MICROFINANCE SERVICES AND EMPOWERMENT OF WOMEN
IN KISUMU COUNTY, KENYA

BY

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2015
DECLARATION

This management research project is my original work and has not been presented to any other university for examination purposes.

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This management research project has been submitted for examination with my approval as the university’s supervisor

Signature.................................

Date.............................................

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DEDICATION

This study is dedicated to my late mother, Magdalina Nyawuon Apiyo, who had special passion for education even though she never had a chance to be in a classroom. Her usual encouragement was a pillar to see me go through my academic struggle thus realizing my long cherished dream.
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Thanks also to all Microfinance institutions who allowed me to conduct this research on their clients on the financial services offered to them. The clients of Microfinance institutions who were my respondents deserve my appreciation for their willingness to provide the required information during my research study. My appreciation finally goes to my classmates, with whom I weathered through the storms together, giving each other encouragement and for their positive criticism.

It will not be complete to end without extending very special thanks to my loving family for their support during the period of the study.
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<tr>
<td>MFIs</td>
<td>Microfinance Institution(s)</td>
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<td>AMFIs</td>
<td>Association of Microfinance Programme</td>
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<tr>
<td>K-REP</td>
<td>Kenya Rural Enterprise Programme</td>
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<td>SMEs</td>
<td>Small and Medium Enterprises</td>
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<tr>
<td>USA</td>
<td>United States of America</td>
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<td>USAID</td>
<td>United States Agency for International Development</td>
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<tr>
<td>SACCOs</td>
<td>Savings and Credit Cooperative Societies</td>
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<tr>
<td>NGO</td>
<td>Non-Governmental Organization</td>
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<tr>
<td>KWFT</td>
<td>Kenya Women Finance Trust</td>
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<td>CBK</td>
<td>Central Bank of Kenya</td>
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<td>MDGs</td>
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<td>UN</td>
<td>United Nations</td>
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<td>IFC</td>
<td>International Finance Corporation</td>
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<td>NCCK</td>
<td>National Council of Churches</td>
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<td>WWB</td>
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ABSTRACT

Seventy percent of the world’s poor are women. Yet traditionally women have been disadvantaged in access to credit and other financial services. Commercial banks often focus on men and formal businesses, neglecting the women who make up a large and growing segment of the informal economy. Microfinance institutions on the other hand often target women, in some cases exclusively. Female clients represent eighty-five percent of the poorest microfinance clients reached. Empowerment refers to increased well-being, community development, self-sufficiency and expansion of individual choice.

Bisnath and Elson (1999) state that microfinance typically focuses on women’s individual aspects, such as engagement in economic activities, productivity and individual choice, at the expense of empowerment through changes in power structures and gender relations. This emphasis on the individual aspects in turn makes empowerment merely an instrument in achieving economic development.

The objective of the study was to establish the extent to which microfinance services have empowered women, and to determine factors that influence women to go for microfinance services rather than those of mainstream banks. Cross sectional survey method was employed in this study. The study population consisted of clients of five main microfinance institutions operating in Kisumu County. The study adopted systematic random sampling method of a sample size of 60 clients from the five MFIs. The researcher used primary data. Primary data was collected through the use of structured and semi-structures questionnaires. Quantitative data was analyzed using descriptive and inferential statistics.

The study found that MFIs prefer to deal with groups to individuals. Women are good in making and staying in groups, whether for social or financial reasons. Therefore, women’s ability to mobilize themselves in groups has seen them edge out men and the youth from the institutions that target small-scale traders. Being in a group demands that one should attend meetings every week and make contributions and when one is in need of a loan, the group will act as the guarantors.

However the study also found that there are many challenges facing microfinance industry in the country such as: high cost of service delivery with poor infrastructure, regulatory policy issues and the need to develop institutional leadership. Some women access credit, but only to pass it onto others who are not directly accountable, leaving them with the loan repayment burden. The one year repayment period is one of the reasons for the default in repayments. Examples of such failure make other women reluctant to borrow. Because of the society’s perception of a woman’s place in the home, some women are not aware of the existence of sources of finance.
CHAPTER ONE: INTRODUCTION

1.1 Background to the Study

Microfinance is the provision of financial and non-financial services by Micro Finance Institutions (MFIs) to low income groups without tangible collateral but whose activities are linked to income generating ventures (Ledgerwood, 1999 and Christen and Rosenberg, 2000). These financial services include savings, credit, payment facilities, remittances and insurance. The non-financial services mainly entail training in micro enterprise investment and business skills. The aim of microfinance is to provide collateral free loans to poor people, especially in rural areas, at lower interest rates that are repayable in frequent installments. Borrowers are organized into groups and peer pressure among them reduced the risk of default (Khan and Rahaman, 2007). In many cases, basic business skill training should accompany the provision of micro loans to improve the capacity of the poor to use funds (Webster and Fidler, 1996). Micro financing should addresses capital investment decisions, general business management and risk management.

Empowerment is the expansion of assets and capabilities of poor people to participate negotiate with, influence, control, and hold accountable institutions that affect their lives. Poverty being multidimensional, poor people needs a range of assets and capabilities at the individual level such as health, education, and housing; and at the collective level such as the ability to organize and mobilize to take collective action to solve their problems, (World Bank, 2002).
The concept of microfinance was first introduced in early 1970s and developed itself so well that Dr. Muhammed Yunus, founder of Grameen Bank, one of the most well-known microfinance institutions (MFIs) in the world, has won a Nobel Peace Prize for his contributions to poverty reduction (Pomeranz 2014). Microfinance became more popular and extensive in the year 2000 when the United Nations presented its goal of “Eradicating extreme poverty and hunger” within the scope of Millennium Development Goals (MDG). Microfinance systems are relevant with ‘Fighting against poverty’, because they mostly target women and parts of the population living below the extreme poverty line which is $1.25 per day, defined by World Bank. For example, according to the latest Grameen Bank monthly report, 96% of clients are women.

This conceptual framework relates in important ways to the situation of empowerment outcomes for women in MFIs. Thus there are certainly outcomes that are specific to women, but this does not have to do so much with the characteristics that are intrinsic to women. Rather it is due to the societal and cultural conditions that affect women uniquely. So, while seeing women as a social collective possessing certain unique characteristics, such as women managing household responsibilities and belonging to the private sphere more rigidly than men, has been helpful in promoting and providing access to MFIs. These traits are not biologically intrinsic to women. Rather they are a product of socialization and cultural conditioning giving rise to a patriarchal culture. This results in women’s experience of empowerment through MFIs exclusive to women.

In other words, while the positive effects of MFIs on women may equally apply to men, it is the negative influence, discussed in the preceding sections, that is mostly exclusively and disproportionately experienced by women. The effect of patriarchal culture is most pervasive and
pernicious, and women experience it exclusively. Similarly, the disempowerment outcomes due to social networks pertain, if not specifically to women because they are women, then certainly in greater proportion.

This is because women more than men rely on the ‘value of connectedness’ (Collins 1990), rather than on a morality of individual rights (Robnett 1997). These are women whose everyday lives are embedded in a collectivity and in community to a much larger extent than are men’s, who enter the public sphere for employment. For these reasons, MFIs’ negative impact on women’s empowerment is such because they are women.

The majority of MFIs’ clients are not in formal employment and do not have skills for the same. They therefore resort to informal employment that requires financial resources. They can access microfinance services, since they lack collateral against which to access credit facilities from Commercial banks. The financial resources are necessary for start-up of new businesses and expansion of existing businesses; hence improving the clients’ living standards. Women are the major beneficiaries of MFIs, because they were traditionally disadvantaged from inheritance of property such as land. Women particularly have greater difficulties in terms of accessing banking and related services (Pomeranz 2014). Many studies have argued that microfinance services empower women. Increasing women access to finance will enable women to make a greater contribution to household income and this, together with other interventions to increase household well-being, translate into improved well-being for women and ability to bring about wider changes in gender inequality (Biswas, 2008). This study therefore seeks to find out to what extent microfinance services impact on empowerment of women.
Another MDG aimed to be achieved by 2015 is “Promoting gender equality and empowering women”. In order achieve this target, governments and private institutions should implement enterprise development, supply chain and marketing practices that strengthen women's status as well as promoting education, training and professional development for women (UN Women and United Nations Global Compact 2011). At this point, growth of microfinance in terms of size, magnitude and geographic reach (Pomeranz 2014) should not be an astonishing result since microfinance systems are considered to be powerful solutions to both reducing poverty and empowering women. Examples of main microfinance institutions operating in Kisumu County, Kenya are Kenya Women Finance Trust (KWFT), Kenya Rural Enterprise Program (K-REP), Faulu Kenya and Small and Micro Enterprise Program (SMEP).

Kisumu County’s headquarter is in Kisumu City which is the business hub of Eastern Africa. It is a county with many business opportunities. The number of MFIs in the county is on increase. Women in urban centers and rural areas access microfinance services within their reach. MFIs provide an accessible financial facility to their clients to enable them build-up a capital base through a spiral system of saving and borrowing for expansion of income base for the household. Women therefore do businesses that enable their households lifted out of poverty and can afford better nutrition, health and education for their children. However, not all female businesses succeed in the county. Many do not survive to see their 5th birth days due to operational issues.

1.1.1 Microfinance Services

Seibel (2005) defines microfinance as provision of financial services to the lower segments of the population, the poor or the unbanked. Schreiner and Colombet (2001) define microfinance as
the attempt to improve access to small deposits and small loans for poor households in both rural and urban areas, while accepting wider variety of assets as collateral to those who are excluded from conventional commercial financial service since most are too poor to offer much or anything in terms of collateral.

Microfinance can be analyzed at three levels; microcredit, micro-savings and micro-insurance. Microcredit is a financial product that provides small amounts of loans that can be used for an investment in small-sized businesses. Microcredit also aims to ensure financial resources and motivation for female entrepreneurs. Micro-saving tools are designed for providing accessible ways to save for future investments or unexpected economic shocks. It includes commitment-based products that limit withdrawal in order to encourage investors to save (Pomeranz 2014). Finally, micro-insurance products are created in order to deal with various types of risks such as agricultural risks or risks related to health conditions.

1.1.2 Empowerment of Women

Empowerment has received different definitions from different quotas. World Bank defines empowerment as “the expansion of assets and capabilities of poor people to participate in, negotiate with, influence, control, and hold accountable institutions that affect their lives” (Naranyon 2002). Empowerment also refers “the expansion in people’s ability to make strategic life choices in a context where this ability was previously denied to them” (Kabeer 1999). Empowerment is the process of obtaining these basic opportunities for marginalized people, either directly by those people, or through the help of non-marginalized others who share their own access to these opportunities.
Batliwala (1997) gives another definition: “empowerment is a process, which changes existing power relations by addressing itself to the three dimensions material, human and intellectual resources. Lazo’s (1995) defined empowerment as “a process of acquiring, providing, bestowing the resources and the means or enabling the access to and control over such means and resources”. Empowerment, therefore, includes programmes to facilitate income generation for poor households, in particular women. One important measure consisted in supporting the formation of savings and loan groups between women. It was hoped that by fostering the financial capabilities of poor women households, in turn, would allow the beneficiaries of the programme to cover school expenses or expenditure for other needs.

Women play a crucial role in the economic development of their families and communities but certain obstacles such as poverty, unemployment, low household income and societal discriminations mostly in developing countries have hindered their effective performance of that role. Therefore, most of them embark on entrepreneurial activities to support their families. Empowerment of women is crucial for the emancipation of poverty and meaningful participation of entrepreneurship development. Increasing women access to finance will enable women to make a greater contribution to household income and this, together with other interventions to increase household well-being, translate into improved well-being for women and ability to bring about wider changes in gender inequality (Biswas, 2008).
1.1.3 Microfinance and Empowerment of Women

While the empowering potential of microfinance programmes remains strong, the evidence of challenges, ineffectiveness and limitations of the potential is equally compelling. Although microfinance has the ability to empower women, the connection is not straightforward or easy to make. Significant research and much anecdotal evidence suggest that this link is certainly not automatic (Hunt and Kasynathan 2001, 2002; Kabeer 1998; Mayoux 1998). Just handing money to women and giving them access to financial assets and resources creates a new set of challenges for women, thus balancing the experience of empowerment with the experience of extra burdens.

Others argue more strongly that access to microcredit actually impacts women’s empowerment experience negatively by leading to a certain kind of disempowerment. Yet another set of analyses indicates that the goals of microfinance and its empowering potential are intrinsically of conflicting natures. The argument is that focusing on women’s empowerment leads to dilution of efficiency and sustainability of MFIs, and these results in reluctance to focus on women’s empowerment when designing their systems and programmes.

Impressive literature that exist records the challenges and gaps between the goals and the empowerment potential of microfinance programmes that target women. These challenges emanate in the economic, politico-organizational, ideological and cultural domains within which microfinance institutions and microcredit lending programmes are embedded. This section discusses the multidimensionality of these challenges.
Empowerment of women is the process by which those who have been denied the ability to make strategic life choices acquire such ability (Kabeer, 1999). Empowerment helps achieve practical as well as strategic gender needs through promoting women’s self-reliance and acknowledging power dynamics rooted in class, gender, age and ethnicity. For women to gain economic empowerment they have to compete in male-dominated world, (Munyua & Mureithi 2002). Women are Powerhouse Entrepreneurs who when they succeed, drive the economic growth and invest back into their families and communities. (U.S. President Obama, 2015).

Microfinance programmes are currently being promoted as a key strategy for addressing both poverty alleviation and women empowerment (Mayoux, 1999). Where financial service leads to setting up or expansion of micro enterprises with potential range of impacts including increased income levels and control over income leading to greater economic independence, access to networks and markets which gives wider experience of the world and access to information and possibilities of development of social and political roles, enhancing perceptions of women’s contribution to household income and family welfare, increasing women’s participation in household decisions about expenditure and other issues leading to greater expenditure on women’s welfare and more general improvements in attitudes to women’s role in household and community.

Most of microfinance programmes target women because they form larger portion of the poor, and based on belief that women invest the loans in productive activities or in improving family welfare more often than men, who are assumed to consume rather than invest loan funds (Brau, 2004). International aid donors, governments and other development experts have formulated strategies of how microfinance services can reach women also to involve women in the
development process. The ultimate aim is for programmes which are profitable and fully self-supporting in competition with other private sector banking institutions and able to raise funds from international markets rather than relying on funds from development agencies. Mayoux (1999), states that Microfinance programmes targeting women have become a major sector banking institutions and able to raise funds from international markets rather than relying on funds from development agencies.

1.1.4 Kisumu County

Kisumu County is one of the 47 Counties in Kenya; situated in western part of the Country. The County is situated in lowland region with little and unreliable patterns of rainfall; causing constant threat to food security. According to the Population Census report (2009), Kisumu County had a population of 968,909 people. The county faces high rate of unemployment, as is prevalent in many parts of Kenya.

Formal employment opportunities are scarce, as aggravated by absence of proper development of infrastructures. Women who are the majority often seek means of livelihood from the informal sector of the economy. Microfinance, therefore, has a significant role in bridging the gap between the formal financial institutions and the women, owing to the specific constraints that they face. Most significant among these constraints is lack of access to credit which is often seen to be a major obstacle to the improvement of women’s economic situation (Simojoki, 2003).

Traditionally, majority of residents in Kisumu County were not active in economic businesses and women’s role was presumed to be household chores; hence they lacked entrepreneurial skills. They seek microcredits to start-up businesses, yet availability of funds does not guarantee business skills. This has attributed to collapse of a good number of SMEs before their 5th birth
days. Some fail to expand, hence missing benefits of economy of large scale. The challenges are not only in the areas of financing investment and working capital, but also in human resource development, market access, and access to modern technology and information.

To overcome some of the constraints, the government through CDF Kitty, Uwezo fund, and Women Enterprise fund, has designed programs and policies that are market driven to support SMEs owned by women in the county. For all public contracts, 30% of the contracts are preserved for women and youth.

1.2 Research Problem

Despite the pervasive belief that microfinance helps women, few programmes have developed concrete ways to meet the distinct demands of poor women for savings services. Kiriti (2005), in his study concentrated on the impact of microfinance repayment on household asset. The findings are that poor households depleted livelihood assets in the course of loan repayment since the income generating activities were not raising enough profits to repay the loans on time. Kiriti (2005) argues that microfinance tends to indebt too poor women leaving them more vulnerable and exposed. The study shows that debt for vulnerable households could make them worse off due to their effects on livelihood assets in case of inability to repay or gender biases in the control of household resources. Some MFIs have faced financial liquidity problems due to loan defaulting clients.

Kiiru (2007) concluded that microfinance may be relevant for poverty reduction, but does not reach the poorest as often claimed. The results from these studies have identified beneficial impacts of the “active poor” but argue that microfinance does not assist the poorest as it is often
claimed mainly because it does not reach them. Dupas and Robinson (2011) study shows that the informal savings mechanisms available in rural areas are effective in allowing a sizeable fraction of market women to save (and subsequently invest) as much as they would like.

Mayoux (1999) states that increasing women’s access to microfinance services can lead to their economic empowerment. Kiiru (2007) concluded that microfinance may be relevant for poverty reduction, but does not reach the poorest as often claimed. The results from these studies have identified beneficial impacts of the “active poor” but argue that microfinance does not assist the poorest as it is often claimed mainly because it does not reach them. Women particularly have greater difficulties in terms of accessing banking and related services (Pomeranz 2014).

From the above studies little focus has been laid on microfinance services and empowerment of women in Kisumu County, Kenya. This study is therefore geared towards answering the research question: What is the effect of asset expansion, decision role, education and health on empowerment of women in Kisumu County, Kenya?

1.3 Research Objective

The specific objective was to establish the effect of assets expansion, decision role, education and health on empowerment of women in Kisumu County, Kenya.
1.4 Value of the Study

The study will be useful to MFIs, policy-makers, regulators and development practitioners to understand the effect of assets expansion, decision role, education and health on empowerment of women and enable them understand which areas need improvement to serve women better. The study will add to the body knowledge on women empowerment and provide a framework for researchers in gender to carry out further research. Through the process of interviews and validation workshops as well as dissemination of the final report the study will sensitize women to view microfinance as a tool for empowerment.

Finally, considering the limited knowledge in the same field, this study will be of great significance to the Kenyan academicians as they seek to increase their knowledge on the relationship between microfinance and financial empowerment of women in Kenya. The policy-makers, regulators and development practitioners include: government, researchers and MFIs.
CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The chapter focuses on the concepts of assets expansion, decision role, education and health and the role they play in empowerment of women. It also describes related studies. This chapter covers the theoretical review, empowerment of women, empirical review on assets expansion, decision role, education and health and the summary of literature review.

2.2 Theoretical Review

This section highlights theoretical reviews of microfinance lending on financial performance of female clients and this will be on the Neo-Classical Theory, Joint Liability Theory, Women Empowerment Theory and Economic Theory.

2.2.1 Neo-Classical Theory

Neo-classical growth models emphasize the importance of savings for wealth accumulation for growth of a country’s economy. An economy that does not produce excess over its consumption shall have nothing to save, hence lack of capital stock. Production function determines how much output the economy produces. Growth in the capital stock leads to economic growth, and vice versa. On the other hand, investment and depreciation affect the capital stock. The steady state level of capital is the long run equilibrium in an economy. The saving rate in an economy determines the allocation of output between consumption and investment and is thus a key determinant of the steady state capital stock; if the savings rate is high the economy will have a large capital of stock and a high level of output. (Lipsey et al.1999).
One of the main constraints for poor households in developing countries is the lack of access to financial services. This is a consequence of poorly developed financial markets and commercial banks tending to offer its services almost exclusively to the medium and large companies that are thought to be credit worthy. (Todaro et al.2003). This implies a major consumption and savings constraint for the individuals living in developing countries and in view of neo-classical growth theories, it implies that the accumulation of capital is hampered and the growth of the country’s economy is restrained (Lipsey et al.1999).

The borrowing constraint makes it impossible for the individuals to smooth on the consumption and to follow the optimal consumption pattern. The individuals find themselves in a corner solution where the desired level of consumption at each point of their life cannot be reached. The restriction of the possibilities to invest and consume makes it harder to obtain basic services such as food, education, health care and housing. In order to reduce the borrowing constraint, individuals that wish to obtain credits but who do not have access to the formal financial market are often forced to borrow from lenders in the informal markets who charge high interest rate, which in some cases reaches up to 20 percent a day. (Todaro et al., 2003)

The emergence of microfinance institutions represents an option to going to informal moneylenders and presents a way to eliminate the borrowing constraint in developing countries. In countries where the financial system is not well developed and functioning, microfinance can lead to an increase in the individual’s utility and wealth by enabling him or her to increase consumption and savings. It allows the individual to save which make it possible for each
individual to smooth consumption and follow his or her optimal lifetime consumption. (Todaro et al., 2003, Bayoumi, 1993)

### 2.2.2 Joint Liability Theory

Joint liability theory broadly can be grouped under two categories. First, under explicit joint liability, which can occur when one borrower default to repay his/her loan, and group members are contractually required to repay on behalf of the member. The members therefore become keepers of one another, because any member’s loan repayment default is considered as the group’s. The consequences the group may suffer include the denial of future credit, recovery of the same from the group savings fund treated as collateral for the loans. (Banerjee et al. 1994).

The second category is the perception that joint liability can be implicit. That is, borrowers believe that if a group member defaults, the whole group will become ineligible for future loans even if the lending contract does not specify this punishment. One form in which this can happen is if the microfinance organization itself chooses to fold its operations when faced with delinquency, (Mohamed and Mohamed, 2007).

Ghatak and Guinnane (1999) review the key mechanisms proposed by various theories through which joint liability could improve repayment rates and the welfare of credit constrained borrowers. These all have, in common, the idea that joint liability can help alleviate the major problems facing lenders screening, monitoring, auditing, and enforcement by utilizing the local information and social capital that exist among borrowers. In particular, joint liability can do better than conventional banks for two reasons. First, members of a close-knit community may have more information about one another (that is, each other’s types, actions, and states) than
outsiders. Second, a bank has limited scope for financial sanctions against poor people who default on a loan, since, by definition, they are poor. However, their neighbors may be able to impose powerful nonfinancial sanctions at low cost. An institution that gives poor people the proper incentives to utilize information about their neighbors and to apply non-financial sanctions to delinquent borrowers can do better than a conventional bank.

2.2.3 Women’s Empowerment Theory

Generally, societies with high level of gender inequality are characterized by slow economic growth and high level of poverty, (King et al., 2001). The concept of empowerment can be divided into various dimensions and when looking into the economic and interpersonal dimension, that is women’s control over income, access to credit, decision making in the household and birth control are emphasized (Malhotra et al., 2002). Commercial banks often focus on men and formal businesses, neglecting the women who make up a large and growing segment of the informal economy. Studies have shown that well performing microfinance programs, specifically the ones providing programs integrated with social services, empower and increase the wealth of the borrower. This is one of the reasons of microfinance institutions to focus on women. This is also one of the reasons of why international donors, local NGOs and governments have put microfinance on both their gender and poverty reduction agenda (Cheston et al., 2002). Microfinance on the other hand often targets women, in some cases exclusively. Female clients represent eighty-five percent of the poorest microfinance clients reached.

Microfinance therefore makes a strong contribution to the realization of the Millennium Development Goals. Another MDG aimed to be achieved by 2015 is “Promoting gender
equality and empowering women”. In order to achieve this target, governments and private institutions should implement enterprise development, supply chain and marketing practices that strengthen women’s status as well as promoting education, training and professional development for women (UN Women & United Nations Global Compact 2011). Economic ties produced through access to microcredit led to improvements in women’s social capital and their ability to influence social norms (Sanyal, 2009). This fosters women’s capacity to undertake collective action and facilitated their collective empowerment.

2.2.4 Economic Theory

The microfinance industry designs financial tools and provides banking and related services for micro-entrepreneurs, small business owners and other poor populations lacking from access to financial services. Women particularly have greater difficulties in terms of accessing banking and related services (Pomeranz 2014). By the end of 2006, microfinance services had reached over 79 million of the poorest women in the world. As such, microfinance has the potential to make a significant contribution to gender equality and promote sustainable livelihoods and better working conditions for women.

Lending to poor people is a challenge for MFI’s and their sustainability because of information problems and high credit risk perception in the market. Some MFIs in developing countries are suffering from lack of sufficient institutional capacity and small financial base. For instance, the majority of MFIs in developing countries cannot provide sustainable financial service to poor because they are not sustainable and viable enough (Gilberto et al. 1997). Microfinance institutions should have a strong equity and financial base and a high quality of organizational
form (Gilberto 1997) in order to perform well in the market and provide efficient services to poor people. Although microfinance literature contains studies about micro savings and micro insurance, it is mainly dominated by studies about types of microcredits and its efficiency.

Microcredit plays a critical role in empowering women; helps deliver newfound respect, independence, and participation for women in their communities and in their households. Women workers throughout the world contribute to the economic growth and sustainable livelihoods of their families and communities, (Juan Somavia, ILO Director-General, Microcredit Summit Campaign Report 2007).

2.3 Empowerment of Women

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

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

2.4 Empirical Review on Assets Expansion, Decision Role, Education and Health

While the empowering potential of microfinance programmes remains strong, the evidence of challenges, ineffectiveness and limitations of the potential is equally compelling. Although microfinance has the ability to empower women, the connection is not straightforward or easy to make. Significant research and much anecdotal evidence suggest that this link is certainly not automatic (Hunt and Kasynathan 2001, 2002; Kabeer 1998; Mayoux 1998). Just handing money to women and giving them access to financial assets and resources creates a new set of challenges for women, thus balancing the experience of empowerment with the experience of extra burdens. The key question here is whether women’s access to credit automatically translates into empowerment in terms of impact on decision-making and self-confidence. Women’s empowerment and microfinance (Kabeer, 1999) notes that, “many feminists 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.” Thus, although studies show that women’s access to microcredit empowers them in various ways, the same studies and many others also reveal that in the context of women’s empowerment, it is safe to say that “loan alone moans”. Research conducted on perspectives of women loan borrowers in Bangladesh has emphasized the negative aspect. Findings show that although the benefits of loans accrued to men and other household members, the responsibility and accountability for
repaying the loans lay with the woman client, which caused increased levels of stress and dependency (Kabeer 1998; Goetz and Gupta 1996; Rahman 1999; Todd 1996).

It has also been argued that such loans hardly pull women and their households out of poverty (Fisher and Sriram 2002, 27). As women bear the burden of repayment, they often borrow from other sources to pay back loans, leading to indebtedness. When women borrow for themselves, they lack the means to repay, because women generally invest in existing activities that are low profit and insecure (Mayoux 2006, 10). Similarly, in Nepal, although Shrestha (1998) states that women in CSD programmes were gaining autonomy, the researcher also notes that there were no noticeable changes in the nature of gender relations and their prescribed roles and responsibilities within the household. Women’s mobility increases in terms of income-generating activities, but the social stigma of women’s mobility remains. Hence, there was a realization that “women empowerment takes much more than access options. The programme needs to consider some strategic or structural changes and incorporate gender mainstreaming actions in order to inch towards the overall empowerment of women.”

Impressive literature exists that records the challenges and gaps between the goals and the empowerment potential of microfinance programmes that target women. These challenges emanate in the economic, politico-organizational, ideological and cultural domains within which microfinance institutions and microcredit lending programmes are embedded. There are about 8 to 10 million households in the world today that are members in microfinance programs with different kinds of structure, financial sustainability, repayment rates, outreach, collaterals, and that few impact studies have been made with trustworthy treatment and control groups and he stresses the importance of better research on the object. (Morduch 1999)
Today, MFI’s lending to groups has group sizes with between 5 to 50 members. Abbink et al., (2002) have investigated the importance of group sizes for the repayment performance, with the help of a game theoretical model. Their findings suggest that both smaller and larger groups have good repayment performance. Large groups have slightly less solidarity than smaller groups but this is compensated by a large distribution of risk (Abbink et al., 2002). Carpenter and Peterson (2002) argue that firms whose financial needs exceed their internal resources may be constrained to pursue potential opportunities for growth. The insufficient internally generated liquidity is therefore one of the factors which are frequently cited as the causes of Small and Medium failure in developing economies. It is from this perspective, the Microfinance Institutions are considered to be an appropriate solution to the small and medium enterprises in availing the loans. Empirical evidence shows that all improvements of the women’s status will contribute to breaking the vicious cycle of poverty and insufficient schooling. An employment outside their homes, which reduces their isolation and an independent source of income are aspects that would improve their roles. Here, microcredit can play a crucial role. (Todaro et al., 2003)

In Bangladesh, Hashemi, Schuler and Riley (1996) found that microfinance programmes of the Bangladesh Rural Advancement Committee (BRAC) promoted social and political awareness and participation in political campaigns and protests. In Nepal, Shrestha (1998, 28) found that the CSD programme resulted in women’s political participation: 96 women were elected to village and district development committees. In India, there is evidence of microfinance programmes leading to women’s political empowerment through political mobilization. WWF has a money-lending branch, and it has also successfully trained and mobilized women to take
civic action to support women’s rights and against social problems (Cheston and Kuhn 2002). Similarly, Sanyal’s study (2009) recorded that women in self-help microcredit groups in West Bengal mobilized in response to issues related to domestic violence, men’s extra-marital affairs, acquiring public goods and anti-gambling and anti-alcoholism campaigns.

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. Women may also struggle with the heavier workload created by the responsibility for loan repayment. Changes in the access to finance 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.

Here, SHGs were formed to manufacture products such as batik and embroidered articles. The author notes that the project has fostered participation of all members, including women. This has led to “enhancement of women’s status in the household and also at the community level. Some members of the women’s groups are reportedly engaged in local community management structures and issues.”

Finally, major evidence of women’s empowerment through microfinance was found in its impact on women’s political empowerment and rights. In the Philippines, for instance, Cheston and
Kuhn (2002) noted that women clients of Opportunity Microfinance Bank have gained leadership experience and confidence as leaders of their Trust Banks, and have gone on to be elected as leaders within their barangays – a community-level political unit. Thus, the hypothesis assets expansion, decision role, children’s education, and health have significant effect on the empowerment of women in Kisumu County, Kenya.

2.5 Summary of Literature Review

Finally, major evidence of women’s empowerment through microfinance is to find in its impact on women’s political empowerment and rights. In the Philippines, for instance, Cheston and Kuhn (2002) note that women clients of Opportunity Microfinance Bank have gained leadership experience and confidence as leaders of their Trust Banks, and have gone on to be elected as leaders within their barangays – a community-level political unit.

The review of literature shows mixed results. Some studies argue that accessibility of financial services significantly and positively do contribute to the improvement welfare of women, while other studies indicated that women that accessed MFIs loans did not show any sign of growth. Due to mixed results it is worthy to investigate whether microfinance services have a positive impact on women empowerment in Kisumu County, Kenya.
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the research methodology to be used in the study. It includes the methods used for collecting the data for the study; namely research design, target population, sampling procedures, data collection and analysis procedures with the expected results as a representation of the study.

3.2 Research Design

The study was conducted by the use of the survey (field) design. A survey is an attempt to collect data from members of a population in order to determine the current status of that population with respect to one or more variables, (Mugenda and Mugenda, 2003). Mwindi (2002) used survey method to study SMEs operating in Nairobi that have been financed by MFIs.

3.3 Population

Population refers to an entire group of individuals, events or objects having a common observable characteristic. The population of the study comprised of seven MFIs operating in Kisumu County with over 1,000 clients. However, four main MFIs were considered to be representative owing to their high number of clients, forming about 70% of the population. The population of this study was 60 female clients of four main MFIs operating in Kisumu County.

3.4 Sample

The study adopted a stratified random sampling, with a target sample of 60 female clients of four MFIs operating in Kisumu County which were to achieve the intended objective of the study. The target population was grouped into four main MFIs in Kisumu County. A sample of fifteen
clients was drawn from each MFI. Random sampling was used in choosing the sample within the strata of the MFI. The goal of stratified random sampling was to achieve the desired representation from various sub-groups in the population. This gave rise to an aggregate population of 60 respondents to form the sample of the study.

3.5 Data Collection

Primary data was gathered using structured questionnaires. In order to ensure uniformity in response and to encourage participation, the questionnaire was short and structured with mostly multiple-choice selections in likert scale. Questionnaires are advantageous as the responses are to be gathered in a standardized way, so questionnaires are more objective, certainly more so than interviews. Questionnaires are commonly used to obtain important information about a population under study (Mugenda and Mugenda, 2003). The researcher obtained an introductory letter from the University of Nairobi to collect data and personally administered the questionnaires to the respondents.

3.6 Data Analysis

A simple regression model was used for data analysis. The study focused on two key variables, the independent and the dependent variables. Data collected was purely quantitative and was analyzed using the linear regression model. The study used a simple regression equation. The dependent variable is empowerment of women in Kisumu County which is to be measured using the services offered by MFIs. The independent variable is access to microfinance services which are measured through checking the loan records from MFIs’ clients’.
The study used simple regression model of equation to establish the relationship between access to microfinance services and empowerment of women in Kisumu County.

The analytical model, \( Y = a + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e \)

Where

\( Y \) = Empowerment on women as measured by level of assets expansion, decision role, children’s education and health.

\( a \) = the intercept of the regression equation which represents empowerment on women with no microfinance services

\( \beta_1 \ldots \beta_4 \) = represent regression coefficients of the respective independent variables.

\( X_1 \) = Assets expansion

\( X_2 \) = Increased decision role

\( X_3 \) = Education

\( X_4 \) = Health

\( e \) = is the error term

To establish the effect of microfinance services on empowerment of women in Kisumu County, the formulated Regression Equation above was used. The independent variables \( X_1 \), \( X_2 \), \( X_3 \), and \( X_4 \) are values accruing from microfinance services used for this study which were measured using the various questions asked to the respondents in the questionnaire.
The qualitative data was analyzed using content analysis in which the data was clouded and grouped into common themes. Tables were used as appropriate to present the data analysis for ease of understanding and interpretation.
CHAPTER FOUR: DATA ANALYSIS AND FINDINGS

4.1 Introduction

This chapter deals with data analysis and findings of concepts of assets expansion, decision role, education and health and empowerment of women. It is divided into the background of the study, the preliminary findings, the test of hypothesis and interpretation of results. The presentation of findings lay focus on descriptive statistics. Data has been presented by use of tables.

The tests of hypothesis focus on inferential statistics on assets expansion, decision role, education and health and empowerment of women. The interpretation of the results focuses on the effect of assets expansion, decision role, education and health on empowerment of women.

4.2 The Background of the Study

There were 60 female clients of four MFIs operating in Kisumu County by 18 October 2015. These 60 female clients represented the four MFIs. Of the 60 female clients, respondents from 37 female clients submitted their response to the researcher. The valid respondents were 37 female clients which represents 62% of the 60 female clients of four MFIs operating in Kisumu County. The background of the study has been analyzed using the descriptive statistics. The data is presented on tables. It entail the kinds of businesses, when businesses were established, age brackets of traders and their level of education.
4.2.1 When Businesses were established

The year when businesses were established are categorized as before 2000, 2000-2005, 2006-2010 and 2011-2015.

Table 4.1: When Business was established

<table>
<thead>
<tr>
<th>When Business was Established</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before 2000</td>
<td>1</td>
<td>3.6</td>
</tr>
<tr>
<td>2000-2005</td>
<td>6</td>
<td>21.4</td>
</tr>
<tr>
<td>2006-2010</td>
<td>9</td>
<td>32.1</td>
</tr>
<tr>
<td>2011-2015</td>
<td>12</td>
<td>42.9</td>
</tr>
<tr>
<td>Total</td>
<td>28</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Research Data, 2015

Table 4.1 illustrates when business was established. The highest scores are between the years 2011-2015. The scores represented 42.9%. This confirms that most of the businesses that are financed by the four MFIs were established between the years 2011-2015.
4.2.2 Age Bracket of the Traders

The age bracket of the traders ranges from 18-25, 26-35, 36-45, 46-55 and over 55.

Table 4.2: Age Bracket of the Traders

<table>
<thead>
<tr>
<th>Age Bracket of Traders</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-25</td>
<td>3</td>
<td>8.1</td>
</tr>
<tr>
<td>26-35</td>
<td>20</td>
<td>54.1</td>
</tr>
<tr>
<td>36-45</td>
<td>12</td>
<td>32.4</td>
</tr>
<tr>
<td>46-55</td>
<td>2</td>
<td>5.4</td>
</tr>
<tr>
<td>Total</td>
<td>37</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Research Data, 2015

Table 4.2 illustrates the age bracket of the traders. The range of 26-35 year has the highest score of 54.1%. The study reveals that most of the traders that are financed by the four MFIs range between the ages of 26-35.
4.2.3 Level of Education

The level of education is categorized as master’s degree, bachelors’ degree, college diploma, secondary, primary and others.

Table 4.3: Level of Education

<table>
<thead>
<tr>
<th>Level of Education</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Masters degree</td>
<td>1</td>
<td>2.7</td>
</tr>
<tr>
<td>Bachelors Degree</td>
<td>7</td>
<td>18.9</td>
</tr>
<tr>
<td>College Diploma</td>
<td>11</td>
<td>29.7</td>
</tr>
<tr>
<td>Secondary</td>
<td>14</td>
<td>37.8</td>
</tr>
<tr>
<td>Primary &amp; Others</td>
<td>4</td>
<td>10.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>37</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Source: Research Data, 2015

Table 4.3 illustrates the level of education. The study reveals that the secondary education has the highest score of 37.8%. The study reveals that most of the traders who are financed by the four MFIs have secondary education.
4.2.4 Marital Status

The marital status is categorized as single, married and divorced.

Table 4.4: Marital Status

<table>
<thead>
<tr>
<th>Marital Status</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single</td>
<td>15</td>
<td>40.5</td>
</tr>
<tr>
<td>Married</td>
<td>21</td>
<td>56.8</td>
</tr>
<tr>
<td>Divorced</td>
<td>1</td>
<td>2.7</td>
</tr>
<tr>
<td>Total</td>
<td>37</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Research Data, 2015

Table 4.4 illustrates the marital status. The study reveals that the married has the highest score of 56.8%. The study reveals that most of the traders who are financed by the four MFIs are married.
4.2.5 Number of Children

The number of children is categorized as 0, 1, 2, 3, 4 and above.

Table 4.5: Number of Children of the Traders

<table>
<thead>
<tr>
<th>Number of Children of the Traders</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>6</td>
<td>20.0</td>
</tr>
<tr>
<td>1</td>
<td>10</td>
<td>33.3</td>
</tr>
<tr>
<td>2</td>
<td>4</td>
<td>13.3</td>
</tr>
<tr>
<td>3</td>
<td>2</td>
<td>6.7</td>
</tr>
<tr>
<td>4 and above</td>
<td>8</td>
<td>26.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>30</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Source: Research Data, 2015

Table 4.5 illustrates the number of children that the traders have. The study reveals that 1 (one) has the highest score of 33.3%. The study reveals that most of the traders who are financed by the four MFIs have one child.

4.3 Preliminary Finding

The preliminary findings cover the data analysis on women empowerment, asset expansion, decision role, education and health. Descriptive statistics are used to analyze the data. The results are explained after each conceptual analysis. One sample t-test was used at 95% confidence level to test the level of significance (p < 0.05). The number 0 was used as a test value since were random Likert scale. The test generated t-values, mean, standard deviation and p-values. The t-value explains the statistical significant differences with regard to the measurements of variables across the study. The mean score illustrate the ranking of the dimensions and indicators of variables. The standard deviation explains the level of dispersion.
4.3.1 Empowerment of Women

The concept of empowerment of women covered the type of business, source of start-up capital, loan accessibility, the amount borrowed, repayment time, savings time, business seminars and noticeable growth of the business.

Table 4.6: Empowerment of Women

<table>
<thead>
<tr>
<th>Empowerment of Women</th>
<th>t</th>
<th>Std. Deviation</th>
<th>Sig. (2-tailed)</th>
<th>Mean</th>
<th>95% Confidence Interval of the Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>28.014</td>
<td>4.80</td>
<td>.000</td>
<td>22.10</td>
<td>Lower: 20.50, Upper: 23.70</td>
</tr>
</tbody>
</table>

Source: Research Data, 2015

Table 4.6 illustrates empowerment of women. The t – value (28.014), the σ = 4.80 and the mean = 22.10 are shown. The study shows that women empowerment is significant (p < 0.05) to the traders who access funds from the four MFIs in Kisumu County.
4.3.2 Assets Expansion

The assets expansion covered the value of the traders’ properties before and after joining the MFIs. The property included the real estates, motor bikes, vehicles, livestock and land in acres.

Table 4.7: Assets Expansion

<table>
<thead>
<tr>
<th>One-Sample Test</th>
<th>Test Value = 0</th>
</tr>
</thead>
<tbody>
<tr>
<td>t</td>
<td>Std. Deviation</td>
</tr>
<tr>
<td>Assets Expansion</td>
<td>9.354</td>
</tr>
</tbody>
</table>

Source: Research Data, 2015

Table 4.7 illustrates assets expansion. The t-value (9.354), the $\sigma = 0.75$ and the mean = 2.50 are shown. The study shows that assets expansion is significant ($p < 0.05$) to the traders who access funds from the four MFIs in Kisumu County.
4.3.3 Decision Role

The decision role covered the value of the traders’ household expenditure, house ownership, finance for house construction and rental residence.

Table 4.8: Decision Role

<table>
<thead>
<tr>
<th></th>
<th>Test Value = 0</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>t</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Decision Role</td>
<td>22.539</td>
</tr>
</tbody>
</table>

Source: Research Data, 2015

Table 4.8 illustrates decision role. The t – value (22.539), the σ = 1.75 and the mean = 6.51 are shown. The study shows that decision role is significant (p < 0.05) to the traders who access funds from the four MFIs in Kisumu County.
### 4.3.4 Education

Education involved any difficult experience by the traders in paying school fees, since joining the MFIs.

**Table 4.9: Education**

<table>
<thead>
<tr>
<th></th>
<th>Test Value = 0</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>t</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Education</td>
<td>22.487</td>
</tr>
</tbody>
</table>

**Source: Research Data, 2015**

Table 4.9 illustrates education. The $t$ – value (22.487), the $\sigma = 0.65$ and the mean = 2.44 are shown. The study shows that education is significant ($p < 0.05$) to the traders who access funds from the four MFIs in Kisumu County.
4.3.5 Health

Health covered medical insurance policy for the traders and their family, the family’s reaction towards the traders from the time they obtain microfinance services, whether the traders are involved in families’ decisions pertaining to assets acquisition, elective posts held and their success due to microfinance.

Table 4.10: Health

<table>
<thead>
<tr>
<th></th>
<th>t</th>
<th>Std. Deviation</th>
<th>Sig. (2-tailed)</th>
<th>Mean</th>
<th>95% Confidence Interval of the Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health</td>
<td>25.463</td>
<td>2.05</td>
<td>.000</td>
<td>8.62</td>
<td>7.93 - 9.30</td>
</tr>
</tbody>
</table>

Source: Research Data, 2015

Table 4.10 illustrates health. The t – value (25.463), the σ = 2.05 and the mean = 8.62 are shown. The study shows that health is significant (p < 0.05) to the traders who access funds from the four MFIs in Kisumu County.

4.4 Hypothesis Test and Interpretation of Results

The tests of hypothesis focus on inferential statistics on assets expansion, decision role, education and health on empowerment of women. The dependent variable was captured from the primary data that focused on the empowerment of women on microfinance. The software of SPSS version 21 was used to process the multiple regression analysis used in this study. The interpretation of the results focuses on the effect of assets expansion, decision role, education and health on empowerment of women.
Table 4.11: The Effect of Assets Expansion on Empowerment of Women

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Change Statistics</th>
<th>F - Ratio</th>
<th>P - value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>.484a</td>
<td>.235</td>
<td>.235</td>
<td>1.840</td>
<td>.224</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Assets Expansion
b. Dependent Variable: Empowerment of Women

Source: Research Data, 2015

Table 4.11 illustrates the effect of assets expansion on empowerment of women. Correlation coefficient (R) is 0.484. This means that the correlation between assets expansion and empowerment of women is moderately weak. The coefficient of determination (R²) is 23.5%. The corresponding F-ratio is 1.840. The study reveals that savings benefit is not significant (p > 0.05) on empowerment of women.

Table 4.12: The Effect of Decision role on Empowerment of Women

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Change Statistics</th>
<th>F Ratio</th>
<th>P - value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>.138a</td>
<td>.019</td>
<td>.019</td>
<td>.684</td>
<td>.414</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Decision Role
b. Dependent Variable: Empowerment of Women

Source: Research Data, 2015

Table 4.12 illustrates the effect of decision role on empowerment of women. Correlation coefficient (R) is 0.138. This means that the correlation between decision role and empowerment of women is very weak. The coefficient of determination (R²) is 1.9%. The corresponding F-ratio is 0.684. The study reveals that decision role is not significant (p > 0.05) on empowerment of women.
Table 4.13: The Effect of Education on Empowerment of Women

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Change Statistics</th>
<th>F - Ratio</th>
<th>P - value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.065a</td>
<td>.004</td>
<td>.004</td>
<td>.144</td>
<td>.706</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Education  
b. Dependent Variable: Empowerment of Women

Source: Research Data, 2015

Table 4.13 illustrates the effect of education on empowerment of women. Correlation coefficient (R) is 0.065. This means that the correlation between education and empowerment of women is very weak. The coefficient of determination (R²) is 0.4%. The corresponding F-ratio is 0.144. The study reveals that education is significant (p > 0.05) on empowerment of women.

Table 4.14: The Effect of Health on Empowerment of Women

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Change Statistics</th>
<th>F Change</th>
<th>Sig. F Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.119a</td>
<td>.014</td>
<td>.014</td>
<td>.506</td>
<td>.482</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Health  
b. Dependent Variable: Women Empowerment of Women

Source: Research Data, 2015

Table 4.14 illustrates the effect of health on empowerment of women. Correlation coefficient (R) is 0.119. This means that the correlation between health and empowerment of women is very weak. The coefficient of determination (R²) is 1.4%. The corresponding F-ratio is 0.506. The study reveals that health is not significant (p > 0.05) on empowerment of women.
Table 4.15: The Effect of Assets Expansion, Decision Role, Education and Health on Women Empowerment

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Change Statistics</th>
<th>F - Ratio</th>
<th>P - value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>R Square Change</td>
<td>F - Ratio</td>
<td>P - value</td>
</tr>
<tr>
<td>1</td>
<td>.484&lt;sup&gt;a&lt;/sup&gt;</td>
<td>.235</td>
<td>.235</td>
<td>1.840</td>
<td>.224</td>
</tr>
<tr>
<td>2</td>
<td>.559&lt;sup&gt;b&lt;/sup&gt;</td>
<td>.313</td>
<td>.078</td>
<td>.570</td>
<td>.484</td>
</tr>
<tr>
<td>3</td>
<td>.749&lt;sup&gt;c&lt;/sup&gt;</td>
<td>.561</td>
<td>.248</td>
<td>2.256</td>
<td>.208</td>
</tr>
<tr>
<td>4</td>
<td>.842&lt;sup&gt;d&lt;/sup&gt;</td>
<td>.709</td>
<td>.148</td>
<td>1.526</td>
<td>.305</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Assets Expansion
b. Predictors: (Constant), Assets Expansion, Decision Role
c. Predictors: (Constant), Assets Expansion, Decision Role, Education
d. Predictors: (Constant), Assets Expansion, Decision Role, Education, Health
e. Dependent Variable: Empowerment of Women

Source: Research Data, 2015

Table 4.15 illustrates effect of assets expansion, decision role, education and health on empowerment of women. The results show that the correlation coefficient (R) of assets expansion is 0.484, when the parameter of decision role is added it increases to 0.559, with addition of the parameter of education it increases to 0.749, with addition of the parameter of health it increases to 0.842.

The results further indicate that there are different variations in empowerment of women by assets expansion, decision role, education and health. The coefficient of determination (R²) of assets expansion is 23.5%. When parameter of decision role is added, the change of the coefficient of determination (ΔR²) decreases by 7.8%, with a further addition of the parameter of education the % of variability accounted for increases by 24.8%. An additional parameter of health the % of variability accounted for increases by 14.8%.
The corresponding F-ratio for the model, assets expansion F-ratio is 1.840. When the parameter of decision role is added, the change in F-ratio is 0.570. A further addition of the parameter of education the change in F-ratio is 2.256. An additional parameter of health the change in F-ratio is 1.526.

The corresponding p-value for the model, assets expansion organizational is not significant (p > 0.05). When the parameter of decision role is added model 2 is not significant (p > 0.05), with a further addition of the education Model 3 is not significant (p > 0.05). An additional parameter of health Model 4 is not significant (p > 0.05).

The result shows that the combination of assets expansion, decision role, education and health on empowerment of women has no statistically significant effect. The researcher had prior examined the effects of the individual independent variables on the dependent variable which were individually not significant.

4.5 Discussion of the Study

The overall result shows that the combination of assets expansion, decision role, education and health on women empowerment has no statistically significant effect (p > 0.05).

The saving rate in an economy determines the allocation of output between consumption and investment and is thus a key determinant of the steady state capital stock; if the savings rate is high the economy will have a large capital of stock and a high level of output. (Lipsey et al.1999). The consequences the group may suffer include the denial of future credit, recovery of the same from the group savings fund treated as collateral for the loans. (Banerjee et al.1994).
Economic ties produced through access to microcredit led to improvements in women’s social capital and their ability to influence social norms (Sanyal, 2009). The majority of MFIs in developing countries cannot provide sustainable financial service to poor because they are not sustainable and viable enough (Gilberto et al. 1997). More asset expansion, decision roles, education and health should be enhanced to these women in order to minimize or eradicate their denial of future credit and sustain their financial service through access of microcredit.
CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter evaluates the outcome of the study. It is comprised of the summary of the findings, conclusion, implications of the study, limitations of the study and area for further research. The implications of the study include the theoretical, methodological policy of the study.

5.2 Summary of Findings

The main objective of the study is to examine the impact of microfinance on empowerment of women in Kisumu County, Kenya. The specific objective was to establish the effect of assets expansion, micro-credits benefits, education, and health on women empowerment with microfinance services in Kisumu County, Kenya. The study reveals that there is no significant effect of assets expansion, decision role, education and health on women empowerment in Kisumu County, Kenya.

The study sought to how microfinance services have empowered women in Kisumu County. Microfinance services assets expansion, decision role, education and health. The questionnaires were designed in line with the specific objective of the study. The questionnaires were used to collect qualitative and quantitative data. To enhance the quality of data obtained, structured type questions were included whereby respondents indicated the extent to which the variables were practiced. Frequency distribution tables were used to present data while percentages are used to discuss the findings. The research established that most of the respondents did not have any other source of financing other than microfinance.
In addition, the main benefits from microfinance institutions to the respondents were savings and credit/loans facilities respectively. The research further found out that majority of the respondents had not had any business experience before receiving loans from microfinance. The researcher also discovered that majority of the respondents financed their development projects by loan from MFIs and from personal savings respectively. The poor women realized a positive change to their financial and social situation and started taking active part in the decision making process of the family and society. The success of increasing role in decision making process in the family reveals that microfinance institutions are highly associated to build up of social and economic empowerment. The financial resources obtained from the MFIs by majority of the respondents were utilized for business related purposes, meaning that MFIs are contributing a lot to start the new small-scale businesses as well as in the expansion of old businesses. In addition, the procedure of obtaining loans from MFIs is easier than conventional banking because there is no requirement of collateral to take the loan from MFIs.

The study established that better financial situation and easier procedure of obtaining loans from MFIs than conventional banking were the most significant effects of microfinance and financial empowerment to women in lower class income individuals in Kenya. Other effects included an increase in employment opportunities; operational assistance received from MFIs was helpful to run the business and reasonable rate of interest of micro credit.
5.3 Conclusions

The main objective of the study is to examine the impact of microfinance on empowerment of women in Kisumu County, Kenya. The specific objective was to establish the effect of assets expansion, decision role, education, and health on women empowerment in Kisumu County, Kenya. The objective of the study was achieved by examining the effect of assets expansion, decision role, education, and health on women empowerment in Kisumu County, Kenya.

The research concluded that most of the customers of microfinance institutions were in the informal employment and thus were the major beneficiaries and target of microfinance institutions as those from formal employment had access to conventional banking institutions. In addition, the main services that the clients sought from microfinance institutions were savings, credit/loans facilities and advisory services respectively. The research concluded that majority of the respondents had not had any business experience before joining MFIs, and that those clients who were empowered on entrepreneurship manage their business better than those who were not trained on how to invest.

The researcher also concluded that respondents financed their development projects by borrowing credit/loan facilities from MFIs. The poor women realized a positive change to their financial and social situation and started taking active part in the decision. The respondents were utilizing credit facilities from MFIs for business related purposes; hence MFIs contributed a lot to starting of the new small-scale businesses as well as in the expansion of old businesses. The majority of respondents prefer going for loans from MFIs to mainstream banking because of the procedures are less involving. In the World Bank (2002), it was stated that microfinance services
empowers women through the expansion of assets, enhanced decision roles, better health and children education.

5.4 Implications of the Study

The implications of the study are categorized into theoretical, methodological and managerial. Theoretical implications include the additional knowledge on theories and the academic implication. The additional knowledge on theories contributes to the existing theories. The academic implications enhance empirical knowledge.

Methodological implication includes the relevance of the methodology used and the policy implication describes the policy and practice. The relevance of the methodology used confirms its accomplishment of the findings of the study. The policy implications focus on the decision making of the organizations.

5.4.1 Theoretical Implications

The study enhanced the linkage of the neo-classical theory, joint liability theory, women empowerment theory and economic theory. The linkage of these theories resulted to the finding that more health should be enhances to women to minimize or eradicate their denial of future credit and sustain their financial service through access of microcredit.

5.4.2 Methodological Implications

The study used the descriptive and inferential statistics to analyze the data. The descriptive statistics was used to analyze the data on the background of the study. The inferential statistics in the form of linear regression analysis was used to test the hypothesis.
5.4.3 Policy Implications

There is need for much greater clarity in the underlying vision of microfinance programmes. This clarity entails a definition of empowerment which goes much further than either women access to microfinance services or household-level poverty alleviation. The research further established that easiness to access finance in the microfinance and enhanced access to information that would add value to the women were the most significant values of microfinance to low income earning women.

Other values included enhanced networking opportunities for women in business and harnessing of the unique capabilities and assets of women. The study recommends that MFIs should embark on training the women on entrepreneurship to enhance their skills on viable and sustainable investment ventures. Finally the research recommends that the government should formulate and review the existing policies on microfinance and financial empowerment to women in Kenya to incorporate the emerging issues due to volatility of the banking industry.

5.5 Limitations of the Study

The limitations of the study included time constraint, the period given was not adequate for a research covering a whole county with six sub-counties. Since conditions always change with time, findings in one period of time may differ if the same was done after for a longer period of time due to changes in economic conditions.

Secondly, is the focus of the study. The study was for women in Kisumu County only. Therefore, the study lacks diversity as what is affecting women in Kisumu County may be different from other Counties within the country of Kenya and therefore generalizing the findings may give the
wrong conclusions. Thirdly, the study findings were limited by the availability of financial resources. Owing to this, the study was incapacitated in the sampling of all the MFIs operating in Kisumu County. Next, the study was limited to respondents in the region facing same economic conditions which could make their answers to questionnaires more or less the same.

Consequently, the respondents approached were reluctant in giving some personal information as they regarded this information as confidential. The researcher handled the problem by carrying an introduction letter from the University of Nairobi to assuring them that the information they gave would be treated with propriety and used purely for academic purposes.

5.6 Area for Further Studies

Further research should be conducted firstly, on women empowerment programmes that are not limited to economic empowerment alone but also the socio-economic programmes.

Secondly, more research on this study’s variables is required on other the MFIs in Kenya to ensure comprehensive and representative findings on how microfinance influences women empowerment. This would also assist in comparison purposes and allow for generalization of findings on all MFIs.

Consequently, other studies on the success of women businesses and availability of microfinance credit is required. This would determine whether women businesses survive for long when microfinance credit is available or not.
REFERENCES


APPENDICES

Appendix I: Letter of Introduction

Charles Mumbo Owenga
University of Nairobi
School of Business
P. O. Box 30197-00100,
NAIROBI.

RE: THE MICROFINANCE SERVICES AND EMPOWERMENT OF WOMEN IN KISUMU COUNTY, KENYA

I am a Masters Degree student in the School of Business, University of Nairobi. In partial fulfillment of the Master of Science in Finance degree, I am conducting the above underlined study.

You have been selected to form part of this study. To this end, I kindly request for your assistance in completing the attached questionnaires. The information and data you will provide is for academic purposes only and will be treated in strict confidence.

Thank you in advance.

Yours sincerely,

Charles Mumbo Owenga

MBA STUDENT
APPENDIX II: QUESTIONNAIRE

Introduction

The main objective of this questionnaire is to collect data on microfinance services and empowerment of women in Kisumu County, Kenya. The survey results will be reported in general terms and will not identify female individuals or the identity of the specific microfinance institution referred to. Your support in completing this questionnaire objectively shall be highly appreciated.

Part 1: Respondent Details

1. Name …………………………………………………………………………

2. When was your business/organization established? ………………………………………


4. What is your level of education? 1=Masters degree  2=Bachelors degree

   3=College Diploma  4=Secondary  5=Primary & others

5. Marital status of the respondent? 1=Single  2=Married  3=Divorced

6. How many children do you have…………………

Part 2: Women Empowerment

7. What type of business do you operate?

   1=Retail shop  2=Food business  3=Boutique shop  4=Other specify………………

8. What was the source of your start-up capital for the business?

   1=Microfinance loan   2=Other source

9. How do you maintain or expand your business?

   1=Business profits   2= Loan   3= Other specify…………………………
10. If loan in (9) above where do you get the loan? 1= MFI 2= Commercial Bank
   3= Other specify .................................................................

11. How much did you borrow? Ksh. .........................

12. How often do you repay your loan?
   1= Daily  2= Weekly  3= Monthly  4= Other

13. How much do you repay your loan? ......................

14. Have you ever defaulted in repaying your loan? ..........

15. How often do you save? 1= Daily  2= Weekly  3= Monthly  4= Other

16. Have you attended any business seminar organized by MFI? 1= Yes  2= No
   If so explain how the training has improved the way run your business? ................
   .................................................................................................................................

17. How many times have received loans from MFI? 1= Once  2= More than once

18. Is there noticeable growth of your business since you received your first loan?
   1= Yes  2= No
Part 3: Assets Expansion

19. What is the value of your property before and after joining MFI

<table>
<thead>
<tr>
<th>Property</th>
<th>Before Joining MFI</th>
<th>After Joining MFI</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Size/Number</td>
<td>Value (Ksh)</td>
</tr>
<tr>
<td>Real estate</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Motor bike</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vehicle</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Livestock</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land (in acres)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL VALUE</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Part 4: Decision Role: Household Expenditures

20. On monthly average how much do you spend on the following

<table>
<thead>
<tr>
<th>Item</th>
<th>Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foodstuff</td>
<td></td>
</tr>
<tr>
<td>Transport</td>
<td></td>
</tr>
<tr>
<td>Clothing</td>
<td></td>
</tr>
<tr>
<td>Rent living quarter</td>
<td></td>
</tr>
<tr>
<td>Rent business premises</td>
<td></td>
</tr>
<tr>
<td>Medical</td>
<td></td>
</tr>
<tr>
<td>School fees</td>
<td></td>
</tr>
<tr>
<td><strong>Total Expenditure</strong></td>
<td></td>
</tr>
</tbody>
</table>

21. Do you stay in your own house? 1=Yes  2=No
22. How did you finance the construction of your house?
   1=Microfinance  2=Inherited  3=Others  4=Not applicable

23. Has your rental residence improved since you started receiving microfinance services?
   1=Yes  2=No  3=Not applicable

**Part 4: Education**

24. Since you joined MFI have you experienced any difficulty in paying school fees for your children? 1=Yes  2=No  3=Not applicable

**Part 5: Health**

25. Do you have medical insurance policy for yourself and family?
   1=Yes  2=No

26. Did you acquire medical insurance policy after you started receiving microfinance services? 1=Yes  2=No

27. Since you started getting microfinance services, how has your family been treating you?

28. Do you get involved in family decisions as pertains to what assets to acquire?
   1=Yes  2=No

29. Do you hold any elective position in the community? 1=Yes  2=No
   If yes, give reasons ..........................................................

Thank you for taking your valuable time to provide valuable information about yourself.