrepreneurial needs.
- iii. Women to be encouraged to own property in their names especially land which they can use as collateral to access funds
- iv. The banking institutions to reach out to women entrepreneurs as they do to the salaried who use pay slips as security

- v. The financial institutions set some simple ways of accessing loan facility for the women small scale businesses and give them at reasonable rates to enable them to repay with ease.

5.5 Suggestion for further Research

The purpose of this study was to analyze factors influencing women's small scale businesses in accessing microfinance loans; a case of Machakos market. Further research can be done on the following:

- i. The effects of microfinance loans on growth and sustainability of women's small scale businesses
- ii. The researcher also recommends further research to be conducted targeting high profile women entrepreneurs who are knowledgeable in the field of study.
- iii. The researcher recommends further research on influence of the increasing number of microfinance institutions on businesses in the counties.

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APPENDICES

APPENDIX I: LETTER OF INTRODUCTION

RUTH KALOKI KATHUKU

P.O BOX 24654, 00100

NAIROBI

Dear Sir/Madam,

RE: REQUEST FOR YOUR PARTICIPATION

I am a student at the University of Nairobi pursuing a MBA. As part of my coursework, I am required to carry out and submit a research project report on factors influencing women's small scale businesses in accessing microfinance loans in Machakos market.

To achieve this objective, I kindly request for your assistance in completing the attached copy questionnaire. With your honest answers, the interested stakeholders will have the right information to plan the way forward. You are hereby guaranteed that your identity will be treated with utter confidentiality a copy would be available at the University of Nairobi Library.

Yours faithfully,

RUTH KALOKI KATHUKU

APPENDIX II: QUESTIONNAIRE

This set of questions is intended to get the factors influencing women's small scale in accessing microfinance loan in Machakos market. With your honest answers, the interested stakeholders will have the right information to plan the way forward. You are hereby guaranteed that the information you give will be treated with utter confidentiality.

Section A: profile of the respondents

1. What is the name of your business (optional?)

2. What is your Age Category?

Below 18	[]	18-25	[]
26-35	[]	36-45	[]
46-55	[]	55and above	[]

3. Your age when you started this business:

Below 18	[]	18-25	[]
26-35	[]	36-45	[]
46-55	[]	55 and above	[]

4. What Educational background do you have?

Primary school	[]	Secondary School	[]
Diploma or less	[]	Bachelor Degree	[]
Master Degree	[]	PH.D Degree	[]

SECTION B: FACTORS INFLUENCING WOMEN SMALL SCALE BUSINESSES IN ACCESSING MICROFINANCE LOAN

Using a Likert 1-5 scale, with 1 being 'to no extent at all', 2 being 'to a small extent' 3 being 'to some extent', 4 being 'to a high extent' and 5 being 'to a very high extent', to what extent were the following factors influencing women entrepreneurs' performance in Machakos Market? Please tick all as appropriate

Collateral

Variable	1	2	3	4	5
Lack of collateral security					
Provision of soft loans to entrepreneurs					
Accessing credit , particularly for starting an enterprise, is one of the major constraints affecting women entrepreneurs					
women entrepreneurs lack access to external funds due to their inability to provide tangible security					
Gender-based obstacles – conventional thinking, cultural and social values					
heavy paperwork are further impediments to women entrepreneurs					
Lack of information on the cost of obtaining such services					
lack of awareness of existing credit schemes					
High interest rates					
lengthy and vigorous procedures for loan applications					

Socio-cultural factors

Variable	1	2	3	4	5
Spouses control over income of their wives therefore influences women access of microcredit loans					
Women entrepreneurs have low-level management skills. They have to depend on office staffs and intermediaries, to get things done, especially, the marketing and sales side of business					
Women, in particular the less educated ones, also find it more difficult to get financing from banks because they lack information on how to go about securing a loan					
A general lack of experience and exposure also restricts women					

from venturing out and dealing with banking institutions					
Gender hierarchy within the household influences women access of microcredit loans					

Attitude

Factors Under Consideration	1	2	3	4	5
Women are less educated and so they do not understand the processes of securing bank loans therefore hindering from access of microcredit loans					
women engaged in business activities due to family compulsion and the responsibility					
Women have limited access to vocational and technical training in Kenya					
Kenya is characterized by low enrolment among women in education, high dropout rates and poor quality of education					
Lack of information on who is offering what and the cost of obtaining such services are some of the limitations faced by these entrepreneurs					
The fear of starting business and they are not used access of microcredit loans					

Interest rate

Factors Under Consideration	1	2	3	4	5
High production cost of some business operations adversely affects the development of women entrepreneurs					
Reduction of tax for small and micro enterprises					
Since most women entrepreneurs operate on a small scale, and are generally not members of professional organizations or part of other networks, they often find it difficult to access information					

Women have fewer business contacts, less knowledge of how to deal with the governmental bureaucracy and less bargaining power, all of which further limit their growth					
maintaining the operations and ploughing back money for surplus generation requires high risk taking attitude, courage and confidence					

3. Apart from the ones stated above which other financial challenges have you been facing in your business?

.....

.....

.....

.....

4. Based on your experience and to the best of your knowledge, which additional factors affecting women entrepreneurs' performance in Machakos Market, and yet not covered in this questionnaire? Please list two factors:

.....

.....

.....

.....

APPENDIX III: INTERVIEW GUIDE

1. How does the minimum balance requirements makes it difficult for women to acces loan process in your microfinance institutions?

2. What are the governments (both national and county) interventions in regards to microfinance loans, within Machakos market?

3. How does minimum balance requirements makes it difficult for women to acces loan process?

4. How does value of initial capital makes it difficult for women to acces loan process?

5. How does high interest rate makes it difficult for women to acces loan process?

6. How does the produres followed during long application procedures makes it difficult for women to acces loan process?

7. How does Income levels makes it difficult for women to acces loan process?
