Mechanisms and effect of access to Microfinance credit by women entrepreneurs on child care, health practices and food consumption patterns in urban low income settings in Nairobi, Kenya

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Abstract:
The Micro and Small Enterprise (MSE) sector has been recognised throughout developing countries as an engine to development and a vehicle towards fulfilling the Millennium Development Goals (MDGs) adopted by the UN Millennium Summit in 2000. In Kenya, the MSE sector has grown rapidly over the last two decades. Currently, it provides employment to the majority of entrepreneurs in both urban and rural areas, accounting for 70 percent of the total employment opportunities (GoK, 2008). The MSE sector has been an integral part of the poverty reduction and resource generation strategies for improved livelihoods in low-income settings in Kenya. Consequently, it has continued to receive a lot of attention from the government and development agencies. In urban areas in Kenya, the middle to low-income women's participation in the informal sector has also been increasing steadily over the last two decades in tandem with the increasing role of MSEs(KIPPRA, 2009; 001, 2008). At the same time, there has been an increasing focus on the need to empower women economically with a view to improving their social position and consequently the welfare of households, especially children. This is because a growing body of evidence shows that increasing resources in the hands of women has greater impacts on family welfare, in particular, improvements in child survival, health, nutrition, hygiene and educational standards for families and consequently for the whole society (Duflo, 2005; World Bank, 2001; Mayoux, 1999). This realisation has led to a paradigm shift towards targeting more women entrepreneurs in the informal sector with microfinance credit. This is seen as a major strategic move through which social development could most effectively be achieved. Increasing participation of women in the running of MSEs and facilitating their access to microfinance credit to improve their businesses is expected to improve both their social and economic status (Brau, 2004; Betsy, 2001). It is widely assumed that access to microfinance credit by women entrepreneurs will have a positive impact on them and their families livelihoods through increased earnings from their enterprises thus enhancing their self confidence and status within the family as independent providers of valuable cash resources to the household economy. This is expected in turn, to enable them better perform their roles as brokers of the health, nutritional and educational status of other household members (Dunford, 2002). The plausibility of these assumptions is however not always backed by empirical evidence. The purpose of this study was to assess the influence of access to microfinance credit by women entrepreneurs on business earnings and selected household welfare parameters such as child care, health practices and household food consumption patterns in a low-income urban setting in Nairobi, Kenya. The study was conducted in a low-income area in Nairobi, Kenya among women entrepreneurs with microfinance credit. A cross-sectional evaluation study design was used to compare clients of
microfinance programmes to non clients as a comparison group. The study was conducted in two phases, commencing with an ethnographic phase followed by a quantitative survey using a pre-tested questionnaire. A sample of 787 respondents comprising 337 microfinance clients and 450 non clients was covered. The survey questionnaire comprised of five modules which collected information on: a) socio-demographic characteristics, b) employment and income, c) child care practices, d) healthcare practices, and e) food consumption patterns. The qualitative phase utilised in-depth study methods to investigate: characteristics of women's enterprises (types, ownership, earnings, decision-making in use of loan funds and income earned); effect of access to loans on women's social status; maternal work and domestic responsibilities; child care arrangements and coping strategies; and women's economic roles in the household and decision making on household financial resources. Five socio-demographic factors emerged as important determinants of membership by women in microfinance institution programmes in urban areas. These included mother's age, level of education, duration of marriage, spouse's income and ethnicity. Overall, this study found that better educated women who were older, married and whose spouses had high incomes were more likely to enter into micro finance loan programmes. The study also found that participation of women in MFI programmes was related to expansion and diversification of women's enterprises, incomes and savings. The study identified factors that positively influence productivity and earnings of microfinance clients compared to those of non clients. Multivariate analysis yielded coefficients that were positive and significant for micro finance clients including duration in business, location of the business, record keeping, amount of capital for business start-up, running more than one business and value of current stock. Overall, women with MFI loans emerged as more likely to be both owners and managers of their businesses which is an indication of enhanced independence and empowerment. These emerged as the factors that explain the higher productivity and earnings of clients enterprises compared to those of non clients. Findings of the qualitative study show that provision of credit to women, regular exposure to microfinance groups, business activities and interaction with outside markets and development agencies contributed to increased self confidence among women. Consequently, majority of clients made independent decisions on the use of loan funds and income earned from enterprises. Findings of the qualitative study showed that membership in MFIs enhanced the social status of clients. Child care practices between the two groups were not different, suggesting that participation by women in microfinance programmes did not affect care for young children negatively . Breastfeeding practices between the two groups were comparable but not consistent with global and national public health recommendations on feeding of infants and young children. A significant proportion of MFI clients however, left their infants and young children under the care of a house help while non clients typically took them along to the place of work because the majority could not afford to hire house helps. The MFI clients used their earnings to 'purchase' substitute caregivers, nutritious food and a good caring environment (safe water, waste disposal and housing). The study further found that presence of a young child (less than 36 months) also influenced the type of a business a mother engaged in, to ensure it was compatible with child care needs. Although the differences were not significant, MFI clients had better health seeking behaviour (attendance of antenatal clinic, seeking treatment from a health facility when a child was sick and supplementation of children under five years with vitamin A), in comparison to non clients. Survey findings revealed that the majority of clients and members of their households sought medical care from private health facilities when sick compared to non clients who mainly used the more affordable but poorer quality public health services. Study results indicated that more children of MFI clients had been sick (two weeks prior to the survey)
compared to those of non clients, though the difference was not significant. Diets in households of the two groups were significantly different. Household dietary diversity scores computed from the 24-hour dietary recall for the two groups showed that overall, households of MFI clients consumed significantly more nutritious and diverse diets compared to those of non clients. The two groups used different coping strategies when faced with financial constraints. Non clients resorted to taking food on credit or buying ready to eat street foods while MFI clients coped by 'dropping' certain foods from the menu or buying cheaper types of food. The study therefore concludes that participation by low-income women entrepreneurs in microfinance programmes (credit and membership in groups) was associated with improved earnings, social status and household food security. Integration of an add-on component of health and nutrition education into microfinance programmes by MFIs in Kenya is recommended. Such an initiative would leverage on weekly group meetings which offer MFIs a unique and under-utilised opportunity that could be widely deployed for the delivery of health and nutrition information to an important target group. MFIs can partner with the private sector and bilateral and international organisations to support integration of this component into microfinance programmes. Given that many women clients are within the reproductive age bracket, messages on maternal and young child health and nutrition would be appropriate and can be disseminated through MFI weekly group meetings. In addition to the financial services, members would also receive ongoing support in matters related to health and nutrition. MFIs should scale up services to women entrepreneurs in urban areas. This is because membership in microfinance programmes over time increases income in the hands of women which translates to improved quality and quantity of household diets. This study also recommends provision of risk-mitigating services such as loan and asset insurance to MFI clients. This would reduce the high risk exposure that endangers businesses the poor set up using financing from MFIs and also boost the growth of MSEs owned or managed by women in urban areas in Kenya. More research is needed to inform policy and guide programme implementation. Focused research should be conducted to determine the specific features of microfinance programmes that benefit women the most. The microfinance and public health communities need to engage with each other more actively and collaboratively on this.