INFLUENCE OF MICROFINANCE SERVICES ON EMPOWERMENT OF WOMEN ENTREPRENEURS IN KIBERA CONSTITUENCY, NAIROBI COUNTY, KENYA

BY

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DECLARATION

This research project is my original work and has never been presented for any award in any other University.

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This research project has been submitted for examination with my approval as the University supervisor.

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DEDICATION

This research project is dedicated to my entire family for encouraging me through my entire studies and particularly my wife Jackline Muthoni and my son Rowan Warui for being there for me all the time.

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LIST OF ABBREVIATIONS AND ACRONYMS

BDS	Business Development Services
CIDA	Canadian International Development Agency
MF	Microfinance
MFIs	Microfinance Institutions
MSE	Micro and Small Enterprises
NFS	Non-Financial Services
NGOs	Non-Governmental Organizations
PHS	Preventive Health Services
REPOA	Research on Poverty Alleviation
SEDA	Savannah Economic Development Authority
SEP	Small Scale Enterprises Promotion SMEs
SIDO	Small Industries Development Organization
UNCDF	United Nations Capital Development Fund
UNDAW	United Nations Division for the Advancement of Women
UNDP	United Nations Development Programme
UNIFEM	United Nations Development Fund for Women
URT	United Republic of Tanzania
USAID	United States Agency for International Development
WEG	Women Economic Groups

ABSTRACT

This study sought to examine the influence of microfinance services on empowerment of women entrepreneurs in Kenya, with a specific focus on Kibera Constituency, Nairobi County. The study objectives focused on microfinance credit facilities, micro finance savings, micro finance training and collateral requirements as influencers of the empowerment of the women entrepreneurs in Kibera Constituency. The research methodology of this study was a descriptive survey design with the research targeting women entrepreneurs engaged in small scale trade in Kibera Constituency who have sought microfinance services. The total target population consisted of 450 women entrepreneurs and the sample size was 216 respondents, with 6 of these respondents being key informants in the study. The analysed data was tabulated for presentation, with frequency distribution and percentages used to show the relationships between the variables of the study. The findings on microfinance credit facilities indicated that the women were appreciative of the loans they received but they felt they would benefit if they got larger amounts, which would translate into larger incomes. Some respondents were able to save some money to put back into their businesses, but a majority barely got by from their income and saved even less after obtaining loans. In terms of training, they attended and reported to have benefited from it, but on the ground it did not seem to have translated to better management skills, partly because of the literacy levels of most respondents. Collateral requirements hindered them from obtaining desired loans because most women did not own property such as land or houses in their names. The study recommends that restructuring the collateral requirements by the women entrepreneurs by using credit scoring and business history as alternatives to asset-based security can really be beneficial to all stakeholders. Other documents such as Local Purchasing Orders (LPO's) should suffice as loan security. There is also the need to broaden the training manual to include several other business aspects in order to widen the commercial capacity by the women entrepreneurs in Kibera. More training on entrepreneurial skills needs to be undertaken, but it should be couched in a user-friendly language. Competitive and flexible interest rates that will encourage more women to borrow more frequently should be introduced, because there is evidence that there is a hunger for affordable credit among the respondents. It is also evident that these microfinance services are impacting the lives of women entrepreneurs in Kibera. Women should also be allowed to draw part of their Table Banking savings for emergency purposes, with each case being individually assessed. This will reduce their usage of business capital for personal situations. These findings may be used by policy makers and institutions especially those in the microfinance services to develop policy framework which will take care of gender issues in micro financing in Kenya.

CHAPTER ONE
INTRODUCTION

1.1 Background to the Study

Microfinance comprises the provision of financial services and the management of small amount of money through a range of products and a system of intermediary functions that are targeted at low income clients. It includes loans, savings, insurance, transfer services and other financial products and services. It primarily involves the provision of financial services, including savings, microcredit, micro-insurance, micro-leasing and transfers in relatively small transactions designed to be accessible to micro enterprises and low income households (Asiama et al 2007).

Micro finance is seen as a movement that envisions a world in which as many poor and near poor households as possible have permanent access to an appropriate range of high quality financial services, including not just credit but also savings, insurance and fund transfer (Robert et al (2004).Data from the micro Banking Bulletin reports that 63% of the world's top MFIs had an average rate of return, after adjusting for inflation and taking out subsidized programmes of about 2.5% of total assets (Mugwara, 2000). This indicated that microfinance can be sufficiently attractive for investors and those in the retail banking sector. The income generating loan is used for a variety of activities that generate income for their families.

In Africa, microfinance institutions (MFIs) have recorded notable gains. The sector has transformed from an insignificant player in the national psyche to a recognized sector with potential to equitably offer financial services to the active poor women in viable micro-enterprises, empower enterprising women through financial access and skills and drastically reduce poverty. Microfinance has developed into its current state through governmental policies and programmes. Examples of largest MFIs in Africa are Equity Bank in Kenya, K-Rep Bank, Kenya Women Finance Trust (KWFT), Uganda Women Finance and Credit Trust (UWFT), Nigeria's Integrated Microfinance Bank (IMFB), Country Women Association of Nigeria (COWAN), Morocco's Al Amana, Capitec Bank of South Africa, Amhara Credit and Savings Institution (ACSI) of Ethiopia.

Women have enormous potential to bring prosperity in the world and encouraging their entrepreneurship is very important (McConnell, 2001). Women have proven to be excellent clients, notably in paying back loans on time and they are key drivers to development. Investing in women has proven an effective way to increase individual family expenditure on health, education, improved nutrition, and food security. In Kenya they are creating employment and contributing to the general economic growth. They own 48% of all microcredit enterprises which contribute 20% of Kenya's GDP and have created 46,200 jobs annually since 2000 (ILO Report, 2007).

Development of the finance sector in Kenya is as a result of the need for economic growth that saw the Kenyan government develop several strategies and plans such as the vision 2030 and the millennium development goals. The need for financing of the development projects has spurred growth of microfinance institutions in the country. Microfinance has received a lot of attention since its inception in the early 1970s (Okio credit, 2005).Microfinance has the ability to reduce poverty alleviation and enhance economic development by providing credit and savings services to those people earning low incomes.

1.1.1 Microfinance and Women Empowerment

Microfinance, the provision of financial services to the poor in a sustainable manner, utilizes credit, savings, and other products such as micro insurance to help families take advantage of income-generating activities and better cope with risk. Women workers throughout the world contribute to the economic growth and sustainable livelihoods of their families and communities. Microfinance helps empower women from poor households to make this contribution, and they particularly benefit from microfinance as many microfinance institutions (MFIs) target female clients.

Microfinance services lead to women's empowerment by positively influencing women's decision-making power and enhancing their overall socio-economic status. By the end of 2006, microfinance services had reached over 79 million of the poorest women in the world (Daley-Harris, 2007). As such, microfinance has the potential to make a significant contribution to gender equality and promote sustainable livelihoods and better working conditions for women.

Women's empowerment through microfinance is key to promoting the International Labour Organization's (ILOs) Decent Work Agenda, which acknowledges the central role of work in people's lives as a means for achieving equitable, inclusive and sustainable development. By increasing women's access to financial services, microfinance ultimately contributes to ILO core values of greater gender equality and non-discrimination (Gakure, 2003).

1.1.2 Women Entrepreneurs in Kenya

Women entrepreneurs in Kenya are the key to economic growth because they are generating employment. However, women owned businesses could contribute more than what they are doing today. A growing amount of research shows that countries that fail to address gender barriers are losing out on significant economic growth. Without increased attention to the gender dimensions of economic development, Kenya is unlikely to meet its growth targets. This therefore demonstrates that addressing gender barriers in Kenya could generate significant economic growth for the country. The Kenyan government recognizes that women entrepreneurs have not been on an equal footing when it comes to their access to opportunities and assets but it has yet to effectively address the barriers facing women in business (Athanne, 2011).

The 1999 National Micro and Small Enterprises (MSEs) Baseline survey revealed that there were 612,848 women in MSEs in Kenya, accounting for 47.4 per cent of all those in MSEs. The results showed that women tended to operate enterprises associated with traditional women's roles, such as hairstyling, restaurants, hotels, retails shops, and wholesale outlets. In general, women tended to operate smaller enterprises than men, with the average number of employees in a women-owner/manager MSE being 1.54 versus 2.1 in men –owner/managed MSEs. In women owner/managed MSEs, about 86 per cent of workers were women owner/managers themselves, 4 per cent were hired workers, with the remainder made up of unpaid family members and /or apprentices. Whereas, in men-owner/managed MSEs, only 68 per cent of the workers were men owner/managers themselves, 17 per cent hired workers and the remainder made up of unpaid family members and /or apprentices.

There are three profiles of women entrepreneurs operating MSEs in Kenya, namely those in Jua Kali (very informal) micro-enterprises, “very small” micro-enterprises and “small-scale” enterprises (Stevenson and St-Onge, 2005). These are differentiated by their demographic profiles, extent of previous business experience, needs, access to resources and growth orientation.

1.2 Statement of the problem

There are microfinance institutions and funds that target women specifically with the explicit goal of empowering them. In Kenya there is the Kenya Women Finance Trust, Women Enterprises Fund, Uwezo Fund among other programmes. It has been well-documented that an increase in women’s resources results in the well-being of the family, especially children (Kabeer, 2001). A more feminist point of view stresses that an increased access to financial services represent an opportunity for greater empowerment. Such organizations explicitly perceive microfinance as a tool in the fight for the women’s rights and independence. Business growth is predicated upon many factors. Among these is the ability of the business people to access credit facilities. According to Kamau (2000), ninety percent of all small and micro enterprise collapse in their first year of startup, due to lack of financial resources where women enterprises are prone to these challenges.

Women in Kibera slums settlements have for many years experienced difficulty in financial growth of their entrepreneurial ventures due to the weak capital base. This problem has been aggravated by the fact that few of them have been in a position to access financial support from the microfinance institutions. Although many financial institutions have been vigorously marketing their credit facilities, few enterprises have been accessing them (Kamau, 2000). This has been manifested in the survival pace of most of these entrepreneurial ventures.

Most financial institutions have avoided lending to the women due to their relative inability to comply with the high costs of funds, difficulties in assessing and managing their risk profile, and a lack of the required collateral (CIDA, 1999). Some financial intermediaries have been accused of giving the women unreasonable conditions before their loan applications can be approved. Among the conditions set are provisions of various forms of collateral such as land title deeds and maintaining accounts with the financial intermediaries for six months prior to being given the loans (Katwolo, 2007). Despite these concerns few studies have been conducted to ascertain the influence of the micro finance services in empowering women and consequently the plight of women in accessing microcredit in Kenya. It is against this backdrop that the study seeks to establish the influence of micro finance services on empowering women entrepreneurs in Kibera Constituency Nairobi County.

1.3 Purpose of the study

The purpose of this study is to investigate the influence of microfinance services on empowerment of women entrepreneurs in Kibera Constituency, Nairobi County.

1.4 Research Objectives

This study was guided by the following Objectives;

i. To determine the influence of microcredit facilities on the empowerment of women entrepreneurs in Kibera Constituency

ii. To determine the influence of microfinance savings on the empowerment of the women entrepreneurs in Kibera Constituency

iii. To establish the influence of microfinance training on the empowerment of the women entrepreneurs in Kibera Constituency

iv. To establish the influence of requirements for collateral on the empowerment of the women entrepreneurs in Kibera Constituency

1.5 Research Questions

Research Questions for the study were;

i. How has microfinance credit facilities influenced the empowerment of women entrepreneurs in Kibera Constituency?

ii. How has microfinance saving influenced empowerment of women entrepreneurs in Kibera Constituency?

iii. How has micro finance training influenced empowerment of women entrepreneurs in Kibera Constituency?

iv. How has demand for collateral influenced empowerment of women entrepreneurs in Kibera Constituency?

1.6 Significance of the study

This study contributes information that may be used by policy makers and institutions especially those in the microfinance sector to develop a policy framework which will take care of gender issues in micro financing in Kenya. In addition, other stakeholders such as non-profit organizations, private sector players as well as women groups could gain insight from the findings. The information gathered can be used to improve the lives of Kenyan women who form the larger percentage of the total current population of Kenya. This study also provides reference material for further research by other scholars.

1.7 Limitations of the study

This research study faced financial as well as time constraints. This is because the data collection process involved paying the research assistants and also training them in data collection procedure. The study was limited to the women entrepreneurs in Kibera Constituency who are engaged in small scale trade. As such, it may not be possible to generalise the findings to other women entrepreneurs in other areas, since enterprises are influenced by localised demands.

1.8 Delimitations of the study

This research was limited to the influence of microfinance services on the empowerment of entrepreneurial women engaged in small scale trade in Kibera Constituency focusing on microfinance and women empowerment both as a gender issue and a deliberate development policy, having agency and opportunity structures as the main components of empowerment. The study focused on the loan services offered, micro finance training, and the influence of deposit taking as well as collateral requirements on women empowerment.

1.9 Assumptions of the study

This study assumed that the respondents would give the researcher relevant and accurate information to enable the realization of the objectives understudy. The study also assumed that the respondents would give information that would be adequate, sufficient and objective enough to enable the researcher draw reasonable conclusions.

1.10 Definition of the significant terms used in the study

Collateral- Collaterals are pledges by any borrower or anyone seeking crediting services from financial institutions. These collaterals are assets such as land, buildings or motor vehicles. They act as security in case the borrower defaults in paying back the credit advanced to her.

Credit facilities- These are loans or advancements curtailed to offer financial assistance to the clients of institutions. These credit facilities are curtailed to befit the client and are payable back to the financial institution that did advance it together with an interest.

Empowerment of women entrepreneurs-In this study this refers to the social and economic enhancement gained by the women entrepreneurs in Kibera Constituency as a result of the micro finance services. Generally it is the process of enhancing the capacity of individuals or groups to make choices and to transform those choices into desired actions and outcomes.

Finance training- This refers to a pedagogical establishment or a rubric that focuses on imparting knowledge regarding prudent management of finances to an individual. Financial training precincts use several financial management principles to advance the knowledge on how to plan and account for finances

Micro finance Institutions (MFIs) – These are the microfinance institutions that have provided services to the women entrepreneurs in Kibera Constituency. A microfinance institution is an organization, engaged in extending micro credit loans and other financial services to poor borrowers for income generating and self-employment activities.

Women enterprises-Refers to the establishment or a type of small business, often registered, having five or fewer employees and requiring small capital to start and sustain that the women from Kibera were able to start.

1.11 Organisation of the study

This research study is composed of five chapters. The first Chapter contains the background to the study and the purpose of the study. It also includes the problem statement, research objectives, study limitations, and definition of significant terms. Chapter Two comprises the literature review, theoretical framework and conceptual framework. Chapter Three has described the research design, target population, sampling procedure as well as the data collection and analysis methods. This chapter also deals with the reliability and validity of the research instruments and the ethical considerations. Chapter Four contains data analysis, the presentation and interpretation of findings. Chapter Five has summary of findings, discussion, conclusions and the recommendations of the research, as well as suggestions for further research.

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This chapter reviews materials from academic writings of other scholars that describe the issues of influence of micro finance services on empowering women entrepreneurs. It focuses on Kibera Constituency by examining the loan services provided by the microfinance institution, microfinance training, deposits with the microfinance institutions and the collateral required to access these loan facilities. This chapter also provides the theoretical framework and conceptual framework of the study.

2.2 The Concept of Microfinance and Empowerment

Microfinance is evolving as a powerful instrument for poverty alleviation in most global economies. Microfinance is a collection of banking practices aimed at providing small loans (typically without collateral) and accepting small deposits (Cheston & Kuhn, 1995). Microfinance for the poor in general and poor women in particular has received extensive recognition as a strategy for poverty reduction and for women's economic empowerment. Women generally are poorer and more disadvantaged than men (Cheston & Kuhn, 1995). There are good reasons to target women. This includes the fact that through microfinance institutions most people are free to access loan facilities which will promote and enhance business development among the community residence and the entire business community. This will promote development to a greater height and contribute to the gross domestic product. Microfinance empowerment has been enhanced for its support system to the poor population through services offered which includes loan facilities, training services among other services which have so far been offered with these financial institutions (Yunus, 2003).

Microfinance institutions around the world have been quite creative in developing products and services that avoid barriers that have traditionally kept people from accessing formal financial services such as collateral requirements, male or salaried guarantor requirements, documentation requirements, cultural barriers, limited mobility, and literacy. Nevertheless, in a number of countries and areas few or no institutions offer financial services under terms and conditions that are favorable to women (Burjorjee, 2002).

Empowerment is the gaining of the ability to generate choices and exercise bargaining power, developing a sense of self-worth, a belief in one's ability to secure desired changes (UNIFEM, 2000). The right to control one's life is an important element of women's empowerment. The term "empowerment" has been used to represent a wide range of concepts and to describe a proliferation of outcomes. The term is used more often to advocate for certain types of policies and intervention strategies than to analyze them (Bratton, 2001). Feminist writings often promote empowerment of women but vary in the extent to which they conceptualize it (Sen & Grown 1987; Jahan, 1995; Kumar 1993). In this study the term "microfinance refers to a collection of banking practices built around providing small loans (typically without collateral) and accepting tiny deposits (Cheston & Kuhn, 2002). Microfinance is emerging as a powerful instrument for poverty alleviation in the new economy.

Microfinance can provide the economic opportunities that women need to control their lives. Poverty alleviation strategies that focus on empowering women not only improve the lives of women, but also positively affect entire families and communities. According to Cheston & Kuhn (2002), when women are given greater autonomy over their lives and the lives of their children, living conditions tend to improve. These scholars argue that this is so due to the fact that women are most apt to use household income to better the nutrition, health, and educational opportunities of their children. Societies that discriminate on the basis of gender pay the cost of greater poverty, slower economic growth and lower living standard of their people. Evidence is mounting that improved gender equality is a critical component of any development strategy.

Microfinance is an integral component to new development strategies because it allows women greater autonomy and control over their economic well-being. Kazi (2007) pointed that running a successful business not only contributes to women's improved welfare, it also contributes both directly and indirectly to their empowerment. Access to start-up and an increase in working capital is particularly important for women's empowerment. Access to credit and business training has helped women to expand and improve their businesses, leading to increased decision-making power and earning them respect in the home and community. Advice and peer support has helped women manage their triple roles as mothers, wives, and businesswomen. Cheston & Kuhn (2002) have argued that education and experience in leadership have helped women become more confident and capable leaders.

A report by REPOA (2005) in northern Tanzania showed that microcredit programs positively affect a woman's decision-making role, her marital stability, and her control over resources and mobility. This report established that a woman's contribution to her household's income is a significant factor towards her economic empowerment. The impact of microfinance on women's empowerment is clear and impressive. Because economic advancement of women is crucial to poverty alleviation, it can be deduced that access to financial services is also an integral component to the eradication of poverty. Women are traditionally treated as inferior to men because of lack of economic opportunity and authority over income generation (REPOA, 2005).
Generally, microfinance enables women to gain access to all of the empowerment tools. Borrowing credit to start a microenterprise gives women control over household income and entry into the public domain, as well as providing them with economic and educational opportunities. Cheston & Kuhn (2002) mentioned that when women have control over household income, children's nutrition, health, and education improve more than when men control the income.

2.3 Credit facilities and empowerment of women entrepreneurs

Microfinance is considered as a means of providing women with credit facilities that could not be obtained from other formal financial sources and hence empowers them through economic independence (Lakwo, 2006). Microfinance credit facilities have been increasingly hailed for their positive economic impact and the financial self-sustainability of rural and sub-urban women. Most microfinance target women with the explicit goal of enhancing their financial self-sustainability, and by providing women with access to small loans, it is expected to enable women generate an income and initiate their own economic empowerment (Tedeschi, 2008).This is based on the view that women are more likely to be credit constrained, have restricted access to wage labor market and have limited decision-making and bargaining power within the household.

Women's empowerment is increasingly being viewed as one of the key constituent elements of the poverty reduction strategy. It is not only seen as a development objective in itself but as a means of promoting growth, reducing poverty and promoting better governance (World Bank, 2007). Specialized microcredit institutions providing loans to poor women all over the world, since the 1980s, have been widely associated with their potential to empower women economically, and that transpires into greater bargaining power in the intra-household decision making process (Khandker *et al.* 2006).

In gender comparison, different studies revealed that enterprises owned by women, experience the same problems as those owned by men, however certain characteristics are typical for many women-owned firms. These characteristics include small size, limited prospects for profitability and failure to provide collateral for obtaining loans (Fielden *et al*, 2003). Women are constrained by education/training, business experience, discriminations, socialization/networking, and unwillingness to take risk (Nchimbi, 2002). Also the overall negative attitudes towards the business owned by women (particularly by men) and inadequate and affordable business premises also limit the overall performance of female owned enterprises. Additionally, it is agreed that there is a significant variation between male and female especially when considering sources of funds for start up and running their businesses. For example, Katwalo (2007) established that female entrepreneurs relied more on family funds than male entrepreneurs. In this case it is difficult for female owned enterprises to take advantage of external finance opportunities.

It is from this perspective that micro credits are considered to be an appropriate solution because the amount of money needed to start a micro or small business is generally quite minimal (Coleman, 2002). Access to credit enables the entrepreneurs to cover some or all of the cost of capital equipment, expansion, or renovation of buildings. It helps existing or would-be entrepreneurs acquire the means for establishing or expanding a business including building premises and working capital (ILO/UNDP, 2000). Credit also assists the business owner to cover cash flow shortage, purchase inventories, invest in new technology, expand the market and also take advantages of suppliers' discount. Without sufficient capital therefore, micro and small firms are unable to develop new products and services or grow to meet demand (Coleman, 2000).

Credit is seen as a critical input for increasing the employment of women in home-stead income generating activities or enhancing the productivity of women's enterprises through the adoption of an improved technology. In either case there is a likely increase in the share of female earned income that manifests itself in greater `power' within the decision making process. Most of scholars such as Duflo and Udry (2003), Anderson and Eswaran (2005) and Basu (2004) recognizes that the value of power coefficient is increasing in the relative share of women's earned income in the household. Thus, it is claimed that access to microcredit through increasing women's income leads to empowerment. Goetz and Gupta (2007) point to another less developed link in the literature on credit and empowerment. They argue that the ability of women in bringing credit a valuable and productive resource to the household may enhance their position within the family, resulting in economic empowerment. However, they completely ignore this lead in their empirical approach of measuring and quantifying empowerment. Using an index reflecting the degree of control the women have on the loans that they take, they conclude that most women have minimal control over their loans.

There has been a number of studies done that point to a positive impact of microfinance on women empowerment. In one such study, Hashemi et al. (2007) find significant positive effects of membership in Grameen Bank and BRAC (formerly known as Bangladesh Rural Advancement Committee) on empowerment, where their indicators of empowerment including female mobility in public domain, ability to make large and small purchases, ownership of productive assets, involvement in decision making and the ability to make choices regarding money and travel decisions.

2.4 Savings and empowerment of women entrepreneurs

The dynamic nature of the growth of the microfinance sector led policy makers to believe that education, health, water and social services could be enhanced by appropriately designed saving and loan services highlighting the role of microfinance. Tucker (2001) argues that in several countries a steady growth in the number of microfinance institutions (MFIs) increases local competition. MFIs increasingly compete in terms of attracting new clients and in attracting new funds. Hermes et al. (2007) find that local commercial banks have a growing interest in providing microfinance. Also, some governments actively stimulate commercial banks to enter into the field of microfinance. According to Hermes, local competition leads to lower interest rates, MFIs lowering their costs, increasing their efficiency, and the introduction of new financial services. Third, the authors mention the growing interest of commercial banks and investors, especially from developed countries, in funding MFIs.

Evidence from many microfinance projects implemented in less developed countries indicate that microfinance has improved the access and efficient provision of credit, savings and insurance facilities to the poor to sustain their consumption, manage their risk better, facilitate the building of asset bases through development of microenterprises, enhance their income generating capacity and eventually enjoy quality of life (Robinson, 2006). In Kenya this is especially enhanced by tying microfinance borrowing to the concept of Table Banking, where a borrower must have some deposits in the institution before they can borrow. This builds a culture of setting aside money on a regular basis and thus building an asset base (Women Enterprise Fund, 2009).

Following the success of some major small and medium scale development projects of the major formal organizations such as World Bank and African Development Bank in the last two decades of the 20th century, a more focused microfinance services emerged attracting the interests of donor agencies including NGOs, credit unions and non-banking financial intermediaries. They not only showed that microfinance services are an effective way to alleviate poverty but also an effective way of integrating access to financial services to the rural communities. This has led to the changes of the traditional view of the commercial banks and the private provision of microfinance services to the rural communities.

The ability of foreign investors to compare the performance of MFIs leads MFIs to focus on improving their business practices. Previously, the measurement and benchmarking of the performance of MFIs had been difficult due to the lack of publicly available and reliable financial data. Tucker (2001) expects that “greater transparency would create a more open market for funding allocation, enabling the most efficient MFIs to survive.

2.5 Microfinance training and empowerment of women entrepreneurs

Microfinance’s achievements in poverty reduction have been celebrated worldwide. During the last decades, these schemes have proved to be a successful adaptation to imperfect credit markets (Counts, 2008). They have relaxed the constraints on the poor’s access to productive capital and consequently, contributed to break the vicious circle of poverty caused by low income and subsequent low investments (Marconi & Mosley, 2006). However, in many cases, practitioners have not limited their activities to the financial arena. They have been implementing integrated programs where microcredit is linked to education, health, nutrition and other non-financial services (NFS).

Different partnership arrangements involving a variety of actors have given rise to the development and implementation of an increasing number of high-quality, demand-led non-financial related services available to microfinance clients. In the early days of microfinance practically all MFIs supplied to their borrowers compulsory training and education programs. However, during the 1990s decade, the increasing pressure from donors such as USAID to specialize in microfinance activities and concentrate on financial sustainability contributed to phase out many of these holistic microfinance projects (Goldmark, 2006). Since then, efforts have increasingly focused on cost effectively integrating microfinance with other types of services and creating links between the borrowers and the service providers in order to enhance microfinance’s impact. As a consequence, non-financial services have been substantially transformed (Sievers & Vandenberg, 2007). According to Yunus (1999) in his study conducted in Tanzania, after a period of unpopularity of non-financial services among the main stakeholders in the industry, international and local NGOs, such as Freedom from Hunger, as well as governmental social departments have contributed to reformulate the concept and take advantage of the MFIs’ economies of scope.

Theoretically, the contributions of business development services (BDS) and preventive health services (PHS) to poverty reduction through an increase in household income use different channels. Business Development Services aim to teach basic skills to achieve a better business performance. Topics such as defining capital and investment, where to buy and sell, how to set prices, investment, credit sales, etc. are reviewed during the modules. Improvements in these areas should increase business related outcomes such as revenues, profits, etc. The direct relationship of training with labour productivity and household income is immediate (Schultz 2008).

2.6 Collateral requirements and empowerment of women entrepreneurs

Formal banking institutions always demand collateral to act as a security on loans. This is often in the form of houses or deed to some immoveable assets. This precondition plays a major part in the accessibility of loans among most entrepreneurs since majority of them cannot attain these requirements. The situation may be more complicated for women entrepreneurs, who may not have right of ownership to expensive property including land and houses. According to (Kamau, 2009) collateral is again highlighted as a major constraint to credit accessibility. In a survey conducted, 92% of the firms surveyed had applied for loans, and were rejected while others had decided not to apply since they 'knew' they would not be granted for lack of collateral. Therefore, while most of the entrepreneurs in this study recognized the importance of loans in improving their businesses, they cited lack of collateral as a major impediment to loan accessibility and therefore business growth. Almost all respondents started their businesses from their own savings or loans from relatives since these did not demand security.

Banks have always adopted a risk averse stance towards small firms, with an accompanying inability to focus on the income generating potential of the venture, when analyzing the likelihood of loan repayment. Beaver (2002), explains that the historical development and the associated culture of the banking system underpins the problem of the emphasis on the provision of collateral as a primary condition in lending. Therefore, although there has been a considerable progress in the lending to the SME's, banks have remained cautious because many of these businesses have neither collateral nor asset registers. Most banking institutions demand collateral as one of the requirements for the access to credit facilities. This becomes a constraint to SME's most of who may not have deeds to capital assets to present as security against the loans. This factor reduces accessibility of these loans. Furthermore, most lending institutions are more inclined to lending to the large scale businesses who have higher success rate, and repayment rate. The small scale businesses are relegated to the micro finance institutions (MFI's) and 'shylocks' whose lending requirements may further discourage them.

Moreover, several MFIs and Youth Service Organizations (YSOs) have noted that because many youth work informally, it is difficult for them to provide acceptable confirmation of their earnings. Therefore, some collateral or collateral substitutes are required to make loans to youth. The type of collateral required, however, can be a potential barrier for youth in accessing micro finance (Sauve, 2003). Although more than a quarter of households in Kenya are women-headed, only five per cent of the women own land in their own name (Feldman, 1984). At a Kenya Gender and Economic Growth Assessment seminar in May 2006, a case clearly illustrating the plight of women was presented by an official from the Ministry of Trade and Industry. A loan approved for the woman applicant by the Joint Loan Scheme at the Ministry, failed to materialize because her husband refused to pledge the family's land title deeds as collateral. Owning title deeds as collateral to finance expansion is still a hurdle for most women entrepreneurs, given that property is not usually registered in their names (Mwobobia, 2012).

Under asset-based lending, credit decisions are principally based on the quality of the available collateral. This type of lending is very monitoring-intensive and relatively expensive. Generally, the collateral is accounts receivable and inventory, and requires that the bank intensively monitor the turnover of these assets. Asset-based lending is available to small firms of any size, but is expensive and requires that the firm should have high-quality receivables and inventory available to pledge. Small business credit scoring is an adaptation to business lending of discriminant analysis and other statistical techniques long used in consumer lending. In addition to using information from the financial statements of the business, heavy weighting is also put on the financial condition and history of the principal owner, given that the creditworthiness of the firm and the owner are closely related for most small businesses (Mester, 1997). In the United States, the use of small business credit scoring is generally limited to small micro-business loans of up to $250,000. Small business credit scoring is still a relatively new phenomenon. It was not widely used prior to the introduction of Fair, Isaac's model in 1995, and as of January 1998, 37% of a sample of the largest banks in the United States still had not adopted small-business credit scoring (Frame et al., 2001).Availability or lack of collateral therefore plays a significant influence on how much credit an entrepreneur can obtain.

2.7 Theoretical Framework

This study is grounded on Classical Feminist Theory. The main proponent to this theory is (Ackerly, 1995).The theory advocates economic independence of women as a solution to equality of women. The theory suggests that women's liberation requires feminists to join the working class struggle against capitalism. The theory asserts that women are originally equal to or more powerful than men in communal forms of production with matrilineal family organization. Men's control of private property and the ability to generate a surplus changes the family to a patriarchal one where women become the property of the father and husband. Further the theory holds that the rise of capitalism in separation of the family household from commodity production solidifies this control of men over women in the family when the latter become economic dependents of the former in the male-bread winner, female -housewife, nuclear family. Based on the classical feminist theory, women need financial empowerment to continue playing their crucial role in the family set up, and microfinance institutions have played a crucial role in empowering women therefore enabling women to gain economic empowerment for sustained development.

The other theory that has been considered in this research is the theory of motivation by Abraham Maslow. In his theory, Maslow argues that there are those human needs that must be met first before others are addressed, and therefore higher motives become unimportant when lower motives are not met(Maslow, 1970). Motivation is an internal state that serves to activate and give direction to our thoughts and motivation is a key ingredient for success. Our motives are organised in form of a hierarchy where the lowest levels of the pyramid are made up of the most basic needs, while the more complex needs are located at the top of the pyramid.

Needs at the bottom of the pyramid are basic physical requirements including the need for food, water, sleep, and warmth. Once these lower-level needs have been met, people can move on to the next level of needs, which are for safety and security. As people progress up the pyramid, needs become increasingly psychological and social. Soon, the need for love, friendship, and intimacy become important. Further up the pyramid, the need for personal esteem and feelings of accomplishment take priority.

When it comes to empowerment of women entrepreneurs, it is only after they have fulfilled their basic needs of food and shelter that they can move to the other higher needs including social interactions and active participation in the community. Social empowerment therefore means that one must be enabled to attain a certain measure of success that earns her respect from others, and raises her self-esteem. When the women are socially empowered, they tend to be more active in community development activities. Women's empowerment is increasingly being viewed as one of the key constituent elements of the poverty reduction strategy. It is not only seen as a development objective in itself but as a means of promoting growth, reducing poverty and promoting better governance (World Bank, 2007).

Women empowerment can only happen when the women themselves are willing to take the first step and take advantage of the finances available to them through the different microfinance institutions. It is difficult for women to access capital for business, and few of them can get loans from established commercial and financial institutions due to lack of collateral. In Maslow’s theory, a person can only move from one level to another when the lower level need has been fulfilled. When a person has food and shelter, they can think of their safety needs including health. Motivation according to Maslow means that an individual works first to fulfil his basic needs and can only aspire for higher needs when the basics are covered. With a successful business enterprise a woman can move from just meeting basic needs to fulfilling higher needs. Therefore success can be guaranteed when there is access to credit, an enabling environment for saving money, less reliance on collateral as security as well as capacity building in terms of training. Both theories tie the empowerment of women to economic independence that is closely tied to availability of capital for business purposes. In this way, when women are empowered, they readily participate in community and social affairs.

2.8 Conceptual Framework

The conceptual framework illustrates the relationship between the independent and dependent variables.

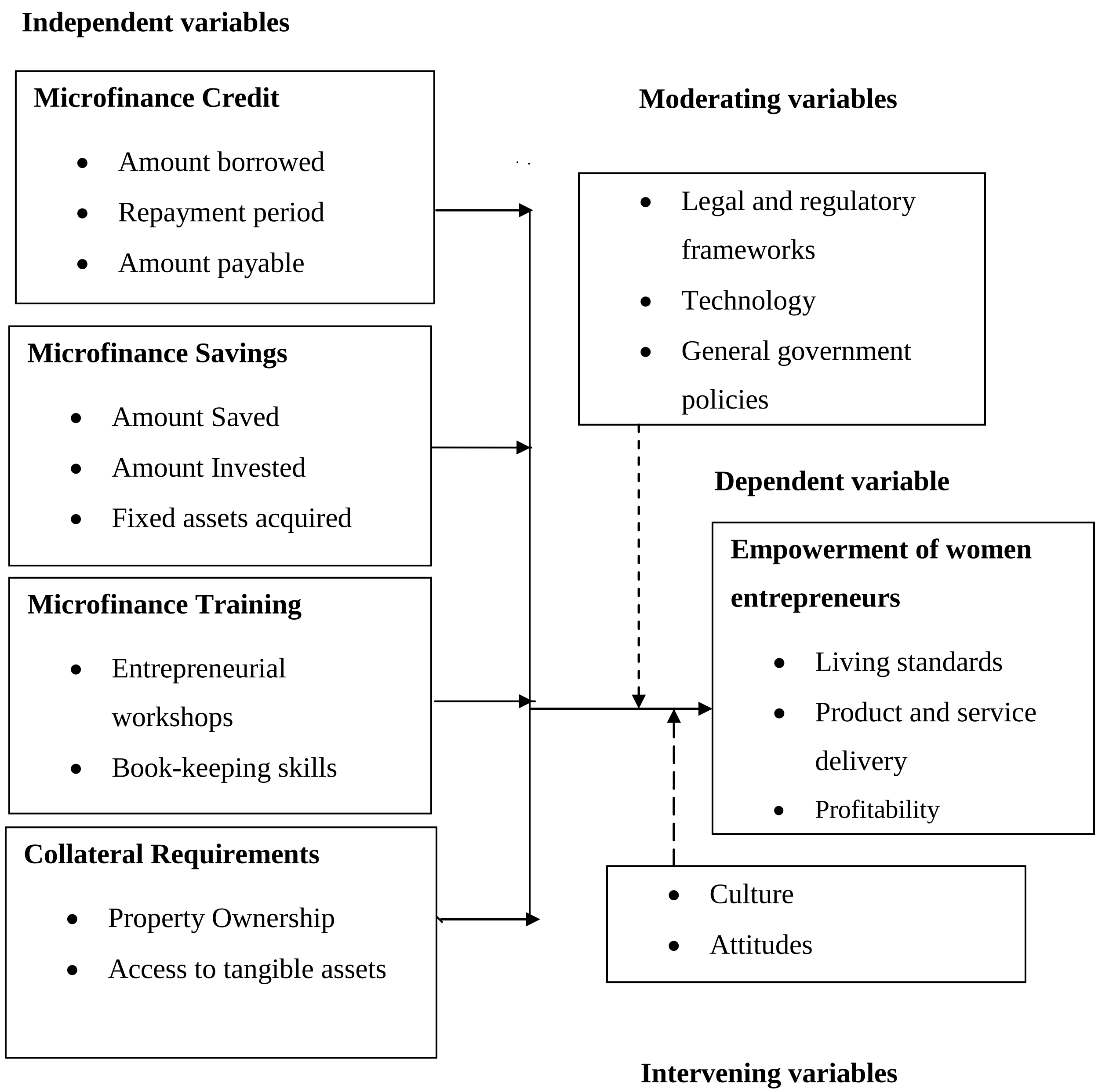

Figure 1: The Conceptual Framework

2.8.1 Discussion of conceptual framework

Empowerment of the women entrepreneurs under study is influenced by four variables, namely, microfinance credit, microfinance savings, microfinance training as well as collateral requirements. The amount borrowed, amount payable, interest charged, and the repayment periods are all likely to influence the business operations especially in terms of revenue and profit. Microfinance savings will be determined through amount saved by the women and amount invested, both in the business and buying land or houses among the women. This is taking into consideration that the strength of savings of the women entrepreneurs will determine the financial capital that a microfinance institution can advance to a client. Those women who have been empowered with entrepreneurial and book-keeping skills are likely to track their cash flow and thereby better manage their businesses. Finally collateral requirement is another variable influencing the women entrepreneurs, indicated by whether women are able to access to assets or property ownership which will enable them to acquire financial support from the microfinance institutions. Other variables that may indirectly influence empowerment of these women are such as regulatory and legal frameworks as well as government policies. Culture and attitude can influence how these women view their process of empowerment, and whether they let culture impede their empowerment.

2.9 Knowledge gaps

Over the last few decades microfinance has become an integral part of the economic development of the less developed countries with regional governments, the multilateral donor agencies such as the World Bank and the Asian Development Bank and other donor organizations investing in the industry to build its capacity and widen the outreach (Chijoriga, 2000). There are various studies that have been done on microfinance and women empowerment and how giving credit has helped them gain a measure of financial freedom. Microfinance institutions provide a broad range of services including deposits, loans, payment services, money transfer and insurance to the poor or low-income households and their enterprises (Conford, 2001; Pilipinas, 2002). In addition, some of microfinance institutions provide non-financial services such as training, business advice, market assistance and counseling to their clients (Hishigsuren, 2004). However these studies have not clearly addressed the issue of collateral requirements since most microfinance institutions were only lending small amounts of money based solely on other members' guarantee. The issues of savings for long-term investment and training for better management of small-scale business has not been adequately addressed in these studies. This study therefore seeks to find out how much of an influence these variables are to women empowerment. These findings could help policy makers at different levels to make policies that further empower women in all socio-economic levels.

2.10 Summary of the Chapter

This chapter has given an overview of the concept of microfinance and empowerment of women, and also addressed the variables that influence this empowerment, such as credit, savings training and collateral requirements. The study also includes the theoretical framework, with a theory that is relevant to the study. The conceptual framework indicates the relationship between the variables of the study. This chapter also includes the knowledge gap that may assist policy makers in future policies dealing with women empowerment.

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

This section of the study presents the overall research design, target population, sample of the study, sample size, sampling techniques that were used to select respondents and data collection techniques that were used to collect relevant information and data analysis.

3.2 Research Design

The study used the descriptive survey research design, and covered Kibera Constituency. According to Cooper and Schindler (2003), a descriptive study is concerned with finding out the what, where and how of a phenomenon. A survey is "an attempt to collect data from members of a population in order to determine the current status of that population with respect to one or more variables" (Mugenda & Mugenda, 2003).The main focus of this study was quantitative. However some qualitative approach was used in order to gain a better understanding and possibly enable a better and more insightful interpretation of the results from the quantitative study. Kothari, (2007) defines research design as the arrangement of conditions for collections and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure.

3.3 Target Population

A target population refers to the "universe" from which the sample is selected (Alan *et al*, 2007). The target population for the study was the women entrepreneurs using microfinance in Kibera constituency and the representatives from the microfinance institutions. According to the Ministry of Devolution, national chambers of commerce Nairobi County-Kibera constituency (2013) there were 450 women entrepreneurs in Kibera constituency by the year 2013 and 6 microcredit financial institutions. Mugenda and Mugenda (2003) explain that target population should have some observable characteristics to which the researcher intends to generalize the results of the study, therefore the target population was 450 women and 6 representatives from the microfinance institutions.

3.4 Sample size and sampling procedure

According to Krejcie and Morgan (1970) in their theory of determining sample size, they reported that a population of 450 would require 210 sample size. Therefore the study sought to gain information from 210 respondents from the target population of 450 women entrepreneurs in Kibera Constituency. Systematic random sampling was applied; this is a statistical method involving the selection of elements from an ordered sampling frame. The most common form of systematic sampling, the study applied an equal-probability method where, progression through the list was treated circularly, with a return to the top once the end of the list was passed. The sampling was done by selecting an element from the list at random and then every k^{th} element in the frame was selected, where *k* is the sampling interval (sometimes known as the *skip*) this was calculated as:

$$K = \frac{N}{n}$$

Where K is the sampling interval, n is the sample size and N is the population size.

Therefore =450/210=2.14 which is=2

Therefore k for this case is 2. Therefore every 2^{nd} woman entrepreneur in the frame was selected until the 210 were selected.Using this procedure each element in the population had a known and equal probability of selection. It is however, much more efficient if variance within systematic sample is more than variance of population. Purposive sampling was used to pick one representative from each of the six financial institutions in the constituency, giving a total sample size of 216 as the new sample size.

3.5 Methods of Data Collection

The study used both open-ended and close-ended questionnaires, as well as personal interview guides for the six representatives of the microfinance institutions. The questionnaire was constructed based on the objectives of the study. These questionnaires were given to the 210 respondents forming the sample size, while the interview guides were administered to 6 key respondents.

3.6 Validity of the Instrument

Validity determines whether the research truly measures that which it was intended to measure or how truthful the research results are (Orodho, 2005). According to Saunders, Lewis and Thonhill (1996) before using questionnaire to collect data it should be tested. Prior to carrying out the data collection, the questionnaire was tested by conducting a pilot survey to ascertain its content validity. According to Mugenda and Mugenda (2003), 10% of the sample size is a good representation to conduct a pilot study; the researcher conducted a pilot study among 21 women entrepreneurs in Kibera Constituency. The purpose of the pilot survey was to check the appropriateness of the language used in the questionnaire as well as eliminate any ambiguous wording in the instruments. The researcher then made the necessary adjustments on the tools after conducting the pilot study thus improving the level of instruments' validity.

3.7 Reliability of the Instrument

Reliability is the extent to which results are consistent over time and an accurate representation of the total population under study (Mulusa, 1990). According to (Nachmias & Nachmias, 1976) spilt-half method as a measure of reliability can be used. The instruments during pilot survey were split into two sub tests, one consisting of odd numbered items/questions and the other made of all even numbered items/questions. The scores of all the odd numbered and even numbered items of the responses in the pilot survey were computed separately. The odd numbered scores for all items were then correlated with the even numbered scores using the Pearson's Product moment correlation coefficient. The correlation coefficient obtained represents the reliability of only one half (1/2) of the instrument. In order to obtain the reliability of the entire instrument, the Spearman Brown prophecy formula indicated below was used.

$$\mathrm{Re} = \frac{2r}{1+r}$$

Where Re= Reliability of Scores on Total Test and r= reliability for $\frac{1}{2}$ (Half Test)

After obtaining the correlation coefficient using Pearson's Product which came to 0.8, the Spearman Brown prophecy formula was used to carry out the split-half reliability test. By using the formula, (1.6/1.8) a score of 0.9 was obtained. This is a good measure of reliability (Nachmias & Nachmias, 1976).

3.8 Data Analysis techniques

The data collected through the questionnaire was coded and edited according to the variables under study. The data was analysed using descriptive statistics which enabled the researcher to reduce a large mass of data to simpler, more understandable terms hence making it easier for an observer to understand the data obtained (Gay, 1996). The study also used frequency distribution and percentages in order to establish relationship between the variables. This was followed by presenting the tabulated findings to give a clear picture of the research findings at a glance.

3.9 Ethical Considerations

Ethical considerations were taken into account during the research process. The study ensured that the respondents gave voluntary informed consent, and that nobody was coerced into participating in this study. Confidentiality was also maintained and bias of any kind was not practiced. In addition, the findings have been used for the intended purposes only.

3.10 Operational definition of the variables

Research Objectives	Variables	Indicators	Measurements	Measurement scale	Methods of analysis
Credit facilities and its influence on the empowerment of women entrepreneurs in Kibera Constituency	**<u>Independent</u>** Credit facilities	Amount borrowed Amount payable Repayment period	Loan amounts disbursed Instalments paid on monthly basis Period of paying loan	Nominal	Descriptive statistics
Microfinance savings and its influence on the empowerment of the women entrepreneurs in Kibera Constituency	**<u>Independent</u>** Microfinance savings	Amount saved Amount invested Fixed assets bought	Deposits held by microfinances against loans advanced to women entrepreneurs	Nominal	Descriptive statistics
Microfinance training and its influence on the on the empowerment of the women entrepreneurs in Kibera Constituency	**<u>Independent</u>** Microfinance training	Entrepreneurial workshops Book-keeping skills	Number of women trained in book-keeping Ability of entrepreneurs to maintain their books of accounts	Ordinal	Descriptive statistics
Collateral requirements and its influence on the empowerment of the women entrepreneurs in Kibera Constituency	**<u>Independent</u>** Collateral requirements	Access to tangible assets Property ownership	Number of tangible assets owned by the women entrepreneurs and held as collateral	Ordinal	Descriptive statistics
	<u>Dependent variable</u> Empowerment of women entrepreneurs in Kibera Constituency	Product & service delivery Living standards profitability Capital base	Affording higher quality goods Ability to pay for food ,rent, better clothing More funds to inject into businesses	Nominal	Descriptive statistics

CHAPTER FOUR
DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction

This chapter presents the analysis and findings of the study. The analysis is based on the objectives of this study, namely microfinance credit, microfinance savings, microfinance training and collateral demand, and the way they influence the women entrepreneurs.

4.2 Return rate of the questionnaires

The study had a sample size of 210 respondents and 6 key informants, and an impressive 195 respondents returned the filled questionnaires. This translated to 90% return rate, which is adequate since Mugenda (2003) considers a return rate of 50% as acceptable for a study.

4. 3 Demographic information of the respondents

Understanding the demographic information of the respondents is fundamental in establishing the manner in which these demographic issues affected the result findings. The demographic information of the respondents that was investigated in this work includes the age and marital status, as well as business type and monthly income. These were deemed as the most crucial for the study

4.3.1 Distribution of respondents by age

The study requested the respondents to indicate their age since this information would be important in the analysis. The findings are indicated in Table 4.1

Table 4.1 Distribution of respondents by age

Age Bracket(years)	Frequency	Percentage (%)
18-25	26	13
26-33	46	24
34-41	88	45
42-49	31	16
50years and above	4	2
Total	**195**	**100**

From these findings those aged between 18-25 years were 26 women, representing 13% of the respondents, those aged 26-33 were 46, making up 24%, while those in age bracket 34-41 were the majority, being 88 respondents at 45%. 16% were between 42 and 49 years while the remaining 2 % represented the respondents who were 50 years and above. It is clear that most women respondents were between 34 and 41 years.

4.3.2 Distribution of respondents by marital status

The study requested the respondents to indicate their marital status since this information would assist in the analysis of the findings. The findings are indicated in Table 4.2

Table 4.2 Distribution of respondents by marital status

Marital status	Frequency	Percentage (%)
Married	143	73
Single	35	18
Divorced	6	3
Widowed	11	6
Total	**195**	**100**

From the findings, a majority of the respondents were married, at 73%. There were 35 single women, at 18%, while divorced respondents were 6 and widows were 11, comprising 3% and 6%respectively.

4.3.3 Distribution of respondents by education levels

The study sought to establish the level of education of the respondents, since it has a bearing on how they conduct their businesses. The findings are as per Table 4.3

Table 4.3 Distribution of respondents by education levels

Education levels	Frequency	Percentage (%)
No formal education	30	15
Primary school	125	64
Secondary school	40	21
Total	**195**	**100**

From the findings, it is clear that majority have only attained primary school education, at 64%. Another 15% have never been to school and only 21% have gone to secondary school.

4.3.4 Distribution of respondents by business type

The study requested the respondents to indicate the business they undertake so that this information would be used in the analysis of the findings. The findings are indicated in Table 4.4

Table 4.4 Distribution of respondents by business type

Business type	Frequency	Percentage (%)
Small scale	166	85
Medium scale	23	12
Large scale	6	3
Total	**195**	**100**

The findings indicate that a vast majority of respondents engage in small scale businesses, constituting 85% of all respondents. Medium scale businesses are 23, at 12% while there are only 6 large scale businesses, making up a meagre 3%. It can be seen that most of the respondents carry out small scale businesses.

4.3.5 Distribution of respondents by monthly income

The study was interested in finding out how the respondents performed in terms of monthly income. The findings are as indicated on Table 4.5

Table 4.5 Distribution of respondents by monthly income

Monthly income(Kshs)	Frequency	Percentage (%)
0 - 10,000	115	59
11,000-20,000	53	27
21,000-30,000	17	9
31,000-40,000	6	3
Above 41,000	4	2
Total	**195**	**100**

As indicated by the findings, a majority of the respondents (115) at 59% got a monthly income of Kshs. 10,000 or less. 53 respondents comprising 27% managed to get between Kshs. 11,000 and 20,000.Those who got between 21,000 and 30,000 were 17 respondents, while only 6 respondents got between 31,000 and 40,000, making 9% and 3% respectively. Only 4 respondents (2%) make above Kshs.41, 000 monthly.

4.4 Microfinance Credit

This study sought to find out how microfinance credit influenced the empowerment of the women respondents. In consideration is the amount borrowed, amount payable and repayment period and how these indicators affect this empowerment in one way or the other.

4.4.1 Distribution of respondents by amount obtained

The respondents were requested to give information on how much credit they received in their first loan with their microfinance institution. The findings are recorded in Table 4.6.

Table 4.6 Distribution of respondents by amount obtained

Amount Obtained (Kshs)	Frequency	Percentage (%)
5,000-10,000	94	48
11,000-20,000	55	28
21,000-30,000	25	13
31,000-40,000	15	8
41,000-50,000	6	3
Total	**195**	**100**

From the findings, 94 of the respondents, at 48%, obtained loans of between 5,000 and 10,000, while 55 respondents representing 28% borrowed between 11,000 and 20,000. Those who got between 21,000 and 30,000 stood at 13%. Only 15 respondents and 6 respondents borrowed between 31,000 and 40,000, and between 41,000 and 50,000, respectively. The majority of respondents 84% reported that these loans were inadequate. Only 16% said that the loans were adequate for them at that particular time. However, according to the key informants, a person could only borrow a certain percentage of her savings, plus group guarantee. The maximum first loan is Kshs. 50,000.

4.4.2 Distribution of respondents by amount payable

The study wanted to find out from the respondents how much they paid in their monthly loan instalments. The findings are in Table 4.7.

Table 4.7 Distribution of respondents by amount payable

Amount Payable (Kshs)	Frequency	Percentage (%)
920 -1,820	94	48
2,000-3,620	55	28
3,785-5,400	25	13
5,630-7,200	15	8
7,395-9,020	6	3
Total	**195**	**100**

The findings indicate that the payments ranged from Kshs.920 as the lowest to Kshs.9, 020 as the highest instalment. Since the repayments are pegged on fixed interest rates against the borrowed amounts, the frequency and percentages are similar to those of Table 4.5. 94 respondents pay between 920 and 1,820 shillings per month. 55 of them pay between 2,000 and 3,620 per month representing 28%of the respondents. 13% pay a maximum of 5,400, while 8% pay up to 7,200. Only 3% pay between 7,395 and 9,020 shillings monthly.

4.4.3 Distribution of respondents by repayment period

The study found out from the six key informants that the repayment period for all the loans ranged from 6 months for start-up loans to a maximum of 48 months for subsequent borrowings. All the first loans which were 50,000 or less had to be paid within 6 months. This was in order for the microfinance institution to be able to monitor the repayment patterns as well as the savings pattern of the borrower. Subsequent loans attracted different periods depending on amount borrowed.

4.5 Microfinance Savings

In order for an individual to access a loan from a microfinance institution, she must have saved a certain amount of money with the institution, mostly under the women's group she is affiliated to. These savings and the members' guarantee act as security for the loan. The study sought to find out how much the respondents saved per month, how much of their savings they invested back into business and whether they managed to acquire fixed assets.

4.5.1 Amount saved by respondents

From the information given by the six key informants, all the respondents had saved at least 20% of their loan requirements. Since the first loan ranges from between Kshs.5, 000 to a maximum of Kshs. 50,000, most respondents had saved between Kshs.1, 500 and Kshs. 20,000. It also emerged that savings made before loans were higher than those made after loans were obtained, because of repayment constraints. However, almost all respondents maintained a monthly savings pattern, and defaulting was rare.

4.5.2 Distribution of respondents by amounts invested.

The study wanted to find out from the respondents whether they invested part of their savings back into their businesses. Their response is recorded in Table 4.8.

Table 4.8 Distribution of respondents by amounts invested

Invested Savings	Frequency	Percentage (%)
Yes	138	71
No	57	29
Total	**195**	**100**

From the findings a majority at 71% invested part of their savings into the business while only 57 respondents representing 29% did not invest. The reasons cited for this was that their businesses were barely making enough income for basic household needs and could not meet obligations for the mandatory savings, loan repayments and to invest. This was especially prevalent among the single parent households**.**

4.5.3 Distribution of respondents by fixed assets bought.

The respondents were asked to state whether any of them had bought fixed assets (land or houses) with either their savings and/or subsequent loans. The findings are as per Table 4.9.

Table 4.9 Distribution of respondents by fixed assets bought

Assets Bought	Frequency	Percentage (%)
Yes	44	23
No	151	77
Total	**195**	**100**

It can be seen that only 44 respondents had managed to purchase either land or housing from their savings and subsequent loans. A total of 151 respondents at 77%, had not bought any fixed assets. From the six key informants, it was established that a majority of the respondents at 80% had taken subsequent loans to either to improve their businesses, or purchase some tangible assets. The loans ranged from between Kshs. 10,000 to Kshs. 500,000. Only 20% had not taken another loan after completing their first repayments.

4.6 Microfinance Training

Microfinance institutions normally try to organise training for their clients especially the start-up businesses. They offer book-keeping skills as well as entrepreneurial training for a more efficient business operation. The trainings are tailored to equip the entrepreneurs with basic skills and information needed for each type of business.

4.6.1 Respondents by training attended

The study sought to know how many respondents had attended any type of training related to their business. The findings are recorded on Table 4.10.

Table 4.10 Respondents by training attended

Training Attended	Frequency	Percentage (%)
Yes	158	81
No	37	19
Total	**195**	**100**

From the findings it is clear that a majority of the respondents, at 81%, attended some form of training offered by the microfinance institutions. Only 19% did not attend any training. The findings are consistent with information given by the six key informants who indicated that they normally offer training to group members before releasing loans.

4.6.2 Respondents by benefits of training

Among the respondents who attended the training, the study wanted to know whether they agreed that there were benefits of the training. The findings are in Table 4.11

Table 4.11 Respondents by benefits of training

Benefits of Training	Frequency	Percentage (%)
Agree	134	69
Disagree	18	9
Neutral	43	22
Total	**195**	**100**

It is evident that 69% appreciated the training they received. Only 9% did not see any benefit to the training while 22% were noncommittal about it, especially those that did not attend the training. From these findings it is clear that training is necessary for these respondents to be equipped with requisite skills.

4.7 Collateral Requirements

In most microfinance institutions, when a borrower needs a substantial loan they are normally required to provide a fixed asset as collateral or a fixed- term cash deposit equivalent to the borrowing. This is in order to reduce the risk associated with defaulters. This study wanted to know whether the respondents owned or had access to property that could be used as collateral, and how this affected their businesses' growth and consequently their empowerment.

4.7.1 Respondents by ownership of property

The respondents were asked whether they owned any property that could be used as collateral for loans. The findings are as per Table 4.12.

Table 4.12 Respondents by ownership of property

Property Ownership	Frequency	Percentage (%)
Yes	48	25
No	147	75
Total	**195**	**100**

The findings indicate that 48 respondents own either land or housing that can be used as collateral for loans. This is consistent with the findings on Table 4.9 which reports that at least 44 women bought fixed assets with their loans and savings. The larger percentage at 147 women had no property such as land or houses in their names. They were asked to state whether they could access any fixed asset that they could use as collateral even if it was not owned by them. The findings are indicated in Table 4.13.

Table 4.13 Respondents by access to fixed assets

Able to access fixed asset	Frequency	Percentage (%)
Yes	53	27
No	142	73
Total	**195**	**100**

It is clear from the findings that in addition to the 48 women who owned property, only five more respondents could access fixed assets with which to borrow funds. According to the key informants, all these guarantors were their spouses. Most spouses who had assets were reluctant to guarantee loans for their wives because of the business risks involved. Majority at 73% could not get collateral for loans, and were thus limited to borrowing smaller amounts which they could guarantee with their savings and group guarantees under the Table Banking system. This played a role in limiting business expansion or even taking advantage of business opportunities such as government tenders.

4.7.2 The extent to which microfinance influenced the respondents business and lives

This study wanted to establish the extent to which the respondents felt regarding the loans they received from these microfinance institutions. Their response is shown on Table 4.14.

Table 4.14 The extent to which respondents agreed to these statements regarding microfinance and its influence.

Statement	**Strongly agree**	**Agree**	**Neutral**	**Disagree**	**Strongly disagree**
The loans received are always adequate for my business needs	(3%)6	(9%)17	(4%)8	(23%)45	(61%)119
The institution always explains about the different interest rates available	(12%)23	(21%)41	(46%)90	(14%)27	(7%)14
The training given is always helpful in my individual business	(49%)95	(19%)37	(22%)43	(8%)16	(2%)4
Since taking the loan my business has recorded positive growth	(24%)47	(56%)109	(13%)25	(4%)8	(3%)6
The microfinance loans have helped me improve my family's living standards	(23%)45	(51%)99	(20%)39	(4%)8	(2%)4

The responses of the respondents regarding adequacy of loan amounts for business needs show that a majority of them were not satisfied with the amounts and would have wanted more funding. There is also an indication that most respondents either did not bother to ask about the interest rates or they may not have understood the information given to them, because they tended to be noncommittal when asked about the interest rates. In terms of training, 49% of the respondents found the training helpful to their businesses. Most respondents were pleased with availability of loans to boost their businesses, and 84% agreed that the microfinance loans have had a positive impact on their families' living standards.

CHAPTER FIVE
SUMMARY OF FINDINGS, DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter focuses on the summary of the findings after data analysis, the discussion of the findings, the conclusion and the recommendations that were made after analysis. In this chapter, there are also suggestions that were given for further research on issues related to this study.

5.2 Summary of findings

The study focused on women specifically so there was no question of gender but in terms of age, 134 respondents at 69% were between 26 years and 41 years. There were 26 respondents aged between 18-25 years. Only 2% were above the age of 50 years. This indicates a significant number of youthful business women in Kibera Constituency, an indication that young are progressively going into businesses and self-employment.in respect of marital status, a huge majority at 73% reported being married and only 18% were single. Those separated and divorced are represented by 9%. This means that those who are married had more confidence to step out and try their hand at business, with the risk being somewhat cushioned by an extra income in the household. In terms of education levels, a cumulative 79% have either never attended formal school or have only primary school level education. Only 21% of the respondents have gone to a secondary school. Findings on business type indicated that 166 respondents engaged in small-scale businesses while 23 had medium size businesses. Only 6 respondents reported being in large scale businesses. In terms of income, a majority at 115 respondents got less than Kshs 10,000 per month. This represents 59 % of the respondents. The findings are consistent with the socio-economic status of the constituency in general, where most people live in informal settlements.

Most of their businesses are also small scale and therefore the turnover is not that huge. For the first loans the maximum amount that one can get is Kshs. 50,000 that is payable over a period of six months. Subsequent loans are payable in a period within 12 to 48 months depending on the amount. A few respondents had borrowed subsequent loans to a tune of Kshs. 500,000. Before obtaining a loan a borrower must have saved at least 20% of the amount she wants to borrow, and must have the members of her group guaranteeing her. When it came to investing their savings in their businesses, 71% reported to having invested part of their savings back in the business. The 29% who did not cited poor business turnover and profits, too many household demands and lack of an extra household income as reasons not to. For those who made some profit, only 23% managed to buy some assets, as opposed to 77% who used their income for recurrent expenses. The study found out that although 81% of the women attended some form of training only 69% reported benefiting from it.

The reason could be that the training did not address their specific needs and was not couched in a suitable language, considering that majority of the respondents did not go beyond primary school. In terms of ownership of property that could be used as collateral, only 25% had outright ownership and only 27% could access property to use as collateral. This means that any loan that required collateral locked out at least 73% of those women. Most respondents were not satisfied by the initial loan amounts they received and wanted a higher figure. Most of them were also noncommittal about the information they received as well as benefits of training. However most respondents agreed that microfinance had helped them grow their businesses at different levels and that their standards of living had improved. In conclusion, the women agreed that microfinance services were essential to their businesses and needed to be fine-tuned.

5.3 Discussions of the study findings

The data was analysed according to the variables of the study, and the findings are discussed below**.**

5.3.1 Findings on the Demographics

The analysis of the biographical data of the respondents reveals plenty of dynamics in the investment or business domain amongst the women of Kibera constituency. Most of the women investors are middle- aged meaning that fewer of the younger energetic generation are engaged in the commercial activities in Kibera constituency. Most of the young people prefer to look for employment in the nearby Industrial Area as well as work as domestic workers in nearby estates because this provides a regular income as opposed to business. The married women are more actively involved in business in the constituency than the single ones. One reason is that they can afford to take a higher risk with the knowledge that there is an extra spousal income to cushion them against abject poverty should the business venture fail. Another reason is that they seem to be more empowered in terms of accessibility to collateral and even their prudence in terms of savings. Education levels also play a part in terms of women empowerment because intake of information greatly varies and is dependent on formal schooling to a large extent. Findings pointed to a low level of education among the women, thereby hindering proper and extensive training by microfinance institutions.

Meanwhile, the analysis of the business type predominant amongst the women of Kibera constituency indicates that most of them are engaged in small scale commercial activities. While a considerable percentage is engaged to medium enterprises, there is still an indication that the commercial quotient in Kibera women is still in its lowest rank in terms of trade volumes.

5.3.2 Findings on Credit Facilities and Women Empowerment

Analysis of the findings on credit facilities indicated that all the women interviewed had taken at least one loan from the microfinance institutions. From the literature review, scholars argue that by providing women with access to small loans, it will enable women generate an income and initiate their own economic empowerment, promote growth and reduce poverty (World Bank, 2007; Tedeschi, 2008).

However, since borrowing is pegged on how much a woman has saved within the group account, this means that only a few can borrow the amount they actually require to expand their business. Once they get the credit, they then reduce their savings to the bare minimum thus reducing further their chances of getting a much higher subsequent loan. The women would want their credit history taken into consideration in future borrowings.

The monthly turnover as analysed from the statistics corroborates the fact that the business model of women in Kibera is still in the formative stages. Majority of the women entrepreneurs are dependent on the subsistence commercial activities with very little value for return. With a paltry 10,000 shillings per month, it is evident that while microcredit services in the constituency have borne a lot of fruits, there are still measures that can be taken in order to further empower the women economically. The distribution of the monthly income further affirms that there is still a very large void to fill in terms of empowering the women entrepreneurs in Kibera to focus on enlarging their business portfolio. The microfinance training portfolio should restructure its training programme to entail business expansion and development and also encompass efficient strategic planning for growth of businesses. The morphology of the micro- and macro-economics of Kibera constituency, in retrospect, allows for the small-scale business portfolio. However, there is need to harness synergy to enhance the product portfolio, because the value of a business is not entirely determined by the sales output, but also through the product portfolio, market segment and market structure.

5.3.4 Microfinance Savings and Empowerment of Women Entrepreneurs

The women of Kibera constituency are likely to benefit from the savings and crediting services of microfinance institutions in the area. These financial institutions are willing to engage the respondents in saving and borrowing culture as a remedy for business stagnation. Majority of the respondents agreed that there was an easier accessibility to such services for those who have embraced the precincts of micro finance as compared to those who do not embrace these services. Those who save are allowed to borrow. Through this commercial maxim, the women of Kibera are invariable accessing the two crucial services that are mandatory for any business practice. In principal, this will be the zenith of women empowerment within the constituency, because building a culture of setting aside money on a regular basis creates an asset base (Women Enterprise Fund, 2009). Considering the macroeconomic conditions of the area, the ability to save and borrow becomes a huge commercial leverage for any business unit that needs to soar. In addressing the issue of savings most women were able to re-invest part of their savings and profit into the business. However the margins were small and the positive impact to business expansion was minimal. Those who did not invest anything cited large recurrent expenditure and the single income households were most affected.

5.3.5 Training Programs and Women Empowerment

The training programs on business management are critical tools of gender empowerment that the women have taken advantage. The respondents reported to have attended most of the trainings offered. However, a look at the education levels of the women is a cause of concern, because most of training tended to be a little too technical for them, especially when teaching book-keeping skills. Some groups reported hiring their daughters to attend the trainings on their behalf and later explain to them in their own language. Tangible benefits to the training can only be achieved if the material is specific to the needs of the women and the language is simplified for all levels of education. Frequent trainings were also desirable by the respondents.

5.3.6 Collateral Requirements and Women Entrepreneurs' Empowerment

Collateral requirements are evidently hampering the empowerment of women in Kibera constituency. The response is overwhelming that the stringent requirement of the collaterals is hampering the access to credit facilities. While the significance of collateral cannot be gainsaid in the process of loans and borrowing, it is unequivocally admissible that these collaterals requirements will lock out the lower end class of the borrowers. Since most of the women entrepreneurs in this area fall under the cluster of low income earners, these requirements are likely to erode the strategies of women empowerment that the stakeholders have instituted. The respondents want their credit history to count for something whenever they apply for loans. Small business credit scoring is an adaptation to business lending of discriminant analysis and other statistical techniques long used in consumer lending. In addition to using information from the financial statements of the business, heavy weighting is also put on the financial condition and history of the principal owner, given that the creditworthiness of the firm and the owner are closely related for most small businesses (Mester, 1997).

5.4 Conclusion

From these findings the study concludes that the women in Kibera constituency who engage in different businesses have been greatly assisted to obtain credit from microfinance institutions, and this has led to a fairly good level of economic empowerment. Due to Table Banking principles, they have been able to save at least a percentage of their borrowings, and a few have even acquired tangible assets. However, the women feel that collateral requirements are impending their business expansion plans. They would like credit scoring and business history more widely used as security for their loans. Training should be tailored for specific business needs, and delivered in a user-friendly language. When all stakeholders work together, there will be value for money in the end.

5.5 Recommendations

From these findings and the conclusion, this study recommends the following;

1. Microfinance institutions should restructure the collateral requirements by the women entrepreneurs by using credit scoring and business history as alternatives to asset-based security. This will encourage faithful loan repayment. Other documents such as Local Purchasing Orders (LPO's) should suffice as loan security.
2. There is need for the agencies involved in training to broaden their training manuals to include several other business aspects, in order to widen the commercial capacity of the women entrepreneurs in Kibera. More training on entrepreneurial skills should be undertaken, but couched in a user-friendly language.
3. It is evident that these microfinance services are impacting the lives of women entrepreneurs in Kibera, there is need to expand these services. One way would be to have competitive and flexible bank interest rates that will encourage more women to borrow more frequently.
4. Women should also be allowed to draw part of their Table Banking savings for emergency purposes, with each case being individually assessed. This will reduce their usage of business capital for personal situations.

5.6 Suggestions for Further Research

These are the suggestions that the study put forth as being worth of a follow-up.

1. Carry out research on women entrepreneurs in other areas of similar socio-economic patterns to ascertain if microfinance is making a positive impact in terms of women empowerment.
2. Do a follow-up of these women entrepreneurs to ascertain the long-term impact of microfinance on their businesses.

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APPENDICES

Appendix I: Letter of Transmittal

University of Nairobi
Extra Mural Department
P.O. Box 30197-00100,
Nairobi.

Dear Sir/Madam,

RE: RESEARCH STUDY ON THE INFLUENCE OF MICROFINANCE SERVICES ON EMPOWERING WOMEN ENTREPRENEURS

I am a student of the University of Nairobi undertaking Masters of Arts degree in Project Planning and Management. I am conducting a study titled 'INFLUENCE OF MICROFINANCE SERVICES ON EMPOWERMENT OF WOMEN ENTREPRENEURS IN KIBERA CONSTITUENCY, NAIROBI. This is a request to you to kindly assist my endeavor by filling in the questionnaire attached**.** Participation is voluntary, and there is no right or wrong answer. All the information you provide will be treated as confidential and will be used solely for purposes of this research proposal.

Thank you.

Yours sincerely,
Warui Paul Wanjohi
Phone: 0723314696

Appendix II: Questionnaire for the respondents

Instructions: Kindly tick (√) or fill in the appropriate answer in the spaces provided.

Section A: Background Information

1. Age bracket

i. 18-25years [ ]
ii. 26-33years [ ]
iii. 34-41years [ ]
iv. 42-49years [ ]
v. 50 years & above [ ]

2. Marital status

i. Married [ ]
ii. Single [ ]
iii. Divorced [ ]
iv. Widowed [ ]

3. Level of education

i. No formal education [ ]
ii. Primary school [ ]
iii. Secondary school [ ]

4. Type of business you are doing

i. Small scale [ ]
ii. Medium scale [ ]
iii. Large scale [ ]

5. Monthly income in Kshs.

i. Below 10,000 [ ]
ii. 11,000-20,000 [ ]
iii. 21,000-30,000 [ ]
iv. 31,000-40,000 [ ]
v. Above 41,000 [ ]

Section B: Microfinance Credit

6. Indicate the first loan amount you were able to obtain from the microfinance institution(Kshs)
    i. 5000- 10,000 [ ]
    ii. 11,000-20,000 [ ]
    iii. 21,000-30,000 [ ]
    iv. 31,000-40,000 [ ]
    v. 41,000-50,000 [ ]
7. Indicate how much you pay in monthly instalments
    i. 920-1820 [ ]
    ii. 2000-3620 [ ]
    iii. 3785-5400 [ ]
    iv. 5630-7200 [ ]
    v. 7395-9020 [ ]

Section C: Microfinance Savings

8. Do you invest your savings and profit back into your business?
    i. Yes [ ]
    ii. No [ ]
9. Have you managed to buy any fixed assets from proceeds of your business?
    i. Yes [ ]
    ii. No [ ]

Section D: Microfinance Training

10. Have you attended any training conducted by your microfinance institution?
    i. Yes [ ]
    ii. No [ ]
11. In your own opinion, do you feel that the training benefited you?
    i. Yes [ ]
    ii. No [ ]

Section E: Collateral Requirements

12. Do you own any property such as land or house in your name?

i. Yes [ ]

ii. No [ ]

13. Have you been able to get anyone to let you use their land or house as collateral for your loan?

i. Yes [ ]

ii. No [ ]

14. In your own opinion, indicate the extent to which collateral requirements influence women empowerment.

To a low extent [ ]

To a moderate extent [ ]

To a great extent [ ]

15. To what extent do you agree with the following statements regarding microfinance and its influence on women empowerment?

Statement	**Strongly agree**	**Agree**	**Neutral**	**Disagree**	**Strongly disagree**
The loans received are always adequate for my business needs					
The institution always explains about the different interest rates available					
The training given is always helpful in my individual business					
Since taking the loan my business has recorded positive growth					
The microfinance loans have helped me improve my family's living standards					

Thank you

Appendix III: Interview Schedule

Instructions: Kindly tick (√) or fill in the appropriate answer in the spaces provided.

Section A: Background Information

1. Gender
   - i. Male [ ]
   - ii. Female [ ]
2. Age bracket
   - iii. 18-25years [ ]
   - iv. 26-33years [ ]
   - v. 34-41years [ ]
   - vi. 42-49years [ ]
   - vii. 50 years & above [ ]

Section B: General Information

3. What is the maximum first loan that your institution offers to the women entrepreneurs?

----

4. How do you determine how much money a borrower gets?

----

5. What is the repayment period for the loans that you give to these women? ------------------------------

----

6. In your opinion, do the women always pay their loan repayment instalments on time? If not, why?-

----

----

7. Do you consider the initial loan amount adequate considering that most women rely on this loan as start-up capital and to stock their businesses?---

----

8. In your esteemed opinion, how aggressive are the women in terms of saving from their profits, and what incentives can they be given in order to save more? --

----

----

9. In your assessment, are the women's businesses showing consistent growth after they obtain microfinance credit? If not, what could be the reason?---
----

----

10. When it comes to collateral, how easy is it to get third-party guarantees for loans to those women who borrow from your institution?---
----
----

11. In your opinion, is your training having the desired impact on the growth of these enterprises? If not, what can be done? --
----

12. When you review these women's businesses, how do you rate the overall impact of the microfinance institutions on economic empowerment of the women?

i) Excellent [ ]
ii) Good [ ]
iii) Fair [ ]
iv) Poor [ ]

13. Do you feel that there is enough support offered to these women from other stakeholders? --------
----

14. What general suggestions would you offer that would encourage these women to increase their uptake of microfinance products and services? --
----

Thank you.

Appendix IV: Research Permit

k-rep bank

OUR REF: KRB/HOBD/018/2015 DATE: 3.03.2015

MR PAUL WANJOHI WARUI,
P.O. BOX 25363 00603,
NAIROBI, KENYA.

Dear Paul,

RE: AUTHORITY TO CONDUCT RESEARCH

I acknowledge receipt of your request to undertake a research study entitled "The influence of microfinance services on empowerment of women entrepreneurs in kibera constituency", Nairobi County.

This is to inform you that your request has been approved. Accordingly, you are requested to liaise with the research unit at K-Rep Centre Wood Avenue on 6th floor for your basic orientation and facilitation to access the necessary information for your research study.

You are further advised to share with us your findings by sending us a copy of your final thesis duly signed by your college supervisor.

Wishing you success.

Yours

ANTHONY KAMAU
HEAD OF MICROFINANCE

Cc: Research unit

Appendix V: List of Groups and Member Numbers

Name of Group	**Number of Members**
Akairi Self Help Group	30
Babylonians S.H.G	18
Best Ladies S.H.G	28
Ebenezzer S.H.G	15
Faida Karanja S.H.G	22
Fomoco S.H.G	28
Funguro S.H.G	26
Kibera Safaris S.H.G	28
Kusandikika Group	28
Leaders S.H.G	30
Mabiashara S.H.G	33
Passover S.H.G	27
Peace S.H.G	25
Pioneers S.H.G	26
Shakers S.H.G	25
Shughuli Self Help G	33
Simba Self Help G	18
Ten Sisters S.H.G	10