

**FACTORS INFLUENCING WOMEN SMALL SCALE  
TRADERS ACCESS TO MICROCREDIT FROM  
MICROFINANCE INSTITUTIONS: A CASE OF WOMEN IN  
CITY PARK HAWKERS MARKET, NAIROBI COUNTY,  
KENYA**

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## **DECLARATION**

This research project report is my original work and has not been submitted for any award in any other University.

Signed\_\_\_\_\_ Date\_\_\_\_\_

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This research project report has been submitted for examination with my approval as University Supervisor.

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## **DEDICATION**

I dedicate this work in memory of my late loving father Joseph Tongi Kinara for laying the foundation that established my solid background and his inspiration that immensely shaped my worldview.

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## **ABBREVIATIONS AND ACRONYMS**

|              |   |
|--------------|---|
| <b>ASCRA</b> | Accumulating Savings and Credit Associations                      |
| <b>CGAP</b>  | Consultative Group to Assist the Poor                             |
| <b>GOK</b>   | Government of Kenya   |
| <b>MDG</b>   | Millennium Development Goals                                      |
| <b>MDG</b>   | Millennium Development Goals                                      |
| <b>MFI</b>   | Micro Finance Institution   |
| <b>MSE</b>   | Micro and Small Enterprise  |
| <b>NGO</b>   | Non-Governmental Organization                                     |
| <b>ROSCA</b> | Rotating Savings and Credit Associations and Accumulating Savings |
| <b>SME</b>   | Small and Medium Enterprise                                       |
| <b>SPSS</b>  | Statistical Package for Social Sciences                           |
| <b>WEF</b>   | Women Enterprise Fund   |

## **ABSTRACT**

The study sought to investigate factors influencing access of microcredit from microfinance institutions among women small scale traders. The study further sought to establish the extent to which perception, cultural orientation, cost of credit and collateral influences access to microcredit from microfinance institutions by women small scale traders at City Park Hawkers market in Nairobi City County. Despite the government effort to realize the 3<sup>rd</sup> millennium development goal of ensuring gender equality and women empowerment through various funds like Women Enterprise Fund as one of the flagship project under the social pillar of Vision 2030, women are still disadvantaged when it comes to accessing of microcredit. The literature review covered the emergence of microfinance in Kenya, explaining which institutions have contributed a critical role in boosting microfinance as an industry in Kenya. The research design that used in this study was descriptive survey method in which questionnaire was utilized to collect data from a sample of women small scale traders under the study. The target population of this study was 368 women small scale traders operating at the City Park Hawkers market in Nairobi and licensed by the Nairobi City County as at June 2015. A study sample of 192 women small scale traders drawn from the stalls in the market was selected for the study using the systematic random sampling. Validity of the instruments was tested by applying content validity to ensure the instruments represents what they were designed to measure. The collected data was analyzed using descriptive statistics that constituted of frequencies and percentages. The study may be useful to the government through the Ministries of National Treasury in their planning and policy development targeting engendering women through microfinance. It will also provide an opportunity to the MFI to revise their product features to attract the significant number of women small scale traders not accessing microcredit and hence ensure that the informal sector is supported in ways that will raise productivity and distribution, increase jobs, improve household incomes and public revenues and thus present essential reforms necessary to accelerate economic growth. The study found out that accessing of credit particularly for starting an enterprise is one of the major constraints affecting women small scale traders. Provision of soft loans is the major factor that hinders the women entrepreneurs in running the businesses effectively. Also lack of tangible collateral security is another major constraint to the women entrepreneurs in order to have access to any financial aid from the financial institutions who also charge high interest rates hence repayment and running the business successfully at the same time becomes difficult. The study recommends that the microfinance institutions should set some simple process and requirements of accessing the microcredit by the women small scale businesses and give them at reasonable interest rate to enable them to repay with ease.

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Background of the Study**

The purpose of the study was to establish factors influencing access to microcredit from microfinance institutions by women small scale traders at City Park Hawkers market in Nairobi City County, Kenya. This chapter presents the background of the study, statement of the problem, objectives of the study and the research questions. It also gives the significance of the study, assumptions together with its limitations and scope.

Over the years with limited education and skills, and few formal employment opportunities, poor women mostly in developing countries often turn to self employment as a means of supporting themselves and their families. There is an increasing number of womens who are creating their own jobs in very small-scale agricultural, manufacturing, service, and petty trade activities (Cumo, 2005). Yet most of these informal activities do not yield sufficient income to raise womens out of poverty. They lack the capital, technical and managerial know-how, access to credit, markets, raw materials, and services necessary to expand or even make marginal improvements in productivity and income (Wright, and Mutesasira, 2001).

Microfinance as a financial service is tailored to the poor and has been celebrated for its ability to reach out to womens and enhance their welfare (UNCDF, 2000). Since its beginning as experimental schemes in Asia and Latin America in the 1970s, microfinance has been concerned, above all, with womens. The objective of the Microcredit Summit Campaign, which plays a central role in the promotion of microfinance, is “to ensure that 175 million of the world’s poorest families, especially womens, receive credit for self-employment and other financial and business services (UNCDF, 2000)

Almost every part of the world, limited access to finance is considered a key constraint to the growth of small scale businesses. This is especially true of small scale businesses that have minimal influence on policy. Lending to the poor is difficult throughout the world, as attested by many projects that experience high default rates. This is due to high screening, monitoring and enforcement costs (Adams & Von Pischke, 2005).

The lack of access to credit is generally seen as one of the main reasons why many people in developing economies remain poor. Usually, the poor have no access to loans from formal banking system, because they cannot put up acceptable collateral or because the transaction and other costs by banks for screening and monitoring the activities of small scale traders, and enforcing their contracts are too high to make lending to this group affordable (Diagne and Zeller, 2001). Since the late 1970s, however, the poor in developing economies increasingly gained access to small scale loans with the help of the so called microfinance programs. During the past twenty years, these programs have been introduced in many developing economies. Well known examples are the Grameen Bank system of group lending established in 1976 by Mohammad Yunus, a Bengal banker and economics professor in particular, has been widely copied in other developing countries (Robinson, 2001). Between December 1997 and December 2005 the number of microfinance institutions increased from 618 to 3133. The number of people who received credit from these institutions increased from 13.5 million to 113.3 million (84% of them being women) during the same period (Daey-Harris, 2006). According to the United Nations (UN), in 2002 almost one fifth of the world population 1.3 billion people were living in extreme poverty and earning less than a dollar a day (UNCDF, 2000).

Microfinance is an important instrument to combat extreme poverty and can contribute significantly to the achievement of the United Nations Millennium Development Goals (United Nations ,2005). In October 2006, the attention for microfinance and its role in

reducing poverty was further increased when Mohammad Yunus received the coveted Nobel Prize. According to the Nobel Committee microfinance can help people to break out of poverty, which in turn is seen as an important prerequisite to establish a long lasting peace (Norwegian Nobel Committee, 2006). The Millennium Development Goals (MDGs) of which Kenya is a signatory reflect ambitious development targets encompassing not only monetary measures of poverty, but also more comprehensive measures of development that quantify development in areas such as education, gender equality, and health. By providing small scale financial services to those on low incomes, microfinance is seen by many as one of the most significant of the instruments to support these targets. Representing this hope, the United Nations declared 2005 the International Year of Microcredit with the goal of “Building Inclusive Financial Sectors to Achieve the Millennium Development Goals”(Barnes, 2005).

Additionally microfinance organizations make it a priority to serve the particular needs of women, since a staggering 70 percent of all those living in extreme poverty are women. Women are often excluded from education, the workplace, owning property and equal participation in politics (Chen 1997). They produce one half of the world’s food, but own just one percent of its farmland. When women improve their circumstances, they also improve the lives of their children. By investing in nutrition and education, they help to create a better future for their children and their communities. It is therefore necessary to expand access of microcredit to women to provide an opportunity to fully exploit on their potential to grow their small scale business (Goldmark, 2006).

The lack of access to credit is particularly severe in sub-Saharan Africa where the World Bank estimates that microfinance is reaching only a small percentage of the economically active population. Consequently, some lenders might find lending to be too risky and choose not to offer loans at all. Others, who do lend, might design contracts that rely on

indirect mechanisms to screen borrowers and to induce them to undertake actions that reduce their likelihood of default (Nyengo, 2006). When lenders use instruments other than the interest rate to address these problems of adverse selection and moral hazard in the credit market, some women traders are unable to meet their needs for capital to finance profitable business projects. These traders and mostly women are credit constrained and as a result they are unable to neither put their resources to the most efficient use nor fully exploit their potential: they underinvest and they under produce and hence earn less. This in turn tends to deny the desired growth in their small scale businesses. It is therefore important to identify and analyze the various factors that influence the access of microcredit from microfinance institutions by women small scale traders.

This research was therefore carried out with the expected output of coming up with identified factors that influence the access of microcredit from microfinance institutions by women scale traders.

## **1.2 Statement of the Problem**

According to the 2009 census result, the Nairobi City County has a population of about 3,380,369 people with women making 48.85%. Poverty and food insecurity are the some of the main challenges facing the population in the Nairobi City County. The majority of the poor population in Nairobi are women who form 60% of the poor. (ERS, 2003). The existing commercial credit institutions cannot offer credit to these categories of the population because these financial institutions require collaterals like land title deeds, log books and others that the small scale women traders do not have. To address the problem of lack of access to microcredit specifically amongst women ;the Government of Kenya set up the WEF in the year 2006 to enable accessibility of financial services to women towards the running of their enterprises. Micro and Small Enterprises (MSEs) have played a pivotal

role in boosting the growth of the economy of Nairobi County and the country as a whole. MFIs operating in the county have come up with special credit programmes, specifically to fund small-scale income generating activities normally referred to as Micro and Small Enterprises (MSE), owned either by groups or individuals entrepreneurs of men as well as women to sustain themselves and improve their standards of living. Several MFIs offering credit and other financial services are operating in the Nairobi City County.

Despite the existence of many MFI's and other financial institutions which have been lending their services for the last two or so decades in Kenya, accessibility of microcredit by most of the majority of the women is limited. This limited access to microcredit is mostly attributed to the fact that women as compared to men, do not easily inherit properties from either their parents or their husbands due to social and cultural practices referred to here as gender biasness which have led to lack of equal opportunities in education and employment opportunities, lack of enough income to acquire their own collaterals just to mention but a few. It is against this backdrop of constraints in accessing microcredit that WEF was instituted with the aim of availing opportunities specifically among the women in accessing the microcredit to finance their small scale businesses, to uplift their standard of living and ultimately reduce poverty levels nationally. The basic consideration by government of Kenya (GOK) for establishing WEF is to support women to have access to affordable business capital (microcredit) to develop their small scale business activities into thriving businesses (Republic of Kenya, 2008). The rapid assessment study report on WEF indicated that the majority of the women, most of whom are poor, are not accessing the services of the fund despite its creation to offer access to microcredit. (Fund GOK, 2009).

### **1.3 Purpose of the Study**

The purpose of this study was to investigate factors that influence access of microcredit from microfinance institutions by women small scale traders in City Park Hawkers market, Nairobi City County, Kenya.



#### **1.4. Objectives of the Study**

To following were the research objectives;

1. To examine the influence of perception of women small scale traders in accessing microcredit from microfinance institutions.
2. To establish the influence of cultural orientation on women small scale traders in accessing microcredit from microfinance institutions.
3. To determine the influence of cost of credit on women small scale traders in accessing microcredit from microfinance institutions.
4. To examine the influence of collateral on women small scale traders in accessing microcredit from microfinance institutions.

#### **1.5 Research Questions**

The study was guided by the following research questions;

1. To what extent does perception influence access to microcredit from microfinance institutions among women small scale traders at City Park Hawkers market in Nairobi City County?
2. To what extent does cultural orientation influence access to microcredit from microfinance institutions among women small scale traders at City Park Hawkers market in Nairobi City County?
3. To what extent does the cost of credit influence access to microcredit from microfinance institutions among women small scale traders at City Park Hawkers market in Nairobi City County?
4. To what extent does collateral security influence access to microcredit from microfinance institutions among women small scale traders at City Park Hawkers market in Nairobi City County?

### **1.6 Significance of the Study**

The findings of the study would be of great importance to women as it has outline the factors that influence access to microcredit from microfinance among women small scale at City Park Hawkers market in Nairobi City County. The women small scale traders would benefit from the results and recommendations of the study that may be considered to improve access to microcredit from microfinance institutions. Research information will also provide data to assist researchers, development practitioners, academicians, policy makers, planners and programme implementors as well as microfinance institutions to monitor and evaluate the existing microcredit procedures with a view to come up with proper mechanisms designs, strategies and policies of improving the access of microcredit to the women in the country.

The findings would be useful to the Kenyan Government to inform on policy formulation and implementation that would address the factors that influence access of microcredit from microfinance among women small scale traders and possibly stimulate business growth which would enhance household incomes.

### **1.7 Delimitation of the Study**

Delimitation is the process of reducing the study population and area to a manageable size. This research was delimited in terms of the scope that it covers. The study was confined to the women small scale traders at the City Park Hawkers market in Nairobi City County. The market is considered to be centrally located and easily accessible. It serves people of diverse nationalities from different estates. There are several other factors influencing women small scale traders in accessing microcredit loans, but this study was to only focus on the perception, cultural orientation, cost of credit and collateral.

### **1.8 Limitations of the Study**

That the research instrument would give varying data depending on the individuals used will be a limiting factor. This problem was addressed by applying both quantitative and qualitative approaches to research. Another limiting factor is that the respondents targeted might get reluctant in giving information fearing that the information sought may be used to intimidate them or print a negative image about them or the market. The researcher handled the problem by presenting an introduction letter from the Nairobi University and assuring them that the information they gave would be treated confidentially and was to be used purely for academic purposes.

### **1.9 Basic Assumptions of the Study**

The researcher assumed that the respondents were honest, cooperative, factual (objective) and trustworthy in their responses to the research instruments and were available to respond to the research instruments in time. It is also assumed that the questionnaires would also give precise data and that the element of biasness would not set in during the data collection and analysis. It is also an assumption of the researcher that the authorities in the City Park Hawkers Market would grant the required permission to collect data from the women small scale traders. The study further made an assumption that there was to be no serious changes in the composition of the target population that would influence the effectiveness of the study sample

### **1.10 Definitions of Significant Terms Used in the Study**

**Access to microcredit:** refers to the opportunity of women small scale traders to obtain small loans or microcredit loans from microfinance institutions

**Collateral Security:** refers a property or other assets that a borrower offers a lender to secure a loan. It is also defined as an asset required by the lender from a borrower to secure the loan

**Control:** refers to the power to decide how a resource is used and who has access to it such that none dominates the other. It further denotes women's control over the decision making process, to achieve equality of control over the factors of production and the distribution of benefits.

**Cost of Credit:** refers to additional money paid over and above what has been borrowed from the lender.

**Cultural Orientation:** refers to an inclination to think, feel or act in a way that is culturally determined.

**Entrepreneur:** refers to a person who is able to identify a business opportunity and obtain the necessary resources to initiate a successful business activity.

**Factors:** refers to situations or circumstances that influence a status quo and in this study it denotes the situations that influence on women small scale traders access to microcredit from microfinance institutions

**Gender :**It refers to as the socially given roles, activities and responsibilities which are attributed to either male or women and they determine how women and men should behave in a society.

**Interest Rate Charged:** refers to amount charged, expressed as a percentage of principal, by a lender to a borrower for the use of assets

**Microcredit:** refers to a relatively small amount of money loaned by a financial institutions to small scale trader often with or without a collateral to an individual or group

**Microfinance:** refers to small scale financial services primarily credit and savings to people who operate small enterprises .

**Microfinance Institutions:** refers to specialized institutions formed to assist low income groups to save and borrow small amounts of loans to improve their living standards.

**Perception:** refers to a hypothetical construct that represents women small scale traders' degree of responding to an item ideas or work and towards something.

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

**Small Scale Trader:** refers to a formal or informal low-income person or group for persons who operate small enterprises

**Women:** refers to a female persons, who are of age of 18 years and above

### **1.11 Organization of the Study**

This study is organized in five chapters. Chapter one comprise of the background of the study, introduction, statement of the problem, purpose of the study, objectives of the study, the research questions, significance of the study, basic assumptions, limitations and delimitations of the study and definitions of the significant terms of the study. Chapter two discusses the related literature review on factors that influence access to microcredit from microfinance institutions, general overview of microfinance; microfinance institutions in Kenya, the Grameen lending model, women empowerment through microfinance, gaps identified in the literature review and the conceptual framework. Chapter three presents the research methodology focusing on research design; target population, sample size and sampling method, methods of data collection, validity and reliability of the research instruments, data analysis methods; the ethical considerations , operationalization of variables and summary of the chapter. Chapter four introduces an analysis of the data,

presentation and interpretation of the findings. Chapter five will focus on the summary of the findings, discussion of the findings, conclusions, recommendations and suggestions for further studies.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter will cover contributions from other scholars on factors influencing access of microfinance credit among women small scale traders. The chapter is structured into theoretical review and empirical review, conceptual framework, critique of literature and finally summary and research gaps that the study is aiming to bridge.

#### **2.2 The emergence of micro-finance as an industry**

Microfinance is the provision of financial services such as loans, savings, insurance, and training to people living in poverty. It is one of the great success stories in the developing world in the last 30 years and is widely recognized as a just and sustainable solution in alleviating global poverty (Hollinger, 2004).

The industry began by providing small loans to emerging entrepreneurs to start or expand businesses. Opportunity International was one of the first nonprofit organizations to recognize the benefits of providing capital to people struggling to work their way out of poverty. Over the years, with Opportunity leading the way, the microfinance sector has expanded its financial service offerings to better meet client needs. Along with providing more flexible loan products and business and personal development training, Opportunity offers savings and insurance to help clients effectively navigate the daily hardships they face. Without these services, clients are continually at risk of slipping back into poverty because of unforeseen circumstances (Besley, 1995).

Micro Finance Institutions (MFIs) and their role of economic enhancement of the poor was first promoted by Professor Yunus, Managing Director of Grameen Bank, in 1974 at his own rural village of Jobra in Bangladesh (Besley, 1995). It has since spread to generate

income through self employment activities,90% of whom are womens (World Bank, 1996).

Majority of MFIs worldwide Kenya included ,put more emphasis on women micro enterprises than those of males.This confirms that womens are better savers and borrowers than male who are considered to spend most of their meagre income on social activities.

Microcredit through microfinance has been touted as the latest panacea for poverty alleviation.The success of micro lending through microfinance in other developing nations since 1970s has prompted this sudden burst of enthusiasm for microlending as a community and economic development strategy.The purpose of micro lending through microfinance is to provide an alternative source of credit for micro for micro entrepreneurs (small scale traders),who are unable to obtain loans from mainstream financial market for poverty alleviation activities (Hunt, 2002).

As an industry, micro finance is a relatively new phenomenon in Kenya, with a few agencies starting about 20 or so years ago but the sector gaining the status of an industry only in the last 10 years.The Government of Kenya (GoK) has indirectly provided a boost to the microfinance sector. During 1992-1994, the GoK has been implementing a Structural Adjustment Program which has resulted in the liberalization of the economy (Ministry of Finance financial report, 1995).

To counter the possible initial negative social impacts of the liberalization process, the Government of Kenya identified areas and projects needing external donor support, including small-scale and micro enterprises. Lack of access to credit was considered a major bottleneck for entrepreneurial development(Ministry of Finance financial report, 1995).



The international donor community responded generously. Microfinance agencies (in particular client-based ones) became donor darlings. A conservative estimate is that the micro-finance industry has received a total of USD 80 million (Central Bank quarterly report, 2007). Government policy or development philosophy was not unambiguous. After 2002 general elections GoK wanted to promote the small-scale and enterprise sector as a means of accelerating economic growth and generating employment opportunities, in this view the small-scale and enterprise sector is seen as a motor of economic development, rather than a social safety net for microentrepreneurs to make a living, Kenya Rural Enterprise Programme (K-REP) can be considered the pioneer of NGO micro-finance in Kenya (Ministry of planning report, 2003). The experimental and financing activities of K-REP have had far-reaching consequences, influencing the outreach modalities and outreach of quite some other NGO-MFAs and maybe even the forms of assistance given by Dutch CFAs to micro-finance programmes in Kenya. With generous support from USAID, K-REP was designed as an intermediary NGO in 1984 to provide credit and technical assistance to other NGOs in Kenya. In the early 1990s, K-REP recognized a potential danger in combining the provision of financial services (loans and deposits) with non-financial services (Ministry of planning report, 2003). This problem arose from the difficulty in assessing the cost of non-financial services, leading to such costs undermining the financial sustainability of the institution. This resulted in the organization adopting a minimalist approach (loans without training or technical assistance).

The targeting philosophy of this approach was to offer financial services to existing entrepreneurs, not people that could be trained to become an entrepreneur (Ministry of planning report, 2003). The minimalist approach was one of the main results of the adoption of a business-oriented approach as opposed to the integrated approach, in which financial service provision was only a minor and often ill-defined part of a wide range of

programmes and services. Driven by the motivation of self-sustainability, K-REP reduced the number of NGOs it supported from twelve to four. The number was subsequently increased to five with the addition of KWFT. These five all promoted the minimalist approach. For donors, including Dutch CFAs, this meant that there was little scope for them to finance non-financial services of micro-finance agencies. The only remaining subsidy object was product development or financial institutional innovation. This happened to be a core activity of K-REP from its very start. Due to the pioneering and supportive roles of K-REP as well as donors much appreciating NGOs imitating the Grameen Bank approach, Kenya witnessed the emergence of quite some NGO-micro-finance agencies in the 1990s, using adapted versions of the Grameen Bank group-lending model. In this connection, one might say that Kenya evolved as the Bangladesh of Africa (CGAP, 2001).

### **2.3 Access to microcredit from Microfinance Institutions**

Small and Medium-Sized Enterprises have faced persistent pressure when seeking funds for investment. They cannot easily access funding because they have under developed business that have a short history hence bank are often not willing to lend using conventional methods. Furthermore, promotions lack the securities that can be given to lenders to guarantee other investors into their business and the promoters have neither the education nor the ability to convince investors of financial intermediaries (Christen, 1997). Depending on the purpose, two approaches are generally used to categorize the different providers of micro finance services in Kenya. The first and most commonly used one is on the basis of formality where providers are categorized as formal or informal depending of the extent to which the provider is registered and regulated under formal law and transactions are governed under the various statutes of the law of contract or rather by selfregulation or group-based rules (Christen, 1997). The second categorization is based on the customer/provider relationship in the management and ownership of the financial

service-providing entity. Under this categorization, micro finance providers could be dichotomized into client-based micro finance agencies (CMFAs) and member-based microfinance agencies (MMFAs).

**Table 2.1 Typology of micro-finance agencies in Kenya**

|                     | <b>Formal</b>   | <b>Informal</b>  |
|---------------------|---|--|
| <b>Client-based</b> | K-REP Bank, KWFT, Faulu Kenya, Wedco, Pride Africa, SunLink, SMEP, Jitegemea, Vintage, Eclof, BIMAS, Coop Bank, Equity Bank, SMEP, Rafikis, etc | Traders, shopkeepers, moneylenders, family and friends |
| <b>Member-based</b> | SACCOS, FSAs  | ROSCAs, ASCRAs   |

Source, KBS report, (2011)

*Client-based microfinance agencies* comprise of all microfinance providers, formal or informal, where customers are not also owners of the institution, have little direct involvement in the management of the institution, and do not have a share in the returns made by the institution. These include about 130 Non-Governmental Organizations (see Box 1), a small number of commercial banks and private companies as well as hundred thousands of informal microfinance providers, such as traders, shopkeepers, specialized money lenders, family and friends. By mid 1999, it was estimated that the formal segment of this category comprised of 86 institutions, with a total of 134,612 active clients and a loan portfolio of Kshs 2.5 billion (K-REP, 1999).

Member-based microfinance agencies comprise of formal and informal mechanisms where resources are mobilized from members, management of the arrangement is in the hands of members and it is members who constitute the main target group for service provision. The formal segment of this largely comprise of both urban and rural Savings and Credit

Cooperatives estimated to number 4,000 by mid 1999 with a combined total of 2.9 million members, an outstanding loan portfolio of Kshs 22 billion, and savings deposits standing at Kshs 29 billion. The Financial Service Associations (FSAs) promoted by K-REP, and other similar membership-based arrangements promoted by many other organizations, could also be added into the formal segment of the category of MMFAs. The many rotating/accumulated savings and credit associations fall under the informal segment of this category of microfinance providers. For a long time though, the debate on microfinance in Kenya largely excluded MMFAs and it is only now that some of the agencies, such as SACCOs, are beginning to be recognized as microfinance providers. What has been clear to many people for a long time though, is that MMFAs, taken together, constitute a major source of microfinance services in Kenya. It is perhaps for this reason that some observers consider this as the segment of the industry with the highest hope for reaching large numbers of the poor in currently underserved areas of the country. Others, however, have sincere doubts about this. They argue that member-based organisations typically tend to exclude the poor and certainly the poorest. The SACCOs, for instance, have so far mainly reached the not-so-poor cash-crop farmers and regular income-earners (Central Bank report, 2011).

#### **2.4 Perception by women small scale traders and Access to Microcredit loans**

Although the positive impact of microfinance on women's empowerment is evident, microfinance providers must also be cautious to avoid possible negative outcomes. Studies have shown that women sometimes have little or no control over their loan, with the husband or male family member making all decisions. Moreover, differences in literacy, property rights and social attitudes about women may limit impact outside of the immediate household. Residents of rural areas specifically continue to have difficulties in accessing microfinance. Self-confidence is one of the most crucial areas of change for

empowerment, yet it is also one of the most difficult to measure or assess. Self-confidence is a complex concept relating to both women's perception of their capabilities and their actual level of skills and capabilities (Schmidt and Kropp, 2002).

Women may also struggle with the heavier workload created by the responsibility for loan repayment (Mayoux, 2001). Changes in the access to microcredit influence the distribution of working time between men and women in the same household and between activities yielding different returns. Evidence suggests that up to a point microcredit increases the workload of women and girls; perhaps offset by more equality in household decision-making (Schmidt and Kropp, 2002). The various relationships and associations among individuals affect individual attitudes and perceptions towards utilization of small loans. As a result, social ties such as group solidarity enables the property less and voiceless women traders to access microcredit from MCIs. In addition, the existence of social relations in the form of indigenous networks and norms of association are seen as substituting the physical collateral like land titles which the women traders lack, in the selection of loan beneficiaries and loan disbursal and recovery (Mayoux, 2001). The assumption here is that social networks are inherently positive and beneficial with the horizontal norms accrued to general trust and information which can be used by MCIs (which is not absolutely the case in all network relations).

Kuntala and Samanta (2006) further pointed out that the village bank credit in rural India did not have any significant impact on physical assets accumulation and production. The poor women end up in a viscous cycle of debts; as the poor use the money from the village bank for consumption and were forced to borrow from moneylenders in order to service village bank loans. The above observations are worsened by the high interest rate charged by micro-finance institutions, the bureaucratic tendencies of MFIs and the short period of

servicing the loan facility. Therefore, people have varied perceptions and attitudes towards access to and utilization of micro-credit as a driver to the enhancement of households' well-being. Therefore this study sought to establish explicitly the influence of perception of women small scale traders towards access to microcredit from the microfinance institutions.

## **2.5 Cultural orientation of women small scale traders and Access to Microcredit loans**

Microfinance activities that do not adequately consider the social, cultural and gender impacts of providing access to resources can harm the people that they set out to help. This is a particularly the case in relation to women. Microfinance which targets women as clients either for poverty reduction reasons or because they tend to have higher repayment rates can generate unintended consequences. Mayoux ,2001 argues the actual contribution of microfinance projects is often limited or produces negative gender impacts. Effectiveness Gender Based Violence Evaluation picks up on this point: ‘ *Although micro-credit strengthens women’s ability to stand up to family violence, in some cases it has increased violence against women and family break-ups.*’ Other possible negative gender impacts of microfinance relate to how decisions are made on spending funds after women have them. For example, expenditure decisions may continue to prioritize men and male children, leaving women and daughters out (Schmidt and Kropp, 2002). Not only does this reinforce gender based disadvantage, but it may also involve worse outcomes in terms of overall family welfare. In other instances, the responsibility of women to repay loans may absolve men of responsibility for the household, further entrenching poverty. In addition to the negative consequences micro-financing can have on gender relations within the home, other disempowering impacts come about because of poor design. For example, microfinance activities can confine women to low income activities, restrict them to

inflexible methods of repayment and impose large time imposts on them as a requirement of the loan (Wright, Mutesasira (2001).

These constraints and barriers can be summarized as internal constraints and barriers, socialcultural constraints, and Non-supportive policy constraints. The internal constraints are those factors that are inert to the women micro entrepreneurs, such as lack of mental access in which the women themselves do not believe in micro credits and MFIs due largely to ignorance, fear of the consequence of default, and the myth that “bank facilities are meant only for the rich”. These barriers and constraints are largely cultivated by environmental reinforcements planted and nurtured by the myths surrounding conventional banking (Kimuyu, (1999).

The second category is social culturally induced, and comprise of such factor as family and cultural expectations, multiple roles in family and society, inflame of spouse, family and culture itself. Typically, Nigeria as in most cultures in Africa is built on the belief that men are superior to women, and women tend to accept this role. This means that only men can go to war, therefore women are not to undertake risky ventures. This belief affects the attitude and behaviour of women that tend to be inimical to micro financing. Finally, the non-supportive policy barriers and constraints refers to the hostility environmental forces that are within the ambit of public policy, such as poor financial, regulatory and physical infrastructure. Many womens recognize that poor men are almost as powerless as poor women in access to material resources in the public domain, but remain privileged within the patriarchal structure of the family. In some societies, being seen by neighbours as in control of his family and wife is a key element of men’s social prestige—particularly in impoverished communities where men may be able to boast of few other status symbols. (Cummo, 2005).

## **2.6 Collateral security and Access to Microcredit loans.**

Conventionally, women and other poor and vulnerable categories of the community cannot access credit from formal microfinance institutions because they do not own land or any other capital that is required as collateral by these microfinance institutions.

The requirement of collateral is considered one of the factors to qualifying for the microcredit. For these under-privileged women to access credit, alternative approaches on collateral requirements have been adopted through the emphasis on social capital tools such as trust and network relations for securities. Peer groups who have known each other for a while and therefore have developed trust based on previous relations are being used instead of economic collaterals such as title deeds, prime property or household assets often required by formal banking institutions. The poor and other vulnerable groups such as women and the unemployed youth have limited access to land due to socio-cultural barriers (Ndubi and Karanja, 2008). Besides, most low-income people in developing countries have limited collateral and credit history. The types of collateral expected from the women who take microcredit loans from microfinance institutions included but was not limited to the following: - the Group guarantees; (social collaterals); Household items; Financial assets; Fixed assets (e.g. land, buildings etc). Also owning these securities still is not easy for all categories of women, particularly the very poor and the marginalized persons. The women get affected by the gender concerns that when a woman is married one cannot claim to own even a household item to use as security unless the husband endorses. It is imperative to note that the women gender has less access to resources and limited control at all even where there is access while the male gender had both the control as well as the access to the resources (Ndubi and Karanja, 2008).

The types of collateral expected from the women who take microcredit loans from microfinance institutions include but is not limited to the following: - the Group



guarantees; (social collaterals); Household items; Financial assets; Fixed assets ( land, buildings),Immovable assets (log book of motor vehicles, motorcycles ). Although the demands in the range of the collaterals expected by microfinance institutions are more flexible and cheaper than for the other financial services, getting those collateral still cannot be possible for all categories of women, particularly the very poor and the marginalized persons who in most times do not have ownership over the collaterals. The women also because of gender concerns that when a woman is married, one cannot claim to own even a household item to use as security unless the husband endorses or provides consent. The requirement for a collateral accounts as one of the biggest constraints to qualifying for the much needed microcredit by women small scale traders to start or expand the existing small scale businesses thus denying them growth opportunities

## **2.7 Cost of Credit and Access to Microcredit loans**

Many of these government-initiated programs became non-sustainable because policy makers failed to recognize that the strength of informal credit institutions such as moneylending was that it reduced transaction costs for both the borrower, who gladly paid a high rate of interest, and for the lender, who did not have to spend time and money appraising projects or enforcing (Adams and Von Pischke, 2005). Poor entrepreneurs cared more about the cost savings associated with the ease and quickness of credit delivery than about the high interest rate paid on borrowed capital (Rhyne and Otero, 1994). For such entrepreneurs, the risk associated with borrowing at a later date for a lesser cost was often greater than that associated with borrowing sooner at a higher rate. In the same light, the risk that the moneylender bore by lending to an acquaintance was less than the perceived risk of lending to a stranger who offered collateral.

The available data show that women's access to formal sector credit is limited, even where special credit schemes have been established for microenterprises. Anecdotal evidence

suggests that women who do gain access tend to be in the better-off category described above or to operate their businesses together with male household members. For example, the loan program of the Industrial Bank of Peru, directed to small and microbusinesses in the shanty towns of Lima, counted only 16 percent women among its borrowers, despite specific emphasis in the program's regulations on targeting women. Although their assets were smaller than men's, they were able to post assets that averaged 200 percent of the value of their loans as collateral." The characteristics of formal bank credit are often inappropriate for the needs of women microentrepreneurs, so women do not even attempt to borrow from these institutions Mule, Johnson, et al. (2002). In some cases, formal banking procedures or regulations, such as requiring a woman to have her husband or another male relative cosign for a loan, discourage women from applying for loans from formal lenders.

In other cases, the factors that limit access to formal financial institutions affect women because they tend to be small borrowers. Interest rate ceilings prevent banks from lending to small borrowers, because they cannot cover the high transactions costs (e.g., the paperwork and staff time required to process loan applications) associated with making many small loans to an unknown clientele, outright discrimination by bank employees may prevent women from applying for or being granted loans. These problems take on added dimensions when they are considered in light of prevailing legal and social norms in many developing countries (Mugwanga, 2001).

The demand for credit by women and other small borrowers, for instance, tends to be relatively interest-inelastic, because noninterest transaction costs often represent a greater proportion of borrowing costs than does interest on small loans. The borrower's transactions costs include transportation, the effort (in terms of lost time or income) required to complete the credit transaction, special fees (such as stamps), and bribes. Most

of these negatively affect a potential borrower's demand for credit, regardless of gender (Adams, Pischke, 2005). However, because of their multiple work obligations in the household and the marketplace, women experience greater opportunity costs to their forgone labor. On average, poor women work longer hours than men of the same class when both market and household tasks are included.

The opportunity cost of a woman's time spent in credit transactions involves not only lost income, but also displacement from household labor that would have been used to satisfy consumption, and even substitution of child labor for women labor within the household. As a result, women who might want to borrow from a bank are easily discouraged by the lengthy application and approval processes. Collateral security requirement is one of the most pervasive barriers to formal credit for women. This is a problem for many small borrowers, who generally lack clear title to land or other property that lenders will accept as collateral. The problem is compounded for women by the widespread custom of registering property in the names of male household members and systems of inheritance which distribute property to male survivors. The type of valuables that women may control - like jewellery - are not normally accepted by bankers as security, although pawnbrokers and money lenders will allow them to be used as collateral. (Pagura, and Kirsten, 2006).

## **2.8 Theoretical Framework**

This study is grounded on three theories, that is, collective household model by Browning & Chiappori, classical feminist theories and psychological theories. These theories are relevant to the study since they advocate on the benefit that accrue from empowering women as well as providing financial support to them.

According to collective household model (Browning & Chiappori, 1998), improvements in women's access to credit through microfinance institutions expand this 'choice set'

available to women by providing them with greater access to economic opportunities. This leads to economic financial self-sustainability that transpires into greater bargaining power in the intra-household decision making process. Khandker et al. (2003) draws on the 'collective household model' to motivate this change in gender relations brought about through access to credit. In this simple collective household model the two partners look for a pareto equilibrium (Browning & Chiappori, 1998). They maximize their own utility taking into account the utility of the other partner.

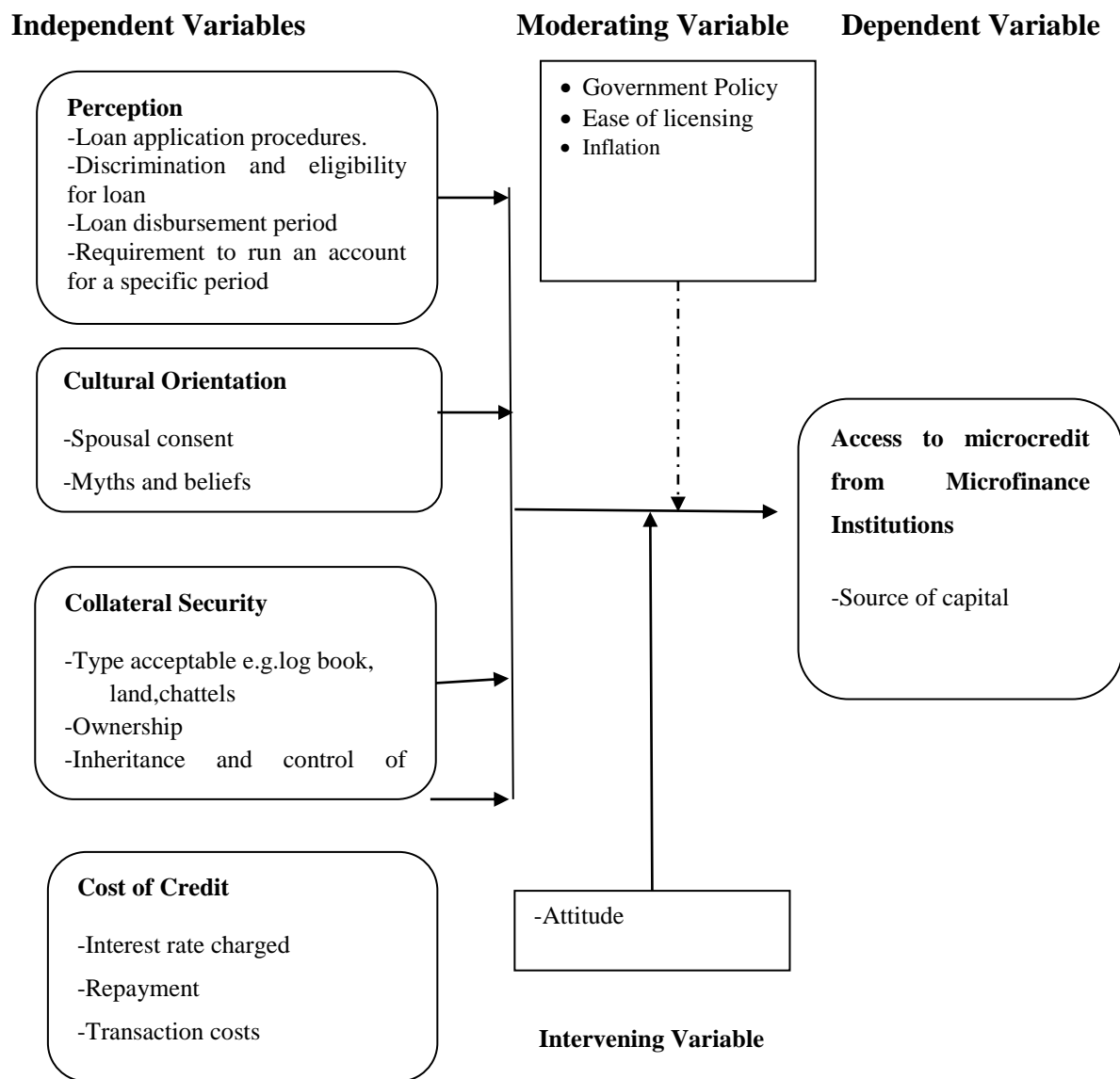
A classical feminist theory advocates that various theories have suggested economic independence of women as a solution to equality of women. Marxists have argued that women's liberation requires feminists to join the working class struggle against capitalism (Ackerly, 1995). According to Engle's famous analysis of women's situation in the history of different economic modes of production women are originally equal to or more powerful than men in communal forms of production with matrilineal family organization, when private property comes into existence as a mode of production, women's lose power. 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. The rise of capitalism in separating 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 (Engles, 1942).

Psychological theories such as those developed by McLelland pay attention to personal traits, motives and incentives of an individual and conclude that entrepreneurs have a strong need for achievement (McLelland & Winter, 1971). A similar focus is found in locus of control theories that conclude that an entrepreneur will probably have strong internal locus of control. This means that an entrepreneur believes in his or her capabilities

to commence and complete things and events through his or her own actions. Brockhaus (2001) suggests that an internal locus of control, even if it fails to distinguish entrepreneurs, may serve to distinguish the successful entrepreneur from the unsuccessful one. Achievement motivation is the most important factor contributing in explaining variation of growth rates and entrepreneurship. Achievement motivation is perhaps the only convincing person logical variable associated with new venture creation. Why is it convincing? If the concept will be defined broadly as Murray (1938) then it explains why Johnson (1990) found a relationship between achievement motivation and entrepreneurship in 20 of 23 studies.

## **2.9 Conceptual Framework**

Framework refers to the main structure or skeleton that not only gives form and shape to the whole system, but also supports and holds together all the other elements in a logical configuration. In this research, the conceptual framework is the concise description of the phenomenon under study accompanied by visual depiction of the variables under study (Mugenda, 2008). The independent variables include perception, cultural orientation, cost of credit and collateral security, while the dependent variable is access of microcredit .The conceptual framework of this study is represented by Figure 1.



**Figure 1 Conceptual framework**

The dependent variable for the study is access of microcredit from microfinance institutions which is influenced by various independent variables which comprises of Perception, Cultural Orientation, Collateral, and Cost of Credit. The indicator for access of microcredit from microfinance institutions is amount of the loan.

There is an intervening variables are the informal microfinance bodies commonly referred to as rotating credit and savings associations or “merry-go-round”, the financial support

created to women through Uwezo Fund and Women Enterprise Fund. Moderating variable is government policies and regulations which may influence the financial and economic climate in which the women small scale traders operate.

## **2.10 Knowledge Gap**

Microfinance has enabled women to participate in economic activity by providing them with financial backing needed to start business ventures. This gives them confidence, improves their status and makes them more active in decision making hence encourage gender equality. The perceived correlation between female participation in a microfinance program and empowerment is based on the assumption that having access to financial services empowers women economically and socially (Hulme,2000). The study concentrated on gender equality, empowerment, access to financial services and did not focus on factors influencing access of microcredit.

Microfinance empowers women's capabilities in entrepreneurship and enable them to make choices which is a valuable goal in itself but it also contributes to greater economic growth and development. It has been well-documented that an increase in women's resources results in the well-being of the family, especially childrenlencing access to microcredit by women small scale traders (Karlan & Zinman,2010). The study only concentrated on economic impact of microfinance without focusing on the factors influencing women small scale traders access to microcredit from microfinance institutions.

A lot of research has been carried out locally and internationally reviewing challenges facing micro and small enterprises in accessing credit facilities. Most of these researches concentrated on their study areas based on their own objectives

It's against this realization that the study aims to bridge this knowledge gap by investigating factors influencing women small scale traders access to microcredit from microfinance institutions from City Park Hawkers market in Nairobi City County.

## **2.11 Summary of Literature Review**

The vast and growing body of literature on microfinance identifies access to formal financial services and affordable credit as the key ingredients for engendering microenterprise development and performance and, more broadly, for poverty alleviation Hulme (2000).

Mead and Liedholm (1998) stated that survival-type enterprises are a small amount of a single missing ingredient, working capital, is often all that is required to sustain the enterprise and enable it to improve its performance. In this section, we briefly review the extent to which Nairobi's slums residents have access to finance, with a special emphasis on enterprise-owning households.



## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter describes the research design, target population, sample size and sampling procedure, research instruments, pilot study, validity of the instruments, reliability of instruments, data collection procedure, data analysis procedure, ethical considerations and operational definition of variables

#### **3.2 Research Design**

The research design of this study is descriptive survey research. A descriptive survey research seeks to obtain information that describes existing phenomena by asking individuals about their perceptions, attitude, behaviour or values (Mugenda & Mugenda, 2003). A descriptive study design is deemed the best design to the objectives of the study. A research design is the general plan of how one goes about answering the research question (Saunders, Lewis & Thornhill, 2009). This design is considered appropriate for the type of objective of this study as it enabled the researcher to describe the state of affairs as they exist without manipulation of variables which was the aim of the study.

#### **3.3 Target Population**

Brinker (1998) defines a target population as a large population from whom sample population is selected. Mugenda and Mugenda (2003) explain that the target population refers to the population to which a researcher wants to study. The target population of this study was the 368 registered women small scale traders according to the temporary operating daily permits issued by the Nairobi City County market inspectors/license officers at City Park Hawkers market, Nairobi City County as at May 2015.

Mugenda and Mugenda (2003) further explain that the target population should have some observable characteristics, to which the researcher intends to generalize the results of the study. The small scale traders mainly engage in service businesses such as, M-pesa, Saloons and barber shop, retail businesses that include, mitumba vendors, and fresh fruit,vegetable vendors ,food vendors;

### **3.4 Sample Size and Sampling Procedure**

Neuman (2003) explains that the important factor to consider when determining a sample size is to keep it manageable enough. This enabled the researcher to derive from the population detailed data within reasonable periods and ensure efficient resource use. The process of sampling is necessary due to large size of a population and the consequent impracticality and prohibitive cost of testing each member of any population (Denzin, 2000).

#### **3.4.1 Sample Size**

Sampling is the process of obtaining information about the entire population by examining only a part of it (Kothari, 1985). According to Yamane (1967) a sample size formulae was used scientifically to generate a sample from a given target population of the study.

Simple random sampling technique was used to obtain a sample of 192 respondents derived as indicated;

$$n = \frac{N}{1 + N(e)^2}$$

Where n = Sample size

N = Population of the study

e = Tolerable error (5%)

$$n = \frac{368}{\quad}$$

$$\begin{aligned}
& 1 + 368 (0.05)^2 \\
n &= \frac{368}{1 + 368 (0.0025)} \\
n &= \frac{368}{1 + 0.92} \\
n &= \frac{368}{1.92} \\
&= 191.666 \\
n &= 192
\end{aligned}$$

### 3.4.2 Sampling Procedure

The simple random sampling technique is considered ideal for this study because it gives all individual members in the defined population an equal and independent opportunity of being selected as a member of the sample. To select a representative sample, the researcher generated a sampling frame (Mugenda & Mugenda, 2003). A sampling frame is a list, directory or index of cases from which a sample could be selected from for observation in a study. In this study therefore, the sampling frame was a list of women small scale traders in City Park Hawkers market as at May 2015 and which shall be checked to ensure it is free from the errors of the omission and duplication of the sampling units. This method of sampling involved assigning a number to every woman small scale trader on the list and then use random numbers to select the required sample. A sample size of 192 women small scale traders were selected from the target population using systematic random sampling technique where every woman small scale trader in each of the strata had a chance of being

selected. To ensure that the sample accurately represents the population, Cooper and Schindler (2000) recommend that the researcher must clearly define the characteristic of the population, determine the required sample size and choose the best method for selecting members of the sample from the larger population.

### **3.5 Research Instruments**

The study employed questionnaires to collect primary data. A questionnaire was used to collect data from the sampled women small scale traders at City Park Hawkers market in Nairobi City County. The secondary data were collected from the Nairobi City County market and licensing offices and other written reports. Questionnaires are appropriate for studies since they collect information that is not directly observable as they inquire about feelings, motivations, attitudes, accomplishments as well as experiences of individuals (Mellenbergh, 2008). The questionnaire comprised both open-ended and closed questions. Saunders (2003) stated that a questionnaire is useful in obtaining objective data because participants are not manipulated in any way by the study. Saunders, (2009) explains that questionnaires have the added advantage of being less costly and using less time as instruments of data collection. The data instrument was divided in to sections where the first section addresses the general information of the respondents while the second section addressed the four research objectives. The questionnaires was administered using drop and pick method.

#### **3.5.1 Piloting of the Study**

A pilot study is a preliminary test conducted before the final study to ensure that research instruments are working properly. It was conducted to test the reliability and validity of the questionnaires. Prior to the main study, the researcher carried out a pilot study among 20 respondents. It tested whether the design of questions is logical, if questions are clear and

easily understood and whether the stated responses are exhaustive and how long it would take to complete the questionnaire. The pilot study was done through random sampling from the targeted population. Mugenda and Mugenda (2008) states that a relatively small sample of 10 to 20 respondents can be chosen from the population during piloting which is not included in the sample chosen for the main study. The pilot group was acquired through random sampling. Mugenda and Mugenda (2003) suggest that the piloting sample should be 10% of study sample depending on the study sample size. Piloting helped in revealing questions that are vague to allow for their review until they convey the same meaning to all the subjects (Mugenda & Mugenda, 2003). The pre-test also allowed the researcher to check on whether the variables to be collected can easily be processed and analyzed.

### **3.5.2 Validity of the Research Instruments**

Validity of the Research instrument is the quality of a data gathering instrument, which enables it to measure what it is supposed to measure. Kothari (2000) states that validity indicates the degree to which an instrument measures what is supposed to measure, that is the extent to which differences found with a measuring instrument reflect true differences among those being tested. Creswell (2009) notes that validity is about whether one can draw meaningful and useful inferences from scores on the instrument. To ensure content validity, the instrument were reviewed by the researcher's supervisor and an expert in the area of entrepreneurship financing to assess the degree to which the instrument can measure and determine the content of a particular concept. Content validity yields a logical judgment as to whether the instrument covers what it is supposed to cover. Content validity

ensures that all respondents understand the items on the questionnaire similarly to avoid misunderstanding.

### **3.5.3 Reliability of the Research Instruments**

Reliability is a measure of the degree to which a research instrument yields consistent results after repeated trials (Nsubuga, 2000). The reliability of the questionnaire was evaluated through Cronbach's Alpha which measures the internal consistency. The Alpha ( $\alpha$ ) measures internal consistency by establishing if certain item measures the same construct. Cronbach's Alpha was established for every objective in order to determine if each objective produce consistent results should the research be done later on. Nunnally (1978) recommends that instruments used in basic research have reliability of about .70 or better.

A pilot study was conducted to find out if the respondents could answer the questions without difficulty. A pre-test was done by administering the instrument to ten respondents conveniently selected from Gikomba Market which has similar characteristics with the case under study. The ten respondents were requested to evaluate the statement items for relevance, meaning and clarity. They were asked to evaluate the questions for relevance, comprehension, meaning and clarity. The instrument was modified on the basis of the pilot test before administering it to the study respondents. Cronbach Alpha was therefore used to test reliability of the instrument. A coefficient of 0.7 and above shows high reliability of data (Saunders, 2009). The Cronbach Alpha test of the instrument resulted in a value of 0.765 which is greater than 0.7, thus the questionnaires were reliable. This indicates that the data collected using the above mentioned instruments was reliable for analysis. The tests were conducted using SPSS.

**Table 3.1: Summary of Cronbach's Alpha Reliability Coefficients for Major Variables**

| Constructs/Variable         | Number of Statements | Cronbach Alpha |
|-----------------------------|----------------------|----------------|
| Perception Factor           | 4                    | 0.800          |
| Cultural Orientation Factor | 4                    | 0.755          |
| Cost of Credit Factor       | 3                    | 0.831          |
| Collateral Factor           | 3                    | 0.780          |

Source: Researcher (2015)

### **3.6 Data Collection Procedure**

Data were collected through a self-administered questionnaire to the respondents. The researcher obtained an approval from University of Nairobi department of Extra Mural Studies which was used to get a research permit from the National Council of Science, Technology and Innovation. Thereafter the researcher proceeded to the Nairobi City County office to obtain an authorization to conduct the research at the City Park Hawkers market. The researcher enrolled three research assistants to help in distribution of the questionnaires to the targeted respondents. The research assistants were trained to clearly understand the research instruments, purpose of the study and ethics of research. The researcher and research assistants administered the questionnaires to the respondents. The researcher explained the purpose of the study and offered guidance to the respondents on the way to complete the questionnaire before administering it. For those respondents with difficulties in reading and completing the questionnaire, the researcher conducted an interview and completed the information for them. The study used the drop and pick later method during data collection where the respondents were left with the questionnaire to complete at their convenient time. The researcher made subsequent visits and courtesy

calls to remind the respondents to complete the questionnaire and thereby increasing the response rate.

### **3.7 Data Analysis Procedures**

Data was cleaned, coded, entered and analyzed using Statistical Package for Social Science (SPSS, Version 21.0). SPSS was used because it is fast and flexible and provides more accurate analysis resulting in dependable conclusions. Technically speaking, data processing implies editing, classification, coding, and tabulation of collected data so that they are amenable to analysis (Kothari, 2007). Data analysis involves computation of certain measures along with searching for patterns of relationships that exist between the dependent variable and independent variables. The data was analyzed according to variables and objectives of the study. Descriptive statistics was used to analyze, present and interpret data. Descriptive analysis involved the use of frequency distribution tables. Content analysis was used for the qualitative data for the open ended questions in the questionnaire. In addition, the researcher used multiple regression analysis (Karl Pearson's Coefficient Correlation) to establish the strength of the relationship between the dependent and independent variables. Results were presented in tables. Correlation analysis was used to establish the relationship between access to microcredit and variables of the study (perception, cultural orientation collateral security, and cost of credit).

### **3.8 Ethical Consideration**

The researcher endeavored to obtain informed consent from the respondents before undertaking to collect data from the field. The researcher informed and explained the objectives of the research in order to solicit informed consent from the respondents. High level of confidentiality on the information provided by respondents through interview or



questionnaires was maintained. Bell & Bryman (2007) states that it is the responsibility of the researcher to carefully assess the possibility of harm to research participants, and the extent that it is possible; the possibility of harm should be minimized. The researcher recognized that the issue under study is sensitive because it involved the core business of the organizations. Therefore, there was need to protect the identity of the respondents as much as possible. This meant that the questionnaires never required the respondent's names or details that may reveal their identity.

### 3.9 Operationalisation of Variables

**Table 3.2 Operational of Variables**

| Research Objective   | Variable  | Indicators   | Measurement scale        | Tools of Analysis                                    | Specific Tool                                      |
|--|---|--|--------------------------|--|--|
| To examine how perception influences access to microcredit from microfinance institutions by women small scale traders at City Park Hawkers market in Nairobi County.            | <b>Independent:</b><br>Perception<br><br><b>Dependent</b><br>Access of microcredit from Microfinance Institutions           | 1. Loan application procedures.<br>2.Discrimination<br>3.Loan disbursement period<br>4.Requirement to run an account for a specific period | -Ordinal<br><br>-Nominal | Central tendency dispersion, and causal relationship | Mean, Standard deviation, and correlation analysis |
| To establish how cultural orientation influences access to microcredit from microfinance institutions by women small scale traders at City Park Hawkers market in Nairobi County | <b>Independent:</b><br>Cultural orientation<br><br><b>Dependent</b><br>Access of microcredit from Microfinance Institutions | 1.Spousal consent<br>2.Myths and beliefs<br>3.Spouses control over income<br>4.Family responsibilities                                     | Nominal                  | Central tendency dispersion, and causal relationship | Mean, Standard deviation, and correlation analysis |
| To determine how cost of credit influences access to microcredit from microfinance institutions by women small scale traders at City Park Hawkers market in Nairobi County.      | <b>Independent:</b><br>Cost of credit<br><br><b>Dependent</b><br>Access of microcredit from Microfinance Institutions       | 1. Interest rate charged,<br>2. Repayment,<br>3. Transaction costs   | Ordinal                  | Central tendency dispersion, and causal relationship | Mean, Standard deviation, and correlation analysis |
| To examine how collateral influences access to microcredit from microfinance institutions by women small scale traders at City Park market in Nairobi County.                    | <b>Independent:</b><br>Collateral<br><br><b>Dependent</b><br>Access of microcredit from Microfinance Institutions           | 1.Type acceptable e.g.log book, land,chattels<br>2.Ownership<br>3.Inheritance and control of property                                      | Ordinal                  | Central tendency dispersion, and causal relationship | Mean, Standard deviation, and correlation analysis |

## CHAPTER FOUR

### DATA ANALYSIS, PRESENTATION AND INTERPRETATION

#### 4.1 Introduction

This chapter focuses on data analysis, interpretation and presentation. The purpose of this study is to investigate factors that influence access of microcredit from microfinance institutions by women small scale traders in City Park Hawkers market, Nairobi City County, Kenya. The objectives of the study were to examine the influence of perception on women small scale traders in accessing microcredit from microfinance institutions; establish the influence of cultural orientation on women small scale traders in accessing microcredit from microfinance institutions; determine the influence of cost of credit on women small scale traders in accessing microcredit from microfinance institutions; and examine the influence of collateral on women small scale traders in accessing microcredit from microfinance institutions.

#### 4.2 Preliminary Results

This section covers the preliminary results of the study. The result includes reliability test and validity test and response rate.

##### 4.2.1 Response Rate

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

**Table 4.1: Response Rate**

| Category        | Frequency  | Percentage    |
|-----------------|------------|---------------|
| Responded       | 144        | 75            |
| Did not respond | 48         | 25            |
| <b>Total</b>    | <b>144</b> | <b>100.00</b> |

From Table 4.2, Out of the 192 respondents, 144 of them participated in the study. This constitutes a response rate of 75 percent. Out of these questionnaires, 106 were considered usable for the study. This accounted for 55.2 percent of the respondents. The other 21 questionnaires had highly significant levels of missing information. The remaining cases represented an adequate response rate for the precision and confidence required in this study. Mugenda and Mugenda (1999) stated that a response rate of 55% and above is a good response rate. The high response rate is attributed to the fact that the researcher worked with a team of very close friends who had the necessary motivation to administer the questionnaires to the respondents.

### **4.3 Background Information of the Respondents**

The researcher asked the respondents to indicate their age category, if they were the household head and if they were connected to electricity.

#### **4.3.1 Age Category**

In this section the researcher sought to establish the age category of women available in the study. Their responses are highlighted in the table 4.2

**Table 4.2: Age Category**

| <b>Category</b> | <b>Frequency</b> | <b>Percentage</b> |
|-----------------|------------------|-------------------|
| Below 18        | 0                | 0                 |
| 19-25 yrs       | 17               | 16                |
| 26-35 yrs       | 45               | 42.5              |
| 36-45 yrs       | 38               | 35.8              |
| 46-55 yrs       | 6                | 5.7               |
| 55 and above    | 0                | 0                 |

From the study 16% of the women small scale traders in City Park Hawkers market were aged between 19 and 25 years; 42.5% were aged between 26 to 35 years; 35.8% were aged between 36 to 45 years; 5.7% of the respondents was aged between 46 to 55 years. This

shows that the largest population of the respondents was young enough as a result they are actively involved from the busy hassles of the markets.

#### 4.3.2 Age when starting the business

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

**Table 4.3: Age when starting the business**

| Category  | Frequency | Percentage |
|-----------|-----------|------------|
| Below 18  | 25        | 17.4       |
| 19-25 yrs | 47        | 44.3       |
| 26-35 yrs | 31        | 29.9       |
| 36-45 yrs | 3         | 8.4        |

From the study 17.4% of the women small scale traders in city market began their businesses while still below the age of 18 years; 44.3% began the business while aged between 19 and 25 years; 29.2% began working at the market when aged between 26 to 35 years and only 8.4% began to work at the market while aged between 36 to 45 years.

#### 4.3.3 Educational background

The respondents were asked to indicate their academic background. Table 4.4 shows the study findings on the respondents academic background.

**Table 4.4: Level of education**

| Level of education | Frequency  | Percent    |
|--------------------|------------|------------|
| Primary school     | 38         | 35.8       |
| Secondary School   | 47         | 44.3       |
| Diploma or less    | 15         | 14.2       |
| Bachelor Degree    | 9          | 5.5        |
| <b>Total</b>       | <b>106</b> | <b>100</b> |

From the study, 35.8% of the respondents had primary school level of education, 44.3% of the population had secondary school education, 14.2% had tertiary education and 5.5% had bachelor's degree.

#### 4.3.4 Marital Status

In this section the researcher sought to establish the marital status of the women traders. Their responses are highlighted in the Table 4.5.

**Table 4.5: Marital status of the women traders**

| Category            | Frequency | Percentage |
|---------------------|-----------|------------|
| Married             | 45        | 42.5       |
| Single              | 41        | 49.8       |
| Divorced/ Separated | 13        | 12.3       |
| Widowed             | 7         | 6.6        |

From the table above 42.5% of the respondents were married, 49.8% of the respondents were single, 12.3% of the respondents were divorced/separated while as 6.6% of the respondents were widowed. This implies that most of those who responded were married. This did not affect the results collected from the respondents.

#### 4.4 Access to Micro Credit

Respondents of the study were requested to indicate their major source of capital to start this business. The table 4.6 indicates the research findings.

**Table 4.6: Major source of capital to start this business**

| Category                              | Frequency | Percentage |
|---------------------------------------|-----------|------------|
| Borrowing from family /friend members | 21        | 19.8       |
| Personal savings                      | 47        | 44.3       |
| Loan from financial institution       | 32        | 30.2       |
| Borrowing ROSCAs                      | 6         | 5.8        |

From the research findings in the table above, 19.8% of the respondents acquired the start capital from borrowing from family /friend members, 44.3% of the respondents started the business from their personal savings, 30.2% started after acquiring loan from financial institution and the rest of the population of 5.8% got from borrowing ROSCAs

The study in this part aimed at identifying the extent at which the following influence access of microcredit from microfinance institutions by women small scale traders. Data was collected using linkert scale of No extent (1), Little extent, (2), Moderate extent (3), Large extent (4) and Very large extent (5). The table 4.7 shows the research findings.

**Table 4.7: Factors influencing women small scale traders' access to microcredit from microfinance institutions**

| Variables            | Mean   | Standard deviation |
|----------------------|--------|--------------------|
| Perception           | 2.8372 | .37097             |
| Cultural orientation | 2.7442 | .48961             |
| Collateral           | 4.4419 | .33356             |
| Cost of credit       | 3.1628 | .47372             |

From the research findings, respondents strongly pointed out that the influence of collateral was the most important factor limiting the access of microcredit from microfinance institutions with a mean of 4.4419, cost of credit was also considered an important factor with a mean of 3.1628. Perception and cultural orientation were the least significant factors under consideration with a mean of 2.8372 and 2.7442 respectively.

#### 4.5 Perception Factor and Access to Microcredit

Respondents were asked their views on how perception influence access to microcredit loan from microfinance institutions by women small scale traders. They were requested to rate with a degree of agreement/ disagreement using a scale of 1-5, by ticking their appropriate choice. The table 4.8 shows the research findings.

**Table 4.8: Perception Factor and Access to Microcredit**

| <b>Variables</b>  | <b>Mean</b> | <b>Standard deviation</b> |
|---|-------------|---------------------------|
| Loan application procedures                                 | 3.4419      | .29589                    |
| Discrimination by staff of microfinance                     | 3.3953      | .25971                    |
| Loan disbursement period                                    | 3.0930      | .31760                    |
| Requirement to run an account for a specific period of time | 3.3488      | .38604                    |

From the study findings, most respondents were in agreement that loan application procedures influence access to microcredit loan from microfinance institutions by women small scale traders. This was supported with a mean score of 3.4419. Other significant factors were discrimination by staff of microfinance (mean = 3.3953) and requirement to run an account for a specific period of time with a mean of 3.3488. The least significant factor was loan disbursement period which was moderately agreed with a mean of 3.0930

#### 4.6 Cultural Orientation Factor and Access to Microcredit

Respondents of the study were asked to rate the extent at which the following factors on cultural orientation influence access to microcredit loans from microfinance institutions by women small scale traders. The table 4.9 shows the research findings.



**Table 4.9: Cultural Orientation Factor and Access to Microcredit**

| <b>Variables</b>                                     | <b>Mean</b> | <b>Standard deviation</b> |
|--|-------------|---------------------------|
| Spouse consent influences access of microcredit loan | 4.3953      | .25971                    |
| Spouses control over income                          | 3.4930      | .31760                    |
| Cultural beliefs and myths                           | 3.3488      | .38604                    |
| Family responsibilities                              | 4.4419      | .29589                    |

From the research findings, family responsibilities was agreed as the most significant factor that influences access to microcredit loans, this was agreed with a mean of 4.4419. Other significant factors were spousal consent influences access of microcredit loan with a mean of 4.3953. Respondents of the study moderately agreed that spouses control over income and cultural beliefs and myths with a mean of 3.4930 and 3.3488 respectively.

#### **4.7 Cost of Credit Factor and Access to Microcredit**

Respondents were asked their views on how cost of credit influence access to microcredit loans from microfinance institutions by women small scale traders. They were requested to rate with a degree of agreement/ disagreement using a scale of 1-5, by ticking their appropriate choice. The table 4.10 shows the research findings.

**Table 4.10: Cost of Credit Factor**

| <b>Variables</b>                         | <b>Mean</b> | <b>Standard deviation</b> |
|--|-------------|---------------------------|
| Rate of interest rate charged            | 4.4930      | .31760                    |
| Repayment term of loan amount and period | 4.3488      | .38604                    |
| Transaction costs of account             | 3.9186      | .36306                    |

From the research findings, respondents strongly agreed that all the factors were influential on how cost of credit influence access to microcredit loans from microfinance institutions. Rate of interest rate charged was singled out as the most significant factor with a mean of 4.4930, this was followed by repayment term of loan amount and period (measure= 4.3488) and transaction costs of account came at a distant third with a mean of 3.9186.

#### **4.8 Collateral Security Factor and Access to Microcredit**

The researcher sought to address how collateral influences women's small scale businesses in accessing microfinance institutions. Respondents were asked to state their degree of agreement/disagreement using a Likert 1-5 scale, with 1 being 'to no extent at all', 2 being 'to a small extent' 3 being 'to some extent', 4 being 'to a high extent' and 5 being 'to a very high extent'. The table 4.11 shows the research findings.

**Table 4.11: Collateral factors**

| <b>Collateral factors</b>                                | <b>Mean</b> | <b>Standard deviation</b> |
|--|-------------|---------------------------|
| Type of collateral accepted by microfinance institutions | 3.0667      | 0.30                      |
| Ownership of the collateral                              | 3.7         | 0.41                      |
| Inheritance and control over property                    | 2.9667      | 0. 61                     |

From the research findings, respondents of the study strongly agreed that ownership of the collateral was the most significant factor with a mean of 3.7. Type of collateral accepted by microfinance institutions was also moderately agreed to be a significant factor with a mean of 3.0667 and inheritance and control over property being the least significant factor with a mean of 2.9667.

## 4.9 Regression Analysis

The regression analysis is concerned with the distribution of the average value of one random variable as the other variables which need not be random are allowed to take different values. The regression model specifically connects the average values of y for various values of the x-variables. The regression model was as follows:

**Table 4.12: Model Summary**

| Model | R       | R Square | Adjusted R Square | Std. Error of the Estimate | Change Statistics |          |     |     |               |
|-------|---------|----------|-------------------|----------------------------|-------------------|----------|-----|-----|---------------|
|       |         |          |                   |                            | R Square Change   | F Change | df1 | df2 | Sig. F Change |
| 1     | .918(a) | .843     | .805              | .51038                     | .843              | 1.242    | 4   | 66  | .001          |

Predictors: (Constant), perception factor, cost of credit factor, cultural orientation factor, collateral factor

Dependent Variable: Access to micro credit

The coefficient of determination (the percentage variation in the dependent variable being explained by the changes in the independent variables)  $R^2$  equals 0.843, that is, perception factor, cost of credit factor, cultural orientation factor, collateral factor only 15.7 percent unexplained. The P- value of 0.001 (Less than 0.05) implies that the model of access to micro credit is significant at the 95% confidence level

**Table 4.13: ANOVA**

| Model |            | Sum of Squares | Df | Mean Square | F     | Sig.              |
|-------|------------|----------------|----|-------------|-------|-------------------|
| 1     | Regression | 16.412         | 4  | 4.103       | 5.342 | .001 <sup>a</sup> |
|       | Residual   | 51.463         | 68 | .768        |       |                   |
|       | Total      | 67.875         | 70 |             |       |                   |

a. Predictors: (Constant), perception factor, cost of credit factor, cultural orientation factor, collateral factor

b. Dependent Variable: Access to Micro Credit

The summary of the basic logic of ANOVA is the discussion of the purpose and analysis of the variance. The purpose of the analysis of the variance is to test differences in means (for groups or variables) for statistical significance. The accomplishment is through analyzing the variance, which is by partitioning the total variance into the component that is due to true random error and the components that are due to differences between means. The ANOVA analysis is intended to investigate whether the variation in the independent variables explain the observed variance in the outcome in this study the outcome level of access to micro credit.

The ANOVA results indicate that the independent variables significantly ( $F=5.342$ ,  $p=0.001$ ) explain the variance in the firm access to micro credit. in this context, as have been presented in the table above, the dependent variable is the level of acceptance of firm access to micro credit while the independent or the predictors are perception factor, cost of credit factor, cultural orientation factor, collateral factor.

**Table 4.14: Coefficients of determination**

| Model                       | Unstandardized Coefficients |            | Standardized Coefficients | t     | Sig. |
|-----------------------------|-----------------------------|------------|---------------------------|-------|------|
|                             | B                           | Std. Error | Beta                      |       |      |
| 1 (Constant)                | .255                        | .133       |                           | 4.870 | .001 |
| Perception Factor           | .131                        | .131       | .041                      | .335  | .000 |
| Cost of Credit Factor       | .170                        | .167       | .161                      | .666  | .000 |
| Cultural Orientation Factor | .051                        | .006       | -.643                     | .256  | .000 |
| Collateral Factor           | .048                        | .006       | -.165                     | .332  | .001 |

a. Dependent Variable: Access to Micro Credit

These are the values for the regression equation for predicting the dependent variable from the independent variable. The regression equation is presented below.

Regression equation:

$$Y = 0.255 + 0.131X_1 + 0.170X_2 + 0.051X_3 + 0.048X_4$$

$Y$  = Access to Micro Credit

$X_1$  = Perception Factor

$X_2$  = Cost of Credit Factor

$X_3$  = Cultural Orientation Factor

$X_4$  = Collateral Factor

$\alpha$  = constant

$\beta$  = coefficient

$\varepsilon$  = error term

**Where**

Constant = 0.255, shows that if perception factor, cost of credit factor, cultural orientation factor, collateral factor all rated as zero, access to micro credit would be 0.255

$X_1$  = 0.131, shows that one unit perception factor results in 0.131 units increase in access to micro credit

$X_2$  = 0.170, shows that one unit change cost of credit factor results in 0.170 units increase in access to micro credit

$X_3$  = 0.051, shows that one unit change in cultural orientation factor results in 0.051 units increase in access to micro credit

$X_4$  = 0.048, shows that one unit change in collateral factor results in 0.048 units increase in access to micro credit.

## **CHAPTER FIVE**

### **SUMMARY OF FINDINGS, DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter presents the summary of findings, discussion and conclusions drawn from the findings and recommendations made. The conclusions and recommendations drawn were focused on addressing the purpose of the study, which was to investigate factors that influence access of microcredit from microfinance institutions by women small scale traders in City Park Hawkers market, Nairobi City County, Kenya.

#### **5.2 Summary of Findings**

The findings of the study revealed that the contextual factors that affect women small scale traders access to microcredit in City Park Hawkers market, Nairobi City County are highly supported by the major factors in relation to collateral factors, cost of credit factors, cultural orientation and perception factors. From the findings most of women small scale traders in City Park Hawkers market, Nairobi City County are of youthful ages between 19-35 which is the most productive and energetic age group. In the same age brackets is when most of the women entrepreneurs start businesses. At this point they have raised some capital from other sources.

##### **5.2.1 Perception Factor influence of access to microcredit**

Most respondents were in agreement that loan application procedures influence access to microcredit loan from microfinance institutions by women small scale traders. Respondents also pointed out discrimination by staff of microfinance and requirement to run an account for a specific period of time as well as loan disbursement period which was moderately agreed. Small scale women traders continue to have difficulties in accessing microfinance.

Self-confidence is one of the most crucial areas of change for empowerment, yet it is also one of the most difficult to measure or assess. Self-confidence is a complex concept relating to both women's perception of their capabilities and their actual level of skills and capabilities.

### **5.2.2 Cultural orientation Factor influence of access to microcredit**

Respondents singled out family responsibilities as the most significant factor that influence access to microcredit loans, there was also spousal consent that influences access of microcredit loan and spouses control over income and cultural beliefs and myths. Although micro-credit strengthens women's ability to stand up to family responsibilities, in some cases it has increased violence against women and family break-ups due to spousal control. Other possible negative gender impacts of microfinance relate to how decisions are made on spending funds after women have them.

### **5.2.3 Cost of Credit Factor influence of access to microcredit**

Respondents strongly agreed that all the factors were influential on how cost of credit influence access to microcredit loans from microfinance institutions. Rate of interest rate charged was singled out as the most significant factor, this was followed by repayment term of loan amount and period and transaction costs of account. Poor small scale women traders cared more about the cost savings associated with the ease and quickness of credit delivery than about the high interest rate paid on borrowed capital. The factors that limit access to formal financial institutions affect women small scale traders because they tend to be small borrowers. Interest rate ceilings prevent banks from lending to small borrowers, because they cannot cover the high transactions costs.

#### **5.2.4 Collateral Factor influence of access to microcredit**

Respondents of the study agreed that ownership of the collateral was the most significant factor. Type of collateral accepted by microfinance institutions was also moderately agreed to be a significant factor and inheritance and control over property. The requirement for a collateral accounts as one of the biggest constraints to qualifying for the much needed microcredit by women small scale traders to start or expand the existing small scale businesses thus denying them growth opportunities.

### **5.3 Discussions**

On perception factors, loan application procedures influence access to microcredit loan from microfinance institutions by women small scale traders. Respondents also pointed out discrimination by staff of microfinance and requirement to run an account for a specific period of time as well as loan disbursement period which was moderately agreed. Small scale women traders continue to have difficulties in accessing microfinance. Self-confidence is one of the most crucial areas of change for empowerment, yet it is also one of the most difficult to measure or assess. Self-confidence is a complex concept relating to both women's perception of their capabilities and their actual level of skills and capabilities. This is in line with Mutesasira (2001) who posited that the responsibility of women to repay loans may absolve men of responsibility for the household, further entrenching poverty. In addition to the negative consequences micro-financing can have on gender relations within the home, other disempowering impacts come about because of poor design. For example, microfinance activities can confine women to low income activities, restrict them to inflexible methods of repayment and impose large time imposts on them as a requirement of the loan.



On cultural orientation factor, respondents singled out family responsibilities as the most significant factor that influence access to microcredit loans, there was also spouse consent influences access of microcredit loan and spouses control over income and cultural beliefs and myths. In some cases it has increased violence against women and family break-ups due to spouse controls. This is in support with a study by Kimuyu, (1999) who augmented that social culturally induced, and comprise of such factor as family and cultural expectations, multiple roles in family and society, influence of spouse, family cultures in Africa is built on the belief that men are superior to women, and women tend to accept this role. This means that only men can go to war, therefore women are not to undertake risky ventures.

On the cost of credit factors, Respondents strongly agreed that all the factors were influential on how cost of credit influence access to microcredit loans from microfinance institutions. Rate of interest rate charged was singled out as the most significant factor, this was followed by repayment term of loan amount and period and transaction costs of account. Poor small scale women entrepreneurs cared more about the cost savings associated with the ease and quickness of credit delivery than about the high interest rate paid on borrowed capital. Research findings from Rhyne and Otero, 1994; Mugwanga, 2001 and Adams and Von Pischke, 2005 pointed out that poor entrepreneurs cared more about the cost savings associated with the ease and quickness of credit delivery than about the high interest rate paid on borrowed capital.

On collateral factors, respondents of the study agreed that ownership of the collateral was the most significant factor. Type of collateral accepted by microfinance institutions was also moderately agreed to be a significant factor and inheritance and control over

property. The requirement for a collateral accounts as one of the biggest constraints to qualifying for the much needed microcredit by women small scale traders to start or expand the existing small scale businesses thus denying them growth opportunities. This is supported by a study by Schmidt and Kropp (2002) who lamented that the requirement for a collateral accounts as one of the biggest constraints to qualifying for the much needed microcredit by women small scale traders to start or expand the existing small scale businesses thus denying them growth opportunities.

#### **5.4 Conclusions**

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

Empirical studies argue that lack of experience and exposure also restricts women small scale traders from venturing out and dealing with microfinance institutions or exposure to paper work is a great drawback for women who would like to venture in business. Most of the women small scale traders depend on a second party to get things done especially in marketing and sales departments. The study therefore advocates for women small scale traders education through seminars to help them keep proper record which shows proper well business operation, also to help them assess the business margins and mark-up to weigh the rate of business returns on their own. This in turn would help them in

stabilization and forecasting for the present and future of the business including on decision of obtaining microcredit from an independent mind.

Most of the women small scale businesses depend on spouse opinions to get things done. Therefore, advocating for women education through seminars would enlighten most of those whose are not familiar with record keeping. Lack of information on who is offering what and the cost of obtaining such services limit them and high inventory costing are some of the major drawbacks for success in women small scale businesses. The high cost of running the entrepreneurs is a big threat to the women development due to lack of adequate capital and on the other hand lack of information on how to access funds to boost the business also is a major threat.

## **5.5 Recommendations**

1. The small scale women traders face insurmountable roadblocks in their endeavor to address gender relations in access, control and utilization of microfinance resources in a patriarchal system, which believes decision-making in households is a preserve of men. The societal beliefs and perceptions about gender relations in households accord men control and authority over women as ‘perceived’ heads of households. These perceptions hinder women’s access to, control and utilization of their own resources from MFIs. These impacts on gender relations at the household level and women are affected negatively.

The study recommends the need to sensitize men and women on patriarchy through community dialogues (community based meetings where patriarchal attitudes and perceptions of women in access to, control and utilisation of resources are discussed and community based mechanisms to address them developed) and introduce gender equality to improve gender relations in households. The Gender

Commission and other County Government authorities should undertake sensitization on culture and customs and their effect on gender relations at household levels and its impact on access to microcredit.

2. On perception factors, loan application procedures influence access to microcredit loan from microfinance institutions by women small scale traders. Respondents pointed out discrimination by staff of microfinance and requirement to run an account for a specific period of time as well as loan disbursement period which was moderately agreed. Most of the respondents preferred to use personal savings and contributions from relatives and friends since they find it difficult to access to credit from credit giving institutions. The study therefore recommends that the management of the institutions should increase their product portfolios they offered that are suitable to small scale trader's needs. The marketing departments of MFI's should endeavor to research on the women's' desired options and be able to include the probable and realistic product features onto the list to increase access to credit. This will help to reach out to the women small scale traders that cannot access to credit facilities.
3. On Collateral security, it is recommended that for the small scale women traders to be facilitated to access credit, alternative approaches on Collateral security requirements need to be adopted through the emphasis on social capital tools such as trust and network relations for securities. Peer groups who have known each other for a while and therefore have developed trust based on previous relations should be used instead of economic Collateral securities such as title deeds, prime property or a salary pay slip often required by formal microfinance institutions.
4. On the cost of credit, the study outlines that high interest rates, discourages the women small scale traders from borrowing. It is because the interest payments eat

into profits and therefore affects the borrowing business especially when profit and trading conditions are unfavorable. Therefore, it is recommended that since most of small scale women do not have stable source of funding, they can only borrow on short term basis. MFIs and governments should design products specifically tailored to meet the needs of small scale women traders so as to address their challenges.

## **5.6 Suggestions for further Research**

The researcher recommends future researchers on this topic;

1. A study to focus on the role of technology through mobile banking in enhancing women's access to and control of microfinance resources
2. To conduct personal interviews instead of questionnaires. This they would be able to explain to semi-illiterate women small scale traders, what exactly they are doing to enable the respondents give out correct information.
3. The researcher also recommends further research by targeting high profile women small scale traders who are knowledgeable in the field of study.
4. The researcher recommends the use of a bigger target population in relations to further studies and to confirm if the results attained are similar to the one of this study.
5. The researcher recommends that similar studies be carried out in other counties in Kenya,

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## **APPENDICES**

### **APPENDIX 1: LETTER OF TRANSMITTAL**

Clement Tongi,  
University of Nairobi,  
Department of Extra Mural Studies,  
P.O Box 30197-00100,  
**Nairobi.**

Dear Respondent,

#### **RE: REQUEST FOR YOUR CONSENT TO PARTICIPATE IN THE STUDY**

My name is Clement Tongi and I am a master's student in Project Planning and Management at University of Nairobi in the school of Continuing and Distance Education. I will be undertaking a study of Factors Influencing Access of Microcredit from Microfinance Institutions by Women Small Scale Traders in City Park Market.

To facilitate this exercise, you have randomly been chosen as a participant in this study. You are kindly requested to participate in answering the questionnaire by responding to the questions as honestly as possible.

Your responses will be treated strictly confidential and will be used only for the intended research purposes.

Kindly tick the most appropriate option from the choices given or write your responses in the spaces provided. The questionnaire will take about 10 minutes.

Thank you in advance,

Kind Regards,

**Clement Tongi.**

## **APPENDIX II: INTRODUCTION LETTER FROM THE UNIVERSITY**

## APPENDIX II: QUESTIONNAIRE FOR SMALL SCALE TRADERS

This set of questions is intended to obtain data on factors that influence access to microcredit from microfinance institutions by women small scale traders in City Park market: a case study of city park market, Nairobi City County; Kenya.

Please be frank and honest in all your responses.

Please note that your responses will be used for academic purposes only and they will be treated with utmost confidence.

### SECTION A: RESPONDENTS BACKGROUND INFORMATION

Please tick (✓) or fill the spaces provided

1. What is your age?

- a. 18-25 Yrs ( )
- b. 26-33 Yrs ( )
- c. 34-41 Yrs ( )
- d. 42-49 Yrs ( )
- e. Above 50 Yrs ( )

2. What is your marital status?

- a. Married ( )
- b. Single ( )
- c. Divorced/Separated ( )
- d. Widowed ( )

3. What is the highest level of education?

- |                   |                 |
|-------------------|-----------------|
| a. Primary ( )    | d. Diploma ( )  |
| b. Secondary ( )  | e. Graduate ( ) |
| c. Other ( )      | f. None ( )     |
| g. If other ..... |                 |

4. How old were you when you were introduced to this business?

- a. 18-25 Yrs ( )
- b. 26-33 Yrs ( )
- c. 34-41 Yrs ( )
- d. 42-49 Yrs ( )
- e. Above 50 Yrs ( )

## SECTION B: ACCESS TO MICRO CREDIT

5. What was the major source of capital to start this business?

- a. Borrowing from family /friend members ( )
- b. Personal savings ( )
- c. Borrowing ROSCAs ( )
- d. Loan from financial institution ( )
- e. If other please specify ....

6. The following are factors that influence access of microcredit from microfinance institutions by women small scale traders. To what extent do you agree that these factors influence access of microcredit from microfinance institutions by women small scale traders?

| Statement            | Strongly disagree | Disagree | Agree | Strongly Agree | Not sure |
|----------------------|-------------------|----------|-------|----------------|----------|
| Perception           |                   |          |       |                |          |
| Cultural orientation |                   |          |       |                |          |
| Collateral           |                   |          |       |                |          |
| Cost of credit       |                   |          |       |                |          |

7. What was the major source of capital to start this business?

- f. Borrowing from family members ( )
- g. Personal savings ( )
- h. Borrowing from friends ( )
- i. Loan from financial institution ( )
- j. If other, please specify ....

### SECTION C: PERCEPTION FACTOR

8.To what extent does perception influence access to microcredit loan from microfinance institutions by women small scale traders? Please indicate by using the bracket scale of 1-5, where Very low =1, Low =2, Moderate =3, High =4, Very high =5.

| Statement   | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| Loan application procedures                                 |   |   |   |   |   |
| Discrimination by staff of microfinance                     |   |   |   |   |   |
| Loan disbursement period                                    |   |   |   |   |   |
| Requirement to run an account for a specific period of time |   |   |   |   |   |

### SECTION D: CULTURAL ORIENTATION FACTOR

9. To what extent does cultural orientation influence access to microcredit loans from microfinance institutions by women small scale traders. ? Please indicate to what extent you agree with the statement below by using the bracket scale of 1-5, where Very low =1, Low =2, Moderate =3, High =4, Very high=5

| Statement  | 1 | 2 | 3 | 4 | 5 |
|--|---|---|---|---|---|
| Spouse consent influences access of microcredit loan |   |   |   |   |   |
| Spouses control over income                          |   |   |   |   |   |
| Cultural beliefs and myths                           |   |   |   |   |   |
| Family responsibilities                              |   |   |   |   |   |

### SECTION E: COST OF CREDIT FACTOR

10. To what extent does cost of credit influence access to microcredit loans from microfinance institutions by women small scale traders. ? Please indicate to what extent you agree with the statement below by using the bracket scale of 1-5, where Very low =1, Low =2, Moderate =3, High =4, Very high=5

| Statement | 1 | 2 | 3 | 4 | 5 |
|-----------|---|---|---|---|---|
|-----------|---|---|---|---|---|

|  |  |  |  |  |  |
|--|--|--|--|--|--|
| Rate of interest rate charged            |  |  |  |  |  |
| Repayment term of loan amount and period |  |  |  |  |  |
| Transaction costs of account             |  |  |  |  |  |

## SECTION F: COLLATERAL FACTOR

11. To what extent does collateral influence access to microcredit loans from microfinance institutions by women small scale traders. Please indicate to what extent you agree with the statement below by using the bracket scale of 1-5, where Very low =1, Low =2, Moderate =3, High =4, Very high=5

| Statement  | 1 | 2 | 3 | 4 | 5 |
|--|---|---|---|---|---|
| Type of collateral accepted by microfinance institutions |   |   |   |   |   |
| Ownership of the collateral                              |   |   |   |   |   |
| Inheritance and control over property                    |   |   |   |   |   |

**Thank you for taking your time to take part in this study**



### APPENDIX III: INTERVIEW GUIDE

1. To what extent does perception influence access to microcredit from microfinance institutions among women small scale traders at City Park Hawkers market in Nairobi City County?

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

2. To what extent does cultural orientation influence access to microcredit from microfinance institutions among women small scale traders at City Park Hawkers market in Nairobi City County?

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

3. To what extent does the cost of credit influence access to microcredit from microfinance institutions among women small scale traders at City Park Hawkers market in Nairobi City County?

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

4. To what extent does collateral security influence access to microcredit from microfinance institutions among women small scale traders at City Park Hawkers market in Nairobi City County?

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