# THE IMPACT OF MICRO-FINANCE ON WOMEN'S SOCIO-ECONOMIC EMPOWERMENT IN NAIROBI

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# DECLARATION

This thesis is my original work and has not been presented for a degree in any other university.

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23/10/2012

**Date**

This thesis has been submitted with my approval as the University supervisor.

**Prof. Simiyu Wandibba**

23/10/12

**Date**

## DEDICATION

**TO**

Nthenya, Nthoki, Ngunya and Ngaaiki

**AND IN MEMORY OF**

My late grandmother, Ndunge Kang'ela, and my late parents John Wambua Kang'ela and Francisca Wambua.

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# ABSTRACT

This study discusses the impact of micro-finance services on the economic and social welfare of female micro-entrepreneurs in Nairobi, Kenya. The main questions addressed by the study were: (1) How has micro-finance contributed to the social status of women beneficiaries? And, (2) To what extent has micro-finance impacted on the economic status of the women beneficiaries?

The principal objective of the study was to assess the impact of micro-finance on women's socio-economic empowerment in Nairobi.

The study population consisted of all women accessing micro-finance from six micro-finance institutions and the unit of analysis was the individual woman micro-entrepreneur. The sample population consisted of one hundred and twenty women micro-entrepreneurs who had accessed micro-finance from the six micro-finance institutions.

The study was guided by the theory of empowerment and data were collected using the survey, observation, narratives, focus group discussions, and secondary sources.The qualitative data were sorted out, described, interpreted and explained while the quantitative data were processed and analyzed using the statistical package for social sciences and the findings presented in tables of frequencies and percentages as well as pie charts.

The main findings of the study are: One, following access to micro-finance, women micro-entrepreneurs were able to experience substantial expansion of their businesses. Two, savings for women increased due to the requirement by the micro-finance institutions that the beneficiaries should have a certain amount of money in deposits in order to qualify for a loan. Three, access to micro-finance had enhanced women's confidence and knowledge due to the training offered as well as a sense of security due to availability of emergency loans and health insurance offered by some micro-finance-institutions. Four, micro-finance did not contribute significantly towards change in decision-making in the family for the married women micro-entrepreneurs. Based on these findings, the study concluded that with increased access to micro-finance services, women micro-entrepreneurs are bound to experience substantial returns in terms of their micro-enterprises growth as well as improved social status.

It is, therefore, recommended that the many challenges facing women micro-entrepreneurs, a major one being poverty, need to be addressed by the government and other development partners. It is also recommended that the micro-finance policies available such as the Micro-Finance Regulations of 2008, be reviewed to attract more institutions so as to enhance accessibility to the crucial services.

## ABBREVIATIONS

| | |
|---|---|
| AFC | Agricultural Development Corporation |
| AMFI | Association of Micro-Finance Institutions |
| ASCAS | Accumulating Savings and Credit Associations |
| ECLOF-K | Kenya Ecumenical Church Loan Fund |
| GOK | Government of Kenya |
| ILO | International Labour Organization |
| KADET | Kenya Agency for the Development of Enterprise and Technology |
| KCPE | Kenya Certificate of Primary Education |
| KIE | Kenya Institute of Education |
| KTDC | Kenya Tourism Development Corporation |
| KWFT | Kenya Women Finance Trust |
| NCCK | National Christian Council of Kenya |
| NGO | Non-Governmental Organizations |
| PCEA | Presbyterian Church of Eastern Africa |
| ROSCAS | Rotating Savings and Credit Associations |
| SPSS | Statistical Package for social sciences |
| YWCA | Young Women Christian Association |

# CHAPTER ONE

# BACKGROUND TO THE STUDY

## 1.1 Introduction

Micro-finance refers to micro-credit and other services provided to micro-entrepreneurs by micro-finance institutions. According to Robinson (2001:9), micro-finance refers to small scale financial services – primary credit and savings – provided to people who farm or fish or herd; who operate small enterprises or micro-enterprises where goods are produced, recycled, repaired or sold; who provide services; who work for wages or commissions; who gain income from renting out small amounts of land, vehicles, draft animals, or machinery and tools; and to other individuals and groups at the local levels of developing countries, both rural and urban.

Credit access is important to any business, but is often difficult to obtain for small businesses. One reason is that the high costs of small transactions prevent banks from offering services to the micro-enterprises of the poor. Besides, most low-income people in developing countries have limited or no collateral and lack credit history. Consequently, access to credit for the purpose of financing such small businesses has important implications for the economic status of many women who are more poverty-prone than men. However, despite the fact that lending to these types of businesses is perceived as risky, a variety of micro-credit projects offering small, unsecured loans to these businesses have shown them to be worthwhile (Peterson and Lewis, 1999).

According to the World Bank (1996), micro-credit programmes have three key components that set them apart from other lending programmes. These include the borrowers having very low incomes and no collateral, a requirement that an individual must join a group of business peers in order to get a loan, and that women are given preference for such loans. Successful micro-finance schemes have various attributes. These include positive real interest rates on loans, intensive loan collection procedures, and some provision for voluntary savings or insurance. All the schemes also offer incentives to the borrowers to repay.

Giving women access to credit, it has been argued, is a means by which both their economic standing within the household and social position within the society can be improved. This argument has been particularly significant in Bangladesh where women's position is so poor vis-à-vis that of men, and where female participation in credit schemes had by the mid nineties reached very high levels (Hulme and Mosley, 2000). Micro-finance, therefore, has significantly contributed to women's economic and social empowerment, particularly where women have not only the access to the services, but also the liberty to control the means of production and the accrued benefits. Such empowerment entails women being able to contribute to their family's income increament, leading to better health, nutrition, education, housing, participation in social activities and generally to improved social status.

In Kenya, by December 2009, the association of micro-finance institutions had registered about 43 micro-finance institutions, most of which were based in Nairobi, which were providing credit to the poor. Some of these were registered NGOs which use credit as a complimentary intervention, for example, World Vision Kenya. Others were wholesale micro-finance institutions offering long and short term loans to other micro-finance institutions (AMFI, 2010). It was, therefore, the interest of the study to delve into the impacts of these programmes on women's social and economic empowerment in Nairobi.

## 1.2 Statement of the Problem

Women constitute seventy per cent of the world's 1.3 billion people believed to be living in absolute poverty while in Kenya, they constitute 70 per cent of the people living below the poverty line (Mbugua, 2010). Provision of micro-finance to women has therefore been seen as a potential solution to their un-employment, low pay and job insecurity. Studies on the impact of micro-finance have, however, presented conflicting findings. A study by Schuler and Hashemi (1994) indicated that micro-finance has various benefits to women such as restoration of women's confidence and dignity, raising their economic security, involvement in major household decisions, ability to make purchases, decline in domestic violence and more usage of contraceptives. Findings by Goetz and Sen Gupta (2001), however, indicate that women have not really benefited from micro-finance as increased confidence and economic independence was seen as a threat to the males, hence creating increased tensions and women's domination by men. Further, a study covering six micro-finance institutions in the developing world argues that micro-enterprise promotion programmes are unlikely to benefit the very poor and that the poorest of the poor might actually be ill served by credit programmes that create debt among persons who can least afford it (Fidler and Webster, 2001). This is because, for those who are extremely poor prior to accessing loans, their main focus is on consumption expenditure related to improvements in very basic survival needs such as food, clothing, housing and health care. In view of the aforesaid, this study intended to seek answers to the following questions.

1. How has access to micro-finance contributed to the social status of women beneficiaries?
2. To what extent has micro-finance impacted on the economic status of the women beneficiaries?

## 1.3 Objectives of the Study

### 1.3.1 General Objective

To explore the impact of micro-finance on women's socio-economic empowerment in Nairobi.

### 1.3.2. Specific Objectives

1. To document and discuss the impact of micro-finance on the social status of women beneficiaries.
2. To examine the effects of micro-finance on the economic status of women beneficiaries.

## 1.4 Justification of the Study

On attainment of independence, Kenya set out to eradicate poverty, illiteracy and disease. This undertaking has remained elusive to date, with Kenyans dying of curable diseases, high levels of illiteracy in some parts of the country, and about 46% of the population currently living below the poverty line, of whom seventy per cent are women. Major theoretical approaches to development have been adopted and the government has undertaken many initiatives geared towards the facilitation of economic growth. One area which has experienced rapid growth but continues to escape maximum attention is the micro-finance sub-sector. The findings of the study therefore should assist both the government and her development partners in assessing their policies, with a view to making them more favourable in order to spur the growth of the sector and boost women's empowerment through access to micro-finance in the country, and Nairobi in particular.

In addition to their contribution to knowledge, the findings from the study could be used by micro-finance institutions in evaluating their performance, as the impact of the credit availed to women would be a pointer to their favourable or unfavourable institutional policies.

### 1.5 Scope and Limitations of the Study

This study only focused on the impact of micro-finance on women's socio-economic empowerment in Nairobi. The study could have widened its scope to analyse the impact of micro-finance on women in the entire republic, with samples drawn from all the micro-finance institutions or even compare the impact of micro-finance on both men and women. Also, the study did not focus on women who had accessed micro-finance but were not engaged in business because enterprise growth was one of the areas assessed to determine economic impact.

### 1.6 Definitions of terms

**Economic status**: is the combined total measure of a person's occupation, experience, and income, relative to others.

**Micro-finance**: is the provision of small scale financial services such as loans, savings, insurance, et cetera, to low-income individuals.

**Social status:** the degree of honour or prestige attached to one's position in society.

**Women's economic empowerment:** is the capacity of women to participate in, contribute to and benefit from growth processes in ways which recognize the value of their contribution.

**Women's social empowerment:** is a process by which women access opportunities and resources in order to make personal choices.

**Informal sector:** refers to small-scale economic activities that are normally semi-organised, unregistered and use low and simple technologies while employing a few people. The term excludes small high technology businesses.

# CHAPTER TWO

# LITERATURE REVIEW

## 2.1 Introduction

This chapter reviews the literature relevant to the study, and also discusses the theoretical framework that guided the study. The literature is reviewed under the following sub-headings: The informal sector, sources of finance for micro-and small-scale enterprises in Kenya, formal financial sources, micro-finance institutions, other financial sources, micro-finance and women's empowerment, capacity building, empowerment and relevance of empowerment to the study.

## 2.2 The informal sector

The informal sector refers to the smallest enterprise, typically those with ten or fewer wage employees, the vast majority of which are one–person businesses with few wage workers. The term also implies a traditional mode of production and so excludes small high technology businesses. Some of the other characteristics of the sector include low entry barriers, labour intensiveness, family-based management, low capital, irregular working hours, negotiable prices, rarely production for export and informal sources of credit (Fidler and Webster, 2001).

The term also referred to in Kenya as the 'jua kali' sector, covers all small-scale activities that are normally semi-organised, unregistered and use low and simple technologies while employing a few people. The ease of entry and exit into the sector coupled with the use of low level or no technology makes it an avenue for employment creation (GOK, 2011).

The International Labour Organization (1972) defined the informal sector as informal economic activities and, following its report on Kenya, initiated a great deal of worldwide interest in the potential of the sector in promoting the growth of incomes and employment in the rapidly expanding cities of the less developed world. Following this report, the Kenya government's development plan for 1974-1978endeavoured to increase employment opportunities in the sector by 7.5 per cent per year (House et al.,1977:1).

The existence of an informal sector is a symptom of economic dysfunction, that is, the structure and growth rate of the formal economy are too inadequate to absorb the national labour. Development specialists have emphasized the informal sector's importance as a creator of jobs and an incubator of small and medium enterprises. In this view, the informal sector is a giant sponge absorbing much of the shock of periodic economic contraction by soaking up excess labour and by providing second incomes to individuals whose real incomes have been eroded by inflation and public spending cutbacks (Fidler and Webster, 2001).

A study by Donald Mead (1994) on the contribution of small enterprises to employment in Southern and Eastern Africa concluded that the net employment in these enterprises in Southern Africa grew by roughly 7 per cent a year in the 1980s and early 1990s. The study further revealed that small enterprises absorbed more than 40 per cent of the total new jobs created in the region. Other studies on the informal sector in developing countries that have revealed it to be a significant source of employment and output are, for example, by Mazumdar (1975), whose total employment in Jakarta was 50 per cent and in Lima 53 per cent. A similar study by De Soto (1989) estimated that 48 per cent of the economically active population in Peru was employed in the informal sector, and 38.9 per cent of the national output was produced from informal sector activities. Likewise, a study undertaken by the International Labour Organization (1990) estimated that approximately 60 per cent of the urban labour force in The Gambia was engaged in informal employment.

In Kenya, between 1999 and 2002, the economy created an average of 449.6 thousand informal sector jobs, with Nairobi Province accounting for 24.2 per cent and the highest informal sector employment of 1,343,100 persons. In 2003, the sector experienced a 9 per cent increase in employment creation, resulting in an estimated 5,545,200 persons employed in the sector (GoK, 2004). In 2010, the economy had generated a total of 503.5 thousand jobs of which the informal sector had created 440.9 thousand. In total, the sector provided employment for 8,829.9 thousand persons, up from 8,388.9 thousand persons in 2009, an increase of 5.3 per cent. This scenario is attributed to failure by the formal sector to meet the challenges of employment creation and income generation due to slow economic growth and declining levels of investments. Some of the major reasons for this decline include high costs and increased competition from cheap imported products (GOK, 2011).

As noted by feminist economist Beneria (1989), a majority of people employed in the informal sector in developing countries tend to be the poor, and certain marginalized groups, including women, the young, the elderly, racial and ethnic minorities, and immigrants. By the mid-1990s, women accounted for 50 per cent of informal sector employment in Sierra Leone, more than 66 per cent in Burkina Faso and around 80 per cent in Cape Verde (Fidler and Webster, 2001). In Kenya, women represent a large proportion of the self-employed in the informal sector, with estimates showing that women constitute about 49 per cent of Kenya's entrepreneurs in urban areas (GOK, 1999). Obbo (1980) argues that due to rampant gender discrimination in employment and male attitudes in urban areas during colonialism in Africa, most female migrants soon realized that they had to rely on their own initiative and skills to create self- employment, performing for money their gendered reproductive roles.

This was the beginning of women's involvement in the informal sector in African urban centres. Other reasons include lack of education, cultural and religious limitations, and family responsibilities.

While all micro-entrepreneurs face various challenges, men tend to be more advantaged than women and dominate high profit activities whereas women engage in low paying businesses. Men find it easier to access higher capital, education, trading contracts and market. On the other hand, female micro-entrepreneurs face a myriad of challenges in their efforts to realize their economic potential. Legal discrimination, as evidenced in Mali where women have to seek their husbands' approval to enter into business, was found to be a major hindrance (Grant, 1991). Further literature on the challenges faced by female micro-entrepreneurs is contained in works by Berger (1989) and Bernasek (1999). The challenges noted include socially defined limits to women's mobility, discrimination by formal lenders, reliance upon money lenders, and exploitative relationships with merchants and middlemen. According to the National Micro and Small Enterprise Survey in Kenya (GoK, 1999), the biggest challenge facing micro-entrepreneurs was lack of credit facilities as they remained socially excluded from the formal financial sector. This problem is, however, currently being gradually addressed by the few micro-finance institutions available in the country.

Ongile and McCormic (1996), in their study on growth strategies of a number of small and intermediate enterprises in the garment industry in Nairobi, found that the ethnic difference between the small garment industries operated by Africans and the large wholesalers and garment industries operated mainly by Asians, was one of the hindrances for a vertical integration in the sector. Ngau and Keino (1996), in their study on women entrepreneurs in Nairobi, found that lack of business skills and training was their biggest hindrance to business expansion, while Wambaria (2005) found that lack of sufficient credit facilities inhibited business growth and stability among members of the Ruiru Catholic Church Development Fund.

## 2.3 Sources of finance for micro-and small – scale enterprises in Kenya

Small-scale enterprises in Kenya cover the profit oriented firms with between 1 and 50 employees and the total cost does not exceed KES 50 million. The enterprises include firms employing between 10 and 50 people, usually referred to as small- and medium-scale enterprises, and firms employing between 1 and 9 employees, referred to as micro- or jua kali enterprises (Kibuka, 1997).

The micro-and small-scale enterprises normally use simple technologies, are labour intensive and utilize locally available raw materials. Due to a combination of factors, a large proportion of women in urban areas and Nairobi in particular are conglomerated in this sector (ILO 2002). However, despite the low amount of capital required to run these micro-enterprises, a majority of the women lack access to credit facilities. This problem is, however, being gradually addressed through concerted efforts, by the Government, non-governmental organizations, faith-based organizations (FBOs) and the private sector, all of which have come up with various financial programmes and services geared towards promotion of the micro- and small- scale enterprises in the country as indicated by the literature below.

### 2.3.1Formal financial sources

Unlike the micro-enterprises, the small- and medium-sized projects have various formal organizations providing them with financial support. Noteworthy amongst these is the Kenya Industrial Estates' informal sector programme under the Ministry of Industrialization which offers credit to small and medium sized enterprises whose total cost, including working capital, does not exceed KES 14 million, with a repayment period of between 3 and 8 years. The ministry also offers micro-loans to very small informal sector enterprises totaling to a minimum of KES 100,000 and a maximum of KES 500,000. The Kenya Tourism Development Corporation (KTDC), another government parastatal, targets development of tourism-related projects and provides revolving funds to enable Kenyan entrepreneurs participate in the tourism sector (KTDC, 2010).

Others include the Industrial and Commercial Development Corporation and the Agricultural Finance Corporation (AFC), with the latter providing financial support for the development of agriculture.

The commercial banks include Barclays Bank of Kenya, which provides unsecured loans up to a maximum of KES 2million with a repayment period of between one and three years and a secured loan whose amount depends on the ability to repay and has a repayment period of between one and five years (Barclays Bank, 2011). The Co-operative Bank of Kenya has various business loan types one of which is Biashara Plus, offered to micro-entrepreneurs for business expansion. However, the businesses must have been in existence for over one year, be registered and operated on permanent premises. The security for the micro-credit includes business assets such as stocks, movable and fixed assets, as well as personal guarantee (Co-operative Bank, 2011). Family Bank offers micro-finance to young people –Vijanaa Boost-aged between 18 and 35 years either as individuals or groups who have been in business for at least three months. The amount ranges from KES.10, 000 to KES 1,000,000. The security for this type of loan includes household items, joint guarantee or guarantee by parents or guardians. The bank also offers Maridadi Boost loans to women aged above 18 years and who have been in business for over three months. The loan amount ranges from KES 5, 000 to KES 500,000 and is repayable over a period of twenty-four months (Family Bank, 2011).

Equity Bank offers business loans under various categories, including the Fanikisha Loan, which targets women in groups of between 15 and 30 members with loans ranging from KES 1, 000 to KES 300,000, and the Fanikisha Fedha which targets women in groups of 7 to 10 members. This category of loan allows an individual micro-entrepreneur to borrow five times her savings. The other type of loan is Fanikisha Imara which targets individual women who wish to borrow individually but lack conventional collateral. The loans range from KES 300,000 to KES 500,000 and are repayable for a period of 18 months. The Fanikisha Dhahabu loans target women in micro- and small–enterprises who would wish to borrow individually and the loans have flexible collateral requirements. The loans range from KES 500,000 to KES 3,000,000. Other loans include the Fanikisha Almasi and the Fanikisha Platini, both of which target women in small and medium enterprises and range from KES 3,000,000 to KES10,000,000 and above KES10,000,000,respectively. The loans have a repayment period of 36 months and 5 years, respectively. Other services offered by Equity Bank include savings, fund transfer, trainings and consulting. By 2009, the bank had 715,969 active borrowers (Equity Bank, 2010).

K-Rrep Bank is another micro-finance institution converted into a bank but whose main focus is micro-finance. Being a bank, the institution offers a wide range of services, one of the most noteworthy being micro-finance based loans. These loans are designed for micro-enterprise operators without conventional collateral. To supplement the collateral requirements, the loans are secured partly by cash savings and group guarantees. The loans are offered to micro-entrepreneurs through three distinct groups, namely, the Juhudi group, Chikola and Katikati (K-Rep Bank, 2010).

All the above formal financial institutions have programmes with similar requirements. These include offering credit only to clients engaged in viable enterprises, either for working capital or purchase of fixed assets, and tangible collateral or other securities in form of guarantors and chattels.

### 2.3.2 Micro-finance institutions

Development analysts and practitioners are familiar with the exponential growth of micro-credit and other micro-finance strategies targeting poor households in both urban and rural areas mostly in the developing world. These institutions have filled the gap created by the commercial financial institutions which have proved way beyond the reach of the poor due to their prohibitive requirements which they can ill afford. Because of the way in which household gender relations are structured and especially because of the women's role as guarantors of household subsistence needs, many of these programmes are particularly focused on women. The women have proved to be active participants in such schemes, and particularly good loan repayers (Goetz and Sen Gupta, 2001).

In Kenya, many of the organizations giving support to the micro and informal sector enterprises are non-governmental agencies. The government gives credit through the Kenya Industrial Estates Informal Sector Programmes. The beneficiaries are, however, required to raise tangible securities. Thus, the credit is not meant for the very poor but for micro-entrepreneurs with stable businesses. The Government has also come up with other initiatives meant to empower particularly women and the youth such as the Women Enterprise Fund and the Youth Enterprise Fund. The funds are meant for women and youths in organized and registered groups (GoK, 2011).

Some of the non-governmental organizations offering micro finance services in Kenya include Faulu Kenya (Faulu,2011). It is a project of the Food for the Hungry International and was the first licenced deposit-taking micro-finance institution in Kenya, and offers business loans under various schemes, which include Mkopo Biashara for business expansion and ranges from as little as KES 1,000, with a top-up facility available. The other category of business loan is the Micro-individual Loan which targets individual micro-entrepreneurs and has a top-up facility too. The third loan category for business is the Soko Cash, which is a progressive loan from the Daraja one, with the maximum amounts ranging from KES 20,000, Daraja two, KES 200,000 and Daraja three KES 500,000. Apart from the business loans, Faulu Kenya also offers other loan products such as consumer loans, agri-business loans, personal loans and corporate check-off system (Faulu Kenya, 2011). The Promotion of Rural Initiatives Development Enterprise (PRIDE) Kenya avails credit to promote businesses in rural and semi-urban centres in designated locations. On the other hand, the Undugu Society of Kenya promotes entrepreneurship amongst the urban poor through provision of micro-finance services to individual business people or groups to cover working capital or for the purchase of fixed assets (Undugu Society, 2010). Action Aid is another organization providing micro-credit to improve income generating activities amongst the urban poor in designated areas. The credit is offered to individuals involved in micro enterprises through groups of about 25 people (AMFI, 2010).

World Vision International (Kenya), through the Kenya Agency for the Development of Enterprise and Technology (KADET), offers micro-credit to micro-entrepreneurs using two methodologies, which include either obtaining the loans individually or in groups of between 15 and 30 members, who co-guarantee each other. There are two specific loan products available to micro-entrepreneurs one of which is the business asset loan. This type of loan is granted to individuals to purchase business assets which in turn act as the guarantees. The other type of micro-credit is the Mkopo Biashara loan for business people seeking additional capital to inject into their businesses for expansion or diversification. The businesses must, however, have been in existence for at least six months (CADET, 2009). Besides the various loans offered, other services include savings and business trainings which are offered for eight weeks before the loans are availed (AMFI, 2010).

Sunlink, another micro-finance institution, offers credit for both start-ups and expansion of existing businesses. The beneficiaries are, however, required to reside in the designated areas and should be members of groups of between five and ten members. Plan International also offers credit for both business start-ups and expansion or modernization of existing income generating activities among low-income groups. The credit is offered to individuals in groups of between 24 and 30 members, whose savings act as security. Another non-governmental organization which offers micro-finance services is CARE International through group savings and loans programme which entails members contributing money in form of savings and lending it out to members at an interest. The fund is managed by the members themselves, and is aimed at empowering women groups through income generating activities (CARE Kenya, 2009).

Jamii bora is a noteworthy micro-finance institution which started in 1999 with only 50 street beggars in Nairobi and offers various services to its clients. One of its major services is the micro-business loan which is offered in two categories, the first being for micro-entrepreneurs who have been saving with the institution for 6 weeks and can only be allowed to borrow a maximum of twice their savings. The minimum amount for the first loan is KES 10, 000 and the maximum amount is KES 60,000. The loan must, however, be repaid in 50 weeks. The other category of Jamii Bora business loan is the Daraja Business Loan which is usually between KES 60,000 and KES 700,000. The interest rate is 0.5% per week and the loan is available to micro-entrepreneurs who have successfully acquired and repaid three consecutive micro-business loans. Other loan types offered by the institution include school fees loans, housing loans and the popular Levuka Loan for substance abuse rehabilitation. Jamii Bora also has a very attractive comprehensive medical scheme for its members who contribute only KES 120 per month and it is available to the client, spouse and four children. The institution has also put up a housing complex in Kajiado for its members to encourage them to own houses as well as a training facility being established for the interested members to acquire business related skills (Jamii Bora, 2006).

Another important source of micro-finance is through various projects, either directly under or supported by mainstream Churches in Kenya. According to the Association of Micro-finance Institutions of Kenya (AMFI, 2010), one of which is the Kolping Organization of

Kenya, which is a church organization offering credit to micro enterprises in operation for one year and are owner managed with fixed premises. Another organization is the National Christian Council of Kenya (NCCK) which, through its Small Scale Business Enterprise Project, supports expansion and growth of small scale and medium enterprises which have been in operation for six months, are located at fixed premises and the owners are members of groups of five people. The Kenya Ecumenical Church Loan Fund (ECLOF-K) offers loans, voluntary savings and insurance and by the end of 2009, had 16,902 active borrowers (ECLOF-K 2010).The Catholic Church in Dandora, through its Welfare Advisory Committee Revolving Credit Scheme, supports the growth of small and micro businesses in the slum areas (Catholic Parishes Network, 2008).

The Presbyterian Church of Eastern Africa (PCEA) has various credit schemes within its supported community centres. One of these is the Jitegemea Credit Scheme, which offers group business loans to individuals within groups. The group undertakes the responsibility for all aspects of the loan management. Individual loans are usually offered to group members that have graduated. Other loan services offered include school fees loans, health insurance loans, asset finance, mkulima loans and women fund loans (Jitegemea is a financial intermediary of the government-funded Women Enterprise Fund) (Jitegemea, 2010).

While most micro-finance institutions deal directly with their clients, some of them offer credit to other micro-finance institutions for onward lending to clients. A good example of these is the Jitegemee Credit Scheme which is a wholesale micro-finance institution offering financial and non-financial services to its registered micro-finance institutions, clients, SACCOs and even NGOs. The criteria for benefitting from the Jitegemee Credit Scheme is that the organization must have been in operation for at least three years, have a minimum of 1000 clients and provide audited financial accounts for the last three years. The organization should also have capacity to service debt and be registered. The minimum loan available is usually KES 5million (Jitegemee, 2011). Oiko Credit is an international wholesale micro-finance institution operating in the country, which offers credit to other institutions for onward lending to clients. By 30$^{th}$ June 2011, Oiko Credit Micro-finance had, through its partners, reached 29.3million clients in various parts of the world of whom 86% were women (Oiko, 2011).

Some micro-finance programmes only target female entrepreneurs. Such organizations include the Young Women's Christian Association (YWCA), which offers credit to women for new business start-ups or expansion of existing businesses. The beneficiaries should, however, be YWCA members as well as members of organized and active women groups. Another notable organization which supports female entrepreneurs is the Kenya Women Finance Trust (KWFT). This is achieved under various schemes. The first one is the Biashara Loan which is offered to micro-entrepreneurs already in business and are in organized groups of between 15 and 30 members. The minimum loan amount is KES 10,000 and is repayable monthly. The second scheme is the Mwangaza Loan for individual women micro-entrepreneurs in organised groups of seven to ten members. This type of loan has flexible security requirements and the minimum amount is KES 50,000. The third scheme is the Mwamba Loan targeting individual entrepreneurs in larger businesses and requires a bank statement for the last six months.

The Bank further requires collateral plus two guarantors. The last business loan category is the start-up loan for business start-ups and targets young women aged between 18 and 35 years. The requirement is that they should be in groups of between 20 and 25 members and a borrower should have one guarantor who can either be a parent, relative or friend. Other services offered include mobile banking, agricultural loans, consumer loans, a medical cover, as well as savings products. The Kenya Women Finance Trust is the largest regulated women only serving institution in Africa (KWFT, 2010). Other micro-finance institutions include Micro Africa Limited, Opportunity Kenya Limited, Fusion Capital and Taifa Option Micro-finance (AMFI, 2010).

Most of the above mentioned institutions use the Grameen model of group lending where peer monitoring is largely responsible for the successful financial performance of the programme and are normally characterized by high subsidies.

### 2.3.3 Other Financial Sources

Savings and Credit Co-operative Societies are other sources of finances. These membership-based financial institutions have had tremendous growth in Kenya. For example, while there were only 129 in 1971, their total number was 3,408 by 1998, attracting a membership of about 3,509,000 and a share capital of 15 billion Kenya Shillings. The main sources of their revenue are interest on bank deposits, interest on loans to members and rental income (ILO

2002). Other informal financial service providers include the rotating savings and credit associations (ROSCAS) and accumulating savings and credit associations (ASCAS). While ROSCAS involve regular contributions which are allocated to one or two members at a time, the ASCAS' member contributions are not distributed on a rotational basis but are lent out to members at an interest. Another source of micro-credit is the group saving and loans which involves members of a given locality saving money in form of shares. The money is given out to members at an interest. The cycle of saving and lending is time-bound and at the end of the cycle, mostly one year, the members share the savings and the accrued interest proportionally (CARE Kenya, 2009).

## 2.4 Micro-finance and women's empowerment

The concept of empowerment has had different definitions by different people and organizations. Chambers (1997) talks about empowerment as the act of enabling and empowering poor clients, and discusses the need for service organizations to see that clients know their rights and have power to demand them, thereby enabling them to ensure quality of service and access. Sara Longwe (1990) defines empowerment as enabling women to take an equal place with men and to participate equally in the development process in order to achieve control over the factors of production on an equal basis with men. Caroline Moser (1993) sees empowerment as the capacity of people to increase their own self-reliance and internal strength, which is identified as the right to determine choices in life and to influence the direction of change through the ability to gain control over material and non-material resources. According to Kamla Bhasin (1995), women's empowerment is an ongoing and dynamic process that enhances women's ability to change the structures and ideologies that keep them subordinate. This process enables them to gain more access to resources and decision- making, more control over their own lives and more autonomy.

Micro-finance is the provision of a broad range of financial services such as deposits, loans, repayment services, money transfers and insurance to poor and low-income households and their enterprises (Fernando, 2004). Micro-finance programmes and institutions have become increasingly important components of strategies to reduce poverty or promote micro- and small- enterprises development. However, knowledge about the achievements of such initiatives remains only partial and contested. Hulme (1999) identifies three different findings. On the one hand are studies arguing that micro-finance has very beneficial economic and social impacts (Holcombe, 1995; Hossain, 1988; Otero and Rhyne, 1994; Remenyi, 1991; Schuler *et al*., 1997). On the other hand, are writers who caution against such optimism and point to the negative impacts that micro-finance can have (Adams and Von Pischke, 1992; Buckley, 1997; Rogaly, 1996; Wood and Shariff, 1997). In the middle is work that identifies beneficial impacts but argues that micro-finance does not assist the poorest, as is so often claimed (Hulme and Mosley, 2000; Mosley and Hulme, 1998).

In an impact study on selected micro-finance institutions in West Africa, Fidler and Webster (2001) noted that the reviewed institutions were delivering much needed and valued financial services to some of the poorest people in the world. Their depth and quality of outreach were found to be at par with those of micro-finance institutions considered to be among the most effective in the world. Like in several other studies, access to savings and credit services was found to have significant effect on people's family welfare.

Rahman's (1986) study on the impact of Grameen Bank on the situation of poor rural women in Bangladesh, which included a comparative component between women loanees, women from male loanee households and women from economically equivalent households who had not received any credit observed:

> That loanee households in general had higher income and consumption standards than equivalent non-loanee households; that active female loanees were more likely than 'passive' female loanees to take decisions on their own or jointly with their husbands, but both groups (active and passive) were more likely to participate in decision making than wives of male loanees. Hence the conclusion was that loan transfer by women reduced, but did not obliterate, the favourable impact of loans on women's consumption standards and decision making (cited in Kabeer,1998 :10).

Hashemi *et al.* (2001) focused on changes in 'outcomes' believed to be associated with access to credit and they too obtained positive results, including women's involvement in decision-making, participation in public action, increased women's mobility, political and legal awareness and ability to make small and large purchases. Pitt and Khandker (1995) explored the impact of male and female membership of three credit programmes (Grameen Bank, BRAC and BR DB-RD 12) on a variety of household and individual outcomes, to establish the extent to which the gender of a loanee made a difference to the outcomes. Their conclusion was that households receiving loans were largely better off than those not receiving loans and that loans to women led to higher levels of market oriented production by women and higher levels of household consumption expenditure than loans to men (Pitt and Khandler, 1995).

Contrary to the above positive findings, Ackerly (1995), Montgomery *et al.* (2001) and Goetz and Sen Gupta (2001), present a different picture altogether. Their findings suggest that loans to women do little to alter their subordinate position within the household, since they are largely appropriated or surrendered to husbands; women's workloads increase without any commensurate increase in their access to products of their labour; conflict and violence against women is intensified. In addition, Montgomery et al. (2001) argue that men's control over women's loans actually strengthens, rather than weakens, male dominance within the household.

Hulme and Mosley (2001), in their study on best practices touching on several micro-finance institutions, including two in Kenya, found that although all purport to alleviate poverty through provision of micro-finance services, their main targets are the middle and the upper poor, while those living in absolute poverty are left out of the programmes. Kamau (2002), in her assessment of the role of micro-finance on women's empowerment in Nairobi, found that there was marked improvement in household income which translated into better health and nutrition for the family. The Consultative Group to Assist the Poor (CGAP), in collaboration with the International Food Policy Research Institute (IFPRI), designed a poverty assessment tool to assist donors in their assessment of the poverty levels of micro-finance clients of which the Kenya Women Finance Trust was selected as one of the tool test institutions. The findings indicated that while some of the test institutions had achieved their objective of reaching the poorest of the poor, others were only targeting the well to do clients (Henry *et al.*, 2003).

## 2.5 Capacity building

Capacity refers to the ability of people, organizations and society as a whole to manage their affairs successfully (OECD, 2006:8). Organizational capacity can be defined as the capability of an organization to achieve effectively what it sets out to do (Fowler et al.,1995), while capacity building is a purposeful, external intervention or support with the intention of facilitating or catalyzing change (Simister and Smith, 2010). Matachi (2006) defined capacity as the organizational and technical abilities, relationships and values that enable individuals, groups or organizations at any level of society to carry out functions and achieve their development objectives over time.

According to Matachi (2006:6), there are three levels of capacity, which include the individual, organizational as well as the environmental level. The individual level is the most fundamental element as it is the foundation for organizational capacity and includes knowledge, skills, value and attitudes, and it can be developed through various ways such as formal or non-formal education, training and independent reading. Capacity at the organizational level will determine how individual capacities are utilized and strengthened and includes human resources, physical resources, intellectual resources, inter-institutional linkages, incentives and organizational culture and leadership. Capacity at the environmental level refers to the environment and conditions necessary for demonstrating capacity at the individual and organizational levels and includes systems and frameworks necessary for the formation/ implementation of policies and strategies beyond an individual organization.

According to Oxfam, a capacity-building approach to development involves identifying the constraints that women and men experience in realizing their basic rights, and finding appropriate vehicles through which to strengthen their ability to overcome the causes of their exclusion and suffering (Eade, 1997:24).

Some of the common perspectives and principles that appear in all the approaches to capacity building include: emphasizing on the importance of ownership by partner organizations; paying due attention to capacity development at various levels; and recognizing capacity development as a long-term process (Matachi, 2006:8).

## 2.6 Theoretical framework

### 2.6.1 Empowerment

Although there are many theories of development, empowerment was found to be the most suitable hence it guided this study. Empowerment is a process by which individuals and 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 aspirations and goals (Robins *et al.*, 1998: 91). Naila Kabeer defines empowerment as the process by which those who have been denied the ability to make strategic life choices acquire such ability. There are three issues which are basic to the understanding of empowerment. First, empowerment is multidimensional in that it occurs within sociological, psychological, economic, political and other dimensions. Empowerment also occurs at various levels, such as individual, group and community. Third, empowerment, by definition, is a social process because it occurs in relation to others (Page and Zuba , 1999; Peterson *et al.*, 2005). The origin of empowerment as a form of a theory is traced back to the Brazilian humanitarian and educator, Freire (1973), who suggested a plan for liberating the oppressed people of the world through education. Freire argues that education should allow the oppressed to regain their humanity and overcome their condition, but he also acknowledges that in order for this to take effect, the oppressed have to play a role in their own liberation.

Sarah Logwe's (2002) empowerment framework sets five levels of women's empowerment. The first level is welfare, where development intervention hopes to close a gender gap. At this level, women are just passive recipients of benefits that are given to them. The second level is access, where women improve their own status, relative to men, through their own work and organization arising from increased access to resources, e.g., market, skills, training and information. Conscientisation is the third level whereby women realize that their lack of status and welfare relative to men is not due to their own lack of ability, organization or effort but their relative lack of access to resources arising from the discriminatory practices and roles that give priority of access and control to men. Conscientisation is therefore concerned with the collective urge to remove discriminatory practices that impede women's access to resources. Mobilization, the fourth level, compliments conscientisation and involves women coming together, recognizing and analyzing their problems. The last level is control, which is reached when women have taken action achieving gender equality in decision- making on access to resources and have taken what is rightly theirs ( Logwe, 2002:12).

### 2.6.2 Relevance of empowerment to the study

Sarah Logwe's (2002) framework is very relevant to this study since access to microfinance contributes to empowerment of women by putting capital in their hands, thereby allowing them to earn an independent income and contribute financially to their households and, sometimes, to their communities. This is achieved through self-determination which, according to Fetterman (1996), is the ability to chart one's own course in life and which has four dimensions, that is, consistency and perseverance in activities, the courage to take risks, initiative and proactivity and, finally, the ability to voice one's opinion. Women who are knowledgeable are able to engage in micro-enterprises. Further, out of realization that discrimination practices hinder them from accessing credit, they mobilize themselves into small groups out of which they can collectively approach micro-finance institutions for credit and other services. Upon receipt of micro-finance services, they are able to start-up or expand their businesses leading to more income and saving. Increased access to resources contributes to an individual woman's empowerment, thereby enabling her to take control of certain aspects of her life and contribute to the larger community's development.

# CHAPTER THREE

# METHODOLOGY

## 3.1 Introduction

This chapter presents information on the study area, study design, as well as the methods of data collection and data analysis. The problems encountered as well as ethical issues considered during the study are also discussed.

## 3.2 Research site

This research was conducted in Nairobi Province, Kenya (Fig.3.1 ). Nairobi is a multi-ethnic city and, like other major cities of the world, is a cultural melting pot. According to the 2009 Kenya population and housing census, the population of Nairobi is 3,138,369 (GOK, 2010).

### 3.2.1 Location

Nairobi is the capital city of Kenya and is one of the forty seven administrative counties in Kenya. It is adjacent to the Eastern edge of the Rift Valley and occupies 696 square kilometres. It lies 1680 metres above sea level and is divided into nine administrative Districts, which include Dagoretti, Kasarani, Lang'ata, Makadara, Pumwani, Starehe, Embakasi , Westlands and Njiru (Wikipedia, 2012).

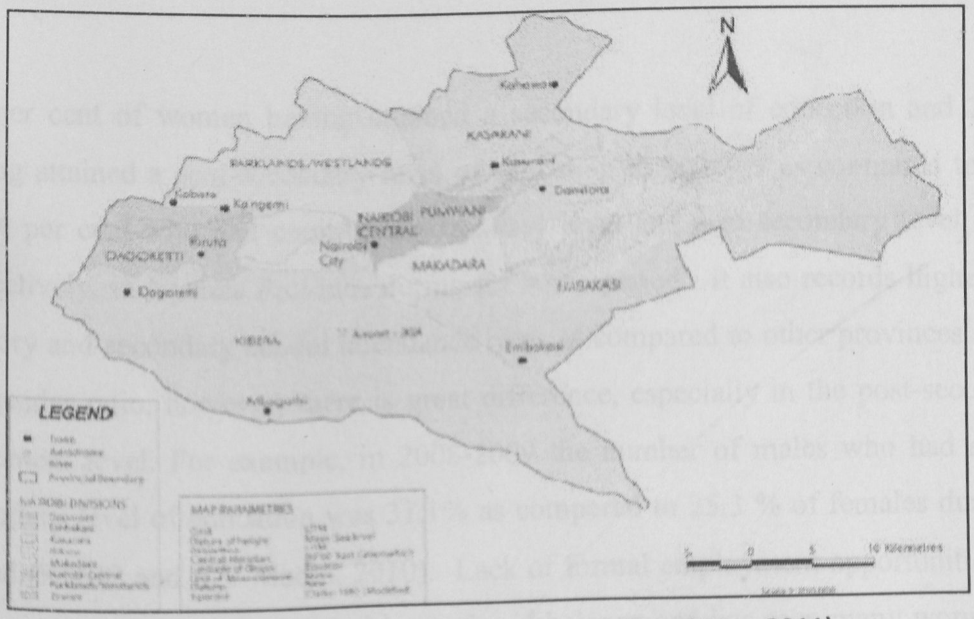



Figure 3.1: Map of Nairobi Province (Source: Omni Map 2011)

### 3.2.2 Economic activities

Nairobi city is the economic hub of the country and contributes 60 per cent of Kenya's GDP. The manufacturing in Nairobi consists of many small and medium–based industries. These include industries manufacturing steel products, plastics goods, soap, flour, vegetable oils, canned fruit and fruit juice, horticulture and dairy products. Although Nairobi trade is based agricultural-based, the most vibrant industry is the service-based industry which contributes 59.2 per cent of Nairobi's GDP as compared to 24 per cent from agriculture (Kenya Information Guide, 2012). The informal sector is an integral part of Nairobi businesses. The livelihood of most inhabitants of Nairobi comes from informal activities as formal wage employment has been decreasing. The informal sector where most of the poor belong has been noted to generate more employment than the formal sector (Mitullah, 2003). Another sector which has contributed to the economy of Nairobi is the tourism and the hospitality industry which provides direct employment to thousands of Nairobi inhabitants and indirect employment which is realized through the supply of goods and services to the industry. The banking industry, real estate, the Nairobi stock exchange and trade shows are other important contributors to the economy of Nairobi (Kenya Information Guide, 2012).

### 3.2.3 Education

Education is very vital for any country's development. Being the capital city of Kenya, Nairobi has the highest number of educational institutions, with the two main public universities situated within the city. The city also records the highest literacy level with

20.5per cent of women having attained a secondary level of education and 25.3 per cent having attained a post-secondary level of education in 2008-09 as compared to 6.4 per cent and 4 per cent who had completed secondary level and post-secondary level of education, respectively, in Nyanza Province during the same period. It also records higher numbers of primary and secondary school attendance rates as compared to other provinces. Considering the gender ratio, however, there is great difference, especially in the post-secondary school attainment level. For example, in 2008-2009 the number of males who had attained post-secondary level of education was 31.1% as compared to 25.3 % of females during the same period (KNBS and ICF Macro, 2010). Lack of formal employment opportunities for women is, to some extent, attributed to this gender imbalance and has seen many women in Nairobi resorting to the informal sector as the alternative form of employment.

### 3.2.4 Financial institutions

Nairobi has the highest number of formal financial institutions as well as micro-finance institutions, with a number having several branches within the city. This is mainly due to the fact that it is the economic hub of the country, with large numbers of clientele coupled with attractive infrastructure (Kenya Information Guide, 2012).

## 3.3 Study design

This was an impact study designed to analyse the socio-economic status of female micro-entrepreneurs before and after accessing micro-finance in order to establish its impact. Various methods of data collection, including survey, focus group discussions, narratives and direct observation, were employed.

Data were collected from women who had benefited from micro-finance services and were either on their first, second or third loans or had completed their loan repayments. Qualitative data were analysed by coding and interpreting the trends within the responses. Content analysis was used. On the other hand, quantitative data were analysed using the Statistical Package for Social Sciences (SPSS) computer programme, version 12.0.

## 3.4 Study population and unit of analysis

The study population consisted of all women in Nairobi who had benefited from micro-finance services from six micro-finance institutions and were engaged in various micro-enterprises. The unit of analysis was the individual female entrepreneur.

## 3.5 Sample population and sampling procedure

According to Mugenda and Mugenda (2003), sampling is the process of selecting a number of individuals for a study in such a way that the individuals selected represent the large group from which they were selected. In this study, a sample of six micro-finance institutions was purposively selected to ensure inclusion of beneficiaries from faith-based institutions, registered micro-finance institutions and Non- Governmental Organizations. These included Jamii Bora Trust, Undugu Society of Kenya, Slum Empowerment Project, Sunlink micro-finance, Kadet and Faulu Kenya. Four women micro-finance groups were randomly selected from each institution, followed by a further random selection of four respondents from each group. This meant a selection of twenty respondents from each institution, leading to a total of one hundred and twenty respondents.

## 3.6 Data collection methods

### 3.6.1 Survey

The survey method was the main technique of data collection in this study. According to Sapsford (2007:7) surveys involve systematic observation or systematic interviewing. They ask questions which the researcher wants answered and often dictate the range of answers that may be given. The survey data were gathered through a structured questionnaire (Appendix A). This consisted of both closed and open-ended questions focussing on income, businesses, household information, education, health, housing, and decision-making.

### 3.6.2 Focus group discussions (FGDs)

Focus group discussions are very useful to a researcher as they provide clarifications on emerging themes regarding the research problem. In this study, three focus group discussions were organized, consisting of beneficiaries of micro-finance. Each focus group discussion consisted of an average of eight female micro-finance beneficiaries. A focus group discussion guide (Appendix B) was used to assist in the discussions whose main aim was to assess how micro-finance has contributed to the micro-entrepreneurs' social and economic welfare, some good and bad practices of micro- finance institutions, sources of credit, and the challenges facing micro-entrepreneurs in Nairobi.

### 3.6.3 Narratives

Narratives are useful in data collection because they offer in-depth accounts of the respondents' experiences. As this study targeted the before and after situations to assess the impact of micro-finance on women's social and economic status, this method was very useful in gathering qualitative data. A total of six narratives were gathered from the micro-entrepreneurs on their personal experiences before and after accessing micro-finance.
A field notebook and a tape recorder were the main instruments utilized to capture the experiences of the micro-entrepreneurs. Permission was, however, sought for the use of the devices.

### 3.6.4 Observation

Observation as a method of data collection proved very useful to the researcher. This was because the researcher was able to observe the micro-entrepreneurs as she interacted with them while they conducted their businesses such as their group meetings or at their businesses. Afield notebook and a camera were the main instruments utilized by the researcher, with permission from the micro-entrepreneurs. The things observed included the entrepreneurs' businesses, group meetings, group meetings with micro-finance field officers, loan repayment sessions as well as loan application sessions. An observation checklist (Appendix C) was used to collect the data.

### 3.6.5 Pre-testing

The questionnaire was pre-tested prior to the final administration. This enabled all the ambiguities, lack of sufficient space and repetitions to be rectified.

## 3.7 Data analysis and presentation

Qualitative data were analysed by coding and interpreting the trends within the responses. Content analysis was used. The quantitative data were analysed using the Statistical Package for Social Sciences (SPSS) computer programme version 12.0. Tables and charts were utilized for the purpose of summarizing, comparing, illustrating and explaining the data.

## 3.8 Problems encountered and their solutions

Identification of respondents in Nairobi proved very cumbersome as the city is very expansive and also because there are several micro-finance institutions scattered all over the city. The high mobility rate in the city further compounded this problem. To overcome this problem, micro-finance institutions were purposively identified, so were their branches. The respondents from each selected branch were randomly selected and identified with the assistance of the field officers. Since most micro-finance institutions insist on weekly meetings for given groups, it was easy to interview the randomly selected respondents.

Some micro-finance institutions were suspicious of the study, hence unwilling to facilitate access to their clients. This problem was solved by proper self-introduction by the researcher as well as production of the research permits from the National Council of Science and Technology plus the introductory letter from the University of Nairobi.

## 3.9 Ethical considerations

The researcher adhered to all ethical requirements during the conduct of the research and production of the results. Some of the issues which were observed included: Ensuring that the respondents participated voluntarily; that the respondents fully understood the nature and purpose of the research; maintaining confidentiality, whereby pseudonyms were utilized to conceal real identities; that there was no deception of the respondents and for those who expected financial gain from the study, it was clearly explained in advance that the same was not to be availed.

# CHAPTER FOUR

# THE IMPACT OF MICRO-FINANCE ON THE ECONOMIC STATUS OF WOMEN IN NAIROBI

## 4.1 Introduction

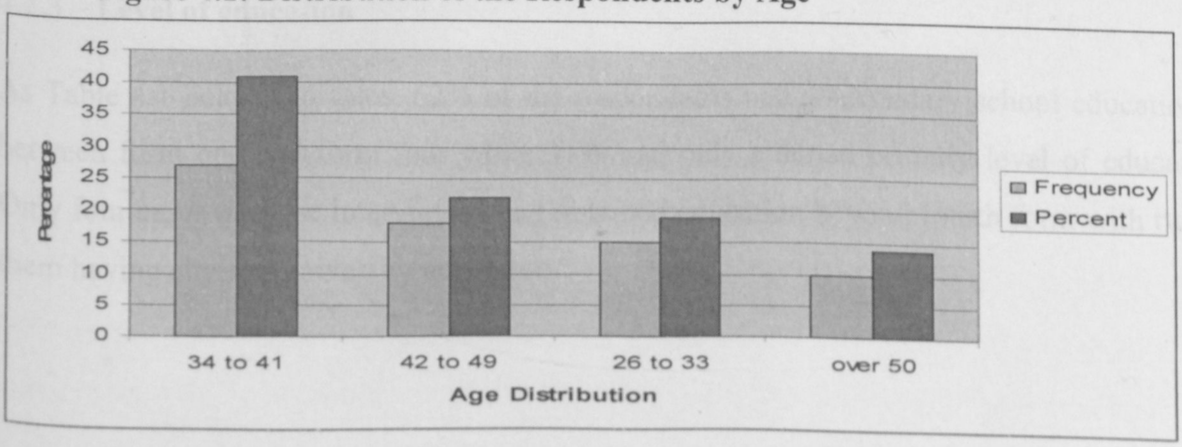
The purpose of this chapter is to present the findings on how micro-financial services have contributed to the economic status of female micro-entrepreneurs in Nairobi. Some indicators of economic impact which were assessed in the study include business expansion, number of employees, technology, increased income and savings as well as business management. The chapter starts by giving the demographic information of the respondents.

## 4.2 Demographic information

### 4.2.1 Age

The results presented in Figure 4.1 below show that a large proportion (47%) of the respondents were aged 34 to 41 years; this was followed by about one-fifth (22%) that were aged 42 to 49 years. The age composition shows that most of the respondents were of the senior age levels and therefore apart from their rich experiences, could also appreciate the importance of the study.

**Figure 4.1: Distribution of the Respondents by Age**



### 4.2.2 Marital status

Over a half (59%) of the respondents stated that they were married, whilst 5% of the respondents indicated that they were windowed. The single and divorced respondents constituted 23% and 13% of the respondents, respectively (Fig. 4.2).

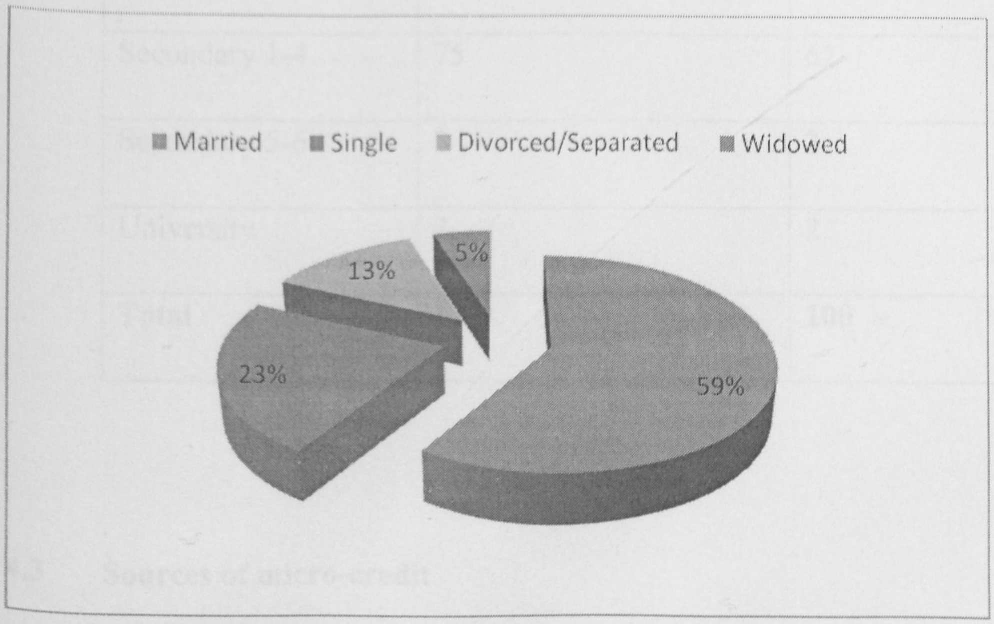



**Figure 4.2: Marital status of respondents**

### 4.2.3 Level of education

As Table 4.1 below indicates, 62% of the respondents had a secondary school education of between form one and form four while 31% had only attained primary level of education. Only four cases of those interviewed had obtained education beyond fourth form with two of them having attained university education.

**Table 4.1: Level of Education**

| Education level | Frequency | Percentage |
|---|---|---|
| None | 4 | 3 |
| Primary level | 37 | 31 |
| Secondary 1-4 | 75 | 62 |
| Secondary 5-6 | 2 | 2 |
| University | 2 | 2 |
| **Total** | **120** | **100** |

## 4.3 Sources of micro-credit

The study findings indicate that female micro-entrepreneurs in Nairobi have many sources of micro-credit. These include: loans from micro-finance institutions; the rotating savings and credit associations (ROSCAS); and accumulating savings and credit associations (ASCAS) of which the majority of respondents were found to be members; money lenders; and borrowing from spouses, other family members, as well as friends. As Table 4.2 below shows, 25% of the respondents had obtained money for their businesses from the savings and credit associations as compared to only 10% of the respondents who reported to have obtained it from a combination of spouses, friends and relatives. About 63% of the respondents, however, had never borrowed any money for either business start up or expansion, before the loan obtained from micro-finance. A majority of these reported that lack of access to lending institutions due to stringent requirements contributed to this as explained below by one discussant during a focus group discussion:

> Banks are for rich people who can be able to offer part of their property like vehicle log books or land title deeds as security in order to be granted loans. That is why poor people like us can not access loans from banks so we thank God for micro-finance.

**Table 4.2:** ***Source of credit for business before loan from micro-finance institution***

| Loan source | Frequency | Percentage |
|---|---|---|
| Friends and relatives | 6 | 5.0 |
| Savings and credit associations | 30 | 25.0 |
| Husband /partner | 5 | 4.2 |
| Parents | 1 | 0.8 |
| Others | 3 | 2.5 |
| Nowhere | 75 | 62.5 |
| **Total** | **120** | **100.0** |

### 4.4 Loan amounts

While a majority of those who had previously borrowed money for business before acquiring the loan from micro-financial institutions had obtained between KES 10,000 and 15,000, one case where KES 90,000 was obtained was reported. This was one of only three cases where loans had been acquired from formal banking institutions. The loans acquired are relatively small, especially when one is obtaining her first loan which in most cases is usually KES 10,000 or below, for most micro-finance institutions. As indicated in Table 4.3, 15% of the respondents had obtained KES 10,000 and below, while a majority (60%), had obtained between KES 10,000 and 40,000. Only four per cent of the respondents had obtained loans amounting to more than KES 1,000, with two cases having obtained above KES 160,000. The explanation for this is that most female micro-entrepreneurs in Nairobi are engaged in micro-businesses which require small amounts of capital to operate, hence do not require large sums of money in terms of loans. This explains why 75% of the respondents had obtained loans amounting to KES 40,000 and below.

The other explanation for small amounts of loan is that the acquisition of the loan is progressive, meaning that the amount increases depending on the duration of membership, consistency in loan repayments as well as the amount of savings for a given member or group. Besides the business loans from micro-finance institutions, three cases (2.5%) reported to have borrowed a significant amount of money while still servicing their loans from the same institution. These were basically emergency loans to pay for school fees and medical expenses for two cases while the third case used the emergency loan to purchase household goods after a fire hazard, as narrated below by Alice (not her real name):

> I was running my business and repaying my loan promptly as required by the micro-finance institution. Then one night, all I had in the house was lost, when Kwa Reuben (slum in Nairobi) where I live even today was razed down by a fierce fire and my neighbours and I were unable to salvage anything. My only saviour was the micro-finance institution from where I obtained an emergency loan of twelve thousand shillings to purchase the necessary household items and a few mitumba (second hand) clothes for my family.

**Table 4.3:** ***Loan amount***

| **Loan amount (in KES)** | **Frequency** | **Percentage** |
|---|---|---|
| <10,000 | 18 | 15 |
| 10,000-40,000 | 72 | 60 |
| 41,000-70,000 | 13 | 10.8 |
| 71,000-100,000 | 12 | 10 |
| 101,000-130,000 | 2 | 1.7 |
| 131,000-160,000 | 1 | 0.8 |
| >160,000 | 2 | 1.7 |
| **TOTAL** | **120** | **100** |

## 4.5 Loan interest rate

The loan interest rate varies from one institution to another, with the lowest rate being 0.5% while the highest was reported to be 24%. However, despite the fact that 67% of the respondents had attained secondary level of education, only 41.7% were found to be knowledgeable about the interest rates charged on their loans. Further, although 88% of those who had knowledge about the interest rates charged reported the same as being between 18% and 24%, only two cases felt that it was very high. This is an indicator to the level of desperation in loan access and acquisition amongst micro-entrepreneurs in Nairobi, as the interest rate charged is not considered as important when compared to the accessibility of the loan.

**Table 4.4:** ***Loan interest rate***

| **Rate** | **Frequency** | **Percentage** |
|---|---|---|
| 0.5 | 2 | 1.7 |
| 2 | 1 | 0.8 |
| 7.8 | 1 | 0.8 |
| 15.0 | 1 | 0.8 |
| 16.0 | 1 | 0.8 |
| 18.0 | 16 | 13.3 |
| 19.5 | 23 | 19.2 |
| 19.7 | 2 | 1.7 |
| 20.0 | 2 | 1.7 |
| 24.0 | 1 | 0.8 |
| Don't know | 70 | 58.3 |
| **Total** | **120** | **100** |

## 4.6 Source of information on micro-finance institutions

The findings in Table 4.5 below show that knowledge about the existence of micro-financial institutions was mainly acquired from friends and neighbours. Most (88%) of the respondents reported to have received the information from this source, while only 6% received from micro-financial institution's field officials. Only 2.5% of the respondents had received information regarding micro-finance institutions in which they were members from advertisements.

**4.5:** ***Source of information on micro-finance institutions***

| **Source** | **Frequency** | **Percentage** |
|---|---|---|
| Advertisement | 3 | 2.5 |
| Friends /neighbours | 106 | 88.3 |
| Church | 1 | 0.8 |
| Micro-finance officials | 8 | 6.7 |
| Relatives | 1 | 0.8 |
| Other sources | 1 | 0.8 |
| **Total** | **120** | **100.0** |

## 4.7 Reasons for failure to ask for adequate loan amount

While micro-credit availed to micro-entrepreneurs may appear relatively small compared to loans acquired from mainstream banking institutions, 55% of the respondents felt that the same was adequate as far as their financial requirements were concerned. Those who responded that the same was not enough gave various reasons for not requesting for adequate funds.

As Table 4.6 illustrates, 66.7% of the respondents mentioned low savings as the major restrictive factor while 10% reported to have been denied the loan by their respective micro-finance institutions. Thirty-eight per cent of those who felt that the loan was inadequate obtained the deficit from their personal savings while 46 per cent had no fall-back source and had to make do with the available funds from the loan. The rest resorted to borrowing from other informal sources including spouses, friends, relatives and savings and credit associations.

**Table 4.6:** ***Reasons for failure to request for adequate loan amount***

| **Reason** | **Frequency** | **Percentage** |
|---|---|---|
| Savings could not qualify for adequate loan | 36 | 66.7 |
| Feared the consequences of asking for adequate funds | 4 | 7.4 |
| Did not want to ask for adequate funds | 2 | 3.7 |
| The institution declined to give more although approved by group members | 12 | 22.2 |
| **Total** | **54** | **100.00** |

## 4.8 The loan repayment rate

The loan repayment rate was found to be quite impressive with 85% of the respondents repaying on schedule while only 15% were either repaying irregularly or had completely defaulted. The reasons for low default rate ranged from incentives to repay on time through progressive loan availability to the pressure mounted by other group members as default by any one member lowered the credibility of the entire group and compromised its members' future loan acquisitions as narrated by Ann (not her real name):

> My problems started when I fell ill two years ago and was hospitalized at Kenyatta National Hospital for two weeks. Since I run a hair salon business, my workers mismanaged it and hence rent payment for the business premises became a problem.

I utilized all my resources in payment of the hospital expenses and hence was unable to even service the loan I had acquired. Now because I am considered a defaulter, even the other group members cannot obtain a loan until I clear all my outstanding loan arrears. The officials are very understanding and have allowed me to continue with my repayments and have not charged me any penalties since it was just a misfortune which can befall anyone.

Another reason for the high loan repayment rate is the aggressiveness of the micro-finance institutions some of whose officials visit the various groups every week to ensure that money for loan repayments and savings is collected. Some micro-finance groups reported to have gone ahead and imposed penalties amongst themselves for not only non-repayment of loans as scheduled but also for failure to attend the weekly meetings as observed by one discussant during a focus group discussion:

Our group has imposed a fine of fifty shillings for being late in meetings and one hundred shillings for failure to attend at all without a justifiable reason. Any late loan repayment also attracts a penalty of one hundred shillings. The penalties are good because they ensure that we maintain discipline in our group.

### 4.9 Loan repayment amount

As the loans disbursed were relatively low, the weekly or monthly repayment amounts were also found to be relatively low. As Table 4.7 below illustrates, 22.5% of the respondents were repaying below KES 300 while 34% were repaying between KES 300 and KES 900. 20% of the respondents were, however, repaying more than KES 1500 weekly. This was due to the fact that loan acquisitions were progressive, hence faster loan repayments ensured that a more established micro-entrepreneur could obtain a desirable high loan amount. For most institutions, the loan repayment period was found to be one year, of which a majority of the respondents felt was adequate.

**Table 4.7: Weekly/monthly loan repayment amount in Kenya Shillings**

| Amount | Frequency | Percentage |
|---|---|---|
| <300 | 27 | 22.5 |
| 300-600 | 23 | 19.2 |
| 601-900 | 18 | 15 |
| 901-1200 | 19 | 15.8 |
| 1201-1500 | 8 | 6.7 |
| Above 1500 | 25 | 20.8 |
| **TOTAL** | **120** | **100** |

## 4.10 Reasons for membership to more than one micro-finance institution

Cases of female micro-entrepreneurs joining more than one micro-finance institution were noted, although on only a small scale (15%). Of those who had opted for this, 45% of them gave their main reason as the desire to obtain more credit, while 18% were attracted by the different services offered by the respective organizations. Thirty six per cent felt that they were able to participate in more than one organization without straining. For the last few years, there has been a mushrooming of micro-finance institutions in Kenya and this has led to competition amongst them, especially where they are located in the same vicinity. This scenario has contributed to the above mentioned instances where clients are able to participate as members of two or more organizations at the same time. The movement from one institution to join another was also noted as institutions kept on tailoring their services to suit their clients' needs. The reasons for migration from one institution to another was reported to include: low interest rate; institutions' reliability; unique services such as medical cover; institution's location; group members' cooperation, winding up of former institutions and displeasure with the practices of former institutions as explained below by Agnes (not her real name):

> I left my former micro-finance institution because one group member defaulted on loan repayment and all our savings were attached without our consent. The defaulter

although she had property which she could have sold to repay back refused and threatened us against making any attempts to attach her property. The institution refused to follow the defaulter saying that it was the responsibility of the group members. I wish there was a way of seeking redress to enable us get our money back. Thirty thousand shillings is a lot of money to lose in these hard economic times.

### 4.11 Source of capital for establishing the first business

The study findings indicate that a major source of capital for establishing the first businesses was personal savings (41%). As Table 4.8 below indicates, some female micro-entrepreneurs (27.5%) had obtained their initial capital for establishing their first businesses from their husbands, while others had obtained the same from friends and relatives or rotating savings and credit associations (ROSCAS) commonly known as merry-go-rounds. Only 1.7% of the respondents had obtained a loan for business start-up from a formal financial institution.

**Table 4.8: Source of capital for establishing the first business**

| Source | Frequently | Percentage |
|---|---|---|
| Loan from financial institutions | 2 | 1.7 |
| Loan from a shylock/money lender | 1 | 0.8 |
| Personal savings | 50 | 41.7 |
| Borrowed from spouse | 33 | 27.5 |
| Borrowed from relatives and friends | 11 | 9.2 |
| Merry-go-round | 11 | 9.2 |
| Employment terminal dues | 12 | 10 |
| **TOTAL** | **120** | **100** |

### 4.12 Source of capital for establishing current business

All the micro-finance institutions from where the respondents were drawn did not avail loans for business start-ups but to those with existing businesses. This explains the disparities in Tables 4.8 and 4.9, whereby while 41.7% of the respondents obtained their initial capital for their first businesses from personal savings and only 1.7% obtained loans from financial institutions, 20% of the respondents were able to secure loans from micro-finance institutions for establishing their current micro-finance supported businesses. These were mainly cases where there were changes of businesses or establishment of extra businesses.

**Table 4.9: Source of capital for establishing current business**

| Source of capital | Frequency | Percentage |
|---|---|---|
| Loan from micro-finance institution | 25 | 20.8 |
| Personal savings | 36 | 30 |
| Borrowed from spouse | 26 | 21.6 |
| Borrowed from friends and relatives | 11 | 9.2 |
| Merry-go-round | 8 | 6.7 |
| Employment terminal benefits | 14 | 11.7 |
| **TOTAL** | **120** | **100** |

## 4.13 Number of businesses operated by one micro-entrepreneur

It was further established that 25% of the respondents were able to diversify their businesses as a result of having had access to micro-financial services. As Table 4.10 below shows, 22% of the respondents were operating two businesses while 5% were operating three businesses. The rest (72%) had not changed their businesses. Those who had opted to diversify their businesses felt that the second business was a fall-back option in case the first business collapsed due to unavoidable eventualities such as City Council evictions, fire hazard or theft. An insignificant number of the respondents (3 cases only) reported that the second business was to cushion them against total loss of income in case of defaulting on loan repayments which would mean attaching the goods or equipment of the first business, which were normally pledged as security items against default in some instances. A further observation was that, most of those who had diversified their businesses either operated them in one business premises or nearby for better and easier management purposes.

**Table 4.10: Number of businesses operated by one micro-entrepreneur**

| No. of businesses | Frequency | Percentage |
|---|---|---|
| One | 87 | 72 |
| Two | 26 | 22 |
| Three | 6 | 5 |
| More than three | 1 | 1 |
| **TOTAL** | **120** | **100** |

## 4.14 Years of business operation

The study established that 41% of the enterprises operated by the respondents had been in operation for less than five years, while a relatively smaller number (7%) had been in operation for more than fifteen years. Only 5% of the respondents reported to have had their businesses for only one year (Table 4.11).

**Table 4.11: Years of business operation**

| Number of years | Frequency | Percentage |
|---|---|---|
| One | 6 | 5 |
| 2-4 | 43 | 36 |
| 5-7 | 30 | 25 |
| 8-10 | 10 | 8 |
| 11-15 | 23 | 19 |
| Above 15 | 8 | 7 |
| **TOTAL** | **120** | **100** |

## 4.15 Change in technology

The study findings indicate a slight change in technology, resulting from access to micro-finance. Although over a half (59%) of the respondents reported never to have changed the technology in operation of their business, 22% of those who had adopted improved technology in their business operations reported to have done so after acquiring micro-finance (Table 4.11). This change in technology was overwhelmingly reported to have contributed to tremendous growth in business as reported by Rose (not her real name):

Before I joined the micro-finance group, my business was performing very poorly. Since mine is a food kiosk where I mainly sell chips, the customer flow was very low as most of the times the chips would be cold. I purchased a warmer with my first micro-finance loan and my business immediately started thriving. Although the economy is currently bad, I am now able to support my two children and two orphans I live with. I have even started saving a little money to take my daughter who is in standard seven to form one. Micro-finance is a God-sent gift to single mothers like me.

**Table 4.12: Change in Technology**

| Change in technology | Frequency | Percentage |
|---|---|---|
| Never used machinery | 71 | 59 |
| Used machinery before loan only | 0 | 0 |
| Used machinery after loan only | 11 | 9 |
| Used machinery both before and after Loan | 38 | 32 |
| **TOTAL** | **120** | **100** |

### 4.16 Change in savings

The study established that most female micro-entrepreneurs had embraced the importance of saving and therefore had saving accounts particularly with the non-restrictive financial institutions, such as the Postbank and other local banks which require relatively little amount of money to open and maintain an account. While the majority (60%) of the respondents was found to have been operating savings accounts both before and after accessing micro-finance, a comparatively small but significant number (17%) of those with savings accounts had opened them after joining the micro-finance institutions which had enabled them to expand their businesses and were hence capable of saving some of the extra income. The study further established that all the micro-finance institutions studied had a requirement that every individual micro-entrepreneur remits a certain minimum amount as saving either weekly or monthly as a prerequisite for loan acquisition. The saving was not only found to be crucial to the institution as it served as a guarantee to cushion against default, but also equally important to the individual client as it determined the maximum loan amount one could access. Although the respondents felt that the idea of saving was important to the institution as the money served as loan security, they expressed dissatisfaction with the practice of the micro-finance institutions of denying them access to the savings until the time when one opted out of the organization, as explained by Susan (not her real name):

> Although I know that the aim of the micro-finance institutions is to uplift the standards of living of the poor people like me, I think more needs to be done for us by these institutions. I was a victim of the fire hazard at Marigoini (a slum in Nairobi) and lost everything including the new stock of second hand clothes I had just purchased to expand my business. With a loan to repay, no basic household essentials and no meaningful business as I have been reduced to a hawker, life has been one of misery. I wish the micro-finance institutions could allow us access to a certain percentage if not all of our savings during times of need instead of only allowing us to acquire an emergency loan on top of the other normal business loan because this only leads to more problems and one is forced to default

**Table 4.13: Change in savings**

| Savings account | Frequency | Percentage |
|---|---|---|
| Never had a savings account | 20 | 17 |
| With account but not saving currently | 7 | 6 |
| Opened account after loan and currently saving | 21 | 17 |
| Saving the same amount as before loan | 6 | 5 |
| Saving more money after loan | 42 | 35 |
| Saving less money after loan | 24 | 20 |
| **TOTAL** | **120** | **100** |

## 4.17 Comparative state of income

As Table 4.14 below illustrates, the study found that a majority of the respondents had experienced improved income after accessing micro-financial services. While only 5% of the respondents reported to have been receiving the same amount of income even after obtaining credit, a highly significant number (61%) indicated increment in income after accessing micro-finance. However, about a third (34%) reported decline in income.

**Table 4.14: Comparative state of income**

| Income | Frequency | Percentage |
|---|---|---|
| Same income as before loan | 6 | 5 |
| Slightly more income after loan | 34 | 28 |
| Slightly less income after loan | 19 | 16 |
| Income increased after loan by more than half | 40 | 33 |
| Income decreased after loan by more than half | 21 | 18 |
| **TOTAL** | **120** | **100** |

## 4.18 Employees

All the respondents reported to be involved in the daily management of their enterprises and either operated their businesses single-handedly or had employees. About two-fifths (43%) of the respondents reported to have permanent employees. Forty-six per cent of those with permanent employees reported to have employed them after accessing micro-finance services. Other respondents reported to have a combination of both permanent and casual workers while others only engaged the services of casual workers. A small percentage (14%) of the respondents said they had engaged their family members either on paid or unpaid terms.

## 4.19 Comparative payment of salaries/ wages to employees

The study findings in Table 4.15 below show that 30% of those respondents paying either salaries or wages reported to have continued paying the same amount of money even after accessing micro-finance, while 22% stated that they had increased their employees' salaries and wages after receiving loans. Over a quarter (27%) of the respondents, however, reported to have enlisted the services of either permanent or casual employees only after accessing micro-finance.

**Table 4.15: Comparative payment of salaries /wages to employees**

| Salary/wage | Frequency | Percentage |
|---|---|---|
| More amount after loan | 18 | 22 |
| Less amount after loan | 12 | 15 |
| Same amount as before loan | 25 | 30 |
| Payment before loan only | 5 | 6 |
| Payment after loan only | 22 | 27 |
| **TOTAL** | **82** | **100** |

### 4.20 Business premises ownership

Regarding the ownership of the business premises, over a half (57%) of the respondents reported to be the owners, while a relatively smaller number (11%) operated their businesses from no fixed abodes and were mostly hawkers. About one third (32%) of the respondents, however, were operating from rented premises, while an insignificant number (five cases only) had changed their business premises after acquiring a loan either from semi-permanent to permanent premises or from hawking to rented premises. This indicates that access to micro-finance has insignificantly influenced change in business premises.

**Table 4.16: Business premises ownership**

| Business premises | Frequency | Percentage |
|---|---|---|
| Owned premises | 68 | 57 |
| Rented premises | 39 | 32 |
| Hawker | 13 | 11 |
| **TOTAL** | **120** | **100** |

### 4.21 Payment for licences

While according to the Nairobi City Council by-laws all entrepreneurs should pay for licences in order to be allowed to operate their business, it was noted that only 42% of the respondents were obliging. This was either in form of the then newly introduced daily fee of KES 25 or the standard annual licence paid according to the nature and premises of the business. Thirteen per cent of those who were paying the required licences had commenced paying after obtaining loans from micro-finance institutions.

**Table 4.17: Payment for licences**

| Payment of Licence | Frequency | Percentage |
|---|---|---|
| Never paid for any licence | 68 | 57 |
| Started paying more on licence after loan | 6 | 5 |
| Started paying less on licence after loan | 2 | 2 |
| Pay same amount on licence as before loan | 27 | 22 |
| Only started paying for licence after loan | 16 | 13 |
| Stopped paying for licence after loan | 1 | 1 |
| **TOTAL** | **120** | **100** |

## 4.22 Record keeping

The study found that most (66%) of the micro-entrepreneurs studied kept business records, a practice they had embraced since establishing their businesses prior to accessing micro-finance. An insignificant number of the respondents (8%), however, started record keeping only after accessing micro-financial services, particularly the training aspect which focuses mainly on basic business management training (Table 4.18). The training was noted to be offered free of charge by some micro-finance institutions as a complimentary to other micro-financial services. Some respondents reported to have benefited immensely from this training as narrated by Faith (not her real name):

> I used to work as a civil servant but was unfortunately retrenched. With the dues I received from the government, I started a pig rearing business in my home in Ngong. The business did not do well at first and I incurred a lot of losses hence depleting all my resources. A friend advised me to join her micro-finance group and I was lucky to be trained on the basic skills in business management. The training plus the loan I received from the institution helped me in reviving my business. I have even been able to access better market for my pork and my business has expanded. Because of the success in my business, my husband has resigned and we are managing the business together.

We have managed to send our two children to private universities in the country and we are currently planning to buy a pickup. Had it not been for the training I received, I wouldn't have reached this far.

**Table 4.18: Record Keeping**

| Record Keeping | Frequency | Percentage |
|---|---|---|
| Record keeping after loan only | 9 | 8 |
| Record keeping before loan only | 5 | 4 |
| Record keeping before and after loan | 79 | 66 |
| Never kept business records | 27 | 22 |
| **TOTAL** | **120** | **100** |

### 4.23 Separation of finances

In addition to keeping of records, the study found that about half (49%) of the respondents separated their business finances from their household finances. However, a significant number (45%) did not do so. Only a small percentage (5%) of those interviewed had embraced financial separation after accessing micro-finance (Table 4.19). Access to micro-finance therefore had little influence on this important aspect of business management.

**Table 4.19: Separation of finances**

| Financial separation | Frequency | Percentage |
|---|---|---|
| Separation before and after micro-finance | 59 | 49 |
| No separation before and after micro-finance | 54 | 45 |
| Separation before micro-finance only | 1 | 1 |
| Separation after accessing micro-finance only | 6 | 5 |
| **TOTAL** | **120** | **100** |

### 4.24 Business decision-making

As the majority of the micro-entrepreneurs interviewed owned their business, a similar overwhelming number (86%) reported to have been making all the decisions on the day-to-day running of their enterprises. Only a small percentage (10%) reported to be making decisions jointly with their husbands while only 3% stated they entirely allowed their spouses to make major business decisions (Table 4.20).

**Table 4.20: Business decision-making**

| Decision maker(s) | Frequency | Percentage |
|---|---|---|
| Sole decision maker | 103 | 86 |
| Self and spouse before and after micro-finance | 7 | 6 |
| Self before micro-finance but self and spouse after | 5 | 4 |
| Self before micro-finance but spouse after | 4 | 3 |
| Self and others before and after micro-finance | 1 | 1 |
| **TOTAL** | **120** | **100** |

# CHAPTER FIVE

# THE EFFECTS OF MICRO-FINANCE ON FEMALE MICRO-ENTREPRENEURS' SOCIAL STATUS IN NAIROBI

## 5.1 Introduction

This chapter presents findings on the effects of microfinance on the social status of female micro-entrepreneurs in the city of Nairobi. The indicators of social status studied were the state of housing, nutrition, education, family responsibilities, membership to social organizations and decision- making.

## 5.2 Number of Children

As illustrated in Table 5.1 below, 42% of the respondents had three or four children while only 8% had seven or more children. An insignificant number (4%) reported to have had no children at all. A majority (76%) of the respondents did not have any children below school-going age while only one case had three children below school-going age. The rest (23%) had either one or two children in this age bracket.

**Table 5.1: Number of children**

| Number of children | Frequency | Percentage |
|---|---|---|
| None | 5 | 4 |
| 1-2 | 46 | 38 |
| 3-4 | 50 | 42 |
| 5-6 | 10 | 8 |
| 7 and Above | 9 | 8 |
| **Total** | **120** | **100** |

## 5.3 Number of dependants not living with respondent in Nairobi

A majority (70%) of the respondents were involved directly in supporting other dependants besides their own nuclear families. Two-fifths ( 40%) of the respondents were providing for one or two dependants while a small number (12%) were supporting more than five dependants living mostly in the rural areas (Table 5.2). These dependants included elderly parents, siblings or other relatives and orphaned children.

**Table 5.2:Number of dependants not living with the respondent in Nairobi**

| Number | Frequency | Percentage |
|---|---|---|
| None | 40 | 30 |
| 1-2 | 45 | 40 |
| 3-4 | 20 | 18 |
| 5-6 | 10 | 8 |
| 7 and Above | 5 | 4 |
| **Total** | **120** | **100** |

## 5.4 Household size in Nairobi

Apart from providing for dependants living elsewhere, a majority (65%) of the respondents had households in Nairobi which consisted of between four and seven members, as Table 5.3 below indicates. About one-tenth (9%) of the respondents reported large household sizes of eight members and above. Neither the number of dependants nor the household sizes were significantly affected by access to micro-financial services. A majority of the respondents (72%) said they had experienced no change in the household size in Nairobi since accessing micro-finance. An insignificant number (11%) reported a decline in household sizes since accessing microfinance services. One reason for decrease in the number of dependants was ill-health of the respondent, and the resultant business failure, hence loss of income.

**Table 5.3: Household size in Nairobi**

| Size | Frequency | Percentage |
|---|---|---|
| 1 | 4 | 3 |
| 2-3 | 30 | 25 |
| 4-5 | 52 | 43 |
| 6-7 | 24 | 20 |
| 8-9 | 7 | 6 |
| 10 and above | 3 | 3 |
| **Total** | **120** | **100** |

## 5.5 Type of Housing

The findings indicate that most respondents (69%) were living in permanent houses before and after accessing micro-finance while a relatively small number (28%) were living in semi-permanent houses before and after micro- finance. An insignificant number (3%), however, had moved from semi-permanent to permanent houses after accessing micro-finance.

**Table 5.4: Comparative nature of housing before and after micro-finance**

| Type of Housing | Frequency | Percentage |
|---|---|---|
| Permanent before and after micro-finance | 83 | 69 |
| Semi-permanent before and after micro-finance | 34 | 28 |
| Semi-permanent before but permanent after | 3 | 3 |
| Permanent before but semi-permanent after | 0 | 0 |
| **Total** | **120** | **100** |

## 5.6 Membership to social organizations

The findings indicate that a majority (86%) of the respondents were participating in social activities and were therefore members of various social groups. Table 5.5 below illustrates this.

**Table 5.5: Membership to social organizations**

| Membership to social organization | Frequency | Percentage |
|---|---|---|
| Yes | 86 | 72 |
| No | 34 | 28 |
| **Total** | **100** | **100** |

## 5 7 Position held in social organizations

The findings of the study indicate that a relatively small but significant percentage (17%) of the respondents were elected as officials of their social organizations after accessing micro-finance as compared to only 2% who held positions before micro-finance (Table 5.6).

**Table 5.6: Comparative positions held before and after micro-finance**

| Position held | Frequency | Percentage |
|---|---|---|
| No positions held before and after | 35 | 41 |
| Position held before only | 2 | 2 |
| Position held only after | 15 | 17 |
| Positions held before and after | 34 | 40 |
| **Total** | **86** | **100** |

## 5.8 Decision for loan acquisition

Most (84%) of the micro entrepreneurs interviewed had made independent decisions to acquire micro-finance services. This is despite the fact that 68% of them stated that they were married. Only 12% of the married respondents had made the decision jointly with their spouses. Four cases, however, reported that their spouses solely made the decision for the loan. For the married entrepreneurs who made the decision to acquire loans independently, 75% reported that the spouses were supportive while a small number (16%) indicated that the spouses were unsupportive. Four cases did not, however, mention to their spouses about the services for fear that their spouses would demand money (Table 5.7). However, ten cases amongst the married respondents reported that their spouses either borrowed or just demanded some of the money. However, in all the cases reported to have given out money only half of them managed to get it back.

**Table 5.7: Decision for loan acquisition**

| Decision maker | Frequency | Percentage |
|---|---|---|
| Self | 101 | 84 |
| Spouse | 4 | 3 |
| Self and spouse | 14 | 12 |
| Self and non-relatives | 1 | 1 |
| **Total** | **120** | **100** |

### 5.9 Decision-making on children's education for married respondents

Regarding children's education, 41% of the respondents reported that the decision was solely made by their spouses before and even after accessing micro-finance, while 18 % had been making the decisions alone before and after accessing micro-finance. An insignificant number (6%), however, had started making decisions jointly with their spouses after accessing micro-finance (Table 5.8).

**5.8: Decision-making on children's education for married respondents**

| Decision maker | Frequency | Percentage |
|---|---|---|
| Self before and after micro finance | 15 | 18 |
| Spouse before and after microfinance | 33 | 41 |
| Self and spouse before and after microfinance | 28 | 35 |
| Spouse before, self and spouse after | 5 | 6 |
| TOTAL | **81** | **100** |

## 5.10 Major household decisions such as housing and investments

Similar to children's education, the same situation in terms of decision- making in the family ( Table 5.9 below) was also noted especially on major issues such as housing, health care provision and investments, whereby the spouses were the major decision makers irrespective of whether their wives had accessed microfinance or not.

**Table 5.9: Decision-making on family housing and investments amongst married respondents**

| Decision maker | Frequency | Percentage |
|---|---|---|
| Self before and after microfinance | 8 | 10 |
| Spouse before and after microfinance | 37 | 46 |
| Self and spouse before and after microfinance | 28 | 35 |
| Spouse before, self and spouse after microfinance | 6 | 7 |
| Self before, spouse after microfinance | 1 | 1 |
| Spouse before, self after micro finance | 1 | 1 |
| **TOTAL** | **81** | **100** |

## 5.11 Minor household decisions

Women were, however, found to have an upper hand in decision-making on matters relating to children's clothing, nutrition, and purchase of minor household items as well as dealing with domestic workers, as shown in Table 5.10 below.

**5.10: Minor household decisions**

| Decision maker | Frequency | Percentage |
|---|---|---|
| Self before and after microfinance | 58 | 72 |
| Spouse before and after microfinance | 5 | 6 |
| Self and spouse before and after microfinance | 14 | 17 |
| Spouse before but self and spouse after microfinance | 4 | 5 |
| **TOTAL** | **81** | **100** |

## 5.12 Effects of micro-finance on household nutrition

As shown in Table 5.11 below, a majority (78%) of the respondents reported that their overall household nutrition had improved after accessing micro-finance, while an insignificant number (4%) reported their household nutrition to have worsened following access to micro-finance.

**Table 5.11: Effects of micro-finance on household nutrition**

| Effects | Frequency | Percentage |
|---|---|---|
| Improved | 93 | 78 |
| About the same | 22 | 18 |
| Worsened | 5 | 4 |
| **Total** | **120** | **100** |

## 5.13 Effects of micro-finance on household health

As shown in Table 5.12 below, a majority (83%) of the respondents reported that their overall household health had improved following access to micro-finance. A few respondents (3%), however, reported that their household health had worsened following access to micro-finance.

**Table 5.12: Effects of micro-finance on household health**

| Effects | Frequency | Percentage |
|---|---|---|
| Improved | 99 | 83 |
| About the same | 17 | 14 |
| Worsened | 4 | 3 |
| **Total** | **120** | **100** |

## CHAPTER SIX

## DISCUSSION AND CONCLUSIONS

### 6.1 Introduction

This chapter discusses the major research findings and relates them to relevant literature in line with the study objectives. Conclusions and recommendations are drawn from the main issues arising from the study. The objectives of the study were to: examine the effects of micro-finance on the economic status of women beneficiaries; and to document and discuss the impact of micro-finance on the social status of women beneficiaries.

### 6.2 Effects of micro-finance on the economic status of women beneficiaries

The study found that before accessing micro-finance, a majority (69%) of the respondents had not obtained any form of funding for their businesses from any other source apart from personal savings or from spouses, while only 3% had obtained credit from financial institutions. Kamau (2002) found that 70 per cent of the respondents had obtained capital for their first businesses from their own personal savings. This is attributed to stringent requirements by formal banking institutions, one of which is availability of collateral in form of land title deed or vehicle log book which most micro-entrepreneurs cannot avail.

The credit advanced to micro-entrepreneurs is usually relatively small as attested by the study findings which indicate that a majority (75%) had acquired loans amounting to less than KES 50,000. This scenario is brought about by the fact that the loans are usually progressive, meaning that the amount increases depending on the duration of membership, consistency in loan repayments and the amount of saving for a given member or group. The other reason is that micro-entrepreneurs engage in micro-businesses which require low capital to operate. These include the running of hair salons , greengroceries, selling second-hand clothes and shoes, hawking food within factories, dressmaking and embroidery, running of mini shops (kiosks) , selling new clothes and beauty accessories, mobile phone services, poultry rearing, selling of cloth materials, selling of charcoal and grains as well as running of mini hotels, especially in the slum areas.

A majority (72%) of the micro-entrepreneurs were found to be operating only one business, while the rest (28%) were operating more than two businesses. Most of those operating only one business gave lack of capital for expansion as the main reason. Similar findings were established by Wambaria (2005) where 75 per cent of the respondents reported lack of credit as the main constraint to their business growth. For those with more than one business, fall-back position was given as the main reason in case of a business failure or calamity like fire or eviction by the city council. Others use one business as security for loan acquisition and therefore the second business is meant to cushion them in case of defaulting, which usually leads to auctioning of their wares.

The micro-businesses run by micro-entrepreneurs are low investment ventures which can be run by one person. The study, however, established that some respondents had engaged the services of either permanent employees or casual labourers to assist them. Half of those with permanent employees had employed them after accessing micro-finance, an indication that their businesses had expanded. Mathenge (2008) found that three-quarters of the respondents had engaged the services of one employee.

Micro-finance was found to have contributed insignificantly to change in technology as only 9% of the respondents had adopted improved technology after accessing the services. The main explanation for this is that most micro-businesses require simple or no technology to operate; therefore, the need for its improvement is minimal. Contrary to these findings, the study found that a majority (61%) of the respondents had experienced improved income following access to micro-finance. This could be attributed to business diversification or business management skills offered by the micro-finance institutions or even exposure to more or better markets. Access to micro-finance was also found to have insignificantly influenced change in business premises as only 5 cases reported having moved from semi-permanent to permanent ones.

From the present study, it appears that 42% of the respondents were obliging to the City Council of Nairobi by-laws which require payment of licences for every business. A small number (13%) had, however, commenced payments after accessing micro-finance. Contrary to these findings, Mogire (2003) found that only 12% of the respondents were paying for licences. The reasons given for non-compliance were that the licences were expensive, cumbersome and time consuming.

## 6.3 The effects of micro-finance on the social status of women beneficiaries

From the survey findings, it is clear that the majority (69%) of the respondents fell within the age bracket of between 34 and 49 years. The findings further indicate that a majority also had attained secondary level of education of between form one and form four.

Most (86%) of the micro-entrepreneurs were solely responsible for all decisions regarding the running of their businesses. Similarly, 85% of the respondents were found to be the sole decision makers on loan acquisitions. Decisions, however, regarding major family issues like children's education and family investments were mainly the responsibility of their spouses. A majority of the married respondents only made decisions on minor family issues such as purchasing of small household items and domestic workers. This is, however, typical of most Kenyan families where by the men are considered heads of households and primary providers.

One's residence or state of housing is an indicator of social status. Most respondents stated that they had not changed their residence following access to micro-finance. Hospes et al. (2002), in their study on Kenya Women Finance Trust clients, found that only 14 per cent had changed their residence following access to micro-finance. Of these, 72 per cent reported that the new residences were better. Jamii Bora has put up a housing complex in Kajiado for its members to encourage them to own houses. This has gone a long way towards enhancing the beneficiaries' social status considering that the institution started with street beggars.

Increased income usually has a multiplier effect on a family's general health. The study found that a majority of the respondents were enjoying better health care following access to micro-finance. According to Hospes et al. (2002), the clients started accessing higher quality health care services with the number of loans they received. Those on their third or more loans were accessing private health care, which is considered of better quality than what is generally provided at public health facilities. This improved health care can also be attributed to attractive medical schemes offered by some micro-finance institutions in Kenya.

The Tanzania Post Bank diversified to insurance business in 2005, to provide a one-stop shop for borrowers for insurance requirements. By 2007, the Bank had realized USD 8.8 million as revenue from insurance services (WSBI, 2008). The study findings further indicate that the household nutrition had improved for a majority of the beneficiaries. This is attributable to increased income following access to micro-finance. According to Kamau

(2002), the training accorded to the beneficiaries, coupled with increased income, resulted in improved household food security and better nutritional status for the entire household.

From the study findings, it is clear that most respondents were members of social organizations. A significant number had gone ahead to vie for elective positions and won after accessing micro-finance. This suggests that micro-finance accords the beneficiaries the necessary exposure through group activities and also interaction with field officers of micro-finance, which further enhances their self-confidence and self-esteem. Also, it implies that beneficiaries of micro-finance are accorded more respect by their community, more so those who have utilized the services well and have succeeded.

## 6.4 Conclusion

The purpose of this study was to examine the impact of micro-finance on women's socio-economic empowerment in Nairobi. The study revealed that micro-finance has a positive socio-economic impact on women beneficiaries. This is through increased income, business expansion, better business management skills offered mainly by micro-finance institutions , more and better markets, saving facilities, improved family health due to availability of affordable health insurance and better nutrition for the family. The study further revealed that proper utilization of micro-finance, particularly credit, is crucial as its mismanagement has disastrous effects more so where one defaults on loan repayment.

## 6.5 Recommendations

Based on the findings, this study makes two types of recommendations, namely, policy recommendations and issues for future research.

### Policy recommendation

- The government should enhance its supervisory role on micro-finance institutions. The Micro-Finance Act and the subsequent micro-finance regulations offer clear guidelines on the operation and management of micro-finance institutions but the supervisory role is skewed towards the deposit taking micro-finance institutions. This scenario has seen many micro-entrepreneurs lose their money from bogus micro-finance institutions who demand a certain amount in savings before one can be allowed to access credit.

- It is prudent for micro-finance institutions to devise other ways of ensuring that loan defaulters pay up instead of just attaching the savings of other group members and leaving them to follow the defaulters on their own.

**Recommendation for future research**

- A study on determinants of success and failures in business following access to micro-finance would shed more light on why relatively similar micro-enterprises exposed to same conditions perform differently following access to micro-finance.

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*APPEDIX A*

**QUESTIONNAIRE FOR MICRO FINANCE BENEFICIARIES**

**Respondent No.**

**Date of Interview**

**Micro Finance Institution**

## INTRODUCTION

How are you? My name is Salome, a student at the University of Nairobi. I am undertaking a research on the impact of micro finance on women's socio- economic empowerment in Nairobi. This research has been cleared by the Ministry of Education. I would like to know your experience with the micro finance services offered to you. Besides enabling me to compile my university thesis, this information could be used to advise policy makers on appropriate measures to promote micro finance services in the country. All the information you give will be treated in confidence and you will not be quoted in my report. I wish to request you to spare some time to answer some questions.

*RESPONDENTS BACKGROUND INFORMATION*

1. **What is your age?........................**

2. **What is you marital status?**

   1) Married ☐ 2) Single ☐

   3) Divorced/Separated ☐

   4) Widowed ☐

3. **Level of education**

1. None ☐

2. Primary ☐
3. Secondary 1-4 ☐
4. Secondary 5-6 ☐
5. University /College (Specify) ……………………………
6. Adult literacy ☐
7. Other (specify)……………………………………

**4. Current Religion**

1. Traditionalist ☐
2. Roman Catholic ☐
3. Protestant ☐
4. Muslim ☐
5. Other (specify)……………………………………………

**5. No. of children**………………………………………………………………………………

**6. No. of children below school going age**……………………………………

LOAN SOURCES AND USAGE

**7. When did you obtain your current/last loan?**

1. ☐ Last 6 months
2. ☐ Between 6-12 months
3. ☐ Last 1 year
4. ☐ 1-2 years
5. ☐ More than 2 years

**8. What was the loan amount?**……………………………………

**9. What is/was the interest rate?**…………………………………

**10. From whom did you learn about the micro finance institution?**

1. ☐ Advertisement
2. ☐ Friends/Neighbours
3. ☐ Church
4. ☐ Micro finance institutions field officers
5. ☐ Relatives
6. ☐ Government official
7. ☐ Other (Specify)

**11. How did you utilize the money?**

1. On business start up ☐
2. On purchase of machinery ☐
3. On business expansion ☐
4. On business and household needs ☐
5. On other needs (specify)..........................................................................

**12. Was this your first loan from an institution?**

1. Yes ☐ ☐
2. No

**13. Before the current loan from an institution, from where else Have you borrowed money for business?**

1. Shylock/money lender ☐
2. Friends and relatives ☐
3. Credit union ☐
4. Husband/partner ☐
5. Children ☐
6. Parents ☐

7. Other (specify)…………………………………………………………………

**b) How much was the amount borrowed?…………………………………..**

**14. Have you borrowed any large amount of money while still servicing the current loan?**

1. Yes ☐
2. No ☐

**15. Would you say the current/last loan you received from the micro finance institution was adequate?**

1. Yes ☐
2. No ☐

**b) If No, why didn't you request for more money?**

1. My savings could not qualify for more ☐
2. Feared the consequences of asking for more ☐
3. Did not want to ask for more ☐
4. Members of the group did not allow it ☐
5. The institution declined to give me more although approved by group. ☐
6. Other (Specify) ……………………………………..

**c) If No, from where did you obtain the deficit?**

1. Personal savings ☐
2. Family and friends ☐
3. From shylock/money lender ☐
4. From institution (Specify) ……………………………
5. From savings and credit organizations ☐
6. Other (Specify) ………………………………………….

16. (a) **Are you up to date in the loan repayment?** 1. Yes ☐ 2. No ☐

(b) If No, explain the reasons ....................................

17. (a) When **did you join the micro finance institution as a client?**........................................................... ☐

(b) **Was this your first micro finance institution to join** 1. Yes No ☐

c) **If No and you are still an active member of the first institution explain why you have joined two /more institutio** ☐

1. To enable me get more credit
2. They offer different services ☐ ☐
3. Wish to leave the former gradually
4. Able to participate in both without straining ☐
5. Other (specify).....................................................................

(d) **If you have left another micro finance institution for the current one, explain what attracted you to the current one.**

1. Low interest rate on loan ☐ ☐
2. Longer grace period before loan repayment commences
3. No weekly meetings ☐ ☐
4. Loan repayment period too short
5. No compulsory savings ☐
6. No harassment by field officers ☐
7. Co-operative group members ☐
8. Institution appears reliable as compared to the other ☐
9. Location of the institution convenient for me ☐
10. Other (specify).......................................................

## ECONOMIC IMPACT

**18. What type of business (es) do you engage in currently?**

| Type of business | Location | Year started | Supported by loan (Yes or No) |
|---|---|---|---|
| 1…………………… | …………… | ……………… | |
| | …………………… | | |
| 2. ……………… | …………… | ……………… | |
| | …………………… | | |
| 3. ……………… | …………… | ……………… | |
| | …………………… | | |

**19. What type of business (es) were you engaged in before acquiring your first loan?**

| Type of business | Location | Capital Source |
|---|---|---|
| 1. …………………… | ………………………… | |
| ………………………………… | | |
| 2. . …………………… | ………………………… | ……………………………… |
| 3. . …………………… | ………………………… | ……………………………… |
| 4. . …………………… | ………………………… | ……………………………… |

**20. Where would you say was your major source of capital for establishing your first business?**

1. Loan from a commercial bank ☐
2. Loan from a micro finance institution ☐
3. Loan from a shylock/money lender ☐

4. Personal savings
5. Borrowed from husband/partner
6. Borrowed from relatives and friends
7. Merry go round
8. Other (Specify)……………………………………………………………

**21. Where would you say was your major source of capital for establishing the current business (es) supported by micro- credit?**

1. Loan from a commercial bank
2. Loan from a micro finance institution
3. Loan from shylock/money lender
4. Personal savings
5. Borrowed from husband/partner
6. Borrowed from relatives and friends
7. Merry go round
8. Other (Specify)……………………………………………………………

**22. Do you use any machinery in your business ?**

| **Before the loan** | **Currently** |
|---|---|
| Yes | Yes |
| No | No |

**23. Do you have a savings account?**

| **Before the loan** | **Currently** |
|---|---|
| Yes | Yes |
| No | No |

**24. If you save with the micro finance institution, is this saving voluntary or a requirement?**

Voluntary ☐

Requirement ☐

Voluntary and a requirement ☐

Other (Specify)……………………………………………………..

**25. What do you estimate to be your average monthly saving?**

| **Before the loan** | **Currently** |
|---|---|
| ……………………………………… | ……………………………………………… |

**26. How much is your weekly/monthly (specify) loan repayment?**

……………………………………………………..

**27. What is your average business income per month?**

Before loan                                   Currently

……………………………………………

……………………………………………

**28. What is your average business profit per month?**

Before loan                                   Currently

……………………………………………

……………………………………………

**29. Where did you acquire the skills on the business (es) you engage in?**

1. Trained in an institution ☐

2. Learnt through experience ☐

3. Through apprenticeship ☐

4. Learnt from family member ☐

**30. Have you trained anyone on this particular business (es)?**

Yes ☐

No ☐

**31. How many workers do you have in your business?**

| | *Before first loan* | *Currently* |
|---|---|---|
| 1. Permanent employees | .............................. | .................. |
| 2. Temporary employees | .............................. | .................. |
| 3. Casual labourers | .............................. | .................. |
| 4. Paid family members | .............................. | .................. |
| 5. Unpaid family members | .............................. | .................. |
| Total workers | .............................. | .................. |

**32. How much money on average per month do you spend on the following?**

| | **Before 1st loan** | **Currently** |
|---|---|---|
| 1. Business premises rent | .............................. | ............................ |
| 2. Salary | .............................. | ............................ |
| 3. Transport | .............................. | ............................ |
| 4. Utilities | .............................. | ............................ |
| 5. Licences | .............................. | ............................ |

6. Other (specify) ................................ ............................

Total ................................ ............................

**33. Do you practice business record keeping?**

| **Before first loan** | **Currently** |
|---|---|
| 1. Yes | 1. Yes |
| 2. No | 2. No |

**34. Do you separate your business finances from your household finances ?**

| **Before first loan** | **Currently** |
|---|---|
| 1. Yes | 1. Yes |
| 2. No | 2. No |

**35. What is the ownership nature of the loan supported business ?**

1. Sole owner
2. Partnership with spouse
3. Partnership with other relatives
4. Partnership with non-relatives
5. Other (specify)..........................................

**36. What was the ownership nature of the loan supported business (es) before acquisition of the loan?**

1. Sole owner

2. Partnership with spouse
3. Partnership with other relatives
4. Partnership with non-relatives
5. Other (specify) ........................................

**37. (a)Who makes the major business decisions concerning the loan supported business?**

| | Before 1st loan | Currently |
|---|---|---|
| 1. Self | ☐ | ☐ |
| 2. Spouse | ☐ | ☐ |
| 3. Spouse & self | | |
| 4. Joint with others | ☐ | ☐ |
| | ☐ | ☐ |

(b) Who made the decision on the loan usage?

1. Self ☐
2. Spouse ☐
3. Other ☐

**38. What would you say in the effect of micro finance on your business?**

1. Expanded ☐
2. Remained the same ☐
3. Worsened ☐
4. Other (specify)........................................................

**39. Do you think other factors besides micro finance might have contributed to the above?**

Yes ☐

No ☐

If yes, please explain ……………………………………………………………

*SOCIAL IMPACT*

**40. What is your household size in Nairobi?**

| **Before 1st loan** | **Currently** |
|---|---|
| ……………………………… | ……………………………………… |

**41. Specify the number of other dependents not living with you?**

| **Before 1st loan** | **Currently** |
|---|---|
| ………………………………… | …………………………… |

**42. What is your average household income per month?**

| | **Before 1st loan** | **Currently** |
|---|---|---|
| 1. Self | ………………………… | ………………………… |
| 2. Spouse/partner | ……………………….. | ……………………… |
| 3. Children /parents | ………………………….. | ……………………… |
| 4. Others (specify) | ………………………….. | ……………………… |

**43.(a) Who makes the major decisions in your household concerning the following between self, spouse and others**

| | **Self** | **Spouse** | **Others** |
|---|---|---|---|
| 1. Children's education | ☐ | ☐ | ☐ |
| | ☐ | ☐ | ☐ |
| 2. Medical care | | | |
| 3. Nutrition | ☐ | ☐ | ☐ |
| 4. Housing | ☐ | ☐ | ☐ |
| 5. Investments | ☐ | ☐ | ☐ |
| | ☐ | ☐ | ☐ |

6. Clothing
7. Major purchases (e.g., plot)
8. Minor purchases (e.g., minor households)
9. Others (Specify)…………………………………………

**b) Who was making major household decisions in your household concerning the following between self, spouse and others before loan acquisition?**

| | Self | Spouse | Others |
|---|---|---|---|
| 1. Children's education | ☐ | ☐ | ☐ |
| 2. Medical care | ☐ | ☐ | ☐ |
| 3. Nutrition | ☐ | ☐ | ☐ |
| 4. Housing | ☐ | ☐ | ☐ |
| 5. Investments | ☐ | ☐ | ☐ |
| 6. Clothing | ☐ | ☐ | ☐ |
| 7. Major purchases (e.g., plot) | ☐ | ☐ | ☐ |
| 8. Minor purchases (e.g., minor households) | ☐ | ☐ | ☐ |
| 9. Others (Specify…………………………… | | | |

**44. (a) Whose decision was it that the current loan be acquired?**

1. Self ☐
2. Spouse ☐
3. Self and spouse ☐
4. Other ☐

**(b) If the decision was self, what was the reaction of your spouse/partner?**

1. Supportive ☐
2. No reaction ☐

3. unsupportive ☐

4. Other (specify)………………………………..

**(c) Did your spouse/partner demand all or some of the money?**

1. Yes ☐

2. No ☐

**(d) If yes, was this money given out?**

1. Yes ☐

2. No ☐

**(e) If yes, has this money been returned?**

1. Yes ☐

2. No ☐

**(f) If not returned, what action have you taken?**

1. Was used in the family so I didn't mind ☐
2. Forgave him, though not used in the family ☐
3. Reported to elders and matter settled ☐
4. Was threatened, so kept quiet ☐

**(g) If you took another loan and your spouse demanded the money, would you surrender it to him?**

1. Yes ☐
2. No ☐

**45. (a) How was your marital relationship before acquisition of the loan?**

1. Very good ☐
2. Good ☐
3. Bad ☐
4. Very bad ☐
5. Separated/divorced ☐

**(b) How was your marital relationship after acquisition of the loan?**

1. Very good ☐

2. Good ☐

3. Bad ☐ ☐

4. Very bad

5. Considering separation/divorce ☐ ☐

6. Separated/divorced

**46. (a) Are you a member of any social organization?**

Yes ☐

No ☐

(b)If yes (specify

| | Before loan | | Currently | |
|---|---|---|---|---|
| 1. Church committee | Yes ☐ | No ☐ | Yes ☐ | No ☐ |
| 2. School committee | Yes ☐ | No ☐ | Yes ☐ | No ☐ |
| 3. Estate welfare committee | Yes ☐ | No ☐ | Yes ☐ | No ☐ |
| 4. Women organization | Yes ☐ | No ☐ | Yes ☐ | No ☐ |
| 5. Charity organization | Yes ☐ | No ☐ | Yes ☐ | No ☐ |
| 6. Professional organization | Yes ☐ | No ☐ | Yes ☐ | No ☐ |

7. Other (specify)…………………………………………………………

(c) If answer to 46 (a) is yes, specify any position (s) held

| **Before 1st loan** | **Currently** |
|---|---|
| ……………………………… | ……………………………… |
| ……………………………… | ……………………………… |
| ……………………………… | ……………………………… |

………………………………… ………………………………

……………………………………… ………………………………

**47. Indicate the post school training you have attended**

| Course | Organization | Duration | Year |
|---|---|---|---|
| …………………… | ………………………… | ………………….. | ………. |
| …………………… | ………………………… | ………………….. | ………. |
| …………………… | ………………………… | ………………….. | ………. |
| …………………… | ………………………… | ………………….. | ………. |

**48.(a) Have you sponsored yourself for any business related training?**

| **Before 1st loan** | **After 1st loan** |
|---|---|
| 1. Yes ☐ | 1. Yes ☐ |
| 2. No ☐ | 2. No ☐ |

(b) If yes please specify……………………………………………………………………..

**49. Are any of your children out of school due to lack of school fees?**

| Before loan | Currently |
|---|---|
| Yes ☐ | Yes ☐ |
| No ☐ | No ☐ |

**50. (a) Are your children ever sent away from school due to non-payment of school fees?**

| | *Before loan* | *Currently* |
|---|---|---|
| 1. Never | ☐ | ☐ |
| 2. Sometimes | ☐ | ☐ |
| 3. Always | ☐ | ☐ |

4. Rarely ☐ ☐

**(b) How much money per year do you spend on children's and dependants' education? ………………………………………………………**

**51. What is your average household expenditure per month in Kenya shillings?**

*Before loan* *Currently*

……………………………… ………………………

**52. (a) Who spends more on the following household items between self, spouse and others?**

| | Self | Spouse | Others |
|---|---|---|---|
| 1. Children's education | ☐ | ☐ | ☐ |
| 2. Medical care | ☐ | ☐ | ☐ |
| 3. Food | ☐ | ☐ | ☐ |
| 4. House rent | ☐ | ☐ | ☐ |
| 5. Major purchases (e.g. land) | ☐ | ☐ | ☐ |
| 6. Investments (e.g. shares, plots development) | ☐ | ☐ | ☐ |
| 7. Clothing | ☐ | ☐ | ☐ |
| 8. Minor household purchases | ☐ | ☐ | ☐ |
| 9. Payment of household workers | ☐ | ☐ | ☐ |
| 10. Payment of utilities | ☐ | ☐ | ☐ |

11. Other (specify)……………………………………………………

**(b) What major family assets do you possess in Nairobi?**

| | **Before 1st loan** | **Currently** |
|---|---|---|
| 1. Permanent house | ☐ | ☐ |
| 2. Plot (s) | ☐ | ☐ |
| 3. Car | ☐ | ☐ |
| 4. Motor cycle | ☐ | ☐ |
| 5. Bicycle | ☐ | ☐ |
| 6. Rental houses | ☐ | ☐ |
| 7. Sofasets | ☐ | ☐ |
| 8. Television | ☐ | ☐ |

53. **Do you have a househelp (maid)?**

| **Before 1st loan** | | **Currently** | |
|---|---|---|---|
| Yes | ☐ | Yes | ☐ |
| No | ☐ | No | ☐ |

54. **Have you ever participated in any voluntary activity e.g. environment clean up, charity walk, blood donation etc.?**

| **Before 1st loan** | | **After 1st loan** | |
|---|---|---|---|
| Yes | ☐ | Yes | ☐ |
| No | ☐ | No | ☐ |

55 (a) **Do you usually attend other community development meetings?**

| | *Before 1sst loan* | *Currently* |
|---|---|---|
| 1. Never | ☐ | ☐ |
| 2. Rarely | ☐ | ☐ |
| 3. Sometimes | ☐ | ☐ |
| 2. Always | ☐ | ☐ |

(b) **If you attend any of the above meetings do you usually give your opinions?**

1. Yes ☐ 2. No ☐

56. (a) **Where do you mostly seek medical help when necessary ?**

| | **Before 1st loan** | **Currently** |
|---|---|---|
| 1. Government hospital | ☐ | ☐ |
| 2. City council dispensary | ☐ | ☐ |
| 3. Private hospitals | ☐ | ☐ |
| 4. Private clinics | ☐ | ☐ |

5. Herbalist
6. Self treatment
7. Nowhere

**57. Have you ever attended any medical check up when you are not sick?**

| | **Before 1st loan** | **After 1st loan** |
|---|---|---|
| Yes | ☐ | ☐ |
| No | ☐ | ☐ |

**58. Has any member of your family ever died due to lack of proper medical attention due to lack of money?**

| | **Before 1st loan** | **After 1st loan** |
|---|---|---|
| Yes | ☐ | ☐ |
| No | ☐ | ☐ |

**59. What would you say is the effect of the loan on your overall household's health?**

1. Improved ☐
2. About the same ☐
3. Worsened ☐

**60What would you say is the effect of the loan on your overall household's nutrition?**

1. Improved ☐
2. About the same ☐
3. Worsened ☐

**61. What type of house do you live in?**

| | Before 1st loan | Currently |
|---|---|---|
| 1. Permanent | ☐ | ☐ |
| 2. Semi permanent | ☐ | ☐ |

**(b) What is/was the nature of the roofing material?**

| | Before 1st loan | Currently |
|---|---|---|
| a. Concrete | ☐ | ☐ |
| b. Iron sheets | ☐ | ☐ |
| c. Tiles | ☐ | ☐ |

**(c) What is/was the nature of the wall?**

| | Before 1st loan | Currently |
|---|---|---|
| 1. Concrete | ☐ | ☐ |
| 2. Timber | ☐ | ☐ |
| 3. Iron sheets | ☐ | ☐ |
| 4. Other (specify)............................................... | | |

**CHALLENGES**

**62.What is the nature of your business premises?**

| | Before 1st loan | Currently |
|---|---|---|
| 1. Permanent | ☐ | ☐ |
| 2. Semi permanent | ☐ | ☐ |
| 3. Open yard | ☐ | ☐ |
| 4. Street pavements | ☐ | ☐ |
| 5. Home operated | ☐ | ☐ |

6. Other (specify)

**(b) What is the ownership nature of your business?**

| | **Before 1st loan** | **Currently** |
|---|---|---|
| 1. Owner | ☐ | ☐ |
| 2. Rented | ☐ | ☐ |
| 3. No-owner | ☐ | ☐ |

4. Other (specify)................................................................................................

**63.Does your business have necessary utilities?**

| | **Before 1st wan** | **Currently** |
|---|---|---|
| 1. Water | ☐ | ☐ |
| 2. Electricity | ☐ | ☐ |
| 3. Access by tarmac road | ☐ | ☐ |
| 4. Fixed telephone | ☐ | ☐ |
| | ☐ | ☐ |

**64. What challenges do you face as a woman, trying to do business in Nairobi?**

1.........................................................................................................

2 .........................................................................................................

3 .........................................................................................................

4 .........................................................................................................

.........................................................................................................

5 ..........................................................................................................

6 ..........................................................................................................

7 ..........................................................................................................

8 ..........................................................................................................

9 ..........................................................................................................

10 ..........................................................................................................

11 ..........................................................................................................

12 ..........................................................................................................

## APPENDIX

## FOCUS GROUP DISCUSSIONS GUIDE

1. Sources of micro-finance amongst women in Nairobi.

2. Use of micro-credit.

3. The social empowerment of micro-finance.

4. How micro-finance has empowered women economically.

5. Favourable micro-finance services/practices.

6. Unfavourable micro-finance services/practices.

7. Challenges facing female micro-entrepreneurs in Nairobi.

8. Some possible solutions to the challenges.

## APPENDIX C

OBSERVATION CHECK LIST

1. Entrepreneurs businesses.
2. Group meetings.
3. Group meetings with micro-finance field officers.
4. Loan repayment sessions.
5. Loan application sessions.