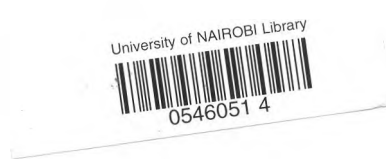


**CHALLENGES FACING WOMEN IN ACCESSING CREDIT  
FROM MICROFINANCE INSTITUTIONS IN NAKURU,  
KENYA**

**By**

**Jonathan M. Waita**


**A PROJECT PAPER SUBMITTED TO THE INSTITUTE OF  
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PARTIAL FULFILMENT OF THE REQUIREMENTS OF  
DEGREE OF MASTER OF ARTS IN GENDER AND  
DEVELOPMENT STUDIES OF THE  
UNIVERSITY OF NAIROBI.**



**April 2012**

## DECLARATION

This project paper is my original work and has not been presented in any other university or college for examination.

Signature .....  ..... Date ..... 09/11/2012 .....  
The signature is a cursive script that reads 'Jonathan Waita'. The date is written in a simple, clear font.

Jonathan Waita

This project paper has been submitted with my approval as the university supervisor

Signature .....  ..... Date ..... 09/11/2012 .....  
The signature is a cursive script that reads 'Dr. Tom Ondicho'. The date is written in a simple, clear font.

Dr. Tom Ondicho

## **DEDICATION**

My dedication goes to my wife Elizabeth Musembi and my daughters Joan Mutheu and Mary Ndanu for continuous encouragement in the course of my studies and completion of my research work.

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## **ABBREVIATIONS**

|                |                                                |
|----------------|------------------------------------------------|
| <b>GAD</b>     | - Gender and Development                       |
| <b>IFC</b>     | - International Finance Corporation            |
| <b>ILO</b>     | International Labour Organization              |
| <b>MDGs</b>    | Millennium Development Goals                   |
| <b>WID</b>     | Women in Development                           |
| <b>KWFT</b>    | Kenya Women Finance Trust                      |
| <b>ECLOF K</b> | Ecumenical Church Loan Fund Kenya              |
| <b>K-REP</b>   | Kenya Rural Entrepreneurship Programme         |
| <b>WEP</b>     | Women Enterprise Fund                          |
| <b>MFIs</b>    | Microfinance Institutions                      |
| <b>GoK</b>     | Government of Kenya                            |
| <b>SMES</b>    | Small and Micro Entrepreneurs                  |
| <b>SACCOs</b>  | Savings and Credit Co-operatives               |
| <b>BPR</b>     | Bank Perkreditan Rakyat                        |
| <b>SEWA</b>    | Self Employed Women's Association              |
| <b>FGD</b>     | Focus Group Discussions                        |
| <b>AMFI</b>    | Association of Microfinance Institutions Kenya |

## **AKNOWLEDGEMENT**

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Credit goes to my lecturers who guided me on where to access most of information concerning the study. I am delighted because of the cooperation given and provided learning facilities by the entire management of University of Nairobi. This calumniates to this completed research paper. Thanks you all for your time; it was all through your endless support that I managed to complete this research paper.

## ABSTRACT

MFIs provide their members with financial and social intermediation services to help improve their businesses. Despite a multitude of studies devoted to the topic, the challenges affecting women borrowers have never been critically highlighted and their impact on women SMES in relation to empowerment of women entrepreneurs. This remains largely unexplored in Kenya. This study therefore sought to bridge the gap by establishing the effect of microfinance intervention on empowerment of women entrepreneurs in Nakuru town in Kenya. It focused on two specific objectives: To determine what motivates the women entrepreneurs to borrow from MFIS, the second aim was to examine the challenges faced by women when accessing loans.

The population comprised of 20 women entrepreneurs who had borrowed before from ECLOF Kenya. Purposeful sampling procedure was used to collect data from 20 members of ECLOF Kenya in the study area. Data was presented in the form of frequency distribution tables, graphs and pie charts which facilitated description and explanation of the study findings. Statistical Package for Social Scientists (SPSS) was used to generate frequency distribution tables. The findings showed that 60 per cent sited provision of collateral against as a major challenge when it comes to borrowing since of items required security for loan are owned by their husbands. 70 per cent argued that business performance made their loans be returned own made their loans be reduced. Environment and social cultural factors are also big embedment to access of loans by women.

This paper reviews rural and semi-urban women's access to financial services, a key factor of successful rural development strategies. Designing appropriate financial products for women to be able to borrow and invest is essential to strengthen women's role as producers and widen the economic opportunities available to them. For this purpose it is essential to understand how context specific legal rights, social norms, family responsibilities and women's access to and control over other resources shape their need for capital and their ability to obtain it. The paper argues that it is important that development strategies that aim

to boost women's productive capacity must enhance women's direct access to financial services, i.e. not mediated through their husbands.

This paper is report on "Challenges that women entrepreneurs face in accessing loans from Microfinance institutions". The field research covered 20 women entrepreneurs from Nakuru town, as well as further in-depth interviews with 10 key informants composed of leaders and practitioners in the microfinance industry. The recommendations are the result of a research paper conducted by the researcher in process of undertaking an academic paper in master study.

From this research it indicates that while each of the woman borrowers may face particular barriers from access to finance, there are also significant barriers to financing encountered by various women in business and intending to borrow. These barriers include, collateral requirements, business skills, cultural beliefs, and perception about women's borrowing all have significant effects on financing opportunity available to women. As such, while the focus of this project remains on investigating financing barriers faced by various women in accessing finance, for analytical purposes it was useful to contextualize these findings by situating them within the broader context of gender equality in relation to financing.

# Chapter One

## Background to the Study

### 1.1 Introduction

Microfinance programs have proven to be important instruments to fight against female poverty and vulnerability in developing countries. Among the 81.9 million poor clients served by microfinance programs in 2005, 84.2 percent were women (World Bank 2005). Microfinance, by targeting women, allows not only improvements in gender equality but also effective decreases in poverty through the positive effect of gender equality on development.

Poor women in particular benefit from microfinance services. Women's status, both in their homes and in their communities, is elevated when they are responsible for managing loans and savings (Njeru and Njoka 1998). The ability to generate and control their own income can further empower poor women. Most of these women have excellent repayment records (Njeru and Njoka 1998), even though these women have shown that it is a noble idea to lend to the poor, they have however numerous challenges and hardships in accessing credit from MFIs. This is especially true of women in Kenya

Using microfinance programs to give women access to financial services is a means of mobilizing their productive capacities for the benefit of economic development. Through access to financial resources, microfinance institutions not only gives women access to self-employment, but also contributes to the amelioration of family life and influences the social situation of women by promoting self-confidence and the capacity to play an active role in society.

Although Kenyan women's access to micro-finance credit has increased substantially in the last few decades, their ability to access loans from such institutions is often constrained by the disadvantages they face because of their gender. This study seeks to investigate and document the challenges women face when they seek credit from MFIs

## **1.2 Problem Statement**

Microfinance institutions have proven to be effective in fighting poverty by providing entrepreneurs with the necessary capital to start and expand their entrepreneurial activities. Microfinance is also associated with a positive impact on social and human development (Sebstad, et al., 1996). For example, impact assessments have found positive changes in microenterprise output, assets, employment and income. In addition to these effects on the entrepreneurial activity of the poor, microfinance institutions are being attributed with positive effects on issues such as household income, savings, children's education, health and nutrition, and women's empowerment. Some credit facilities are structured in a way that does not seem to favour poor women. These new set of rules credit coupled with socio-cultural factors and the current economic hardships are posing serious challenges to women seeking credit from MFIs (microfinance institutions).

This study therefore aimed at exploring the reasons why women seek loans from MFIs and the main focus was on the challenges women face when they go to borrow loans from MFIs. This research was limited to clients who have borrowed from ECLOF Kenya in Nakuru town.

## **1.3 Study Objectives**

### **1.3.1 General objectives**

The broad objective was to investigate challenges that women face in accessing credit or loans from the microfinance institutions.

### **1.4 Specific Objectives**

- i. To investigate the factors that motivate women to seek microfinance credit
- ii. To examine the challenges women face when they seek microfinance loans.

## **1.5 Justification of the Study**

In trying to justify why the current study is important, it is vital to mention that researchers have found this area of study very important to the development of the socio-economic activities in developing countries and their contributions to the development of small and medium size businesses in Kenya. This research has therefore focused on major challenges faced by when they go for microfinance loans. A study of this nature is equally very important because it is going to enlighten the MFIs and NGOs doing microfinance on the difficulties women encounter whenever they plan to access their loans.

Microfinance as a whole provides the clients a means to have access to financial services in their localities to boost their living standards in a sustainable manner. The microfinance sector has undergone many changes in the past decade. MFIs have effected many changes in their programs and activities. This is so because of changing economic conditions and social behaviors.. As a result, women are being subjected to unfavourable borrowing conditions and unfavourable environments in accessing microfinance loans from the microfinance institutions.

This study aimed at establishing challenges faced by women in the event of borrowing loans from these institutions. It will benefit; Academic institution- through this study, the researcher will add to the academic body of knowledge. This includes the university and other institutions of higher learning, Government of Kenya which through National Bureau of statistics would like to know the consequences of such challenges. This is so as, being a contributor to empowerment in the country, this information will help give more ideas on how to empower its women citizens. The study identified gaps in the topic for further research works which would provide solutions towards dealing with these challenges.

## **1.6 The Limitations of the Study**

ECLOF Kenya clients are spread in 3 provinces (Rift Valley, Western and Nyanza) of Kenya and doing different business activities. To cover all the regions in the entire country will be impossible because of the limited time frame and resources. For this reason, the research will be limited to Nakuru town in Rift Valley province. The major challenges faced by women in accessing of microfinance loans were collected and analyzed from this area.

The following key limitations in the study; The variables used to assess women's challenges when borrowing were based on responses given by wives only. Men were systematically not asked such questions. As such, the results might be biased in favour of women, By limiting the research sample to the clients who have borrowed only, the views of other low income people ( women) were not tapped by the study. The conventional data collection methods used (structured interviews, questionnaires and documentary review) did not have inputs from the rural communities concerned. And some important data might have been missed due to this shortcoming. Changes in gender relations are difficult to capture in single visits to the field as it was the case in the study. During the period of the field work (March - April) the target population of the study was busy harvesting wheat and attending to their beans farms which affected their availability.



# Chapter Two

## Literature Review and Theoretical Framework

The literature on microfinance and accessibility, by women especially, is relatively new and is still evolving. The available literature covers a range of issues from conceptual clarification through evolution to types and models of microfinance. Highlights are presented in the following sections.

### 2.1 Evolution of Microfinance

The concept of microfinance is not new. Savings and credit groups have operated for centuries include the "susus" of Ghana, "chit funds" in India, "tandas" in Mexico, "arisan" in Indonesia, "cheetu" in Sri Lanka, "tontines" in West Africa, and "pasanaku" in Bolivia, as well as numerous savings clubs and burial societies found all over the world (World Bank 2001) . Formal credit and savings institutions for the poor have also been around for decades, providing customers who were traditionally neglected by commercial banks a way to obtain financial services through cooperatives and development finance institutions. One of the earlier and longer-lived micro credit organizations providing small loans to rural poor with no collateral was the Irish Loan Fund system, initiated in the early 1700s by the author and nationalist Jonathan Swift. Swift's idea began slowly but by the 1840s had become a widespread institution of about 300 funds all over Ireland. Their principal purpose was to provide small loans with low interest for short periods. At their peak they were giving loans to 20% of all Irish households annually. In the 1800s, various types of larger and more formal savings and credit institutions began to emerge in Europe, organized primarily among the rural and urban poor. These institutions were known as People's Banks, Credit Unions, and Savings and Credit Co-operatives (Cheston and Kuhn 2002).

In Germany for example the concept of the credit union was developed by Friedrich Wilhelm Raiffeisen and his supporters. Their altruistic action was motivated by concern to assist the rural population to break out of their dependence on moneylenders and to improve their welfare. From 1870, the unions expanded rapidly over a large sector of the Rhine Province and other regions of the German States. The cooperative movement quickly spread

to other countries in Europe and North America, and eventually, supported by the cooperative movement in developed countries and donors, also to developing countries. In Indonesia, the Indonesian People's Credit Banks (BPR) or The Bank Perkreditan Rakyat opened in 1895. The BPR became the largest microfinance system in Indonesia with close to 9,000 units. In the early 1900s, various adaptations of these models began to appear in parts of rural Latin America. While the goal of such rural finance interventions was usually defined in terms of modernizing the agricultural sector, they usually had two specific objectives: increased commercialization of the rural sector, by mobilizing "idle" savings and increasing investment through credit, and reducing oppressive feudal relations that were enforced through indebtedness. In most cases, these new banks for the poor were not owned by the poor themselves, as they had been in Europe, but by government agencies or private banks (Besley, 1995; Boucher *et al.*, 2008, and; World Bank 2008a) .

Over the years, these institutions became inefficient and at times, abusive. Between the 1950s and 1970s, governments and donors focused on providing agricultural credit to small and marginal farmers, in hopes of raising productivity and incomes. These efforts to expand access to agricultural credit emphasized supply-led government interventions in the form of targeted credit through state-owned development finance institutions, or farmers' cooperatives in some cases, that received concessional loans and on-lent to customers at below-market interest rates. These subsidized schemes were rarely successful. Rural development banks suffered massive erosion of their capital base due to subsidized lending rates and poor repayment discipline and the funds did not always reach the poor, often ending up concentrated in the hands of better-off farmers. Meanwhile, starting in the 1970s, experimental programs in Bangladesh, Brazil, and a few other countries extended tiny loans to groups of poor women to invest in micro-businesses. This type of microenterprise credit was based on solidarity group lending in which every member of a group guaranteed the repayment of all members. These "microenterprise lending" programs had an almost exclusive focus on credit for income generating activities (in some cases accompanied by forced savings schemes) targeting very poor (often women) borrowers..

In Latin America, **ACCION International**, an early pioneer, was founded by a law student, Joseph Blatchford, to address poverty in Latin America's cities. Begun as a student-run

volunteer effort in the shantytowns of Caracas with \$90,000 raised from private companies, ACCION today is one of the premier microfinance organizations in the world, with a network of lending partners that spans Latin America, the United States and Africa.

**SEWA** (Self Employment Women's Association) **Bank**. In 1972 the Self Employed Women's Association (SEWA) was registered as a trade union in Gujarat (India), with the main objective of "strengthening its members' bargaining power to improve income, employment and access to social security." In 1973, they did several forums to address their lack of access to financial services, and the members of SEWA decided to found "a bank of their own". Four thousand women contributed share capital to establish the Mahila SEWA Co-operative Bank.

**Grameen Bank**. In Bangladesh, Professor Muhammad Yunus addressed the banking problem faced by the poor through a programme of action-research. With his graduate students in Chittagong University in 1976, he designed an experimental credit programme to serve them. It spread rapidly to hundreds of villages. Through a special relationship with rural banks, he disbursed and recovered thousands of loans, but the bankers refused to take over the project at the end of the pilot phase. They feared it was too expensive and risky in spite of his success. Eventually, through the support of donors, the Grameen Bank was founded in 1983 and now serves more than 4 million borrowers. The initial success of Grameen Bank also stimulated the establishment of several other giant microfinance institutions like BRAC, ASA, Proshika, etc. The 1990s saw growing enthusiasm for promoting microfinance as a strategy for poverty alleviation. The microfinance sector blossomed in many countries, leading to multiple financial services firms serving the needs of micro-entrepreneurs and poor households. These gains, however, tended to concentrate in urban and densely populated rural areas. It was not until the mid-1990s that the term "microcredit" began to be replaced by a new term that included not only credit, but also savings and other financial services. Today, practitioners and donors are increasingly focusing on expanded financial services to the poor in frontier markets and on the integration of microfinance in financial systems development. The recent introduction by some donors of the financial systems approach in microfinance - which emphasizes

favorable policy environment and institution-building - has improved the overall effectiveness of microfinance interventions. But numerous challenges remain, especially in rural and agricultural finance and other frontier markets. Today, the microfinance industry and the greater development community share the view that permanent poverty reduction requires addressing the multiple dimensions of poverty. For the international community, this means reaching specific Millennium Development Goals (MDGs) in education, women's empowerment, and health, among others. For microfinance, this means viewing microfinance as an essential element in any country's financial system.

## **2.2 Evolution of Kenyan Microfinance**

Prior to the advent of the microfinance industry, people in Kenya have been borrowing and saving using various sources outside of the formal financial sector. Informal financial services ranging from loan sharks, community members and saving groups were once the only source for low income individuals who were unbanked or under-banked. Such sources are still commonly used in both rural and urban areas, but now microfinance is a new source for loans, savings and insurance for the estimated 38% of Kenyans who do not have access to any type of financial services and the 35% of Kenyans who might be unhappy with the informal financial services they use (Christen, 1997).

The Kenya Microfinance industry is one of the oldest and most established in Africa. Current informal sector practices such as burial societies, Rotating, Saving and Credit association (ROSCAS) and moneylenders dates back to about the time when money as a medium of exchange was introduced in Kenya. What is new and potentially revolutionary is the development of an infant formal microfinance industry; traced to the mid 1950's when the joint loan board scheme was established to provide credit to indigenous Kenyans with small trading businesses. Since then, there has been a gradual shift in interest and resources towards providing micro credit to micro enterprises.

In the 70's the main organizations providing credit to the Micro and Small Enterprise (MSE) sector were church based organizations like National Council of Churches of Kenya

(NCCCK) and other smaller church based Non Governmental Organizations (NGO's). Interest in the informal sector in Kenya can also be traced in the early 70's after ILO report on employment issued in 1972. This report for the first time identified the informal sector as a potential important contributor to employment and economic growth in Kenya. The 1980's saw the emergence of a number of indigenous non banks financial institutions and other finance institutions such as Kenya Rural Enterprise Program (KREP), Kenya Women Finance Trust (KWFT) that were set up to provide credit programs largely outside the banking sector as well as outside the government. These organizations were heavily subsidized by INGOs at the time and used the integrated (credit and training) approach to assist micro-entrepreneurs. They later introduced alternative credit delivery mechanisms for the poor that consisted of small amounts of loans without the requirement of tangible collateral. The methodology required people to form groups through which they could guarantee one another and access loans. These micro credit programs have succeeded in making financial services available to the poor and achieving high repayment rates of loans especially from women.

The Central Bank of Kenya in its Bank Supervision annual report 2010 recognized the growth trend of microfinance institutions and, specifically how commercial institutions are generating products or are in the process of setting up subsidiary companies to specifically engage in microfinance business. In its mandate to regulate MFIs the Central Bank of Kenya expanded its capacities to manage microfinance industry. To support this the Government enacted a Bill in 2008 to enforce regulation of MFIs business in Kenya. Such efforts also are made to fulfill Kenyan Vision 2030 in which the government aims to improve and expand access to the financial sector to improve the quality of life for Kenyan citizens by 2030.

After reviewing this information, the question I ask myself is why microfinance, which started as a source of pro-poor financial delivery, has now expanded to institutions that traditionally excluded the poor? Is it the fact that microfinance has become a proven profitable sector with a high recovery rate that exceeds any other financial institution? What does the redefining and expansion of microfinance mean for consumers? While researching

microfinance in Kenya, I have asked myself these questions in order to understand the current practices of the sector and how it might impact consumers.

## **2.3 Theoretical Framework**

### **2.3.1 Empowerment Theory**

The research adopted Empowerment theory as defined by Robbins, S.P., Chatterjee, P., & Canda, E.R. (1998). where defined Empowerment as a process by which individuals or groups gain power, access to resources and control over their own lives. In doing so they gain the ability to achieve their highest personal and collective aspiration and goals (Robbins et. Al. 1998: 91). Groups in microfinance come together and to pull together resources through savings and be able to use their formed groups to guarantee each other for loans or use same savings as colleratal to the loans given to them.

Empowerment is reflected in a person's capability set. The 'capability' of a person depends on a variety of factors, including personal characteristics and social arrangements (Goetz and Sen Gupta,1996). Empowerment is the capacity to fulfill this capability and not just the choice to do so. Sen's view on women's empowerment is indicated in his discussion on measurement of empowerment (Goetz and Sen Gupta,1996). According to him, the focus should be on certain universally valued functions, which relate to the basic fundamentals of survival and well-being regardless of context. These include proper nourishment, good health and shelter. If there are systematic gender differences in these very basic functioning achievements, they can be taken as evidence of inequalities in the underlying capabilities, rather than as differences in preferences.

Empowerment is also related to the process of internal change (Mayoux 1998) and to the capacity and right to make decisions (Kabeer 2001). It consists of change, choice and power. It is a process of change by which individuals or groups with little or no power gain the ability to make choices that affect their lives. The structures of power (i.e. who has it, what its sources are, and how it is exercised) directly affect the choices that women are able to make in their lives (Mayoux 2001, 18). From this study women when economically empowered, gain power to run their own affairs and be able to make financial decisions

without intimidation and fear. For women this would result to increased autonomy, choice, self-confidence and self-esteem (Sen 1990).

Another view of women's empowerment argues that it needs to occur in multiple dimensions: economic, socio-cultural, familial/interpersonal, legal, political and psychological (Malhotra, Schuler and Boender 2002). These dimensions cover a broad range of factors, and thus women may be empowered within one of these sub-domains. For instance, the socio-cultural dimension covers a range of empowerment sub-domains, such as marriage systems, norms regarding women's physical mobility, non-familial social support systems and networks available to women. Social capital, social networks, the capacity to make effective life and community development choices are all related to empowerment (Krishna 2003; Grootaert 2003).

### **2.3.2 Relevance of Empowerment Theory to the study**

In most developing countries, especially in Africa women are the mainstay of African economies. They contribute up to 62 per cent of African economies (Nations Capital Development Fund microfinance report on Africa **UNCDF, 1997**) . The benefits of promoting women's economic empowerment thus spread beyond the individual woman to her children, family, community and the nation subsequently. Empowerment refers to increased well being, community development, self sufficiency and expansion of individual choice. Empowering women economically boosts both gender equality and wealth of the nations. This entails enabling the women to have the capacity to control income and other key economic resources like land and animals.

In Kenya MFIs have recorded notable gains. The sector has transformed from an insignificant player in the national psyche to a recognized sector with potential to equitably offer financial services to the active poor women in viable micro-enterprises, empower enterprising women through financial access and skills and drastically reduce poverty.

Access to savings and credit facilities strengthens women in economic decisions. It also improves their skills, knowledge and support networks as well as enhancing their status

in the community. Increasing women's access to microfinance has led to social and political empowerment. Poverty alleviation and women empowerment are seen as two sides of the same coin and it is the only way to bring wider changes in gender inequality. Evidence of Women empowered economically through micro finance are KWFT Women clients, Jamii Bora Housing Project in Kaputei, Kenya amongst others.

Women have proven to be excellent clients notably in paying back loans in a time and they are key drivers to development, investing in women has proven effective way to increase individual family expenditure on health, education, improved nutrition and food security.

Microfinance is now a proven strategy for reaching poor women. The Microcredit Summit Campaign reports that 14.2 million of the world's poorest women now have access to financial services accounting for nearly 74% of the 19.3 million poorest served by microfinance. Yet women in Eastern Europe and the Near East lag far behind their sisters in the rest of the world, with 54% and 27% of services<sup>1</sup> respectively. Microfinance offers a way to provide empowerment for women. Governments, organizations, and individuals have caught hold of the lure of microfinance. They hope that lending money and credit allows women to function in business and society, which in turn empowers them to do more in their communities. One of the primary goals in the foundation of microfinance was women empowerment.

Empowerment of women through MFI loans is increased self-confidence and increase self-esteem. Another is women's increased participation in decision-making. Women's Empowerment through housing Project in Kenya by Jamii Bora, for example, showed 68% of women experienced an increase in their decision making role in the areas of family shelter, buying and selling property, and sending their daughters to school. World Education found that the combination of education and credit put women in a stronger position to ensure more equal access for female children to food, schooling and medical care. Other studies showed increased ability to make purchasing choices, manage household funds, and manage enterprise funds



# Chapter Three

## RESEARCH METHODOLOGY

### 3.1 Introduction

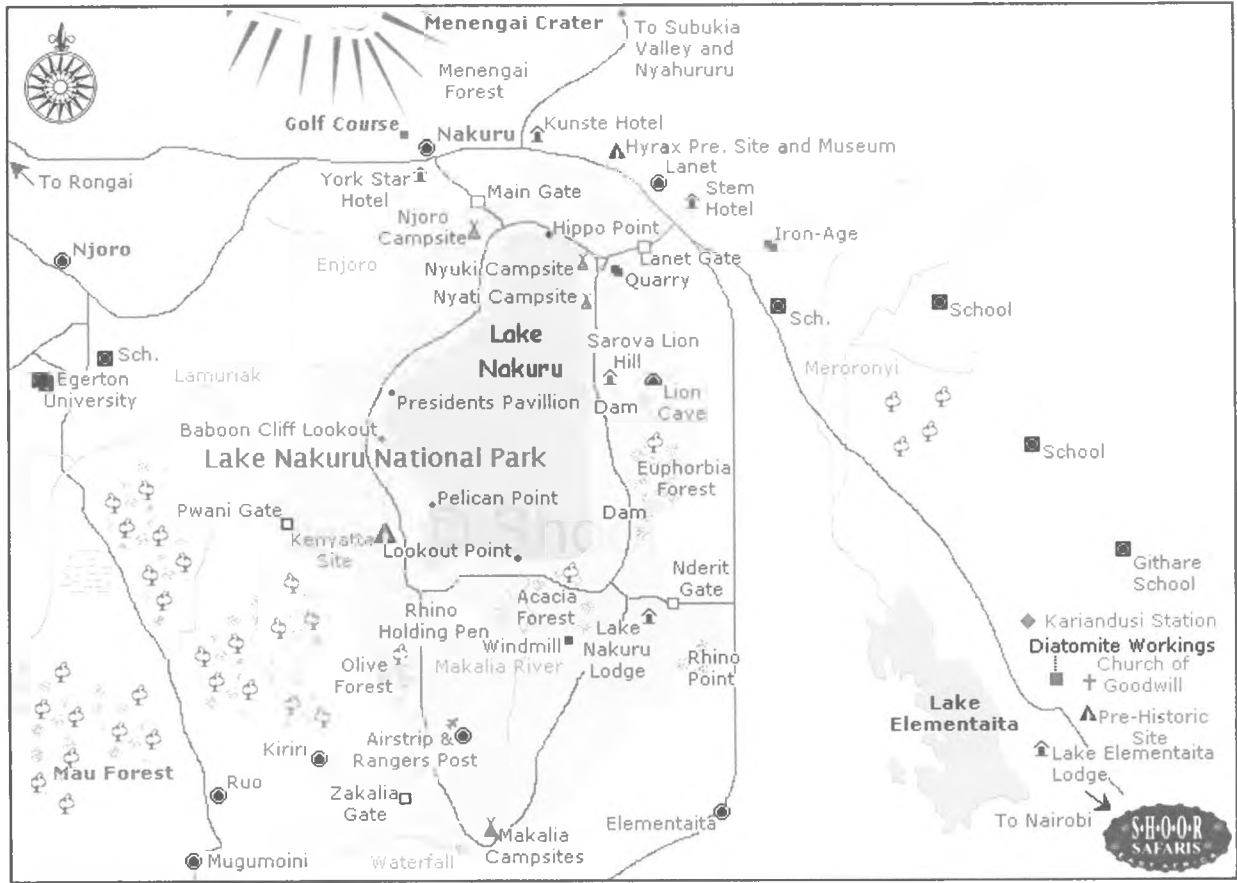
This chapter gives a description of the research design, study population, sampling methods and procedures, data collection procedures and instruments, data analysis and reporting and ethical issues that were used in this study.

### 3.2 Research Site

The study was carried out in Nakuru town the capital of Nakuru county in the Republic of Kenya. Nakuru, the provincial capital of Kenya's Rift Valley province, with roughly 300,000 inhabitants, and currently the fourth largest urban centre in the country, lies about 1850 m above sea level . Nakuru town lies at Latitude  $-0,2833$  (016'59.999"S) and Longitude  $36,0667$  (364'0.120"E) and covers a total area of 7,235 km<sup>2</sup>. Nakuru town is located 160 km North west of Nairobi Kenya's capital city. According to the 2009 National Population Census report Nakuru town had a population of 1,603,325 people of which 804,582 were women and 798,743 Men.

Agriculture, manufacturing and tourism are the backbone of the economy of Nakuru. The area surrounding the town is known for its vast agricultural potential with numerous small farms and also vast agricultural enterprises. The crops provide the primary raw material for the manufacturing industries found in Nakuru and Nairobi. These industries include flour milling and grain ginneries. Dairy farming is a key economic activity and provides the inputs for various milk processing plants around the town. According to a UN study released in 2011, Nakuru is Africa's fastest growing town and the fourth in the World. The town is also a center for various retail businesses that provide goods and services to the manufacturing and agricultural sectors. A large public market lies to the west of the town on the main thoroughfare to the capital, Nairobi.

## Map 1 Map of Nakuru Town



Source- Google map.

### 3.3 Research Design

The research design used was cross-sectional in nature and adopted both qualitative and quantitative methods of data collection where both informal interview guides and quantitative methods of data collection were used.

The research adopted a descriptive design. The major purpose of descriptive research design was to describe the state of affairs. According to Mugenda and Mugenda (1999) a descriptive research is a process of collecting data in order to answer questions concerning the current status of the subjects in the study. The primary use of descriptive statistics is to describe information or data through the use of numbers (create number of pictures of the information). The characteristics of groups of numbers representing information or data are called descriptive statistics (Kay, 1997). According to Mugenda and Mugenda (1999) this

type of research attempts to describe such things as possible behavior, attitudes, values and characteristics. This research design was found suitable for the study since it offered the researcher a profile to describe relevant aspects of the phenomena from an individual, organisation and industry-oriented perspectives.

### **3.4 Study Population**

The study population included all women in Nakuru town who have previously held or are currently holding loans from ECLOF Kenya microfinance. The individual woman was the unit of analysis. However, due to financial and time constraints, it was not possible to study all the women enlisted as MFIs' clients in the study area. This would warrant the study with a representative sample.

### **3.5 Sampling Methods**

Due to the nature of the study and the fact that ECLOF Kenya's borrowers were scattered throughout the study area, it was hard to choose a suitable sample procedure given time and resource constraints. It was decided to use purposive sample procedure where existing clients database formed the sampling frame.

In addition, the study included 10 women whose loans applications with ECLOF Kenya were rejected because of few reasons in the past months prior to the study. Purposeful sampling strategy was used to obtain sample of these women. This group of women included in the study was to give a balanced view of the challenges women borrowers face when they approach microfinance institutions for loans.

The researcher approached ECLOF Kenya microfinance and requested for a register of women currently repaying loans and those whose applications have been declined. This lists formed the sampling frame for the study.

### **3.6 Methods of data Collection**

Both qualitative and quantitative techniques of data collection were used for the study. The quantitative techniques of data collection was highly used in the study largely because of the nature of the issues under investigation. The study employed both primary and secondary

data collection methods. The primary data was collected through use of structured and semi-structured questionnaire. In order to quantify the challenges women face when they seek loans from ECLOF Kenya and to discuss their distribution patterns, some qualitative data was also necessary.

### **3.6.1. Structured Interview**

The study adopted a survey research method in which the main tool for data collection was structured questionnaire ( see *in appendix one*). The questionnaire contained closed and open-ended questions to allow appropriate flexibility for the respondents to explain their responses while restricting themselves to relevant issues. The questionnaires again was made to be self-administered and a total of 20 women were involved in the study as already stated in the section on sampling. The main advantage of this method was that all respondents were asked exactly the same questions in the same order. Subsequently, one could be sure that all their responses related to the same things and were exactly comparable. It was only then that one would justify in combining the results into statistical aggregated responses.

### **3.6.2 Focus Group Discussion**

Two focus group discussions (FGD) comprising of 10 women borrowers were conducted composed of women clients of ECLOF Kenya microfinance. The FGD was important to the study since it allowed participants to explain their thoughts on challenges affecting them when accessing loans from Microfinance Institutions (MFI). The FGD was used to verify the information collected using the structured questionnaire. ( *see the list of FGD questions in Appendix Two*)

### **3.6.3 Key Informant interviews**

Key informants were staff in microfinance institution (ECLOF-Kenya). This targeted credit officers and senior managers of ECLOF Kenya. The interview addressed issues listed in appendix three such as historical perspectives of micro-finance lending in the study area, the challenges borrowers and lenders face, how they were able to solve them. The researcher also pursued emerging issues in the industry and make a comparison how these issues affect women's access to credit from Microfinance Institutions.. The main challenge in using this

method was that the method can be time consuming and the information obtained might not be directly comparable with that from the other respondents.

### **3.7 Data processing and Analysis**

After the questionnaires were adequately filled in the researcher coded and entered data in a spreadsheet for frequency analysis and later analysed using the Statistical Package for Social Sciences (SPSS). Before processing the responses, the completed questionnaire were edited for completeness and consistency. The data was then subjected to computerized analysis in which frequency tables showing the percentages were produced. Data obtained from key informants and secondary sources was subjected to content analysis.

### **3.8 Ethical consideration**

The researcher produced an introductory letter for the purpose of convincing respondents' participation in the study. The letter explained that the study would be undertaken purely for academic purposes and their identity and responses would be kept confidential. They were assured that confidentiality and privacy would be maintained throughout the study and even during the report writing stage.

Additionally, they were told that they were at liberty to decline and withdraw from the study at any time. They were then asked to sign a consent form that would be provided at the bottom of the letter of introduction.

The study was conducted upon obtaining the requisite research clearance permit from the National Council for Science and Technology.

# Chapter Four

## DATA ANALYSIS AND PRESENTATION OF FINDINGS

### 4.1 Introduction

This chapter presents the findings of the study. It is divided into four sections including characteristics of the respondents which include their age, marital status, education and family sizes. The second focus is on socio-cultural factors affecting access to credit from microfinance. Thirdly, it presents on the challenges that women face in accessing credit from MFIs and lastly the motivating factors to borrow from MFIs.

### 4.2 Characteristics of the Respondents

The types of women interviewed in the research were by no means homogeneous (the same) and yet many aspects of their profiles showed a number of similarities. For example, as the tables below show many of the women had similar characteristics in terms of age; education level, marital status and number of dependants, and work experience.

#### 4.2.1 Age of the women entrepreneurs

The age distribution of women borrowers was found varied. The respondents were 40 per cent aged between 31 to 40 years, while 25 per cent were aged between 21-30 years, 10 per cent aged between 41 – 50 years, below 20 years and over 50 years and 5% did not give any response on their age. This analysis shows that those at over 30 years are the majority in doing business and seeking for funds from microfinance institutions. This could be explained by the nature of responsibilities they have as mothers with children in school who require money to go to school and cater for other necessities. Indeed, many women in this category indicated that it was their duty to ensure their gain knowledge and eat and wear clothes like those of others.

Most of the women interviewed claim to have started their enterprises when they were in the age categories of 31-40 (40 per cent) and 21-30 years (25 per cent), together representing about 65 per cent of the total sample. These age categories represent an active and energetic phase of women's lives, but they also coincide with a time of life (below 41 years) when

their reproductive functions are at their maximum (CSO et al, 1996), which means that these entrepreneurs may have to combine bringing up small children and running a business. In a situation where there are inadequate childcare support services, early childbearing also tends to restrict not only further educational but also economic opportunities. The chart below summarizes the findings.

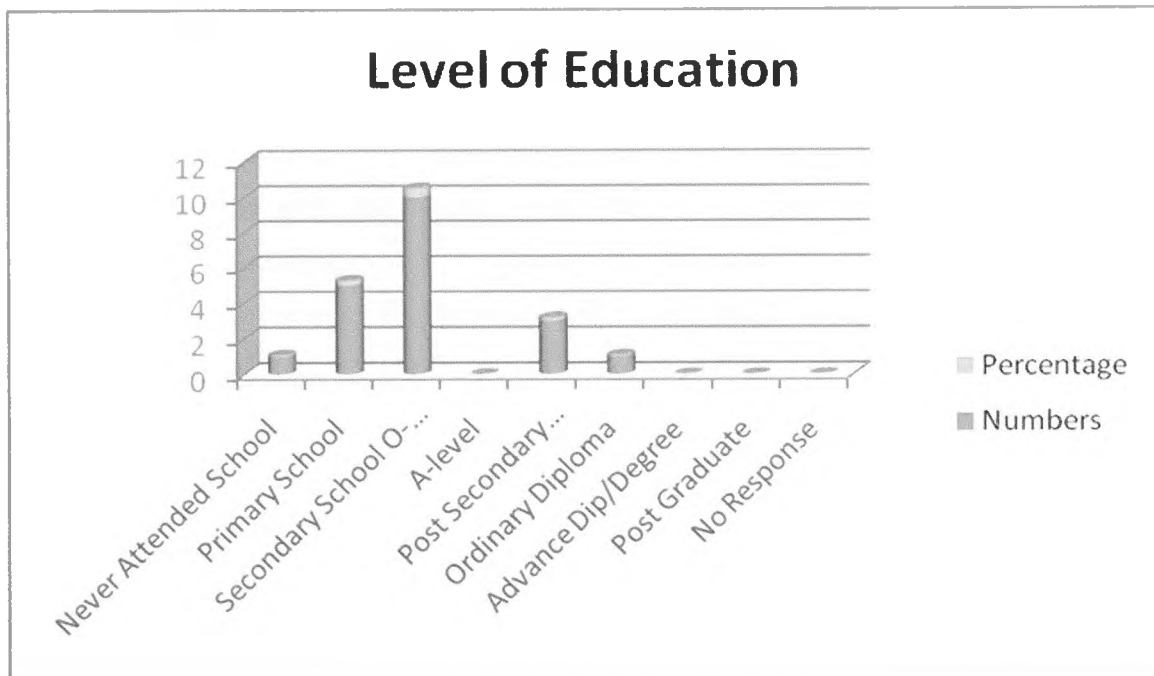
**Table 1.1: Age of the women entrepreneurs**

| <b>Ages</b>           | <b>Number of Women</b> | <b>Percentage</b> |
|-----------------------|------------------------|-------------------|
| <b>Below 20 Years</b> | 2                      | 10%               |
| <b>21- 30 Years</b>   | 5                      | 25%               |
| <b>31- 40 Years</b>   | 8                      | 40%               |
| <b>41- 50 Years</b>   | 2                      | 10%               |
| <b>Over 50 Years</b>  | 2                      | 10%               |
| <b>No response</b>    | 1                      | 5%                |
| <b>Totals</b>         | 20                     | 100%              |

#### **4.2.2 Education levels of Women Respondents**

Previously many studies showed that generally, women entrepreneurs have low levels of education. The results of this study however show that, about half of the women respondents in the selected sample have only secondary education, while the majority have completed at least secondary education and above with 20 per cent having post-secondary education as shown figure 1.1.

**Graph 1.1 Education levels of Women Respondents.**



As figure 1. shows, many of the women respondent had secondary school qualification at 40 per cent while those who did schooling up to primary school education level were 30 per cent which together representing 70 per cent of the sample, followed by those with post secondary School Certificate level of education (15 per cent), together representing 85 per cent of the total sample. This can explained to mean that respondents with basic education could sustain managing business unlike those without. It also indicated that many women who study beyond basic education consider employment than enagaging in businesses. The category that did not reveal their ages were in businesses that unstable and always kept changing businesses.

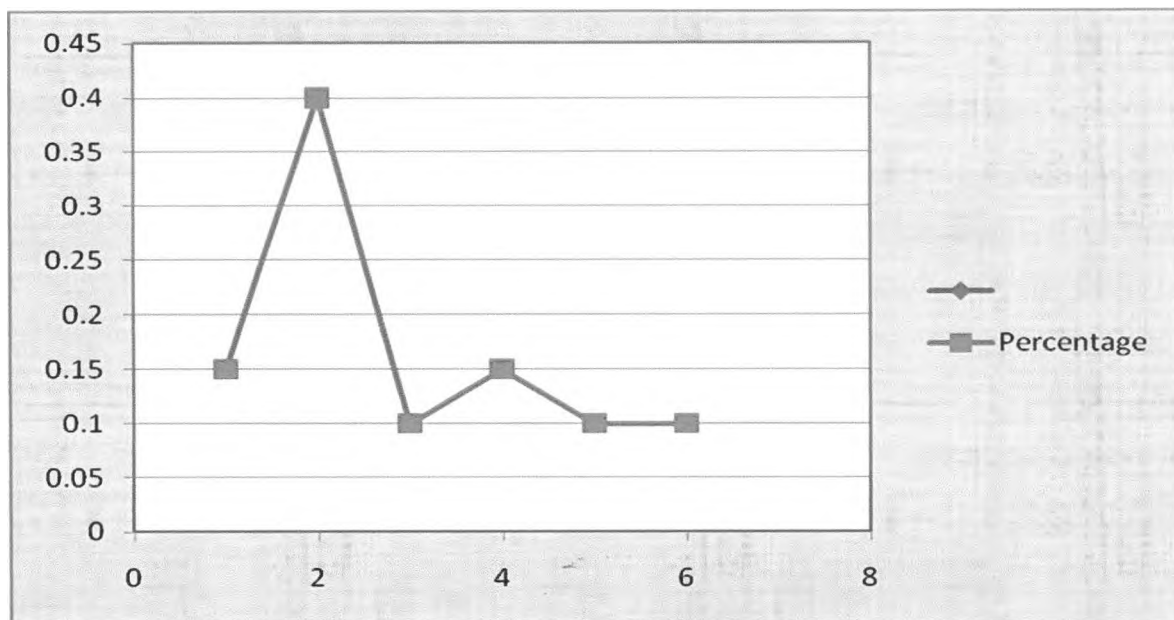
### 4.2.3. Marital status

Most of the women respondent were married accounting to 40 per cent, and 15 per cent are widowed which translate to 55 per cent of the total sample. Those who were single, separated or divorced were 15 per cent, 10 per cent and 10 per cent respectively. The survey revealed that a significant percentage of the widowed women respondents (15 per cent) have



become heads of households as a result of bereavement. They also have to combine single motherhood with running their enterprise. With regards to type of marriage, the fact that most of the entrepreneurs are in monogamous marriages is not surprising given their level of education. Previous research findings indicate that decision-making processes in marriages involving men and women with high levels of education tend to be more egalitarian than marriages involving men and women with little or no education (Munachonga, 1986). Increased decision-making power of educated women is, in turn, explained in terms of the fact that in many cases the women make substantial tangible financial/economic contributions to their households

**Figure 1.2: Marital status of the respondents**



#### 4.2.4. Number of Children

The 80 per cent of women respondents had between 1-5 children, 15 per cent had more than five children, and 5 per cent didn't children. The average number of children among women entrepreneurs in the Nakuru survey sample is 4. The family size of most respondents could therefore be said to be small or medium by Kenyan standards where the national average fertility rate is 6 (National census. 2009). However, clearly the majority of women

interviewed are combining the work of their business with that of their family responsibilities. This somehow impacted negatively to doing good business by the women entrepreneurs.

**Table 1.2 : Number of Children**

| <b>No. of Children</b>    | <b>Numbers</b> | <b>Percentage</b> |
|---------------------------|----------------|-------------------|
| <b>upto 2</b>             | 7              | 35%               |
| <b>Between 3 &amp; 5</b>  | 9              | 45%               |
| <b>Between 6 &amp; 10</b> | 3              | 15%               |
| <b>No children.</b>       | 1              | 5%                |
| <b>Totals</b>             | <b>20</b>      | <b>100%</b>       |

### **4.3 Factors that motivate women SMEs to borrow from MFIs**

One of the critical elements of the study was to determine the factors that had motivated and/or compelled the women entrepreneurs to consider borrowing from microfinance institutions. The women entrepreneurs in the sample gave different reasons why they prefer MFIs. 60 per cent of Women interviewed prefer microfinance institutions banks because banks typically do not lend without collateral, and they do not have access to any collateral acceptable to the bank. Further, since they require small sizes of the loans which make the transaction cost of servicing the loan proportionately very high, banks do not want to lend directly to these women. However exceptions to this norm do exist such as ECLOF Kenya where they can borrow directly. 30 per cent of the women interviewed argued that these MFIs are within reach and you can have access in case you want to confirm something with them.

When Nobel Laureate Prof. Mohammad Yunus started the Grameen movement in the 1970s, he concentrated on lending to women not only because women constituted the poorest of the poor, but because he realized that women were more likely to think of the family needs, and reinvest their profits in improving the quality of life of their family. Today, the majority of microfinance borrowers (84%) are women. In Kenya for instance, women have shown to

default on loans far less often than men and enjoy a better credit rating than men. Women also benefit more greatly from microfinance services. As they become wage earners and start managing loans and savings, their status in the family and the community improves, and they are able to assert themselves more. Further, after meeting the basic needs of their family, women start investing their earnings in education, healthcare and nutritious food, thereby making it more likely that future generations will break free from the cycle of poverty.

#### **4.4 Challenges facing women in accessing credit from MFIs.**

Women entrepreneurs face dual challenges in accessing credits. As part of the overall entrepreneurial class they face common constraints the private sector faces, particularly small scale operators, to access credit as well as specific challenges associated with their gender. These challenges range from business , personal and family/cultural related challenges.

##### **4.4.1 Types of the business**

Findings indicate that the actual number of business activities being undertaken by the women entrepreneurs in the survey sample did not coincide with the number of the women entrepreneurs because some were running several business activities simultaneously.

Table 1.5 indicates that the practice of combining several business activities by individual women entrepreneurs is fairly common in Nakuru and generally in Kenya. The women entrepreneurs gave a number of reasons for being involved in a multiplicity of business activities, including the belief that by running more than one business they could achieve more financial security and hence ensure more financial security. However, engaging in multiple business activities can lead to problems of time constraints for managing the business, especially for those women also have domestic responsibilities. Secondly, involvement in multi-sectoral business activities also implies that an entrepreneur has to

learn about the different business activities and also to coordinate activities relating to the different businesses simultaneously.

**Table 1.3: Types of Businesses**

| No. | Enterprise type      | Frequency | Percentage |
|-----|----------------------|-----------|------------|
| 1   | <b>Chicken</b>       | 2         | 10%        |
| 2   | <b>Grocery</b>       | 7         | 35%        |
| 3   | <b>Hair Salon</b>    | 9         | 45%        |
| 4   | <b>Fish</b>          | 3         | 15%        |
| 5   | <b>Herbs</b>         | 1         | 5%         |
| 6   | <b>Laboratory</b>    | 1         | 5%         |
| 7   | <b>Pasha Mill</b>    | 2         | 10%        |
| 8   | <b>Knitting</b>      | 1         | 5%         |
| 9   | <b>Cereals</b>       | 2         | 10%        |
| 10  | <b>Bananas</b>       | 5         | 25%        |
| 11  | <b>Shop</b>          | 6         | 30%        |
| 12  | <b>Dress- making</b> | 11        | 55%        |
| 13  | <b>Hotel</b>         | 4         | 20%        |
|     | <b>Totals</b>        | 55        | 275%       |

Graph 1.3 : Types of Businesses

Table 1.5 also indicates that the greatest number of women in the survey sample is concentrated in Tailoring and dress making (55%), followed by hair salon (45%) and grocery (35%) business activities that are stereo typed as done by women. This indicate the cultural belief in stereo typed businesses where some businesses are thought to be for women. From funding perspective these type of businesses do not attract big funding and those doing such could only be funded very little money. The data also reflects a trend for women beginning to get into nontraditional economic activities i.e. laboratory in the Kenyan

context. In terms of the provision of health care related activities, most women with a nursing background are involved in laboratory and drug stores

#### **4.4.2 Business Ownership**

The ownership status of women's enterprises is critical as it affects women's empowerment in terms of participation in decision-making on a wide range of issues relating to starting, registering, borrowing money, growing the business, etc. Ownership of a business is also important for other reasons. For example, increased social status, particularly within the household because of the enhanced family income that the business might bring. Also the business gives the women a measure of financial independence. This is especially important for married women given the general control that men exercise over the family income (Munachonga' 1988). Ownership of an enterprise also increases opportunities to access inputs/materials, loans, business training, etc. as the formal certificate of ownership can be used as proof

#### **4.4.3 Location of the Businesses**

Table 16 indicates that there is a trend towards the women entrepreneurs shifting from operating their businesses at home towards a business centre or designated market places, the town centre (central business district), or residential business centres. This, in turn, reflects positive responses on the part of the authorities in providing marketing and trading centres for women entrepreneurs.

#### **4.4.4 Lack of collaterals/surerities**

Lack of collateral was cited by 60% as one of the highest problem that prevent them from growing. Seventeen point two (20%) indicated that it was a moderate problem while 20% indicated that it was low. Those that indicated that the problem was moderate or low were found to be imposition of assets which they would give out as security. The effects of lack of security for credit were that it was difficult to expand the business leading to slow growth due to lack of adequate capital. The chart below summarizes the findings

Table 1.4: Family support

| Do you possess collaterals for loans? | Frequency | Percentage  |
|---------------------------------------|-----------|-------------|
| Yes                                   | 6         | 30 %        |
| No                                    | 12        | 60 %        |
| Not sure                              | 2         | 10%         |
|                                       | <b>20</b> | <b>100%</b> |

The suggested solutions for the *above* constraint were that collateral should be abolished to allow flexibility of capital access. The respondents advocated the business itself to be the collateral for the loan either way they advocated for a different mode of security or giving of unsecured loans. Loan bodies also to loosen their conditions for credit accessibility for example low interests on loans, security for credit and offering loans on trust basis

#### 4.4.5 Support by family members/Husbands

The majority of women entrepreneurs (66 or 56 per cent), responded that their spouses had been positive about their borrowing ideas. They were described as having been supportive, happy, positive and encouraging of their wives to start and manage an enterprise.

Previous research has shown that such support is crucial for women to be successful (as is the case for men in business) in the running and managing of their enterprise as this requires one being away from home for long periods of time per day, which could negatively affect the husband's life style. Historically in Kenya, operating and managing a formal enterprise has been perceived as "men's work", while the view is that the primary role of a woman is that of housekeeping and mothering. However, this view is being challenged by the economic realities facing Kenya now, where job losses have encouraged women to go into business for purposes of generating income for family maintenance.

The data also showed that while some spouses were described as supportive (60 per cent), in about (14 per cent) cases the spouses were described as ‘indifferent, unconcerned, negative, skeptical, and doubtful. Research findings suggest that men are opposed to the idea of a wife earning independent cash income because it is believed that financially independent powerful women are difficult to control (Munachonga, 1988).

Nevertheless, the fact that in some cases, the spouses later became supportive indicates a change in husband wife relationships through increased ability of the women to persuade and negotiate with their spouses, and also to demonstrate their capabilities through action. It may also suggest the husbands’ realization of the actual and/or potential contribution their wives could make towards the household economy.

Previous study findings indicate that husbands benefit as individuals when the wife is bringing in cash income, because the husbands are able to keep more of their own earnings for personal use (Munachonga, 1988). That is the woman’s income serves the purpose of replacing rather than supplementing the income available to the family.

Table 1.5: Support by Family members

| <b>Family support</b>          | <b>No. of Responents</b> | <b>Perentage</b> |
|--------------------------------|--------------------------|------------------|
| Lack of collateral             | 4                        | 20%              |
| Not witnessed by spouse        | 6                        | 30%              |
| Not supported at all           | 6                        | 30%              |
| Not sure if they are supported | 4                        | 20%              |
| <b>Total</b>                   | <b>20</b>                | <b>100%</b>      |

As Table1.7 shows, 60 per cent of the respondents reported that they received encouragement and support from their family members (inclusive of children). In addition, 5 respondents, representing 4.2 per cent of the sample, said that their family members were initially indifferent but later became supportive of their efforts to run and manage an enterprise. By contrast, a few did not receive any support from family members. The role of the family in enterprise start-up and growth is significant and crucial as they are sources of ideas and advice.

#### **4.4.6 The design of the credit products**

A number of the women made specific comments about MFIs and their practices which can be summarized into three categories:

- The terms and conditions of Micro Finance Institutions (MFIs) are in favour of group lending, an approach that is not particularly valued by some of the women interviewed.
- The women also complained of “small sizes of micro loans” as another limiting factor to business development and growth. MFIs were portrayed as having prohibitive conditions (short repayment period, seizure of household property if one is unable to repay within the short period stipulated).

At the time of the study, typical interest rates were around 40 per cent.<sup>35</sup>

- The system of weekly loan repayments applied by some MFIs is also not perceived as not being helpful to the women because it does not fit in with their cash flow. As one of the women entrepreneurs explained.

The reluctance to seek or secure institutional financial assistance be this based on direct experience or perceptions from others may be one of the primary reasons for the use of friends and family networks as alternative sources of funds. Alternatively it may be that the women are making a calculated business decision to borrow from the cheapest and easiest source of funds available to them friends and family.

#### **4.4.7 High interest rates**

Due to monopoly of accessing the rural area, MFIs have marked their product prices high in order to make returns. Women entrepreneurs labour with the decision to borrow at these high interest rate. The banks have conditions like collateral requirements which poor women in business cannot raise. The table shows how women entrepreneurs responded to the question of interest;



#### **4.4.8 poor performance of businesses**

Study found a strong relationship between Major source of income and cause of default. Loanees who depended on their businesses that performed poorly, defaulted. Good Business performance in credit means good capacity and ability to pay. For non performing business, it would mean that a lender will feel uneasiness to invest there. All respondents have admitted that this is a big hinderance to accessing loans. 70 per cent said that they have been limited from borrowing big loans because of their small non performing businesses.

# Chapter Five

## DISCUSSION OF FINDINGS ,CONCLUSIONS AND RECOMMENDATIONS

### 5.1 introduction

Discussions about accessing appropriate and affordable finance were wide-ranging. The research developed a number of recommendations designed to counter the difficulties faced by many of the women entrepreneurs in accessing finance. These were broadly similar in nature and focus, and came from discussions that highlighted women's experiences in looking for funds to finance the start-up and growth of their businesses. Microfinance personnel attitudes, financial products and services were seen favourable to women. But sited from the interview was fact that some MFI loan products and conditions tend to favour men than women., and in general interest rates are perceived as being too high for women MSEs. It was also felt that MFIs favour certain types and sectors of business and these are ones that tend to be dominated by men. As a result, women are often disadvantaged and feel discriminated against by these financial institutions. A number of key recommendations were aimed at the microfinance institutions to mainstream their financial products. In particular, it was felt that microfinance institutions should offer a wider range of loan options, with variable interest rates, repayment terms and conditions, and that these should be based on the varying needs of the businesses. It was felt that they should be more women friendly.

Women's ability to provide appropriate collateral was raised as an issue by each discussion group. As microfinances institutions are generally comfortable/require land or buildings as collateral, which was noted that this puts women at a disadvantage as the legal ownership of land and buildings is often held by men. Many of those who had been able to raise loans had done so by providing personal guarantees.

A critical issue that arose in all three discussions related to women's knowledge and understanding of how you one can do a better financial management. The study made a recommendation that women entrepreneurs need to be more informed about the microfinance institutions and their services, so as to be able to develop a better

understanding of how to approach and negotiate with them for loans. Also, BDS (Business Development Service) providers could support women entrepreneurs by providing training around managing relationships with these institutions and other business support providers.

Microfinance institutions, whilst welcome source of funds for microenterprise, were viewed as being unable to provide appropriate support for small-scale or growing businesses. It was felt that MFIs need to examine the services they provide and their conditions of repayment in light of the needs of women entrepreneurs. The discussion groups felt that ECLOF Kenya was more likely to develop repayment schedules and lending conditions that suited their own institutions, rather than taking the needs of the women's businesses into consideration.

## **5.2 The conclusion**

Most of the women suffer to varying degrees from significant material constraints through to unhelpful attitudes arising from society's negative attitudes to women in borrowing and owning businesses. Nearly all of the women interviewed have severe pressures on their time because of juggling business, household and community duties. This business success also gives the women entrepreneurs a great sense of pride and personal satisfaction, and gives them a sense of worth and status in their families and communities. Perhaps most importantly, these women are also providing living role models for other women within their family, community and societal settings. In this way they are showing that it is possible and should be acceptable for women in Africa to be successful entrepreneurs, and to be able to make the transition and progression from informality to formality, and from micro to small to medium and even large-scale enterprises through friendly access to credit from financial institutions.

From this research it indicates that while each of the women borrowers may face particular barriers to financing, there are also significant barriers to financing encountered by various women in business and intending to borrow. For example, business size, type of business, geographic location, and perception about women's borrowing all have significant effects on financing available to individual women. As such, while the focus of this project remains on investigating financing barriers faced by various women in accessing finance, for

analytical purposes it is useful to contextualize these findings by situating them within the broader context of gender equality in relation to financing.

### **5.3 Recommendations from the research**

1. Microfinance institutions should try to address the conditions in their program which are making barriers to access of credit by women. They need to mainstream their programmes to suit all genders.
2. Microfinance institutions should come up with products that suit business starters and most especially those who no collaterals to show against loans they indent to borrow.
3. There is need for more training to women on financial management and planning. This will result to improved repayment rates of loans.
4. The government should find a way to enjoin the ownership of land titles since women in some cultural set ups are viewed as people are not credit worthy because of the fact that they have not titles that can guarantee loans.

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# APPENDIX 1

## Appendix I: Questionnaire

### Section A: Background Information

1. Area of your Business \_\_\_\_\_
2. Type of your Business \_\_\_\_\_
3. Marital Status ( Tick as appropriate)
4. Married  Single  Widow   
Other (specify) \_\_\_\_\_
5. Age in Years ( Tick as appropriate)  
18-20  21-30  31-40  41-50   
Above 50
6. Highest completed education level (Tick as appropriate)  
Primary school  Secondary school  College level   
University level
7. Number of children

### Section B: Women's Business Factors and Access to Credit

1. How did you raise the capital to start/finance your business?  
a). Savings  b). Borrowings   
Any other (specify) \_\_\_\_\_
2. Have you ever borrowed from any other micro-finance institution?  
a) Yes  b) No
- 3). what has motivated you to seek financial assistance?  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

4. Which category do you fall in? (Put an X against your answer, e.g. If answer is Yes, \_X\_)

a) Unemployed \_\_\_\_\_

b) Underemployed \_\_\_\_\_

c) Unemployed \_\_\_\_\_

5. Does lack of source of income have any effect in your business?

a) Yes \_\_\_\_\_

b) No \_\_\_\_\_

If yes, what are the effects?

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6. Do you have your own business?

a) Yes \_\_\_\_\_

b) No \_\_\_\_\_

If yes, How is the ownership structure?

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7. For how long have you borrowed with ECLOF K?(Put an X against your answer)

- a) < Year \_\_\_\_\_
- b) 1 – 3 Years \_\_\_\_\_
- c) 3- 5 Years \_\_\_\_\_
- d) > 5 Years \_\_\_\_\_

8. What is your take on the conditions of borrowing from these organizations? Do you like the way the loans are designed?

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9. Are you a beneficiary of their financing? (Put an X against your answer)

- a) Yes \_\_\_\_\_
- b) No \_\_\_\_\_

I. What challenges do you face in accessing financing from the institutions?

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10. Do you have an alternative source of capital investment?

- a) Yes \_\_\_\_\_
- b) No \_\_\_\_\_

11. Do you/ would you abuse your spouse if he was financially unable to provide for the family?

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12. Do you think that MFI's are gender insensitive? Give a reason (Put an X against your answer)

- c) Yes \_\_\_\_\_
- d) No \_\_\_\_\_

1) If yes, why do you think they are gender insensitive?

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## APPENDIX 2: FOCUS GROUP DISCUSSION (FGD)

### Part 1 Background Information of members

| Client's Registration Number | Type of Business, Age of business | Age of Client |
|------------------------------|-----------------------------------|---------------|
|                              |                                   |               |
|                              |                                   |               |
|                              |                                   |               |
|                              |                                   |               |
|                              |                                   |               |
|                              |                                   |               |

### Part 2

#### Discussion questions

1. Why did you think of borrowing?
2. What are the requirements to be in group of ECLOF KENYA?
3. What trainings are you given before accessing loans?
4. What are requirements for borrowing a loan from ECLOF Kenya?
5. Is the way the loan is designed favorable to your business?
6. What make it difficult for you to borrow?
7. What records do you keep for your loan repayments?
8. What are the challenges that you face in accessing loans?
9. How do you deal with clients who default?
10. How do you deal with the above challenges whenever they occur?

### **APPENDIX 3: KEY INFORMANT INTERVIEW QUESTIONS (Group Leaders)**

1. Give me a brief history of your business and groups that you form under ECLOF programme
2. Do your groups have constitution?
3. What are the requirements for borrowing loans from ECLOF Kenya?
4. How do you compare your performance with groups composed of men?
5. What challenges do you face in accessing loans from ECLOF Kenya?
6. How do you deal with these challenges?
7. How do you keep records of the loan that you borrow?
8. How often do you hold group meetings and for how long?
9. How do you deal with defaulting members?

Kindly explain what recourse you have for guarantors who default

## APPENDIX 4: Letter of introduction

Jonathan Mwendwa Waita,  
University of Nairobi,  
P.O Box 59857, 00100,  
Nairobi, Kenya.

7<sup>th</sup> September, 2009

Dear Sir/Madam,

### **RE: PERMISSION TO OBTAIN DATA FOR RESEARCH PROJECT**

I am a student at the University of Nairobi, conducting a research on challenges facing women in accessing of micro finance loans from microfinance institutions.

I kindly request you to assist in conducting the study by completing the questionnaire. I will be grateful and appreciate that you have agreed to contribute to this important research. Please note that the study will be conducted as academic research and the information you provide will be treated in strict confidence. Strict ethical principles will be observed to ensure confidentiality of the study outcomes.

You can also contact the researcher on telephone number **0723 242 822** or e-mail **jona.waita@yahoo.com**.

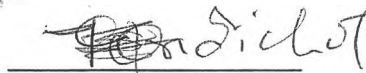
Yours faithfully:



Jonathan M. Waita

Student, University of Nairobi

Signed by University representative:



Dr. Tom Ondicho,

Supervisor



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Website: www.ncst.go.ke

Our Ref: **NCST/RCD/14/012/600**

Date: **28<sup>th</sup> May 2012**

Jonathan Mwendwa Waita  
University of Nairobi  
P.O.Box 30197-00100  
Nairobi.

## RE: RESEARCH AUTHORIZATION

Following your application for authority to carry out research on "*Challenges facing women in accessing credit from micro finance institutions,*" I am pleased to inform you that you have been authorized to undertake research in **Nakuru District** for a period ending **30<sup>th</sup> June, 2012.**

You are advised to report to **the District Commissioner and the District Education Officer, Nakuru District** before embarking on the research project.

On completion of the research, you are expected to submit **two hard copies and one soft copy in pdf** of the research report/thesis to our office.

**DR. M. K. RUGUTT, PhD HSC.**  
**DEPUTY COUNCIL SECRETARY**

Copy to:

The District Commissioner  
The District Education Officer  
Nakuru District.